



## **MARINE SOCIETY & SEA CADETS**

### **Report & Accounts For the year ended 31 March 2018**

**Patron:** Her Majesty the Queen

**Admiral of the Sea Cadet Corps:**  
His Royal Highness the Duke of York KG GCVO CD ADC (P)

**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;

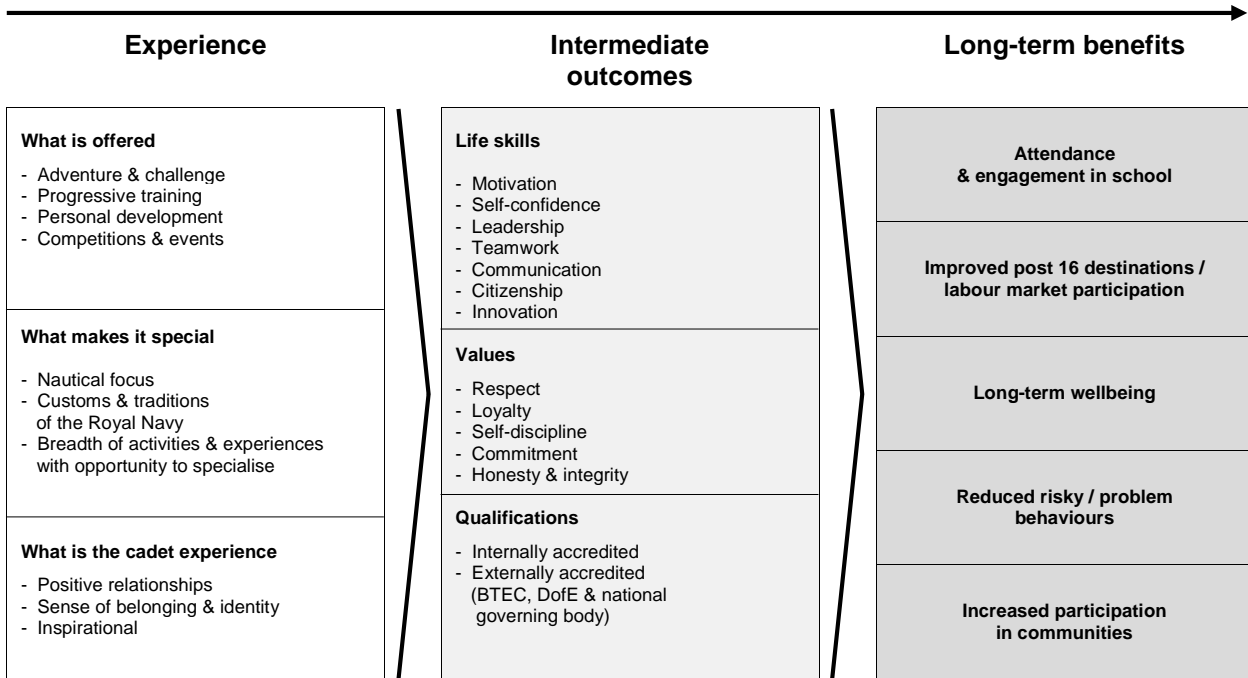
<b>For Sea Cadets</b>	We help young people to launch well into today's world  Through a different kind of adventure, Sea Cadets helps teenagers to develop into young people who can launch well in life, so they can cope with today's world and thrive in it
<b>For Seafarers</b>	We support people who work 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**

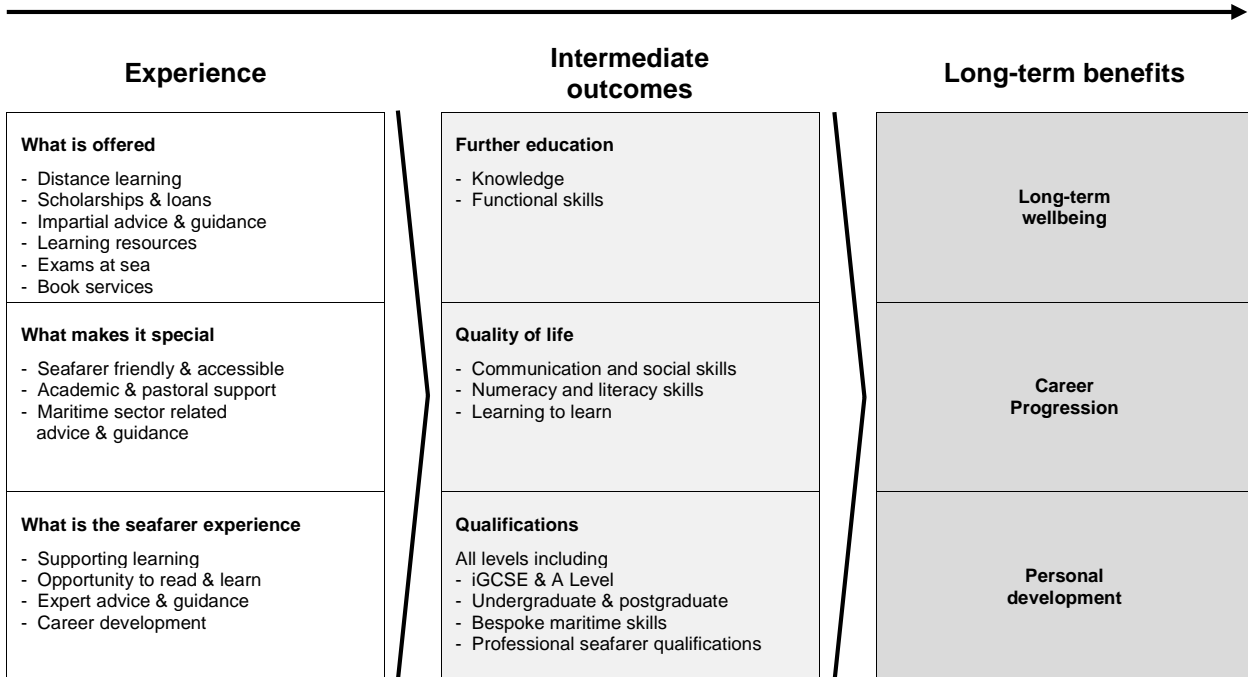
The charity has developed a framework that gives a clear picture of the journey a young person or a seafarer goes on with us. This helps to ensure that the charity offers a consistent and conscious outcome to all beneficiaries and that we always meet our long terms goals of making a positive, life enhancing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

## **REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2018**

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

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

#### **Understanding impact**

Our 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 2018

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### MAXIMISING IMPACT – WHAT WE HAVE ACHIEVED FOR 2017-2018

Our achievements for the year ended 31 March 2018 against the priorities we set ourselves are as follows:

#### For young people we have:

Made the Sea Cadet experience consistent, accessible and inspiring

- ✗ Develop new, engaging teaching methods to help volunteers deliver inspiring cadet training modules <sup>1</sup>
- ✓ Launch four Marine Engineering Pods with a further two in build
- ✓ Capture delivery of the Sea Cadet Experience through our unit review process <sup>2</sup>
- ✓ Aim to integrate NCS into the Sea Cadet Experience <sup>3</sup>
- ✗ Complete our refresh of the Royal Marines Cadets training

