

**THE ARMY CADET FORCE ASSOCIATION**

**(A Company Limited by Guarantee)**

**REPORT AND ACCOUNTS**

**31 MARCH 2003**



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***Saffery Champness***

CHARTERED ACCOUNTANTS

# THE ARMY CADET FORCE ASSOCIATION

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# THE ARMY CADET FORCE ASSOCIATION

## LEGAL AND ADMINISTRATIVE INFORMATION FOR THE YEAR ENDED 31 MARCH 2003

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### President of the Council/Trustees

General Sir Michael Wilkes KCB CBE

### Directors/Trustees

Major General J D Stokoe CB CBE  
Brigadier W E Shackell CBE  
Colonel K J Bruce-Smith TD

### Members of the Council/Trustees

Lieutenant General Sir David Scott-Barrett KBE MC  
Major General J D Stokoe CB CBE  
Brigadier W E Shackell CBE  
Brigadier R B MacGregor-Oakford CBE MC  
Mr A C Chambers  
Colonel K J Bruce-Smith TD  
Very Rev James Harkness CB OBE MA DD FRSA  
Colonel A G Smith  
Lieutenant Colonel A Rose  
Colonel J A B Gibson MBE JP  
Colonel S D Smyth OBE  
Captain N Lloyd-Edwards GCStJ RD\* LLB JP RNR  
Brigadier W E Strong  
Brigadier A A Wilson OBE  
Colonel J S Wilson  
Lieutenant Colonel A Spowage BA

Major A J Sharkey TD  
Colonel T J Van Rees MBE ED DL  
The Venerable John Blackburn QHC  
FRSA Chaplain General

Vice President  
Chairman  
Vice Chairman/Finance Chairman  
Vice Chairman  
Vice Chairman  
Honorary Treasurer  
President ACFA Scotland  
Chairman ACFA Scotland  
Treasurer ACFA Scotland  
President ACFA Northern Ireland  
Chairman ACFA Northern Ireland  
President ACFA Wales  
Chairman ACFA Wales  
Chairman Sports Board  
Chairman Shooting Committee  
Chairman Duke of Edinburgh's Award Advisory Panel  
Chairman First Aid Panel  
Chairman Band Committee  
  
Chairman Religious Affairs Panel

### Council of RFCAs Representatives

Air Vice Marshall A J Stables CBE  
Colonel P Eyton-Jones TD DL  
Colonel P C Cook DL

Secretary Council of RFCAs  
Chairman Wales RFCA  
Secretary Greater London RFCA  
(Lead Secretary Cadets)

### Representatives of Kindred Bodies

To be announced  
Mr W G Doe  
Brigadier C Groves  
Vice Admiral M P Gretton CB  
Brigadier J R Smales

National Rifle Association  
National Small Bore Rifle Association  
National Association of Clubs for Young People  
The Duke of Edinburgh's Award Scheme  
Council for Cadet Rifle Shooting

### Individual Members

Colonel I D Graham TD DL LLB  
Colonel M J F Sheffield OBE TD DL LLB  
Colonel J M K Weir OBE TD DL  
Major Hilary P Laidler

# THE ARMY CADET FORCE ASSOCIATION

## LEGAL AND ADMINISTRATIVE INFORMATION (continued) FOR THE YEAR ENDED 31 MARCH 2003

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### Commonwealth Observer

Lieutenant Colonel Pradeep Bhatia SC (Indian Army Liaison Officer at School of Infantry, Warminster)

### Principal Address and Registered Office

Holderness House  
51-61 Clifton Street  
London EC2A 4DW

### Bankers

Lloyds TSB Bank plc  
Butler Place  
London SW1H 0PR

### Investment advisers

Cazenove Fund Management Limited  
12 Moorgate  
London EC2R 6DA

### Auditors

Saffery Champness  
Lion House  
Red Lion Street  
London WC1R 4GB

### Company number

293432

### Charity number

305962

# THE ARMY CADET FORCE ASSOCIATION

## REPORT OF THE COUNCIL AND DIRECTORS FOR THE YEAR ENDED 31 MARCH 2003

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### Introduction

The Council, three of whom are also directors of the charity for the purposes of the Companies Act, present their report together with the audited financial statements of the company for the year ended 31 March 2003. The Council has adopted the provisions of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in October 2000 in preparing the annual report and financial statements of the charity.

