

COMPANY NUMBER: 404951
CHARITY NUMBER: 306141

**THE SEA CADET ASSOCIATION
(A COMPANY LIMITED BY GUARANTEE)
ACCOUNTS
FOR THE FIFTEEN MONTHS ENDED
31 MARCH 1998**



**HORWATH
CLARK WHITEHILL**

Chartered Accountants

A member of Horwath International

25 New Street Square London EC4A 3LN
Telephone: 0171 353 1577 Facsimile: 0171 583 1720
www.horwathcw.com
DX 0014 London Chancery Lane



**THE SEA CADET ASSOCIATION
DIRECTORS REPORT
FIFTEEN MONTHS ENDED 31 MARCH 1998**

DIRECTORS

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

The Directors during the period were:

Vice Admiral Sir James Weatherall KBE*	(Chairman) resigned 6 July 1998
J R Brookes+	Resigned 6 July 1998
P R Harris OBE*+^	
Captain J C L T Lee OBE JP DL*	
P T Swan FCA*+^	(Vice Chairman)
J W Wightman CVO CBE	
Commander G M Comrie RN	Appointed 22 October 1997, resigned 9 June 1998
F M Everard CBE	Appointed 13 February 1998
Dr D V Atterton CBE	Appointed 4 March 1998

Vice Admiral Sir Jonathan Tod KCB CBE was appointed a Director and Chairman on 7 July 1998.

* Member of the Finance Committee

+ Member of the Remuneration Committee

^ Member of the Audit Committee

EXECUTIVE MANAGEMENT

Chief Executive: Commodore R M Parker RN

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
PO Box No. 4RY
250 Regent Street
London E1A 4RY

Investment Advisers: Dresdner R C M Global Investors UK Limited
P.O. Box 191
10 Fenchurch Street
London EC3M 3LB

Solicitors: Frere Cholmeley Bischoff
4 John Carpenter Street
London EC4Y 0NH

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

**THE SEA CADET ASSOCIATION
REPORT OF THE DIRECTORS
FIFTEEN MONTHS ENDED 31 MARCH 1998**

The Directors present their report and the accounts for the 15 months ended 31 March 1998. The accounting reference date has been changed to bring it into line with that of the Ministry of Defence (MOD).

OBJECTS

The Association's objects are the furtherance of education through the organisation, promotion, fostering 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 15 month period was £195,680 before a surplus on the value of investments amounting to £279,966 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)
FIFTEEN MONTHS ENDED 31 MARCH 1998

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

There is a risk that certain computers and other electronic systems will not function properly when they encounter dates incorporating the year 2000.

The directors have commenced but not yet completed an assessment of the risk that the Association's operations will be adversely affected by this problem.

The Association's main computer systems are already being replaced and will then be year 2000 compliant. When the directors have completed their assessment of other systems and equipment, they will replace or modify them, and where necessary find alternative suppliers and service providers to ensure there is no disruption to the Association's activities. However, the Association has no control over such suppliers and, in particular, is largely dependent upon the Ministry of Defence for the supply of finance and other support.

The directors do not believe any other costs of this programme will be significant.

AUDITORS

During the period the auditors changed their name to Horwath Clark Whitehill and have signed the audit report in their new name.

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

On behalf of the Board

P T Swan FCA



Trustee and Director

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



We have audited the accounts on pages 5 to 15 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 1998 and of its incoming resources and application of resources, including its income and expenditure, for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill

HORWATH CLARK WHITEHILL
Chartered Accountants
and Registered Auditors

27th Feb 1998

THE SEA CADET ASSOCIATION
STATEMENT OF FINANCIAL ACTIVITIES
FIFTEEN MONTHS ENDED 31 MARCH 1998

	Notes	Unrestricted Funds £	Restricted Funds £	1997/8 Total £	1996 12 Months Total £
RESOURCES ARISING					
Fundraising, subscriptions and sundry income	2	289,834	33,670	323,504	263,535
Ministry of Defence grants			2,385,073	2,385,073	1,810,079
National Lottery Charities Board grant		-	239,000	239,000	-
King George's Fund for sailors			55,775	55,775	47,975
Offshore Income		202,635		202,635	195,900
Areas Income			164,692	164,692	127,269
Branches, Boat Stations & Training Schools Income		327,900		327,900	240,330
Investment Income		147,061	615	147,676	110,924
		<u>967,430</u>	<u>2,878,825</u>	<u>3,846,255</u>	<u>2,796,012</u>
RESOURCES USED					
Direct charitable expenditure	3	813,656	2,766,214	3,579,870	2,461,254
Fund raising and publicity	4	84,626	16,882	101,508	77,818
Management and administration	5	296,538	64,019	360,557	242,139
		<u>1,194,820</u>	<u>2,847,115</u>	<u>4,041,935</u>	<u>2,781,211</u>
NET (OUTGOING)/INCOMING RESOURCES FOR THE PERIOD		(227,390)	31,710	(195,680)	14,801
INVESTMENT GAINS					
Realised	1b	20,072	-	20,072	1,808
		<u>(207,318)</u>	<u>31,710</u>	<u>(175,608)</u>	<u>16,609</u>
Unrealised	8	259,894	-	259,894	102,516
		<u>52,576</u>	<u>31,710</u>	<u>84,286</u>	<u>119,125</u>
NET MOVEMENT IN FUNDS		52,576	31,710	84,286	119,125
Balances at 1 January 1997		<u>1,843,618</u>	<u>522,644</u>	<u>2,366,262</u>	<u>2,247,137</u>
BALANCES AT 31 MARCH 1998		<u>1,896,194</u>	<u>554,354</u>	<u>2,450,548</u>	<u>2,366,262</u>

In addition to the fund movements above a £500 donation was received for endowed funds.

The notes on pages 9 to 15 form an integral part of these accounts.

THE SEA CADET ASSOCIATION
SUMMARY INCOME AND EXPENDITURE ACCOUNT
FIFTEEN MONTHS ENDED 31 MARCH 1998

	1997/8	1996 <i>12 months</i>
	£	£
Total Income	3,846,255	2,796,012
Total Expenditure	<u>4,041,935</u>	<u>2,781,211</u>
Net (Expenditure)/Income for the period before investment disposals	(195,680)	14,801
Gain on disposal of investments	<u>20,072</u>	<u>1,808</u>
Net (Expenditure)/Income for the period	<u>(175,608)</u>	<u>16,609</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 15, provides full information on the movements during the period on all the funds of the Association.

The notes on pages 9 to 15 form an integral part of these accounts.

THE SEA CADET ASSOCIATION
BALANCE SHEET
31 MARCH 1998

	Notes	£	1998 £	31 December 1996 £
FIXED ASSETS				
Tangible assets	7		448,417	508,408
Investments	8		1,972,861	1,692,895
			<u>2,421,278</u>	<u>2,201,303</u>
CURRENT ASSETS				
Stocks		15,260		9,198
Debtors	9	154,484		129,382
Cash at bank and in hand		606,803		690,548
		<u>776,547</u>		<u>829,128</u>
CREDITORS: amounts falling due within one year				
Creditors		294,648		199,429
Accruals and deferred income		438,999		449,862
		<u>733,647</u>		<u>649,291</u>
NET CURRENT ASSETS			<u>42,900</u>	<u>179,837</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,464,178</u>	<u>2,381,140</u>
CREDITORS: amounts falling due after more than one year				
Accruals and deferred income			-	(1,748)
			<u>2,464,178</u>	<u>2,379,392</u>
RESERVES				
Unrestricted Funds	11		1,896,194	1,843,618
Restricted Funds	10 & 11		554,354	522,644
Endowment Funds	11 & 12		13,630	13,130
			<u>2,464,178</u>	<u>2,379,392</u>

Approved by the Trustees and Directors on
and signed on their behalf:

27th July
1998


P T Swan FCA

} Trustee and Director

The notes on pages 9 to 15 form an integral part of these accounts.

THE SEA CADET ASSOCIATION
CASH FLOW STATEMENT
FIFTEEN MONTH PERIOD ENDED 31 MARCH 1998

	1997/8 £	1996 12 months £
Net cash (outflow)/inflow from charitable activities	<u>(16,701)</u>	<u>117,718</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(67,044)	(21,904)
Increase in balance held for investment	(246,325)	(111,752)
Purchase of investments	(1,137,124)	(174,937)
Proceeds from sale of investments	<u>1,383,449</u>	<u>322,106</u>
	<u>(67,044)</u>	<u>13,513</u>
Decrease in cash at bank and in hand	<u>(83,745)</u>	<u>131,231</u>

