



## **MARINE SOCIETY & SEA CADETS**

### **Report & Accounts For the year ended 31 March 2017**

**Patron:** Her Majesty the Queen

**Admiral of the Sea Cadet Corps:**  
His Royal Highness the Duke of York, GCVO, CD

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

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

**REPORT OF THE COUNCIL  
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**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

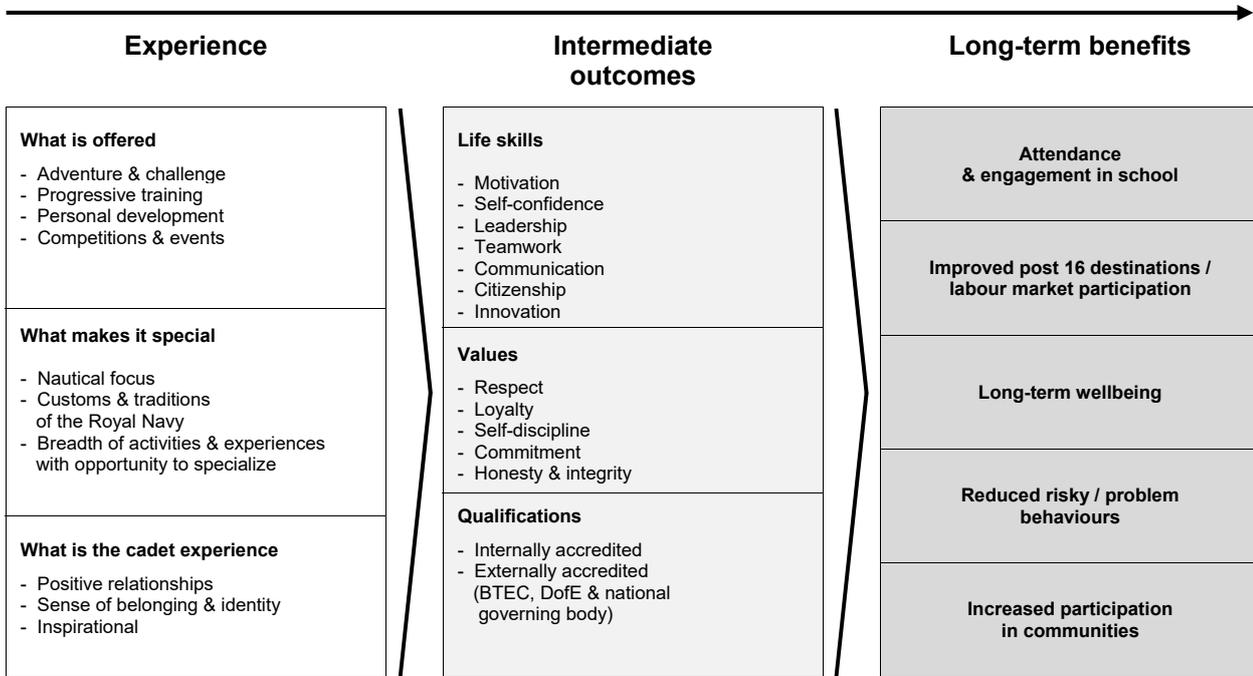
Helping seafarers to realise their full potential and to progress through the learning and development opportunities we offer that support their personal development. Specifically delivered via distance learning at sea and the provision of ships' libraries

**Our outcomes framework**

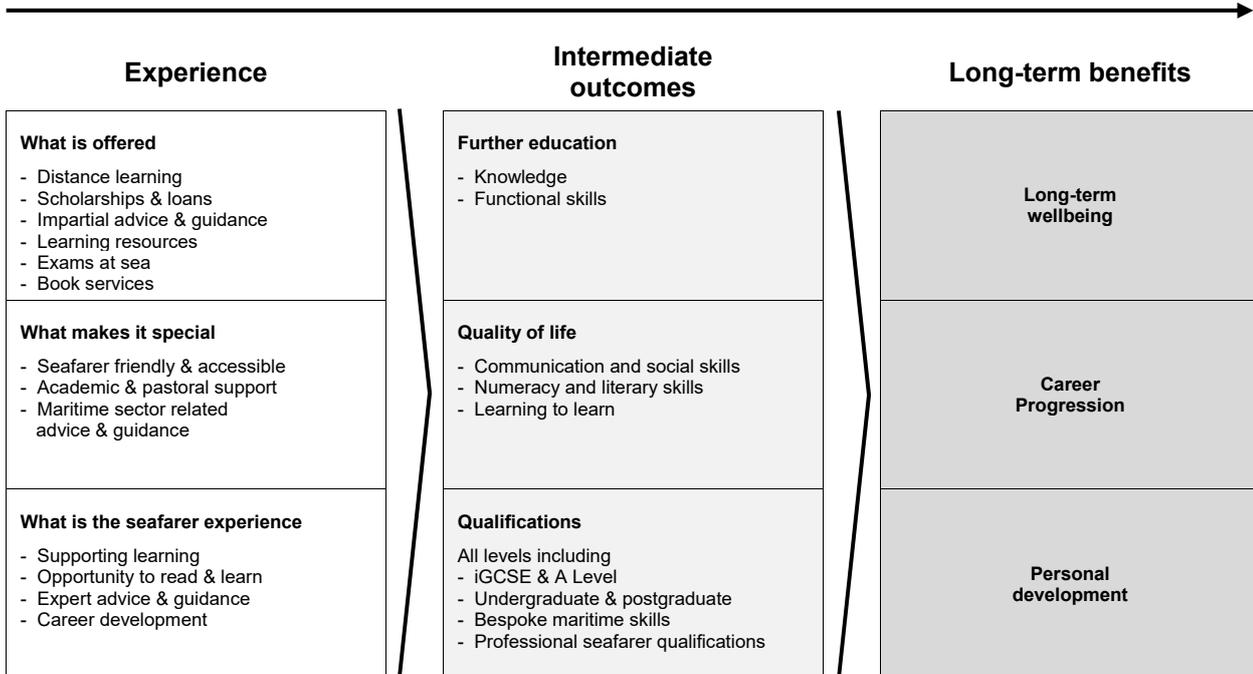
The charity has developed a framework that gives a clear picture of the journey a young person or a seafarer goes on with us. This helps to ensure that the charity offers a consistent and conscious outcome to all beneficiaries and that we always meet our long terms goals of making a positive, life enhancing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

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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:



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



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.

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**IMPACT – OUR VISION AND STRATEGY FOR 2021**

Published in 2016 – key extracts are reproduced below

**Understanding impact**

Our new strategy to 2021 supports our core vision and will focus more on how we refine the experience and services we offer so we can maximise the impact our work has on the lives of those we support. We will better understand our current 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.

The stories we hear and the results of our seafarer and cadet surveys paint a picture of a charity that ensures the success and personal development for thousands, through a culture that champions innovation, leadership and teamwork.

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.

**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 values**

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.

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### The next five years to 2021

Over the next 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.

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### 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 2017

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### WHAT WE ACHIEVED IN THE YEAR TO MARCH 2017

Our focus during the year to 31 March 2017 was, and continues to be on maximising impact for young people and seafarers through life changing learning and development opportunities. We are confident we are building in the best processes to deliver outstanding achievements for cadets, volunteers, seafarers and those who support us. We focus on two key priorities that shape everything we do and these themes kept us on track for what we delivered in 2016/17 and what we will deliver to 2021.