There is a change to the accounts layout this year in an attempt to make clearer the way that the Association manages its finances. This new layout gives a more accurate representation of the Association and how it has performed. In particular we have made use of a category of expenditure entitled Support Costs (see note 8), which are costs that are necessarily incurred in the set up and administration of charitable activities rather than in the activities themselves. For example, the costs relating to recruitment are essential, but not themselves activities in furtherance of the charity's objects and are included in the accounts as support costs, whilst the hire of a swimming pool for the National Swimming Championships is a cost of running the event and shown as such under activities in furtherance of the charity's objects. Two factors that impact on the accounts are the removal of CSD from the Charity as it is now a limited company, although still owned, managed and controlled by the Association; and the expansion of the activities of the Vocational Qualification (VQ) Office, which has significantly increased the Association's income and corresponding expenditure. The accounts reflect, overall, that substantially all expenditure is incurred in furthering or supporting the Charity's objectives with only some 7% incurred on management and administration.

It has been a strong year for the Association, which has seen an increase in most of its activities. More cadets are taking part in what we offer than ever before. We have partnerships with other National Organisations such as St John Ambulance and The Duke of Edinburgh's Award Office. There is greater realisation from our partners as to the value added that the Association brings. We were able to organise cadets to take part in HM The Queen's Golden Jubilee Review, help at a Buckingham Palace Garden Party, and participate in overseas adventures. More cadets are taking part in the National VQ scheme, many obtaining their only formal academic qualification through us; the cadet bands have trebled in size and cadets have the chance to learn a variety of musical instruments, all at no cost. The Association adds another dimension to cadet life and activities and it is good to report that this goes from strength to strength.

### Constitution

The Army Cadet Force Association is a registered charity and a company limited by guarantee, not having a share capital. It is governed by its Memorandum and Articles of Association.

### Role

The Association is the central body through which the Army Cadet Force ("ACF"), as a voluntary youth organisation, is associated with its own management. Its role is to foster the welfare and recreational life of the ACF and provide a wide range of educational, challenging and adventurous activities so as to:

- Assist in cadets' citizenship development.
- Promote cadets' powers of leadership and qualities of character.

# **THE ARMY CADET FORCE ASSOCIATION**

## **REPORT OF THE COUNCIL AND THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2003 (Continued)**

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### **Functions**

The functions exercised by the Association, with the approval of the Ministry of Defence (MoD) and the other Authorities concerned, are to:

- Act as advisers to the MoD and other Authorities on ACF matters in general.
- Assist in the development of training suitable for cadets.
- Foster the welfare and recreational life of the ACF.
- Represent the ACF in matters not within the province of the MoD, such as dealing with DfES on youth service affairs and representing the ACF on the National Council for Voluntary Youth Services.
- Advise on the religious aspects of ACF training with the assistance of the Religious Advisory Panel.
- Frame the policy on citizenship training to be carried out by the ACF.
- Organise and administer sport for the ACF through the Sports Board.
- Be an Operating Authority for the Duke of Edinburgh's Award Scheme in the ACF.
- Co-ordinate First Aid training and serve as a St John Ambulance Special Centre to enable First Aid Training to be carried out in accordance with the Army Proficiency Certificate training syllabus.
- Foster association with Cadet Forces of the Commonwealth countries.
- Publish the Cadet Journal, Annual Report and other non-official publications as may be in the interest of the ACF.
- Provide "regimental" services to the ACF in the manner of all corps and regimental associations.
- Operate an Insurance Scheme covering the needs of the ACF outside the MoD liability.
- Meet the needs of the ACF in uniform and equipment, over and above the MoD provision, by the operation of the Cadet Supply Department.

### **Directors and their interests**

The Directors who served during the year or subsequently were:-

Major General J D Stokoe CB CBE  
Brigadier W E Shackell CBE  
Colonel K J Bruce-Smith TD

The directors do not have any interests required to be disclosed under the Companies Act 1985. No material contracts subsisted during the period in which any director had an interest.

# THE ARMY CADET FORCE ASSOCIATION

## REPORT OF THE COUNCIL AND THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2003 (Continued)

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### Review of activities and future developments

The Statement of Financial Activities for the year is set out on page 9 of the financial statements. Highlights of the Association's major achievements last year are:

#### Activities

- The Association is the 2<sup>nd</sup> largest operating authority (worldwide) for the Duke of Edinburgh's Award with over 4,000 cadets registering and 2,500 gaining an Award last year.
- 2,448 cadets registered for the BTEC First Diploma in Public Services, a vocational qualification equating to five GCSE's at grade A\* to C.
- 950 vulnerable, disadvantaged, problem youngsters (selected by schools and Youth Offender Teams) underwent an Outreach training programme to help them become better citizens. Of these, 61% showed an improvement after three months.
- Cadet Music has continued to grow, with more cadets receiving music instruction. There are now 15 Bands, 44 Corps of Drums and 7 Pipe Bands.
- 3,500 cadets achieved the St John's Ambulance Young Life Saver Plus award; 1,700 cadets and adult instructors achieved the Life Saver Plus award.
- Cadet Regional and National Sporting competitions were successfully organised in the following sports: rugby, soccer, hockey, athletics, tug-of-war, cross-country and swimming.
- Regional and national shooting competitions were organised in both small bore and full bore events.
- The Cadet Supply Department (Cadet Kit Shop) has continued to provide quality equipment at competitive prices. Its turnover has risen from £285,000 to just over £300,000.
- Our insurance cover for non-military activities has remained very competitive.
- A national marketing campaign for the ACF has been planned and is being implemented, in support of the regional efforts co-ordinated by the ACF county units and the Reserve Forces and Cadets Associations.

#### Value

The estimated value of the activities undertaken above, if they were provided at commercial rates, rather than through the Association, amounts to some £18 Million in total. Those activities whose value to the Cadet Movement and Society exceeds £1 Million are:

- The BTEC/vocational qualification scheme, which would cost some £6 Million if provided elsewhere.
- The Outreach programme, which has saved an estimated £8 Million in costs of providing secure facilities and increased supervision, not subsequently needed, for potential young offenders who were helped by the programme and became better members of society.

## **THE ARMY CADET FORCE ASSOCIATION**

### **REPORT OF THE COUNCIL AND DIRECTORS FOR THE YEAR ENDED 31 MARCH 2003 (Continued)**

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- Provision of musical instruments, together with music instruction for cadets undertaken locally throughout the year; at centres of excellence, such as Kneller Hall; and at the annual cadet music concentration. The total value is just over £2 Million.
- First aid instruction and training at just over £1 Million.

#### **Funding**

The Association is funded from Government agencies, its subsidiary company (The Cadet Supply Department), its membership and donations.

#### **Future developments**

Since March 2003 the Association has continued to expand its activities in line with its income. We are seeking further funding to expand the VQ Scheme and make it even more flexible in what we offer, for example we wish to encompass the band curriculum within the scheme. There is a fundraising appeal for the Outreach Youth and Community Scheme, so that the future of Outreach can be a little more certain. We are looking at a partnership with HeartStart, to see if there is any correlation with our syllabus and thus receive further support. The generous support that we already receive from our various sponsors is unlikely to increase significantly, and anyway cannot be taken for granted, thus we shall continue to search for more avenues of support so that we can continue to increase the breadth of the activities that we offer.

#### **Investment policy and returns**

Along with everybody else, the Association has seen the value of its investments fall over the past year. During the year, the Trustees commissioned a review of the Association's investment management and decided to appoint Cazenoves, who offered a more interactive strategy and approach than the other organisations we approached. This, together with a more cautious investment policy that the Trustees have required, has helped to mitigate stock market losses in what has been a very difficult period. Our investments have not fallen below the relevant industry benchmark. Whilst there is no room for complacency, Cazenoves' advice is that there is no need at present to alter the current investment strategy, but the Trustees will continue to monitor performance closely.

#### **Reserves**

In order to ensure that furtherance of the Association's objectives may continue even if there is a temporary reduction in incoming resources, the Council considers that reserves, equivalent to one year's expenditure on general funds (approximately £1 million), should be held. The current level of reserves stands at £728,774 and Council intends to increase this figure to the desired level.

#### **Governance and internal control**

The Council meets on a regular basis to manage the affairs of the charity. It is supported in this by an Executive Committee that is represented by various people who offer the necessary skills to run a successful youth charity.

The Council is in the process of introducing, with advice from their auditors, a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the



# THE ARMY CADET FORCE ASSOCIATION

## REPORT OF THE COUNCIL AND DIRECTORS FOR THE YEAR ENDED 31 MARCH 2003 (Continued)

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types of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Council is reviewing the adequacy of the charity's internal controls. The Council is pleased to report that findings to date indicate that the charity's internal financial controls, in particular, will conform with guidelines issued by the Charity Commission, and be appropriate to an organisation of the size and nature of the Association.

### Statement of Trustees' responsibilities

Company and charity law requires Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the charity for that period. In preparing those financial statements, the Council has

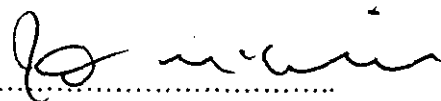
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on the going concern basis.

