



MARINE SOCIETY & SEA CADETS

**Report & Accounts
For the year ended 31 March 2020**

Patron: Her Majesty the Queen

President: Admiral Sir Mark Stanhope GCB OBE DL

Charity number (England & Wales): 313013
Charity number (Scotland): SC037808

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****Overview**

Marine Society and Sea Cadets (MSSC) is a charity that helps launch young people for life today, whatever they want to do after school, and helps people who work on the sea to keep learning all their lives.

The charity makes available, through supported activities and learning, transformational opportunities for young people and seafarers so that they can improve their life chances and impact positively on the communities they live and work in.

Specifically;

For Sea Cadets We help young people to launch well into today's world

Through a different kind of adventure, Sea Cadets helps teenagers to develop into young people who can launch well in life, so they can cope with today's world and thrive in it

For Seafarers We support people who work at sea to take advantage of the opportunities that life brings

Helping seafarers to realise their full potential and to progress through the learning and development opportunities we offer that support their personal development. Specifically delivered via distance learning at sea and the provision of ships' libraries

Our outcomes framework

The charity has developed a framework that gives a clear picture of the journey a young person or a seafarer goes on with us. This helps to ensure that the charity offers a consistent and conscious outcome to all beneficiaries and that we always meet our long terms goals of making a positive, life enhancing difference.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

We developed a framework to help us map our impact for young people. It means we can explain more clearly why we do what we do and how we achieve positive outcomes for young people:

| Experience | Intermediate outcomes | Long-term benefits |
|---|--|--|
| What is offered <ul style="list-style-type: none"> - Adventure & challenge - Progressive training - Personal development - Competitions & events | Life skills <ul style="list-style-type: none"> - Motivation - Self-confidence - Leadership - Teamwork - Communication - Citizenship - Innovation | Attendance & engagement in school |
| What makes it special <ul style="list-style-type: none"> - Nautical focus - Customs & traditions of the Royal Navy - Breadth of activities & experiences with opportunity to specialise | Values <ul style="list-style-type: none"> - Respect - Loyalty - Self-discipline - Commitment - Honesty & integrity - Courage | Improved post 16 destinations / labour market participation |
| What is the cadet experience <ul style="list-style-type: none"> - Positive relationships - Sense of belonging & identity - Inspirational | Qualifications <ul style="list-style-type: none"> - Internally accredited - Externally accredited (BTEC, DofE & national governing body) | Long-term wellbeing |

The table below shows how we engage and support seafarers and the long-term benefits for them:

| Experience | Intermediate outcomes | Long-term benefits |
|--|---|-----------------------------|
| What is offered <ul style="list-style-type: none"> - Distance learning - Scholarships & loans - Impartial advice & guidance - Learning resources - Book services | Further education <ul style="list-style-type: none"> - Knowledge - Functional skills | Long-term wellbeing |
| What makes it special <ul style="list-style-type: none"> - Seafarer friendly & accessible - Academic & pastoral support - Maritime sector related advice & guidance | Quality of life <ul style="list-style-type: none"> - Communication and social skills - Numeracy and literacy skills - Learning to learn | Career Progression |
| What is the seafarer experience <ul style="list-style-type: none"> - Supporting learning - Opportunity to read & learn - Expert advice & guidance - Career development | Qualifications <ul style="list-style-type: none"> All levels including <ul style="list-style-type: none"> - iGCSE & A Level ¹ - Bespoke maritime skills - Professional seafarer qualifications | Personal development |

This gives a clear picture of what the Marine Society offers seafarers embarking on a learning and development journey with us and identifying the impact we seek to make.

¹ IGCSE and A Level ending in 2020 & replaced by development of Apprenticeships.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

IMPACT – OUR VISION AND STRATEGY FOR 2021

Published in 2016 – key extracts are reproduced below. We remain committed to our five year plan.

Understanding impact

Our strategy to 2021 supports our core vision and focusses on refining the experience and services we offer so we can maximise the impact our work has on the lives of those we support. We will also better understand our impact and how our resources are used, so that we ensure the service and experience we offer continue to be transformational for individuals, communities and wider society.

For young people we have a clear focus through the Sea Cadet experience. By giving them the best possible head start, we can improve a young person's life chances at school, in work and for the community, while staying true to our unique nautical heritage and Royal Navy core.

For seafarers our improved tailored learning programme will empower them to realise their full potential.

Our values and culture

We are driven by what we do and the impact we have. We are proud of our work, approaching it with positivity, energy and enthusiasm as we lay the foundations for more inspiring futures.

Our shared values and ways of working are summarised below and will guide us as we work together to achieve our goals for those we support.

MSSC values¹

| | |
|----------------------|--|
| Respect: | We adopt a professional, can-do approach, which creates an environment where we respect one another's contribution so we can thrive and grow. |
| Loyalty: | We are loyal to our beneficiaries, and recognise the impact that working as one team will have on achieving the charity's goals. |
| Self-discipline: | Our approach to planning and prioritising our work ensures excellence so we can achieve the best possible results. |
| Commitment: | We are committed to the charity's goals, which motivate us to work creatively to find solutions. |
| Honesty & integrity: | This underpins all that we do as individuals and teams. To achieve this we are transparent, embrace feedback and take personal ownership to drive results. |
| Courage | To be willing to step outside our comfort zone, do what we know is right. |

¹ MSSC values' titles are the same as for the Sea Cadet Corps (SCC), and reflect the values of the Royal Navy, but with descriptors tailored to MSSC employees and SCC cadets / volunteers respectively

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

The five years to 2021

Over the five years we will work together to deliver two key priorities for Sea Cadets and seafarers through the activities and experiences we offer.

Maximising impact for young people:

We aim to have an even greater impact on the lives of young people through the Sea Cadet experience, so that they can improve life chances at school, in work and for their communities.

Our targets:

- Parents/guardians recognise a positive impact of Sea Cadets on their young people (70% target)
- Communities feel rewarded by Sea Cadets (70% target)
- Increased number of young people staying with Sea Cadets for at least 24 months (target 10%)
- More young people a part of Sea Cadets (+ 1,000 target)
- Ensure the full experience is available to all Sea Cadets (80% target)
- Cadets feel empowered and connected (70% target)

We will achieve this by:

- (i) Making the Sea Cadet experience consistent, accessible and inspiring.
- (ii) Honing the impact of the Sea Cadet experience by assessing, evidencing and driving the outcomes and benefits for young people.
- (iii) Staying relevant, connecting to cadet views by listening and using these to help shape the charity.
- (iv) Growing Sea Cadets so that we can reach more young people.

By 2021:

We want to engage more young people with Sea Cadets so that we can launch them into the best possible future and help build stronger communities across the UK.

Maximising impact for seafarers:

We want to increase the learning development impact for seafarers by inspiring and supporting them to progress and realise their full potential.

Our targets:

- Marine Society College seen by the sector as supporting the lifelong learning needs of seafarers via a relevant, high quality learning offering (70% target)
- More supported learning for seafarers via the Marine Society College (+10% target pa)
- Learner success rates increased (10% pa)
- Strong learner satisfaction rate (70% target)

We will achieve this by:

- (i) Meeting the learning needs of seafarers for the 21st century by clarifying our learning offer.
- (ii) Growing crew libraries and book sales, with a fully equipped non-return book service.

By 2021:

We aim to have more seafarers achieving the best possible lifelong learning and personal development outcomes through a service that is optimised to meet their needs in the 21st century. This will deliver qualifications through further education and a better quality of life at sea, with the ultimate benefit to seafarers and the maritime sector.

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****Key to success**

To ensure we can deliver these priorities by 2021 we have focused on two key enablers that will give us the resources we need to meet our targets:

Supporting our volunteering programme:

To have the right number of volunteers with the shared skills and resources working together to maximise the Sea Cadet experience.

Our targets:

- Volunteers feel better equipped for their role (70% target)
- Clear evidence of better working together (target 100 new examples)
- Cadets view training as engaging (70% target)

We will achieve this by:

- (i) Having the right volunteers, supported with the right training to deliver the Sea Cadet experience and recognised for their efforts.
- (ii) Promoting greater working together across districts and areas.

Delivering support through:

It's vital that we have the equipment, culture and resources to deliver this strategy. It underpins all that we do for both cadets and seafarers.

Our targets:

- Volunteers, seafarers and staff feel effectively supported by MSSC (70% target)
- Increasing fundraising by 15%
- Boating, training and unit facilities upgrade delivered
- New offshore yachts and upgrade of inshore boats delivered

We will achieve this by:

- (i) Achieving the charity's goals by better cementing our organisational culture, increasing employee engagement and driving higher performance.
- (ii) Continually improving our internal processes.
- (iii) Raising charity profile and increasing our fundraising income.
- (iv) Upgrading our facilities and boats.

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020**

Maximising Impact – what we have achieved for 2019-2020

For young people we have:

Enhanced the Sea Cadet Experience by:

- ✓ Further align our training plans
- ✓ Complete and embed practical ideas into the Cadet Training Programme¹
- ✓ Put the cadet safeguarding card and guidance into the induction training for all cadets²
- ✓ Review national training provision aligned to future needs³
- ✓ Expand & accredit naval acquaint courses⁴

Increased the impact of the Sea Cadet Experience by:

- ✓ Implement a multi-generational impact study⁵
- ✓ Deliver pilot of youth welfare leads in districts⁶

Improved support for cadets by:

- ✓ Deliver and implement the Sea Cadets Portal⁷
- ✓ Drive cadet voice by developing the national cadet forum

Grown Sea Cadets:

- ✗ Grow cadet numbers⁸
- ✓ Review pilot to engage 9yr olds with Junior Sea Cadets⁹
- ✓ Start MEP phase 2 & improved Sea Cadet engagement¹⁰

For seafarers we have:

Driven our learning support by clarifying our learning offer

- ✓ Complete a learner growth strategy¹¹
- ✓ Continue Learn@Sea development globally via IFAN 2¹²
- ✗ Undertake a feasibility of the Coming Ashore project¹³
- ✗ Promote career pathways into the maritime sector for Sea Cadets, including apprenticeships¹⁴

Grown crew libraries and book sales by:

- ✗ Fully launch our digital library service¹⁵
- ✗ Grow crew libraries sales by 15%¹⁶
- ✓ Grow the book shop sales by 10%

For volunteers we have:

Supported Effective Sea Cadet Volunteering by:

- ✗ Deliver Yr1 of the development plan for Corps Education¹⁷
- ✓ Complete a volunteering strategy
- ✗ Implement the volunteering communications plan¹⁸
- ✓ Implement a cadet to volunteer transition programme
- ✓ Review roles & responsibility statements for snr volunteers

Improved our support by:

- ✓ Deliver 20 new examples of better working
- ✓ Deliver five boating hubs

Making it happen – we have:

Improved how we work by:

- ✗ Develop & implement our charity culture policy¹⁹
- ✓ Implement a digital cadet joining process & voluntary contribution pilot
- ✗ Implement improved safety assurance processes for district/area/ national activities²⁰
- ✓ Develop improved safety assurance processes for boating stations and national training centres

Developed our fundraising and profile by:

- ✓ Deliver a long term national fundraising strategy
- ✗ Deliver an external-facing communications strategy²¹

Upgraded our facilities and boat stations by:

- ✓ Complete construction of Port Edgar boat station²²
- ✓ Begin development 'Midlands' boat station²³
- ✓ Identify new 'Northern Adventure Training Centre'²⁴
- ✓ Project manage new Headquarters offices²⁵
- ✓ Deliver Keel boats and programme

¹ 215 new ideas generated

² 82% of units completed modules

³ Training delivery review ongoing

⁴ Successful pilot with 3 courses run. To be further developed in 2020 to include merchant navy element

Concluded to focus on multi-generational impact study, now launched

⁵ LegaSea impact study fieldwork complete (3,100 engaged)

⁶ 6 youth welfare leads in place and pilot evaluation in progress

⁷ Full roll out delayed by Covid-19 – achieved 08 June 2020

⁸ Cadets up 134 to 14,670 (+1%) against 350 target (+16% on decade)

⁹ Confirmed plan for wider limited implementation post Covid-19

¹⁰ Yr1 delivered (over 15.5k pupils, 123% of KPI & 1.6k cadets)

¹¹ Undertook a strategic review of the Marine Society services

¹² Launched Stability@Sea

¹³ Pilot still ongoing

¹⁴ Part of strategic review. Achieved apprenticeship college status

¹⁵ Progressed, but completion extended to 20/21 plan

¹⁶ Crew library sales down 6%

¹⁷ Plan revised.