Our achievements for the year ended 31 March 2017 against the priorities we set ourselves are as follows:

#### For young people we have:

Made the Sea Cadet experience consistent, accessible and inspiring

- ✓ Review actions for delivery of the Sea Cadet Experience
- ✓ Align training to better deliver SCC experience
- ✗ Launch a training prospectus for new cadets <sup>1</sup>
- ✓ Launch mobile engineering pods, piloted in South West Area
- ✗ Update our Marine Engineering syllabus <sup>2</sup>
- ✗ Deliver 30 hours boating and seven days' funded training per cadet <sup>3</sup>

Enhanced the Sea Cadet Experience and evidenced the impact we make

- ✓ Identify projects and training that drive impact in line with our Outcomes Framework <sup>4</sup>
- ✗ Establish a pathway to the Royal Navy for cadets that recognises their SCC achievements <sup>5</sup>
- ✓ Create a defined community project with a national partner
- ✓ Introduce innovation as a new SCC life skill
- ✓ Promote Duke of Edinburgh Awards

Ensured what we do is relevant and connects with young people and helping them to shape their Sea Cadets

- ✓ Deliver a 2016 cadet conference
- ✓ Scope a new Sea Cadet portal for cadets, volunteers and parents

Grown Sea Cadets to reach more young people with the Sea Cadet Experience

- Grow by 350 cadets (+126 volunteers) by
  - ✓ establishing six new Cadet Expansion Programme units in state schools
  - ✓ opening four new sections or units
  - ✗ adding 120 cadets and 36 volunteers elsewhere <sup>6</sup>
- ✓ Provide focussed support to 20% of units under our priority units programme

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<sup>1</sup> Project postponed to 17/18

<sup>2</sup> Project postponed to 17/18

<sup>3</sup> 32 hours boating, but 6.3 days funded training delivered due to funding limit

<sup>4</sup> Further NPC evidencing undertaken + school review work

<sup>5</sup> RN proposal designed but stalled with MOD

<sup>6</sup> Cadets down 14,104 to 14,003 & volunteers down 5,212 to 5,148

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### For seafarers we have:

Met the learning needs of seafarers for the 21<sup>st</sup> Century by clarifying our learning offer

- ✓ Review and establish a revised learning offer to seafarers
- ✓ Deliver actions from Jan16 Ofsted re-inspection
- ✓ Scope potential for a Sea Cadet apprenticeship
- ✓ Deliver 2,700 @Sea Licences

Grown crew libraries and book sales, with a fully non-return book service

- ✓ Increase our book titles by 20%
- ✓ Introduce standard contract terms and pricing

### For volunteers we have:

Made sure we have the right volunteers, well supported and trained, so they can deliver the Sea Cadet Experience – always recognising great effort and commitment

- ✗ Implement a competence framework for all volunteers <sup>7</sup>
- ✓ Matching volunteers skills to roles
- ✓ Deliver three e-learning programmes
- ✓ Deliver an updated volunteer induction course
- ✓ Identify a volunteer accreditation pathway <sup>8</sup>

Promoted greater working together

- ✓ Deliver 20 new ways of joint working across units, districts and areas
- ✓ Begin establishing one new district boat station and three new host units and plan for more <sup>9</sup>

### Delivering support – we have:

Established practices that help develop our charity's culture and cement our goals, increase employee engagement and strive for higher performance

- ✓ Launch a culture change programme
- ✓ Launch a staff intranet
- ✓ Develop a strategy to embrace equality diversity and inclusion across MSSC and beneficiaries
- ✓ Embed our values and ways of working
- ✓ Launch a revised appraisal and probation process with leadership training
- ✓ Deliver a training plan for MSSC staff
- ✓ Streamline our internal communications
- ✓ Embed an induction programme for new employees

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<sup>7</sup> Competency framework for Instructor progression completed. To design total competency framework for all volunteers in 17/18

<sup>8</sup> BTEC level 3 introduced for volunteers

<sup>9</sup> Severn District, plus Neath, Hove and Manchester Trafalgar boat hubs established

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Invest in our support services promoting innovation, improvement and development

- ✓ Finalise online unit management safety system
- ✗ Scope and deliver 24/7 cadet confidential line and introduce accredited anti-bullying ambassadors
- ✗ Complete renewal of our MOU and Grant in Aid for 17/18 and onwards with the MOD <sup>10</sup>
- ✓ Improve administrative support across the charity and clarify defined processes in a range of areas

Raise the charity's profile with fundraising income increased

- ✓ Complete Lord Mayor's Appeal for a new yacht
- ✓ Launch two new fundraising initiatives
- ✓ Promote long term benefits of the Sea Cadet Experience
- ✓ Explore new fundraising avenues while maximising existing
- ✓ Drive new stories through our beneficiaries experiences
- ✓ Develop our legacy giving

Upgraded our facilities and boat stations

- ✓ Complete Royals Docks Boat Station
- ✗ Complete arrangements for new MSSC HQ premises <sup>11</sup>
- ✓ Make 60 maintenance grants to units
- ✓ Give property advice to 100 units and support development of six new/refurbished cadet units
- ✓ Agree terms for build of new yachts for offshore fleet
- ✓ Complete RS Quest match funded project and 167 boat roll out funded by the Chancellor using LIBOR funds

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<sup>10</sup> MOU renewal delayed (extended to September 2017)

<sup>11</sup> Heads of terms and contract drafting largely agreed, but delayed by superior landlord. Construction now likely to commence end 2017

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**MAXIMISING IMPACT - OUR KEY GOALS FOR THE YEAR TO MARCH 2018**

**For young people we will:**

Make the Sea Cadet Experience consistent, accessible and inspiring

- Develop new, engaging teaching methods to help volunteers deliver inspiring cadet training modules
- Launch five Marine Engineering Pods with a further two in build
- Capture delivery of the Sea Cadet Experience through our unit review process
- Aim to integrate NCS into the Sea Cadet Experience
- Complete our refresh of the Royal Marines Cadets training

Enhance the Sea Cadet Experience and evidencing the impact we make

- Offer social action programmes via NCS and Duke of Edinburgh community projects
- Build an evidence base from which we can show the impact we're making and help increase supporter and media engagement
- Raise Duke of Edinburgh Award uptake to 15%
- Raise BTEC Level 1 uptake to 75% and Level 2 to 35%
- Work with RN to ensure recognition of Sea Cadet prior learning

Ensure what we do is relevant and connects with young people as we listen to them, helping them to shape their Sea Cadets

- Deliver an online Sea Cadet portal to help cadets connect, learn and engage
- Encourage everyone to take part in our Sea Cadet Corps survey – your views count
- We want cadets to get involved more by setting up and taking part in cadet forums at all levels: unit, UMT, district, area and national

Grow Sea Cadets so that we can reach more young people with the Sea Cadet Experience

- Grow cadet and volunteer numbers plus launch four units through the Cadet Expansion Programme
- Develop an outreach programme to help us connect with new young people

**For seafarers we will:**

Meet the learning needs of seafarers for the 21st Century by clarifying our learning offer

- Develop our IFAN work helping global seafarers develop their career potential
- Develop coming ashore learning helping seafarers make a successful transition.

Grow crew libraries and book sales, with a fully non-return book service

- Grow our crew libraries by 15%
- Grow the book shop by 10%.

**For volunteers we will:**

Make sure we have the right volunteers well supported and trained so they can deliver a great Sea Cadet Experience – always recognising great effort and commitment

- Introduce our new volunteer competence framework
- Review volunteer training support in line with the Sea Cadet Experience
- Ensure our entry processes better recognise prior learning
- Launch a centralised welcome pack for new joiners (cadets, volunteers and parents)
- Create two volunteer cadet well being ambassadors for each area – a total of 12 new roles
- Deliver three e-learning modules

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**Delivering support – we will:**

Establish practices that help develop our charity's culture and cement our goals, increase employee engagement and strive for higher performance

- Help employees communicate better by offering internal comms support and introduce a staff intranet
- Improve ways of working, embed our values, drive equality, diversity and inclusion throughout the charity

Invest in our support services promoting innovation, improvement and development

- Launch a refreshed unit constitution and affiliation agreement
- Working in partnership with Barnado's ensuring our safeguarding practices are always in tune and up to date
- Our How to Guides for volunteers will help them deliver even greater cadet training

Raise the charity's profile with fundraising income increased

- Increase fundraising by promoting the impact and introduce new ways to support us
- Keep a focus on legacy and help the charity and its members to talk about it confidently
- Build on statutory funding and Trusts & Foundations income
- Drive individual giving and events fundraising by launching a new lottery, second raffle plus deliver a fundraising gala dinner and a challenge events programme
- Help units with fundraising advice

Invest in our facilities, supporting upgrades, new builds and new equipment

- Redevelop Port Edgar boat station
- Get North West and Midlands boat stations ready for build
- Deliver two new offshore yachts
- Make sure units can access property advice and maintenance grants helping them deliver more for cadets
- Roll out 165 RS Quests.