The Council has overall responsibility for ensuring that the charity has appropriate systems of controls, financial and otherwise. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the financial statements comply with the Companies Act 1985. It is 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.

### Auditors

Saffery Champness were appointed as auditors to the charity during the year and have indicated their willingness to remain in office. A resolution to approve their reappointment as auditors will be proposed at the Annual General Meeting.

By Order of the Council

  
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General Secretary

16 September 2003

# THE ARMY CADET FORCE ASSOCIATION

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 MARCH 2003

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We have audited the financial statements on pages 9 to 20.

### **Respective responsibilities of directors and auditors**

The trustees (who are also the directors of the Army Cadet Force Association for the purposes of company law) are responsible for preparing the Trustees Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

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

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 opinions we have formed.

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 Report of the Council and Directors is not consistent with the financial statements, if the charity 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'/trustees' remuneration and transactions with the charitable company is not disclosed.

We read the Report of the Council and Directors, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors and Council 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 the 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.

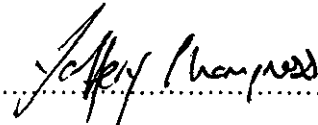
### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and group as at 31 March 2003 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.

**Saffery Champness**

Chartered Accountants  
**Registered Auditors**

16 September 2003

  
.....  
Lion House  
Red Lion Street  
London  
WC1R4GB

THE ARMY CADET FORCE ASSOCIATION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2003

	Note	Unrestricted General Funds £	Unrestricted Designated Funds £	Restricted Funds £	Total 2003 £	Total 2002 £
<b>Incoming resources</b>						
Grants and contributions receivable	2	335,385	642,981	94,897	1,073,263	556,604
Donations receivable	3	23,888	25,000	9,723	58,611	29,712
Affiliation fees		48,344	-	-	48,344	45,096
Members subscriptions		58,578	-	-	58,578	43,706
Training and support services income	5	230,766	4,645	-	235,411	119,740
Activities for generating funds:						
- Merchandising income	4	303,518	-	-	303,518	284,412
- Investment income	6	25,506	1,705	2,611	29,822	36,122
<b>Total incoming resources</b>		<b>1,025,985</b>	<b>674,331</b>	<b>107,231</b>	<b>1,807,547</b>	<b>1,115,392</b>
<b>Resources expended</b>						
<b>Cost of generating funds:</b>						
Fund-raising costs		-	-	-	-	13,469
Merchandising costs		285,547	-	-	285,547	225,032
		<b>285,547</b>	<b>-</b>	<b>-</b>	<b>285,547</b>	<b>238,501</b>
<b>Charitable expenditure:</b>						
Costs of activities in furtherance of the Charity's objects:						
Youth community projects	8	-	-	76,985	76,985	79,173
Vocational qualifications	8	-	532,255	-	532,255	107,243
Activities and events	8	440,083	-	-	440,083	329,176
Support costs	8	264,771	-	-	264,771	180,342
Management and administration	8	106,538	-	2,869	109,407	74,376
		<b>811,392</b>	<b>532,255</b>	<b>79,854</b>	<b>1,423,501</b>	<b>770,310</b>
<b>Total resources expended</b>		<b>1,096,939</b>	<b>532,255</b>	<b>79,854</b>	<b>1,709,048</b>	<b>1,008,811</b>
Net incoming resources/(resources expended) before transfers		(70,954)	142,076	27,377	98,499	106,581
Transfer between funds		230,424	(304,658)	74,234	-	-
<b>Net incoming resources/(resources expended)</b>		<b>159,470</b>	<b>(162,582)</b>	<b>101,611</b>	<b>98,499</b>	<b>106,581</b>
Net investment losses	12	(193,373)	-	-	(193,373)	(33,196)
<b>Net movement in funds</b>		<b>(33,903)</b>	<b>(162,582)</b>	<b>101,611</b>	<b>(94,874)</b>	<b>73,385</b>
<b>Fund balances at 1 April 2002</b>		<b>800,287</b>	<b>405,315</b>	<b>28,580</b>	<b>1,234,182</b>	<b>1,160,797</b>
<b>Fund balances at 31 March 2003</b>		<b>766,384</b>	<b>242,733</b>	<b>130,191</b>	<b>1,139,308</b>	<b>1,234,182</b>

All gains and losses recognised in the year are included above.

The notes on pages 11 to 20 form part of these accounts.

