

COMPANY NUMBER: 404951
CHARITY NUMBER: 306141

**THE SEA CADET ASSOCIATION
(A COMPANY LIMITED BY GUARANTEE)
ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2000**



**HORWATH
CLARK WHITEHILL**

Chartered Accountants

A member of Horwath International

25 New Street Square London EC4A 3LN
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**THE SEA CADET ASSOCIATION
DIRECTORS REPORT
YEAR ENDED 31 MARCH 2000**

DIRECTORS

All the Directors are also Trustees of The Sea Cadet Association.

The Directors during the period were:

Vice Admiral Sir Jonathan Tod KCB CBE*	(Chairman)
P R Harris OBE*+^	
Captain J C L T Lee OBE JP DL*	
P T Swan OBE FCA*+^	(Vice Chairman)
J W Wightman CVO CBE	Resigned 31 March 2000
F M Everard CBE+	
Dr D V Atterton CBE	
Vice Admiral Sir Anthony Tippet KCB	Appointed 27 July 1999
P L M Stewart MBE	Appointed 31 March 2000

* Member of the Finance Committee

+ Member of the Remuneration Committee

^ Member of the Audit Committee

On 5 June 2000 Miss J M Watson JP was also appointed as a Director.

EXECUTIVE MANAGEMENT

Chief Executive: Commodore R M Parker RN

Managing Director/Company Secretary: Commander M J Fuller RN

Director of Finance: T A J MacGibbon FCA

ADVISERS

Auditors: Horwath Clark Whitehill
25 New Street Square
London EC4A 3LN

Bankers: National Westminster Bank plc
250 Regent Street
London W1A 4RY

Investment Advisers: Dresdner R C M Global Investors UK Limited
10 Fenchurch Street
London EC3M 3LB

Solicitors: Forsters
67 Grosvenor Street
London W1X 9DB

Eversheds
Senator House
85 Queen Street
London EC4V 4JL

Insurance Brokers & Pension Advisers: Lambert Fenchurch UK Group Limited
Friary Court
Crutched Friars
London EC3P 2NP

**THE SEA CADET ASSOCIATION
REPORT OF THE DIRECTORS
YEAR ENDED 31 MARCH 2000**

The Directors present their report and the accounts for the year ended 31 March 2000.

OBJECTS

The Association's objects are the furtherance of education through the organisation, promotion, fostering and support of the continuing development either by itself, or with others, of the Sea Cadet Corps in the United Kingdom and elsewhere as shall seem appropriate to the Association from time to time.

MANAGEMENT

Day to day management is delegated by the Directors to the Chief Executive and his management team.

RESULTS

The deficit on operations for the year was £184,531 before gains on investments amounting to £65,528 as explained in notes 1(b) and 8 to the accounts. It should be noted that showing the unrealised investment surplus in the accounts is a charity law requirement and that the value of investments can fall as well as rise.

REVIEW OF ACTIVITIES

The accounts reflect the continuing financial assistance provided by the MOD to the Association in respect of its services to the Corps. In addition the MOD provides direct support to the Corps in the form of training, staff, accommodation, vessels, equipment and supplies. We are most grateful for this support which together with SCA contributions has ensured that a wide range of activities for cadets has been provided at basic cost.

Details of these activities are set out in the annual report.

CONSTITUTION

The Sea Cadet Association is a company limited by guarantee.

Company Number: 404951

Charity Number: 306141

FUNDS

The assets held by the Association are sufficient to fulfil the obligations of each of its funds.

THE SEA CADET ASSOCIATION
REPORT OF THE DIRECTORS (Continued)
YEAR ENDED 31 MARCH 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the Company's state of affairs at the end of the year and of its profit or loss for the period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

YEAR 2000

The directors have assessed the risk that the company's business and operations will be adversely affected by what is known as the year 2000 (or millennium) bug. They identified the primary areas of risk and how they would affect each area of the business and implemented plans to replace or modify, as appropriate, their systems and equipment and to date no problems have been encountered.

AUDITORS

A resolution to reappoint Horwath Clark Whitehill will be tabled at the Annual General Meeting.

On behalf of the Board



Trustee and Director

25 July 2000

**HORWATH
CLARK WHITEHILL**

Chartered Accountants

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London
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**REPORT OF THE AUDITORS
TO THE MEMBERS OF THE SEA CADET ASSOCIATION**



We have audited the accounts on pages 5 to 14 which have been prepared under the accounting policies set out on page 9.

