

# Army & Navy Club

## Annual Report and Financial Statements

For the year ended 31 December 2021



Company Registration No. 08499108 (England and Wales)

# Army & Navy Club

## Company Information

---

<b>Directors</b>	Mrs M J Balchin Mr R Bidgood Major General M A Charlton-Weedy Mr F M Froud Captain M J Hawthorne (Appointed 22 September 2021) Mr S J F James (Appointed 24 February 2022) Mr A N Macnaughton Mr G R Peel (Appointed 22 September 2021) Mr J A Theophilus Miss G Whiteside
<b>Secretary</b>	L A Y Denton
<b>Company number</b>	08499108
<b>Registered office</b>	36 Pall Mall London SW1Y 5JN
<b>Auditor</b>	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
<b>Business address</b>	36 Pall Mall London United Kingdom SW1Y 5JN

---

# Army & Navy Club

## Contents

---

	<b>Page</b>
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Profit and loss account	10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 31

---

# Army & Navy Club

## Strategic Report

For the year ended 31 December 2021

---

The directors present the strategic report for the year ended 31 December 2021.

### Executive summary

2021 saw the year start with the country in Lockdown and no trade possible because of Covid. In April, limited trade was possible, outside on the Terrace and with a maximum of six persons. It was not until late July that the Club could operate fully, with restrictions on numbers fully lifted. In September, the Government lifted the 'work from home where possible' mandate and quickly business levels improved dramatically. The Club traded very well through until early December, when Plan B was introduced and some restrictions were imposed again.

The Club finished the year in a much stronger position, thanks to the integration of the Naval Club, which closed its premises in Hill Street. All c900 members became Rag members on 1st September, with the arrangement seeing subscriptions paid for Naval Club members for the next five years following the sale of the Hill Street premises. This equated to a payment of £2.3M, paid in December.

Despite the many ups and downs and imposition of restrictions, the Club saw revenues of £4,003,413 and an operating surplus of £392,429.

### Covid 19

The Club, like hospitality more broadly, felt the effects of Covid 19 keenly. Full trading was denied for more than six months of the year, with various restrictions imposed by government at different times. The management team responded well to the challenges and member events and engagement initiatives ensured member loyalty, with secondary spend at good levels despite restrictions. The Club benefited from continued Government initiatives to support businesses financially, with some furlough payments, a reduced VAT rate and Business Rate relief through to the end of the year all helping cashflow. Member loyalty also came in the form of continued use of the 'Rag card', with members depositing credit for future spend in the Club. This forward credit balance never fell below £200k throughout the year, a great level of support.

### Staff structure

It was clear to the Board at the start of Covid that the already challenging labour market would only become more difficult once trading became possible. As a result, very few redundancies were made; the team was kept together and furlough was topped up to create loyalty. The methods were rewarded and the Club was able to re-open fully in September 2021 with all areas and outlets trading and staffed. Shortages remain in the kitchen; a national dearth of chefs continues to make this area a particular challenge. The management team also responded to the increases in costs to agency labour for events. A pool of Club own event staff on zero hours was created, providing trained staff and consistency of service in a cost effective way for peak periods.

### Costs

The latter part of the year started to see the impact of rising costs in food, beverage, wages and in particular utilities. The team mitigated where possible; some changes to the buying of wines and some foods helped keep margins in place. The one area where we had no control was utilities, which started to increase hugely. This remains an on-going challenge.

### Membership

Retention rates at the end of 2021, coming into 2022 were better than hoped at 96%, a great result given the challenges of the year and restricted usage of the Club for members. 2021 also saw just over 200 new members join the Club, in addition to the Naval Club members described above. Members further supported cashflow, with some 300 switching from monthly direct debit to annual up front payment. An incentive was provided to do so, with annual subscriptions 10% less than monthly payments.