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**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

“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.

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### **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. Following incorporation in 1772 the Society commissioned in 1786 the first pre-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, and these received Admiralty recognition in 1919. In 1937 Lord Nuffield gave £50,000 to fund the re-launch and expansion of the movement and five years later the Admiralty started to pay for uniforms, equipment, travel and training of the Corps. In 1976 the Navy League was renamed the Sea Cadet Association.

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.

Sea Cadet units operate across the United Kingdom, with 302 established units in England, 38 in Scotland, 22 in Wales and 11 in Northern Ireland, with a further 3 in Bermuda and one each in Jersey, Guernsey and Malta. There are also a further 3 new units (1 in Northern Ireland, 2 in England) and 10 partnership units 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 2017 there were 5,148 uniformed volunteers, 2,313 unit management team members and 1,344 other volunteers. In total 8,805 volunteers. 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.

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### **SAFEGUARDING POLICY**

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

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

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.

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, which are in the process of implementation.

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 protection and safety fully respected.

### **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.

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### **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

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.

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### FINANCIAL REVIEW

#### Income

Total income amounted to £16,897K (2016: £16,309K), an increase of 3.6% over the previous year. Donations, legacies and other income increased by £461K (10.1%) on 2016, reflecting mainly an endowed legacy (£349K), LIBOR dinghy funding, funded by the Chancellor using LIBOR funds, (£750K) and the Yacht appeal (the Lord Mayor's Appeal and other donations (total £541K)). There was no Youth United funding this year (2016: £487K), and no income for the construction of the Welsh Harp boating station, completed last financial year, (2016: £232K, including £40K Cadet Expansion Programme grant). The Flagship appeal also closed last year (2016: £473K).

The MOD grant in aid for Sea Cadets increased by just £167K (1.7%), below inflation. Sea Cadet Corps training income was consistent with the previous year with a reduction in training income from training centres, offset by £65K from the National Citizen Service. There was an increase of 22.2% in Offshore fleet income, following the new Flagship Royalist's first full sailing season. Seafarer education and support income was down by 17.4% with both a reduction in library and Marine Society College income consistent with reductions in related expenditure.

We continue to remain sincerely grateful for the continued support provided by the MOD in helping finance the Sea Cadets.

#### Expenditure

Total expenditure was £16,799K (2016: £15,615K), an increase of 7.6% on the prior year. The costs of safeguarding and supporting Sea Cadet activity and infrastructure increased by £919K (13.6%) with more grants made to support units, and in particular the grants of 167 Quests funded by the Chancellor using LIBOR funds (£674K). Sea Cadet Corps training costs this year total £5,319K, comparable to last year's expenditure of £5,254K consistent with no significant movement in Sea Cadet Corps training income. Offshore fleet costs increased by £249K (11.9%) due to Royalist being available for more of the season than in the last year. Professional seafarer education and support decreased by 11.1% consistent with fall in income. Fundraising costs for donations and legacies increased by 5.1% mainly due to the raffle this year. Promoting the Marine Society and Sea Cadets costs increased by 2.1% over the previous year, with the cost of a new MSSC internal communications post this year offset by the Flagship commissioning ceremony costs last year.

#### Net income and other movements

Overall, net income before investment gains was down by £596K (85.9%) on the previous year following significant project spending of restricted funds again this year. Net expenditure before investment gains on unrestricted funds (excluding restricted and endowment) amounted to £6K (2016: net income £76K).

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 £102K (2016: £82K) based on a 4.0% agreed return set by the trustees following advice from the investment managers. Investment portfolio gains in the year were £2,136K, contrasting with losses on investments in the previous year of £529K.

#### Balance sheet

Net assets and total funds opening balances have increased by £136K to £27,256K following reviews of the application of the VAT recovery method, and historic Branch bank balances (see note 19). Tangible fixed assets increased by £249K (2.7%) mainly due to construction costs of the new Yachts. Fixed asset investments were up by £2,326K (16.1%) predominantly from the gain on investments at the year end. Current assets increased by £140K (2.2%) due mainly to a £376K (39.0%) increase in debtors, (of which £197K related to the Lord Mayor's Appeal Charity and legacy accrued income) and a decrease in cash of £244K (4.9%). Total creditors increased by £557K (21.9%); this included a £202K trade creditor for annual ship refit costs at the year end.

**REPORT OF THE COUNCIL  
YEAR ENDED 31 MARCH 2017**

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**STATEMENT OF THE ACCOUNTING OFFICER**

The Chief Executive Officer (CEO) as designated Accounting Officer in accordance with the Memorandum of Understanding with the MOD dated 25 November 2011, and currently extended to 30 September 2017, should ensure that MSSC and any subsidiaries or sponsored organisations, operate in respect of the Grant in Aid from the MOD effectively and to a high standard of probity. The MSSC should in respect of the Grant in Aid:

**Governance**

- Have a governance structure which transmits, delegates, implements and enforces decisions
- Have trustworthy internal controls to safeguard, channel and record resources as intended
- 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 where appropriate
- Give timely, transparent and realistic accounts of the charity

**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
- Manage its staff fairly, with inclusive policies designed to promote and integrate diversity
- Communicate its decisions openly and transparently

**Financial management**

- Comply with Public Sector Internal Audit Standards (PSIAS) in order that the Department Accounting Officer may receive an annual assurance on risk management, governance and control
- Use its resources efficiently, economically and effectively, avoiding waste and extravagance
- Carry out procurement and project appraisal objectively and fairly, 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 on its own staff or on its stakeholders and other with whom it deals
- Have practical documented arrangements for working in partnership with other organisations
- 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 five year audit plan based on the risk profile of the charity

## **REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2017**

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### **INTERNAL AUDIT**

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 2017 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.

### **RESERVES POLICY**

Total funds at the year end as detailed in note 18 were £29,490K, (2016: £27,256K), which includes £11,975K (2016: £12,220K) restricted funds and £16,108K (2016: £13,725K) endowment funds. After accounting for tangible fixed assets of £794K (2016: £747K) this leaves unrestricted funds, comprising free reserves of £613K (2016: £564K).

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 £4 million) in income funds rather than capital. It remains an aspiration of the charity to increase its free reserves; however, this will be particularly difficult given the on-going pressing commitments, these mainly relating to the upgrading of Sea Cadet facilities.

A breakeven budget has again been set in the current year. In light of the commitments it is unlikely the charity will be able to hold three months' expenditure 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.

### **GRANT MAKING POLICY**

Grants awarded in 2017 amounted to £2,812K (2016: £2,050K). 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.

**REPORT OF THE COUNCIL  
YEAR ENDED 31 MARCH 2017**

**INVESTMENT POLICY**

Investec manage the investment portfolio <sup>1</sup>.

The overall objective of the 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. 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 portfolio mix is set to fall within the following broad planning ranges:

	<b>Planning range</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
UK Equities	35-65%	38.5%	43.1%
Non-UK Equities	10-35%	27.9%	28.6%
Fixed Interest	10-30%	8.5%	8.8%
Property	5-10%	6.2%	8.6%
Hedge funds	0%	0%	0.0%
Other	0%	3.4%	5.3%
Cash *	0-30%	15.5%	5.6%

\* Cash can be held tactically in the portfolio but not as an asset class.