Respective Responsibilities of Directors and Auditors

As described on page 3 the company's directors, who are the trustees of the charity, are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the accounts.

Unqualified Opinion

In our opinion, the accounts give a true and fair view of the state of the company's affairs at 31 March 2000 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
and Registered Auditors

Date 25 July 2000

THE SEA CADET ASSOCIATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2000

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2000 Total £	1999 Total £
RESOURCES ARISING						
Fundraising, subscriptions and sundry income	2	290,022	80,138	800	370,960	244,321
Ministry of Defence grants		216,000	2,037,044	-	2,253,044	2,133,881
King George's Fund for sailors		-	52,500	-	52,500	59,000
Trinity Homes and Mariners' Charity		-	70,000	-	70,000	70,000
Offshore Income		112,315	-	-	112,315	152,360
Areas Income		-	202,131	-	202,131	171,720
Branches, Boat Stations & Training Schools Income		370,865	-	-	370,865	362,895
Investment Income		80,756	-	-	80,756	96,683
		<u>1,069,958</u>	<u>2,441,813</u>	<u>800</u>	<u>3,512,571</u>	<u>3,290,860</u>
RESOURCES USED						
Direct charitable expenditure	3	819,080	2,411,015	-	3,230,095	2,805,252
Fund raising and publicity	4	152,160	16,802	-	168,962	103,205
Management and administration	5	256,868	41,177	-	298,045	301,600
		<u>1,228,108</u>	<u>2,468,994</u>	<u>-</u>	<u>3,697,102</u>	<u>3,210,057</u>
NET (OUTGOING)/INCOMING RESOURCES FOR THE PERIOD						
		(158,150)	(27,181)	800	(184,531)	80,803
INVESTMENT GAINS						
Realised	1b	33,074	-	-	33,074	73,092
		(125,076)	(27,181)	800	(151,457)	153,895
Unrealised	8	32,454	-	-	32,454	6,460
		(92,622)	(27,181)	800	(119,003)	160,355
NET MOVEMENT IN FUNDS						
Balances at 1 April 1999		2,130,966	479,937	13,630	2,624,533	2,464,178
BALANCES AT 31 MARCH 2000		<u>2,038,344</u>	<u>452,756</u>	<u>14,430</u>	<u>2,505,530</u>	<u>2,624,533</u>

The notes on pages 9 to 14 form an integral part of these accounts.

THE SEA CADET ASSOCIATION
SUMMARY INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 MARCH 2000

	2000 £	1999 £
Total Income	3,512,571	3,290,860
Total Expenditure	<u>3,697,102</u>	<u>3,210,057</u>
Net (Expenditure)/Income for the period before investment disposals	(184,531)	80,803
Gain on disposal of investments	<u>33,074</u>	<u>73,092</u>
Net (Expenditure)/Income for the period	<u>(151,457)</u>	<u>153,895</u>


The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 5, which together with the notes to the accounts on pages 9 to 14, provides full information on the movements during the period on all the funds of the Association.

The notes on pages 9 to 14 form an integral part of these accounts.

THE SEA CADET ASSOCIATION
BALANCE SHEET
31 MARCH 2000

	Notes	£	2000 £	1999 £
FIXED ASSETS				
Tangible assets	7		669,668	675,422
Investments	8		1,815,841	2,052,313
			2,485,509	2,727,735
CURRENT ASSETS				
Stocks		48,852		46,618
Debtors		182,097		123,654
Cash at bank and in hand		550,788		554,168
		781,737		724,440
CREDITORS: amounts falling due within one year				
Creditors		302,509		387,434
Accruals and deferred income		459,207		440,208
		761,716		827,642
NET CURRENT ASSETS			20,021	(103,202)
			2,505,530	2,624,533
RESERVES				
Unrestricted Funds	10		2,038,344	2,130,966
Restricted Funds	9 & 10		452,756	479,937
Endowment Funds	10 & 11		14,430	13,630
			2,505,530	2,624,533

Approved by the Trustees and Directors on 25 July 2000
and signed on their behalf:



} Trustee and Director

The notes on pages 9 to 14 form an integral part of these accounts.