Enhanced the Sea Cadet Experience and evidenced 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 support and media engagement <sup>4</sup>
- ✗ Raise Duke of Edinburgh Award uptake by 15% <sup>5</sup>
- ✗ Raise BTEC Level 1 uptake to 75% and Level 2 to 35% <sup>6</sup>
- ✓ Work with RN to ensure recognition of prior learning <sup>7</sup>

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

- ✗ Deliver an online Sea Cadet portal to help cadet connect, learn and engage <sup>8</sup>
- ✓ Encourage everyone to take part in our Sea Cadet Corps survey – your views count <sup>9</sup>
- ✓ 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

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

- ✓ Grow cadet and volunteer numbers plus launch four units through the Cadet Expansion Programme <sup>10</sup>
- ✓ Develop an outreach programme to help us connect with new young people <sup>11</sup>

#### For seafarers we have:

Met the learning needs of seafarers for the 21<sup>st</sup> 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

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

- ✗ Grow our crew libraries by 15% <sup>12</sup>
- ✓ Grow the book shop by 10%

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<sup>1</sup> Programme to capture and develop new ways launched Mar 18  
<sup>2</sup> UR process now measures the Sea Cadet Experience at unit level  
<sup>3</sup> Ran 2nd pilot Nov 17 & two year programme launched  
<sup>4</sup> Impact report ready for publication  
<sup>5</sup> Up 6.0% (821 to 870)  
<sup>6</sup> BTEC Level 1 at 60% and Level 2 at 9.3%

<sup>7</sup> RN proposal prepared but dropped by the Second Sea Lord on MOD advice  
<sup>8</sup> Design ready for tender & funding in place  
<sup>9</sup> 2,580 cadets, 3,064 volunteers and 2,752 parents took part  
<sup>10</sup> Cadets up (14,003-14,102); vol down (8,871-8,483); 4 units opened  
<sup>11</sup> On the water tasters and MEP Phase 2 developed – seeking funding  
<sup>12</sup> e-library developed for roll out 18/19

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### 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

- ✗ Introduce our new volunteer competence framework <sup>13</sup>
- ✓ Review volunteer training support in line with the Sea Cadet Experience
- ✓ Ensure our entry processes better recognise prior learning <sup>14</sup>
- ✗ Launch a centralised welcome pack for new joiners (volunteers and parents) <sup>15</sup>
- ✗ Create two volunteer cadet wellbeing ambassadors for each area – a total of 12 roles <sup>16</sup>
- ✓ Deliver three e-learning modules

### 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

- ✓ 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 <sup>17</sup>
- ✓ Working in partnership with Barnardo'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 and Foundations income
- ✗ Drive individual giving and event fundraising (£0.25m) by launching a new lottery, 2nd raffle plus deliver a fundraising gala dinner and a challenge events programme <sup>18</sup>
- ✓ Help units with fundraising advice

Upgraded our facilities and boat stations

- ✓ Redevelop Port Edgar boat station <sup>19</sup>
- ✗ 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 <sup>20</sup>

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<sup>13</sup> Framework pillars designed but further work ongoing

<sup>14</sup> Prior learning policy updated

<sup>15</sup> In design for launch 18/19

<sup>16</sup> Two pilot courses ran with roll out now planned for 18/19

<sup>17</sup> Fully adopted by units from 01 Jan 18

<sup>18</sup> Lottery, raffle and challenge events launched

<sup>19</sup> Tendered and ready to start build for completion by Apr 19

<sup>20</sup> 124 delivered with 41 ready for delivery



**REPORT OF THE COUNCIL  
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**OUR KEY GOALS FOR 1 APRIL 2018 to 31 MARCH 2019**

As a charity passionate about helping to launch young people for life today and helping seafarers learn new skills and gain qualifications it's important that what we offer is literally life changing.

In the coming year we will marshal our resources into delivering that impact with a clear focus on working together, supporting our volunteers and staff, and showing the difference we make.

In this way we can all continue to invest in a charity changing lives confident that we are working together as one team to reach our goals.

Martin J Coles  
Chief Executive Officer

**For young people:**

Improve the Sea Cadet Experience by:

- collecting practical ideas for our cadet training programme to keep it fresh and exciting
- helping cadets stay safer with our 'be safe guidance and training', launching this year.

Increase the impact of the Sea Cadet Experience by:

- evidencing how we meet our long term goals and our impact on young lives
- increasing cadets' involvement in social action projects through National Citizens Service and greater Duke of Edinburgh Awards sign ups.

Improve support for cadets by:

- delivering the Cadet Portal so cadets can track progress, feedback on courses, and stay in touch with Corps wide friends
- being there for cadets with the launch of a dedicated team of youth support workers.

**For seafarers:**

Drive our learning support by:

- taking the award winning Learn@Sea programmes to seafarers across the world
- launching a digital library service globally.

Work towards an outstanding seafarer education service by:

- broadening our education offer and evidencing the impact
- gaining funds to launch our new cross maritime Coming Ashore project.

(continued)

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**Supporting volunteers:**

Better equip them to deliver an amazing Sea Cadet Experience by:

- improving the volunteer competency framework and establishing a programme to deliver it
- reviewing the volunteer training requirement to best deliver the Sea Cadet Experience.

Recognise volunteers by:

- introducing further recognition for the work of our non-uniformed volunteers
- recognising excellence at district level with a new awards scheme.

**Making it happen:**

Always improving how we work by:

- launching an employee working group to evaluate ways of working
- working better together for the charity by standardising how we work and following the same systems and processes.

Improve our processes by:

- keeping data secure and respecting our supporter's wishes
- reviewing our digital strategy.

Develop our fundraising, profile and facilities by:

- finding new ways to generate funding
- building new boating stations including Port Edgar, Scotland.

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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. Incorporated in 1772, the Society commissioned in 1786 the first sea training ship in the world, the 350-ton Sloop *Beatty*, and went on to provide sea training all the way up to the Second World War. It was estimated that over 110,000 men and boys were trained and equipped by the Society over this period.

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

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

### PRINCIPAL ACTIVITIES

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

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

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

Sea Cadet units operate across the United Kingdom, with a total of 14,102 cadets (11,660 in England, 1,198 in Scotland, 720 in Wales and 377 in Northern Ireland). There are 303 established units in England, 37 in Scotland, 22 in Wales and 11 in Northern Ireland, with a further two in Bermuda and one each in Jersey, Guernsey and Malta. There are also a further 6 new units (1 in Northern Ireland, 5 in England) and 15 partnership units (1 in Scotland and 14 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 2018 there were 4,614 adult instructional volunteers, 1,583 unit management team members and 2,286 other volunteers. In total 8,483 volunteers (7,044 in England, 699 in Scotland, 478 in Wales and 187 in Northern Ireland). We are extremely grateful for the generosity of time and spirit of our volunteers in making the Sea Cadets the success that the organisation is.

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

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

- 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 key mitigating controls used are:

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

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

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### FINANCIAL REVIEW

#### Income

Total income amounted to £17,998K, (2017: £16,898K), an increase of 6.5% over the previous year. Donations, legacies and other income increased by £821K (16.4%) on 2017, reflecting an increase in the Cadet Expansion Programme grant (£1,138K), mainly for the planned Port Edgar Boat station, the Yacht appeal (£274K increase over prior year), further funding for the Marine Engineering Pods (MEP) programme (£200K) and a new mariner's education and libraries programme funded by the International Foundation for Aids to Navigation (£207K), offset by other reductions. LIBOR dinghy funding, funded by the Chancellor using LIBOR funds, amounted to £750K as for last year. The Lord Mayor's appeal closed at the end of 2017, (2017: £464K) and there were no large endowed legacies this year (2017: £349K).