¹⁸ Deferred to 20/21 plan

¹⁹ Progressed, but completion extended to 20/21 plan

²⁰ Progressed, but completion extended to 20/21 plan

²¹ Deferred to 20/21 plan

²² Completed bar electricity connection delayed due to Covid-19

²³ Planning consent gained. Negotiations of lease ongoing.

²⁴ Location at Alcar found and planning commenced

²⁵ New offices delivery ongoing via developer

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****MSSC'S LAMBETH ROAD, LONDON PREMISES**

Some years ago, the charity became aware that a property company, the Downing group, had acquired the neighbouring plot of land for development of a new six storey building. Following negotiations with the developer, the charity completed an agreement in December 2018 to transfer part of its existing land and property to the developer in exchange for fully fitted new offices for the charity on the ground and lower ground floors of the new building. The charity will acquire a 249 year lease of the new premises at a peppercorn rent at a net premium of £4M plus VAT. The agreement will complete on practical completion of the new premises which is currently targeted for end November 2020. The existing MSSC building (already partially let) and its associated land will remain the property of the charity as an investment, and be let for income.

OUR KEY GOALS FOR 1 APRIL 2020 to 31 MARCH 2021

This coming year will be the final year of our current five year strategy to make MSSC the leading maritime charity for youth development and lifelong learning.

Our plans set out in this brief were devised prior to the impact of Covid-19, which led to the suspension of all face to face activity across Sea Cadets on 17 March 2020, together with the relocation of all employed staff to work virtually from home. Our ongoing response to the pandemic remains our immediate focus at the beginning of the year and we are adjusting our plans accordingly as things develop. We are being flexible to enable work on new priorities to support our beneficiaries, amazing volunteers and staff, ranging from development of new ways of delivery such as Virtual Sea Cadets, financial support to units, effective wellbeing services, together with planning and delivering the regeneration of COVID-19 secure face to face delivery when the time arrives. All this whilst adjusting to the inevitable uncertainties at this time.

Nevertheless, much of the plan remains vital to completing the work we began in 2016 so that we are even better able to offer transformational programmes for our seafarers and cadets and our volunteers and staff to flourish. This includes the roll out and continued development of new digital solutions, commencing delivery on our volunteer strategy and training plans, whilst increasing our fundraising to enable further investment. Times may be uncertain and we may need to adapt, but our focus remains strong, working together to build better futures for seafarers through the Marine Society's range of learning support, whilst offering adventure that launches young people for life, based on the customs and traditions of the Royal Navy, through Sea Cadets.

We will also be developing our next five-year strategic plan from 2021-2026.

Martin J Coles
Chief Executive Officer

Priorities - Maximising Impact**For young people**

- Complete aligning our training plans to best deliver the Sea Cadets Experience
- Launch our multigenerational impact study
- Fully implement the Sea Cadets Portal
- Grow Sea Cadets to 15,000 cadets

For seafarers

- Implement the outcome of the Marine Society strategic review

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

Enablers

Supporting Volunteers

- Deliver year one of 'Corps Education'
- Deliver year one of 'Volunteer Strategy' delivery plan

Promoting excellence and best practice at district and area level

Making it Happen

- Implement our Charity Culture Policy
- Deliver year one of our Digital Strategy
- Implement year one of our Fundraising Strategy

"Everybody who works within this amazing charity gives up their time to genuinely make not just mine, but many other young people's lives better. In all honesty, without cadets, my life would not be as awesome or crazy." Cadet Sergeant Élodie - Sea Cadets Flitwick & Ampthill

"Thanks to the Marine Society for the innovative maths @ sea programme. I commend the relevance of its content and recommend the programme to both prospective and serving students alike – your contribution to the industry is admirable." SJD, Seafarer

CHARITY OBJECTS

The objects of the Marine Society & Sea Cadets (MSSC), a charity registered in England and Wales 313013 and in Scotland SC037808, are set out in its governing instruments which are based on the Act of Incorporation of 1772, the Charities (Marine Society) Order 1976 No 147 and subsequent Charity Commission schemes, the latest being that dated 22 November 2004. The Objects of the charity are:

- to promote the development of young people in achieving their physical, intellectual and social potential as individuals and as responsible citizens by the provision of education and leisure time activities using a nautical theme
- to advance the education of seafarers in such ways as the Council shall determine but including (at the discretion of the Council) the following:
 - the provision in ships and on shore of a comprehensive library service in any media for the use of seafarers
 - the assistance of persons preparing for or entering upon a maritime career by the provision of training, the payment of fees, maintenance and other expenses and the making of loans
 - the award to seafarers of scholarships, bursaries and maintenance allowances tenable at nautical or other schools or training establishments
 - the making of grants or loans to nautical or other schools or training establishments which are charities or to other organisations established for charitable purposes only which provide facilities for and encourage young persons to become seafarers
- the advancement of the education of the public in maritime matters
- the promotion of scientific or other research of particular benefit to seafarers and the publication of the useful results of such research
- the provision in the interests of the social welfare of seafarers of facilities for recreation and other leisure-time occupation, being facilities which will improve their conditions of life and of which they have need by reason of their social and economic circumstances
- the relief of financial hardship among seafarers and their dependants

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****CHARITY OBJECTS (cont)**

"Seafarers" used above is a term defined as:

- persons who have served, are serving, or intend to serve in the Royal Navy, the British Merchant Navy or fishing fleets or any other maritime career
- persons who are serving in the navies, merchant navies or fishing fleets of such other countries as the Council from time to time determines
- Members of the Sea Cadet Corps; and
- any other young persons considering or interested in a maritime career

"Sea Cadet Corps" (SCC) means properly constituted maritime cadet units that conform to the policies of Sea Cadet Regulations established by the charity and that are formally affiliated to it.

HISTORY

The Marine Society was founded in 1756 by Jonas Hanway, a London-based philanthropist, with the aim of encouraging young men and boys of good character to join the Royal Navy at the start of the Seven Years' War. Incorporated in 1772, the Society commissioned in 1786 the first sea training ship in the world, the 350-ton Sloop *Beatty*, and went on to provide sea training all the way up to the Second World War. It was estimated that over 110,000 men and boys were trained and equipped by the Society over this period.

The Sea Cadet movement dates back to 1856 when sailors returning from the Crimean War started up 'Naval Lads' Brigades' in ports around the country. In 1910 the Navy League sponsored a small number of independent units, which received Admiralty recognition in 1919. In 1937 Lord Nuffield gave £50,000 to fund the re-launch and expansion of the Corps and five years later the Admiralty started to pay for uniforms, equipment, travel and training. In 1976 the Navy League was renamed the Sea Cadet Association. In 1963 the Girls' Naval Training Corps (GNTC), which had been formed in 1942 with objectives similar to those of the Sea Cadet Corps, became a partner organisation of the Sea Cadets, often sharing facilities. In 1980, the GNTC merged with the Sea Cadets, firstly as the Girls Nautical Training Contingent, until becoming fully absorbed in 1992. Girls and women currently make up over a third of all cadets and volunteers.

MSSC was formed in 2004 on the merger of The Marine Society and the Sea Cadet Association (SCA) with the merged organisation retaining the constitution of The Marine Society. The SCA (registered charity number 306141 & company number 404951) is now a subsidiary of MSSC.

PRINCIPAL ACTIVITIES

The activities broadly relate to those of promoting Sea Cadet activity and those of looking to enhance and support the maritime industry.

The charity supports the maritime industry through the provision of Marine Society College activities, allowing seafarers access to lifelong learning opportunities, a ships' library service, the provision of financial support to underpin professional advancement, and other work supporting maritime institutions and education.

The charity acts as the franchisor for Sea Cadet units – local groups are constituted as separately registered charities. The charity sets Sea Cadet regulations, issues guidance and performs inspections to ensure that the highest of standards are maintained. It provides support in many other ways including provision of uniforms, equipment, onshore and offshore training and related travel, business and unit support and Disclosure and Barring Service (DBS) checks. The charity does not have overall control over the day to day operation of the individual units.

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****PRINCIPAL ACTIVITIES (cont)**

Sea Cadet units operate across the United Kingdom, with a total of 14,670 cadets (12,182 in England, 1,167 in Scotland, 723 in Wales, 396 in Northern Ireland and 202 overseas). There are 303 established units in England, 37 in Scotland, 22 in Wales and 11 in Northern Ireland, with a further two in Bermuda and one each in Jersey, Guernsey and Malta. There are also a further 6 new units (1 in Northern Ireland, 5 in England) and 16 partnership units (1 in Scotland and 15 in England). The charity maintains six area offices, five based in England and one in Scotland, four national training centres, three in England and one in Scotland, six area boating stations, five in England and one in Scotland, and an offshore fleet of five vessels, based in England.

VOLUNTEERS

The charity relies extensively on volunteers to support the delivery of its training and other activities to Sea Cadets, and to serve as unit management team members (trustees) of Sea Cadet units. As at 31 March 2020 there were 4,656 adult instructional volunteers, 1,804 unit management team members and 2,529 other volunteers. In total 8,989 volunteers (7,619 in England, 715 in Scotland, 443 in Wales and 212 in Northern Ireland). We are extremely grateful for the generosity of time and spirit of our volunteers in making the Sea Cadets the success that the organisation is.

KEY RISKS AND UNCERTAINTIES

The Council is responsible for management of the risks and uncertainties faced by the charity, assisted by senior staff. The Council undertook an annual review of the organisation's risk management process through the Safety, Safeguarding and Risk Committee in April 2019, and together with the Policy Development and Nominations Committee and the Financial Investments Audit and Remuneration Committee continued to monitor the charity's key risks throughout the year.

The charity's risk register operates at three principal levels; the Strategic Risk Register, the High Operational Risk Register and Departmental Risk Registers. Each risk identified is described, together with its indicators and mitigating factors in place, and its target and current mitigated scores based upon an impact and likelihood matrix. A commentary is also maintained by risks of actions in progress to further reduce the risk score, which may also be increased should risk circumstances change. All risks and their completeness is reviewed and revised by management and reviewed by the relevant committee, overseen by the Safety, Safeguarding and Risk Committee four times a year on a rough quarterly basis.

The Council considers the key risks facing the charity to fall within the following areas:

- Safeguarding children and vulnerable adults
- Health & Safety
- Sufficiency of MOD Grant in Aid funding
- Lack of diversification of funding and support
- Sufficiency of financial reserves
- Public perception and reputation
- Stakeholder management, and in particular, key stakeholder support
- Adequacy of corporate governance (non-financial)
- Sustainability of both the Marine Society and the Sea Cadets in the medium and long term

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****KEY RISKS AND UNCERTAINTIES (cont)**

The key mitigating controls used are:

- Formal and periodic review by the trustees
- Comprehensive strategic planning, budgeting and management accounting
- Formal organisational and governance structure and lines of reporting
- Formal written policies
- Hierarchical authorisation and approval levels
- Internal audit review of targeted areas
- External audit

The Council is satisfied that key risks identified are adequately managed and these are reviewed by the full Council. It is recognised that systems can only provide reasonable but not absolute assurance that major risks are adequately managed.

In addition to these key risks the charity is now dealing with the impact and consequences of Coronavirus across a number of risk areas, which began to materially impact from mid March 2020. At this point in time it is not possible to fully consider the impacts arising from COVID-19, however the trustees have considered the possible risks and have put in place measures to maintain income and reduce future expenditure if required. The position has and will be kept under constant review with significantly increased close working and dialogue between the trustees and senior management team, regular financial forecasting, rapid development of virtual delivery and programmes across Sea Cadets, together with implementing financial support for Sea Cadet units and seafarers, as well as welfare support for volunteers and cadets. The trustees will as required take necessary further steps to ensure the charity continues as a going concern, with effective support for its beneficiaries.

FINANCIAL REVIEW**Income**

Total income amounted to £17,774K, (2019: £19,833K), a decrease of 10.4% over the previous year. Donations, legacies and other income decreased by £2,301K (32.5%). This decrease substantially comprised no funding this year from Youth United Foundation (YUF) (2019: £421K), no LIBOR funded grants (2019: £1,219K), no one-off MOD grants (2019: £331K) and a reduction in both Westminster Development funding (£122K) and Cadet Expansion Programme (CEP) funding (£417K). These reductions were offset slightly by the Ufi Trust (£241K) grant for the Cadet Portal, The Gosling Foundation donation for the On the Water Programme (£50K), and International Foundation for Aids to Navigation (IFAN) maritime grant for the Learn@Sea and digital library services (£70K).

