



MARINE SOCIETY & SEA CADETS

Report & Accounts For the year ended 31 March 2022

Patron: Her Majesty the Queen

Admiral of the Sea Cadet Corps: Her Royal Highness The Princess Royal

President: Admiral Sir Mark Stanhope GCB OBE DL (Retired 6 October 2021)
Admiral Sir Philip Jones GCB DL (Appointed 6 October 2021)

Charity number (England & Wales): 313013

Charity number (Scotland): SC037808

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2022

Overview

Marine Society and Sea Cadets (MSSC) is a charity that helps launch young people for life and supports aspiring and serving seafarers to realise their potential.

With a clear vision to be the leading maritime charity for youth development and lifelong learning, MSSC is committed to investing in and supporting all of our beneficiaries so they can achieve their potential whatever path they choose.

For **Sea Cadets** this means: Inspiring the next generation to realise their potential and seize a better future through nautical adventure based on the customs and traditions of the Royal Navy.

For the **Marine Society** this means: Empowering aspiring and serving seafarers to realise their ambitions, through learning and self-development.

We know that our work has a transformational impact on both individuals and the communities they live and work in, positively affecting their life chances and benefiting their communities and society as a whole. The pandemic brought our work into sharp focus, requiring us to respond rapidly to changing needs and to be highly agile in our delivery, moving almost everything online without a pause. Our two-year 'Regeneration Strategy' from April 2021 has guided our managed return to more normal delivery. For Sea Cadets we have focussed on equipping our amazing volunteers, maximising an early return to face-to-face delivery wherever possible, fully harnessing new ways of working learnt through the crisis, whilst driving a digital transformation of many of our key processes. During the same period, Marine Society has continued to grow its training programmes including maritime apprenticeships, post-16 courses and careers, as well as partnering with maritime sector bodies and charitable organisations to deliver targeted financial support for seafarers directly impacted by the pandemic.

The last two years have been hard, but have demonstrated beyond doubt the need and demand for what we do. Essential to our success however is the determination of so many volunteers working with employees across the national charity to meet the needs of young people and seafarers during a period when isolation and school closures left them feeling forgotten. As a result, at the halfway stage we are well on target to deliver the final year of our Regeneration Strategy, setting strong foundations upon which to launch our new strategy from April 2023 to take the charity further forward.

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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.

Courage:

We do what we know is right and support our colleagues to do the same.

Sea Cadet values

Respect:

To appreciate and be considerate to others.

Loyalty:

To be faithful to all who invest in me.

Self-discipline:

To do what I must.

Commitment:

To do what I say I will.

Honesty & integrity:

To tell the truth and be a good person.

Courage:

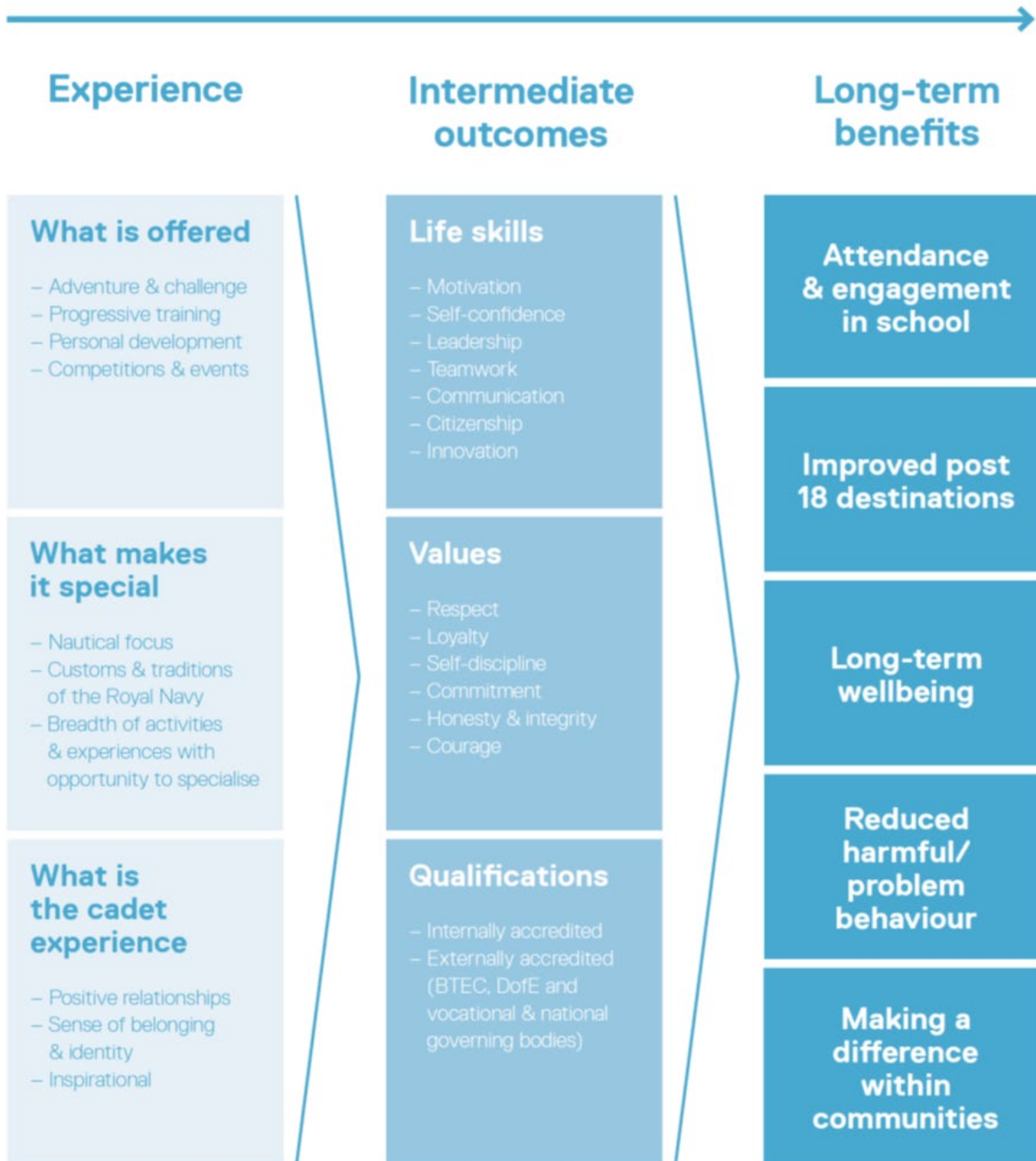
To do what we know is right.