The bonds held will be of 'A' 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.

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 authorised under the Financial Services and Markets Act 2000. 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. The current market volatility is being monitored by trustees and a formal review of cash balances was also held.

**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 of 19.2% (2016: (1.8)% *negative*) against our real return benchmark of 7.9% (RPI plus 4%) and our Charity Universe benchmark of 15.4% (2016: (0.3%)). Total return over the three year period to 31 March 2017 was 9.1% per annum against a benchmark of 6.1% (RPI plus 4% per annum over the period) and Charity Universe 9.2%; and 7.4% per annum since 31st March 2007 (RPI plus 4%: 6.8% over the period; Charity Universe 6.3%).

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

<sup>1</sup> Excluding properties managed directly by the charity (see Note 11)

## **REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2017**

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### **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, together with details of the executive management and professional advisors are shown on pages 47-48.

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. 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

#### 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

## **REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2017**

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### **ORGANISATIONAL STRUCTURE AND GOVERNANCE (continued)**

#### 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, which 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, which 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.

Since 2012 a Sea Cadet was invited to attend Policy, Development and Nominations Committee meetings. From November 2016 this invitation was changed to the Council meeting

### **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.

### **Membership and Branches**

The MSSC is a membership organisation and currently enjoys the support of some 800 members who pay an annual subscription to the Charity. MSSC has 6 (2016: 6) 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.

## **REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2017**

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### **KEY RISKS AND UNCERTAINTIES**

The Council is responsible for management of the risks and uncertainties faced by the charity, assisted by senior staff. Last year, the Council formally reviewed the organisation's risk management process through the Safety, Safeguarding and Risk Committee, and the committee continued to monitor the charity's key risks throughout the year. The key 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 considers the key risks facing the charity to fall within the following areas:

- Child protection
- 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

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.

**REPORT OF THE COUNCIL  
YEAR ENDED 31 MARCH 2017**

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**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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

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**

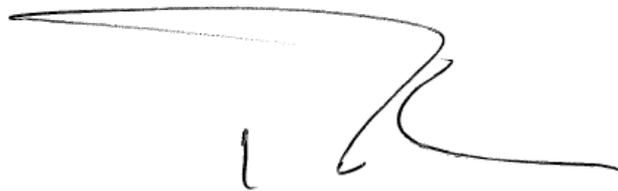
A resolution to reappoint Crowe Clark Whitehill LLP will be tabled at the Annual Court.

On behalf of the Board



Captain Nigel Palmer OBE MNM  
Council Member and Chairman

26 July 2017



Martin Coles  
Chief Executive  
& Grant in Aid Accounting Officer

26 July 2017

## **INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE MARINE SOCIETY AND SEA CADETS**

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We have audited the financial statements of the Marine Society and Sea Cadets for the year ended 31 March 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 154 of the Charities Act 2011 and section 44(1c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's Council 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 Council members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Council members and auditor**

As explained more fully in the Statement of the Council's Responsibilities, the Council are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 44(1c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2017 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

**INDEPENDENT AUDITORS' REPORT TO THE COUNCIL  
OF THE MARINE SOCIETY AND SEA CADETS**

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

We have nothing to report in respect of the following matters where the Charities Act 2011 or the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Report of the Council is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

*Crowe Clark Whitehill LLP*

**Crowe Clark Whitehill LLP**  
Statutory Auditor  
4 August 2017

**St Bride's House**  
10 Salisbury Square  
London EC4Y 8EH

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**STATEMENT OF FINANCIAL ACTIVITIES  
YEAR ENDED 31 MARCH 2017**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2017 Total £'000	2016 <i>(restated)</i> Total £'000
<b>INCOME AND ENDOWMENTS FROM:</b>						
<b>Donations, legacies and other income</b>	<b>2</b>	<b>631</b>	<b>4,058</b>	<b>349</b>	<b>5,038</b>	<b>4,577</b>
<b>Charitable activities</b>	<b>3</b>					
MOD grant in aid (for Sea Cadet activity)		-	10,139	-	10,139	9,972
Seafarer education and support		194	152	-	346	419
Sea Cadet Corps training		437	-	-	437	434
Offshore fleet income		264	-	-	264	216
		<b>895</b>	<b>10,291</b>	<b>-</b>	<b>11,186</b>	<b>11,041</b>
<b>Other trading activities</b>						
Events		3	-	-	3	4
<b>Investments</b>	<b>4</b>	<b>628</b>	<b>42</b>	<b>-</b>	<b>670</b>	<b>687</b>
<b>TOTAL INCOME</b>		<b>2,157</b>	<b>14,391</b>	<b>349</b>	<b>16,897</b>	<b>16,309</b>
<b>EXPENDITURE ON:</b>						
<b>Raising funds</b>						
Investment management						
Costs		48	-	-	48	56
Events		4	-	-	4	4
Donations and legacies <sup>1</sup>		411	-	-	411	391
		<b>463</b>	<b>-</b>	<b>-</b>	<b>463</b>	<b>451</b>
<b>NET INCOME AVAILABLE FOR CHARITABLE ACTIVITIES</b>		<b>1,694</b>	<b>14,391</b>	<b>349</b>	<b>16,434</b>	<b>15,858</b>

The notes on pages 29 to 46 form an integral part of these accounts

<sup>1</sup> Donations and legacies includes unrestricted costs of raising both unrestricted and restricted income.

**STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

	Notes	Unrestricted	Restricted	Endowment	2017	2016
		Funds	Funds	Funds	Total	(restated)
		£'000	£'000	£'000	£'000	Total
						£'000
<b>Charitable activities</b>						
Safeguarding and supporting Sea Cadet activity and infrastructure		568	7,108	-	7,676	6,757
Sea Cadet Corps training		548	4,771	-	5,319	5,254
Offshore fleet		216	2,121	-	2,337	2,088
Professional seafarer education and support		338	223	-	561	631
Promoting the Marine Society & Sea Cadets		30	413	-	443	434
<b>Total charitable activity costs</b>		<b>1,700</b>	<b>14,636</b>	<b>-</b>	<b>16,336</b>	<b>15,164</b>
<b>TOTAL EXPENDITURE</b>	<b>5</b>	<b>2,163</b>	<b>14,636</b>	<b>-</b>	<b>16,799</b>	<b>15,615</b>
<b>NET INCOME (EXPENDITURE) BEFORE INVESTMENT GAINS (LOSSES)</b>		<b>(6)</b>	<b>(245)</b>	<b>349</b>	<b>98</b>	<b>694</b>
Net gains (losses) on investments	11	-	-	2,136	2,136	(529)
<b>NET INCOME (EXPENDITURE)</b>		<b>(6)</b>	<b>(245)</b>	<b>2,485</b>	<b>2,234</b>	<b>165</b>
Transfers between funds	17	102	-	(102)	-	-
<b>NET MOVEMENT IN FUNDS</b>		<b>96</b>	<b>(245)</b>	<b>2,383</b>	<b>2,234</b>	<b>165</b>
<b>RECONCILIATION OF FUNDS</b>						
<b>TOTAL FUNDS 1 APRIL 2016 AS PREVIOUSLY STATED</b>		<b>1,466</b>	<b>11,929</b>	<b>13,725</b>	<b>27,120</b>	<b>27,091</b>
Prior Year Adjustment	19	(155)	291	-	136	-
<b>TOTAL FUNDS 1 APRIL 2016 AS RESTATED</b>		<b>1,311</b>	<b>12,220</b>	<b>13,725</b>	<b>27,256</b>	<b>27,091</b>
<b>TOTAL FUNDS 31 MARCH 2017</b>	<b>18</b>	<b>1,407</b>	<b>11,975</b>	<b>16,108</b>	<b>29,490</b>	<b>27,256</b>