Also received in 2019/20 were grants from The Seafarers UK for the Marine Engineering Programme in schools £211K (2019: £210K), The Stelios Philanthropic Foundation grant for the On the Water Programme £30K (2019: £30K) and The Michael Uren Foundation donation £50K (2019: £50K)

The MOD grant in aid for Sea Cadets increased by 1.7% to £10,893K. A further £400K of the total grant from the MOD was received for unit premises improvements as in previous years. Sea Cadet Corps training income increased by £48K (7.8%) due to more training, including training funded by the National Citizen Service (NCS). There was a decrease of 26.0% in Offshore fleet income, the main reasons for this are that the season was shortened due to COVID-19; Jack Petchey was out of use for a period due to major maintenance works and we received more restricted bursary income which is recognised elsewhere in the accounts.

MSSC (Trading) Limited income increased from £51K to £89K and investment income increased by 3.4%.

We continue to remain sincerely grateful for the continued support provided by the MOD in helping finance the Sea Cadets and are grateful for the extension of our Grant in Aid agreement to March 2021, on a three year basis, which is enabling us to plan more effectively.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

Expenditure

Total expenditure was £17,324K (2019: £17,865K), a decrease of 3.0% on the prior year. The cost of safeguarding and supporting Sea Cadet activity and infrastructure decreased by £364K (4.5%) due to the relative decrease in grants to units (£1,200K) substantially due to the successful completion of the significant grant for RS Quest sailing dinghies given to units in 2018/19 paid for from LIBOR funding. This was offset by increases in salaries, support and other costs due to an increase in Sea Cadet activity this year. Sea Cadet Corps training increased by £167K (2.9%). Offshore fleet costs decreased by £286K (10.9%), the main reasons for this are that fewer bursaries were committed for 2020/21 as a result of the cancellation of the offshore programme due to Covid-19 and an HR provision made in 2018/19 most of which was subsequently not required, these were offset by increases in salaries and maintenance costs. MSSC (Trading) Limited expenditure increased in line in with increase in income.

Net income and other movements

Overall, net income before investment gains was down by £1,518K to £450K mainly due to the significant reduction in restricted grant income. Net expenditure before investment gains on unrestricted funds (excluding restricted and endowment) amounted to £51K (2019: net income £22K). It has been the policy of the charity since 2012/13 to set aside long term gains from its expendable endowment for current expenditure. The allocation amounted to £65K (2019: £97K) based on a 4.0% agreed return set by the trustees following advice from the investment managers. Investment portfolio losses in the year were £1,340K due to the fall in the stock market at the year-end as a result of COVID-19.

Balance sheet

Intangible fixed assets have increased by £480K due to the development of the Sea Cadet portal. The majority of the construction work on Port Edgar boat station was completed during the year, the Crowborough activity centre was finished and six RS21s were added to the boat fleet hence an increase in tangible fixed assets during the year, (£1,084K). Investments, even with an extra £1M transferred from cash at bank, have decreased due to the year end investment loss. Cash at bank has decreased by £2,241K due to the spending of restricted funds on construction and £1M being moved to investments. Debtors have decreased by £480K mainly due to fewer grant debtors and a reduction in prepayments at the year-end as a result of COVID-19. Total creditors have decreased by £362K partly due to fewer grant commitments at the year end.

SAFEGUARDING POLICY

It is the policy of MSSC to safeguard our young people and vulnerable adults from harm, physical, sexual and emotional abuse and neglect by:

- making the health & welfare of young people and vulnerable adults our first priority
- taking into account in all our considerations and activities the interests and wellbeing of young people and vulnerable adults
- respecting the rights, wishes and feelings of the young people and vulnerable adults with whom we are working
- taking all reasonable steps to protect young people and vulnerable adults from harm
- promoting the welfare and protection of young people and vulnerable adults

In March 2015, the Government commissioned a statutory, independent inquiry into child sexual abuse. In common with many other charities in the youth sector, the charity launched a review of its historic safeguarding files in that year, which completed in early 2016. No immediate or serious concerns were identified from the review. It was noted that the charity's processes had improved steadily over the period of the review, and further recommendations were made to continue to enhance the charity's approach.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

SAFEGUARDING POLICY (cont)

A further review, by Barnardo's, of the charity's current safeguarding arrangements was commissioned in August 2016. Their report noted that the charity had clearly made considerable effort and investment in recent years to develop and embed a strong safeguarding culture, and made a number of recommendations for further refinement of the charity's procedures. The majority of the recommendations have been fully implemented with a final few still in the implementation stage.

MSSC also accords the utmost priority to the safety of vulnerable/protected groups, who should be free to work, learn and develop their potential without fear of violence, abuse or exploitation. Within the charity's environment, irrespective of their age, gender, disability, racial origin, religion, belief and sexual orientation, they will be valued and their rights to opportunity, protection and safety fully respected.

FUNDRAISING STANDARDS

Open and accountable

The MSSC works hard to ensure that everyone supporting the charity understands how their money will be used to help launch young people for life today, whatever they want to do after school, and help people who work on the sea to keep learning all their lives. This is reflected in the low levels of negative feedback we receive, and the absence to date in recent years of formal complaints to the charity.

Complaints and negative feedback

Should we receive a complaint, we would respond on a one-to-one basis as quickly as possible, maintaining full records. There has been nothing to report in recent years.

Contacting our supporters and supervising our fundraisers

The charity prides itself on a high standard of ethical fundraising and we continually review how we contact the public to ask for support. This ensures that we follow regulations, meet our own high standards and exceed the public's expectations. The MSSC set up a project to assure the charity's compliance in early 2017 with General Data Protection Regulation (GDPR) (EU) 2016/679, and our staff are working hard to ensure that they and all fundraising volunteers understand the implications of the new regulations and that the charity remains compliant with them.

MSSC staff and volunteers carry out the vast majority of the charity's fundraising activities

We did not work with any professional fundraisers and fundraising organisations in 2019/20. The trustees are aware of the need to comply with new regulations from the Charities (Protection and Social Investment) Act 2016 that came into effect last accounting period. The MSSC ensures that our approach to commercial participators, professional fundraisers and our contracts with them are in compliance with the regulations.

Protecting our reputation, money and other assets

As a charity, gaining supporters' trust is incredibly important. The MSSC must demonstrate that it is a responsible and worthy recipient of supporters' generous donations. We therefore work hard to ensure that we manage our money and other assets responsibly and do all we can to maintain our good reputation by being transparent and trustworthy.

The MSSC takes its responsibility for managing supporters' donations very seriously and applies rigorous financial controls to ensure funds are securely held and properly accounted for at all times. The MSSC strives to make the supporters' experience simple – making it easy to donate in a way that suits individuals, whether that is online, by post, over the phone or through other means.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

Protecting the vulnerable

The MSSC takes its responsibility towards supporters who may be considered to be in vulnerable circumstances very seriously. Our fundraisers are carefully briefed to respond sensitively and appropriately to any individual whom they might consider to be in a vulnerable circumstance.

Compliance with fundraising laws and regulation

Fundraising regulation goes through continuous change. Through membership of industry bodies, subscription to charity sector publications and staff continuing professional development we ensure that our fundraising teams keep up to date with amendments to regulations and professional practice, and their changing responsibilities.

The trustees are satisfied that the MSSC adhered to the appropriate fundraising standards for the year ended 31 March 2020. The charity is a paid-up member of the Fundraising Regulator.

Compliance with recognised standards

Every member of our fundraising team is responsible for making sure that they are compliant with the standards laid out in the Fundraising Regulator's Code of Fundraising Practice. This is carefully monitored by senior management. We are satisfied that we meet all current standards.

No complaints were received about fundraising in the year.

INVESTMENT POLICY

Investec manage the investment portfolio (excluding properties managed directly by the charity (see Note 12)). KW Investment Management manage the treasury portfolio.

The overall objective of the investment policy is to create sufficient income and capital growth to enable the charity to carry out its purposes consistently year by year with due and proper consideration for future needs and the maintenance of, and if possible, enhancement of the value of the invested funds while they are retained. The overall objective of the treasury policy is to achieve better returns on cash than through bank deposits, primarily using short dated corporate bonds and certificates of deposit issued by the major banks.

MSSC's objective is to achieve, over the medium term, a real total return of at least 4.0% (net of fees and inflation). Both capital and income may be used at any time for the furtherance of the Charity's aims.

The investment portfolio mix is set to fall within the following broad planning ranges:

| | Planning range | 31 March 2020 | 31 March 2019 |
|-----------------|----------------|---------------|---------------|
| UK Equities | 35-65% | 18.7% | 35.1% |
| Non-UK Equities | 10-35% | 31.8% | 29.2% |
| Fixed Interest | 10-30% | 7.3% | 10.4% |
| Property | 5-10% | 5.8% | 6.2% |
| Hedge funds | 0% | 0% | 0% |
| Other | 0% | 3.7% | 3.7% |
| Cash * | 0-30% | 32.7% | 15.4% |

* Cash is being held tactically in the portfolio to fund the London office (page 8), it is not held as an asset class.

The bonds held will be of 'BBB' credit rating or better.

No single investment should exceed 10% of the total value of the funds under management and the total sum of all equity holdings in excess of 5% must not be equal to or exceed 40% of the fund's value at any time. The portfolio should have a minimum of 35 separate stocks held at any one time, either within packaged products or held directly.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

INVESTMENT POLICY (cont)

The objectives are to be achieved by investing prudently in a broad range of fixed interest securities and equities which are quoted on a recognised investment exchange and unit trusts and OEICs (open ended investment companies) which are appropriately authorised and compliant with current legislation. The performance of each asset class is measured against relevant market indices. The overall performance is compared with the long term return expected (4% plus inflation and fees) and a portfolio weighted Charity Universe benchmark. From 1 April 2018, the trustees have adopted CPI rather than RPI as a more appropriate measure of the inflation facing the charity.

Investments in Alternative Investment Strategy funds, Derivatives and Hedge Funds are allowed on a limited exposure basis (up to 5% of funds) on a short-term basis (maximum of 5 years). MSSC should be notified if and when these investments were made.

Treasury holdings should not exceed £1M by counterparty, nor two years' maturity for bank debt.

Ethical considerations

The trustees reserve the right to apply ethical considerations to the investment policy where appropriate. None, however, are applied at the moment. An annual review of the policy is undertaken.

Performance

The fund delivered a total return (net-of-fees) of 5.8% (2019: 6.9%) against our real return benchmark of 5.5% (CPI plus 4%) and ARC Sterling Steady Growth Index 1 of 7.9% (2019: 6.0%). Total return over the three year period to 31 March 2020 was 6.9% (net-of fees) per annum against a benchmark of 6.0% (CPI plus 4% per annum over the period) and ARC Sterling Steady Growth Index 0.4%; and 0.3% (net-of-fees) per annum since 31st March 2018.

The trustees continue to monitor investment performance and are grateful for the assistance of the investment managers, Investec.

Review of investment managers

A tender exercise for the provision of investment management services to the charity was conducted in 2017, with the assistance of Independent Investment Reviews Ltd. Following a full and fair competition, Investec were re-appointed.

RESERVES POLICY

Total funds at the year end as detailed in note 18 were £32,550K, (2019: £33,440K), which includes £15,744K (2019: £15,243K) restricted funds and £15,036K (2019: £16,441K) endowment funds. After accounting for intangible and tangible fixed assets of £531K (2019: £574K) this leaves unrestricted funds, comprising free reserves of £1,239K (2019: £1,182K).

The charity does not retain MOD grant monies as part of its reserves. The reserves policy of the charity has been to hold three months' expenditure (approximately £3.5 million) in income funds rather than capital. It remains an aspiration of the charity to increase its free reserves. However, this year we intend to move toward a risk based approach, with the reserves reflecting the risk of loss of specific income and the risk of the most significant costs increasing. On the basis of this approach the target would be £2.2 million.

A breakeven budget has again been set in the current year. It is unlikely the charity will be able to meet either of its reserves targets and instead will have to rely on expendable endowment to act as a reserves buffer. The policy has clear dangers for the charity in the long term so any drawdown that may be made will be kept to an absolute minimum. It is at the complete discretion of trustees as to the level of support the charity will give to the Sea Cadet movement in the event of shortfalls in public funding.

¹ The ARC Sterling Steady Growth Index is a composite of charity portfolios exhibiting 60-80% of the volatility of the UK equity market.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2020

GRANT MAKING POLICY

Grants awarded in 2020 amounted to £1,494K (2019: £2,900K), due to the relative decrease in grants to units (£1,200K) substantially due to the successful completion of the significant grant for RS Quest sailing dinghies given to units in 2018/19 paid for from LIBOR funding. Individual Sea Cadet units are separate registered charities and thus financial support is paid via grants. The policy of the charity is to grant monies for one-off items to support the Sea Cadet Corps and individuals (members of the Sea Cadet Corps or seafarers) to help them either facilitate or receive approved training or qualifications. In addition, grants are provided to volunteers to allow upkeep or purchase of uniforms on promotion or for wear and tear during the year. Payments are made in accordance with published scales.