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Our outcomes framework

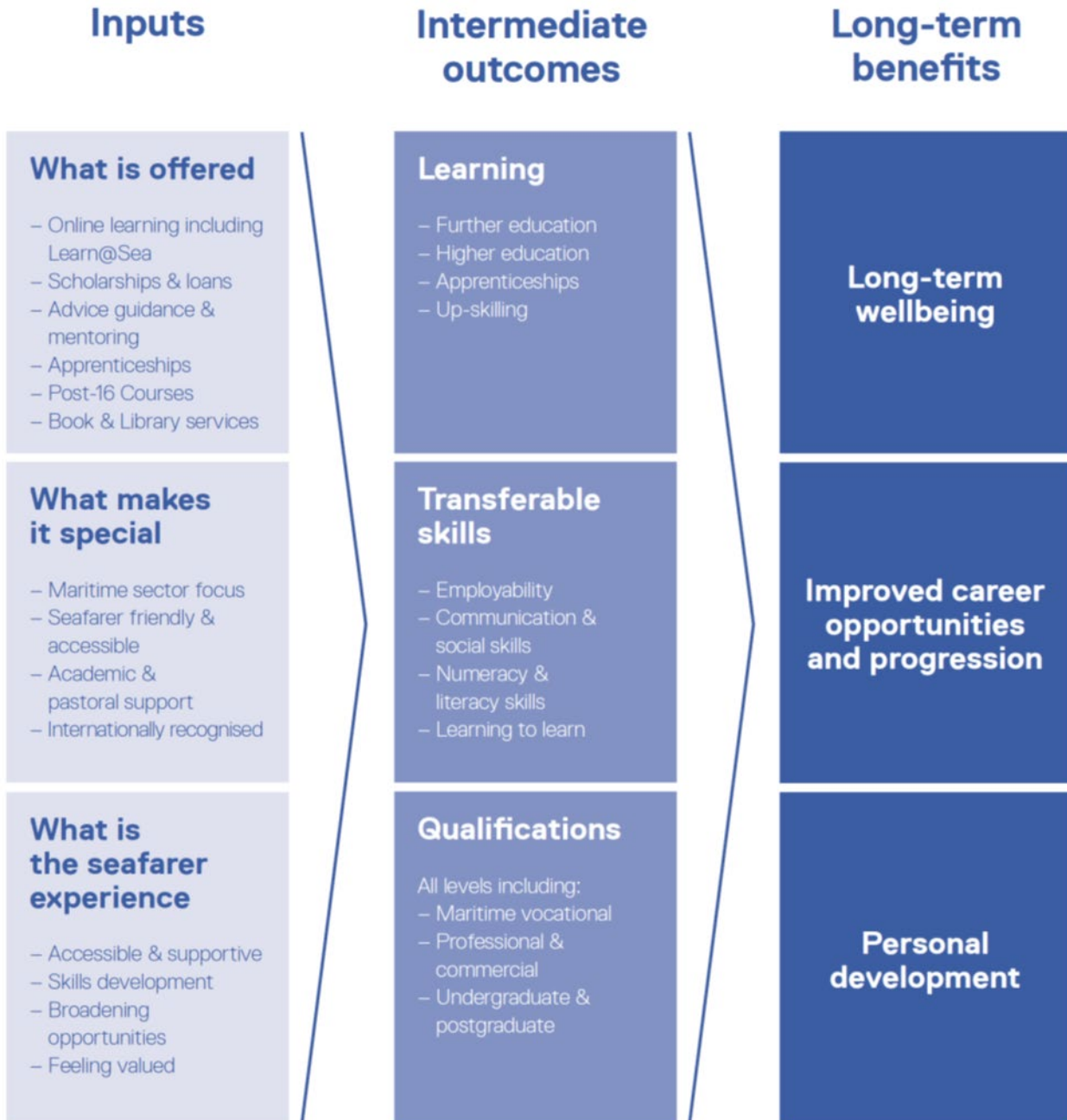
The charity has developed a framework that gives a clear picture of the journey a young person or a seafarer goes on with us. This helps to ensure that the charity offers a consistent and conscious outcome to all beneficiaries and that we always meet our long terms goals of making a positive, life enhancing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

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:



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The next table shows how we map our impact for current and aspiring seafarers. It means we can explain more clearly how we empower aspiring and serving seafarers to realise their ambitions and deliver long-term benefits for them:



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OUR STRATEGIC REGENERATION PLAN to 2023

Marine Society and Sea Cadets has proved immensely resilient to the challenges of the Coronavirus pandemic (Covid-19). As the world recovers, transforms and finds its new future, what we provide to young people as well as current and aspiring seafarers has never been so relevant or needed.

Commenced in April 2021 our strategic regeneration plan is driving our regeneration through to April 2023, building on the outcomes of the 2016–2021 Impact Strategy and embracing three catalysts for change that have been learned and developed during the pandemic:

- **Youth centred:** putting our young people's views and needs at the centre of our thinking and action so that we best equip them for the world ahead.
- **Empowered volunteering:** providing effective and enabling support, encouragement and flexibility to equip our volunteers to maximise their effect.
- **Collaborative working:** a one team approach at all levels enabling us to deliver with speed and agility against our common goals.

As we enter this second year of our regeneration plan, we will continue to adopt these catalysts for change, as well as follow three underlying themes:

- **Developing a new blended approach:** driving digital transformation whilst retaining the value of in-person working, including a hands-on Sea Cadets experience for young people.
- **Becoming totally inclusive:** building on our open culture to drive even greater inclusivity for all and further contributing to the communities in which we operate.
- **Maintaining our maritime focus:** ensuring we continue to serve the maritime sector, with Sea Cadets focussed on the customs and traditions of the Royal Navy.

Our Regeneration Plan seeks to realise these by delivering projects and initiatives under seven strategic Areas of Focus:

1. Youth
2. Volunteers
3. Growth
4. Digital
5. Community
6. Marine Society
7. Enablers

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For 2021/22 we set a number of clear objectives under each of these Area of Focus, against which we note our progress:

1. Youth

- Regenerating beyond unit training delivery ✓
- Delivering cadet wellbeing and resilience course ✓
- Driving greater cadet voice and careers awareness ✓
- Youth trustees appointed ✓
- Re-establishing an Admiral of the Sea Cadets ✓

2. Volunteers

- Harnessing blended learning and increasing volunteer training ✓
- Streamlining volunteer on-boarding, driving flexible volunteering ✓
- Developing mental health awareness training so volunteers can better support cadets ✓

3. Growth

- Supporting unit regeneration plans as well as opening 20 new junior sections ✓
- Delivering 1,200 outreach opportunities via our 'On the Water' programme ✓
- Introducing a 'twinning' programme for units to benefit from shared learning ✗ Deferred

4. Digital

- Delivering a Learner Management System ✓
- Developing online course payment and expense systems and volunteer on-boarding ✗ Under Way

5. Community

- Developing a framework and resources for stronger community engagement ✗ Deferred

6. Marine Society:

- Delivering up to 20 Government 'Kickstart' placements nationally ✓
- Delivering eight outreach courses through new post-16 provider partnerships ✓
- Providing a careers bridge for cadets seeking to progress into the maritime sector ✓

7. Enablers:

- Developing a diversity & inclusion strategic plan ✓
- Driving fundraising as well as public awareness ✓
- Delivering and developing cadet centres and strengthening other infrastructure ✓

For 2022/23 we plan to:

Youth:

During this year we will be returning to offer the full range of cadet activities, including the new Royal Marines Cadets syllabus, ongoing cadet holiday activity programmes, re-introduction of some international activities (for 2023), further increasing Duke of Edinburgh courses and targeting 30 hours boating (average) per cadet.

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Building on our Year One plans we will continue to give more cadets a voice, whilst delivering the 'wellbeing and resilience' course for cadets nationally, as well as providing further practical careers support. We will also develop a strategy to reflect the modern Royal Navy in cadet training and increase engagement opportunities.

Volunteers:

We will support return to full delivery of the Sea Cadet Experience, with many of the 2021/22 initiatives fully embedded and any residual volunteer training backlogs cleared. This will include delivering blended training, introducing more external accreditations, streamlining the volunteer onboarding process, as well as developing flexible volunteering and communications with volunteers.

Growth:

On top of continuing to support the full regeneration of existing units and opening a further 20 Junior sections we will return to at least April 2020 cadet numbers, with sufficient volunteers in place to make this happen. By the end of the year we will also have developed a strategy for future growth, trialling some new approaches, as well as delivered an additional 1,200 outreach opportunities.

Digital:

We will continue to invest in our digital offer with improvements to the Sea Cadets Portal, more volunteer self-service functionality – including online volunteer onboarding, online volunteers expenses, online course payments and full roll-out of the new Volunteer Portal – a case management system for volunteer support and safeguarding, and upgrades to the Marine Society digital systems.

Community:

In addition to active participation of at least 50 Sea Cadets units in Queen's Platinum Jubilee projects, we will also play our part in relevant national and local Queen's Platinum Jubilee celebration activities and issue Platinum Jubilee medals and certificates.

Marine Society:

By the end of Year Two we will have:

- established two maritime apprentice recruitment assessment centres.
- delivered outreach courses to 50 learners (14-19).
- developed three new Learn@Sea upskilling courses.
- established a careers bridge for cadets seeking to progress into the maritime sector.
- further developed our Coming Ashore project.

Enablers:

Year Two will see commencement of construction of a major new boat station in the Midlands, improvements to regional training venue opportunities and completion of a wide-ranging transport review. We will also begin development of shooting hubs, deliver on secured investment in boating equipment, continue to roll out diversity and inclusion plans, develop an environmental strategy, grow fundraising and further develop communications.

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Beyond Regeneration:

The world has changed. We have and will learn from the experience and will not go back to exactly who and what we were before the Covid-19 pandemic. We have and will continue to prove to be responsive and innovative.

By 2023:

Sea Cadets will be even stronger and even better at meeting the needs of young people and their communities in a post-pandemic world. We will have harnessed what we have learnt to further develop the offer, our systems and support for our volunteers so that by March 2023 we have even stronger foundations and are impacting the lives of many more young people with all that Sea Cadets has to offer.

Our close partnership with the Royal Navy will continue to be central to Sea Cadets and we will have delivered reflective of the Cadet Forces 2025 strategy for MOD sponsored cadet forces (which includes Sea Cadets). We will also have taken opportunities to work with the government and sector policy and initiatives across the four nations to both better support Sea Cadets and use our expertise to help build better policy responses for children, young people and local communities. This will include seeking to participate in delivery of projects through the Department of Communities, Media and Sport 'Youth Investment Fund' over coming years.