The notes on pages 29 to 46 form part of these accounts

**BALANCE SHEET**  
**31 MARCH 2017**

	Notes	£'000	2017 £'000	2016 (restated) (note 19) £'000
<b>FIXED ASSETS</b>				
Tangible assets	10		9,438	9,189
Investments	11		16,783	14,457
			<b>26,221</b>	<b>23,646</b>
<b>CURRENT ASSETS</b>				
Stocks		361		353
Debtors	12	1,340		964
Cash at bank and in hand		4,780		5,024
		<b>6,481</b>		<b>6,341</b>
<b>CREDITORS</b>				
Amounts falling due within one year	13	(3,093)		(2,536)
<b>NET CURRENT ASSETS</b>			<b>3,388</b>	<b>3,805</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>29,609</b>	<b>27,451</b>
<b>CREDITORS</b>				
Amounts falling due after more than one year	14		(119)	(195)
<b>NET ASSETS</b>			<b>29,490</b>	<b>27,256</b>
<b>THE FUNDS OF THE CHARITY</b>				
Unrestricted funds				
Fixed assets		794		747
Other		613		564
			<b>1,407</b>	<b>1,311</b>
Restricted funds				
Fixed assets	15	8,644		8,442
Other		3,331		3,778
			<b>11,975</b>	<b>12,220</b>
Endowment funds				
	17		16,108	13,725
	18		29,490	27,256

Approved by the Trustees on 26 July 2017 and signed on their behalf:

  
Captain Nigel Palmer OBE MNM  
Council Member & Chairman

  
Martin Coles  
Chief Executive & Grant in Aid Accounting Officer

The notes on pages 29 to 46 form an integral part of these accounts

**STATEMENT OF CASH FLOWS  
YEAR ENDED 31 MARCH 2017**

	Notes	2017 £'000	2016 (restated) £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net cash provided by (used in) operating activities	(a)	259	(394)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	4	23	42
Investment income	4	647	645
Purchase of tangible fixed assets	10	(984)	(1,371)
Proceeds from sale of tangible fixed assets		1	11
Purchase of investments	11	(9,608)	(2,715)
Proceeds from sale of investments	11	9,418	2,747
<b>Net cash used in investing activities</b>		<b>(503)</b>	<b>(641)</b>
<b>DECREASE IN CASH AT BANK AND IN HAND IN THE YEAR</b>		<b>(244)</b>	<b>(1,035)</b>
<b>CASH AT BANK AND IN HAND 1 APRIL 2016 (restated)</b>		<b>5,024</b>	<b>6,059</b>
<b>CASH AT BANK AND IN HAND 31 MARCH 2017</b>		<b>4,780</b>	<b>5,024</b>

**NOTES TO CASH FLOW STATEMENT**

		2017 £'000	2016 (restated) £'000
(a) Reconciliation of net income to Net cash flows from operating activities			
Net income		2,234	165
Depreciation	10	733	407
(Gains) losses on investments	11	(2,136)	529
Loss on the sale of tangible fixed assets		1	5
Increase in stocks		(8)	(99)
Increase in debtors		(376)	(96)
Increase (decrease) in creditors		481	(618)
Interest received and investment income	4	(670)	(687)
<b>Net cash provided by (used in) operating activities</b>		<b>259</b>	<b>(394)</b>

The notes on pages 29 to 46 form an integral part of these accounts

**NOTES TO THE ACCOUNTS  
YEAR ENDED 31 MARCH 2017**

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**1. ACCOUNTING POLICIES**

**a) Basis of Preparation**

The financial statements have been prepared 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) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted 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 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.

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**

Donations, legacies, grants receivable and other income are accounted for as soon as their amount and receipt are probable. In the case of unsolicited donations this is usually only when they are received, whilst fundraising results are accounted for when the commitment is made by the donor, subject to fulfilment.

**c) Expenditure**

Expenditure is classified by direct allocation of costs and best estimates of usage of costs where relevant.

*Allocation of Costs*

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.

**NOTES TO THE ACCOUNTS  
YEAR ENDED 31 MARCH 2017**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**c) Expenditure (continued)**

*Allocation of Costs (continued)*

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. 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) Fixed Assets**

Capital items with a value over £2,000 are treated as fixed assets. Depreciation 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%	Yachts and boats	10%
Freehold improvements	10%	Motor vehicles	25%
Leasehold improvements	Lease term	Furniture, Fixtures & Fittings	20%
Training ships	5%	Computer equipment	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 2017**

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**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 261 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 it is not considered that the benefits of valuing the assets would justify the costs involved.

On 3 May 2017 the charity was advised that a heritage painting had been generously gifted to the MSSC in the will of the late Mr Sam Bowman of New York. The painting portrays the unveiling of the Marine Society's foundation statue in the presence of the charity's original three founders. This painting is clearly of great historical significance to the charity, and so has been classed as a heritage asset, to be retained as part of the charity's heritage collection in accordance with the policy above.

It is not the policy of the charity to obtain further artefacts but to preserve the ones 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, prepayments and accrued income. Financial liabilities held at amortised cost comprise, trade and other creditors, grants payable, accruals and deferred income. Income arising from financial assets, comprising bank interest is recognised within income and expenditure.

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.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**2. DONATIONS, LEGACIES AND OTHER INCOME**

	Unrestricted £'000	Restricted £'000	Endowment £'000	Total £'000
<b>2016/17 analysis of income</b>				
Donations and subscriptions	84	-		84
Legacies <sup>1</sup>	13	16	349	378
Grants – MOD Cadet Expansion Programme	-	601	-	601
Grants – LIBOR <sup>4</sup> for RS Quest dinghies	-	750	-	750
Other Major Grants <sup>2</sup>	-	832	-	832
Flagship Appeal	-	63	-	63
Yacht Appeal	-	77	-	77
Lord Mayor's Appeal Charity	-	464	-	464
Westminster Development Donations	-	510	-	510
Bursaries <sup>3</sup>	-	185	-	185
Other Restricted Funds	-	156	-	156
Areas, Branches and Other Income	534	404	-	938
	<b>631</b>	<b>4,058</b>	<b>349</b>	<b>5,038</b>
<b>2015/16 analysis of income</b>				
Donations and subscriptions	82	-	-	82
Legacies	2	23	-	25
Grants – MOD Cadet Expansion Programme	-	572	-	572
Grants – Youth United	-	487	-	487
Other Major Grants <sup>2</sup>	-	730	-	730
Welsh Harp	-	192	-	192
Flagship Appeal	-	473	-	473
Emergency Flood Appeal	-	51	-	51
Westminster Development Donations	-	511	-	511
Westminster – Project Grosvenor	-	100	-	100
Bursaries <sup>3</sup>	-	163	-	163
Other Restricted Funds	-	220	-	220
Areas, Branches and Other Income	543	428	-	971
	<b>627</b>	<b>3,950</b>	<b>-</b>	<b>4,577</b>

**Legacies <sup>1</sup>**

£349K was generously endowed by the late K Martyr Esq with one-half invested to provide a permanent income for berths for disadvantaged cadets in the London Area and the other half invested to provide a permanent income for the most needy and disadvantaged units in the London Area. See note 15.