MSSC STAFF REMUNERATION POLICY

As a charity, it is important we achieve balance in ensuring value for money, including how we pay our staff, with the need to attract, motivate and retain the right people to ensure we are able to deliver our ambitious plans and so maximise our impact on our beneficiaries. Therefore, our principles are to pay fair salaries that are consistent with our commitment to equality and diversity; that we remain competitive within the industry and geographic location of the role; are appropriate for the level of responsibility; and are in keeping with our charitable status. Headcount is reviewed annually as part of our budgeting process.

Governance of Pay

The Council approves the Pay and Benefits Policy, and the Finance, Investments, Remuneration and Audit Committee is appointed as a committee of the Council to approve pay related matters. The Council delegates to this committee the annual pay review and determining the CEO and senior management team salaries. This committee meets quarterly.

Annual pay review

Salaries are normally reviewed annually in April / May with any pay increases being paid from 1 June. We benchmark salaries to ensure that we are paying appropriately and that we broadly fall within the mid-point for similar organisations. Where we find salaries that are not aligned, we adjust accordingly. There is no obligation to increase salaries, however if it is affordable and we have performed well, then a uniform inflationary increase may be applied. This is awarded to all staff, including senior staff, with the exception of those who are within their probation period or have resigned, or those who have already received an increase that year.

PUBLIC BENEFIT

The Council members continue to give due regard to the public benefit provided by the charity in relation to its charitable purposes as set out in the activities and achievements outlined in this report and have given due consideration to guidance issued by the Charity Commission on this matter.

The aim of Sea Cadet activities is to give young people the best possible head start in life through nautical adventure and fun. In order to achieve this, Sea Cadet units take young people from all backgrounds, including where possible those with disabilities and develop their skills and abilities by:

- Inspiring young people through regular and structured activities with a nautical theme
- Encouraging young people to take part in activities connected with the wider Sea Cadet movement, including inshore boating and offshore voyages, as well as events and competitions at District, Area and National levels
- Availability of formal externally recognised educational achievements whilst taking courses to earn badges and promotions

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****PUBLIC BENEFIT (cont)**

Charges are kept low in order to ensure all those who wish to take part in Sea Cadet activities may do so. Where further financial support is required for those on low incomes, a wide range of bursaries are available.

The aim of the Marine Society is to be the first in learning and personal development for seafarers. In order to achieve this, we enable those who go to sea or work in the maritime community to learn new skills, gain accredited qualifications and realise their full potential by:

- Administering various grant schemes for scholarships, including the Slater grant scheme and Worcester scholarship scheme
- Delivering a range of educational services, including direct learning, learner mentoring and, together with selected colleges, ensuring availability of an appropriate choice, depth and level of learning to seafarers
- Offering an impartial and confidential advice and guidance service to seafarers and maritime professionals
- Providing a ships' library service for seafarers at sea and book sales services

The Council members are thus satisfied that the charity provides substantial public benefit.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The charity is governed by a board of unpaid non-executive Council members who act as trustees. Details of the Council Members who served during the year, and as at the date of this report, together with details of the executive management and professional advisors, are shown on pages 50-51.

The Council meets at least quarterly and is supported by members of the senior management team. Responsibility for reviewing key areas of activity is delegated to committees which report back to the Council meetings. The committees, with specific terms of reference, may also include specialist co-opted members as well as Council members to ensure that expert opinion is available. The day to day management of the charity and the exercising of executive responsibility are delegated to the CEO and senior management team. Meetings of the Council are also attended by a senior Sea Cadet.

The current committees and their primary purposes are:

Finance, Investment, Remuneration & Audit Committee

- Oversees the financial affairs of MSSC, including management accounts, budgeting and the preparation of statutory accounts
- Formulates Investment policy and oversees the management of Investment assets
- Oversees and ensures the proper conduct of the internal audit process in accordance with Council requirements
- Oversees the remuneration, terms and conditions and performance review of MSSC's CEO and HQ senior management

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****Policy, Development and Nominations Committee**

- Develops and recommends strategy and policy for the optimum use of MSSC resources in order to fulfil its objects in the medium to long term (2 – 10 years)
- Advises Council on major strategic issues, especially those which do not fall within the remit of any other major committee, and for monitoring the implementation of MSSC's strategic plan, keeping it under review, and advising Council on its revision
- Considers and approves guidelines for fundraising and public profile strategies
- Nurtures and develops relationships with external stakeholders (including MOD, Skills Funding Agency (SFA) and public funding bodies) in order to maximise support
- Sets and monitors performance against established targets (KPIs)
- Undertakes a nominations function, in liaison with MSSC Chairman, for appointment to MSSC Council and the Committees

Safety, Safeguarding & Risk Committee

- Reviews the quality of services and activities undertaken by MSSC (and SCC) to ensure that they are safe (with particular consideration to the need to protect its young people), high quality and appropriately risk assessed
- Ensures the maintenance of an effective system of integrated governance and risk management that supports the achievement of the organisation's objectives

Merchant Navy Liaison Committee

- Oversees and monitors the aims and objectives of MSSC and its activities as they relate to the support of education and training for and within MN, SCC and the wider maritime sector

National Sea Cadet Forum

- Composed of Sea Cadets, together with representatives of the MSSC management team and Council. The forum supports the aims and objectives of the SCC, providing ideas and feedback to the MSSC. In the year, work was commenced on the creation of cadet forums at Area level to link in to the National Sea Cadet forum.

National Sea Cadet Advisory Council (NSCAC) (previously the Sea Cadet Advisory Group)

- Primarily composed of representatives and volunteers of the SCC and MSSC management team. The council supports the aims and objectives of SCC and provides advice to its principal national sponsors. From 9 July 2014, the chair of NSCAC was invited to be a trustee of MSSC for the period of office.

Appointment, induction and training of Council members

Council members (trustees) are co-opted by the board and elected by the charity's members at the AGM following their appointment according to the provisions of the Society's Scheme. A Council member, who has previously been re-elected at an AGM, is eligible for re-election only with the prior approval of the Council. The Society's Scheme formally provides that one-third (rounded down) of the elected Council members shall retire at each AGM. The board keeps the skill requirements for the trustee body under review and, with these in mind, seeks to identify new members in a range of ways, including recommendation from all interested parties.

The induction process for a new Council member comprises initial meetings with the Chairman and other members of the board, followed by meetings with the CEO and senior management team, through which the individual will be briefed on the remit of the charity and the powers and responsibilities of its trustees. The charity aims to provide all new Council members with the information necessary to ensure that they are fully equipped to contribute to the organisation within their powers. Council members are informed of current and evolving issues within the sector by the senior management team.

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****Membership and Branches**

The MSSC is a membership organisation and currently enjoys the support of some 600 members who pay an annual subscription to the Charity. MSSC has 5 (2019: 5) branches within the United Kingdom made up of members of the charity who reside within the locality. The annual subscriptions of those living within the catchment area of a branch are returned to the branch committee to be applied for the benefit of local Sea Cadet units and MSSC initiatives. These branches are an active and welcome force in spreading the charity's message at a local level.

THE CHARITY GOVERNANCE CODE

The Trustees have considered the new third edition of the Charity Governance Code for larger charities, published in July 2017 by the charity sector's The Code Steering Group (the Association of Chief Executives of Voluntary Organisations, the Association of Chairs, Small Charities Coalition, the Institute of Chartered Secretaries and Administrators: The Governance Institute, the National Council for Voluntary Organisations and the Wales Council for Voluntary Action). The code is supported and endorsed by the Charity Commission in England and Wales.

The code lays out principles for seven key areas of governance together with recommended practice for each principle; organisational purpose, leadership, integrity, decision making, risk and control, board effectiveness, diversity, openness and accountability.

The trustees consider that the charity continues to comply with the principles of the code.

UNITED KINGDOM EXITING THE EUROPEAN UNION

The Trustees have considered the existence of any specific and direct challenges to the charity's business model and operations which may attach to the United Kingdom exiting the European Union, and have identified none of significance. With the exception of one unit operating in Malta, Sea Cadets activity is exclusively based in the United Kingdom, other than yachts' and ships' visits overseas. The Marine Society already operates on a global basis. Nevertheless, the charity is generally and indirectly subject to the broader economic uncertainties of the United Kingdom exiting the European Union.

INTERNAL AUDITOR'S REPORT TO THE COUNCIL

A dedicated member of staff was appointed as Internal Auditor to the Charity in April 2015. Previously the function had been fulfilled by a contracted internal audit service provider.

The Internal Auditor reported to the Council in July 2020 as follows:

Based on the work performed during the year, it is the opinion of Internal Audit that MSSC has an adequate and effective framework of governance, risk management and control in place to support the organisation's objectives as laid out in its Vision and Strategy.

Following each audit engagement, actions to address any identified control weaknesses have been agreed with management and progress against these agreed actions is monitored by Internal Audit and reported to the Finance, Investments, Remuneration & Audit (FIRA) Committee on a regular basis. In the opinion of Internal Audit, no control weaknesses have been identified during the year which are of such significance to warrant specific disclosure in the Annual Governance Statement.

STATEMENT OF THE ACCOUNTING OFFICER

The Chief Executive Officer (CEO) as designated Accounting Officer in accordance with the current ten year Memorandum of Understanding with the MOD dated 13 December 2018, should ensure that MSSC and any subsidiaries to it or organisations sponsored by it, operates in respect of the GIA effectively and to a high standard of probity. The MSSC should in respect of the GIA:

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****Governance**

- Have a governance structure which transmits, delegates, implements and enforces decisions
- Have trustworthy internal controls to safeguard, channel and record resources as intended
- Work cooperatively with partners in the public interest
- Operate with propriety and regularity in all its transactions
- Treat those with whom they deal fairly and honestly
- Offer redress for failure to meet agreed stakeholder standards; and
- Give timely, transparent and realistic accounts of the MSSC

Decision-making

- Provide the Ministry of Defence (MOD) with clear, well-reasoned and timely information in accordance with the Memorandum of Understanding
- Make all its decisions in line with the strategy, aims and objectives of the charity
- Take a balanced view of the MSSC's approach to managing opportunity and risk

Financial management

- Comply with Public Sector Internal Audit Standards (PSIAS) in order that the Principal Accounting Officer may receive an annual assurance on risk management, governance and control
- Use its resources efficiently, economically and effectively, avoiding waste and extravagance
- Plan to use its resources on an affordable and sustainable path, with agreed limits
- Carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and seeking good value for money
- Use, where possible, management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments
- Avoid over defining detail and imposing undue compliance costs, either internally or on the charity's stakeholders and other with whom it deals
- Have practical documented arrangements for working in partnership with other organisations, as appropriate
- Use internal and external audit to improve its internal controls and performance

In order for the Chief Executive to provide assurance on the above matters the following measures are in place:

- Delegated authorities are formally agreed by the Council under Financial Standing Orders. Part of these require CEO authorisation of all expenditure over £10,000 with three comparable quotations and a business plan required in respect of new projects with a value in excess of £10,000
- All payments are made from a single bank account or from approved centrally managed credit and debit cards
- An internal audit function performs regular reviews, following a three year audit plan based on the risk profile of the charity

STATEMENT OF COUNCIL'S RESPONSIBILITIES

The Council as trustees are responsible for preparing the Report of the Council and the financial statements in accordance with applicable law and regulations. Charity law requires the Council to prepare financial statements for each financial year in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2020****STATEMENT OF COUNCIL'S RESPONSIBILITIES (cont)**

Under charity law the Council 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 charity and of its net incoming resources for that period. In preparing these financial statements, the Council are 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 to operate.

The Council are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005 and Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are 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.

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

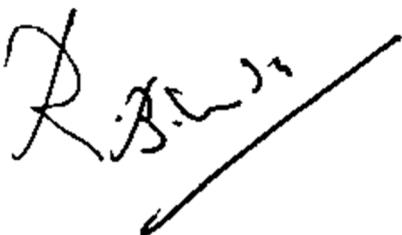
AUDITORS

A resolution to reappoint Mazars LLP will be tabled at the Annual Court.

Each of the persons who are trustees at the time when this trustees' report is approved has confirmed that:

- so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware, and
- the trustee has taken all the steps that ought to have been taken as a trustee in order to be aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

On behalf of the Board



Robert Woods CBE
Council Member and Chairman



Martin Coles
Chief Executive
& Grant in Aid Accounting Officer

15 July 2020

15 July 2020

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES
OF THE MARINE SOCIETY & SEA CADETS****Opinion**

We have audited the financial statements of Marine Society & Sea Cadets (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 March 2020 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 Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 March 2020 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity 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

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 group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Council which includes the Strategic Report and the Directors' Report prepared for the purposes of company law, 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 included within the Report of the Council has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report included within the Report of the Council.