The MOD grant in aid for Sea Cadets was frozen at last year's figures - £10,139K, plus a further £400K used for unit premises improvement grants as in previous years. Sea Cadet Corps training income increased by 14.6% due to more training nationally and at the training centres. There was an increase of 20.1% in Offshore fleet income, particularly from Royalist and the new City of London Yacht (which takes six rather than five cadets). Seafarer education and support income was down by 7.5% with both a reduction in Library and Marine Society College income consistent with reductions in related expenditure.

MSSC (Trading) Limited income increased following a large book sales contract in the Philippines.

We continue to remain sincerely grateful for the continued support provided by the MOD in helping finance the Sea Cadets and are grateful for the agreement of the basis of our Grant in Aid to March 2021 which will help us plan more effectively.

#### Expenditure

Total expenditure was £16,702K (2017: £16,800K), a decrease of just 0.6% on the prior year. The costs of safeguarding and supporting Sea Cadet activity and Infrastructure in total decreased by £584K (7.6%) due mainly to last year's expenditure reflecting one-off funding with more premises grants, extra Westminster expenditure and the completion of Youth United projects in 2017, offset by increased expenditure on safeguarding this year. Sea Cadet Corps training costs this year were up by 3.7% mainly due to the expansion of the MEP programme. Offshore fleet costs increased by £103K (4.4%) consistent with the increase in income and extra offshore training. Professional seafarer education and support increased by 5.0% due to full staffing this year and more grants awarded. Fundraising costs for donations and legacies decreased by 6.5% due mainly to staffing gaps in the year. Promoting the Marine Society and Sea Cadets costs increased by £66K (14.9%) as a result of improving internal communications with the new intranet and the internal communications post in place for most of the year. MSSC (Trading) Limited expenditure increased significantly in fulfilment of the Philippines book sales contract.

#### Net income and other movements

Overall, net income before investment gains was up by £1,198K due mainly to the CEP grant. Net expenditure before investment gains on unrestricted funds (excluding restricted and endowment) amounted to £26K (2017: £6K). 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 £176K (2017: £102K) based on a 4.0% agreed return set by the trustees following advice from the investment managers. Investment portfolio losses in the year were £52K after quarter four's particularly disappointing stock market performance, contrasting with total gains on investments in the previous year of £2,136K.

#### Balance sheet

Tangible fixed assets and investments are consistent with the previous year. Current assets increased by 19.7% mainly due to increase in cash with CEP money committed but not yet spent at the year end. Total creditors decreased by 7.6% due to 2017 trade creditors being particularly high as they included a £202K trade creditor for annual ship refit costs at the year end.

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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 opportunity, protection and safety fully respected.

### **FUNDRAISING STANDARDS**

#### **Open and accountable**

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

#### **Complaints and negative feedback**

Should we receive a complaint, we would respond on a one-to-one basis as quickly as possible, maintaining full records. We complete an annual complaints return for the Fundraising Regulator, although there has been nothing to report in recent years.

#### **Contacting our supporters and supervising our fundraisers**

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



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

We did not work with any professional fundraisers and fundraising organisations in 2017/18.

We worked with a total 13 commercial participators in the year, although the total level of activity in this area was relatively minor and not material to the accounts. These were centrally coordinated with formal agreements in place. With one exception – a Sea Cadet raffle – all activities were standard fundraising facilities available to all charities (i.e.: fundraising sites for sponsored sporting events, etc).

The trustees are aware of the need to comply with new regulations from the Charities (Protection and Social Investment) Act 2016 that came into effect for this accounting period. The MSSC ensures that our approach to commercial participators, professional fundraisers and our contracts with them are in compliance with the regulations.

### **Protecting our reputation, money and other assets**

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

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

### **Protecting the vulnerable**

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

### **Compliance with fundraising laws and regulation**

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

The trustees are satisfied that the MSSC adhered to the appropriate fundraising standards for the year ended 31 March 2018. The charity is a paid-up member of the Fundraising Regulator.

### **Compliance with recognised standards**

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

## **INVESTMENT POLICY**

Investec manage the investment portfolio (excluding properties managed directly by the charity (see Note 11)).

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.



**REPORT OF THE COUNCIL  
YEAR ENDED 31 MARCH 2018**

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 2018</b>	<b>31 March 2017</b>
UK Equities	35-65%	33.7%	38.5%
Non-UK Equities	10-35%	26.7%	27.9%
Fixed Interest	10-30%	9.2%	8.5%
Property	5-10%	6.4%	6.2%
Hedge funds	0%	0%	0%
Other	0%	3.1%	3.4%
Cash *	0-30%	20.9%	15.5%

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

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

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

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

**Ethical considerations**

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

**Performance**

The fund delivered a total return (net-of-fees) of 2.0% (2017: 18.8%) against our real return benchmark of 7.4% (RPI plus 4%) and ARC Sterling Steady Growth Index <sup>1</sup> of 1.4% (2017: 16.0%). Total return over the three year period to 31 March 2018 was 5.8% (net-of fees) per annum against a benchmark of 6.7% (RPI plus 4% per annum over the period) and ARC Sterling Steady Growth Index 4.8%; and 6.5% (net-of-fees) per annum since 31st March 2007 (RPI plus 4%: 6.8% over the period; ARC Sterling Steady Growth Index 5.2%).

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

**Review of investment managers**

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

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

## **REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2018**

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### **RESERVES POLICY**

Total funds at the year end as detailed in note 18 were £30,814K, (2017: £29,570K), which includes £13,297K (2017: £11,975K) restricted funds and £15,880K (2017: £16,108K) endowment funds. After accounting for tangible fixed assets of £683K (2017: £794K) this leaves unrestricted funds, comprising free reserves of £954K (2017: £693K).

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, 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 2018 amounted to £2,449K (2017: £2,812K). Individual Sea Cadet units are separate registered charities and thus financial support is paid via grants. The policy of the charity is to grant monies for one-off items to support the Sea Cadet Corps and individuals (members of the Sea Cadet Corps or seafarers) to help them either facilitate or receive approved training or qualifications. In addition, grants are provided to volunteers to allow upkeep or purchase of uniforms on promotion or for wear and tear during the year. Payments are made in accordance with published scales.

### **MSSC STAFF REMUNERATION POLICY**

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

#### **Governance of Pay**

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

#### **Annual pay review**

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

## **REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2018**

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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.

## **REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2018**

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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, and as at the date of this report, together with details of the executive management and professional advisors, are shown on pages 50-51.

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

The current committees and their primary purposes are:

#### **Finance, Investment, Remuneration & Audit Committee**

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

#### **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 2018**

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### Merchant Navy Liaison Committee

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

### National Sea Cadet Forum

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

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

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

### **Appointment, induction and training of Council members**

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

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

### **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 (2017: 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 2018**

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### **THE CHARITY GOVERNANCE CODE**

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

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

The trustees consider that the charity complies with the principles of the code.

### **INTERNAL AUDITOR'S REPORT TO THE COUNCIL**

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

The Internal Auditor reported to the Council in July 2018 as follows:

"The purpose of this report is to provide the MSSC Accounting Officer (Chief Executive Officer) with an annual internal audit opinion for the year to 31 March 2018 and information which may inform the organisation's governance statement.