NOTES TO CASH FLOW STATEMENT

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

	1997/8 £	1996 £
Net(outgoing)/incoming resources	(195,680)	14,801
Endowment funds received	500	-
Depreciation	127,035	107,151
(Increase)/decrease in stocks	(6,062)	3,910
(Increase)/decrease in debtors	(25,102)	826
Increase/(decrease) in creditors and accruals	<u>82,608</u>	<u>(8,970)</u>
	<u>(16,701)</u>	<u>117,718</u>

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

Cash at bank and in hand 1 January 1997	690,548	559,317
Net cash (outflow)/inflow	<u>(83,745)</u>	<u>131,231</u>
Cash at bank and in hand 31 March 1998	<u>606,803</u>	<u>690,548</u>

The notes on pages 9 to 15 form an integral part of these accounts

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS
FIFTEEN MONTHS ENDED 31 MARCH 1998

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 Ships	- 10% 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) Sail Training Ship Appeal Fund

The proceeds from the appeal are being released over the expected life of T.S. ROYALIST.

f) 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)
FIFTEEN MONTHS ENDED 31 MARCH 1998

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

	Unrestricted Funds £	Restricted Funds £	1997/8 Total	1996 12 Months Total £
Subscriptions	59,476	-	59,476	51,962
Appeal income:				
General	114,756	33,670	148,426	115,811
Legacies	46,733	-	46,733	35,768
Net proceeds from special events	2,000	-	2,000	5,137
Sundry income	3,515	-	3,515	4,025
Navy News subscriptions	45,487	-	45,487	31,498
Training manuals and courses	17,867	-	17,867	19,334
	<u>289,834</u>	<u>33,670</u>	<u>323,504</u>	<u>263,535</u>

3. DIRECT CHARITABLE EXPENDITURE

Staff costs	48,380	1,924,359	1,972,739	1,433,533
Grants and support to units	364,064	541,952	906,016	557,236
Offshore running costs	258,555	-	258,555	163,929
Depreciation	95,794	29,094	124,888	104,517
Navy News	45,377	-	45,377	36,018
Other costs	1,486	270,809	272,295	166,021
	<u>813,656</u>	<u>2,766,214</u>	<u>3,579,870</u>	<u>2,461,254</u>

Grants and support to units includes assistance provided out of the grant of £239,000 from the National Lottery Charities Board.

4. FUNDRAISING AND PUBLICITY

Staff costs	48,431	15,000	63,431	48,992
Other costs	36,195	1,882	38,077	28,826
	<u>84,626</u>	<u>16,882</u>	<u>101,508</u>	<u>77,818</u>

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
FIFTEEN MONTHS ENDED 31 MARCH 1998

5. MANAGEMENT AND ADMINISTRATION

	Unrestricted Funds £	Restricted Funds £	1997/8 Total	1996 12 Months Total £
Staff costs	115,091	-	115,091	82,178
Depreciation	2,147	-	2,147	2,633
Audit fees	3,260	13,040	16,300	13,500
Legal and professional	23,285	17,865	41,150	30,345
Other costs	152,755	33,114	185,869	113,483
	<u>296,538</u>	<u>64,019</u>	<u>360,557</u>	<u>242,139</u>

6. STAFF COSTS

	1997/8 £	1996 12 Months £
Wages and salaries	1,871,869	1,372,075
Social security costs	175,448	128,771
Pension fund contributions	77,284	44,806
Health insurance	26,662	19,050
	<u>2,151,263</u>	<u>1,564,702</u>

Staff costs are included in the accounts as follows:

Sea Cadet Association		
- headquarters	211,904	143,863
Funding by Ministry of Defence		
- headquarters	625,638	443,249
- instructors	896,219	691,149
- areas	417,502	286,441
	<u>2,151,263</u>	<u>1,564,702</u>

The average weekly number of employees was:

	No.	No.
Administration - headquarters	18	16
Training administration	21	21
Areas	25	24
Instructors	43	45
	<u>107</u>	<u>106</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)
FIFTEEN MONTHS ENDED 31 MARCH 1998

7. TANGIBLE FIXED ASSETS

	Boat under Construction £	Short Leasehold £	Sail Training Ship & Boats £	Fixtures Fittings Equipment and Computer £	Motor vehicles £	Total £
Cost						
1 January 1997	-	62,000	896,161	141,558	27,245	1,126,964
Additions	52,679	-	-	2,395	11,970	67,044
31 March 1998	52,679	62,000	896,161	143,953	39,215	1,194,008
Depreciation						
1 January 1997	-	50,000	442,387	112,843	13,326	618,556
Provision for the period	-	1,500	105,639	12,553	7,343	127,035
31 March 1998	-	51,500	548,026	125,396	20,669	745,591
Net book value						
31 March 1998	52,679	10,500	348,135	18,557	18,546	448,417
<i>31 December 1996</i>	<i>-</i>	<i>12,000</i>	<i>453,774</i>	<i>28,715</i>	<i>13,919</i>	<i>508,408</i>

