

Charities Aid Foundation

Trustees' report and financial statements
for the year ended 30 April 2009

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Trustees' report

Trustees, committees, officers and professional advisers

Board of Trustees

During the year, the members of the Board and their attendance records were:

Lord Cairns CVO CBE, Chairman (100%)
Peter Berry CMG, Vice Chairman (100%)
Adele Blakebrough MBE (83%)
Stuart Chandler, Chairman of CAF Bank Limited (until 25/09/08) (33%)
Philip Hardaker FCA (100%)
Gary Hoffman (until 18/03/09) (20%)
Constance Jackson (66%)
Michael Lake CBE (50%)
Kim Lavelly (100%)
David Locke FCA (66%)
Sir Graham Melmoth, Chairman of NCVO (66%)
Sir John Stuttard FCA (83%)
David Weymouth (83%)
Peter Wolton (100%)
Ian MacKinnon (from 12/02/09) (100%)

Patron

HRH The Prince Philip, The Duke of Edinburgh KG KT

President

Sir Brian Jenkins GBE (until 25/09/08)

Executive officers (at date of signing of this report)

Chief Executive
Dr John Low CBE

Executive Director, Communications
Mark Webster

Executive Director, Customer Services
John Alexander

Executive Director, Enterprise and Philanthropy Development
Russell Prior

Finance Director
Mike Dixon ACA

Executive Director, Marketing & Private Client
Sheila Hooper

Audit, Risk and Compliance Committee

Philip Hardaker FCA, Chairman

David Locke FCA

Sir John Stuttard FCA

Tim Sweeney (until 13/10/08)

David Weymouth (until 12/02/09)

Ian MacKinnon (from 12/02/09)

Investment Advisory Committee

Peter Wolton, Chairman

Robin Creswell

Constance Jackson

Nicola Richards

John White

Nominations and Remuneration Committee

Lord Cairns CVO CBE, Chairman

Peter Berry CMG

Gary Hoffman (until 18/03/09)

Constance Jackson

Kim Lavelly

Principal professional advisers

Auditors

Deloitte LLP
Chartered Accountants
London

Bankers

National Westminster Bank Plc
214 High Holborn
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Trustees' report (continued)

Constitution

The Charities Aid Foundation (CAF) is a registered charity (No. 268369) and is governed by a Declaration of Trust dated 2 October 1974. The Board of Trustees, together with the names of the executive director are set out on page 2.

Objectives and principal activities

CAF's vision is one of a society motivated to give ever more effectively, transforming lives and communities around the world.

CAF is an integrated customer-focused organisation for donors and charities that stimulates giving, social investment and the effective use of funds.

This year we helped individuals and companies give £372m (2008: £368m) to thousands of charities. We also offer award-winning financial services to charities.

At 30 April 2009, Charitable Funds under management in all CAF's products and services were £2.5bn (2008: £2.5bn).

CAF provided the following services for the year covered by this annual report:

For individuals

CAF offers services to help people to give to charities, taking advantage of tax breaks where possible, from enabling one-off donations through to establishing and administering a major charitable foundation.

For companies

CAF works closely with companies of all sizes to help them achieve their corporate giving objectives and engage more effectively with their communities and employees.

For charities

CAF provides banking and investment services to charities of all sizes as well as a fundraising support service to help charities process and manage donations. Our social investment initiative, Venturesome, offers affordable loans to small charities that are unable to access mainstream lenders.

International

Donors and charitable foundations use CAF's international network of offices to assist with their giving and philanthropic objectives worldwide.

For the sector

We underpin our commitment to effective giving by working as an advocate and research provider for the charity sector.

Public benefit

The aim of CAF is to add value and facilitate the work of charities in the UK and abroad by providing a range of services which ensure the most effective handling and distribution of charity funds. CAF's activities contribute to the public benefit by creating value for other charities and helping to shape the charitable sector.

CAF has referred to the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. Our achievements for the year are set out throughout this report and the trustees have considered how CAF's activities will contribute to the aims and objectives they have set.

We have also set out our goals for next year with a central aim of increasing the volume of our services and the public benefit we provide. CAF provides an effective way of giving for all donors and companies while funds can be applied to charitable activities.

Trustees' report (continued)

Achievements and performance

Overview

It has been a year in which activity within the principal areas of CAF have been dominated by the effects of the global economic downturn. Despite this, donations paid to charities have been maintained at similar levels to last year. Total funds in CAF and CAF products have also been maintained, with a growth in bank depositor balances compensating for the fall in funds held in investment products.

Donations of £372m paid to charities by CAF donors – over £1m every day of the year.

Donations paid to charities by CAF donors for the year ended 30 April 2009

	Shown in the SOFA ¹ £m	Other donations ² £m	Total 2009 £m	Total 2008 £m
From individuals				
Trust Accounts	91	-	91	81
Individual Charity Accounts	71	-	71	73
	162	-	162	154
From companies				
Company Accounts	68	-	68	72
Give As You Earn	31	55	86	82
	99	55	154	154
For charities				
Fundraising support accounts	-	29	29	29
International giving				
International giving	27	-	27	30
Other resources expended	-	-	-	1
	27	-	27	31
	288	84	372	368

Total funds in CAF and CAF products remain constant at £2.5bn.

Funds held at 30 April 2009

	Shown in group balance sheet £m	Other CAF products ³ £m	Total 2009 £m	Total 2008 £m
Trustees' and donor funds	650	-	650	714
Other donor funds	10	70	80	56
CAF banking products	1,064	362	1,426	1,282
CAF collective investment funds	-	338	338	401
	1,724	770	2,494	2,453
Other donor funds held in CAF banking and investment products	-	10	10	10
Net funds held at 30 April 2009	1,724	761	2,485	2,443

1. SOFA (Statement of financial activities) on page 13

2. Other donations consist of payments to charities where CAF acts as agent on behalf of others. These donations are not included in the SOFA

3. Other CAF products:

3.1 Other donor funds consist of charitable funds managed on behalf of other trusts and foundations

3.2 CAF banking products shown as 'Other CAF products' consist of CAF Fixed Rate Selector Accounts. The entity which holds and manages the funds deposited in CAF Fixed Rate Selector Accounts is Birmingham Midshires, a division of Lloyds Banking Group plc and consequently are not on the group balance sheet

3.3 The entities which hold and manage the funds in the CAF collective investment funds are independent entities and consequently are not on the group balance sheet

Trustees' report (continued)

Achievements and performance (continued)

Our aims and achievements for the year were:

Stimulating and motivating giving

Our aims:

- giving by our donors clients to charitable causes around the world would increase from £360m (excluding one off payments of £8m) to £370m
- total funds managed by the CAF family would increase from £2.5bn to £2.7bn

Our achievements:

- giving by our donor clients to charitable causes around the world increased to £372m, slightly ahead of our objective in spite of the global economic uncertainty
- total funds managed by the CAF family remained constant at £2.5bn, largely as a result of reductions in the value of equity based investments during the year

Using funds effectively

Our aims:

- we would reduce our costs in respect of every £1 of funds managed on behalf of donors and charities
- the cost of processing donations to charities in 2008/09 will not be greater than in 2007/08 and thereafter will decrease

Our achievements:

- cost of every £1 of managed funds for 2009 stood at 0.8p, which was higher than in 2008, as a result of the drop in value of managed funds
- the cost of processing a £1 donation to charity was 4.67p (2008: 4.33p), as a result of investment and restructuring to reduce costs in future years

Operating efficiently

Our aim:

- we will increase the surplus from normal activities as a percentage of income from fees and interest

Our achievements:

- the surplus from normal activities as a percentage of income from fees and interest increased from 15% to 21%, principally as a result of higher than expected interest income

Customer focus

Our aim:

- we will conduct surveys in order to research and benchmark :
 - the percentage of customers who are at least 'satisfied' with our service
 - awareness of our brand among our target market
 - the impact of new propositions launched in the year

Our achievement:

- our first nationally benchmarked index revealed that over 80% of our customers were either satisfied or very satisfied with CAF, against a benchmark expectation of 70%
- CAF's own brand awareness was 4% which, although much lower than we would like, has increased over the year against an initial benchmark of 2.8%

Trustees' report (continued)

Our aims for next year

During 2008/09 we completed a major system implementation as part of our strategy review to improve our customer service and modernise our operations. Next year we plan to build on this investment by ensuring the system works to capacity and delivers growth to CAF and the sector, while reducing unit costs long term.