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."

**REPORT OF THE COUNCIL  
YEAR ENDED 31 MARCH 2018**

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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 2018, 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 2018**

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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 applicable law and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 U.K. LLP will be tabled at the Annual Court.

On behalf of the Board

Robert Woods CBE  
Council Member and Chairman

18 July 2018

Martin Coles  
Chief Executive  
& Grant in Aid Accounting Officer

18 July 2018



## **INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE MARINE SOCIETY & SEA CADETS**

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### **Opinion**

We have audited the financial statements of Marine Society & Sea Cadets for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes numbered 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 March 2018 and of the group's 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 regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we

## **INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE MARINE SOCIETY & SEA CADETS**

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identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient and proper accounting records have not been kept by the parent charity; 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.

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 23, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

We have been appointed as auditor under section 151 of the Charities Act 2011, and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
YEAR ENDED 31 MARCH 2018**

	Notes	Unrestricted	Restricted	Endowment	2018	2017
		Funds £'000	Funds £'000	Funds £'000	Total £'000	Total £'000
<b>INCOME AND ENDOWMENTS FROM:</b>						
<b>Donations, legacies and other income</b>	<b>2</b>	<b>590</b>	<b>5,247</b>	<b>-</b>	<b>5,837</b>	<b>5,016</b>
<b>Charitable activities</b>	<b>3</b>					
MOD grant in aid (for Sea Cadet activity)		-	10,139	-	10,139	10,139
Seafarer education and support		167	153	-	320	346
Sea Cadet Corps training		501	-	-	501	437
Offshore fleet income		317	-	-	317	264
		<b>985</b>	<b>10,292</b>	<b>-</b>	<b>11,277</b>	<b>11,186</b>
<b>Other trading activities</b>						
MSSC (Trading) Limited		197	-	-	197	26
<b>Investments</b>	<b>4</b>	<b>661</b>	<b>26</b>	<b>-</b>	<b>687</b>	<b>670</b>
<b>TOTAL INCOME</b>		<b>2,433</b>	<b>15,565</b>	<b>-</b>	<b>17,998</b>	<b>16,898</b>
<b>EXPENDITURE ON:</b>						
<b>Raising funds</b>						
Investment management						
Costs		41	-	-	41	48
MSSC (Trading) Limited		128	-	-	128	1
Donations and legacies <sup>1</sup>		388	-	-	388	415
		<b>557</b>	<b>-</b>	<b>-</b>	<b>557</b>	<b>464</b>
<b>NET INCOME AVAILABLE FOR CHARITABLE ACTIVITIES</b>		<b>1,876</b>	<b>15,565</b>	<b>-</b>	<b>17,441</b>	<b>16,434</b>

The notes on pages 31 to 49 form an integral part of these accounts

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

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

	Notes	Unrestricted	Restricted	Endowment	2018	2017
		Funds £'000	Funds £'000	Funds £'000	Total £'000	Total £'000
<b>Charitable activities</b>						
Safeguarding and supporting Sea Cadet activity and infrastructure		675	6,417	-	7,092	7,676
Sea Cadet Corps training		638	4,877	-	5,515	5,319
Offshore fleet		224	2,216	-	2,440	2,337
Professional seafarer education and support		330	259	-	589	561
Promoting the Marine Society & Sea Cadets		35	474	-	509	443
<b>Total charitable activity costs</b>		<b>1,902</b>	<b>14,243</b>	<b>-</b>	<b>16,145</b>	<b>16,336</b>
<b>TOTAL EXPENDITURE</b>	<b>5</b>	<b>2,459</b>	<b>14,243</b>	<b>-</b>	<b>16,702</b>	<b>16,800</b>
<b>NET INCOME (EXPENDITURE) BEFORE INVESTMENT GAINS (LOSSES)</b>		<b>(26)</b>	<b>1,322</b>	<b>-</b>	<b>1,296</b>	<b>98</b>
<b>Net gains (losses) on investments</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>(52)</b>	<b>2,136</b>
<b>NET INCOME (EXPENDITURE)</b>		<b>(26)</b>	<b>1,322</b>	<b>(52)</b>	<b>1,244</b>	<b>2,234</b>
<b>Transfers between funds</b>	<b>17</b>	<b>176</b>	<b>-</b>	<b>(176)</b>	<b>-</b>	<b>-</b>
<b>NET MOVEMENT IN FUNDS</b>		<b>150</b>	<b>1,322</b>	<b>(228)</b>	<b>1,244</b>	<b>2,234</b>
<b>TOTAL FUNDS 1 APRIL 2017 AS PREVIOUSLY STATED</b>		<b>1,407</b>	<b>11,975</b>	<b>16,108</b>	<b>29,490</b>	<b>27,256</b>
<b>Prior Year Adjustment</b>	<b>19</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>80</b>
<b>TOTAL FUNDS 1 APRIL 2017 AS RESTATED</b>		<b>1,487</b>	<b>11,975</b>	<b>16,108</b>	<b>29,570</b>	<b>27,336</b>
<b>TOTAL FUNDS 31 MARCH 2018</b>	<b>18</b>	<b>1,637</b>	<b>13,297</b>	<b>15,880</b>	<b>30,814</b>	<b>29,570</b>

The notes on pages 31 to 49 form an integral part of these accounts

**CONSOLIDATED BALANCE SHEET  
31 MARCH 2018**

			<b>2018</b>	2017 <i>(restated)</i> <i>(note 19)</i> £'000
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	
<b>FIXED ASSETS</b>				
Tangible assets	<b>10</b>		<b>9,241</b>	9,438
Investments	<b>11</b>		<b>16,705</b>	16,778
			<b>25,946</b>	26,216
<b>CURRENT ASSETS</b>				
Stocks		<b>407</b>		361
Debtors	<b>12</b>	<b>1,334</b>		1,335
Cash at bank and in hand		<b>6,022</b>		4,790
		<b>7,763</b>		6,486
<b>CREDITORS</b>				
Amounts falling due within one year	<b>13</b>	<b>(2,732)</b>		(2,892)
<b>NET CURRENT ASSETS</b>			<b>5031</b>	3,594
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>30,977</b>	29,810
<b>CREDITORS</b>				
Amounts falling due after more than one year	<b>14</b>		<b>(163)</b>	(240)
<b>NET ASSETS</b>			<b>30,814</b>	29,570
<b>THE FUNDS OF THE CHARITY</b>				
Unrestricted funds				
Fixed assets		<b>683</b>		794
Other		<b>954</b>		693
			<b>1,637</b>	1,487
Restricted funds				
Fixed assets	<b>15</b>	<b>8,558</b>		8,644
Other		<b>4,739</b>		3,331
			<b>13,297</b>	11,975
Endowment funds				
	<b>17</b>		<b>15,880</b>	16,108
	<b>18</b>		<b>30,814</b>	29,570

Approved by the Trustees on 18 July 2018 and signed on their behalf:

Robert Woods CBE  
Council Member & Chairman

Martin Coles  
Chief Executive & Grant in Aid Accounting Officer

**The notes on pages 31 to 49 form an integral part of these accounts**

**CHARITY BALANCE SHEET  
31 MARCH 2018**

			<b>2018</b>	2017 <i>(restated)</i> <i>(note 19)</i>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>FIXED ASSETS</b>				
Tangible assets	<b>10</b>		<b>9,241</b>	9,438
Investments	<b>11</b>		<b>16,710</b>	16,783
			<b>25,951</b>	26,221
<b>CURRENT ASSETS</b>				
Stocks		<b>407</b>		361
Debtors	<b>12</b>	<b>1,363</b>		1,340
Cash at bank and in hand		<b>5,986</b>		4,780
		<b>7,756</b>		6,481
<b>CREDITORS</b>				
Amounts falling due within one year	<b>13</b>	<b>(2,730)</b>		(2,892)
<b>NET CURRENT ASSETS</b>			<b>5,026</b>	3,589
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>30,977</b>	29,810
<b>CREDITORS</b>				
Amounts falling due after more than one year	<b>14</b>		<b>(163)</b>	(240)
<b>NET ASSETS</b>			<b>30,814</b>	29,570
<b>THE FUNDS OF THE CHARITY</b>				
Unrestricted funds				
Fixed assets		<b>683</b>		794
Other		<b>954</b>		693
			<b>1,637</b>	1,487
Restricted funds				
Fixed assets	<b>15</b>	<b>8,558</b>		8,644
Other		<b>4,739</b>		3,331
			<b>13,297</b>	11,975
Endowment funds				
	<b>17</b>		<b>15,880</b>	16,108
	<b>18</b>		<b>30,814</b>	29,570

Approved by the Trustees on 18 July 2018 and signed on their behalf:

Robert Woods CBE  
Council Member & Chairman

Martin Coles  
Chief Executive & Grant in Aid Accounting Officer

**The notes on pages 31 to 49 form an integral part of these accounts**

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

	Notes	2018	2017
		£'000	£'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Net cash provided by operating activities</b>	<b>(a)</b>	<b>1,127</b>	<b>264</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	4	4	23
Investment income	4	683	647
Purchase of tangible fixed assets	10	(638)	(984)
Proceeds from sale of tangible fixed assets		35	1
Purchase of investments	11	(4,611)	(9,608)
Proceeds from sale of investments	11	4,632	9,418
<b>Net cash provided by (used in) investing activities</b>		<b>105</b>	<b>(503)</b>
<b>INCREASE (DECREASE) IN CASH AT BANK AND IN HAND IN THE YEAR</b>		<b>1,232</b>	<b>(239)</b>
<b>CASH AT BANK AND IN HAND 1 APRIL 2017</b>		<b>4,790</b>	<b>5,029</b>
<b>CASH AT BANK AND IN HAND 31 MARCH 2018</b>		<b>6,022</b>	<b>4,790</b>

**NOTES TO CASH FLOW STATEMENT**

		2018	2017
		£'000	£'000
<b>(a) Reconciliation of net income to Net cash flows from operating activities</b>			
Net income		1,244	2,234
Depreciation	10	835	733
(Gains) losses on investments	11	52	(2,136)
(Profit) loss on the sale of tangible fixed assets		(35)	1
Increase in stocks		(46)	(8)
(Increase) decrease in debtors		1	(372)
Increase (decrease) in creditors		(237)	482
Interest received and investment income	4	(687)	(670)
<b>Net cash provided by operating activities</b>		<b>1,127</b>	<b>264</b>

**NOTES TO THE ACCOUNTS  
YEAR ENDED 31 MARCH 2018**

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**1. ACCOUNTING POLICIES**

**a) Basis of Preparation**

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

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

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

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

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

**b) Donations, legacies and other income**

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

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

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

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



**NOTES TO THE ACCOUNTS  
YEAR ENDED 31 MARCH 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**c) Expenditure**

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

Raising funds:

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

Charitable expenditure:

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

**d) Recognition of liabilities and grants**

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

**e) Definition of liquid resources**

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

**f) Pension costs**

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

**g) 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%	Boats and dinghies	10%
Freehold improvements	10%	Motor vehicles	25%
Leasehold improvements	Lease term	Furniture, Fixtures & Fittings	20%
Training ships and yachts	5%	Computer equipment	25%

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

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**1. ACCOUNTING POLICIES (CONTINUED)**

**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.

**i) Stocks**

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

**j) Endowment and Restricted Funds**

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

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

**k) Heritage assets**

The charity has received donations of various Naval and Maritime paintings and artefacts over its 262 year history. Many of these are housed at the National Maritime Museum in Greenwich. These assets are retained for their historical and cultural significance in relation to the work of the charity, which illustrate and show the unique service the charity has given to the nation. The assets are not held on the balance sheet as they were either donated or have long since been written off, and are not held for their financial value, however the assets were valued for insurance purposes during the financial year, with a total valuation of £617,000.

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

**l) Financial instruments**

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

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

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

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

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

	Unrestricted £'000	Restricted £'000	Endowment £'000	Total £'000
<b>2017/18 analysis of income</b>				
Donations and subscriptions	84	-	-	84
Legacies	19	1	-	20
Grants – MOD Cadet Expansion Programme	-	1,739	-	1,739
Grants – LIBOR <sup>3</sup> for RS Quest dinghies	-	750	-	750
Other Major Grants <sup>1</sup>	-	1,089	-	1,089
Port Edgar Boat Station Appeal	-	93	-	93
Offshore Yacht Appeal	-	351	-	351
Lord Mayor's Appeal Charity	-	6	-	6
Westminster Development Donations	-	674	-	674
Bursaries <sup>2</sup>	-	134	-	134
Other Restricted Funds	-	81	-	81
Areas, Branches and Other Income	487	329	-	816
	<b>590</b>	<b>5,247</b>	<b>-</b>	<b>5,837</b>
<b>2016/17 analysis of income</b>				
Donations and subscriptions	84	-	-	84
Legacies	13	16	349	378
Grants – MOD Cadet Expansion Programme	-	601	-	601
Grants – LIBOR <sup>3</sup> for RS Quest dinghies	-	750	-	750
Other Major Grants <sup>1</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>2</sup>	-	185	-	185
Other Restricted Funds	-	156	-	156
Areas, Branches and Other Income	512	404	-	916
	<b>609</b>	<b>4,058</b>	<b>349</b>	<b>5,016</b>

**Other Major Grants<sup>1</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>2</sup>**

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

**LIBOR<sup>3</sup>**

Funded by the Chancellor using LIBOR funds.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**3. INCOME FROM CHARITABLE ACTIVITIES**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<i>2017</i>	<i>2017</i>	<i>2017</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)	-	10,139	10,139	-	10,139	10,139
Seafarer education and support	167	153	320	194	152	346
Sea Cadet Corps training	501	-	501	437	-	437
Offshore fleet income	317	-	317	264	-	264
	<b>985</b>	<b>10,292</b>	<b>11,277</b>	<i>895</i>	<i>10,291</i>	<i>11,186</i>

In addition to the MOD grant in aid (for Sea Cadet activity), the charity receives significant support in kind from the MOD. Eleven Royal Navy personnel are provided on loan, at an estimated value to the charity of £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 the costs involved in undertaking the valuation would not be justified by the benefits to the users of the accounts in terms of their better understanding of the resources available to the charity and to the charity itself from having this financial information.