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

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

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on pages 21 and 22 the trustees (who are also the directors of the parent charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of the audit report

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

Signed: 

Nicola Wakefield
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
6 Sutton Plaza, Sutton Court Road, Sutton, Surrey SM1 4FS

Date: 14 August 2020

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2020

| | Notes | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---|----------|--------------------------------|------------------------------|-----------------------------|------------------------|------------------------|
| INCOME AND ENDOWMENTS FROM: | | | | | | |
| Donations, legacies and other income | 2 | 616 | 4,159 | - | 4,775 | 7,076 |
| Charitable activities | 3 | | | | | |
| MOD grant in aid (for Sea Cadet activity) | | - | 10,893 | - | 10,893 | 10,708 |
| Seafarer education and support | | 201 | 144 | - | 345 | 325 |
| Sea Cadet Corps training | | 666 | - | - | 666 | 618 |
| Offshore fleet income | | 214 | - | - | 214 | 289 |
| | | 1,081 | 11,037 | | 12,118 | 11,940 |
| Other trading activities | | | | | | |
| MSSC (Trading) Limited | 8 | 89 | - | - | 89 | 51 |
| Investments | 4 | 754 | 38 | - | 792 | 766 |
| TOTAL INCOME | | 2,540 | 15,234 | - | 17,774 | 19,833 |
| EXPENDITURE ON: | | | | | | |
| Raising funds | | | | | | |
| Investment management costs | | 52 | - | - | 52 | 46 |
| MSSC (Trading) Limited | | 50 | - | - | 50 | 10 |
| Donations and legacies ¹ | | 223 | - | - | 223 | 301 |
| | | 325 | - | - | 325 | 357 |
| NET INCOME AVAILABLE FOR CHARITABLE ACTIVITIES | | 2,215 | 15,234 | - | 17,449 | 19,476 |

The notes on pages 30 to 49 form an integral part of these accounts

¹ Donations and legacies includes unrestricted costs of raising both unrestricted and restricted income.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
YEAR ENDED 31 MARCH 2020

| | Notes | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2020 Total £'000 | 2019 Total £'000 |
|---|-----------|--------------------------------|------------------------------|-----------------------------|------------------------|------------------------|
| Charitable activities | | | | | | |
| Safeguarding and supporting Sea Cadet activity and infrastructure | | 980 | 6,743 | - | 7,723 | 8,087 |
| Sea Cadet Corps training | | 672 | 5,221 | - | 5,893 | 5,726 |
| Offshore fleet | | 227 | 2,111 | - | 2,338 | 2,624 |
| Professional seafarer education and support | | 334 | 247 | - | 581 | 559 |
| Promoting the Marine Society & Sea Cadets | | 53 | 411 | - | 464 | 512 |
| Total charitable activity costs | | 2,266 | 14,733 | - | 16,999 | 17,508 |
| TOTAL EXPENDITURE | 5 | 2,591 | 14,733 | - | 17,324 | 17,865 |
| NET INCOME (EXPENDITURE) BEFORE INVESTMENT GAINS (LOSSES) | | (51) | 501 | - | 450 | 1,968 |
| Net gains (losses) on investments | 12 | - | - | (1,340) | (1,340) | 658 |
| NET INCOME (EXPENDITURE) | | (51) | 501 | (1,340) | (890) | 2,626 |
| Transfers between funds | 17 | 65 | - | (65) | - | - |
| NET MOVEMENT IN FUNDS | | 14 | 501 | (1,405) | (890) | 2,626 |
| TOTAL FUNDS 1 APRIL 2019 | | 1,756 | 15,243 | 16,441 | 33,440 | 30,814 |
| TOTAL FUNDS 31 MARCH 2020 | 18 | 1,770 | 15,744 | 15,036 | 32,550 | 33,440 |

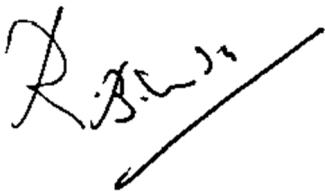
All amounts relate to continuing activities.

The notes on pages 30 to 49 form an integral part of these accounts

**CONSOLIDATED BALANCE SHEET
31 MARCH 2020**

| | | | 2020 | 2019 |
|--|-------|----------------|----------------|---------------|
| | Notes | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | |
| Intangible assets | 10 | 785 | 305 | |
| Tangible assets | 11 | 9,818 | 8,734 | |
| Investments | 12 | <u>22,094</u> | <u>22,356</u> | |
| | | 32,697 | 31,395 | |
| CURRENT ASSETS | | | | |
| Stocks | | 569 | 402 | |
| Debtors | 13 | 2,314 | 2,794 | |
| Cash at bank and in hand | | <u>734</u> | <u>2,975</u> | |
| | | 3,617 | 6,171 | |
| CREDITORS | | | | |
| Amounts falling due within one year | 14 | <u>(3,764)</u> | <u>(4,040)</u> | |
| NET CURRENT ASSETS (LIABILITIES) | | | (147) | 2,131 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 32,550 | 33,526 |
| CREDITORS | | | | |
| Amounts falling due after more than one year | 15 | - | (86) | |
| NET ASSETS | | | 32,550 | 33,440 |
| THE FUNDS OF THE CHARITY | | | | |
| Unrestricted funds | | | | |
| Fixed assets | | 531 | 574 | |
| Other | | <u>1,239</u> | <u>1,182</u> | |
| | | 1,770 | 1,756 | |
| Restricted funds | 16 | | | |
| Fixed assets | | 10,072 | 8,465 | |
| Other | | <u>5,672</u> | <u>6,778</u> | |
| | | 15,744 | 15,243 | |
| Endowment funds | 17 | | 15,036 | 16,441 |
| | 18 | | 32,550 | 33,440 |

Approved by the Trustees on 15 July 2020 and signed on their behalf:



Robert Woods CBE
Council Member & Chairman



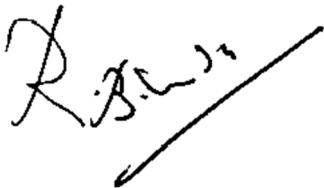
Martin Coles
Chief Executive & Grant in Aid Accounting Officer

The notes on pages 30 to 49 form an integral part of these accounts

**CHARITY BALANCE SHEET
31 MARCH 2020**

| | | | 2020 | 2019 |
|--|-------|--------------|----------------|----------------|
| | Notes | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | |
| Intangible assets | 10 | | 785 | 305 |
| Tangible assets | 11 | | 9,818 | 8,734 |
| Investments | 12 | | <u>22,099</u> | <u>22,361</u> |
| | | | 32,702 | 31,400 |
| CURRENT ASSETS | | | | |
| Stocks | | 569 | | 402 |
| Debtors | 13 | 2,303 | | 2,768 |
| Cash at bank and in hand | | <u>704</u> | | <u>2,892</u> |
| | | | 3,576 | 6,062 |
| CREDITORS | | | | |
| Amounts falling due within one year | 14 | | <u>(3,763)</u> | <u>(3,973)</u> |
| NET CURRENT ASSETS (LIABILITIES) | | | (187) | 2,089 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 32,515 | 33,489 |
| CREDITORS | | | | |
| Amounts falling due after more than one year | 15 | | - | (86) |
| NET ASSETS | | | 32,515 | 33,403 |
| THE FUNDS OF THE CHARITY | | | | |
| Unrestricted funds | | | | |
| Fixed assets | | 531 | | 574 |
| Other | | <u>1,204</u> | | <u>1,145</u> |
| | | | 1,735 | 1,719 |
| Restricted funds | 16 | | | |
| Fixed assets | | 10,072 | | 8,465 |
| Other | | <u>5,672</u> | | <u>6,778</u> |
| | | | 15,744 | 15,243 |
| Endowment funds | 17 | | 15,036 | 16,441 |
| | 18 | | 32,515 | 33,403 |

Approved by the Trustees on 15 July 2020 and signed on their behalf:



Robert Woods CBE
Council Member & Chairman



Martin Coles
Chief Executive & Grant in Aid Accounting Officer

The notes on pages 30 to 49 form an integral part of these accounts

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2020

| | Notes | 2020 | 2019 |
|---|-------|----------------|----------------|
| | | £'000 | £'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net cash provided by operating activities | (a) | 293 | 1,974 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received | 4 | 9 | 9 |
| Investment income | 4 | 783 | 757 |
| Purchase of tangible fixed assets | | (2,248) | (846) |
| Proceeds from sale of tangible fixed assets | | - | 52 |
| Purchase of investments | 12 | (12,509) | (17,166) |
| Proceeds from sale of investments | 12 | 11,431 | 12,173 |
| Net cash used in investing activities | | (2,534) | (5,021) |
| DECREASE IN CASH AT BANK AND IN HAND IN THE YEAR | | (2,241) | (3,047) |
| CASH AT BANK AND IN HAND 1 APRIL 2019 | | 2,975 | 6,022 |
| CASH AT BANK AND IN HAND 31 MARCH 2020 | | 734 | 2,975 |

NOTES TO CASH FLOW STATEMENT

| | | 2020 | 2019 |
|---|--------|------------|--------------|
| (a) Reconciliation of net income (expenditure) to Net cash flows from operating activities | | £'000 | £'000 |
| Net income (expenditure)/income | | (890) | 2,626 |
| Depreciation | 10 &11 | 862 | 869 |
| Losses/ (gains) on investments | 12 | 1,340 | (658) |
| Loss on the sale of tangible fixed assets | | - | 127 |
| (Increase) decrease in stocks | | (167) | 5 |
| Decrease / (increase) in debtors | | 480 | (1,460) |
| (Decrease) / increase in creditors | | (540) | 1,231 |
| Interest received and investment income | 4 | (792) | (766) |
| Net cash provided by operating activities | | 293 | 1,974 |

The notes on pages 30 to 49 form an integral part of these accounts

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2020****1. ACCOUNTING POLICIES****a) Basis of Preparation**

The financial statements have been prepared on a consolidated basis in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Accounting Practice.

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 Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy. The results of the charity and its subsidiaries are consolidated on a line by line basis after intercompany transactions and balances have been eliminated.

The charity is well placed to manage the business risks we face. The position is supported by a strong cash flow, a sufficient level of reserves and a good relationship with our key funders. We therefore have a reasonable expectation that we have sufficient resources to continue in operational existence for the foreseeable future and believe that there are no material uncertainties that call into doubt the ability of the charity to continue as a going concern.

Following Covid-19, the trustees have reviewed detailed budget projections to 31 August 2020 and have agreed detailed budgets for the year ended 31 March 2021. Both sources of income and types of expenditure have been reviewed. Whilst one of the main charitable purposes of the Fund is to support the activities of the Sea Cadets and seafarers, the level of this necessary expenditure is at the discretion of the trustees and can be adjusted during the year. The trustees have also considered the Group's working capital and capital expenditure requirements. As a result of the foregoing the trustees are satisfied that it is appropriate to prepare the accounts on a going concern basis.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies below. The trustees are not aware of any areas where significant changes to key accounting assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

b) Donations, legacies and other income

Income is recognised when the charity has earned entitlement, receipt is probable and the amounts involved can be measured with reasonable certainty. This policy is applied as follows:

Donations are recognised when received, grants are recognised when receivable unless they are restricted for use in a future accounting period in which case they are deferred.

Legacies are recognised at the earlier of receipt, completion of estate accounts or notification by the executors of an estate of a distribution.

Income received from the sale of goods and service is recognised in the year the sale occurs or the good is provided. Income from training, events and offshore activities is recognised in the year the activity or event is delivered.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2020**

1. ACCOUNTING POLICIES (CONTINUED)

c) Expenditure

Expenditure is classified by direct allocation of costs and best estimates of usage of costs where relevant, as follows:

Raising funds:

- The cost of raising funds comprises costs associated with raising funds from all sources and includes fundraising costs, costs of events and investment management costs.