However, the targets we have set ourselves for the value of donations paid and assets managed are inevitably influenced by the challenging external economic environment, resulting in reductions next year.

Stimulating and motivating giving in a harsh environment

- Giving by our donor clients to charitable causes around the world is likely to decrease to not less than £300m
- Total assets managed by the CAF family will not decrease by more than £100m

Using funds effectively

- The cost of processing donations to charities in 2009/10 will be held to 5.9p/£1 as a result of a decline in the value of donations, while costs are held at 2008/09 levels
- We will manage our cost base in the context of an anticipated decrease in assets managed but expect the cost/£1 of assets managed to increase by not more than 0.1p to 0.9p/£1

Operating efficiently

In the current challenging economic environment, we will limit the impact on Trustees' reserves of lower income to an overall drop in reserves of £0.8m.

Customer focus

- CAF's web services will be expanded and refreshed
- A debit card will be introduced for CAF Bank's customers
- Other new giving initiatives will be evaluated
- Awareness of our brand among our target market will continue to be improved and measured

Grantmaking policy

Our grants programme has been under review throughout the year. A small number of top-up grants have been awarded to complete the work with existing grant-holders.

For our 2009/10 programme we will focus on supporting initiatives that aim to make positive changes in the way people give to charity and the way that charities work with donors. We will engage and seek the views of key stakeholders to determine the focus. A proportion of each grant will support research, analysis and dissemination and we will seek to use approaches and learning to underpin the further development of our broader activities.

The programme will be funded by our donor clients. Awards that meet our funding priorities will be made by CAF employees with responsibilities delegated by the Board of Trustees with the support of a newly formed Advisory Committee.

Financial review

We have set out the full details of our income and expenditure in the statement of financial activities (SOFA) on page 13. Income for the year, principally representing donations received from donors, was £328m. This was significantly lower than the £409m received in 2008. Donations received from individual and company donors were impacted by the current economic climate with Trust clients in particular experiencing a significant drop. Income for the Parent charity for the year was £294m (2008: £374m).

In spite of the lower value of donations received, resources expended (principally representing donations to charities by CAF donors) showed a small increase to £322m (2008: £316m). As a result, net incoming resources reduced to £5m (2008: £93m). We have described in more detail our achievements and performance in respect of the activities we undertake for our donor clients on pages 4 and 5.

Losses on fixed asset investments during the year, principally representing losses on long term equity investments held in CAF Trusts, amounted to £68m in 2009 (2008: £14m), mirroring losses in financial markets during the year.

Trustees' report (continued)

Financial review (continued)

The investment losses led to a net reduction in Group funds during the year of £63m (2008: increase £79m). For the Parent charity the net reduction in funds during the year was £66m (2008: £77m).

Unrestricted funds decreased by £2.7m (2008: increased by £0.4m) during the year.

Although income benefited from higher than anticipated earned interest rates for most of the year, expenditure on charitable activities was £7m higher than the prior year, principally reflecting expenditure on a strategic programme to improve and modernise our operations. The value of unrestricted funds was also impacted by the Financial Services Compensation Scheme enforcing a compulsory levy of £1,001k as a result of CAF Bank's share of the cost of banking failures during the year. A further similar levy is expected to be borne by the Group over the next two years, after which a further claim may be made by the scheme in respect of any potential shortfall in assets recovered from banks being wound down compared to borrowings taken out to reimburse customers of the failed banks.

Total funds on the balance sheet reflect a corresponding drop of £63m to £650m, resulting primarily from the reduction in investment value referred to above.

The impact of CAF Bank's growing depositor balances accounts for the majority of the increase in current assets from £1,178m to £1,332m during the year, and a corresponding increase in current liabilities from £960m to £1,101m.

Reserves policy

CAF's reserves policy is to maintain an adequate level of capital to support the activities of the group, taking into account the risks to which the Group is exposed and existing and projected future levels of income and expenditure. Given the nature of our activities, the policy considers the risks inherent to financial institutions including credit risk, market risk and operating risk. The appropriate level of capital is then determined following the principles of the EU Capital Requirements Directive and Charity Commission guidelines. The policy is reviewed annually by the Trustees.

The group's reserves position is summarised as follows:

	2009	2008
	£000	£000
CAF group reserves and external capital		
Group unrestricted funds	27,983	30,758
External capital	8,350	8,350
	36,333	39,108
Less: Tangible fixed assets	(5,812)	(5,797)
Less: Reserves required to meet financial and operating risks and contingencies	(28,195)	(29,529)
Available for future growth	2,326	3,782
Planned investment in growth	4,000	4,773
Shortfall	(1,674)	(991)

During the year the group largely completed the implementation of a significant programme to improve and modernise systems and operations which resulted in an increase in the overall shortfall in reserves. The Trustees consider the shortfall to be manageable within the context of the group's overall financial position and will continue to monitor the position over the coming year.

Going concern

CAF's business activities, together with its financial position and factors likely to affect its future development and performance are set out in the Achievements and Performance, Financial Review and the Reserves policy within this report. The group's forecasts and objectives, which take into account the current external economic environment, show that the group should be able to operate at adequate levels of both liquidity and capital for the foreseeable future.

Trustees' report (continued)

Going concern (continued)

Consequently, the Trustees are satisfied that the Group should have sufficient resources to continue to operate for the foreseeable future and have, therefore, continued to adopt the going concern basis in preparing the financial statements.

Investment policies and performance

CAF adopts investment policies appropriate to the nature of the funds for which the investments are held. The primary investment aim is to provide a high degree of security through appropriate diversification and liquidity and to maximise returns, whilst adopting a conservative approach. CAF's investment policies and performance are reviewed periodically by the Investment Advisory Committee on behalf of the Trustees.

Unrestricted Trustees' funds

The investment policy relating to the Trustees' unrestricted funds is to provide a high degree of security, diversity and liquidity. Performance is measured against a benchmark of seven day LIBOR (London Inter Bank Offer Rate). The total return for the year ended 30 April 2009 was 1.3% which was 2.16% below the benchmark, reflecting the underperformance of a small element of equities in the portfolio.

Restricted funds

Investments are held for restricted funds as follows:

- *Trust Accounts*

Specific investments held for Trust Accounts are determined by the investment objective of each donor. As a result, this portfolio consists of a broad range of investments often held over the longer term, principally comprising equities and bonds. Performance is measured against an appropriate benchmark taking into account the objectives of the donor.

- *Other restricted funds*

Investments held in respect of other restricted funds are invested in UK gilts, government backed corporate bonds, and bank deposits with high grade counterparties. Whilst the performance of the gilts and government backed bonds has been strong, the global financial crisis has impacted the return on the group's £26m portfolio of corporate bonds. Performance of the gilt and bond portfolio is measured against a benchmark of the FT-A British Government All Stocks. The total return for the year ended 30 April 2009 was 7.45%, which was 2.8% below the benchmark, entirely as a result of the poor return on the group's corporate bond portfolio which is not reflected in the benchmark. Investment policies of subsidiary and associated companies and trusts are determined and managed by their respective boards. Details of these policies are set out in the report and financial statements of each entity, copies of which are available from CAF's head office.