Marine Society will have built services that reflect the needs of current and aspiring maritime workers in a post Covid-19 and increasingly changing and complex sector. We will have expanded our digital maritime learning services, developed a post-16 maritime careers and qualifications programme, as well as 'Coming Ashore' careers support, whilst continuing to develop a scholarships and bursaries offer, crew libraries and specialist book sales.

Together we will have forged even stronger and collaborative working, engaging with our many sponsors, and fully leveraging our resources across the charity for the benefit of cadets, volunteers and seafarers.

Beyond 2023:

Alongside this work we will develop our next long-term strategy from 2023, building on the following themes:

- Youth centred and focussed, engaging and impacting young people
- Empowering and supporting our volunteers
- Continuing to grow
- Driving collaboration, innovation and fully harnessing blended working
- Becoming fully inclusive and contributing to the communities in which we operate
- Developing our maritime learning offer
- Supporting our staff and enabling them to maximise delivery

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MSSC'S LAMBETH ROAD, LONDON PREMISES

During the year the charity moved into its new National Support Centre, comprising efficient fully fitted offices on the ground and lower ground floors of 200b Lambeth Road London SE1, adjacent to our former headquarters at 202 Lambeth Road. On 09 July 2021 the charity completed a 249 year lease of the new premises at a peppercorn rent at a net premium of £3.764m plus VAT ahead of occupation from early September 2021. The existing MSSC building at 202 Lambeth Road and its associated land remains the property of the charity and is currently being marketed for disposal.

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 helping seafarers realise their ambitions.

The charity supports the maritime industry through the provision of Marine Society College activities, by promoting career opportunities into maritime, upskilling seafarers using new technologies, whilst supporting others to transition ashore into maritime-related roles. As an approved Government-funded training provider and Ofsted-rating 'Good', Marine Society will build on its global reputation for supporting seafarers offering advice and guidance, scholarships, bursaries, apprenticeships, a growing range of post-16 to graduate courses as well as delivery of crew libraries and specialist book sales.

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 as at 01 April 2022 of 13,579 cadets (10,965 in England, 1,046 in Scotland, 682 in Wales, 344 in Northern Ireland and 179 overseas). There are 304 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 six new units (one in Northern Ireland, five in England) and fifteen partnership units (one in Scotland and fourteen in England). The charity maintains six area offices, five based in England and one in Scotland, three national training centres, two in England and one in Scotland, eight boating stations, seven in England and one in Scotland, and an offshore fleet of five vessels, based in England.

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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 01 April 2022, there were 4,355 adult instructional volunteers, 1,587 unit management team members and 2,613 other volunteers. In total 8,436 volunteers 7,040 in England, 731 in Scotland, 442 in Wales and 249 in Northern Ireland). We are extremely grateful for the generosity of time, huge commitment and can-do attitude of our volunteers in making the Sea Cadets the success that the organisation is. This has been particularly so over this last year in ensuring Sea Cadets kept going virtually when not able to meet face to face during lockdowns and in getting back up and running as things have eased.

KEY RISKS AND UNCERTAINTIES

The Council is responsible for management of the risks and uncertainties faced by the charity, assisted by senior staff. The Council reviews the Strategic Risk Register every quarter. The Safety, Safeguarding and Risk Committee together with the Policy Development and Nominations Committee and the Financial Investments Audit and Remuneration Committee monitored the charity’s key risks throughout the year. This included frequent review throughout the year of the impact of the pandemic upon all aspects of the charity.

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

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

Key risks	Key mitigation controls
Safeguarding children and vulnerable adults	<ul style="list-style-type: none"> - Formal and periodic review by the Trustees - Formal written policies
Health & Safety	<ul style="list-style-type: none"> - Formal and periodic review by the Trustees - Formal written policies - Internal audit review of targeted areas
Sufficiency of MOD Grant in Aid funding	<ul style="list-style-type: none"> - Formal and periodic review by the Trustees - Comprehensive strategic planning, budgeting and management accounting - Hierarchical authorisation and approval levels - External audit
Lack of diversification of funding and support	<ul style="list-style-type: none"> - Formal and periodic review by the Trustees
Sufficiency of financial reserves	<ul style="list-style-type: none"> - Formal and periodic review by the Trustees - Comprehensive strategic planning, budgeting and management accounting - Hierarchical authorisation and approval levels - External audit

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Public perception and reputation	- Formal organisational and governance structure and lines of reporting
Stakeholder management, and in particular, key stakeholder support	- Formal and periodic review by the Trustees

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.

The charity continues to respond to the consequences of Covid-19 across a number of risk areas, following the regeneration strategic plan.

FINANCIAL REVIEW

Income

Total income amounted to £19,352K (2021: £14,259K), an increase of over 35% over the previous year and a return to pre-pandemic levels. Donations, legacies and other income have increased £1,211K (56%) including donations for boat station appeals, the sale of artefacts, profit on sale of land, offset by removal of the Coronavirus Job Retention Scheme.

The MOD grant in aid for Sea Cadets increased by 2% to £11,768K. We also received three other grants from the MOD - £2,400K for Arms and Ammunition security, £250K for a pontoon for berthing of our offshore fleet at its home port in Gosport and £20K towards out STEM marine engineering programme in schools.

Sea Cadets training income and offshore fleet income have increased, although they were not yet at pre-pandemic levels, with a full return anticipated for 2022/2023.

MSSC (Trading) Limited income increased from £17K to £35K (still below pre-pandemic levels) and investment income has continued to decline due to continued impact of Covid-19, inflation and the commencement at the end of the financial year of the conflict in Ukraine.

We continue to remain sincerely grateful for the continued support provided by the MOD in helping finance the Sea Cadets and appreciate the agreement of our Grant in Aid for the next two years to March 2024, which is enabling us to plan more effectively.

Expenditure

Total expenditure was £15,808K (2021: £13,841K), an increase of 14.0% on the prior year.

As we returned to some delivery of face to face activity during the year, the cost of safeguarding and supporting Sea Cadet activity and infrastructure increased by £1,738K (27%) and the offshore fleet increased by £243k (13%).

Net income and other movements

Overall, net income before investment gains was up by £3,126K to £3,544K mainly due to the additional grants received from the MOD and a significant grant of £800k from The Royal Naval Volunteer Reserve Officers' Association (RNVR) towards boats and equipment. The £3,226K is broken down to restricted funds £2,767K, Designated funds £623K and Unrestricted funds (£103K).

Investment portfolio gains in the year were £618K.

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Balance sheet

Intangibles have decreased by (£168K), with additions for the Finance system, Customer Relationship Management system and Case Management system, offset by depreciation. Tangibles have increased by £3,872K, primary additions for the new National Support Centre, Midlands Boat Station and six new vehicles, offset by depreciation. Investments have increased by investment gain offset by movement in cash.

Cash at bank has increased by £4,119K, mainly due to the additional restricted grants received from the MOD and The Royal Naval Volunteer Reserve Officers' Association (RNVR).

Total debtors have reduced by £5,583K, Prepayments have decreased by (£5,395K) – mainly due to the prepayment for the new building.

Total creditors have decreased by (£1,385K). Deferred income has decreased by (£1,929K) (the MOD grant in aid was paid early in 2020/2021 and the proceeds from the sale of the former Annex site at 202 Lambeth Road were released, offset by training income for 2022/23). Accruals have increased by £360K, including Middle Hill work, Unit Emergency Grants, RMC storage and tenant negotiations.

SAFEGUARDING POLICY

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

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

In 2016 a review of the charity's current safeguarding arrangements was commissioned and undertaken by Barnado's. 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. All the recommendations have been fully implemented.

A further internal review of non-recent safeguarding cases was completed during 2020. This review made a number of recommendations which have been implemented. To further improve case management, during 2021/2022 the charity commenced development of a new combined online system across safeguarding and volunteer support. This is due to go fully live in the first half of 2022/2023.

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.

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Complaints and negative feedback

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

Contacting our supporters and supervising our fundraisers

The charity prides itself on a high standard of ethical fundraising and we continually review how we contact the public to ask for support. This ensures that we follow regulations, meet our own high standards and exceed the public's expectations, including ensuring the charity's compliance with General Data Protection Regulation (GDPR) (EU) 2016/679.