THE SEA CADET ASSOCIATION
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2000

	2000 £	1999 £
Net cash (outflow)/inflow from charitable activities	(146,339)	272,618
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(159,041)	(409,986)
Proceeds of sale of tangible fixed assets	-	84,733
Purchase of investments	(719,000)	(925,000)
Proceeds from sale of investments	558,147	991,679
Reduction in balance held for investment	462,853	(66,679)
	142,959	(325,253)
Decrease in cash at bank and in hand	(3,380)	(52,635)

NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of net outgoing resources to net cash outflow from charitable activities

	2000 £	1999 £
Net (outgoing)/incoming resources	(184,531)	80,803
Depreciation	164,795	131,555
Profit on sale of tangible fixed assets	-	(33,307)
Decrease in stocks	(2,234)	(31,358)
(Increase)/decrease in debtors	(58,443)	30,830
(Decrease)/increase in creditors and accruals	(65,926)	93,995
Provision against subsidiary company investment	-	100
	(146,339)	272,618

(b) Analysis of change in cash at bank and in hand

	2000 £	1999 £
Cash at bank and in hand 1 April 1999	554,168	606,803
Net cash outflow	(3,380)	(52,635)
Cash at bank and in hand 31 March 2000	550,788	554,168

The notes on pages 9 to 14 form an integral part of these accounts

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2000

1. ACCOUNTING POLICIES

a) Basis Of Accounting

The accounts have been prepared in accordance with the statement of recommended practice (The Charities SORP) and applicable accounting standards under the historical cost convention as modified by the revaluation of listed investments.

b) Investment Gains and Losses

Realised investment gains and losses represent the difference between the market value of the investments at the beginning of the period, or the cost if purchased during the period, and the sale proceeds.

c) Fixed Assets

Depreciation is provided on all fixed assets to write off the cost of these assets over their expected useful life. This results in the following depreciation rates:-

Sail Training Ship and Boats	- 10% straight-line basis
Motor vehicles	- 25% straight-line basis
Office furniture and equipment	- 25% straight-line basis
Computer equipment	- 25% straight-line basis
Leasehold	- 10% straight-line basis

d) Sail Training Ships Refit Expenditure

Major structural work is capitalised and depreciated over the expected life of the ships. Maintenance expenditure is charged to the Statement of Financial Activities when incurred.

e) Endowment and Restricted Funds

These funds represent gifts or grants which can only be applied for a purpose specified by the donor or grantor. Permanent endowed funds are 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.

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2000

**2. FUNDRAISING, SUBSCRIPTIONS
AND SUNDRY INCOME**

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2000 Total £	1999 Total £
Subscriptions	49,299	-	-	49,299	49,940
Appeal income:					
General	84,695	80,138	800	165,633	70,778
Legacies	48,988	-	-	48,988	10,163
Net proceeds from special events	37,935	-	-	37,935	23,465
Sundry income	-	-	-	-	33,307
Navy News subscriptions	29,757	-	-	29,757	31,635
Training manuals and courses	39,348	-	-	39,348	25,033
	<u>290,022</u>	<u>80,138</u>	<u>800</u>	<u>370,960</u>	<u>244,321</u>

**3. DIRECT CHARITABLE
EXPENDITURE**

Staff costs	34,613	1,613,463	-	1,648,076	1,585,298
Grants and support to units	444,024	471,752	-	915,776	641,141
Offshore running costs	149,273	-	-	149,273	192,768
Depreciation	140,440	20,263	-	160,703	129,979
Navy News	33,895	-	-	33,895	36,103
Other costs	16,835	305,537	-	322,372	219,963
	<u>819,080</u>	<u>2,411,015</u>	<u>-</u>	<u>3,230,095</u>	<u>2,805,252</u>

4. FUNDRAISING AND PUBLICITY

Staff costs	84,522	15,000	-	99,522	71,881
Other costs	67,638	1,802	-	69,440	31,324
	<u>152,160</u>	<u>16,802</u>	<u>-</u>	<u>168,962</u>	<u>103,205</u>

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2000

5. MANAGEMENT AND ADMINISTRATION

	Unrestricted Funds £	Restricted Funds £	2000 Total £	1999 Total £
Staff costs	112,482	-	112,482	101,346
Depreciation	4,092	-	4,092	1,576
Payment to Auditors - audit fees	2,400	9,600	12,000	12,500
- other services	2,200	550	2,750	6,745
Legal and professional	5,838	3,777	9,615	30,365
Other costs	129,856	27,250	157,106	149,068
	<u>256,868</u>	<u>41,177</u>	<u>298,045</u>	<u>301,600</u>

6. STAFF COSTS

	2000 £	1999 £
Wages and salaries	1,592,090	1,524,635
Social security costs	141,284	144,508
Pension fund contributions	101,108	81,734
Health insurance	25,347	24,786
	<u>1,859,829</u>	<u>1,775,663</u>

Staff costs are included in the accounts as follows:

Sea Cadet Association		
- headquarters	231,553	214,407
Funding by Ministry of Defence		
- headquarters	604,427	543,945
- instructors	613,501	641,549
- areas	410,348	375,762
	<u>1,859,829</u>	<u>1,775,663</u>

The average weekly number of employees was:

	No	No
Administration – headquarters	20	17
Training administration	19	21
Areas	25	25
Instructors	38	37
	<u>102</u>	<u>100</u>

The directors did not receive any remuneration from the company during the period but are re-imbursed for an element of long distance travel.