# Army & Navy Club

## Strategic Report (Continued)

For the year ended 31 December 2021

---

### Capital Expenditure

The Board was keen to continue the improvements to the facilities and fabric of the Club, with c£400k of refurbishment carried out in the year. All 19 fourth floor bedrooms were refurbished, as was the principal events room the Pall Mall Room. A new Business Centre facility was created, in order to support the demand from members and hybrid working. All £400k was funded through cashflow and operating profits, with no dip into reserves required.

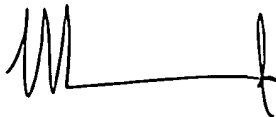
### Risks

A level of uncertainty remained throughout the year over Covid and the arrival of the Omicron variant in late November resulted in the imposition of Plan B measures in mid-December. £100k of revenues were lost at a key trading time of the year and suppressed revenues continued into January 2022. We cannot be certain that such challenges will not arise again.

### Forecast 2022

The integration of the Naval Club, its members and funds has unquestionably provided a degree of certainty and comfort for the coming year. The integration has gone well and former Naval Club members are using the Club and spending in the outlets. We continue to attract new members, with 75 being signed up in the first quarter of the year. Business on the books is healthy and we are seeing the return of overseas reciprocals after a two year Covid hiatus. A squeeze on margins from April is inevitable, with the rise in VAT, business rates coming back into effect and inflation starting to run high across the cost base. We are going to have to work hard to hit budgeted profits, but there is a competent management team in place and a supportive Board and loyal membership. With the addition of the Naval Club funds, the Club Board is content it remains a going concern.

On behalf of the board



.....

Date: 23 May 2022

# Army & Navy Club

## Directors' Report

For the year ended 31 December 2021

---

The directors present their annual report and financial statements for the year ended 31 December 2021.

### Principal activities

The principal activity of the company continued to be that of running a private Members' club.

### Results and dividends

The results for the year are set out on page 10.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Captain E J C Album	(Resigned 22 September 2021)
Mrs M J Balchin	
Mr R Bidgood	
Mr T A N Bristol	(Resigned 3 February 2022)
Major General M A Charlton-Weedy	
Mr F M Froud	
Professor C Gatrell	(Resigned 22 September 2021)
Captain M J Hawthorne	(Appointed 22 September 2021)
Mr S J F James	(Appointed 24 February 2022)
Mr J R Le Sueur	(Resigned 22 September 2021)
Mr A N Macnaughton	
Captain K M O Martin	(Resigned 22 September 2021)
Mr G R Peel	(Appointed 22 September 2021)
Major General A P Grant Peterkin	(Resigned 22 September 2021)
Colonel A C Roberts	(Resigned 1 December 2021)
Major S G Simmons	(Resigned 22 September 2021)
Mr J A Theophilus	
Miss G Whiteside	

### Auditor

Moore Kingston Smith LLP have expressed their willingness to continue in office as auditor to the company and in accordance with section 485 of the Companies Act 2006 will be proposed for re-appointment at the forthcoming Annual General Meeting.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

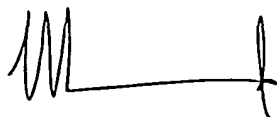
# Army & Navy Club

## Directors' Report (Continued)

For the year ended 31 December 2021

---

On behalf of the board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke ending in a vertical flourish.

.....  
Mr Frank Froud

**Director**

Date: **23 May 2022**

# Army & Navy Club

## Directors' Responsibilities Statement

For the year ended 31 December 2021

---

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# Army & Navy Club

## Independent Auditor's Report

### To the Members of Army & Navy Club

---

#### Opinion

We have audited the financial statements of Army & Navy Club (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including 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 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 company's affairs as at 31 December 2021 and of its profit 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 company 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.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

# Army & Navy Club

## Independent Auditor's Report (Continued)

### To the Members of Army & Navy Club

---

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors 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 directors 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 directors are responsible for assessing the 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# Army & Navy Club

## Independent Auditor's Report (Continued)

### To the Members of Army & Navy Club

---

#### **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.

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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company'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 company 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.