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 2021/2022. The Trustees are aware of the need to comply with regulations from the Charities (Protection and Social Investment) Act 2016. 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 MSSC adhered to the appropriate fundraising standards for the year ended 31 March 2022. The charity is a paid-up member of the Fundraising Regulator.

Compliance with recognised standards

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

No complaints were received about fundraising in the year.

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INVESTMENT POLICY

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

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

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

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

	Planning range	31 March 2022	31 March 2021
UK Equities	25-45%	31.8%	33.8%
Non-UK Equities	30-50%	43.3%	43.2%
Fixed Interest	7-30%	9.4%	10.0%
Property	0-10%	5.2%	4.8%
Hedge funds	0%	0%	0%
Other	0-10%	5.8%	4.1%
Cash	0-10%	4.5%	4.1%

This does not mean that the investment portfolio can't still be tactically overweight in any asset class from time to time.

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.

Investments in Alternative Investment Strategy funds, Derivatives and Hedge Funds are allowed on a limited exposure basis (up to 5% of funds) on a short-term basis (maximum of 5 years).

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

Ethical considerations

The Trustees would like to invest in a responsible and sustainable way and therefore expect the investment manager to take into account ESG factors when making investment decisions, as well as a carbon aware approach. Investec does this under their Responsible Investment philosophy by screening all companies from an ESG perspective. They are scored on a range of metrics including environmental credentials, business ethics and human rights issues.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2022

Performance

The fund delivered a total return (net-of-fees) of +6.7% (2021: 25.4%) against our real return benchmark of +11.0% (CPI plus 4%) and ARC Sterling Steady Growth Index of +6.3% (2021: 24.0%). Total return over the three-year period to 31 March 2022 was +5.7% (net-of-fees) per annum against a benchmark of +7.1% (CPI plus 4% per annum over the period) and ARC Sterling Steady Growth Index +6.7% (net-of-fees) per annum.

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

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

Review of investment managers

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

RESERVES POLICY

Total funds at the year-end as detailed in note 17 were £39,488K, (2021: £35,331K), which includes £18,143K (2021: £15,377K) restricted funds and £18,273K (2021: £17,399K) endowment funds. After accounting for intangible and tangible fixed assets of £570K (2021: £570K) and the setting up of designated funds for investments in boat stations, outreach work and other Sea Cadet future projects of £1,460K (2021:£837K), this leaves unrestricted funds, comprising free reserves of £1,041K (2021: £1,148K).

The charity does not retain MOD grant monies as part of its reserves. It remains an aspiration of the charity to increase its free reserves. Using a Risk based approach the reserves target reflects the risk of loss of specific income and the risk of the most significant costs increasing. On the basis of this approach our target will be £2.8 million.

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

GRANT MAKING POLICY

Grants awarded in 2021/2022 amounted to £1,546K (2021: £1,464K). 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. During 2021/2022 this included grants for units towards premises, minibuses, new junior units and emergency needs, bursaries for cadets to take part in activities, uniforms, and grants for equipment and boats to units and unit hubs. In addition, grants are provided to volunteers to allow upkeep or purchase of uniforms on promotion or for wear and tear during the year. Payments are made in accordance with published scales.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2022

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. A 2% inflationary pay review was implemented in June 2021, which followed a pay freeze the prior year due to the uncertainties of the pandemic.

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, based on the customs and traditions of the Royal Navy. *“Adventure that launches young people for life”*

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 give aspiring and serving seafarers the best possible lifelong learning opportunities tailored to their individual needs. *“Realising Seafarer Potential”*.

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2022

We achieve this through a wide range of services that are geared towards their personal development, education and learning support needs, helping them realise their potential. This includes:

- Promoting career opportunities into the maritime sector
- As an approved Government-funded training provider with Ofsted-rating 'Good', offering advice and guidance, scholarships, bursaries, apprenticeships and a growing range of post-16 to graduate courses
- Delivering upskilling courses to aspiring and serving seafarers around the world through use of digital learning
- Supporting others to transition ashore into maritime-related roles.
- Providing a ship's library service for seafarers at sea and specialist book sales.

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

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The charity is governed by a board of unpaid non-executive Council members who act as Trustees. Details of the Council Members who served during the year, and as at the date of this report, together with details of the executive management and professional advisors, are shown on pages 52-53.

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 one of our current First Sea Lord Cadets. 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
- Oversees the appointment and remuneration of the external auditors and receiving reports from them

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

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2022

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

National Sea Cadet Forum

- Composed of Sea Cadets, together with representatives of the MSSC management team. The forum supports the aims and objectives of the SCC, providing ideas and feedback to the MSSC from cadet forums at Area and District levels. In the year, work continued to create further cadet forums at District level to link in to the Area Cadet forum and in turn the National Sea Cadet forum.

National Sea Cadet Advisory Council (NSCAC)

- 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. The chair of NSCAC is 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 600 members who pay an annual subscription to the Charity. MSSC has five (2021: five) branches within the United Kingdom made up of members of the charity who reside within its locality. The annual subscriptions of those living within the catchment area of a branch are returned to the branch committee to be applied for the benefit of local Sea Cadet units and MSSC initiatives. These branches are an active and welcome force in spreading the charity's message at a local level.

THE CHARITY GOVERNANCE CODE

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

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2022

THE CHARITY GOVERNANCE CODE (CONT)

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

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

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 2022 as follows:

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

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

STATEMENT OF THE ACCOUNTING OFFICER

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

Governance

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

Decision-making

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

Financial management

- Comply with Public Sector Internal Audit Standards (PSIAS) in order that the Principal Accounting Officer may receive an annual assurance on risk management, governance and control
- Use its resources efficiently, economically and effectively, avoiding waste and extravagance

REPORT OF THE COUNCIL YEAR ENDED 31 MARCH 2022

Financial management (cont)

- Plan to use its resources on an affordable and sustainable path, with agreed limits
- Carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and seeking good value for money
- Use, where possible, management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments
- Avoid over defining detail and imposing undue compliance costs, either internally or on the charity's stakeholders and other with whom it deals
- Have practical documented arrangements for working in partnership with other organisations, as appropriate
- Use internal and external audit to improve its internal controls and performance

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

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

STATEMENT OF COUNCIL'S RESPONSIBILITIES

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

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.

**REPORT OF THE COUNCIL
YEAR ENDED 31 MARCH 2022**


AUDITORS

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

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

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

On behalf of the Board



Jeremy Penn
Council Member and Chairman



Martin Coles
Chief Executive Officer
& Grant in Aid Accounting Officer

20 July 2022

20 July 2022

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

Opinion

We have audited the financial statements of The Marine Society & Sea Cadets ('the parent charity') and its subsidiaries ('the group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2022 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) **YEAR ENDED 31 MARCH 2022**

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Council.

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

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

Responsibilities of Trustees

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

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the charity and its sector, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
YEAR ENDED 31 MARCH 2022

- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Charities Act 2011 and the Charities Statement of Recommended Practice.

In addition, we evaluated the trustees' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the trustees and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

6 Sutton Plaza, Sutton Court Road, Sutton, Surrey SM1 4FS

Date: 24 August 2022

Mazars LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2022**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2022 Total £'000	2021 Total £'000
INCOME AND ENDOWMENTS FROM:						
Donations, legacies and other income	2	1,218	2,135	-	3,353	2,142
Charitable activities	3					
MOD grant in aid (for Sea Cadet activity)		-	14,438	-	14,438	11,111
Seafarer education and support		583	71	-	653	271
Sea Cadet Corps training		285	-	-	285	85
Offshore fleet income		143	-	-	143	8
		1,011	14,509	-	15,520	11,475
Other trading activities						
MSSC (Trading) Limited	8	40	-	-	40	17
Investments	4	417	23	-	440	625
TOTAL INCOME		2,685	16,667	-	19,352	14,259
EXPENDITURE ON:						
Raising funds						
Investment management Costs		71	-	-	71	48
MSSC (Trading) Limited		7	-	-	7	8
Donations and legacies ¹		479	-	-	479	290
		557	-	-	557	346
NET INCOME AVAILABLE FOR CHARITABLE ACTIVITIES		2,129	16,667	-	18,796	13,913

The notes on pages 32 to 51 form an integral part of these accounts

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

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
YEAR ENDED 31 MARCH 2022

	Notes	Unrestricted	Designated	Restricted	Endowment	2022	2021
		Funds £'000	Funds £'000	Funds £'000	Funds £'000	Total £'000	Total £'000
Charitable activities							
Safeguarding and supporting Sea Cadet activity and infrastructure		326	-	7,772	-	8,098	6,360
Sea Cadet Corps training		205	-	3,388	-	3,593	4,046
Offshore fleet		88	-	2,055	-	2,143	1,900
Professional seafarer education and support		715	-	210	-	925	714
Promoting the Marine Society & Sea Cadets		18	-	474	-	492	475
Total charitable activity costs		1,352	-	13,899	-	15,252	13,495
TOTAL EXPENDITURE	5	1,909	-	13,899	-	15,808	13,841
NET INCOME BEFORE INVESTMENT GAINS							
		776	-	2,767	-	3,544	418
Net gains on investments	12	-	-	-	618	618	2,363
NET INCOME		776	-	2,767	618	4,161	2,781
Transfers between funds	18	(879)	623	-	256	-	-
NET MOVEMENT IN FUNDS		(103)	623	2,767	874	4,161	2,781
TOTAL FUNDS 1 APRIL 2021		1,713	837	15,377	17,399	35,326	32,550
TOTAL FUNDS 31 MARCH 2022	18	1,610	1,460	18,144	18,273	39,487	35,331

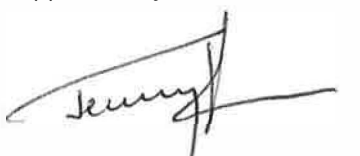
All amounts relate to continuing activities.