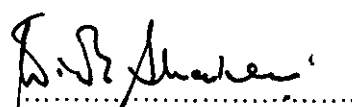
# THE ARMY CADET FORCE ASSOCIATION

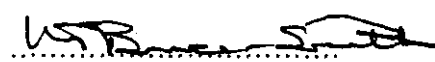
## BALANCE SHEETS AT 31 MARCH 2003

	Note	2003 *Group £	2003 Charity £	2002 Charity £
<b>Fixed assets</b>				
Tangible assets	11	40,480	37,720	37,231
Investments at market value	12	576,314	576,316	769,688
		616,794	614,036	806,919
<b>Current assets</b>				
Stocks		81,439	-	79,699
Debtors	13	109,637	187,503	111,807
Cash at bank and in hand		573,682	534,288	362,049
		764,758	721,791	553,555
<b>Creditors: Amounts falling due within one year</b>	14	(242,244)	(199,530)	(126,292)
<b>Net current assets</b>		522,514	522,261	427,263
<b>Net assets</b>		1,139,308	1,136,297	1,234,182
<b>Funds</b>				
<b>Unrestricted</b>				
Designated funds	16	242,733	242,733	405,315
General fund	17	766,384	763,373	800,287
		1,009,117	1,006,106	1,205,602
<b>Restricted</b>	18	130,191	130,191	28,580
<b>Total</b>	15	1,139,308	1,136,297	1,234,182

\* Group figures comprise the consolidated figures for the ACFA and Cadet Supply Department Limited.

Approved by the Finance Committee on 16 September 2003 and signed on its behalf by:

  
Vice Chairman

  
Hon Treasurer

The notes on pages 11 to 20 form part of these accounts.

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

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### 1 Accounting policies

#### 1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with recommendations in the Statement of Recommended Practice, "Accounting and Reporting by Charities".

The group accounts incorporate those of the Cadet Supply Department Limited, a wholly owned subsidiary of The Army Cadet Force Association which sells army cadet merchandise.

All income and expenditure relates to continuing operations.

#### 1.2 Fund accounting

The Association has divided its funds into categories according to their nature and purpose as follows:

##### *Unrestricted Funds*

Funds available for the Association to pursue all of its objectives and comprise general funds and designated funds.

##### *General Fund*

This represents the undesignated accumulated surpluses and deficits from funds available for the general objectives of the Association.

##### *Designated Funds*

Funds designated by the Council to pursue a particular objective or group of objectives.

##### *Restricted Funds*

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure, which meets these criteria is charged to the fund, together with a fair allocation of management and support costs.

#### 1.3 Branches and divisions

The activities of Army Cadet Force Association (Northern Ireland), Army Cadet Force Association Scotland, Army Cadet Force Association Wales, and the Vocational Qualification Department are incorporated within these accounts.

#### 1.4 Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Membership subscriptions are included gross of tax recoverable on covenanted subscriptions. Amounts received in excess of the minimum subscriptions are treated as subscription income and non-covenanted receipts below the minimum subscription are treated as donations.

Membership subscriptions (including special subscriptions levied) are accounted for on an accruals basis.

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed as grants. Donated facilities are included at the value to the charity where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

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### 1 Accounting policies (continued)

#### 1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources. Salary costs are apportioned between activities, support costs and management/administration on the basis of estimated time spent.

Expenditure on youth community projects, activities and events, vocational qualifications, grants or donations is charged to the income and expenditure account in the year in which the commitment is made and any unpaid balance is carried forward as a creditor at the year end.

Fundraising costs comprises costs incurred in inducing individuals and organisations to contribute financially to the charity's work.

Support costs comprise costs incurred directly in support of expenditure on the objects of the charity.

Management and administration expenditure comprises all costs incurred in running the charity that cannot be directly allocated to projects or fund raising.

#### 1.6 Tangible fixed assets and depreciation

Provision for depreciation has been made in respect of furniture, fixtures, fittings and computer equipment according to their anticipated lives and is calculated at 25% per annum on cost.

#### 1.7 Stocks

Stocks comprise finished goods for resale and are valued at the lower of cost, and net realisable value.

#### 1.8 Investment income and gains

Listed investment income, including any tax recoverable thereon, is included in the financial statements in the year in which they are receivable. Bank deposit interest is included as income when receivable. Investment gains are incorporated in the financial statements as they occur. Unrealised gains arising from the valuation of investments, together with any movement in such gains are separately identified within the financial statements.

#### 1.9 Investments

Investments, listed and otherwise, are shown at market value, except for the investment in CSD which is shown at cost. Unrealised gains are incorporated within the fund balances to which the investments relate and are identified as unrealised.

Market value is based on mid market prices for listed investments, or the Association's share of net assets for unlisted investments.