# Army & Navy Club

## Independent Auditor's Report (Continued)

### To the Members of Army & Navy Club

---

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

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.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

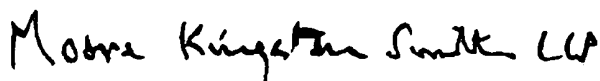
Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

#### **Use of our report**

This report is made solely to the 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 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**James Cross (Senior Statutory Auditor)**  
for and on behalf of Moore Kingston Smith LLP

Date: 8 June 2022

**Chartered Accountants**  
**Statutory Auditor**

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

## Army & Navy Club

### Profit and Loss Account

For the year ended 31 December 2021

	Notes	2021 £	2020 £
<b>Turnover</b>	<b>3</b>	4,003,413	2,849,171
Cost of sales		(364,618)	(189,716)
<b>Gross profit</b>		<b>3,638,795</b>	<b>2,659,455</b>
Administrative expenses		(3,553,785)	(3,558,273)
Other operating income		307,419	374,690
<b>Operating profit/(loss)</b>	<b>4</b>	<b>392,429</b>	<b>(524,128)</b>
Interest receivable and similar income	<b>6</b>	9,951	18,147
Fair value gains and losses	<b>7</b>	110,245	102,425
<b>Profit/(loss) before taxation</b>		<b>512,625</b>	<b>(403,556)</b>
Tax on profit/(loss)	<b>8</b>	(35,515)	(21,101)
<b>Profit/(loss) for the financial year</b>		<b>477,110</b>	<b>(424,657)</b>

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

## Army & Navy Club

### Statement of Comprehensive Income For the year ended 31 December 2021

---

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Profit/(loss) for the year</b>	477,110	(424,657)
<b>Other comprehensive income</b>		
Actuarial gain/(loss) on defined benefit pension schemes	657,000	(639,000)
<b>Total comprehensive income for the year</b>	<u>1,134,110</u>	<u>(1,063,657)</u>

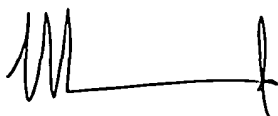
# Army & Navy Club

## Balance Sheet

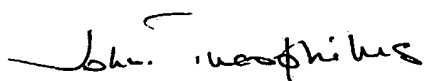
As at 31 December 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Intangible assets	9		112,199		133,909
Tangible assets	10		3,409,565		3,254,573
			<u>3,521,764</u>		<u>3,388,482</u>
<b>Current assets</b>					
Stock	11	51,058		56,540	
Debtors	12	166,527		101,924	
Investments	13	1,518,538		1,403,545	
Cash at bank and in hand		2,783,155		367,415	
		<u>4,519,278</u>		<u>1,929,424</u>	
<b>Creditors: amounts falling due within one year</b>	14	(3,304,911)		(929,735)	
<b>Net current assets</b>			<u>1,214,367</u>		<u>999,690</u>
<b>Total assets less current liabilities</b>			<u>4,736,131</u>		<u>4,388,172</u>
<b>Creditors: amounts falling due after more than one year</b>	15		(94,445)		(161,111)
<b>Provisions for liabilities</b>					
Deferred tax liability	17	(75,981)		(60,466)	
Defined benefit pension liability	18	(327,000)		(1,062,000)	
		<u>(402,981)</u>		<u>(1,122,466)</u>	
<b>Net assets</b>			<u>4,238,705</u>		<u>3,104,595</u>
<b>Capital and reserves</b>					
Profit and loss reserves			<u>4,238,705</u>		<u>3,104,595</u>

The financial statements were approved by the board of directors and authorised for issue on **23 May 2022** and are signed on its behalf by:



.....  
Mr F M Froud  
Director



.....  
Mr J A Theophilus  
Director

Company Registration No. 08499108

# Army & Navy Club

## Statement of Changes in Equity

For the year ended 31 December 2021

---

	<b>Profit and loss reserves £</b>
<b>Balance at 1 January 2020</b>	4,168,254
<b>Year ended 31 December 2020:</b>	
Loss for the year	(424,657)
Other comprehensive income:	
Actuarial gains on defined benefit plans	(639,000)
Total comprehensive income for the year	(1,063,657)
<b>Balance at 31 December 2020</b>	3,104,595
<b>Year ended 31 December 2021:</b>	
Profit for the year	477,110
Other comprehensive income:	
Actuarial gains on defined benefit plans	657,000
Total comprehensive income for the year	1,134,110
<b>Balance at 31 December 2021</b>	4,238,705

---



# Army & Navy Club

## Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £	£	2020 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	19		2,649,167		337,893
<b>Investing activities</b>					
Purchase of intangible assets		(2,471)		(121,061)	
Purchase of tangible fixed assets		(312,263)		(396,192)	
Investment gains and losses		110,245		102,425	
Interest received		3,297		376	
Other income received from investments		6,654		17,772	
<b>Net cash used in investing activities</b>			(194,538)		(396,680)
<b>Financing activities</b>					
Receipt / (repayment) of bank loans		(38,889)		200,000	
<b>Net cash (used in)/generated from financing activities</b>			(38,889)		200,000
<b>Net increase in cash and cash equivalents</b>			2,415,740		141,213
Cash and cash equivalents at beginning of year			367,415		226,202
<b>Cash and cash equivalents at end of year</b>			2,783,155		367,415

# Army & Navy Club

## Notes to the Financial Statements

For the year ended 31 December 2021

---

### **1 Accounting policies**

#### **Company information**

Army & Navy Club is a private company limited by guarantee incorporated in England and Wales. The registered office is 36 Pall Mall, London, SW1Y 5JN.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### 1.2 Going concern

The effects of COVID 19 were felt in the first part of the year with the Club partially opening from April and fully opening in mid July 2021. Full trading started in September with a healthy events programme and Bedroom take-up only to have the Omnicom variant bring everything to a halt in mid-December resulting in a slower start to 2022 than budgeted.

Following the receipt of the Naval Club monies in November 2021, the Club ended the year with cash of £2,772,440 and the Investment Portfolio valued at £1,518,537. The Club has a budget for 2022 revenues of £6,519,183 and Profit before Tax of £612,877 for the year despite the slow start resulting in a cash position at end December 2022 of £1,585,733 having repaid the £200,000 CIBL loan taken out in 2020. A cash flow for the first half of 2023 has been produced and shows that the cash position remains strong with cash generation after capital projects of £1,461,650

- Risk factors with regard to the Cash Flow:
  - COVID restrictions are re-introduced
  - Utility costs continue on it current increase trajectory
  - Unforeseen major capital expenditure
  - A recession with secondary spend curbed and less international visitors
- Favourable factors not taken into account in the Cash Flow:
  - The Club has made a claim against its insurers re business disruption due to COVID 19 and their advisors have advised that this could be settled in an amount of £250k

#### Board Decision

The Finance and Audit Committee of the Club have reviewed the cash flow and discussed the assumptions behind it with the CEO and Financial Controller and have taken all necessary steps to ensure the veracity of the Forecast Cash Flow. The Committee have recommended to the Full Board to accept the cash Flow as presented.

The full Board discussed the Cash Flow and taking in the knowledge of the trading position at that time agreed to accept the Cash Flow and confirmed that the Club was in a position to state that it was a going concern and had sufficient Cash Reserves, including the Value of the Investment Portfolio, to continue trading for the foreseeable future.

The Directors have prepared forecasts which model the impact this situation may have on the Club's income streams and cashflow under a range of possible scenarios. These forecasts cover the foreseeable future which for the avoidance of doubt is a period of not less than 12 months from the date of this report. The Club has several options available to it through use of government schemes, cash flow financing availability as well as investment portfolio to draw upon. Directors are confident that the Club can pay its debts as they fall due and are comfortable that the going concern basis is appropriate when preparing these accounts.