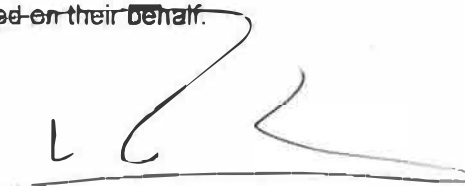
The notes on pages 32 to 51 form an integral part of these accounts

CONSOLIDATED BALANCE SHEET
31 MARCH 2022

			2022	2021
	Notes	£'000	£'000	£'000
FIXED ASSETS				
Intangible assets	10		661	829
Tangible assets	11		13,116	9,244
Investments	12		<u>20,081</u>	<u>19,495</u>
			33,858	29,568
CURRENT ASSETS				
Stocks		574		628
Debtors	13	497		6,080
Cash at bank and in hand		<u>9,110</u>		<u>4,991</u>
		10,181		11,699
CREDITORS				
Amounts falling due within one year	14	<u>(4,551)</u>		<u>(5,936)</u>
NET CURRENT ASSETS (LIABILITIES)			<u>5,630</u>	<u>5,763</u>
NET ASSETS			<u>39,488</u>	<u>35,331</u>
THE FUNDS OF THE CHARITY				
Unrestricted funds				
Fixed assets		570		570
Other		<u>1,041</u>		<u>1,148</u>
		1,611		1,718
Designated funds	17	1,460		837
Restricted funds				
Fixed assets	15	9,529		9,503
Other		<u>8,614</u>		<u>5,874</u>
		18,143		15,377
Endowment funds	16		<u>18,273</u>	<u>17,399</u>
	18		<u>39,488</u>	<u>35,331</u>

Approved by the Trustees on 20 July 2022 and signed on their behalf.


Jeremy Penn
Council Member & Chairman


Martin Coles CBE
Chief Executive Officer & Grant in Aid Accounting Officer

The notes on pages 32 to 51 form an integral part of these accounts

**CHARITY BALANCE SHEET
31 MARCH 2022**

			2022	2021
	Notes	£'000	£'000	£'000
FIXED ASSETS				
Intangible assets	10		661	829
Tangible assets	11		13,116	9,244
Investments	12		<u>20,086</u>	<u>19,500</u>
			33,863	29,573
CURRENT ASSETS				
Stocks		574		628
Debtors	13	503		6,090
Cash at bank and in hand		<u>9,070</u>		<u>4,969</u>
		10,147		11,687
CREDITORS				
Amounts falling due within one year	14	<u>(4,550)</u>		<u>(5,934)</u>
NET CURRENT ASSETS (LIABILITIES)			<u>5,597</u>	<u>5,753</u>
NET ASSETS			<u>39,460</u>	<u>35,326</u>
THE FUNDS OF THE CHARITY				
Unrestricted funds				
Fixed assets		570		570
Other		<u>1,013</u>		<u>1,143</u>
		1,583		1,713
Designated funds	17	1,460		837
Restricted funds				
Fixed assets	15	9,529		9,503
Other		<u>8,614</u>		<u>5,874</u>
		18,143		15,377
Endowment funds	16		<u>18,273</u>	<u>17,399</u>
	18		<u>39,460</u>	<u>35,326</u>

Approved by the Trustees on 20 July 2022 and signed on their behalf:


Jeremy Penn
Council Member & Chairman


Martin Coles CBE
Chief Executive Officer & Grant in Aid Accounting Officer

The notes on pages 32 to 51 form an integral part of these accounts

**CONSOLIDATED STATEMENT OF CASH FLOWS BALANCE SHEET
YEAR ENDED 31 MARCH 2022**

	Notes	2022	2021
		£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash provided by/(used by) operating activities	(a)	8,272	(941)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	4	0	1
Investment income	4	440	624
Purchase of fixed assets	11	(4,631)	(393)
Proceeds from sale of fixed assets		6	5
Purchase of investments	12	(6,453)	(9,483)
Proceeds from sale of investments	12	6,485	14,444
Net cash generated by investing activities		4,153	5,198
INCREASE IN CASH AT BANK AND IN HAND IN THE YEAR		4,119	4,257
CASH AT BANK AND IN HAND 1 APRIL 2021		4,991	734
CASH AT BANK AND IN HAND 31 MARCH 2022		9,110	4,991

NOTES TO CASH FLOW STATEMENT

		2022	2021
		£'000	£'000
(a) Reconciliation of net income to Net cash flows from operating activities			
Net income		4,161	2,781
Depreciation	10 & 11	1,184	988
(Gains) on investments	12	(618)	(2,363)
Loss on the sale of tangible fixed assets		(268)	(5)
Decrease/(Increase) in stocks		54	(59)
Decrease/(Increase) in debtors		5,583	(3,766)
(Decrease)/Increase in creditors		(1,385)	2,108
Interest received and investment income	4	(440)	(625)
Net cash provided by/ (used by) operating activities		8,272	(941)

The notes on pages 32 to 51 form an integral part of these accounts

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

1. ACCOUNTING POLICIES

a) Basis of Preparation

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

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

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.

Whilst one of the main charitable purposes of the Fund is to support the activities of Sea Cadets and seafarers, the level of this necessary expenditure is at the discretion of the Trustees and can be adjusted during the year. The Trustees have also considered the Group's working capital and capital expenditure requirements. As a result of the foregoing the Trustees are satisfied that it is appropriate to prepare the accounts on a going concern basis.

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

b) Donations, legacies and other income

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

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

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

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

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

1. ACCOUNTING POLICIES (CONTINUED)

c) Expenditure

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

Raising funds:

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

Charitable expenditure:

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

d) Recognition of liabilities and grants

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

e) Definition of liquid resources

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

f) Pension costs

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

g) Intangible and tangible fixed assets

Capital items with a value over £5,000 are treated as fixed assets. Depreciation / amortisation is provided on all fixed assets to write off the cost of these assets over their expected useful life. The following straight line depreciation rates have been used:

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

h) Investments

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

i) Stocks

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

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

1. ACCOUNTING POLICIES (CONTINUED)

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.

Designated funds for investments in boat stations, outreach work and other Sea Cadet future projects have been set up.

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

It is not the policy of the charity to obtain further artefacts but to preserve those of heritage significance that it owns, which it does with the help of the National Maritime Museum. Alongside the planned relocation of the national offices of the charity, the Trustees reviewed the artefacts held and determined those that should be held for posterity, those that should be gifted to relevant museums and those to be sold. Effecting this is ongoing. No material artefacts have been acquired in the last five years.

l) Financial instruments

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

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

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

m) Post balance sheet event

On the 14th July 2022 we exchanged contracts on the sale of 202 Lambeth Road, including the Gatehouse. This is sale by way of a 200 year lease at £6.35m to complete by 30 September 2022, with the purchaser able to withdraw up to 31 August in the absence of satisfactory planning consent.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

2. DONATIONS, LEGACIES AND OTHER INCOME

	Unrestricted £'000	Restricted £'000	Endowment £'000	Total £'000
2021/22 analysis of income				
Donations and subscriptions	149	-	-	149
Legacies	45	-	-	45
Other Major Grants ¹	-	1,098	-	1,098
Boat station appeals ²	-	346	-	346
Bursaries	-	10	-	10
Other restricted funds ³	-	415	-	415
Coronavirus job retention scheme	1	-	-	1
Areas, Branches and Other Income	1,023	266	-	1,289
	<u>1,218</u>	<u>2,135</u>	<u>-</u>	<u>3,353</u>
2020/21 analysis of income				
Donations and subscriptions	48	-	-	48
Legacies	2	-	-	2
Other Major Grants ¹	-	1,100	-	1,100
Boat Station Appeals	-	25	-	25
Bursaries ²	-	67	-	67
Other restricted funds ⁴	-	261	-	261
Coronavirus job retention scheme	355	-	-	355
Areas, Branches and Other Income	159	125	-	284
	<u>564</u>	<u>1,578</u>	<u>-</u>	<u>2,142</u>

Other Major Grants ¹

Includes grants from Royal Naval Volunteer Reserve Officers' Association (RNVR) (for boats and equipment), Seafarers' UK, Trinity House Maritime Charity and the Combined Cadet Forces

Boat Station Appeals ²

Include major donations from the Garfield Weston, C Bell and the Swire Charitable Trust.