#### 1.10 Pension contributions

The association operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £26,353 (2002: £14,885).

#### 1.11 Cash flow statement

As permitted by Financial Reporting Standard 1 the Association has not prepared a cash flow statement on the grounds that it qualifies as a small group.

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

2	Grants and contributions receivable	2003 £	2002 £
	Ministry of Defence grants:		
	- Administration support	298,500	214,000
	- Journal costs	-	10,000
	- organised visits overseas	-	8,000
	Contributions from:		
	- Combined Cadet Force Association	20,000	17,000
	- Cadet Supply Department	-	3,000
	Youth community projects – Home Office grants	50,000	90,000
	Learning Skills Council – vocational qualifications	642,981	169,951
	Department of Education and Skills – ACFA Youth & Community Fund	44,897	20,000
	Other grants	16,885	24,653
		<u>1,073,263</u>	<u>556,604</u>

3	Donations receivable	2003 £	2002 £
	Vocational qualifications project income	25,000	-
	VQ briefing	12,134	-
	Sport sponsorship	7,000	29,712
	Other	14,477	-
		<u>58,611</u>	<u>29,712</u>

### 4 Activities of the subsidiary

From 1 April 2002 the operations of the Cadet Supply Department were transferred to a new subsidiary company, Cadet Supply Department Limited. Cadet Supply Department Limited operates from Frimley, Surrey and its principal activity is the sale of Army Cadet merchandise. A summary of the trading results is shown below. Audited accounts are filed with the Registrar of Companies.

	2003 £
Turnover	303,518
Interest on deposit account	<u>539</u>
Total income	<u>304,057</u>
Cost of sales	(203,536)
Overheads	<u>(87,011)</u>
Total expenses	<u>(290,547)</u>
Surplus before contribution of £ 10,500 to ACFA	<u>13,510</u>

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

### 5 Training and support services income

	2003 £	2002 £
Vocational Qualifications	29,645	1,657
Marketing and publicity	77,111	-
Cadet journal	2,464	8,285
First aid training	18,419	18,335
Collective insurance	47,795	63,299
Organised visits overseas	59,977	28,164
	<u>235,411</u>	<u>119,740</u>

### 6 Investment income

	2003 £	2002 £
Listed investment income (gross)	21,191	27,031
Bank and building society interest (gross)	8,631	9,091
	<u>29,822</u>	<u>36,122</u>

### 7 Net incoming resources for the year

	2003 £	2002 £
This is stated after charging:		
Depreciation	35,490	34,849
Directors' and Council remuneration	-	-
Auditors' remuneration:		
Audit services	13,000	6,644
Accountancy and consultancy services	25,289	11,562
	<u></u>	<u></u>

Neither the President, nor the chairman nor any other member of the council received any fees or other emoluments from the association. The Council comprised 2003:33 (2002: 44) members.



# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

### 8 Analysis of Group resources expended

	Vocational qualification courses £	Support costs £	Activities, events and projects £	Management and administration £	2003 £	2002 £
Staff costs	127,249	80,664	198,902	48,398	455,213	346,664
Leasing and maintenance of equipment	3,486	12,246	-	4,082	19,814	10,338
Motor and Travelling Expenses	16,365	-	20,664	2,348	39,377	23,111
Printing and Stationery	-	8,818	-	-	8,818	10,510
Postage, telephone and carriage	14,998	14,933	308	366	30,605	22,629
Marketing, development, consultancy and advertising	83,015	45,591	53,900	-	182,506	23,024
Cost of sales - VQ	245,992	-	-	-	245,992	44,253
Cost of sales - CSD	-	-	-	-	-	195,579
Rent	15,400	-	-	-	15,400	1,138
Self respect and team build activities	-	-	90,863	-	90,863	79,173
Sports and other Events	-	-	45,020	-	45,020	38,959
Light and Heat	2,100	-	-	-	2,100	-
Audit fees and Expenses	2,500	-	-	10,500	13,000	6,644
Accountancy services etc	-	-	-	25,289	25,289	11,562
Office costs	2,114	2,210	-	2,210	6,534	308
Collective insurance	-	33,059	-	-	33,059	59,004
Band costs	-	-	6,387	-	6,387	-
Jubilee costs	-	-	2,619	-	2,619	-
Overseas trips costs	-	-	54,777	-	54,777	38,222
Journal expenses	-	38,980	-	-	38,980	32,740
First aid expenses	112	-	20,095	-	20,207	20,222
Bank and credit card Charges	-	-	-	128	128	475
Depreciation	8,894	23,086	-	-	31,980	21,048
Office removal costs	116	-	-	11,280	11,396	11,433
Sundries	5,637	5,184	23,533	3,550	37,904	10,660
Repairs and maintenance	4,277	-	-	-	4,277	-
Medal and prizes	-	-	-	1,256	1,256	1,115
	<u>532,255</u>	<u>264,771</u>	<u>517,068</u>	<u>109,407</u>	<u>1,423,501</u>	<u>1,008,811</u>
CSD Limited					285,547	-
					<u>1,709,048</u>	<u>1,008,811</u>