**4. INVESTMENTS**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<i>2017</i>	<i>2017</i>	<i>2017</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment income (excluding Rental income)	385	22	407	382	19	401
Rental income	276	-	276	246	-	246
Bank interest	-	4	4	-	23	23
	<b>661</b>	<b>26</b>	<b>687</b>	<i>628</i>	<i>42</i>	<i>670</i>

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**5. ANALYSIS OF EXPENDITURE**

	<b>Unrestricted 2018</b>	<b>Restricted 2018</b>	<b>Total 2018</b>	<i>Unrestricted 2017</i>	<i>Restricted 2017</i>	<i>Total 2017</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment management fees	41	-	41	48	-	48
Fundraising MSSC (Trading) Limited	388	-	388	415	-	415
Safeguarding and supporting Sea Cadet activity and infrastructure	675	6,417	7,092	568	7,108	7,676
Sea Cadet Corps training	638	4,877	5,515	548	4,771	5,319
Offshore fleet	224	2,216	2,440	216	2,121	2,337
Professional seafarer education and support	330	259	589	338	223	561
Promoting Sea Cadet activity	35	474	509	30	413	443
	<b>2,459</b>	<b>14,243</b>	<b>16,702</b>	<b>2,164</b>	<b>14,636</b>	<b>16,800</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>2017/18 analysis of costs</b>					
Investment management fees	-	-	41	-	41
Fundraising MSSC (Trading) Limited	-	228	105	55	388
Safeguarding and supporting Sea Cadet activity and infrastructure	1,550	2,556	2,192	794	7,092
Sea Cadet Corps training	644	1,585	2,559	727	5,515
Offshore fleet	239	811	1,126	264	2,440
Professional seafarer education and support	16	323	150	100	589
Promoting Sea Cadet activity	-	181	284	44	509
	<b>2,449</b>	<b>5,684</b>	<b>6,585</b>	<b>1,984</b>	<b>16,702</b>

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

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

	Grants	Direct Salary Costs	Other	Support costs (note 7)	Total
	£'000	£'000	£'000	£'000	£'000
<b>2016/17 analysis of costs</b>					
Investment management fees	-	-	48	-	48
Fundraising	-	243	106	66	415
MSSC (Trading) Limited	-	-	1	-	1
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
	<u>2,812</u>	<u>5,574</u>	<u>6,403</u>	<u>2,011</u>	<u>16,800</u>

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

**6. GRANTS PAYABLE**

Grants payable were as follows:

	2018 £'000	2017 £'000
Grants to institutions	1,536	1,850
Grants to individuals	913	962
	<u>2,449</u>	<u>2,812</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. Grants to individuals comprise grants to Sea Cadet volunteers of allowances and reimbursement of expenses.

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

Grants payable at the year end are included with creditors (see note 13).

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**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>2018 Total</b>	<i>2017 Total</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<i>£'000</i>
Fundraising	5	30	8	12	55	66
Safeguarding and supporting Sea Cadet activity and Infrastructure	76	436	112	170	794	810
Sea Cadet Corps training	69	400	103	155	727	712
Offshore fleet	25	145	37	57	264	288
Professional seafarer education and support	10	54	14	22	100	90
Promoting Sea Cadet activity	4	25	6	9	44	45
<b>2018</b>	<b>189</b>	<b>1,090</b>	<b>280</b>	<b>425</b>	<b>1,984</b>	<i>2,011</i>
<i>2017</i>	<i>189</i>	<i>1,124</i>	<i>328</i>	<i>370</i>	<i>2,011</i>	

Included within Support costs are salary costs of £961K (2017: £986K).

Irrecoverable VAT costs included within Support costs amounted to £193K (2017: £206K).

Total Governance costs included in Support were £144K (2017: £145K). These included auditors' fees for external audit £26K (2017: £26K) and tax advice £4K (2017: £6K).

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**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 (2017: net income and net assets/funds: £nil). The organisation is retained as it is counterparty to a number of leases held by Sea Cadet units and also acts as a vehicle for the receipt of occasional legacies.

MSSC (Trading) Limited is registered in England with company number 9476222. The charity has a £5K (2017: £5K) investment in MSSC (Trading) Limited (note 11), representing 100% of the issued share capital of that company. The results of the company for the year and its balance sheet at the year end were as below. The company made a charitable donation of £65K (2017: £23K) to the charity.

	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Turnover</b>	<b>197</b>	26
Purchases for resale	<b>(120)</b>	0
Other operating charges	<b>(12)</b>	(3)
<b>Operating Profit</b>	<b>65</b>	23
Charitable donation to the Marine Society & Sea Cadets	<b>(65)</b>	(23)
<b>Profit on Ordinary Activities before Taxation</b>	<b>-</b>	-
<b>Tax on Profit on Ordinary Activities</b>	<b>-</b>	-
<b>Profit for the Financial Period</b>	<b>-</b>	-
	<b>2018</b>	2017
	<b>£'000</b>	£'000
<b>Current Assets</b>		
Debtors	<b>49</b>	20
Cash at bank and in hand	<b>36</b>	10
	<b>85</b>	30
<b>Creditors</b>		
Amounts falling due within one year	<b>(80)</b>	(25)
<b>Net Current Assets</b>	<b>5</b>	5
<b>Net Assets</b>	<b>5</b>	5
<b>Capital and Reserves</b>		
Called up share capital	<b>5</b>	5
<b>Shareholders' Funds</b>	<b>5</b>	5



**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

<b>9. STAFF COSTS</b>	<b>2018</b>	<i>2017</i>
	<b>£'000</b>	<i>£'000</i>
Wages and salaries	<b>5,672</b>	<i>5,590</i>
Social security costs	<b>514</b>	<i>514</i>
Pension fund contributions	<b>361</b>	<i>373</i>
Health insurance	<b>98</b>	<i>96</i>
	<b><u>6,645</u></b>	<i><u>6,573</u></i>

The average head count was 208 staff (2017: 201) and the average full time equivalent numbers of employees were as follows:

	<b>2018</b>	<i>2017</i>
Fundraising	<b>5</b>	<i>6</i>
Supporting Sea Cadet activity and infrastructure	<b>72</b>	<i>73</i>
Sea Cadet training	<b>66</b>	<i>64</i>
Offshore fleet	<b>24</b>	<i>26</i>
Promoting Sea Cadet activity	<b>4</b>	<i>4</i>
Seafarer education and support	<b>9</b>	<i>8</i>
	<b><u>180</u></b>	<i><u>181</u></i>

Included within Staff costs are £961K (2017: £986K) Support costs and £nil (2017: £13K) costs capitalised within Fixed Assets.

The key management personnel of the charity comprise the trustees, the Chief Executive and the five (2017: six) Directors (senior management team) listed under Executive Management on page 50. Their total remuneration including social security costs and pension contributions was £563K (2017: £652K). 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. Five (2017: two) Trustees claimed travelling expenses totalling £2K (2017: £1K).