Charitable expenditure:

- Direct costs are allocated to functional cost headings based on supporting cost centre analyses.
- Overheads (including irrecoverable VAT) are included in support costs and are allocated to functional cost headings on the basis of headcount (see note 9). Irrecoverable VAT is included in support costs as an overhead cost.
- Governance costs are included in support costs.

d) Recognition of liabilities and grants

Liabilities are recognised either on the date goods or services are received, or when recipients are given a reasonable expectation that grants will be made and the conditions of those grants have been met.

e) Definition of liquid resources

Liquid resources included on the cash flow statement are those held as cash at bank and in hand.

f) Pension costs

Pension contributions are made to a defined contribution pension scheme and are written off to the Statement of Financial Activities as they are incurred. The charity also makes contributions to a multi-employer defined benefit scheme in respect of former employees. These amounts are also written off as incurred together with any known commitments to fund the deficit of the scheme, where they relate to past service.

g) Intangible and tangible fixed assets

Capital items with a value over £2,000 are treated as fixed assets. Depreciation / amortisation is provided on all fixed assets to write off the cost of these assets over their expected useful life. The following straight line depreciation rates have been used:

| | | | |
|---------------------------|------------|--------------------------------|-----|
| Freehold buildings | 1.66% | Boats and dinghies | 10% |
| Freehold improvements | 10% | Motor vehicles | 25% |
| Leasehold improvements | Lease term | Furniture, Fixtures & Fittings | 20% |
| Training ships and yachts | 5% | Computers & software | 25% |

h) Investments

Investments are included in the Balance Sheet at fair value. Realised investment gains and losses represent the difference between the fair value of the investments at the beginning of the period, or the cost if purchased during the period, and the sale proceeds. The trustees review the valuation of property investments for impairment every year and revalue the investments on a market basis at least every five years.

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020**1. ACCOUNTING POLICIES (CONTINUED)****i) Stocks**

Stock is valued at the lower of cost, including irrecoverable VAT, and market value.

j) Endowment and Restricted Funds

Restricted funds represent gifts or grants, which can only be applied for a purpose specified by the donor or grantor. All monies received from the MOD are treated as restricted funds. These amounts are carried forward as deferred income where there is a restriction on when monies can be spent.

Endowment funds are classified as either permanent - those where the donor has specified that the capital of the gift cannot be expended and that only the income arising from the capital may be used for the specified purpose. Alternatively, they may be expendable if they relate to those that were given where the intention was clearly for the donation to be held for the longer term but where the funds are ultimately expendable.

k) Heritage assets

The charity has received donations of various Naval and Maritime paintings and artefacts over its 262 year history. Many of these are housed at the National Maritime Museum in Greenwich. These assets are retained for their historical and cultural significance in relation to the work of the charity, which illustrate and show the unique service the charity has given to the nation. The assets are not held on the balance sheet as they were either donated or have long since been written off, and are not held for their financial value, however the assets were valued for insurance purposes during the financial year, with a total valuation of £617K.

It is not the policy of the charity to obtain further artefacts but to preserve those of heritage significance that it owns, which it does with the help of the National Maritime Museum. No material artefacts have been acquired in the last five years.

l) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors, and accrued income. Financial liabilities held at amortised cost comprise, trade and other creditors, grants payable and accruals. Income arising from financial assets, comprising bank interest is recognised within income and expenditure.

Non property investments, including bonds held as part of an investment portfolio, are held at fair value at the balance sheet date, with gains and losses and investment income being recognised within income and expenditure. Investments in subsidiaries are held at cost less impairment.

m) Post balance sheet event

On 18 March 2020 the UK Government announced the closure of most businesses due to the Covid19 pandemic, effective from Friday 20 March 2020. On 17 March the charity suspended all Sea Cadet face to face activity and moved to relocate all staff to work virtually from home. The charity has taken significant steps to ensure that its significant sources of income will be secure in 2020, that it has contingency plans to reduce costs and at the same time take rapid and appropriate steps to support its beneficiaries through the crisis. At this stage no reasonable estimate of the effect of the government announcement can be made, but given the charity's contingency planning, the trustees believe the situation can be managed with the minimum possible disruption to the activities of the charity once restrictions are lifted.

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

2. DONATIONS, LEGACIES AND OTHER INCOME

| | Unrestricted £'000 | Restricted £'000 | Endowment £'000 | Total £'000 |
|--|-----------------------|---------------------|--------------------|----------------|
| 2019/20 analysis of income | | | | |
| Donations and subscriptions | 57 | - | - | 57 |
| Legacies | 8 | - | - | 8 |
| Grants – MOD Cadet Expansion Programme | - | 1,252 | - | 1,252 |
| Other Major Grants ¹ | - | 1,063 | - | 1,063 |
| Boat station appeals | - | 200 | - | 200 |
| Westminster Development Donations | - | 820 | - | 820 |
| Bursaries ² | - | 303 | - | 303 |
| Other restricted funds ⁴ | - | 225 | - | 225 |
| Areas, Branches and Other Income | 551 | 296 | - | 847 |
| | 616 | 4,159 | - | 4,775 |

2018/19 analysis of income

| | | | | |
|--|------------|--------------|----------|--------------|
| Donations and subscriptions | 72 | - | - | 72 |
| Legacies | 6 | 73 | - | 79 |
| Grants – MOD Cadet Expansion Programme | - | 1,669 | - | 1,669 |
| Grants – Youth United Foundation | - | 421 | - | 421 |
| Grants – LIBOR ³ | - | 1,219 | - | 1,219 |
| Other Major Grants ¹ | - | 1,289 | - | 1,289 |
| Port Edgar Boat Station Appeal | - | 176 | - | 176 |
| Offshore Yacht Appeal | - | 51 | - | 51 |
| Westminster Development Donations | - | 942 | - | 942 |
| Bursaries ² | - | 160 | - | 160 |
| Other restricted funds ⁴ | - | 154 | - | 154 |
| Areas, Branches and Other Income | 525 | 319 | - | 844 |
| | 603 | 6,473 | - | 7,076 |

Other Major Grants ¹

Includes grants from Seafarers UK (including the Marine Engineering Pods Project (MEP)), Trinity House Maritime Charity, MOD (grant in aid, for premises and uniform), Stelios Philanthropic Foundation, International Foundation for Aids to Navigation (IFAN) and Ufi Trust.

Bursaries ²

Include major donations from the Association of Sail Training Organisations and the Jack Petchey Foundation.

LIBOR ³

Funded by Chancellor using LIBOR funds for RS Quest Dinghies, Premises and Cadet Portal.

Other Restricted Funds⁴

Include major donations from the Michael Uren Foundation and the Gosling Foundation.

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

3. INCOME FROM CHARITABLE ACTIVITIES

| | Unrestricted 2020 £'000 | Restricted 2020 £'000 | Total 2020 £'000 | Unrestricted 2019 £'000 | Restricted 2019 £'000 | Total 2019 £'000 |
|---|-------------------------------|-----------------------------|------------------------|-------------------------------|-----------------------------|------------------------|
| MOD grant in aid (for Sea Cadet activity) | - | 10,893 | 10,893 | - | 10,708 | 10,708 |
| Seafarer education and support | 201 | 144 | 345 | 172 | 153 | 325 |
| Sea Cadet Corps training | 666 | - | 666 | 618 | - | 618 |
| Offshore fleet income | 214 | - | 214 | 289 | - | 289 |
| | 1,081 | 11,037 | 12,118 | 1,079 | 10,861 | 11,940 |

In addition to the MOD grant in aid (for Sea Cadet activity), the charity receives significant support in kind from the MOD. Eleven Royal Navy personnel are provided on loan, at an estimated value to the charity of £600K. Six area offices, three Sea Cadet training centres, Sea Cadet Stores, the Offshore shore offices and berthing facilities are also provided at MOD premises, together with ad hoc use of MOD training estate. Fuel for the offshore vessels from Royal Navy sources, some uniforms and various specialist stores items are also provided by the Royal Navy.

The trustees have considered the very significant difficulties in undertaking a valuation of this support in kind, including whether a reliable, objective valuation would be possible, and the very significant costs which would be involved. They have concluded that the costs involved in undertaking the valuation would not be justified by the benefits to the users of the accounts in terms of their better understanding of the resources available to the charity and to the charity itself from having this financial information.

4. INVESTMENTS

| | Unrestricted 2020 £'000 | Restricted 2020 £'000 | Total 2020 £'000 | Unrestricted 2019 £'000 | Restricted 2019 £'000 | Total 2019 £'000 |
|---|-------------------------------|-----------------------------|------------------------|-------------------------------|-----------------------------|------------------------|
| Investment income (excluding Rental income) | 509 | 29 | 538 | 457 | 25 | 482 |
| Rental income | 245 | - | 245 | 275 | - | 275 |
| Bank interest | - | 9 | 9 | - | 9 | 9 |
| | 754 | 38 | 792 | 732 | 34 | 766 |

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

5. ANALYSIS OF EXPENDITURE

| | Unrestricted 2020 | Restricted 2020 | Total 2020 | Unrestricted 2019 | Restricted 2019 | Total 2019 |
|---|----------------------|--------------------|---------------|----------------------|--------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Investment management fees | 52 | - | 52 | 46 | - | 46 |
| Fundraising | 223 | - | 223 | 301 | - | 301 |
| MSSC (Trading) Limited | 50 | - | 50 | 10 | - | 10 |
| Safeguarding and supporting Sea Cadet activity and infrastructure | 980 | 6,743 | 7,723 | 822 | 7,265 | 8,087 |
| Sea Cadet Corps training | 672 | 5,221 | 5,893 | 683 | 5,043 | 5,726 |
| Offshore fleet | 227 | 2,111 | 2,338 | 216 | 2,408 | 2,624 |
| Professional seafarer education and support | 334 | 247 | 581 | 326 | 233 | 559 |
| Promoting Sea Cadet activity | 53 | 411 | 464 | 39 | 473 | 512 |
| | 2,591 | 14,733 | 17,324 | 2,443 | 15,422 | 17,865 |

| | Grants | Direct Salary Costs | Other | Support costs (note 7) | Total |
|---|--------------|---------------------|--------------|------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2019/20 analysis of costs | | | | | |
| Investment management fees | - | - | 52 | - | 52 |
| Fundraising | - | 122 | 50 | 51 | 223 |
| MSSC (Trading) Limited | - | - | 50 | - | 50 |
| Safeguarding and supporting Sea Cadet activity and infrastructure | 727 | 3,166 | 2,671 | 1,159 | 7,723 |
| Sea Cadet Corps training | 610 | 1,647 | 2,825 | 811 | 5,893 |
| Offshore fleet | 150 | 815 | 1,090 | 283 | 2,338 |
| Professional seafarer education and support | 7 | 246 | 225 | 103 | 581 |
| Promoting Sea Cadet activity | - | 169 | 231 | 64 | 464 |
| | 1,494 | 6,165 | 7,194 | 2,471 | 17,324 |

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

5. ANALYSIS OF EXPENDITURE (CONTINUED)

| | Grants | Direct Salary Costs | Other | Support costs (note 7) | Total |
|---|--------------|---------------------------|--------------|------------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2018/19 analysis of costs | | | | | |
| Investment management fees | - | - | 46 | - | 46 |
| Fundraising | - | 200 | 55 | 46 | 301 |
| MSSC (Trading) Limited | - | - | 10 | - | 10 |
| Safeguarding and supporting Sea Cadet activity and infrastructure | 1,927 | 2,763 | 2,462 | 935 | 8,087 |
| Sea Cadet Corps training | 573 | 1,662 | 2,729 | 762 | 5,726 |
| Offshore fleet | 390 | 770 | 1,210 | 254 | 2,624 |
| Professional seafarer education and support | 10 | 284 | 162 | 103 | 559 |
| Promoting Sea Cadet activity | - | 179 | 286 | 47 | 512 |
| | 2,900 | 5,858 | 6,960 | 2,147 | 17,865 |

Other costs include all direct expenditure in relation to areas, branches, onshore and offshore activities.

6. GRANTS PAYABLE

Grants payable were as follows:

| | 2020 £'000 | 2019 £'000 |
|------------------------|---------------|---------------|
| Grants to institutions | 679 | 1,878 |
| Grants to individuals | 815 | 1,022 |
| | 1,494 | 2,900 |

Individual grants given are small and not material within the overall total.

Grants to institutions comprise grants made to Sea Cadet units to reimburse expenditure. Grants to individuals comprise grants to Sea Cadet volunteers of allowances and reimbursement of expenses.

Support costs in relation to grants payable are included within note 7 below.

Grants payable at the year end are included with creditors (see note 14).

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

7. SUPPORT COSTS

The Support costs of the charity consist of four elements: Management, Finance & Information Technology, Premises, and Other (Company Secretarial, Human Resources and Reception). These costs have been apportioned across the work of the charity on the basis of staff numbers in each functional area. The apportioned costs are set out below:

| | Management | Finance and IT | Premises | Other | 2020 Total | 2019 Total |
|---|------------|----------------|------------|------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fundraising | 5 | 27 | 8 | 11 | 51 | 46 |
| Safeguarding and supporting Sea Cadet activity and Infrastructure | 114 | 611 | 183 | 251 | 1,159 | 935 |
| Sea Cadet Corps training | 80 | 428 | 128 | 175 | 811 | 762 |
| Offshore fleet | 28 | 149 | 45 | 61 | 283 | 254 |
| Professional seafarer education and support | 10 | 55 | 16 | 22 | 103 | 103 |
| Promoting Sea Cadet activity | 6 | 34 | 10 | 14 | 64 | 47 |
| 2020 | 243 | 1,304 | 390 | 534 | 2,471 | 2,147 |
| 2019 | 234 | 1,146 | 289 | 478 | 2,147 | |

Included within Support costs are salary costs of £1,019K (2019: £998K).