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

### 9 Staff costs

	2003 Group £	2003 Charity £	2002 Charity £
Salaries	440,545	382,901	303,670
Social security costs	51,140	45,959	28,109
Other pension costs	26,353	26,353	14,885
	<u>518,038</u>	<u>455,213</u>	<u>346,664</u>

The emoluments of one member of staff, including benefits in kind, are within the range of £60,000 to £69,999 (2002: one in range £60,000-£69,999). Contributions in the year for the provision of money purchase pension benefits amounted to £26,353 (2002: £14,885). The increase salary cost is primarily due to the expansion of the VQ Office from 1 to 6 people.

The average number of persons employed by the Association during the year was as follows:

	Number	Number
Management, administration, marketing and involved in activities	15	9
Cost of generating funds	3	3
	<u>18</u>	<u>12</u>

### 10 Taxation

The charitable company is exempt from corporation tax on its charitable activities.

### 11 Tangible fixed assets

	Furniture, fixtures, fittings and computer equipment	
	Group £	Charity £
<b>Cost</b>		
At 1 April 2002	123,813	123,813
Additions	38,739	38,739
Disposals	-	(14,043)
<b>At 31 March 2003</b>	<u>162,552</u>	<u>148,509</u>
<b>Accumulated depreciation</b>		
At 1 April 2002	86,582	86,582
Charge for the year	35,490	31,980
Eliminated on disposal	-	(7,773)
<b>At 31 March 2003</b>	<u>122,072</u>	<u>110,789</u>
<b>Net book value</b>		
<b>At 31 March 2003</b>	<u>40,480</u>	<u>37,720</u>
<b>At 31 March 2002</b>	<u>37,231</u>	<u>37,231</u>

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

### 12 Fixed asset investments

UK Listed stocks and shares

Group and charity	2003 £	2002 £
Market value at 1 April	769,688	802,761
Disposals	(212,420)	(455,084)
Purchases	213,582	463,637
Profit/(Loss) on disposal compared with values at previous year end	196	(22,589)
Loss on investment from change in value	(193,569)	(10,607)
Cash held for re-investments	(1,163)	(8,430)
Market value at 31 March	576,314	769,688

Investments include the Colonel S Carden Memorial Fund with a market value of £107,919 (2002 : £145,277).

Investments held at the year end in excess of 5% of the total portfolio value were:

	Market Value £
Cazenove Inv FD MT Growth Trust	256,657
Cazenove Equity Income Trust	176,713
Cazenove Inv FD MT Income Trust	73,098
Charinco/Charishore Inc	54,158

The company holds 100% of the ordinary share capital (2 shares at cost £2) of Cadet Supply Department Limited which is a company incorporated in England operating as a garden centre.

### 13 Debtors

	2003 Group £	2003 Charity £	2002 Charity £
Due within one year:			
Trade debtors	31,637	-	31,738
Due from subsidiary	-	109,503	-
Other debtors	5,012	5,012	2,202
Prepayments and accrued income	72,988	72,988	77,867
	109,637	187,503	111,807

The amount due from the subsidiary includes a loan of £94,003 in relation to net assets transferred to it on commencement of its operations. The trustees are considering options for longer-term financing of the subsidiary company's working capital and arrangements for this will be finalised during the year to 31 March 2004.

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

14	Creditors	2003 Group £	2003 Charity £	2002 Charity £
	Amounts falling due within one year:			
	Trade creditors	47,347	12,500	46,217
	Other creditors	41,581	32,811	-
	Accruals and other amounts received in advance	130,651	135,422	64,252
	Other taxes and social security	22,665	18,797	15,823
		<u>242,244</u>	<u>199,530</u>	<u>126,292</u>

### 15 Analysis of net assets between funds Group

	Unrestricted General Funds £	Unrestricted Designated Funds £	Restricted Funds £	Total 2003 £
Fund balances at 31 March 2003 are represented by:				
Tangible fixed assets	37,610	-	2,870	40,480
Fixed asset investments	576,314	-	-	576,314
Current assets	394,704	242,733	127,321	764,758
Current liabilities	(242,244)	-	-	(242,244)
	<u>766,384</u>	<u>242,733</u>	<u>130,191</u>	<u>1,139,308</u>