Six employees earned over £60K (2017: 7). Bandings, inclusive of allowances (where payable) were:

	<b>2018</b>	<i>2017</i>
£60K - £70K	<b>3</b>	<i>*4</i>
£70K - £80K	<b>*1</b>	<i>-</i>
£80K - £90K	<b>-</b>	<i>1</i>
£90K - £100K	<b>1</b>	<i>1</i>
£110K - £120K	<b>*1</b>	<i>*1</i>

\* These figures include pension allowances paid to two individuals in lieu of employer pension contributions that would otherwise be payable.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**10. TANGIBLE FIXED ASSETS (GROUP AND CHARITY)**

	Freehold Building	Building Improvements	Ships & boats	Furniture & fittings	Motor Vehicles	Computers & software	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>COST</b>							
At 1 April 2017	777	2,082	10,431	346	312	572	14,520
Additions in period	-	107	417	-	71	43	638
Disposals in period	-	-	(162)	(35)	(25)	-	(222)
<b>At 31 March 2018</b>	<b>777</b>	<b>2,189</b>	<b>10,686</b>	<b>311</b>	<b>358</b>	<b>615</b>	<b>14,936</b>
<b>DEPRECIATION</b>							
At 1 April 2017	602	834	2,793	316	200	337	5,082
Provision in period	13	120	553	8	54	87	835
Disposals in period	-	-	(162)	(35)	(25)	-	(222)
<b>At 31 March 2018</b>	<b>615</b>	<b>954</b>	<b>3,184</b>	<b>289</b>	<b>229</b>	<b>424</b>	<b>5,695</b>
<b>Net book value</b>							
<b>At 31 March 2018</b>	<b>162</b>	<b>1,235</b>	<b>7,502</b>	<b>22</b>	<b>129</b>	<b>191</b>	<b>9,241</b>
<i>Net book value</i>							
<i>At 31 March 2017</i>	<i>175</i>	<i>1,248</i>	<i>7,638</i>	<i>30</i>	<i>112</i>	<i>235</i>	<i>9,438</i>

Computers and software costs above are mostly software, and may therefore, whilst physically represented by copies of computer code, also be considered intangible fixed assets.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**11. INVESTMENTS**

**GROUP INVESTMENTS**

	Investment Portfolio £'000	Properties £'000	Cash £'000	Total £'000
Fair value at 1 April 2017	13,158	1,200	2,420	16,778
Additions at cost	1,881	-	2,730	4,611
Disposal proceeds	(2,728)	-	(1,904)	(4,632)
Losses for the year	(52)	-	-	(52)
Fair value at 31 March 2018	<u>12,259</u>	<u>1,200</u>	<u>3,246</u>	<u>16,705</u>

**CHARITY INVESTMENTS**

	Investment Portfolio £'000	Properties £'000	Cash £'000	Subsidiary £'000	Total £'000
Fair value at 1 April 2017	13,158	1,200	2,420	5	16,783
Additions at cost	1,881	-	2,730	-	4,611
Disposal proceeds	(2,728)	-	(1,904)	-	(4,632)
Losses for the year	(52)	-	-	-	(52)
Fair value at 31 March 2018	<u>12,259</u>	<u>1,200</u>	<u>3,246</u>	<u>5</u>	<u>16,710</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. The cost of the Investment Portfolio including cash was £12,566K.

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

	2018 £'000	2017 £'000
Endowment (note 17)	<u>(52)</u>	<u>2,136</u>
Total gains (losses)	<u>(52)</u>	<u>2,136</u>

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**12. DEBTORS**

	<b>Group 2018</b>	<i>Group 2017 (restated)</i>	<b>Charity 2018</b>	<i>Charity 2017 (restated)</i>
	<b>£'000</b>	<i>£'000</i>	<b>£'000</b>	<i>£'000</i>
Trade debtors	70	86	61	66
Amounts due from MSSC (Trading) Ltd	-	-	29	25
Loans	15	15	15	15
Other taxation and social security	60	138	69	138
Other debtors	533	179	533	179
Prepayments	413	323	413	323
Accrued income	243	594	243	594
	<b>1,334</b>	<i>1,335</i>	<b>1,363</b>	<i>1,340</i>

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

	<b>Group 2018</b>	<i>Group 2017 (restated)</i>	<b>Charity 2018</b>	<i>Charity 2017 (restated)</i>
	<b>£'000</b>	<i>£'000</i>	<b>£'000</b>	<i>£'000</i>
Trade creditors	365	705	365	705
Other taxation and social security	215	192	215	192
Grants payable	781	884	781	884
Other creditors	103	100	101	100
Pension provision (note 20)	77	77	77	77
Accruals	682	601	682	601
Deferred income	509	333	509	333
	<b>2,732</b>	<i>2,892</i>	<b>2,730</b>	<i>2,892</i>

£610K (2017: £474K) of Grants payable at 1 April 2017 were paid in the year, and £507K (2017: £535K) of further grants were provided during the year to 31 March 2018. 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 2017 were all released during the year.

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

	<b>2018</b>	<i>2017 (restated)</i>
	<b>£'000</b>	<i>£'000</i>
Pension provision (note 20)	<b>163</b>	<i>240</i>

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**15. RESTRICTED FUNDS (GROUP AND CHARITY)**

Donor	Purpose	Balance	Movement of funds			Balance
		1 April 2017	Income	Expend- iture	Income/ interest	31 March 2018
		£'000	£'000	£'000	£'000	£'000
MOD	The Sea Cadet Corps	-	10,139	(10,139)	-	-
Various	Offshore ships and Boats	7,276	1,143	(1,201)	-	7,218
Various	Sea Cadet training	1,005	1,090	(987)	1	1,109
Various	Cadet expansion Programme	1,434	1,739	(584)	1	2,590
Various	Sea Cadet unit grants	1,171	587	(673)	1	1,086
Various	Area Sea Cadet Training	720	366	(301)	10	795
Various	Seafarer training	190	375	(245)	1	321
Various	Bursaries	111	96	(99)	3	111
Corbyn Memorial Fund	London Nautical School	40	-	(13)	6	33
Thomas Gray Memorial Trust	Maritime Science and Technology	28	-	-	3	31
Various	Other	-	4	(1)	-	3
		<b>11,975</b>	<b>15,539</b>	<b>(14,243)</b>	<b>26</b>	<b>13,297</b>

(continued)

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**15. RESTRICTED FUNDS (GROUP AND CHARITY) (CONTINUED)**

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

**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 2018**
**17. ENDOWMENT FUNDS (GROUP AND CHARITY)**

Donor	Purpose	Balance 1 April 2017 £'000	Movement of funds Investment returns £'000	Donations/ (transfers) £'000	Balance 31 March 2018 £'000
Corbyn Memorial Fund	Grants and payments to members of London Nautical School	209	(1)	-	208
Thomas Gray Memorial Trust	Advancement of Maritime Technology and Science	101	-	-	101
Destitute Sailors Fund	Assisting distressed merchant seamen	62	-	-	62
Various	Providing subsidised berths and awards to Sea Cadets	493	(2)	-	491
Expendable Endowed Funds	Held for general purposes	15,243	(49)	(176)	15,018
		<b>16,108</b>	<b>(52)</b>	<b>(176)</b>	<b>15,880</b>

Donor	Purpose	Balance 1 April 2016 £'000	Movement of funds Investment returns £'000	Donations/ (transfers) £'000	Balance 31 March 2017 £'000
Corbyn Memorial Fund	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>

(continued)

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

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

The transfers from endowed funds to unrestricted funds in 2018 and 2017 are the element of the group and charity's investment returns that are used to fund the on-going operations of the group and charity over and above investment income actually received.