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### 1.3 Turnover

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured. Income is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Subscriptions income is recognised over the period to which services are provided. Memberships run annually from January to December each year. Fees received in advance of the following membership year are treated as deferred income. Fees received during the year are pro-rated.

Income generated from food and beverage, accommodation and events is recognised when the service is provided or when the event takes place.

Government grants relate to Small Business Grant Income recognised on receipt and the Coronavirus Job Retention Scheme (CJRS) income recognised as receivable in line with the period that the relevant expense has been incurred.

#### 1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	4-7 years straight line
----------	-------------------------

#### 1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Freehold property, furniture and equipment are held at an historic valuation. No depreciation is charged on freehold property. The Board are of the opinion that the Estimated Useful Economic Life of the freehold building is in excess of 50 years and that the Residual Value at the end of its estimated useful economic life is deemed to be in excess of £2,707k.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	2-10 years straight line
-----------------------	--------------------------

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

The Club does not capitalise donated assets principally comprising works of art. Works of art which are purchased by the Club are included within fixed assets at cost.

#### 1.6 Stock

Stock is stated at the lower of cost and net realisable value. Cost comprises the direct cost of wines, spirits, foods and other stocks and includes those overheads that have been incurred in bringing the stock to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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.

#### 1.8 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.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors 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. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### ***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### ***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

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. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### 1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

#### 1.12 Government grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### 1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.



# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors 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.

#### Freehold property

The freehold property is recorded at cost within the financial statements. Management have considered depreciation to be immaterial due to the estimated useful economic life of the building being greater than 50 years and the estimated residual value of the building is greater than the carrying value in the accounts.

#### Defined benefit pension scheme liabilities

The Club has obligations 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 as advised by an independent actuarial adviser. The assumptions reflect historical experience and current trends.

### 3 Turnover and other revenue

	2021 £	2020 £
<b>An analysis of the company's turnover is as follows:</b>		
Subscriptions	1,676,445	1,508,524
Rooms	888,936	551,280
Food and Beverage	1,236,988	657,150
Other	201,044	132,217
	<u>4,003,413</u>	<u>2,849,171</u>

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

	2021 £	2020 £
<b>Other significant revenue</b>		
Interest income	3,297	376
Government Coronavirus Job Retention Scheme grant	307,419	374,690
Interest income	-	17,772
Dividends received	6,654	-
	<u>317,370</u>	<u>392,838</u>

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

### 4 Operating profit/(loss)

	2021	2020
	£	£
Operating profit/(loss) for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	17,040	21,660
Depreciation of owned tangible fixed assets	157,271	192,869
Amortisation of intangible assets	24,182	-
	<u>198,493</u>	<u>214,529</u>

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Administrative Staff	17	10
Operational Staff	38	62
Total	<u>55</u>	<u>72</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,930,544	1,811,923
Agency staff	78,042	46,131
Social security costs	165,985	151,462
Pension costs	165,655	192,021
	<u>2,340,226</u>	<u>2,201,537</u>

Key Management remuneration amounted to £481,405 (2020: £425,136). This includes directors remuneration of £149,760 (2020: £121,765) and employer pension contributions to directors money purchase pension schemes of £9,600 (2020: £9,600).

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 6 Interest receivable and similar income

	2021 £	2020 £
<b>Interest income</b>		
Interest on bank deposits	3,297	376
<b>Income from fixed asset investments</b>		
Dividends received	6,654	17,772
Total income	<u>9,951</u>	<u>18,148</u>

### 7 Fair value gains and losses

	2021 £	2020 £
Gain on disposal of financial assets held at fair value through profit or loss	<u>110,245</u>	<u>102,425</u>

### 8 Taxation

	2021 £	2020 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	20,000	6,902
Total current tax	<u>20,000</u>	<u>6,902</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	15,515	14,199
Total tax charge	<u>35,515</u>	<u>21,101</u>

No tax liability arises on the company's normal operating activities as the company qualifies under the mutual trading exemption for corporation tax purposes. Corporation tax arises on bank deposit and other interest and the gains on disposals of investments.