Other Restricted Funds³

Include major donations from Stelios Philanthropy, International Foundation for Aids to Navigation (IFAN), International Transport Workers Federation (ITF) Seafarers Trust, Gosling Foundation, Capita plc, Association of Sail Training Organisations and Shipwrights and Michael Uren Foundation

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

3. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted	Restricted	Total	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
	2022	2022	2022	<i>2021</i>	<i>2021</i>	<i>2021</i>
	£'000	£'000	£'000	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
MOD grant in aid (for Sea Cadet activity)	-	14,438	14,438	-	11,111	11,111
Seafarer education and support	583	71	654	123	148	271
Sea Cadet Corps training	285	-	285	85	-	85
Offshore fleet income	143	-	143	8	-	8
	1,011	14,509	15,520	216	11,259	11,475

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 £700K. Six area offices, three Sea Cadet training centres, Sea Cadet stores, the offshore offices and berthing facilities are also provided at MOD premises, together with ad hoc use of MOD training estate. Fuel for the offshore vessels from Royal Navy sources, some uniforms and various specialist stores items are also provided by the Royal Navy.

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

4. INVESTMENTS

	Unrestricted	Restricted	Total	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
	2022	2022	2022	<i>2021</i>	<i>2021</i>	<i>2021</i>
	£'000	£'000	£'000	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment income (excluding Rental income)	276	23	299	343	20	363
Rental income	141	-	141	261	-	261
Bank interest	-	-	-	-	1	1
	417	23	440	604	21	625

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

5. ANALYSIS OF EXPENDITURE

	Unrestricted 2022	Restricted 2022	Total 2022	<i>Unrestricted 2021</i>	<i>Restricted 2021</i>	<i>Total 2021</i>
	£'000	£'000	£'000	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment management fees	71	-	71	48	-	48
Fundraising MSSC (Trading) Limited	479	-	479	290	-	290
Safeguarding and supporting Sea Cadet activity and infrastructure	326	7,772	8,098	12	6,348	6,360
Sea Cadet Corps training	205	3,388	3,593	4	4,042	4,046
Offshore fleet	88	2,055	2,143	1	1,899	1,900
Professional seafarer education and support	715	210	925	335	379	714
Promoting Sea Cadet activity	18	474	492	1	474	475
	1,909	13,899	15,808	699	13,142	13,841

	Grants	Direct Salary Costs	Other	Support costs (note 7)	Total
	£'000	£'000	£'000	£'000	£'000
2021/22 analysis of costs					
Investment management fees	-	-	71	-	71
Fundraising MSSC (Trading) Limited	-	326	104	48	479
Safeguarding and supporting Sea Cadet activity and infrastructure	815	3,352	2,414	1,518	8,098
Sea Cadet Corps training	11	1,248	1,366	968	3,593
Offshore fleet	50	713	964	417	2,143
Professional seafarer education and support	27	304	510	85	925
Promoting Sea Cadet activity	-	154	254	84	492
	903	6,097	5,683	3,119	15,808

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

5. ANALYSIS OF EXPENDITURE (CONTINUED)

	Grants	Direct Salary Costs	Other	Support costs (note 7)	Total
	£'000	£'000	£'000	£'000	£'000
2020/21 analysis of costs					
Investment management fees	-	-	48	-	48
Fundraising	-	179	57	54	290
MSSC (Trading) Limited	-	-	8	-	8
Safeguarding and supporting Sea Cadet activity and infrastructure	660	3,186	1,309	1,228	6,383
Sea Cadet Corps training	203	1,524	1,525	783	4,035
Offshore fleet	291	659	603	338	1,891
Professional seafarer education and support	59	265	296	94	714
Promoting Sea Cadet activity	-	169	236	67	472
	<u>1,213</u>	<u>5,982</u>	<u>4,082</u>	<u>2,564</u>	<u>13,841</u>

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

6. GRANTS PAYABLE

Grants payable were as follows:

	2022 £'000	2021 £'000
Grants to institutions	879	878
Grants to individuals	667	586
	<u>1,546</u>	<u>1,464</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 towards premises, minibuses, junior units and emergency needs. It also includes the provision of boats and equipment to units and unit hubs.

Grants to individuals comprise grants to Sea Cadet volunteers for uniforms and bursaries for cadets to take part in activities.

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

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

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

7. SUPPORT COSTS

The support costs of the charity consist of four elements: Management, Finance & Digital, Premises, and Human Resources. These costs have been apportioned across the work of the charity on the basis of staff numbers in each functional area. The apportioned costs are set out below:

	Management	Finance and Digital	Premises	Human Resources	2022 Total	2021 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fundraising	4	14	19	11	48	54
Safeguarding and supporting Sea Cadet activity and Infrastructure Sea Cadet Corps training	93	746	425	254	1,518	1,228
Offshore fleet	59	476	271	162	968	783
Professional seafarer education and support	26	204	117	70	417	338
Promoting Sea Cadet activity	7	26	33	19	85	94
	5	42	23	14	84	67
2022	195	1,507	888	529	3,119	2,564
2021	196	1,364	569	435	2,564	

Included within Support costs are salary costs of £1,232K (2021: £1,227K).

Irrecoverable VAT costs included within Support costs amounted to £140K (2021: £451K).

Total Governance costs included in Support were £162K (2021: £156K). These included auditors' fees for external audit £24K (2021: £18K) and tax advice £4K (2021: £nil).

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

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 (2021: 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 (2021: £5K) investment in MSSC (Trading) Limited (note 12), representing 100% of the issued share capital of that company. The results of the company for the year and its balance sheet at the year end were as below. The company made a charitable donation in the year of £5K (2021: £35k) to the charity. The company anticipates making a charitable donation to the charity of £28K in 2022/23 based on profits earned in 2021/22. Year-end net assets stand at £33K (2021:£10K).

	2022	2021
	£'000	£'000
Turnover	35	17
Other operating charges	(7)	(12)
Profit on Ordinary Activities before taxation	28	5
Taxation	-	-
Profit on Ordinary Activities after taxation	28	5
Retained profit at 1 April 2020	5	35
Charitable donation to the Marine Society & Sea Cadets	(5)	(35)
Retained profit at 31 March 2022	28	5
	2022	2021
	£'000	£'000
Current Assets		
Debtors	14	1
Cash at bank and in hand	40	22
	54	23
Creditors		
Amounts falling due within one year	(21)	(13)
Net Current Assets	33	10
Net Assets	33	10
Capital and Reserves		
Called up share capital	5	5
Profit and loss account	28	5
	33	10

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

9. STAFF COSTS	2022	<i>2021</i>
	£'000	<i>£'000</i>
Wages and salaries	6,254	<i>6,121</i>
Social security costs	555	<i>567</i>
Pension fund contributions	419	<i>402</i>
Health insurance	102	<i>120</i>
	<u>7,329</u>	<i><u>7,210</u></i>

The average head count was 186 staff (2021: 217) and the average full time equivalent numbers of employees were as follows:

	2022	<i>2021</i>
Fundraising	5	<i>4</i>
Supporting Sea Cadet activity and infrastructure	84	<i>91</i>
Sea Cadet training	61	<i>58</i>
Offshore fleet	22	<i>25</i>
Promoting Sea Cadet activity	4	<i>5</i>
Seafarer education and support	7	<i>7</i>
	<u>183</u>	<i><u>190</u></i>

Included within staff costs are £1,232K (2021: £1,227K) support costs

The key management personnel of the charity comprise the Trustees, the Chief Executive Officer and the six (2021: seven) Directors in post (senior management team) listed under Executive Management on page 52. Their total remuneration, (including those not in post at the year-end), including social security costs and pension contributions was £651K (2021: £721K). The Trustees did not receive any remuneration from the charity during the year but were reimbursed for some travel costs, where they chose to claim. Two (2021: nil) Trustees claimed travelling expenses totalling £0.7K (2021: £nilK).

