

**Croydon Sea Cadets Property Trust**

**Report & Accounts**

**For the year ended 31 March 2021**

Charity number (England & Wales): 1172729

# TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2021

## Overview

In 2017, the Croydon Unit of the Sea Cadet Corps (registered charity number 302987) sold property and the proceeds of the sale were invested in investments managed by Investec and under the custodianship of the Trustees listed in this report, for the benefit of Croydon Unit of the Sea Cadet Corps through grants made by the Trust to the Unit.

## Achievements and performance

### Financial review

The Trust's assets are an investment portfolio managed by Investec out of which grants are paid to the Croydon Unit of the Sea Cadets. During the year the investment portfolio earned £46,205 (2020: £59,800). The Trust paid £15,000 (2020: £35,000) to the Unit during the year and incurred investment management costs of £7,426 (2020: £7,500), legal fees of £0 (2020: £0,547) and independent examiner fees of £400 (2020: £400).

The Trust finished the year with unrestricted reserves of £1,912,144 (2020: £1,614,586), an increase in reserves of 18.4% year on year. The Trust holds no restricted reserves or endowment funds.

### Investment policy

Investec manage the investment portfolio.

The overall objective of the policy is to create sufficient income and capital growth to enable the Trust 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 Trust'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 Trust's aims. The portfolio mix is set to fall within the following broad planning ranges:

	Planning range	2021	2020
UK Equities	30.5-50.5%	32.66%	33.44%
Non-UK Equities	17-27%	33.36%	23.30%
Fixed Interest	17.5-27.5%	15.59%	21.35%
Property	0-10%	3.61%	5.42%
Hedge funds	0-10%	1.62%	1.78%
Other	0-10%	5.25%	6.07%
Cash *	0-30%	7.91%	8.63%

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

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

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

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

### **Ethical considerations**

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

### **Performance**

The fund delivered a total return (net-of-fees) of 2.4% (2020: 2.9%) against our real return benchmark of 7.4% (RPI plus 4%) and ARC Sterling Steady Growth Index 1 of 1.4%.

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 Trust was conducted during the year, with the assistance of Independent Investment Reviews Ltd. Following a full and fair competition, Investec were re-appointed.

### **Reserves policy**

The Trust's reserve policy is to keep unrestricted reserves at a minimum level equal to the original proceeds from the sale of the old property (£1,611,115). Any realised gains and income earned less investment management fees and independent examiner fees may be granted to the Croydon Unit of the Sea Cadets at the discretion of Trustees.

At balance sheet date unrestricted reserves were £1,912,144 (2020: £1,614,586), and Trustees are satisfied that this meets the Trust's reserve policy.

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## **Plans for future periods**

The Trust will continue to hold its reserves as an investment in order to maximise its return on funds and to safe guard the value of the original proceeds from the sale of the old premises so that should the Croydon Unit of the Sea Cadets be required to relocate premises in the future then the Unit has the necessary funds in order to do so.

## **Structure, governance and management**

The Trust is governed by a board of unpaid non-executive trustees. Details of the trustees who served during the year, and as at the date of this report, are:

Geoffrey Hartwell  
Mervin Sharp  
Noel Wheatley  
Marine Society and Sea Cadets  
Sea Cadets Association

Trustees meet at least annually to review the performance of the investment portfolio and to agree grants paid to the Croydon Unit of the Sea Cadets and other expenditure to be incurred during the year.

## **Appointment of Trustees**

Trustees are co-opted by the board and elected by the Trust's members at the AGM following their appointment according to the provisions of the Board of Trustees. 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. Any Trustee which is a corporate entity may authorise an individual to discharge its functions as Trustee on its behalf on such terms as it thinks fit

# STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	Notes	Unrestricted funds £	Unrestricted funds £
Income and endowments from:			
Donations, legacies and other income			
Donation from Croydon Sea Cadet Unit		-	-
Investment		46,205	59,800
Total income		<u>46,205</u>	<u>59,800</u>
Expenditure on:			
Raising funds			
Investment management costs		7,426	7,500
Charitable activities			
Grants to Croydon Sea Cadet Unit	2	15,400	35,947
Total expenditure		<u>22,826</u>	<u>43,447</u>
Net (losses)/gains on investments		274,179	(187,028)
Net income for the year		<u>297,558</u>	<u>(170,675)</u>
Reconciliation of funds:			
Total funds brought forward		1,614,586	1,785,261
Total funds carried forward	10	<u><u>1,912,144</u></u>	<u><u>1,614,586</u></u>

## BALANCE SHEET AS AT 31 MARCH 2021

	Notes	2021 £	2020 £
Fixed assets:			
Investments	7	1,914,475	1,616,804
		<u>1,914,475</u>	<u>1,616,804</u>
Liabilities			
Creditors: Amounts falling due within one year	8	(2,331)	(2,218)
Net current liabilities		<u>(2,331)</u>	<u>(2,218)</u>
<b>Total net assets</b>	9	<u><b>1,912,144</b></u>	<u><b>1,614,586</b></u>
The funds of the charity			
Unrestricted funds		1,912,144	1,614,586
<b>Total charity funds</b>	10	<u><b>1,912,144</b></u>	<u><b>1,614,586</b></u>