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

### 9 Intangible fixed assets

	<b>Software £</b>
<b>Cost</b>	
At 1 January 2021	169,459
Additions	2,471
At 31 December 2021	<u>171,931</u>
<b>Amortisation and impairment</b>	
At 1 January 2021	35,550
Amortisation charged for the year	24,182
At 31 December 2021	<u>59,732</u>
<b>Carrying amount</b>	
At 31 December 2021	<u>112,199</u>
At 31 December 2020	<u>133,909</u>

### 10 Tangible fixed assets

	<b>Freehold land and buildings £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2021	2,707,790	3,887,970	6,595,760
Additions	-	313,185	313,185
At 31 December 2021	<u>2,707,790</u>	<u>4,201,155</u>	<u>6,908,945</u>
<b>Depreciation and impairment</b>			
At 1 January 2021	-	3,342,109	3,342,109
Depreciation charged in the year	-	157,271	157,271
At 31 December 2021	<u>-</u>	<u>3,499,380</u>	<u>3,499,380</u>
<b>Carrying amount</b>			
At 31 December 2021	<u>2,707,790</u>	<u>701,775</u>	<u>3,409,565</u>
At 31 December 2020	<u>2,707,790</u>	<u>546,783</u>	<u>3,254,573</u>

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

### 11 Stock

	2021 £	2020 £
Finished goods and goods for resale	51,058	56,540

### 12 Debtors

	2021 £	2020 £
<b>Amounts falling due within one year:</b>		
Trade debtors	93,930	71,774
Prepayments and accrued income	72,597	30,150
	166,527	101,924

### 13 Current asset investments

	2021 £	2020 £
Listed investments	1,456,184	1,371,422
Cash held at investment managers	62,354	32,123
	1,518,538	1,403,545
<b>Listed investments included above:</b>		
Historic cost of listed investments	1,054,060	1,058,904

### 14 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans	16	66,666	38,889
Trade creditors		295,789	77,560
Corporation tax		21,130	9,699
Other taxation and social security		603,188	278,757
Deferred income		2,130,514	-
Other creditors		34,890	151,470
Accruals and deferred income		152,734	373,360
		3,304,911	929,735

## Army & Navy Club

### Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

#### 15 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	16	94,445	161,111

#### 16 Loans and overdrafts

	2021 £	2020 £
Bank loans	161,111	200,000
Payable within one year	66,666	38,889
Payable after one year	94,445	161,111

The bank loan is unsecured and repayable monthly within 48 months of the first drawdown of the facility. There is a capital repayment holiday for 12 months from the date of the first drawdown on 11 May 2020. It is interest free for the first year. Interest is charged at 3.09% above base rate after the first year.

#### 17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Investments	75,981	60,466

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

### 18 Retirement benefit schemes

#### Defined benefit schemes

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £109,827 (2020: £112,382). Contributions totalling £12,332 (2020: £12,332) were payable to the fund at the balance sheet date and are included in creditors.

The assumptions used to calculate the pension liabilities for the Company's account under accounting standard FRS102 are different from those used for the Actuarial Valuation of the Scheme to determine the contribution rate payable. In particular, Scheme funding regulations require the funding assumptions to be prudent whereas FRS102 requires the accounting assumptions to be best estimate. Also, the discount rate for the funding assumptions can be based on the expected return on the assets actually held by the Scheme, whereas for accounting purposes FRS102 requires the use of a good quality bond yield.