Irrecoverable VAT costs included within Support costs amounted to £351K (2019: £271K).

Total Governance costs included in Support were £151K (2019: £139K). These included auditors' fees for external audit £19K (2019: £18K) and tax advice £2K (2019: £2K).

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

8. SUBSIDIARY ORGANISATIONS

The Sea Cadet Association is a charitable company registered in England and Wales (company number Number 404951 and Charity Number 306141). The charity was dormant in the current year and both net income and net assets/funds for the year were £nil (2019: net income and net assets/funds: £nil). The organisation is retained as it is counterparty to a number of leases held by Sea Cadet units and also acts as a vehicle for the receipt of occasional legacies.

MSSC (Trading) Limited is registered in England with company number 9476222. The charity has a £5K (2019: £5K) investment in MSSC (Trading) Limited (note 12), representing 100% of the issued share capital of that company. The results of the company for the year and its balance sheet at the year end were as below. The company made a charitable donation in the year of £37K (2019: £nil) to the charity. The company anticipates making a charitable donation to the charity of £35K in 2020/21 based on profits earned in 2019/20.

| | 2020 £'000 | 2019 £'000 |
|--|----------------------|---------------|
| Turnover | 89 | 51 |
| Purchases for resale | (48) | (4) |
| Other operating charges | (6) | (10) |
| Profit on Ordinary Activities before taxation | 35 | 37 |
| Taxation | - | - |
| Profit on Ordinary Activities after taxation | 35 | 37 |
| Retained profit at 1 April 2019 | 37 | - |
| Charitable donation to the Marine Society & Sea Cadets | (37) | - |
| Retained profit at 31 March 2020 | 35 | 37 |
| | 2020 £'000 | 2019 £'000 |
| Current Assets | | |
| Debtors | 40 | 59 |
| Cash at bank and in hand | 30 | 83 |
| | 70 | 142 |
| Creditors | | |
| Amounts falling due within one year | (30) | (100) |
| Net Current Assets | 40 | 42 |
| Net Assets | 40 | 42 |
| Capital and Reserves | | |
| Called up share capital | 5 | 5 |
| Profit and loss account | 35 | 37 |
| | 40 | 42 |

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

| 9. STAFF COSTS | 2020 £'000 | 2019 £'000 |
|----------------------------|---------------------|---------------------|
| Wages and salaries | 6,279 | 5,897 |
| Social security costs | 568 | 542 |
| Pension fund contributions | 400 | 370 |
| Health insurance | <u>98</u> | <u>102</u> |
| | <u>7,345</u> | <u>6,911</u> |

The average head count was 227 staff (2019: 220) and the average full time equivalent numbers of employees were as follows:

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Fundraising | 4 | 4 |
| Supporting Sea Cadet activity and infrastructure | 90 | 81 |
| Sea Cadet training | 63 | 66 |
| Offshore fleet | 22 | 22 |
| Promoting Sea Cadet activity | 5 | 4 |
| Seafarer education and support | <u>8</u> | <u>9</u> |
| | <u>192</u> | <u>186</u> |

Included within Staff costs are £1,019K (2019: £998K) Support costs and £161K (2019: £55K) costs capitalised within Fixed Assets.

The key management personnel of the charity comprise the trustees, the Chief Executive and the seven (2019: six) Directors in post (senior management team) listed under Executive Management on page 50. Their total remuneration, (including those not in post at the year-end), including social security costs and pension contributions was £692K (2019: £664K). The trustees did not receive any remuneration from the charity during the year but were reimbursed for some travel costs, where they chose to claim. Two (2019: three) trustees claimed travelling expenses totalling £1K (2019: £1K).

Six employees earned over £60K (2019: three). Bandings, inclusive of allowances (where payable) were:

| | 2020 | 2019 |
|---------------|-----------|-----------|
| £60K - £70K | 4 | 1 |
| £70K - £80K | 1 | - |
| £80K - £90K | - | - |
| £90K - £100K | - | 1 |
| £110K - £120K | *1 | *1 |

* These figures include pension allowances paid to one individual (2019: one) in lieu of employer pension contributions that would otherwise be payable.

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

10. INTANGIBLE FIXED ASSETS (GROUP AND CHARITY)

| | Computers & software | Total |
|-------------------------|-------------------------------------|--------------|
| | £'000 | £'000 |
| COST | | |
| At 1 April 2019 | 755 | 755 |
| Additions in period | 557 | 557 |
| Disposals in period | - | - |
| At 31 March 2020 | 1,312 | 1,312 |
| AMORTISATION | | |
| At 1 April 2019 | 450 | 450 |
| Provision in period | 77 | 77 |
| Disposals in period | - | - |
| At 31 March 2020 | 527 | 527 |
| Net book value | | |
| At 31 March 2020 | 785 | 785 |
| <i>Net book value</i> | | |
| <i>At 31 March 2019</i> | <i>305</i> | <i>305</i> |

Above includes £647K (2019: £176K) in respect of assets under construction.

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

11. TANGIBLE FIXED ASSETS (GROUP AND CHARITY)

| | Freehold building £'000 | Building improve- ments £'000 | Ships & boats £'000 | Furniture & fittings £'000 | Motor vehicles £'000 | Computers £'000 | Total £'000 |
|-------------------------|-------------------------------|--|---------------------------|----------------------------------|----------------------------|--------------------|----------------|
| COST | | | | | | | |
| At 1 April 2019 | 718 | 2,365 | 10,479 | 311 | 387 | 54 | 14,314 |
| Additions in period | - | 1,645 | 221 | - | - | 3 | 1,869 |
| Disposals in period | - | - | - | - | - | - | - |
| At 31 March 2020 | 718 | 4,010 | 10,700 | 311 | 387 | 57 | 16,183 |
| DEPRECIATION | | | | | | | |
| At 1 April 2019 | 580 | 1,077 | 3,297 | 297 | 275 | 54 | 5,580 |
| Provision in period | 12 | 133 | 575 | 7 | 57 | 1 | 785 |
| Disposals in period | - | - | - | - | - | - | - |
| At 31 March 2020 | 592 | 1,210 | 3,872 | 304 | 332 | 55 | 6,365 |
| Net book value | | | | | | | |
| At 31 March 2020 | 126 | 2,800 | 6,828 | 7 | 55 | 2 | 9,818 |
| <i>Net book value</i> | | | | | | | |
| <i>At 31 March 2019</i> | <i>138</i> | <i>1,288</i> | <i>7,182</i> | <i>14</i> | <i>112</i> | <i>-</i> | <i>8,734</i> |

Building improvements include assets under construction £1,665K (2019: £208K).

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

12. INVESTMENTS

GROUP INVESTMENTS

| | Investment Portfolio £'000 | Properties £'000 | Cash £'000 | Total £'000 |
|---------------------------------|---|-----------------------------|-----------------------|------------------------|
| Fair value at 1 April 2019 | 18,685 | 1,200 | 2,471 | 22,356 |
| Additions at cost | 10,094 | - | - | 10,094 |
| Disposal proceeds | (11,431) | - | - | (11,431) |
| Movement in Cash | - | - | 2,415 | 2,415 |
| Loss for the year | (1,340) | - | - | (1,340) |
| Fair value at 31 March 2020 | 16,008 | 1,200 | 4,886 | 22,094 |

CHARITY INVESTMENTS

| | Investment Portfolio £'000 | Properties £'000 | Cash £'000 | Subsidiary £'000 | Total £'000 |
|---------------------------------|---|-----------------------------|-----------------------|-----------------------------|------------------------|
| Fair value at 1 April 2019 | 18,685 | 1,200 | 2,471 | 5 | 22,361 |
| Additions at cost | 10,094 | - | - | - | 10,094 |
| Disposal proceeds | (11,431) | - | - | - | (11,431) |
| Movement in Cash | - | - | 2,415 | - | 2,415 |
| Loss for the year | (1,340) | - | - | - | (1,340) |
| Fair value at 31 March 2020 | 16,008 | 1,200 | 4,886 | 5 | 22,099 |

All investments are held in the UK. No single investment formed over 5% of the portfolio and no amounts were invested directly in overseas' equities. The subsidiary investment is in MSSC (Trading) Limited, note 8. The cost of the Investment Portfolio including cash was £19,167K (2019: £17,635K).

| Fund analysis of gains and (losses): | 2020 £'000 | 2019 £'000 |
|---|-----------------------|-----------------------|
| Endowment (note 17) | (1,340) | 658 |
| Total gains (losses) | (1,340) | 658 |

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

13. DEBTORS

| | Group 2020 | Group 2019 | Charity 2020 | Charity 2019 |
|-------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 104 | 113 | 93 | 102 |
| Amounts due from MSSC (Trading) Ltd | - | - | - | 3 |
| Loans | 51 | 48 | 51 | 48 |
| Other taxation and social security | 69 | 57 | 69 | 57 |
| Other debtors | 745 | 838 | 745 | 838 |
| Prepayments | 1,127 | 1,496 | 1,127 | 1,478 |
| Accrued income | 218 | 242 | 218 | 242 |
| | 2,314 | 2,794 | 2,303 | 2,768 |

14. CREDITORS: Amounts falling due within one year

| | Group 2020 | Group 2019 | Charity 2020 | Charity 2019 |
|------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | 555 | 429 | 555 | 429 |
| Amount due to MSSC (Trading) Ltd | - | - | 1 | - |
| Other taxation and social security | 220 | 212 | 220 | 212 |
| Grants payable | 778 | 1,428 | 778 | 1,428 |
| Other creditors | 126 | 182 | 124 | 115 |
| Pension provision (note 20) | 110 | 77 | 110 | 77 |
| Accruals | 813 | 662 | 813 | 662 |
| Deferred income | 1,162 | 1,050 | 1,162 | 1,050 |
| | 3,764 | 4,040 | 3,763 | 3,973 |

£1,312K (2019: £723K) of Grants payable at 1 April 2019 were paid in the year, and £662K (2019: £1,370K) of further grants were provided during the year to 31 March 2020. Payment of grants made is mostly conditional on the balance of funding for property projects being raised by the grant recipient. £143K (2019: £nil) of accruals and £855K (2019: £nil) of deferred income balances at 1 April 2019 are included in creditors at 31 March 2020. These should be released in 2020/21.

15. CREDITORS (GROUP AND CHARITY): Amounts falling due after one year

| | 2020 | 2019 |
|-----------------------------|--------------|--------------|
| | £'000 | £'000 |
| Pension provision (note 20) | - | 86 |

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

16. RESTRICTED FUNDS (GROUP AND CHARITY)

| Donor | Purpose | Balance | Movement of funds | | | Balance |
|----------------------------|---------------------------------|-----------------|-------------------|------------------|---------------------|------------------|
| | | 1 April 2019 | Income | Expend- iture | Income/ interest | 31 March 2020 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| MOD | The Sea Cadet Corps | - | 10,893 | (10,893) | - | - |
| Various | Offshore ships and Boats | 7,252 | 143 | (603) | 1 | 6,793 |
| Various | Sea Cadet training | 1,602 | 1,476 | (1,697) | 1 | 1,382 |
| Various | Cadet expansion Programme | 3,767 | 1,253 | (439) | 4 | 4,585 |
| Various | Sea Cadet unit grants | 1,294 | 523 | (506) | 2 | 1,313 |
| Various | Area Sea Cadet Training | 818 | 343 | (248) | 14 | 927 |
| Various | Seafarer training | 251 | 259 | (249) | 2 | 263 |
| Various | Bursaries | 113 | 306 | (98) | 4 | 325 |
| Corbyn Memorial Fund | London Nautical School | 38 | - | - | 7 | 45 |
| Thomas Gray Memorial Trust | Maritime Science and Technology | 34 | - | - | 3 | 37 |
| Various | Other | 74 | - | - | - | 74 |
| | | 15,243 | 15,196 | (14,733) | 38 | 15,744 |

(continued)