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2000

7. TANGIBLE FIXED ASSETS

	Boats Under Construction £	Short Leasehold £	Sail Training Ship & Boats £	Fixtures Fittings Equipment And Computers £	Motor Vehicles £	Total £
Cost						
1 April 1999	185,637	62,000	931,183	300,929	39,215	1,518,964
Additions	97,303	-	9,201	-	52,537	159,041
Disposals	-	-	-	-	-	-
Transfers	(247,682)	-	247,682	-	-	-
31 March 2000	35,258	62,000	1,188,066	300,929	91,752	1,678,005
Depreciation						
1 April 1999	-	52,700	617,022	148,748	25,072	843,542
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Provision for the period	-	1,200	118,808	35,459	9,328	164,795
31 March 2000	-	53,900	735,830	184,207	34,400	1,008,337
Net book value						
31 March 2000	35,258	8,100	452,236	116,722	57,352	669,668
<i>31 March 1999</i>	<i>185,637</i>	<i>9,300</i>	<i>314,161</i>	<i>152,181</i>	<i>14,143</i>	<i>675,422</i>

8. INVESTMENTS

	2000 £	1999 £
OTHER		
Listed investments at market value	1,815,427	1,589,046
Cash deposits and balances with portfolio manager allocated for investment	414	463,267
TOTAL INVESTMENTS	1,815,841	2,052,313
Market value at 1 April 1999	1,589,046	
Additions at cost	719,000	
Disposals proceeds	(558,147)	
Realised gain	33,074	
Unrealised gains in year on investments held at year end	32,454	
Market value at 31 March 2000	1,815,427	

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2000

9. RESTRICTED FUNDS

	Balance at 1 April 1999 £	Movement of Funds		Balance at 31 March 2000 £
		Resources Arising £	Resources Used £	
Training Support Grant	335,499	2,037,044	2,076,059	296,484
Mini-Brigs fund	-	58,138	-	58,138
First aid training fund	-	22,000	-	22,000
Areas	70,488	202,131	200,435	72,184
Trinity Homes and Mariners' Charity	70,000	70,000	140,000	-
King Georges Fund for Sailors	3,950	52,500	52,500	3,950
	<u>479,937</u>	<u>2,441,813</u>	<u>2,468,994</u>	<u>452,756</u>

10. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Tangible Fixed Assets £	Investments £	Net current Assets £	Total £
Restricted Funds				
Training Support Grant	-	-	296,484	296,484
Mini-brigs fund	58,138	-	-	58,138
Areas	11,680	-	60,504	72,184
First aid training fund	-	-	22,000	22,000
King George's Fund for Sailors	-	-	3,950	3,950
	<u>69,818</u>	<u>-</u>	<u>382,938</u>	<u>452,756</u>
Endowment Funds	-	-	14,525	14,525
Unrestricted Funds	<u>599,850</u>	<u>1,815,841</u>	<u>(377,442)</u>	<u>2,038,249</u>
Total	<u>669,668</u>	<u>1,815,841</u>	<u>20,021</u>	<u>2,505,530</u>

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
YEAR ENDED 31 MARCH 2000

11. ENDOWMENT FUNDS

These funds represent permanent endowments, the income of which is to be used to provide subsidised berths and awards to certain Sea Cadets and Sea Cadet Units.

12. CONTINGENT LIABILITIES

There is a contingent liability amounting to £22,781 (1999 : £37,781) on outstanding guarantees given to banks in respect of loans granted to Sea Cadet Units.

13. CLOSED UNITS

Funds from closed Units are credited to Accumulated Funds. These funds may be used, at the Trustees' discretion, to assist neighbouring Units or Units that re-open.

14. COMMITMENTS

At 31 March 2000 the company was contracted to make expenditure of £22,880 for two new mini-brigs and £50,000 for a new vehicle.