**Other Major Grants <sup>2</sup>**

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

**Bursaries <sup>3</sup>**

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

**LIBOR <sup>4</sup>**

Funded by the Chancellor using LIBOR funds.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**3. INCOME FROM CHARITABLE ACTIVITIES**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
	<b>2017</b>	<b>2017</b>	<b>2017</b>	<i>2016</i>	<i>2016</i>	<i>2016</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
MOD grant in aid (for Sea Cadet activity)	-	<b>10,139</b>	<b>10,139</b>	-	9,972	9,972
Seafarer education and support	<b>194</b>	<b>152</b>	<b>346</b>	265	154	419
Sea Cadet Corps training	<b>437</b>	-	<b>437</b>	434	-	434
Offshore fleet income	<b>264</b>	-	<b>264</b>	216	-	216
	<b>895</b>	<b>10,291</b>	<b>11,186</b>	915	10,126	11,041

In addition to the MOD grant in aid (for Sea Cadet activity) the charity receives significant support in kind from the MOD. Nine Royal Navy personnel are provided on loan, at an estimated value to the charity of £500K. 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 those costs involved in undertaking that 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**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
	<b>2017</b>	<b>2017</b>	<b>2017</b>	<i>2016</i>	<i>2016</i>	<i>2016</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment income (excluding Rental income)	<b>382</b>	<b>19</b>	<b>401</b>	389	12	401
Rental income	<b>246</b>	-	<b>246</b>	244	-	244
Bank interest	-	<b>23</b>	<b>23</b>	-	42	42
	<b>628</b>	<b>42</b>	<b>670</b>	633	54	687

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**5. ANALYSIS OF EXPENDITURE**

	<b>Unrestricted 2017</b>	<b>Restricted 2017</b>	<b>Total 2017</b>	<i>Unrestricted 2016 (restated)</i>	<i>Restricted 2016</i>	<i>Total 2016 (restated)</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment management fees	48	-	48	56	-	56
Fundraising	415	-	415	395	-	395
Safeguarding and supporting Sea Cadet activity and infrastructure	568	7,108	7,676	575	6,182	6,757
Sea Cadet Corps training	548	4,771	5,319	458	4,796	5,254
Offshore fleet	216	2,121	2,337	220	1,868	2,088
Professional seafarer education and support	338	223	561	371	260	631
Promoting Sea Cadet activity	30	413	443	28	406	434
	<b>2,163</b>	<b>14,636</b>	<b>16,799</b>	<b>2,103</b>	<b>13,512</b>	<b>15,615</b>

	<b>Grants</b>	<b>Direct Salary Costs</b>	<b>Other</b>	<b>Support costs (note 7)</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2016/17 analysis of costs</b>					
Investment management fees	-	-	48	-	48
Fundraising	-	243	106	66	415
Safeguarding and supporting Sea Cadet activity and infrastructure	1,883	2,559	2,424	810	7,676
Sea Cadet Corps training	621	1,483	2,503	712	5,319
Offshore fleet	298	812	939	288	2,337
Professional seafarer education and support	10	308	153	90	561
Promoting Sea Cadet activity	-	169	229	45	443
	<b>2,812</b>	<b>5,574</b>	<b>6,402</b>	<b>2,011</b>	<b>16,799</b>

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**5. ANALYSIS OF EXPENDITURE (CONTINUED)**

	<b>Grants</b>	<b>Direct Salary Costs</b>	<b>Other</b>	<b>Support costs* (note 7)</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2015/16 analysis of costs (restated)</b>					
Investment management fees	-	-	56	-	56
Fundraising	-	250	87	58	395
Safeguarding and supporting Sea Cadet activity and infrastructure	1,105	2,648	2,254	750	6,757
Sea Cadet Corps training	785	1,436	2,439	594	5,254
Offshore fleet	153	836	826	273	2,088
Professional seafarer education and support	7	266	280	78	631
Promoting Sea Cadet activity	-	117	279	38	434
	<u>2,050</u>	<u>5,553</u>	<u>6,221</u>	<u>1,791</u>	<u>15,615</u>

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

\* Support costs in 2016 have been restated following a review of the application of the VAT recovery method (see note 19). Of the £177K VAT prior year adjustment, £55K relates to 2016 support costs.

**6. GRANTS PAYABLE**

Grants payable were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Grants to institutions	<b>1,850</b>	<b>1,128</b>
Grants to individuals	<b>962</b>	<b>922</b>
	<u><b>2,812</b></u>	<u><b>2,050</b></u>

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, and grants to individuals, 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 13).

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**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:

	<b>Manage- ment</b>	<b>Finance and IT</b>	<b>Premises</b>	<b>Other</b>	<b>2017 Total</b>	<i>2016 Total (restated)</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fundraising	6	37	11	12	66	58
Safeguarding and supporting Sea Cadet activity and Infrastructure	76	453	132	149	810	750
Sea Cadet Corps training	67	398	116	131	712	594
Offshore fleet	27	161	47	53	288	273
Professional seafarer education and support	9	50	14	17	90	78
Promoting Sea Cadet activity	4	25	8	8	45	38
<b>2017</b>	<b>189</b>	<b>1,124</b>	<b>328</b>	<b>370</b>	<b>2,011</b>	<b>1,791</b>
<i>2016 (restated)</i>	<i>187</i>	<i>974</i>	<i>289</i>	<i>341</i>	<i>1,791</i>	

Included within Support costs are salary costs of £986K (2016: £875K).

Irrecoverable VAT costs included within Support costs amounted to £206K (2016: *restated* £242K).

2016 figures have been restated following a review of the application of the VAT recovery method, see note 19. Of the £177K VAT prior year adjustment, £55K relates to 2016 support costs.

Total Governance costs included in Support were £145K (2016: £139K). These included auditors' fees for external audit £26K (2016: £25K) and tax advice £6K (2016: £2K).

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**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 (2016: net income and net assets/funds: £nil). The results of the charity have not been consolidated on the grounds that they are not material. 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 results of the company for the year were £nil (2016: £nil) and net assets/shareholder's funds at the year end were £5K (2016: £5K). The company made a charitable donation of £23K (2016: £7K) to the charity.

The charity has a £5K (2016: £5K) investment in MSSC (Trading) Limited (note 11). The results have not been consolidated on the grounds that they are not material.

**9. STAFF COSTS**

	<b>2017</b>	<i>2016</i>
	<b>£'000</b>	<i>£'000</i>
Wages and salaries	<b>5,590</b>	<i>5,472</i>
Social security costs	<b>514</b>	<i>486</i>
Pension fund contributions	<b>373</b>	<i>376</i>
Health insurance	<b>96</b>	<i>109</i>
	<b><u>6,573</u></b>	<i><u>6,443</u></i>

The average head count was 201 staff (2016: 202) and the average full time equivalent numbers of employees were as follows:

	<b>2017</b>	<i>2016</i>
Fundraising	<b>6</b>	<i>6</i>
Supporting Sea Cadet activity and infrastructure	<b>73</b>	<i>77</i>
Sea Cadet training	<b>64</b>	<i>61</i>
Offshore fleet	<b>26</b>	<i>28</i>
Promoting Sea Cadet activity	<b>4</b>	<i>4</i>
Seafarer education and support	<b>8</b>	<i>8</i>
	<b><u>181</u></b>	<i><u>184</u></i>

Included within Staff costs are £986K (2016: £875K) Support costs and £13K (2016: £15K) costs capitalised within Fixed Assets.

The key management personnel of the charity comprise the trustees, the Chief Executive and the six Directors (senior management team) listed under Executive Management on page 47. Their total remuneration including social security costs and pension contributions was £652K (2016: £601K). This remuneration and the banding below include redundancy and related costs of £25K, none of which was outstanding at the balance sheet date, and additional remuneration following one member of staff, formerly part-time, becoming full-time. 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 (2016: 4) Trustees claimed travelling expenses totalling £1K (2016: £1K).

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**9. STAFF COSTS (CONTINUED)**

Seven employees earned over £60K (2016: 5). Bandings, inclusive of allowances (where payable) were:

	2017	2016
£60K - £70K	4	3
£80K - £90K *	1	1
£90K - £100K	1	-
£110K - £120K	1	1

\* includes redundancy and related costs as above.