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

**GROUP**

	Tangible Fixed Assets	Investments	Net current assets and long term liabilities	Total
2018	£'000	£'000	£'000	£'000
Restricted funds	8,558	-	4,739	13,297
Endowment funds	-	15,880	-	15,880
Unrestricted funds	683	825	129	1,637
<b>Total</b>	<b>9,241</b>	<b>16,705</b>	<b>4,868</b>	<b>30,814</b>

**2017 (restated)**

Restricted funds	8,644	-	3,331	11,975
Endowment funds	-	16,108	-	16,108
Unrestricted funds	794	670	23	1,487
<b>Total</b>	<b>9,438</b>	<b>16,778</b>	<b>3,354</b>	<b>29,570</b>

**CHARITY**

	Tangible Fixed Assets	Investments	Net current assets and long term liabilities	Total
2018	£'000	£'000	£'000	£'000
Restricted funds	8,558	-	4,739	13,297
Endowment funds	-	15,880	-	15,880
Unrestricted funds	683	830	124	1,637
<b>Total</b>	<b>9,241</b>	<b>16,710</b>	<b>4,863</b>	<b>30,814</b>

(continued)



**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

**18. ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)**

**CHARITY (CONTINUED)**

	<b>Tangible Fixed Assets</b>	<b>Investments</b>	<b>Net current assets and long term liabilities</b>	<b>Total</b>
<b>2017 (restated)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Restricted funds</b>	8,644	-	3,331	11,975
<b>Endowment funds</b>	-	16,108	-	16,108
<b>Unrestricted funds</b>	794	675	18	1,487
<b>Total</b>	<u>9,438</u>	<u>16,783</u>	<u>3,349</u>	<u>29,570</u>

The group and charity's liquid free reserves (see reserves policy) total £954K (2017: £693K) (unrestricted investments less unrestricted net current assets and long term liabilities).

**19. PRIOR YEAR ADJUSTMENT (GROUP AND CHARITY)**

Following a review of the Merchant Navy Officers Pension Fund (MNOFP) deficit (see note 20), it was found that the provision made on the adoption of the Charities SORP (FRS 102) in 2016 had been understated in error. This has resulted in a prior year adjustment of £121K reduction to the opening reserves as at 31 March 2017.

In prior years, the charity made provision in the accounts for its published commitments to the Sea Cadets Corps to grant bursaries on a needs basis against the contribution that Sea Cadets pay towards the costs of training courses. The group and charity have now been advised that the methodology employed does not represent a constructive commitment under FRS 102. The provision has accordingly been reversed, and has resulted in a prior year adjustment of an increase of £201K to the opening reserves as at 31 March 2017.

The net effect of the above two adjustments is an increase in unrestricted reserves of £80K as at 31 March 2017.

**20. PENSION SCHEMES (GROUP AND CHARITY)**

A number of former employees of the former Marine Society and of the Sea Cadet Association are members of the Merchant Navy Officers Pension Fund - MNOFP (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.

(continued)

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**YEAR ENDED 31 MARCH 2018**

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**20. PENSION SCHEMES (GROUP AND CHARITY) (CONTINUED)**

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 2018 was £240K (2017: £317K), this includes a financing charge by MNOFP on deficit instalments to which the charity is contractually committed. This has all been provided in these accounts; £77K (2017: £77K) as a creditor due within one year and £163K (2017: £240K) as a creditor falling due after more than one year.

All current employees are members of a contract based defined contribution scheme. £361K (2017: £373K) was paid by the charity during the year of which £30K (2017: £29K) was outstanding at the year end and included in creditors.

**21. RELATED PARTY TRANSACTIONS (CHARITY)**

One of the trustees is the headmaster of the London Nautical School. The charity provided services to the school on an open market basis, for which it was paid £28K (2017: £18K). £14K outstanding at the year end has been received since the year end. Grants are paid from the Corbyn Memorial Fund to the London Nautical School, which is restricted to that purpose, and amounted to £13K in the year (2017: £4K).

The Chief Executive is an ex officio trustee/director of both Youth United and the Royal Albert Dock Trust. During the year, the charity received income from Youth United totalling £26K (2017: £21K). £6K outstanding at the year end has been received since the year end. During the year, the charity paid rent to the Royal Albert Dock Trust's London Regatta Centre totalling £14K (2017: £10K). No amounts were outstanding to the charity at 31 March 2018.

One of the trustees is a trustee of Trinity House Maritime Charity. During the year the charity received a grant of £110K (2017: £110K) from the Trinity House Maritime Charity. No amounts were outstanding to the charity at the year end.

The charity was paid £4K (2017: £2K) for management and accounting services from its subsidiary undertaking MSSC (Trading) Limited (note 8). A charitable donation amounting to £65K (2017: £23K) was receivable from the subsidiary. At the year end, the charity was due £29K (2017: £25K) from the subsidiary and this amount is included in charity debtors.

One trustee of the charity, Simon Figgis, and two employees, Mark Hallam and John Parker-Jones, are directors of MSSC (Trading) Limited. Two trustees, Robert Woods and Louise Bennett, are directors of the Sea Cadet Association.

**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 2018

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

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

### COUNCIL MEMBERS

The Council members who served during the year were:

Captain Nigel Palmer OBE MNM (Chair) <sup>1, 2, 3, 4</sup>	(retired 11 October 2017)
Robert Woods CBE (Chair) <sup>2</sup>	(elected 22 November 2017)
Robert Woods CBE (Vice Chair) <sup>2</sup>	(stood down 22 November 2017)
Liz Cassidy (Vice Chair) <sup>1, 2</sup>	(elected 22 November 2017)
Tony Allen <sup>2</sup>	
Dr Louise Bennett <sup>1, 2, 3</sup>	
Andrew Bull <sup>2, 3, 4</sup>	(elected 11 October 2017)
Andrew Davenall <sup>2, 3</sup>	(retired 18 June 2018)
Simon Figgis <sup>1, 3</sup>	
Dr Sheila Fitzpatrick <sup>3, 6</sup>	
Jason Kinghorn <sup>2, 3</sup>	(co-opted 18 July 2018)
Alan Marsh FICS <sup>1</sup>	
Alex Marsh <sup>2</sup>	
Nick Mason <sup>1, 2</sup>	
John May DL <sup>2, 3</sup>	
Sir Alan Massey KCB CBE <sup>1</sup>	
Captain Ian McNaught	
Jeremy Penn <sup>1, 2</sup>	(elected 11 October 2017)
Vice Admiral Sir David Steel KBE DL	(retired 11 October 2017)
Kathryn Stone OBE <sup>3</sup>	
Commodore W M Walworth OBE <sup>4, 5</sup>	
Vice Admiral Sir Jonathan Woodcock KCB OBE	(co-opted 21 February 2018)

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 MNI FCA
Director of Lifelong Learning	Mark Windsor
Director of Volunteer and Business Support	John Parker-Jones
Director of Volunteer Support & Outreach	Paul Wilkinson (with effect from 2 July 2018)
Director of Fundraising and Communications	Samantha Shaw
Director of Human Resources	Petrina Brooker

\* provided on loan from the Royal Navy

**PROFESSIONAL ADVISERS  
YEAR ENDED 31 MARCH 2018**

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The principal professional advisers during the year were:

<b>Auditors:</b>	Crowe U.K. 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 Wealth & Investment Ltd 2 Gresham Street London EC2V 7QN  KW Investment Management Ltd (formerly European Wealth Investment Management Ltd) 13 Austin Friars London EC2N 2HE
<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