This most recent actuarial valuation in 2018 showed a deficit of £689,000. The employer has agreed with the trustees that it will aim to eliminate the deficit over a period of 6 years and 7 months from 1 January 2019 by the payment of monthly contributions of £9,250 in respect of the deficit. In addition and in accordance with the actuarial valuation, the employer has agreed with the trustees that it will pay 24.2% of pensionable salaries (including members' contributions of 5.0% of pensionable salaries) in respect of the cost of accruing benefits.

The pension cost and provision for the year ending 31 December 2021 are based on the advice of a professionally qualified actuary. The most recent formal valuation is dated 1 January 2022.

The valuation of the scheme is indicative of the current market movement which has been effected by the Coronavirus pandemic. These are valuations at a point in time and will adjust according to the market.

In line with the valuation, no allowance has been made for GMP equalisation and the justification is that due to the nature of the Scheme, there is significant uncertainty over the approach which would need to be adopted. Therefore, the Directors, after consulting with the Scheme's Actuary felt it was appropriate to wait until there is more legal certainty and more guidance regarding how the Scheme will equalise benefits before making any allowance in this Scheme.

<b>Key assumptions</b>	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>
Discount rate	1.81	1.35
Retail price inflation (RPI)	3.7	3.0
Future salary increases	3.25	2.55
Future pension increases (RPI maximum 5%)	3.4	2.9

# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

### **Mortality assumptions**

Assumed life expectations on retirement at age 65:

Retiring today

- Males

- Females

Retiring in 20 years

- Males

- Females

**2021**  
**Years**

**2020**  
**Years**

21.7

21.4

24.1

23.3

22.7

22.7

25.2

24.9

### **Amounts recognised in the profit and loss account**

Current service cost

Net interest on net defined benefit liability/(asset)

Total costs

**2021**  
**£**

**2020**  
**£**

57,000

43,000

13,000

10,000

70,000

53,000

**The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:**

Present value of defined benefit obligations

Deficit in scheme

**2021**  
**£**

**2020**  
**£**

327,000

1,062,000

327,000

1,062,000

### **Movements in the present value of defined benefit obligations**

Liabilities as at 1 January 2021

Current service cost

Contributions from scheme members

Actuarial gains and losses

Interest cost

At 31 December 2021

**2021**  
**£**

1,062,000

57,000

(148,000)

(657,000)

13,000

327,000



# Army & Navy Club

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

	<b>2021</b>
	<b>£</b>
<b><i>Movements in the fair value of plan assets</i></b>	
Fair value of assets at 1 January 2021	6,958,000
Actuarial gains and (losses)	67,000
Interest income	88,000
Benefits paid	(1,075,000)
Contributions by the employee	7,000
Contributions by the employer	148,000
	<hr/>
At 31 December 2021	6,193,000
	<hr/>

	<b>2021</b>
	<b>£</b>
<b><i>Movements in the fair value of plan liabilities</i></b>	
Opening defined benefit obligation	8,020,000
Current service cost	57,000
Interest cost	101,000
Employee contribution	7,000
Actuarial losses/(gains)	(590,000)
Benefits paid	(1,075,000)
	<hr/>
At 31 December 2021	6,520,000
	<hr/>

## Army & Navy Club

### Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

#### 19 Cash generated from operations

	2021 £	2020 £
Profit/(loss) for the year after tax	477,110	(424,658)
<b>Adjustments for:</b>		
Investment income	(9,951)	(18,148)
Amortisation and impairment of intangible assets	24,182	12,744
Depreciation and impairment of tangible fixed assets	157,271	180,125
Investment gains and losses	(110,245)	(102,425)
Pension scheme non-cash movement	657,000	(639,000)
<b>Movements in working capital:</b>		
Decrease in stock	5,482	7,947
(Increase)/decrease in debtors	(64,603)	177,877
Increase in creditors	1,627,914	702,391
(Increase) in investments	(114,993)	441,040
<b>Cash generated from operations</b>	<u>2,649,167</u>	<u>337,893</u>