Structure, governance and management

The Board of Trustees is the body responsible for the management of CAF and is required to consist of:

- not less than eight Trustees appointed by resolution of the Trustees
- the Chairman of NCVO

The Board meets at least five times a year. All Trustees are non-executive and none of them receives remuneration from CAF.

Trustees are appointed to hold office for a term of three years. Except for the Chairman of the NCVO, no Trustee may hold office for more than three consecutive terms. Individually and collectively the Trustees exercise independent and objective judgement. Trustees are of varied backgrounds and experience and newly appointed Trustees undertake an induction programme, including meetings with CAF's senior management and external advisers. The programme is designed to ensure that they gain a full understanding of CAF and of their responsibilities.

Trustees' report (continued)

Structure, governance and management (continued)

CAF's Declaration of Trust empowers the Trustees to take such steps as are necessary to achieve CAF's objectives and make appropriate arrangements for the sound management of its business. Management responsibilities are delegated by the Trustees to the Chief Executive. The Board has also delegated certain functions to the sub-committees described below. Each sub-committee has specific terms of reference and has a chairman appointed by the Trustees. Trustees strengthen the sub-committees by co-opting experts in the relevant field. This delegation is controlled by requiring regular reporting from the Chief Executive and the sub-committees to the Board of Trustees.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee consist of independent members as well as Trustees with relevant expertise. The committee met on four occasions during the year with senior management and the external auditors. The committee's purpose is to review and make recommendations on the following on behalf of the Trustees:

- internal control and risk management systems
- effectiveness of internal audit
- relationship of CAF with its external auditors
- procedures for compliance with anti-money laundering legislation
- annual report and accounts
- arrangements by which staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Investment Advisory Committee

The Investment Advisory Committee consists of a panel of independent investment experts chaired by a Trustee. The committee met on four occasions during the year with senior management. The purpose of the committee is to advise the Trustees on investment matters regarding our own funds, and funds held by us on behalf of donors or as agent. This is undertaken in the context of our long range strategic plans, operational activities and Charity Commission guidelines. The committee monitors compliance with agreed investment policies and performance benchmarks. It also performs an annual review of compliance with procedures relating to investments, as well as providing other advice on an ad hoc basis.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee advises the Trustees on the appointment of CAF's Trustees and of the co-opted members and advisers to the boards and committees of the CAF group. The committee also recommends the remuneration of the Chief Executive and other senior executive officers and reviews and agrees the basis for the general pay award to staff. The committee also reviews the general terms and conditions of employment of our staff with particular attention to the provision of pension arrangements. The committee met on four occasions during the year under review.

Other committees

The Trustees appoint two other committees to assist them in fulfilling their responsibilities. Their terms of reference are as follows:

- *Information Systems Management Committee* – meets four times a year and monitors our investment in information systems
- *International Management Committee* – meets five times a year and advises Trustees in respect of our overseas branches, subsidiaries and partners

The CAF group and family and relationships with other charities

The CAF family is made up of CAF itself, plus several strands that include charities, banking and investment products, and the overseas offices that form our international network. Some services are not delivered by CAF itself, but by other members of our family. CAF is represented on the governing boards of the separately constituted family members by senior executive officers of CAF and where relevant by Trustees of CAF or independent experts in the relevant field. CAF's Board of Trustees regularly receives updates from the boards of each entity in the CAF group and of the CAF UK Equity Growth Fund and the CAF Bond Income Fund. The members of the CAF family are listed below and further details can be found in note 2 to the financial statements.

Trustees' report (continued)

The CAF group and family and relationships with other charities (continued)

CAF group

The CAF group includes the following entities, whose results and net assets are included in the group financial statements:

- CAF
- CAF Bank Limited
- CAF Marketing Services Limited
- CAF America
- CAF American Donor Fund (Southampton Row Trust Limited)
- Ven Investments Ltd
- CAF Australia
- CAF Russia (branch)
- CAF Philanthropy Services LLC
- CAF Global Trustees (Limited)
- CaSE Insurance (a joint venture)

Independent members of our international network

The results and net assets of the following are not consolidated into our group financial statements:

- Bulgarian CAF
- CAF India
- IDIS Brazil
- CAF Southern Africa

CAF-branded investment and banking products

The results and net assets of the following are not consolidated into our group financial statements, although the group does receive fees and commissions from the promotion of these products:

- CAF UK Equity Growth Fund
- CAF Bond Income Fund
- CAF UK Equitrack Fund
- CAF Socially Responsible Portfolio
- CAF Fixed Rate Selector Account
- CAF Guaranteed Equity Account

Charity Bank

Charity Bank operates as a wholly independent undertaking that is entirely reliant on the strength of its own balance sheet and with no recourse to CAF by way of any form of direct or indirect financial support. Accordingly, Charity Bank is not consolidated in the group accounts – see note 2.2 to the financial statements.

Relationships with other charities

We have links with a large number of charities through the provision of financial and administration services, as well as with our founder, the National Council for Voluntary Organisations (NCVO), which was paid £1.2m (2008: £1.2m) during the year under a contractual obligation.

Risk management and internal control

We are committed to a policy of identifying, monitoring and managing the risks that might adversely affect the activities in which we are involved. In this context, risk is defined as the potential to fail to achieve business objectives and for loss, financial and reputational, inherent in the environment in which we operate and in the nature of the transactions undertaken.

There has been in place throughout the year an ongoing process for identifying, evaluating and managing risks faced by CAF which has been regularly reviewed by the Trustees. Appropriate actions have been put in place to mitigate the consequences of these risks.

The Trustees have overall responsibility for CAF's system of internal control that is designed by senior management to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations. The Trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Trustees, through its Audit, Risk and Compliance Committee and the work of its Audit and Risk department, review the effectiveness of the system of internal control. The Trustees are satisfied that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review process.

Trustees' report (continued)

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the annual report and financial statements for each financial year, in accordance with the Charities Act 1993, the Charities (Accounts and Reports) Regulations 2008 and United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the incoming resources and application of the resources of the group during the year and of the charity's and group's state of affairs at the end of the financial year. In preparing those financial statements, the Trustees 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 and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and group will continue in operation

The Trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the charity and group and to enable them to ensure that the financial statements comply with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the charity and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Trustees on 22 July 2009 and signed on their behalf

Lord Cairns CVO CBE
Chairman of Trustees

Independent auditors' report to the Trustees of Charities Aid Foundation

We have audited the group and parent charity financial statements of Charities Aid Foundation for the year ended 30 April 2009 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Charities Act 1993 and the trust deed. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charity'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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and the parent charity's affairs as at 30 April 2009 and of the group's incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993 and the trust deed.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
22 July 2009

Group statement of financial activities for the year ended 30 April 2009

	Notes	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total 2009 £000	Total 2008 £000
Incoming resources						
Incoming resources from generated funds						
Voluntary income		2,796	961	-	3,757	3,772
Investment income	3	11,033	16,474	-	27,507	27,061
Incoming resources from charitable activities						
Tax efficient giving from donors		5,475	276,278	-	281,753	365,694
CAF Bank net interest income	2	8,723	-	-	8,723	7,460
Other income		4,043	2,191	13	6,247	5,256
Total incoming resources	4	32,070	295,904	13	327,987	409,243
Resources expended						
Costs of generating funds						
Fundraising and publicity		1,000	-	-	1,000	1,046
Charitable activities						
For individuals	5	7,241	161,471	-	168,712	158,131
For companies	5	9,553	99,247	-	108,800	112,864
For charities	5	9,674	61	-	9,735	8,325
International	5	3,495	27,337	-	30,832	34,058
For the sector	5	1,608	111	-	1,719	1,348
Governance costs	6	626	-	-	626	617
Total resources expended		33,197	288,227	-	321,424	316,389
Net incoming resources before FSCS levy						
		(1,127)	7,677	13	6,563	92,854
FSCS Levy	8	(1,001)	-	-	(1,001)	-
Net incoming resources before recognised gains and losses						
		(2,128)	7,677	13	5,562	92,854
Losses on fixed asset investments		(7)	(68,121)	(140)	(68,268)	(13,725)
Property revaluation		(565)	-	-	(565)	-
Taxation	9	(75)	-	-	(75)	(65)
Net movement in funds		(2,775)	(60,444)	(127)	(63,346)	79,064
Fund balances brought forward		30,758	681,384	1,470	713,612	634,548
Fund balances carried forward	18	27,983	620,940	1,343	650,266	713,612

All incoming resources and resources expended for the current and prior year are derived from continuing operations. All gains and losses arising in the year and in the preceding year are included above.