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

16. RESTRICTED FUNDS (GROUP AND CHARITY) (CONTINUED)

| Donor | Purpose | Balance | Movement of funds | | | Balance |
|----------------------------|---------------------------------|-----------------|-------------------|------------------|---------------------|--------------|
| | | 1 April 2018 | Income | Expend- iture | Income/ interest | |
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| MOD | The Sea Cadet Corps | - | 10,708 | (10,708) | - | - |
| Various | Offshore ships and Boats | 7,218 | 1,081 | (1,048) | 1 | 7,252 |
| Various | Sea Cadet training | 1,109 | 1,658 | (1,166) | 1 | 1,602 |
| Various | Cadet expansion Programme | 2,590 | 2,090 | (916) | 3 | 3,767 |
| Various | Sea Cadet unit grants | 1,086 | 1,083 | (877) | 2 | 1,294 |
| Various | Area Sea Cadet Training | 795 | 365 | (354) | 12 | 818 |
| Various | Seafarer training | 321 | 164 | (236) | 2 | 251 |
| Various | Bursaries | 111 | 114 | (116) | 4 | 113 |
| Corbyn Memorial Fund | London Nautical School | 33 | - | (1) | 6 | 38 |
| Thomas Gray Memorial Trust | Maritime Science and Technology | 31 | - | - | 3 | 34 |
| Various | Other | 3 | 71 | - | - | 74 |
| | | <hr/> 13,297 | <hr/> 17,334 | <hr/> (15,422) | <hr/> 34 | <hr/> 15,243 |

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

17. ENDOWMENT FUNDS (GROUP AND CHARITY)

| Donor | Purpose | Balance 1 April 2019 £'000 | Movement of funds Investment returns £'000 | Donations/ (transfers) £'000 | Balance 31 March 2020 £'000 |
|----------------------------|--|-------------------------------------|---|------------------------------------|--------------------------------------|
| Corbyn Memorial Fund | Grants and payments to members of London Nautical School | 216 | (13) | - | 203 |
| Thomas Gray Memorial Trust | Advancement of Maritime Technology and Science | 104 | (7) | - | 97 |
| Destitute Sailors Fund | Assisting distressed merchant seamen | 64 | (4) | - | 60 |
| Various | Providing subsidised berths and awards to Sea Cadets | 509 | (31) | - | 478 |
| Expendable Endowed Funds | Held for general purposes | 15,548 | (1,285) | (65) | 14,198 |
| | | <u>16,441</u> | <u>(1,340)</u> | <u>(65)</u> | <u>15,036</u> |

| Donor | Purpose | Balance 1 April 2018 £'000 | Movement of funds Investment returns £'000 | Donations/ (transfers) £'000 | Balance 31 March 2019 £'000 |
|----------------------------|--|-------------------------------------|---|------------------------------------|--------------------------------------|
| Corbyn Memorial Fund | Grants and payments to members of London Nautical School | 208 | 8 | - | 216 |
| Thomas Gray Memorial Trust | Advancement of Maritime Technology and Science | 101 | 3 | - | 104 |
| Destitute Sailors Fund | Assisting distressed merchant seamen | 62 | 2 | - | 64 |
| Various | Providing subsidised berths and awards to Sea Cadets | 491 | 18 | - | 509 |
| Expendable Endowed Funds | Held for general purposes | 15,018 | 627 | (97) | 15,548 |
| | | <u>15,880</u> | <u>658</u> | <u>(97)</u> | <u>16,441</u> |

(continued)

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

17. ENDOWMENT FUNDS (GROUP AND CHARITY) (CONTINUED)

The transfers from endowed funds to unrestricted funds in 2020 and 2019 are the element of the group and charity's investment returns that are used to fund the on-going operations of the group and charity over and above investment income actually received.

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

GROUP

| | Intangible & tangible fixed assets £'000 | Investments £'000 | Net current assets and long term liabilities £'000 | Total £'000 |
|--------------------|--|----------------------|--|----------------|
| 2020 | | | | |
| Restricted funds | 10,072 | - | 5,672 | 15,744 |
| Endowment funds | - | 15,036 | - | 15,036 |
| Unrestricted funds | 531 | 7,058 | (5,819) | 1,770 |
| Total | 10,603 | 22,094 | (147) | 32,550 |

2019

| | | | | |
|--------------------|--------------|---------------|--------------|---------------|
| Restricted funds | 8,465 | - | 6,778 | 15,243 |
| Endowment funds | - | 16,441 | - | 16,441 |
| Unrestricted funds | 574 | 5,915 | (4,733) | 1,756 |
| Total | 9,039 | 22,356 | 2,045 | 33,440 |

CHARITY

| | Intangible & tangible fixed assets £'000 | Investments £'000 | Net current assets and long term liabilities £'000 | Total £'000 |
|--------------------|--|----------------------|--|----------------|
| 2020 | | | | |
| Restricted funds | 10,072 | - | 5,672 | 15,744 |
| Endowment funds | - | 15,036 | - | 15,036 |
| Unrestricted funds | 531 | 7,063 | (5,859) | 1,735 |
| Total | 10,603 | 22,099 | (187) | 32,515 |

(continued)

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)

CHARITY (CONTINUED)

| 2019 | Intangible & tangible fixed assets £'000 | Investments £'000 | Net current assets and long term liabilities £'000 | Total £'000 |
|---------------------------|--|----------------------|--|----------------|
| Restricted funds | 8,465 | - | 6,778 | 15,243 |
| Endowment funds | - | 16,441 | - | 16,441 |
| Unrestricted funds | 574 | 5,920 | (4,775) | 1,719 |
| Total | 9,039 | 22,361 | 2,003 | 33,403 |

The group's liquid free reserves (see reserves policy) total £1,239K (2019: £1,182K) (unrestricted investments less unrestricted net current assets and long term liabilities).

19. TAXATION

No corporation tax is payable due to the charitable status of the activities of the charity.

20. PENSION SCHEMES (GROUP AND CHARITY)

A number of former employees of the former Marine Society and of the Sea Cadet Association are members of the Merchant Navy Officers Pension Fund - MNOPF (New Section). The fund is active, though closed to future accrual on 31 March 2016. However, the MSSC continues to have a share of the net deficit in the fund.

The triennial valuation as at 31 March 2018 valued assets in the scheme at £3,278M and the liabilities at £3,351M giving a rise to a scheme wide deficit of £73M. As at the date of the 2018 valuation, the value of future instalments of 2009 and 2012 deficit contributions stood at £64M, resulting in an adjusted deficit of £9M.

The trustees have put a recovery plan in place in respect of the MSSC's share of the 2009-12 deficits, involving additional contributions to 30 September 2023. MSSC's share of the liability is being paid by annual instalments and the total liability at 31 March 2020 was £110K (2019: £163K), this includes a financing charge by MNOPF on deficit instalments to which the charity is contractually committed. This has all been provided in these accounts; £110K (2019: £77K) as a creditor due within one year and £nil (2019: £86K) as a creditor falling due after more than one year.

All current employees are members of a contract based defined contribution scheme. £400K (2019: £370K) was paid by the charity during the year of which £34K (2019: £32K) was outstanding at the year end and included in creditors.

NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2020**21. RELATED PARTY TRANSACTIONS (CHARITY)**

One of the trustees is the headmaster of the London Nautical School. The charity provided services to the school on an open market basis, for which it was paid £28K (2019: £28K). No amounts were outstanding to the charity at the year end. Grants are paid from the Corbyn Memorial Fund to the London Nautical School, which is restricted to that purpose, and amounted to £nil in the year (2019: £1K).

The Chief Executive is an ex officio trustee/director of both Youth United Foundation (YUF) and the Royal Albert Dock Trust. During the year, the charity received grant income totalling £nil (2019: £421k) and rental income from YUF of £13K (2019: £29K). £2K (2019: £10K) outstanding at the year end has been received since the year end. During the year, the charity paid rent to the Royal Albert Dock Trust's London Regatta Centre totalling £18K (2019: £19K). No amounts were outstanding to the charity at 31 March 2020.

Four of the trustees of the charity are trustees of Trinity House Maritime Charity. During the year the charity received a grant of £130K (2019: £110K) from the Trinity House Maritime Charity. No amounts were outstanding to the charity at the year end.

One of the trustees was appointed Chairman of IFAN maritime in November 2019. They support MSSC on various educational projects, during the year the charity received a grant of £70K (2019: £nil).

The charity was paid £4K (2019: £4K) for management and accounting services from its subsidiary undertaking MSSC (Trading) Limited (note 8). A charitable donation amounting to £37K (2019: £nil) was received from the subsidiary. The charity anticipates receiving a charitable donation from the subsidiary of £35K in 2020/21 based on profits earned by the company in 2019/20. At the year end, the charity owed £1K (2019: due £3K) to the subsidiary and this amount is included in charity creditors, (2019: *charity debtors*)

One trustee of the charity, Simon Figgis, and two employees, Jenny Howard and Paul Wilkinson, are directors of MSSC (Trading) Limited. Two trustees, Robert Woods and Louise Bennett, are directors of the Sea Cadet Association.

22. STATUTORY INFORMATION

The Marine Society and Sea Cadets (MSSC) is a charity registered with the Charity Commission in England and Wales (registration number 313013) and with the Office of the Scottish Charity Regulator (registration number SC037808). The registered office is 202 Lambeth Road, London SE1 7JW.

**COUNCIL MEMBERS AND EXECUTIVE MANAGEMENT
YEAR ENDED 31 MARCH 2020**

Council members and executive management during the year, and as at the date of this report, were:

PRESIDENT: **Admiral Sir Mark Stanhope GCB OBE DL**

COUNCIL MEMBERS

The Council members who served during the year were:

Robert Woods CBE (Chair) ^{1, 2, 3, 4}

Liz Cassidy (Vice Chair) ^{1, 2}

Dr Louise Bennett ^{1, 2, 3}

Andrew Bull ^{2,3,4} (Retired 9 October 2019)

Simon Figgis ^{1, 3}

Dr Sheila Fitzpatrick MBE ^{3, 6}

Lt Cdr (SCC) Jason Kinghorn RNR ^{2, 3}

Alan Marsh MBE FICS ¹

Alex Marsh ² (Retired 9 October 2019)

Nick Mason ^{1, 2}

John May DL ^{2, 3}

Sir Alan Massey KCB CBE ¹

Captain Ian McNaught CVO MNM

Jeremy Penn ^{1, 2}

Commodore W M Walworth CBE MNM ^{4, 5}

Vice Admiral Sir Jonathan Woodcock KCB OBE ^{2, 3}

David Derbyshire ³ (Appointed 9 October 2019)

Leonie Austin² (Appointed 9 October 2019)

Council Members are members of the following committees as annotated above.

¹ The Finance, Investment, Remuneration and Audit Committee

² The Policy Development and Nominations Committee

³ The Safety, Safeguarding & Risk Committee

⁴ The Merchant Navy Liaison Committee

⁵ The National Sea Cadet Advisory Council

⁶ The National Sea Cadet Forum

EXECUTIVE MANAGEMENT

Chief Executive

Captain Sea Cadets & Director of Operations*

Director of Finance, IT & Trading and Company Secretary

Director of Finance & Digital and Company Secretary

Director of Policy & Young People Support

Director of Volunteer Support & Outreach

Director of Learning

Director of Fundraising and Communications

Director of Human Resources

Interim Director of Seafarer Learning

Martin Coles FRICS ACIArb

Captain Philip Russell RN

Mark Hallam MNI FCA (retired 30 August 2019)

Jenny Howard (appointed 2 July 2019)

Veronika Neyer

Paul Wilkinson

Heather Williams

Daniel McAllister

Petrina Brooker

Darrell Bate (appointed 27 August 2019)

* provided on loan from the Royal Navy

**PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2020**

The principal professional advisers during the year were:

| | |
|--|--|
| Auditors: | Mazars 2 nd Floor, 6 Sutton Plaza, Sutton Court Road, Sutton SM1 4FS |
| Bankers: | Barclays Bank plc 1 Churchill Place London E14 5HP |
| | National Westminster Bank plc 250 Regent Street London W1B 3BN |
| | Royal Bank of Scotland plc 62-63 Threadneedle Street London EC2R 8HP |
| Investment Advisers and Custodians: | Investec Wealth & Investment Ltd 2 Gresham Street London EC2V 7QN |
| | KW Investment Management Ltd 13 Austin Friars London EC2N 2HE |
| Legal advisers: | Farrer & Co LLP 66 Lincoln's Inn Fields London WC2A 3LH |
| | Moon Beever 21A John Street London WC1N 2BF |
| | Russell Cooke 2 Putney Hill London SW15 6BA |
| Insurance Brokers: | Heath Lambert Limited Friary Court Crutched Friars London EC3P 2NP |
| Pension Advisers: | Jelf Employee Benefits Hillside Court, Bowling Hill Chipping Sodbury Bristol BS37 6JX |
| Registered Office: | 202 Lambeth Road London SE1 7JW |