



COMPANY NUMBER: 404951
CHARITY NUMBER: 306141



**THE SEA CADET ASSOCIATION
(A COMPANY LIMITED BY GUARANTEE)**

ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2005



Horwath Clark Whitehill

Horwath Clark Whitehill LLP
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**THE SEA CADET ASSOCIATION
REPORT OF THE DIRECTORS
YEAR ENDED 31 MARCH 2005**

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	
M Gladwyn	(appointed 30 November 2004)
Earl of Romney	(appointed 30 November 2004)
P T Swan OBE FCA	(resigned 30 November 2004)
Sir Christopher Benson FRICS	(resigned 30 November 2004)
Colonel P Cautley CMG DL	(resigned 30 November 2004)
F M Everard CBE BA DSc	(resigned 30 November 2004)
A F Given	(resigned 30 November 2004)
P R Harris OBE	(resigned 30 November 2004)
Captain J C L T Lee OBE KStJ JP DL	(resigned 30 November 2004)
Vice Admiral Sir Neville Purvis KCB	(resigned 30 November 2004)
P L M Stewart MBE	(resigned 30 November 2004)
Miss J M Watson JP	(resigned 30 November 2004)

ADVISERS

Auditors:

Horwath Clark Whitehill LLP
St Bride's House, 10 Salisbury Square
London EC4Y 8EH

Registered Address:

202 Lambeth Road
London SE1 7JF

**THE SEA CADET ASSOCIATION
REPORT OF THE DIRECTORS
YEAR ENDED 31 MARCH 2005**

The Directors present their report and the accounts for the year ended 31 March 2005.

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.

STATUS

Apart from the permanent endowment the Association transferred all assets, liabilities and operations to the Marine Society and Sea Cadets (Registered Charity Number 306141) on 30 November 2004. This charity is now the sole member of the Sea Cadet Association. The Association will continue to exist to collect legacies and hold residuary title to various Sea Cadet unit properties around the country in addition to holding the permanent endowment.

The accounts of the Marine Society and Sea Cadets have been prepared under merger accounting and thus the activities and assets are included in those accounts for the period of account.

CONSTITUTION

The Sea Cadet Association is a company limited by guarantee, and is governed by the Memorandum and Articles of Association dated 10 January 1946 as amended on 27 January 1995.

Company Number: 404951

Charity Number: 306141

RESERVES

No free reserves are required now to operate.

INVESTMENT POLICY

The trustees were satisfied with the investment performance of the portfolio up to the transfer to the Marine Society and Sea Cadets.

RISK MANAGEMENT

The Trustees are responsible for management of the risks faced by the Association, assisted by senior staff. Risks have been identified, assessed and controls established. A formal review of risk management processes is undertaken on a regular basis. The key controls used are:

- Formal and periodic review by the Trustees
- Comprehensive strategic planning, budgeting and management accounting
- Formal organisational and governance structure and lines of reporting
- Formal written policies
- Hierarchical authorisation and approval levels

The Trustees are satisfied that major risks identified are adequately mitigated. It is recognised that systems can only provide reasonable but not absolute assurance that major risks are adequately managed.

**THE SEA CADET ASSOCIATION
REPORT OF THE DIRECTORS (CONTINUED)
YEAR ENDED 31 MARCH 2005**

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:

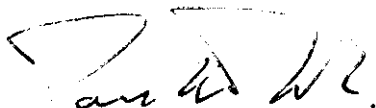
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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.

AUDITORS

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

On behalf of the Board



Vice Admiral Sir Jonathan Tod KCB CBE
Trustee and Director

8 August, 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SEA CADET ASSOCIATION

We have audited the financial statements of the Sea Cadet Association for the year ended 31 March 2005, which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the directors and auditors

The responsibilities of the directors, who are also the charity trustees for the purposes of charity law, for preparing the Directors' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Annual Report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Directors' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

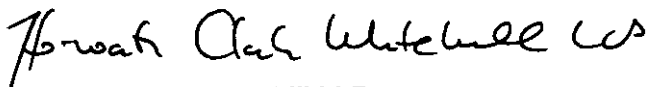
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements 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 information in the financial statements.

Unqualified opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company as at 31 March 2005 and of its incoming resources and application of resources, including the income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors



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

THE SEA CADET ASSOCIATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2005

Income and expenditure	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2005 Total £	2004 Total £
RESOURCES ARISING						
Donations, Legacies and Other Income		418,766	134,133	-	552,899	333,158
Activities Generating Funds in Support of the charity's objects						
Ministry of Defence grants		-	3,131,834	-	3,131,834	4,895,957
Offshore income		198,814	-	-	198,814	241,160
Areas income		-	-	-	-	187,534
Branches, boat stations & training Schools income		370,854	-	-	370,854	404,258
Activities for generating funds						
Fundraising events		49,462	-	-	49,462	147,945
Investment income		38,788	-	-	38,788	60,766
Other incoming resources		7,144	-	-	7,144	-
TOTAL INCOMING RESOURCES		<u>1,083,828</u>	<u>3,265,967</u>	<u>-</u>	<u>4,349,795</u>	<u>6,270,778</u>
RESOURCES EXPENDED						
Cost of Generating Funds						
Fundraising		117,141	-	-	117,141	474,542
Charitable Expenditure						
Grants payable to units		-	31,165	-	31,165	495,817
Supporting Sea Cadet Units		-	1,060,510	-	1,060,510	1,421,900
Onshore training		347,813	1,006,655	-	1,354,468	1,712,157
Offshore training		171,154	360,797	-	531,951	830,855
Training support		5,223	78,813	-	84,036	115,439
Sea Cadet National Events		-	85,427	-	85,427	54,511
Promoting Sea Cadet Activity		67,243	104,598	-	171,841	192,899
International Sea Cadet Activities		-	10,276	-	10,276	-6,237
Support costs		126,562	551,455	-	678,017	1,115,888
Management and administration		41,716	-	-	41,716	64,925
Total charitable expenditure		<u>759,712</u>	<u>3,289,696</u>	<u>-</u>	<u>4,049,407</u>	<u>5,998,154</u>
TOTAL RESOURCES EXPENDED		<u>876,853</u>	<u>3,289,696</u>	<u>-</u>	<u>4,166,548</u>	<u>6,472,696</u>

THE SEA CADET ASSOCIATION
STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
YEAR ENDED 31 MARCH 2005

Net incoming/ (outgoing) resources for the year	206,976	(23,729)		183,247	<i>(201,918)</i>
Investment gains	90,876	-	-	90,876	<i>195,782</i>
NET MOVEMENT IN RESERVES	<u>297,852</u>	<u>(23,729)</u>	<u>-</u>	274,123	<i>(6,136)</i>
BALANCES AT 1 APRIL 2004	1,415,162	1,284,467	14,430	2,714,059	<i>2,720,195</i>
TRANSFER TO MARINE SOCIETY AND SEA CADETS	(1,713,013)	(1,260,738)	-	(2,973,751)	-
BALANCES AT 31 MARCH 2005	8 <u>-</u>	<u>-</u>	<u>14,430</u>	14,430	<i>2,714,059</i>

The notes on pages 8 to 12 form an integral part of these accounts.

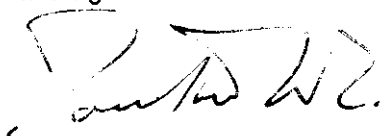
ALL ACTIVITIES DISCONTINUED ON 30 NOVEMBER 2004

THE SEA CADET ASSOCIATION
BALANCE SHEET
31 MARCH 2005

	Notes	£	2004 £	2003 £
FIXED ASSETS				
Tangible assets	3		-	1,720,668
Investments	4		-	1,420,214
			-	3,140,882
CURRENT ASSETS				
Stocks		-		35,692
Debtors	5	-		150,787
Cash at bank and in hand		14,430		63,297
		14,430		249,776
CREDITORS: amounts falling due within one year	6	-		(676,599)
NET CURRENT LIABILITIES			14,430	(426,823)
			14,430	2,714,059
RESERVES				
Unrestricted Funds			-	1,415,162
Restricted Funds	7		-	1,284,467
Endowment Funds	8		14,430	14,430
			14,430	2,714,059

Approved by the Trustees and Directors on 8 August, 2005

and signed on their behalf:



Vice Admiral Sir Jonathan Tod KCB CBE
Trustee and Director

The notes on pages 8 to 12 form an integral part of these accounts.

**THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2005**

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of fixed asset investments at market value, and in accordance with the Companies Act 1985, Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000), applicable accounting standards and the governing document.

All activities, except for the administration of the endowment, discontinued on 30th November 2004 and were transferred to the Marine Society and Sea Cadets.

b) Donations, legacies and other income

Donations, legacies and grants receivable were accounted for as soon as their amount and receipt were reasonably certain. In the case of unsolicited donations this was usually only when they were received, while fundraising results were accounted for when the commitment is made by the donor, subject to fulfilment.

c) Resources expended

Allocation of Costs

(1) Cost of generating funds:

The cost of generating funds comprised costs associated with raising funds from all sources and includes fundraising costs and costs of events.

(2) Charitable expenditure:

Direct costs are allocated to functional cost headings based on supporting cost centre analyses.

Overheads (including VAT) are included in support costs, not allocated to functional cost headings.

Support costs represent expenditure incurred in providing administrative and financial services in support of the charitable expenditure above.

Management and administration costs are those of the central management including constitutional and governance matters.

VAT is included in support costs as an overhead cost.

d) Pension costs

Pension contributions were made to a defined contribution pension scheme and were written off to the Statement of Financial Activities as they were incurred.