### 16 Unrestricted designated funds

	Balance 31 March 2002 £	Movement in Funds		Balance 31 March 2003 £
		Incoming Resources £	Expenditure gains, losses and transfer £	
ACF Emergency Fund	2,000	-	(2,000)	-
ACFA Youth & Community Initiative Fund	97,532	-	(97,532)	-
Cadet Grants Fund	32,721	-	(32,721)	-
Colonel S. Carden Memorial Fund	172,405	-	(172,405)	-
Vocational Qualification Fund	100,657	674,331	(532,255)	242,733
	<u>405,315</u>	<u>674,331</u>	<u>(836,913)</u>	<u>242,733</u>

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

During the course of the year the Trustees undertook a review of the purposes for which designated funds had been established and concluded that the ACF Emergency Fund, the ACFA Youth & Community Initiative Fund, the Cadets Grant Fund and the Colonel S Carden Memorial Fund no longer needed to be separately shown as designated funds and these have therefore been transferred to unrestricted general funds.

### Purposes of the designated funds

#### *ACF Emergency Fund (now part of general funds)*

Funds set aside to meet unexpected emergencies

#### *ACFA Youth & Community Initiative Fund (now part of restricted funds)*

The Association commenced the sponsorship appeal in mid 1995. The fund is to be used mainly for the benefit of disadvantaged youth. At the start of the year this was transferred to restricted funds.

#### *Cadets Grant Fund (now part of general funds)*

Funds set aside to provide grants to cadets to assist them in activities in line with the objectives of the Association.

#### *Colonel S Carden Memorial Fund (now part of general funds)*

The Association was left a bequest by Colonel Carden (former Vice Chairman of the ACFA) in 1993. The fund is to be used for the benefit of cadets.

#### *Vocational Qualification Fund*

Funds set aside to provide grants to cadets in respect of study costs etc. related to obtaining Level 2 Public Service Vocational Qualification. These funds arise in relation to specific contracts for the provision of services which, although they do not, in the opinion of the trustees, give rise to a restricted fund, should be accounted for as a separate designated fund within unrestricted funds.

### 17 Unrestricted general fund

	Movement in Funds			Balance 31 March 2003 £
	Balance 31 March 2002 £	Incoming Resources £	Expenditure gains, losses and transfer £	
General fund	800,287	1,025,985	(1,059,888)	766,384

Unrestricted general funds now include the ACF Emergency Fund, the Cadets Grant Fund and the Colonel S Carden Memorial Fund (see Note 16)

# THE ARMY CADET FORCE ASSOCIATION

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2003

### 18 Restricted funds

	Balance 31 March 2002 £	Transfers £	Movement in Funds		Balance 31 March 2003 £
			Incoming Resources £	Expenditure gains, losses £	
G Cadet Company (Queen's Regiment) Trust Fund	22,841	(23,298)	457	-	-
Fixed asset grant fund	5,739	-	-	(2,869)	2,870
ACFA Youth & Community Initiative Fund & Outreach	-	97,532	106,774	(76,985)	127,321
	<u>28,580</u>	<u>74,234</u>	<u>107,231</u>	<u>(79,854)</u>	<u>130,191</u>

### Purposes of restricted funds

#### *G Cadet Company (Queen's Regiment) Trust Fund*

The Association became the sole Trustee of this Fund on 1 April 1981, and the capital of the Fund was held in trust for the benefit of G Cadet Company (Queen's Regiment). In the year ended 31 March 2003, this was transferred to creditors to be repaid to the G Cadet Company.

#### *Fixed asset grant fund (formerly Grant Received Deferred Fund)*

Grants received to finance specific purchases of fixed assets are credited to a separate restricted fund. Depreciation charged in respect of such assets is funded by transfers of an equivalent amount to general unrestricted fund thus depleting the fund completely over the life of the assets.

#### *ACFA Youth & Community Initiative Fund*

The Association commenced the sponsorship appeal in mid 1995. The fund is to be used mainly for the benefit of disadvantaged youth. During the year this was transferred from designated to restricted funds.

### 19 Financial commitments

The Association has a rental commitment in respect of the rental of a photocopier and telephone system.

	£ 2003
Due less than 1 year	11,557
Due 1 – 2 years	9,672
Due 2 – 5 years	9,735
Due over 5 years	-
	<u>30,964</u>