Seven employees earned over £60K (2021: eight). Bandings, inclusive of allowances (where payable) were:

	2022	<i>2021</i>
£60K - £70K	2	<i>3</i>
£70K - £80K	3	<i>3</i>
£80K - £90K	1	<i>1</i>
£90K - £100K	-	<i>-</i>
£110K - £120K	*1	<i>*1</i>

* These figures include pension allowances paid to one individual (2021: one) in lieu of employer pension contributions that would otherwise be payable but not shown within remuneration.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

10. INTANGIBLE FIXED ASSETS (GROUP AND CHARITY)

	Computers & software	Total
	£'000	£'000
COST		
At 1 April 2021	1,541	1,541
Additions in period	85	85
Disposals in period	-	-
At 31 March 2022	<u><u>1,626</u></u>	<u><u>1,626</u></u>
AMORTISATION		
At 1 April 2021	712	712
Provision in period	255	255
Disposals in period	(2)	(2)
At 31 March 2022	<u><u>965</u></u>	<u><u>965</u></u>
Net book value		
At 31 March 2022	<u><u>661</u></u>	<u><u>661</u></u>
<i>Net book value</i>		
<i>At 31 March 2021</i>	<u><u>829</u></u>	<u><u>829</u></u>

Above includes £47K (2021: £100K) in respect of assets under construction.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

11. TANGIBLE FIXED ASSETS (GROUP AND CHARITY)

	Freehold building	Building improvements	Ships & boats	Furniture & fittings	Motor vehicles	Computers	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST							
At 1 April 2021	718	4,183	10,700	330	391	82	16,404
Additions in period		4,631		24	114	33	4,802
Disposals in period	(1)		(3)		(16)		(20)
At 31 March 2022	717	8,814	10,697	354	489	115	21,186
DEPRECIATION							
At 1 April 2021	604	1,361	4,470	310	359	56	7,160
Provision in period	12	271	589	8	42	9	929
Disposals in period		1	(5)	1	(15)	(1)	(19)
At 31 March 2022	615	1,632	5,054	319	387	64	8,071
Net book value At 31 March 2022	102	7,182	5,643	36	103	51	13,116
<i>Net book value At 31 March 2021</i>	<i>114</i>	<i>2,822</i>	<i>6,230</i>	<i>20</i>	<i>32</i>	<i>26</i>	<i>9,244</i>

Building improvements include assets under construction £204K (2021: £178K).

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

**12. INVESTMENTS
GROUP INVESTMENTS**

	Investment Portfolio £'000	Properties £'000	Cash £'000	Total £'000
Fair value at 1 April 2021	<u>17,746</u>	<u>1,200</u>	<u>549</u>	<u>19,495</u>
Additions at cost	6,367			6,367
Disposal proceeds	(6,485)			(6,485)
Movement in Cash	-		86	86
Gain for the year	618		-	618
Fair value at 31 March 2022	<u>18,247</u>	<u>1,200</u>	<u>634</u>	<u>20,081</u>

CHARITY INVESTMENTS

	Investment Portfolio £'000	Properties £'000	Cash £'000	Subsidiary £'000	Total £'000
Fair value at 1 April 2021	<u>17,746</u>	<u>1,200</u>	<u>549</u>	<u>5</u>	<u>19,500</u>
Additions at cost	6,367				6,367
Disposal proceeds	(6,485)				(6,485)
Movement in Cash	-		86		86
Gain for the year	618		-		618
Fair value at 31 March 2022	<u>18,247</u>	<u>1,200</u>	<u>634</u>	<u>5</u>	<u>20,086</u>

All investments are held in the UK. There are three single investments in excess of 5% of the portfolio, Vanguard Funds Plc S&P 500 (5.8%), Barclays 2.375% 2023 Gilts (5.2%) and Société Générale 0.315% (5.1%). £5,960K was directly in overseas' equities. The subsidiary investment is in MSSC (Trading) Limited, note 8. The cost of the Investment Portfolio including cash was £14,718K (2021: £14,681k).

Fund analysis of gains and (losses):

	2022 £'000	2021 £'000
Endowment (note 16)	<u>618</u>	<u>2,363</u>
Total gains (losses)	<u>618</u>	<u>2,363</u>

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

13. DEBTORS

	Group 2022	<i>Group 2021</i>	Charity 2022	<i>Charity 2021</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Trade debtors	286	85	273	85
Amounts due from MSSC (Trading) Ltd	-	-	19	10
Loans	1	20	1	20
Other taxation and social security	-	61	-	61
Other debtors	2	245	2	245
Prepayments	159	5,554	159	5,554
Accrued income	50	115	50	115
	497	<i>6,080</i>	503	<i>6,090</i>

14. CREDITORS: Amounts falling due within one year

	Group 2022	<i>Group 2021</i>	Charity 2022	<i>Charity 2021</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Trade creditors	396	432	396	432
Amount due to Slater	60	-	60	-
Other taxation and social security	490	257	490	257
Grants payable	1,167	1,423	1,167	1,423
Other creditors	597	414	597	412
Accruals	1,428	1,068	1,428	1,068
Deferred income	413	2,342	412	2,342
	4,551	<i>5,936</i>	4,550	<i>5,934</i>

£407K (2021: £333K) of Grants payable at 1 April 2022 were paid in the year, and £366K (2021: £978K) of further grants were provided during the year to 31 March 2022. Payment of grants made is mostly conditional on the balance of funding for property projects being raised by the grant recipient. £275K (2021: £208k) of accruals and £39K (2021: £844k) of deferred income balances at 1 April 2021 are included in creditors at 31 March 2022. These should be released in 2022/23.

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

15. RESTRICTED FUNDS (GROUP AND CHARITY)

Donor	Purpose	Balance	Movement of funds			Transfer	Balance
		1 April 2021	Income	Expend- -iture	Income/ interest		31 March 2022
		£'000	£'000	£'000	£'000	£'000	£'000
MOD	The Sea Cadet Corps	-	14,018	(11,327)	-	-	2,692
Various	Offshore ships and boats	6,299	247	(691)	7	-	5,861
Various	Sea Cadet training	1,328	1,354	(512)	10	-	2,180
Various	Cadet expansion Programme	4,510	-	(169)	-	-	4,340
Various	Sea Cadet unit grants	1,573	523	(601)	-	-	1,496
Various	Area Sea Cadet Training	945	266	(308)	5	-	906
Various	Seafarer training	261	190	(210)	-	-	242
Various	Bursaries	298	45	(81)	-	-	262
Corbyn Memorial Fund	Other	50	-	-	-	-	50
Thomas Gray Memorial Trust	Maritime Science and Technology	39	-	-	1	-	40
Various	Other	74	-	-	-	-	74
		15,377	16,643	(13,899)	23	-	18,142

(continued)

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

15. RESTRICTED FUNDS (GROUP AND CHARITY) (2020/21)

Donor	Purpose	Balance	Movement of funds			Transfer	Balance
		1 April 2020	Income	Expend- -iture	Income/ interest		31 March 2021
		£'000	£'000	£'000	£'000	£'000	£'000
MOD	The Sea Cadet Corps	-	11,111	(11,028)	-	(83)	-
Various	Offshore ships and boats	6,793	1	(495)	-	-	6,299
Various	Sea Cadet training	1,382	367	(421)	-	-	1,328
Various	Cadet expansion Programme	4,585	-	(76)	1	-	4,510
Various	Sea Cadet unit grants	1,313	790	(530)	-	-	1,573
Various	Area Sea Cadet Training	927	157	(148)	9	-	945
Various	Seafarer training	263	375	(379)	2	-	261
Various	Bursaries	325	36	(65)	2	-	298
Corbyn Memorial Fund	Other	45	-	-	5	-	50
Thomas Gray Memorial Trust	Maritime Science and Technology	37	-	-	2	-	39
Various	Other	74	-	-	-	-	74
		15,744	12,837	(13,142)	21	(83)	15,377