**10. TANGIBLE FIXED ASSETS**

	Freehold Building £'000	Building Improve- ments £'000	Ships & boats £'000	Furniture & fittings £'000	Motor Vehicles £'000	Computers & software £'000	Total £'000
<b>COST</b>							
At 1 April 2016	777	1,991	9,804	331	219	420	13,542
Additions in period	-	91	633	15	93	152	984
Disposals in period	-	-	(6)	-	-	-	(6)
<b>At 31 March 2017</b>	<u>777</u>	<u>2,082</u>	<u>10,431</u>	<u>346</u>	<u>312</u>	<u>572</u>	<u>14,520</u>
<b>DEPRECIATION</b>							
At 1 April 2016	589	696	2,335	309	155	269	4,353
Provision in period	13	138	462	7	45	68	733
Disposals in period	-	-	(4)	-	-	-	(4)
<b>At 31 March 2017</b>	<u>602</u>	<u>834</u>	<u>2,793</u>	<u>316</u>	<u>200</u>	<u>337</u>	<u>5,082</u>
<b>Net book value</b>							
<b>At 31 March 2017</b>	<u>175</u>	<u>1,248</u>	<u>7,638</u>	<u>30</u>	<u>112</u>	<u>235</u>	<u>9,438</u>
<i>Net book value</i>							
<i>At 31 March 2016</i>	<u>188</u>	<u>1,295</u>	<u>7,469</u>	<u>22</u>	<u>64</u>	<u>151</u>	<u>9,189</u>

Included in Ships and boats is £373K in respect of assets in course of construction.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**11. INVESTMENTS**

	Investment Portfolio £'000	Properties £'000	Cash £'000	Subsidiary £'000	Total £'000
Fair value at 1 April 2016	12,485	1,200	767	5	14,457
Additions at cost	3,952	-	5,656	-	9,608
Disposal proceeds	(5,415)	-	(4,003)	-	(9,418)
Gains for the year	2,136	-	-	-	2,136
Fair value at 31 March 2017	<u>13,158</u>	<u>1,200</u>	<u>2,420</u>	<u>5</u>	<u>16,783</u>

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.

**Fund analysis of gains and (losses):**

	2017 £'000	2016 £'000
Unrestricted	-	(24)
Restricted	-	(2)
Endowment	2,136	(503)
Total gains (losses)	<u>2,136</u>	<u>(529)</u>

**12. DEBTORS**

	2017 £'000	2016 (restated) £'000
Trade debtors	51	46
Loans	4	55
Other taxation and social security	138	247
Other debtors	205	138
Prepayments	323	206
Accrued income	619	272
	<u>1,340</u>	<u>964</u>

Other taxation and social security costs in 2016 have been restated to reflect £177K received during the year following a review of the application of the VAT recovery method (see note 19).

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**13. CREDITORS: Amounts falling due within one year**

	<b>2017</b>	<i>2016</i>
	<b>£'000</b>	<i>£'000</i>
Trade creditors	<b>705</b>	<i>326</i>
Other taxation and social security	<b>192</b>	<i>257</i>
Grants payable	<b>1,085</b>	<i>1,024</i>
Other creditors	<b>100</b>	<i>117</i>
Pension provision (note 20)	<b>77</b>	<i>77</i>
Accruals	<b>601</b>	<i>402</i>
Deferred income	<b>333</b>	<i>333</i>
	<b><u>3,093</u></b>	<i><u>2,536</u></i>

£524K of Grants payable at 1 April 2016 were paid in the year, and £585K of further grants were provided during the year to 31 March 2017. Payment of grants made is mostly conditional on the balance of funding for property projects being raised by the grant recipient. Accruals and deferred income balances as at 1 April 2016 were all released during the year.

**14. CREDITORS: Amounts falling due after one year**

	<b>2017</b>	<i>2016</i>
	<b>£'000</b>	<i>£'000</i>
Pension provision (note 20)	<b><u>119</u></b>	<i><u>195</u></i>

(continued)

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**15. RESTRICTED FUNDS**

Donor	Purpose	Balance	Prior year Adjust-ment	Balance	Movement of funds			Balance
		1 April 2016 prior to restate-ment		1 April 2016 restated	Income	Expend-iture	Income/ interest	31 March 2017
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
MOD	The Sea Cadet Corps	-	-	-	10,139	(10,139)	-	-
Various	Offshore ships and boats	6,845	161	7,006	1,383	(1,115)	2	7,276
Various	Sea Cadet training	1,169	79	1,248	667	(913)	3	1,005
Various	Cadet expansion Programme	1,565	-	1,565	601	(736)	4	1,434
Various	Sea Cadet unit grants	1,358	-	1,358	734	(930)	9	1,171
Various	Area Sea Cadet training	580	51	631	446	(367)	10	720
Various	Seafarer training	186	-	186	220	(219)	3	190
Various	Bursaries	161	-	161	153	(207)	4	111
Corbyn Memorial Fund	London Nautical School	39	-	39	-	(4)	5	40
Thomas Gray Memorial Trust	Maritime Science and Technology	26	-	26	-	-	2	28
Various	Other	-	-	-	6	(6)	-	-
		<b>11,929</b>	<b>291</b>	<b>12,220</b>	<b>14,349</b>	<b>(14,636)</b>	<b>42</b>	<b>11,975</b>

The figures above as at 1 April 2016 have been restated to reflect prior year adjustments as detailed in note 19.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**15. RESTRICTED FUNDS (CONTINUED)**

Donor	Purpose	Balance 1 April 2015 (restated) £'000	Movement of funds			Balance 31 March 2016 (restated) £'000
			Income £'000	Expend- iture (restated) £'000	Income/ interest £'000	
MOD	The Sea Cadet Corps	-	9,972	(9,972)	-	-
Various	Offshore ships and boats	6,603	544	(141)	-	7,006
Various	Sea Cadet training	1,072	933	(764)	7	1,248
Various	Cadet expansion Programme	1,658	1,059	(1,162)	10	1,565
Various	Sea Cadet unit grants	1,348	682	(686)	14	1,358
Various	Area Sea Cadet training	519	463	(356)	5	631
Various	Seafarer training	196	247	(260)	3	186
Various	Bursaries	131	163	(137)	4	161
Corbyn Memorial Fund	London Nautical School	34	-	-	5	39
Thomas Gray Memorial Trust	Maritime Science and Technology	23	-	-	3	26
Various	Other	20	13	(34)	1	-
		<u>11,604</u>	<u>14,076</u>	<u>(13,512)</u>	<u>52</u>	<u>12,220</u>

The figures above as at 31 March 2016 and 1 April 2015 have been restated to reflect prior year adjustments as described in note 19.