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2005

1. ACCOUNTING POLICIES (CONTINUED)

e) Fixed Assets

Capital items with a value over £2,500 were treated as fixed assets. Depreciation was provided on all fixed assets to write off the cost of these assets over their expected useful life. This resulted in the following depreciation rates: -

Training ships	- 5% straight-line basis
Yachts	- 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

f) Investments

Investments were included in the Balance Sheet at market value. Realised investment gains and losses represented 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.

g) Stocks

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

h) Endowment and Restricted Funds

These funds represented gifts or grants, which could only be applied for a purpose specified by the donor or grantor. These amounts were carried forward as deferred income where there was a restriction on when monies could be spent. Permanent endowed funds were those where the donor had specified that the capital of the gift could not 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 2005

2. STAFF COSTS

	2005 £	2004 £
Wages and salaries	2,245,548	3,096,979
Social security costs	208,918	300,175
Pension fund contributions	181,674	183,929
Health insurance	56,050	48,447
	<u>2,692,190</u>	<u>3,629,530</u>

The average weekly number of employees was:

Administration – headquarters	31	28
Training administration	22	21
Areas	32	31
Instructors	96	94
	<u>181</u>	<u>174</u>

The directors did not receive any remuneration from the company during the period but are reimbursed for an element of long distance travel. Six directors claimed travelling and subsistence expenses totalling £6,967.

One employee earned between £50,000 and £60,000. The Association contributed £10,179 towards their pensions.

Auditors' fees for the year amounted to £7,000 (2004: £15,000).

3. TANGIBLE FIXED ASSETS

	Boats Under Construction £	Short Leasehold £	Sail Training Ship & Boats £	Fixtures Fittings Equipment And Computers £	Motor Vehicles £	Total £
Cost						
1 April 2004	31,090	62,000	2,761,477	412,327	251,074	3,517,968
Additions	-	-	6,047	52,621	-	58,668
Disposals	-	(50,000)	(20,414)	(234,485)	(88,483)	(393,382)
Transferred	(31,090)	(12,000)	(2,747,110)	(230,463)	(162,591)	(3,183,254)
31 March 2005	-	-	-	-	-	-
Depreciation						
1 April 2004	-	58,700	1,173,302	381,834	183,464	1,797,300
Provision	-	800	84,752	18,849	18,058	122,459
Disposals	-	(50,000)	(20,414)	(234,485)	(88,483)	(393,382)
Transferred	-	(9,500)	(1,237,640)	(166,198)	(113,039)	(1,526,377)
31 March 2005	-	-	-	-	-	-
Net book value						
31 March 2005	-	-	-	-	-	-
31 March 2004	<u>31,090</u>	<u>3,300</u>	<u>1,588,175</u>	<u>30,493</u>	<u>67,610</u>	<u>1,720,668</u>

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2005

4. INVESTMENTS	2004 £	2004 £
OTHER		
Listed investments at market value	-	1,418,583
Cash deposits and balances with portfolio manager allocated For investment	-	<u>1,631</u>
	<u>-</u>	<u>1,420,214</u>
 5. DEBTORS		
Trade debtors	-	16,244
Other taxation and social security	-	20,905
Other debtors	-	97,106
Prepayments and accrued income	-	<u>16,532</u>
	<u>-</u>	<u>150,787</u>
 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	-	373,531
Other taxes and social security	-	85,154
Other creditors	-	213,875
Accruals and deferred income	-	<u>4,039</u>
	<u>-</u>	<u>676,599</u>

THE SEA CADET ASSOCIATION
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 MARCH 2005

7. RESTRICTED FUNDS

	Balance at 1 April 2004 £	Resources Arising £	Movement of Funds Resources Used £	Transfers £	Balance at 31 March 2005 £
Training Support Grant	-	3,131,834	(3,131,834)	-	-
Bob Allen Bequest	164,858	-	(10,340)	(154,518)	-
First aid training fund	22,000	-	-	(22,000)	-
D Group	7,834	-	(7,834)	-	-
Col Paul Cautley	750	1,850	(2,600)	-	-
HSBC Education Trust	-	25,000	-	(25,000)	-
Bernard Sunley Charitable Trust	-	30,000	(30,000)	-	-
Anchorites	-	3,121	(3,121)	-	-
Malcolm Chairty -City Liveryman Fees	-	3,000	-	(3,000)	-
Christopher Powlett	-	1,162	-	(1,162)	-
Trinity Homes and Mariners' Charity	-	70,000	(20,749)	(49,251)	-
King Georges Fund for Sailors	1,067	-	(53,054)	51,987	-
Jerwood Bequest	1,087,958	-	(30,164)	(1,057,794)	-
	<u>1,284,467</u>	<u>3,265,967</u>	<u>(3,289,696)</u>	<u>(1,260,738)</u>	<u>-</u>

8. ENDOWED FUNDS

Income from the permanent endowed funds is used to provide subsidised berths and awards for Sea Cadets.