Group and charity balance sheets as at 30 April 2009

	Notes	Group		Charity	
		2009 £000	2008 £000	2009 £000	2008 £000
Fixed assets					
Tangible assets	10	5,812	5,797	5,779	5,775
Investments	11	430,270	506,282	422,647	498,150
		436,082	512,079	428,426	503,925
Current assets					
Investments	12	970,227	824,938	-	-
Interest receivable		12,629	18,139	5,960	4,698
Debtors	13	13,894	7,647	15,867	7,641
Money market and bank balances		335,530	326,807	214,909	211,841
		1,332,280	1,177,531	236,736	224,180
Current liabilities: amounts falling due within one year					
Creditors	14	25,544	25,300	22,648	21,132
Bank overdrafts		1,789	765	-	-
Donor client balances	15	10,075	10,148	10,075	10,148
CAF Bank depositors' balances		1,063,523	924,142	-	-
		1,100,931	960,355	32,723	31,280
Net current assets		231,349	217,176	204,013	192,900
Total assets less current liabilities		667,431	729,255	632,439	696,825
Liabilities: amounts falling due after more than one year					
Creditors	14	(8,505)	(6,884)	(8,505)	(6,884)
Loan stock and preference shares	16	(8,350)	(8,350)	-	-
Provisions for liabilities	17	(310)	(409)	(310)	(409)
		650,266	713,612	623,624	689,532
Funds	18				
Funds held for the benefit of charities or for charitable purposes					
Endowment funds		1,343	1,470	1,031	1,171
Restricted funds		620,940	681,384	594,870	657,811
		622,283	682,854	595,901	658,982
Own reserves - funds for charitable purposes					
Unrestricted funds		27,983	30,758	27,723	30,550
		650,266	713,612	623,624	689,532

CAF group reserves and external capital			
Group unrestricted funds	18	27,983	30,758
External capital	16	8,350	8,350
Total group reserves and external capital (see Reserves policy in Trustees' report)		36,333	39,108

Approved by the Trustees on 22 July 2009 and signed on their behalf

Lord Cairns CVO CBE
Chairman of Trustees

Mike Dixon ACA
Finance Director

Group cash flow statement for the year ended 30 April 2009

	Notes	2009		2008	
		£000	£000	£000	£000
Cash inflow from operating activities	20.1		146,747		161,301
Taxation					
UK corporation tax paid			(80)		(65)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(895)		(697)	
Proceeds on disposal of tangible fixed assets		-		-	
Payments to acquire fixed asset investments		(245,332)		(250,960)	
Proceeds on disposal of fixed asset investments		<u>252,548</u>		<u>255,574</u>	
			<u>6,321</u>		<u>3,917</u>
Cash inflow before management of liquid resources and financing	20.2/3		152,988		165,153
Management of liquid resources					
Payments to acquire current asset investments		(3,088,099)		(2,139,117)	
Proceeds on disposal of current asset investments		2,942,810		1,978,467	
Net withdrawals in the money market		<u>34,682</u>		<u>10,650</u>	
			(110,607)		(150,000)
Increase in cash in the year	20.2/3		<u>42,381</u>		<u>15,153</u>

Notes to the financial statements for the year ended 30 April 2009

1. Accounting policies

Basis of preparation of financial statements and accounting standards

The group financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain fixed asset investments, and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), 'Accounting and Reporting by Charities' Statement of Recommended Practice (SORP 2005), the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2008, except for the provision of SORP 2005 for all investments to be valued at market value, since certain debt securities which are normally held to maturity for balance sheet management purposes are valued at amortised cost.

Included in these group financial statements are those of CAF Bank Limited, whose accounts are prepared in accordance with relevant Statements of Recommended Accounting Practice issued by the British Bankers Association.

Fund accounting

CAF and other charities in the group maintain various types of funds as follows:

Unrestricted funds

General unrestricted funds represent funds which are expendable at the discretion of the Trustees in the furtherance of group objectives. Such funds may be held in order to finance both working and capital investment.

Restricted funds

Restricted funds represent grants, donations and legacies received which are allocated by the donor for specific purposes.

Endowment funds

These represent:

- Two permanent endowments for which the assets must be held permanently by the charity. Income from those assets may only be used to support the charity's operations in Russia
- An expendable endowment to be used for the strategic development of the group's activities in Australia

Incoming resources

Incoming resources comprise the following:

- Voluntary income which includes donations, legacies and gifts-in-kind
- Investment income, comprising income generated from investment portfolios
- Tax effective giving from donors and other voluntary income, representing donations, fees and contributions and gifts from individuals, trust clients and companies
- CAF Bank net interest income, representing interest earned by CAF Bank Limited after deduction of the interest paid to its charity depositors

All incoming resources are included in the Statement of Financial Activities (SOFA) when the group is legally entitled to the income and the amount can be quantified with reasonable accuracy. Tax effective funds from donors and voluntary income are accounted for when any conditions for receipt have been met and there is reasonable assurance of receipt. All other incoming resources are accounted for on an accruals basis.

Amounts received by the group as agent are not included in the SOFA. This includes amounts in respect of CAF's Fundraising Support Services and Give As You Earn (except where donors have elected for their Give As You Earn donations to be credited to a GAYE Charity Account).

Notes to the financial statements for the year ended 30 April 2009

1. Accounting policies (continued)

Resources expended

The SOFA shows expenditure for each of the group's main activities, accounted for on an accruals basis. Each category includes direct costs and support costs. Where support costs cannot be directly attributed to a category, they are apportioned on the basis of headcount.

Charitable activities expenditure

Tax efficient giving principally represents donations to charities by CAF clients. Such expenditure is charged to the SOFA when both the group and beneficiary charities are notified in the normal course of business of an unconditional obligation to transfer funds. Amounts to be paid at a future date are included in creditors.

Support costs

Support costs include those relating to business support (including human resource and general administration expenses), executive management, finance, and information systems. The details of support costs are shown under note 5.

Governance costs

Governance costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

Research expenditure

CAF conducts research into various aspects of the funding of the voluntary sector including grantmaking and voluntary giving. Expenditure on this research is accounted for on an accruals basis and is expensed when incurred.

VAT

Irrecoverable VAT is charged as a cost to the SOFA.

Operating leases

Operating lease rentals are charged to the SOFA on a straight line basis over the term of the lease.

Pension costs

The amount charged in the SOFA in respect of pension costs is the contributions payable in the year on an accruals basis.

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling for sterling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange at that date.

The results of overseas operations are translated at the average annual rate of exchange and their balance sheets at the rates ruling at the balance sheet date.