The financial statements on pages 6-14 were approved by Trustees on XXXX and were signed on their behalf by:

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31 MARCH 2021

	Notes	2021 £	2020 £
Cash flows from operating activities:			
Net cash provided by operating activities	(a)	<u>(22,713)</u>	<u>(43,550)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		46,205	59,800
Proceeds from sale of investments		(49,919)	(59,157)
Purchase of investments		26,427	42,907
Net cash (used in) investing activities		<u>22,713</u>	<u>43,550</u>
Change in cash and cash equivalents in the year		<u>-</u>	<u>-</u>
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<u><u>-</u></u>	<u><u>-</u></u>

## NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of net income to net cash flows from operating activities

	2021 £	2020 £
Net income for the year as per the SoFA	297,558	(170,675)
Adjustments for:		
Losses/(Gains) on investments	(247,179)	187,028
Dividends, interest and rents from investments	(46,205)	(59,800)
Increase in creditors	113	(103)
<b>Net cash provided by operating activities</b>	<u><u>(22,713)</u></u>	<u><u>(43,550)</u></u>

# NOTES TO THE ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2020

## 1. Accounting Policies

### a) Basis of Preparation

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

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

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

### b) Donations, legacies and other income

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

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

### c) Expenditure

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



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2020

### 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.
- 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)

### 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.

### f) 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 liabilities held at amortised cost comprise, trade and other creditors, grants payable and accruals.

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.

# NOTES TO THE ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2021

## 2. Grants to Croydon Sea Cadet Unit

	Notes	2021 £	2020 £
Grants paid to Croydon Sea Cadet Unit		15,000	35,000
Support costs:			
Governance costs:			
Legal fees			547
Independent examiner's fees	3	400	400
		<u>15,400</u>	<u>35,947</u>

## 3. Independent examiner's fees

		2021 £	2021 £
Examination fee		400	400
Travel costs		-	-
		<u>400</u>	<u>400</u>

## 4. Staff costs

During the year the charity employed no staff (2020: none).

## 5. Trustee remuneration and benefits

No trustees received remuneration (2020: none) or incurred expenses (2020: none) in pursuit of their duties as trustees.

## 6. Related party transactions

There were no related party transaction during the year (2020: none).

# NOTES TO THE ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2021

## 7. Investments

	2021		2020	
	Investment Portfolio £	Cash Equivalent £	Total £	Total £
Fair value at start of the year	1,477,213	139,591	1,616,804	1,787,582
Additions at cost	388,171	(414,598)	(26,427)	(42,907)
Disposal proceeds	(376,608)	426,527	49,919	59,157
Gains/(losses) for the year	274,179	-	274,179	(187,028)
Fair value at end of the year	1,762,955	151,520	1,914,475	1,616,804

All investments are held in the UK. No single investment formed over 5% of the portfolio and no amounts were invested directly in overseas' equities.

## 8. Creditors: Amounts falling due within one year

	2021 £	2020 £
Accrued expenditure	2,331	2,218
	<u>2,331</u>	<u>2,218</u>

No grants were payable as at balance sheet date (2020: £nil).

# NOTES TO THE ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2021

## 9. Analysis of net assets between funds

	2021	
	Unrestricted funds £	Total £
Investments	1,914,475	1,914,475
Creditors: Amounts falling due within one year	(2,331)	(2,331)
	<u>1,912,144</u>	<u>1,912,144</u>

	2020	
	Unrestricted funds £	Total £
Investments	1,616,804	1,616,804
Creditors: Amounts falling due within one year	(2,218)	(2,218)
	<u>1,614,586</u>	<u>1,614,586</u>

## 10. Unrestricted funds

	2021		2020
	Unrestricted funds	Total £	Total £
Funds at the start of the year	1,614,586	1,614,586	1,785,261
Income	46,205	46,205	59,800
Expenditure	(22,826)	(22,826)	(43,447)
Net (losses)/gains on investments	274,179	274,179	(187,028)
Funds at the end of the year	<u>1,912,144</u>	<u>1,912,144</u>	<u>1,614,586</u>

The principal professional advisers during the year were:

Independent Examiner:	Stuart Mellor 36 Bond Road Bitterne Park Southampton SO18 1LQ
Investment Advisers and Custodians:	Investec Wealth & Investment Ltd 2 Gresham Street London EC2V 7QN
Legal Advisers:	Farrer & Co LLP 66 Lincoln's Inn Fields LONDON WC2A 3LH
Registered Office:	202 Lambeth Road London SE1 7JW
Charity Number:	1172729