**16. CLOSED UNITS**

Funds from closed units are credited to a restricted fund, recognising that the associated income was originally donated to the Sea Cadets to be spent in the local geographic area. These funds may be used, at the Trustees' discretion, to assist neighbouring Units or Units that re-open.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**17. ENDOWMENT FUNDS**

<b>Donor</b>	<b>Purpose</b>	<b>Balance 1 April 2016 £'000</b>	<b>Movement of funds Investment returns £'000</b>	<b>Donations/ (transfers) £'000</b>	<b>Balance 31 March 2017 £'000</b>
Corbyn Memorial 209Fund	Grants and payments to members of London Nautical School	180	29	-	209
Thomas Gray Memorial Trust	Advancement of Maritime Technology and Science	87	14	-	101
Destitute Sailors Fund	Assisting distressed merchant seamen	54	8	-	62
Various	Providing subsidised berths and awards to Sea Cadets	92	52	349	493
Expendable Endowed Funds	Held for general purposes	13,312	2,033	(102)	15,243
		<b>13,725</b>	<b>2,136</b>	<b>247</b>	<b>16,108</b>

<b>Donor</b>	<b>Purpose</b>	<b>Balance 1 April 2015 £'000</b>	<b>Movement of funds Investment returns £'000</b>	<b>Donations/ (transfers) £'000</b>	<b>Balance 31 March 2016 £'000</b>
Corbyn Memorial Fund	Grants and payments to members of London Nautical School	187	(7)	-	180
Thomas Gray Memorial Trust	Advancement of Maritime Technology and Science	90	(3)	-	87
Destitute Sailors Fund	Assisting distressed merchant seamen	56	(2)	-	54
Various	Providing subsidised berths and awards to Sea Cadets	95	(3)	-	92
Expendable Endowed Funds	Held for general purposes	13,882	(488)	(82)	13,312
		<b>14,310</b>	<b>(503)</b>	<b>(82)</b>	<b>13,725</b>

(Note continues on following page)

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

**17. ENDOWMENT FUNDS (CONTINUED)**

The transfers from endowed funds to unrestricted funds in 2017 and 2016 are the element of the charity's investment returns that are used to fund the on-going operations of the charity over and above investment income actually received.

The generous donation of £349K in 2017 included in Various was from the late K Martyr Esq, with one-half invested to provide a permanent income for berths for disadvantaged cadets in the London Area and the other half invested to provide a permanent income for the most needy and disadvantaged units in the London Area.

**18. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Tangible Fixed Assets	Investments	Net current assets and long term liabilities	Total
2017	£'000	£'000	£'000	£'000
Restricted funds	8,644	-	3,331	11,975
Endowment funds	-	16,108	-	16,108
Unrestricted funds	794	675	(62)	1,407
<b>Total</b>	<b>9,438</b>	<b>16,783</b>	<b>3,269</b>	<b>29,490</b>
<b>2016 (restated)</b>				
Restricted funds	8,442	36	3,742	12,220
Endowment funds	-	13,725	-	13,725
Unrestricted funds	747	696	(132)	1,311
<b>Total</b>	<b>9,189</b>	<b>14,457</b>	<b>3,610</b>	<b>27,256</b>

The charity's liquid free reserves (see reserves policy) total £613K (unrestricted investments less unrestricted net current assets and long term liabilities).

(continued)

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

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**19. RECONCILIATION OF FUNDS**

Following a review of the application of the VAT recovery method in 2017, additional VAT was recovered in relation to both the current and prior years. This has resulted in an adjustment of £177K to the opening reserves as at 31 March 2016.

The charity has also thoroughly reviewed its assets financed by restricted funds this year and has identified £161K present at both 31 March 2015 and 31 March 2016 from prior years that should have been accounted for in the restricted ships' asset fund and £79K that should have been accounted for in the restricted improvements asset fund. In addition, all district funds, following the closure of district bank accounts, should have been accounted for within restricted reserves. £51K has therefore been reclassified as at 31 March 2016. These adjustments result in an increase in restricted funds and a compensating reduction in unrestricted funds of £291K.

Following the closure of branch bank accounts and the transfers of funds to the charity's main bank account, historic branch bank balances included within the accounts totalling £41K, which should not have been included within charitable funds, were also identified and adjusted as at 31 March 2016.

The net reduction in unrestricted funds is £155K, represented by the VAT adjustment less the fixed assets and branch bank account adjustments.

**20. PENSION SCHEMES**

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 2015 valued assets in the scheme at £2,898M and the liabilities at £3,227M giving a rise to a scheme wide deficit of £329M. As at the date of the 2015 valuation, the value of future instalments of 2009 and 2012 deficit contributions stood at £320M, resulting in an adjusted deficit of £5M. The impact of the closure of the fund to future accrual had a positive impact on the deficit of £4M.

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 2017 was £196K (2016: 272K), this includes a financing charge by MNOPF on deficit instalments. This has all been provided in these accounts; £77K (2016: £77K) as a creditor due within one year and £119K (2016: £195K) as a creditor falling due after more than one year.

All current employees are members of a contract based defined contribution scheme. £373K (2016: £376K) was paid by the charity during the year of which £29K (2016: £63K) was outstanding at the year end and included in creditors.

(continued)

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2017**

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**21. RELATED PARTY TRANSACTIONS**

The son of one of the Trustees was employed by the Charity for part of the year on an open market basis. Total remuneration paid to the individual, including pension contributions, was £18K (2016: £28K).

Another Trustee was also deputy headmaster of the London Nautical School. The charity provided services to the school on an open market basis, for which it was paid £18K (2016: £18K).

The Chief Executive is an ex officio trustee of both Youth United and the Royal Albert Dock Trust. During the year, the charity received income from Youth United totalling £nil (2016: £487K). During the year, the charity made a grant commitment to the Royal Albert Dock Trust amounting to £nil (2016: £150K) towards the London Regatta Centre building extension and paid rent (excluding VAT) totalling £10K (2016: £10K).

No amounts were outstanding to the charity at 31 March 2017.

**22. TAXATION**

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

**23. 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 2017**

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

**COUNCIL MEMBERS**

The Council members who served during the year were:

Captain Nigel Palmer OBE MNM (Chair) <sup>1, 2, 3, 4</sup>	
Dr Louise Bennett <sup>1, 2, 3</sup> (Vice Chair)	(stepped down 23 November 2016)
Robert Woods CBE <sup>2</sup>	(elected 23 November 2016)
Tony Allen <sup>2</sup>	
Andrew Bull <sup>2, 3, 4</sup>	(co-opted 26 July 2017)
Liz Cassidy <sup>1, 2</sup>	
Andrew Davenall <sup>2, 3</sup>	
Simon Figgis <sup>1, 3</sup>	
Dr Sheila Fitzpatrick <sup>3, 6</sup>	
Alan Marsh FICS <sup>1</sup>	
Alex Marsh <sup>2</sup>	
Nick Mason <sup>1, 2</sup>	
John May <sup>2, 3</sup>	
Sir Alan Massey KCB CBE <sup>1</sup>	
Captain Ian McNaught	
Vice Admiral Sir David Steel KBE DL	
Kathryn Stone OBE <sup>3</sup>	
John Taylor <sup>2, 3, 4</sup>	(co-opted 22 February 2017) (stepped down 26 July 2017)
Commodore W M Walworth OBE <sup>4, 5</sup>	

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	Martin Coles FRICS ACI Arb	
Captain Sea Cadets & Director of Operations	Captain Philip Russell RN	
Director of Finance, IT and Trading, and Company Secretary	Mark Hallam BSc MNI FCA	
Director of Lifelong Learning	Mark Windsor	
Director of Business Management	John Parker-Jones	(until 5 February 2017)
Director of Volunteer and Business Support	John Parker-Jones	(from 6 February 2017)
Director of Fundraising and Communications	Samantha Shaw	
Director of Safety, Safeguarding and Risk	Jerry Flechais	(until 21 February 2017)
Director of HR	Petrina Brooker	

**PROFESSIONAL ADVISERS  
YEAR ENDED 31 MARCH 2017**

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The principal professional advisers during the year were:

<b>Auditors:</b>	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Bankers:</b>	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
<b>Investment Advisers and Custodians:</b>	Investec 2 Gresham Street London EC2V 7QN
<b>Legal advisers:</b>	Farrer & Co LLP 66 Lincoln's Inn Fields LONDON WC2A 3LH  Moon Beaver 21A John Street London WC1N 2BF  Russell Cooke 2 Putney Hill London SW15 6BA
<b>Insurance Brokers:</b>	Heath Lambert Limited Friary Court Crutched Friars London EC3P 2NP
<b>Pension Advisers:</b>	Jelf Employee Benefits Hillside Court, Bowling Hill Chipping Sodbury Bristol BS37 6JX
<b>Registered Office:</b>	202 Lambeth Road London SE1 7JW