Exchange differences arising, including those on the translation of opening net assets of overseas subsidiary undertakings, are taken to the SOFA.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Tangible fixed assets

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, or in the case of land and buildings at valuation, including any incidental expenses of acquisition. Valuation of land and buildings is determined by an independent valuer at least every five years. Impairment reviews are only carried out if there is an indication that the recoverable amount of an asset is below the asset's net book value.

Notes to the financial statements for the year ended 30 April 2009

1. Accounting policies (continued)

Tangible fixed assets (*continued*)

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost or re-valued amount on a straight line basis over their expected useful lives as follows:

- | | |
|---|--|
| ▪ Long leasehold property | 50 years |
| ▪ Leasehold property improvements | The shorter of the remaining life of the lease or the useful economic life of the improvements |
| ▪ Furniture and fittings | 4 years |
| ▪ Computer equipment | 3 years |
| ▪ Software licences and development costs | A maximum of 3 years |

No depreciation is provided on land.

Investments

Three classes of fixed asset investments are held by the group:

- Fixed term debt securities held other than for Trust Accounts which are expected to be held to maturity. These are shown at cost plus or minus amortisation of any discount or premium on redemption and are regularly reviewed for impairment.
- Investments held for Trust Accounts (see note 18.2) are included at market value at the balance sheet date. Any surplus or deficit on revaluation is transferred to the fund for which the security is held. If no market value is readily available at the balance sheet date for unlisted investments, they are included at the most recently available value; at Trustees' valuation; or value upon acquisition by or gift to CAF.
- Investments in subsidiaries are stated at cost less any impairment

The SOFA includes net gains and losses arising on revaluations and disposals throughout the year.

Current asset investments are all held by CAF Bank Limited. These are held to maturity and are shown at cost plus or minus amortisation of any discount or premium on redemption.

Venturesome

Venturesome provides mezzanine finance to other third sector organisations. Venturesome loans are included in debtors (note 13) net of provisions made for their non-recovery. Provisions are made on a case-by-case basis and are adjusted as necessary following monthly reviews of the risks associated with each loan.

2. Consolidation

The group financial statements include the accounts of CAF (the charity) and its subsidiary undertakings for the year ended 30 April 2009. The results of CAF (the charity) for incoming resources and net movement in funds are disclosed in the financial review section of the Trustees' Report on page 6. Further details of CAF's relationship with each member of the CAF family can be found in the Trustees' report.

2.1 Consolidated entities

The following entities are controlled by CAF and are consolidated in the group financial statements using the equity method:

Trading subsidiaries

CAF owns 100% of the equity share capital of the following:

- **CAF Bank Limited**, a bank for charities authorised and regulated by the Financial Services Authority
- **CAF Marketing Services Limited**, a company authorised and regulated by the Financial Services Authority to market the CAF group's banking and investment products for charities

Notes to the financial statements for the year ended 30 April 2009

2. Consolidation (continued)

UK registered charities

Southampton Row Trust Limited, which operates as the **CAF American Donor Fund**, is a UK charitable company registered with the Charity Commission (number 1079020). Throughout the year it was wholly-owned by CAF America (see below) and its ultimate controller is CAF. CAF American Donor Fund supports cross-border tax-efficient giving by enabling individuals liable for tax in both the UK and USA to obtain tax relief in each country on charitable gifts.

Overseas charitable entities

CAF controls the following overseas charitable entities:

- **CAF America**, a US public charity recognised by the US Internal Revenue Service. CAF America provides US citizens with the opportunity to make tax-effective gifts for the support of overseas charities. CAF's Chief Executive is the sole member of CAF America
- **CAF Australia group**, which offers a range of charitable services to Australian donors and charities similar to those offered by CAF in the UK. CAF is the sole member and appoints the directors of the entities in the CAF Australia group
- **CAF Philanthropy Services LLC**, which was founded in Russia by CAF and operates alongside our branch in Moscow. Together they work to raise awareness of NGO's and to advance giving and philanthropy in Russia

Joint ventures

CAF Marketing Services Limited holds a 30% stake in **CaSE Insurance** (Charities and Social Enterprise Insurance LLP). CaSE provides insurance products designed specifically for the third sector. The partnership was formed in March 2007 and its results to 30 April 2009, which have been included in these accounts, do not materially affect the group results.

Branch

The results of **CAF Russia**, CAF's overseas branch, are included in the accounts of CAF.

CAF Global Trustees Limited (CAF GT)

CAF GT is a UK charitable company registered with the Charity Commission (registered number 1111039). It acts as the corporate trustee of a number of charitable foundations, enabling donors to register their own charitable foundation in the UK even if they are not a UK citizen. CAF controls CAF GT and its results and net assets are included in the accounts of the CAF group.

CAF GT does not exercise control over, nor have any beneficial interest in the net assets of the independent charities for which CAF GT acts as the corporate trustee and accordingly these charities are not consolidated in the accounts of the CAF group.

2.2 Entities not consolidated

Independent members of the CAF international network

Bulgarian CAF, CAF India and CAF Southern Africa are independent members of the CAF international network. CAF has a minority representation on their boards and consequently their results are not consolidated in the group financial statements. IDIS Brazil is a strategic partner within the CAF International network.

CAF-branded investment and banking products

Other than through investment as an accountholder or unitholder, and fees earned for administration and marketing, the CAF group entities have no beneficial interest in the net assets of the following:

- Charities Aid Foundation UK Equity Growth Fund
- Charities Aid Foundation Bond Income Fund
- CAF UK Equitrack Fund
- CAF Socially Responsible Portfolio
- CAF Fixed Rate Selector Account
- CAF Guaranteed Reserve Account

Investments and deposits in the above funds and accounts, held by entities of the group, are accounted for as investments and bank balances in the accounts of those entities.

Notes to the financial statements for the year ended 30 April 2009

2. Consolidation (continued)

2.2 Entities not consolidated (continued)

Charity Bank

Since its foundation in 2002, Charity Bank has operated as an independent self-financing business within the CAF family. Whilst wholly supportive of Charity Bank's mission and strategy, and despite having the ability to appoint three seats on Charity Bank's board, the governance structure is such that CAF does not control or exercise significant influence over its affairs. CAF has had no substantive involvement with Charity Bank's business or day-to-day affairs, nor has it undertaken any role akin to guarantor.

Charity Bank operates as a wholly independent undertaking that is entirely reliant on the strength of its own balance sheet and with no recourse to CAF by way of any form of direct or indirect financial support. Accordingly, Charity Bank is not consolidated in the group accounts.

2.3 Results of subsidiaries

Due to the large number of subsidiary undertakings, the disclosure required by paragraph 403 of the Charities SORP would result in information of excess length being given. As a result, information is only given for CAF Bank Limited, whose results materially affected the group's annual accounts. Financial statements for all of the group's subsidiaries are available from CAF's head office.

	2009	2008
	£000	£000
CAF Bank Limited		
Interest receivable	41,779	52,368
Interest payable	(33,056)	(44,908)
Net interest income	<u>8,723</u>	<u>7,460</u>
Operating expenditure	(851)	(742)
Administrative expenses	(3,929)	(3,129)
Operating profit before FSCS Levy	<u>3,943</u>	<u>3,589</u>
FSCS Levy	(1,001)	-
Operating profit	<u>2,942</u>	<u>3,589</u>
Charitable donation to CAF	(2,867)	(3,524)
Profit on ordinary activities before taxation	<u>75</u>	<u>65</u>
Tax on profit on ordinary activities	(75)	(65)
Retained profit for the year	<u>-</u>	<u>-</u>

To maintain clarity and understanding of CAF Bank's contribution to the group's incoming resources and resources expended, 'CAF Bank net interest income' has been disclosed separately in the group SOFA. This has no net effect on the results shown by the group SOFA.