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

16. ENDOWMENT FUNDS (GROUP AND CHARITY)

Donor	Purpose	Balance	Movement of funds		Balance
		1 April 2021 £'000	Investment returns £'000	Donations/ (transfers) £'000	31 March 2022 £'000
Corbyn Memorial Fund	Grants and payments for maritime professionals	229	8	-	237
Thomas Gray Memorial Trust	Advancement of Maritime Technology and Science	110	4	-	114
Destitute Sailors Fund	Assisting distressed merchant seamen	68	3	-	71
Various	Providing subsidised berths and awards to Sea Cadets	539	19	-	558
Expendable Endowed Funds	Held for general purposes	16,453	584	256	17,294
		17,399	618	256	18,273

Donor	Purpose	Balance	Movement of funds		Balance
		1 April 2020 £'000	Investment returns £'000	Donations/ (transfers) £'000	31 March 2021 £'000
Corbyn Memorial Fund	Grants and payments for maritime professionals	203	26	-	229
Thomas Gray Memorial Trust	Advancement of Maritime Technology and Science	97	13	-	110
Destitute Sailors Fund	Assisting distressed merchant seamen	60	8	-	68
Various	Providing subsidised berths and awards to Sea Cadets	478	61	-	539
Expendable Endowed Funds	Held for general purposes	14,198	2,255	-	16,453
		15,036	2,363	-	17,399

(continued)

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

17. DESIGNATED FUNDS

Fund	Balance	Movement of funds		Balance
	1 April 2021 £'000	Investment returns £'000	Donations/ (transfers) £'000	31 March 2022 £'000
Cadet Outreach	83	-	-	83
Boat stations	754	-	250	1,004
SC future projects		-	373	373
	<u>837</u>	<u>-</u>	<u>623</u>	<u>1,460</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

GROUP

	Intangible & tangible fixed assets £'000	Investments £'000	Net current assets and long term liabilities £'000	Total £'000
2022				
Restricted funds	12,951	-	5,192	18,143
Endowment funds	256	18,017	-	18,273
Designated funds	-	1,460	-	1,460
Unrestricted funds	570	604	437	1,611
Total	<u>13,776</u>	<u>20,081</u>	<u>5,630</u>	<u>39,488</u>
2021				
Restricted funds	9,503	-	5,874	15,377
Endowment funds	-	17,399	-	17,399
Unrestricted funds	-	-	837	837
	570	2,106	(958)	1,718
Total	<u>10,073</u>	<u>19,505</u>	<u>5,753</u>	<u>35,331</u>

**NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2022**

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

CHARITY

2022	Intangible & tangible fixed assets £'000	Investments £'000	Net current assets and long term liabilities £'000	Total £'000
Restricted funds	12,951	-	5,192	18,143
Endowment funds	256	18,017	-	18,273
Designated funds	-	1,460	-	1,460
Unrestricted funds	570	609	404	1,583
Total	13,777	20,086	5,596	39,460

2021	Intangible & tangible fixed assets £'000	Investments £'000	Net current assets and long term liabilities £'000	Total £'000
Restricted funds	9,503	-	5,874	15,377
Endowment funds	-	17,399	-	17,399
Designated funds	-	-	837	837
Unrestricted funds	570	2,101	(958)	1,713
Total	10,073	19,500	5,753	35,326

19. TAXATION

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

NOTES TO THE ACCOUNTS YEAR ENDED 31 MARCH 2022

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 2021 valued assets in the scheme at £3,250M and the liabilities at £3,192M giving a rise to a scheme wide surplus of £58M. As at the date of the 2021 valuation no deficit contributions were required.

All current employees are members of a contract based defined contribution scheme. £419K (2021: £400K) was paid by the charity during the year of which £52K (2021: £34K) was outstanding at the year end and included in creditors.

21. RELATED PARTY TRANSACTIONS (CHARITY)

The Chief Executive Officer is an ex officio trustee/director of the Royal Albert Dock Trust and (up to 23 June 2021) also of Youth United Foundation (YUF). During the year, the charity received grant income totalling £nil (2021: £nil) and rental income from YUF of £7K (2021: £13K). £2K (2021: £2K) 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 £27K (2021: £18K). No amounts were outstanding to the charity at 31 March 2022.

Three of the Trustees of the charity are trustees of Trinity House Maritime Charity. During the year the charity received a grant of £110K (2021: £130K) from the Trinity House Maritime Charity. No amounts were outstanding to the charity at the year end.

One of the Trustees was appointed Chairman of IFAN maritime in November 2019. They support MSSC on various educational projects, during the year the charity received a grant of £60K (2021: £70k).

One of the Trustees is an Associate Member of Stelios Philanthropic Foundation who has supported Sea Cadets projects with a grant of £71k (2021: £90k).

Three Trustees, the Chief Executive Officer are members of the Company of Shipwrights who have funded £13k for bursaries (2021:£14k).

One of the Trustees is a Fellow of the Nautical Institute who rent office space in London amounting to £64k in 2021/22.

The charity was paid £4K (2021: £4K) for management and accounting services from its subsidiary undertaking MSSC (Trading) Limited (note 8). A charitable donation amounting to £5K (2021: £35k) was received from the subsidiary. The charity anticipates receiving a charitable donation from the subsidiary of £14K in 2022/23 based on profits earned by the company in 2021/22. At the year end, the charity was owed £19K (2021: £10K) to the subsidiary and this amount is included in charity debtors.

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

22. STATUTORY INFORMATION

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

COUNCIL MEMBERS AND EXECUTIVE MANAGEMENT YEAR ENDED 31 MARCH 2022

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 (Retired 6 October 2021)
Admiral Sir Philip Jones GCB DL (Appointed 6 October 2021)

COUNCIL MEMBERS

The Council members who served during the year were:

Jeremy Penn (Chair) ^{1, 2, 3}
Liz Cassidy (Vice Chair) ^{1, 2}
Léonie Austin ²
Dr Louise Bennett ^{1, 2, 3} (retired 6 October 2021)
Laurelle Brant – Youth Committee Member ^{2, 3} (elected full member 6 October 2021)
David Derbyshire ³
David Dingle CBE ^{1, 2}
Simon Figgis ^{1, 3}
Gareth Hampton – Youth Committee Member ^{1, 2} (elected full member 6 October 2021)
Lt Cdr (SCC) Jason Kinghorn RNR ^{2, 3, 4}
Alan Marsh MBE FICS ¹
Nick Mason ^{1, 2} (resigned 14 November 2021)
John May OBE DL ^{2, 3}
Captain Ian McNaught CVO MNM
Sir Alan Massey KCB CBE ¹ (retired 6 October 2021)
Jonathan Robertshaw ^{1, 2}
Michael Schofield ^{2, 3}
Sir Jonathan Woodcock KCB OBE ^{2, 3}
Robert Woods CBE ²

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 National Sea Cadet Advisory Council
- 5 The National Sea Cadet Forum

EXECUTIVE MANAGEMENT

Chief Executive	Martin Coles CBE FRICS ACI Arb
Captain Sea Cadets & Director of Operations*	Captain Philip Russell RN (retired August 2021) Captain Neil Downing RN (joined October 2021)
Director of Maritime Training & Development	Darrell Bate
Director of Human Resources	Petrina Brooker
Director of Finance & Digital and Company Secretary	Jenny Howard
Director of Fundraising & Communications	Daniel McAllister
Director of Policy & Young People Support	Veronika Neyer (left April 2021)
Director of Young People, Volunteer Support & Outreach	Paul Wilkinson
Director of Sea Cadets Learning	Heather Williams

* provided on loan from the Royal Navy

The principal professional advisers during the year were:

**PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2022**

Auditors:	Mazars 2 nd Floor, 6 Sutton Plaza, Sutton Court Road, Sutton SM1 4FS
Bankers:	Barclays Bank plc 1 Churchill Place London E14 5HP National Westminster Bank plc 250 Regent Street London W1B 3BN Royal Bank of Scotland plc 62-63 Threadneedle Street London EC2R 8HP
Investment Advisers and Custodians:	Investec Wealth & Investment Ltd 2 Gresham Street London EC2V 7QN KW Investment Management Ltd 13 Austin Friars London EC2N 2HE
Legal advisers:	Farrer & Co LLP 66 Lincoln's Inn Fields London WC2A 3LH Moon Beaver 21A John Street London WC1N 2BF Russell Cooke 2 Putney Hill London SW15 6BA
Insurance Brokers:	Arthur J. Gallagher Insurance Brokers The Walbrook Building 25 Walbrook London EC4N 8AW
Pension Advisers:	Mercer Limited 1 Tower Place West Tower Place London EC3R 5BU
Registered Office:	200b Lambeth Road London SE1 7JY