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
FIFTEEN MONTHS ENDED 31 MARCH 1998

8. INVESTMENTS	1998	31 December 1996
	£	£
SUBSIDIARIES		
Shares in subsidiary company	<u>100</u>	<u>100</u>
OTHER		
Listed investments at market value	1,576,173	1,542,532
Cash deposits and balances with portfolio manager allocated for investment	<u>396,588</u>	<u>150,263</u>
	<u>1,972,761</u>	<u>1,692,795</u>
TOTAL INVESTMENTS	<u>1,972,861</u>	<u>1,692,895</u>
MOVEMENT OF LISTED INVESTMENTS		
Market value at 1 January 1997	<u>1,542,532</u>	
Additions at cost	1,137,124	
Disposals at opening market value or cost	(1,363,377)	
Unrealised gains in year on investments held at year end	<u>259,894</u>	
Market value at 31 March 1998	<u>1,576,173</u>	

The company owns the whole of the issued share capital of The Navy League (Trading) Company Limited, a company incorporated in Great Britain. The accounts of the subsidiary have not been consolidated as the company's trading is not material. Following the period end a decision was made to wind up the subsidiary and transfer its assets and liabilities to The Sea Cadet Association.

9. DEBTORS	1998	31 December 1996
	£	£
Amount owed by subsidiary company	43,031	50,970
Other debtors	<u>111,453</u>	<u>78,412</u>
	<u>154,484</u>	<u>129,382</u>

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
FIFTEEN MONTHS YEAR ENDED 31 MARCH 1998

10. RESTRICTED FUNDS

	Balance at 1 January 1997 £	Movement of Funds Resources Arising £	Resources Used £	Balance at 31 March 1998 £
National Lottery Charities Board Grant	-	239,000	(239,000)	-
Training Support Grant	305,271	2,385,073	(2,372,514)	317,830
Sail Training Ship Appeal Fund	24,322	-	(6,080)	18,242
Leopold Muller Fund	67,190	-	(10,501)	56,689
Areas	84,371	164,692	(168,580)	80,483
Replacement Training Yacht Fund	41,490	33,670	-	75,160
King George V Fund	-	55,775	(49,825)	5,950
	<u>522,644</u>	<u>2,878,210</u>	<u>(2,846,500)</u>	<u>554,354</u>

The Sail Training Ship Appeal Fund and Leopold Muller Fund are both invested in tangible fixed assets.

The Replacement Training Yacht Fund has been utilised to fund the purchase of a new yacht (T.S. City Liveryman) which was delivered on 3 July 1998.

11. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Tangible fixed assets £	Investments £	Net current assets £	Total £
Restricted Funds				
Training Support Grant	-	-	317,830	317,830
Sail Training Ship Appeal Fund	18,242	-	-	18,242
Leopold Muller	56,689	-	-	56,689
Areas	38,796	-	41,687	80,483
Replacement Training Yacht Fund	52,679	-	22,481	75,160
King George V Fund	-	-	5,950	5,950
	<u>166,406</u>	<u>-</u>	<u>387,948</u>	<u>554,354</u>
Endowment Funds	<u>-</u>	<u>-</u>	<u>13,630</u>	<u>13,630</u>
Unrestricted Funds	<u>282,011</u>	<u>1,972,861</u>	<u>(358,678)</u>	<u>1,896,194</u>
Total	<u>448,417</u>	<u>1,972,861</u>	<u>42,900</u>	<u>2,464,178</u>

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (Continued)
FIFTEEN MONTHS ENDED 31 MARCH 1998

12. 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.

13. CONTINGENT LIABILITIES

There is a contingent liability amounting to £22,000 (1996 : £11,000) on outstanding guarantees given to banks in respect of overdrafts granted to Sea Cadet Units.

14. 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.

15. COMMITMENTS

At 31 March 1998 the company was contracted to make expenditure of £150,000 in respect of new computer systems and £57,000 for the new training yacht, which is not included in these accounts.