Notes to the financial statements for the year ended 30 April 2009

3. Investment income

	2009 £000	2008 £000
Interest on fixed interest securities and cash deposits	17,494	15,880
Dividends	9,834	11,091
Interest on loans to charities	179	90
	27,507	27,061

4. Incoming resources

	For individuals £000	For companies £000	For charities £000	Inter- national £000	For the sector £000	Other unrestricted income £000	Total 2009 £000	Total 2008 £000
Voluntary income	1,549	695	-	443	957	113	3,757	3,772
Investment income	22,920	2,858	617	808	-	304	27,507	27,061
Tax efficient giving from donors	150,217	100,035	1,197	30,252	52	-	281,753	365,694
CAF Bank net interest income	-	-	8,723	-	-	-	8,723	7,460
Other income	11	1,364	1,400	3,459	-	13	6,247	5,256
	174,697	104,952	11,937	34,962	1,009	430	327,987	409,243

Other unrestricted income represents legacies gifted to CAF and investment income on Trustees' unrestricted funds.

5. Charitable activities expenditure

	For individuals £000	For companies £000	For charities £000	Inter- national £000	For the sector £000	Total 2009 £000	Total 2008 £000
Tax efficient giving to charities	164,421	103,347	1,476	27,337	-	296,581	295,984
Other charitable activities	-	-	4,508	2,291	1,557	8,356	7,282
Support costs:							
Business support	1,263	1,691	1,776	579	62	5,371	4,517
Finance & Executive Management	479	802	829	362	47	2,519	2,203
Information systems	2,549	2,960	1,146	263	53	6,971	4,740
	168,712	108,800	9,735	30,832	1,719	319,798	314,726

Payments to the NCVO

Tax efficient giving to charities includes £1,189,000 (2008: £1,194,000) paid to CAF's founder, the National Council for Voluntary Organisations (NCVO), under the terms of CAF's Declaration of Trust.

Allocation of support costs

CAF adopts a policy of allocating costs to its operations throughout the year. Where support costs cannot be directly attributed to an activity, these are allocated on the basis of headcount.

Notes to the financial statements for the year ended 30 April 2009

6. Governance costs

	2009	2008
	£000	£000
Internal audit	275	247
External audit:		
- Audit fees	228	176
- Other	7	51
Company secretarial	13	11
Trustees' indemnity insurance	16	18
Trustees' and meeting expenses	1	3
Support costs	86	111
	626	617

7. Staff costs

	2009	2008
	£000	£000
Salaries and wages	14,528	12,358
Social security costs	1,445	1,305
Pension costs	856	769
Training and welfare	521	507
	17,350	14,939

Pension costs

CAF participates in three pension arrangements administered by The Pensions Trust:

Growth Plan

This is a multi-employer pension plan, which is funded and is not contracted-out of the state scheme.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from normal retirement date. Details of a contingent liability in respect of these contributions are set out in note 25.

From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the plan, assessed on a prudent basis. Bonuses and investment credits are not guaranteed and are declared at the discretion of the plan's trustee.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Growth Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

Unitised Ethical Plan and Flexible Retirement Plan

The Unitised Ethical Plan is invested entirely in equity shares within the Stewardship Fund. The Flexible Retirement Plan is a money purchase pension scheme and employees units are invested in a range of investment funds.

The value of units in these funds at the date of retirement will determine the amount available to provide pension. There are no guarantees attaching to either plan.

Employees choose which plan they wish to join and contribute either 3% or 5.67% of basic salary. CAF contributes 6% or 11.33% respectively.

Notes to the financial statements for the year ended 30 April 2009

7. Staff costs (continued)

Employee emoluments

The number of staff whose total emoluments (salary plus taxable benefits excluding pension contributions) exceeded £60,000 during the year is as follows:

	2009 number	2008 number
£60,001 - £70,000	6	3
£70,001 - £80,000	2	9
£80,001 - £90,000	4	1
£90,001 - £100,000	3	2
£100,001 - £110,000	3	2
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
	19	18

Pension contributions were paid by CAF in respect of 17 (2008: 16) of the employees included above. The aggregate value of those contributions was:

	2009 £000	2008 £000
	185	204

The average number of employees analysed by function was:

	2009 number	2008 number
For individuals	94	82
For companies	158	146
For charities	110	116
International	90	97
For the sector	27	22
Governance	5	6
	484	469

8. FSCS Levy

CAF's trading subsidiary, CAF Bank Limited has been advised by the FSA of a substantial increase in the Financial Services Compensation Scheme ('FSCS') levy. This is required to fund interest on borrowings undertaken by the FSCS to make good protected deposits at banks seeking the scheme's support during 2008/09.

The levy year runs from 1 April to 31 March, and the amount of the levy is based on a bank's share of protected deposits at the preceding 31 December. Accordingly, a provision has been made for £1,001,000 in respect of CAF Bank's participation in the scheme at 31 December 2007 and 2008, representing the levy years 2008/09 and 2009/10.

9. Taxation

CAF is a registered charity and is exempt from income tax on its income and gains to the extent applied for charitable purposes. The tax charge of £75,000 (2008: £65,000) is attributable to profits which are retained by CAF Bank Limited for the payment of interest on preference shares.

There is no unprovided deferred taxation.

Notes to the financial statements for the year ended 30 April 2009

10. Tangible assets

Group	Long leasehold property £000	Leasehold property improvements £000	Furniture, fittings and computer equipment £000	Total £000
Cost or valuation				
At 1 May 2008	5,482	1,144	2,302	8,928
Additions	-	317	578	895
Revaluation	(954)	-	-	(954)
At 30 April 2009	4,528	1,461	2,880	8,869
Depreciation				
At 1 May 2008	305	815	2,011	3,131
Charged in year	103	71	160	334
On revaluation	(408)	-	-	(408)
At 30 April 2009	-	886	2,171	3,057
Net book value				
At 30 April 2009	4,528	575	709	5,812
<i>At 30 April 2008</i>	5,177	329	291	5,797

Charity	Long leasehold property £000	Leasehold property improvements £000	Furniture, fittings and computer equipment £000	Total £000
Cost or valuation				
At 1 May 2008	5,482	1,144	2,249	8,875
Additions	-	317	555	872
Revaluation	(954)	-	-	(954)
At 30 April 2009	4,528	1,461	2,804	8,793
Depreciation				
At 1 May 2008	305	815	1,980	3,100
Charged in year	103	71	148	322
On revaluation	(408)	-	-	(408)
At 30 April 2009	-	886	2,128	3,014
Net book value				
At 30 April 2009	4,528	575	676	5,779
<i>At 30 April 2008</i>	5,177	329	269	5,775

Long leasehold property

The long leasehold property consists of the lease to the year 2190 on the land and buildings occupied by CAF as its head office. The property is held at valuation and was last valued at 30 April 2009. The valuation was carried out in accordance with the guidelines of the Royal Institution of Chartered Surveyors. The open market value, on a vacant possession basis, at that date was estimated at £5.0 million.

A revaluation in accordance with appropriate professional guidelines will be carried out at least every five years; the next is due in April 2014.

The historical cost carrying value of the property at the balance sheet date was £4,345,000 (2008: £4,429,000).

Notes to the financial statements for the year ended 30 April 2009

11. Fixed asset investments

11.1 Group	Investments held at cost plus/minus amortisation £000	Investments held at market value £000	Total carrying value 2009 £000	Total carrying value 2008 £000
At 1 May 2008	177,419	328,863	506,282	525,313
Additions	42,741	202,591	245,332	250,960
Disposal proceeds	(47,848)	(204,700)	(252,548)	(255,574)
Amortisation of premiums and discounts	(528)	-	(528)	(692)
Net investment losses	(844)	(67,424)	(68,268)	(13,725)
At 30 April 2009	170,940	259,330	430,270	506,282
Historical cost	185,320	294,991	480,311	472,716

Represented by:	Investments held at cost plus/minus amortisation £000	Investments held at market value £000	Total carrying value 2009 £000	Total carrying value 2008 £000
Listed securities:				
Government fixed interest	97,808	4,853	102,661	135,457
Other fixed interest	73,132	4,456	77,588	49,089
UK equities	-	7,159	7,159	18,007
Overseas equities	-	9,835	9,835	36,896
CAF investment funds:				
- CAF UK Equity Growth Fund	-	46,243	46,243	59,793
- CAF Bond Income Fund	-	39,287	39,287	40,748
- CAF UK Equitrack Fund	-	11,010	11,010	10,554
- CAF Socially Responsible Portfolio	-	235	235	347
Unit trusts and other pooled investments	-	81,017	81,017	111,817
Investment trusts	-	2,713	2,713	3,220
Unlisted investments:				
- UK	-	4,069	4,069	4,414
- Overseas	-	38,203	38,203	30,044
Investment portfolio cash and settlements pending	-	10,133	10,133	5,779
Property investments	-	117	117	117
	170,940	259,330	430,270	506,282

Investments held at cost plus/minus amortisation:

Comparison of carrying values with market values	2009		2008	
	Carrying value £000	Market value £000	Carrying value £000	Market value £000
Listed securities:				
Government fixed interest	97,808	106,441	131,760	131,696
Other fixed interest	73,132	71,253	45,659	43,681
	170,940	177,694	177,419	175,377

Notes to the financial statements for the year ended 30 April 2009

11. Fixed asset investments (continued)

11.2 Charity	Investments held at cost plus/minus amortisation £000	Investments held at market value £000	Total carrying value 2009 £000	Total carrying value 2008 £000
At 1 May 2008	173,840	324,310	498,150	512,769
Additions	43,726	199,396	243,122	247,591
Disposal proceeds	(47,848)	(201,064)	(248,912)	(249,426)
Amortisation of premiums and discounts	(473)	-	(473)	(628)
Net investment losses	(844)	(68,396)	(69,240)	(12,156)
At 30 April 2009	168,401	254,246	422,647	498,150
Historical cost	169,545	302,654	472,199	464,884

Represented by:	Investments held at cost plus/minus amortisation £000	Investments held at market value £000	Total carrying value 2009 £000	Total carrying value *2008 £000
Listed securities:				
Government fixed interest	90,474	4,853	95,327	128,095
Other fixed interest	64,977	4,456	69,433	40,842
UK equities	-	7,052	7,052	18,007
Overseas equities	-	9,835	9,835	35,430
CAF investment funds:				
- CAF UK Equity Growth Fund	-	46,243	46,243	59,793
- CAF Bond Income Fund	-	39,287	39,287	40,748
- CAF UK Equitrack Fund	-	11,010	11,010	10,554
- CAF Socially Responsible Portfolio	-	235	235	347
Unit trusts and other pooled investments	-	76,090	76,090	108,860
Investment trusts	-	2,713	2,713	3,220
Unlisted investments:				
- UK	-	4,019	4,019	4,364
- Overseas	-	20,767	20,767	21,337
Investment portfolio cash and settlements pending	-	10,133	10,133	5,779
Property investments	-	117	117	117
Subsidiaries				
Trading companies	12,950	-	12,950	11,950
Investment holding company	-	17,436	17,436	8,707
	168,401	254,246	422,647	498,150

*The 2008 carrying values have been reclassified to reflect a reduction of £8,707,053 in 'Unlisted investments—Overseas' and a corresponding increase in investments in 'Subsidiaries—Investment holding company'.

Investments held at cost plus/minus amortisation:

Comparison of carrying values with market values	2009		2008	
	Carrying value	Market value	Carrying value	Market value
Listed securities:				
Government fixed interest	90,474	98,124	124,398	124,045
Other fixed interest	64,977	63,249	37,492	35,658
	155,451	161,373	161,890	159,703
Trading companies	12,950		11,950	
	168,401		173,840	

Notes to the financial statements for the year ended 30 April 2009

12. Current asset investments

Group	Held at cost plus/minus amortisation	
	2009	2008
	£000	£000
At 1 May 2008	824,938	664,288
Additions	3,088,099	2,139,117
Disposal proceeds	(2,942,810)	(1,978,467)
At 30 April 2009	970,227	824,938
Historical cost	970,227	824,938

Represented by:	2009		2008	
	Carrying value £000	Market value £000	Carrying value £000	Market value £000
Listed securities:				
UK government	88,382	87,712	59,937	59,772
Floating rate notes	50,000	49,891	110,000	109,863
Commercial paper	274,396	274,705	-	-
Certificates of deposit	557,449	557,678	655,001	663,985
	970,227	969,986	824,938	833,620

13. Debtors

	Group		Charity	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts receivable in less than one year:				
Income tax recoverable	4,456	2,301	4,145	2,196
Venturesome loans to charities	1,405	1,048	1,405	1,048
Trust loans to charities	243	525	243	525
Staff loans	153	159	153	159
Amounts due from subsidiaries	-	-	2,745	925
Other debtors	6,566	1,707	6,172	1,073
Prepayments and accrued income	689	1,570	622	1,178
	13,512	7,310	15,485	7,104
Amounts receivable in more than one year:				
Trust loans to charities	303	198	303	198
Loans to CAF Australia	-	-	-	200
Staff loans	79	139	79	139
	382	337	382	537
	13,894	7,647	15,867	7,641

Notes to the financial statements for the year ended 30 April 2009

14. Creditors

	Group		Charity	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts payable in less than one year:				
Due to beneficiary charities	10,013	15,356	10,013	15,356
Trade creditors	507	272	507	272
UK corporation tax payable	60	65	-	-
Tax and social security	372	368	372	366
Interest payable	929	5,237	156	663
Amounts due to subsidiaries	-	-	13	1
Other creditors	12,937	3,164	10,861	3,636
Deferred income	726	838	726	838
	25,544	25,300	22,648	21,132
Amounts payable in more than one year:				
Due to beneficiary charities	8,505	6,884	8,505	6,884
	34,049	32,184	31,153	28,016

Amounts payable to beneficiary charities represents a contractual obligation, principally in respect of longer term grants.

15. Donor client balances

The following are either donations to other charities which are being processed by CAF, or loans from donor clients, or balances held as agent of other charities. The loans are for an indefinite period.

	Group and charity	
	2009 £000	2008 £000
Give As You Earn	5,098	5,169
Interest free loans	3,959	4,272
Agency charitable trusts	607	407
Fundraising Support services	411	300
	10,075	10,148

Other charitable funds

In addition to the above, the group manages the following charitable funds on behalf of other trusts and foundations through its Global Trustee service and CAF's agency charitable trust service. The investments held for these charities are maintained in segregated portfolios. None of these amounts are included in the financial statements of CAF or the group.

	Group and charity	
	2009 £000	2008 £000
Investments	40,610	14,686
Money market deposits and bank balances	22,340	31,715
	62,950	46,401
Bank balances with CAF Bank Limited	7,343	7,399
	70,293	53,800

Notes to the financial statements for the year ended 30 April 2009

16. Loan stock and preference shares

		Group	
	Note	2009	2008
		£000	£000
Loan stock:	15.1		
Floating rate:			
Second issue	(a)	100	100
Sixth issue	(b)	250	250
Fixed rate:			
Seventh issue	(c)	2,250	2,250
Eighth issue	(d)	4,250	4,250
		6,850	6,850
Preference shares	15.2	1,500	1,500
		8,350	8,350

16.1 Loan stock

Loan stock consists of subordinated unsecured borrowings issued by CAF's banking subsidiary, CAF Bank Limited, for the development and expansion of the bank's business and to strengthen its capital base.

Security and subordination

None of the loan stock is secured. All loan stock is subordinated to the claims of depositors and other unsubordinated creditors of CAF Bank.

Interest and repayment

- a) This issue bears interest at a rate fixed daily based on the rates paid to CAF Bank's depositors, and is redeemable at par on the expiry of not less than five years and one day's notice given by CAF Bank or the stockholder. No such notice has been given.
- b) This issue bears interest at rates fixed periodically based on London Inter Bank Offered Rates. This issue has no fixed date for repayment.
- c) Prior to 21 December 2006, this issue bore a fixed rate of 8.75%. After this date the coupon increased to a fixed rate of 8.875% until 2011. This issue is redeemable by the bank at par on any interest payment date until the final redemption date of 21 December 2011.
- d) This issue bears a fixed rate of 8.75% until 2011. After that date, in the event that the stock has not been redeemed, the coupon will increase to a fixed rate of 9.75% until redemption. This issue is redeemable by CAF Bank at par in whole on 21 December 2011 or on any interest payment date thereafter.

However, with the consent of the Financial Services Authority (but not otherwise), CAF Bank may redeem any stock at par on the expiry of not less than fourteen days' notice to the stockholders.

16.2 Preference shares

Preference shares represent 1,500,000 9.15% preference shares of £1 issued by CAF Bank.

These are redeemable at par upon 28 days' written notice being given by CAF Bank. The shares confer the right in a winding up of CAF Bank to the capital paid upon them in priority to ordinary shares. The holders of these shares are entitled to a fixed net cash non-cumulative dividend payable half yearly, but have no rights to attend or vote at general meetings.

Notes to the financial statements for the year ended 30 April 2009

17. Provisions for liabilities

	Group and Charity	
	2009	2008
	£000	£000
At 1 May 2008	409	189
(Credited)/debited to the SOFA	(99)	220
At 30 April 2009	310	409

The provision relates to a potential shortfall in sublease rental income on leasehold premises compared to the headlease rental payments and is being amortised over the remaining term of the headlease, which expires in 2014.

18. Statement of funds

Group	Note	At 1 May	Incoming	Resources	Trans-	Invest-	At 30 April
		2008	resources	expended	fers	ment	2009
		£000	£000	£000	£000	losses	£000
						£000	
Unrestricted funds	18.1	30,758	32,070	(34,273)	-	(572)	27,983
Restricted funds	18.2	681,384	295,904	(288,227)	-	(68,121)	620,940
Endowment funds	18.3	1,470	13	-	-	(140)	1,343
		713,612	327,987	(322,500)	-	(68,833)	650,266
Charity							
Unrestricted funds	18.1	30,550	25,405	(27,666)	-	(566)	27,723
Restricted funds	18.2	657,811	268,293	(264,064)	-	(67,170)	594,870
Endowment funds	18.3	1,171	-	-	-	(140)	1,031
		689,532	293,698	(291,730)	-	(67,876)	623,624

18.1 Unrestricted funds

Group	At 1 May	Incoming	Resources	Trans-	Invest-	At 30 April
	2008	resources	expended	fers	ment	2009
	£000	£000	£000	£000	losses	£000
					£000	
General funds	30,010	32,070	(34,273)	-	(7)	27,800
Property revaluation reserve	748	-	-	-	(565)	183
	30,758	32,070	(34,273)	-	(572)	27,983
Charity						
General funds	29,802	25,405	(27,666)	-	(1)	27,540
Property revaluation reserve	748	-	-	-	(565)	183
	30,550	25,405	(27,666)	-	(566)	27,723

General funds – comprise accumulated operating surpluses, income from investments, legacies and other gifts received

Property revaluation reserve – represents the difference between the net book value and the historical cost of the long leasehold property occupied by CAF as its head office.

Notes to the financial statements for the year ended 30 April 2009

18. Statement of funds (continued)

18.2 Restricted funds

Group	At 1 May 2008 £000	Incoming resources £000	Resources expended £000	Trans- fers £000	Invest- ment losses £000	At 30 April 2009 £000
For individuals						
Trust Accounts	514,901	94,986	(91,273)	386	(67,170)	451,830
Individual Charity Accounts	75,777	69,855	(70,201)	359	-	75,790
	590,678	164,841	(161,474)	745	(67,170)	527,620
For companies						
Company Accounts	39,338	66,158	(67,815)	(769)	-	36,912
GAYE Charity Accounts	24,562	32,251	(31,433)	(50)	-	25,330
	63,900	98,409	(99,248)	(819)	-	62,242
For charities						
Venturesome Network Accounts	791	-	(61)	(42)	-	688
International						
CAF American Donor Fund	16,846	9,336	(5,279)	-	(189)	20,714
CAF America	3,245	14,415	(14,759)	-	-	2,901
CAF Community Fund (Australia)	3,482	3,525	(3,847)	-	(762)	2,398
CAF Russia grant programmes	393	3,913	(3,173)	-	-	1,133
CAF Philanthropy Services LLC	-	335	(278)	-	-	57
	23,966	31,524	(27,336)	-	(951)	27,203
CAF grants programme	1,167	455	(52)	491	-	2,061
Other funds	882	675	(56)	(375)	-	1,126
	26,015	32,654	(27,444)	116	(951)	30,390
	681,384	295,904	(288,227)	-	(68,121)	620,940
Charity						
For individuals						
Trust Accounts	514,901	94,986	(91,273)	386	(67,170)	451,830
Individual Charity Accounts	75,777	69,855	(70,201)	359	-	75,790
	590,678	164,841	(161,474)	745	(67,170)	527,620
For companies						
Company Accounts	39,338	66,158	(67,815)	(769)	-	36,912
GAYE Charity Accounts	24,562	32,251	(31,433)	(50)	-	25,330
	63,900	98,409	(99,248)	(819)	-	62,242
For charities						
Venturesome Network Accounts	791	-	(61)	(42)	-	688
International						
CAF Russia grant programmes	393	3,913	(3,173)	-	-	1,133
CAF grants programme	1,167	455	(52)	491	-	2,061
Other funds	882	675	(56)	(375)	-	1,126
	2,442	5,043	(3,281)	116	-	4,320
	657,811	268,293	(264,064)	-	(67,170)	594,870

Trust Accounts

Trust Accounts consist of capital gifted to CAF plus the related income. The capital is held in accordance with CAF's investment policy for Trust Accounts and investment gains or losses are credited or charged to the funds. These funds may only be used to make payments to other charities as instructed by the donor.

Notes to the financial statements for the year ended 30 April 2009

18. Statement of funds (continued)

18.2 Restricted funds (continued)

Other restricted funds

- **Individual Charity Accounts, Company Accounts and GAYE Charity Accounts** – represent amounts gifted to CAF by individual and corporate donors which are held in accounts until disbursed to charities on behalf of the donor
- **Venturesome Network Accounts** – represent funds set aside by CAF donors to complement the funds assigned by the Trustees for Venturesome
- **CAF American Donor Fund, CAF America and CAF Community Fund** – represent undistributed donations received by each of these charities. The boards of these entities review, validate and approve donors' suggestions for distributions to charities worldwide
- **CAF Russia grant programmes** – represent funds received from institutional donors which may only be used to make payments to charities in the former Soviet Union in accordance with restrictions imposed by the donor
- **CAF grants programme** – represents funds available to support CAF's grants programme

Other restricted funds are invested in accordance with the investment policies set out in the Trustees' report.

Transfers between restricted funds

Transfers between funds occur where a donor gives funds into a range of restricted funds and subsequently requests a transfer between the funds.

18.3 Endowment funds

	<i>At 1 May</i> 2008 £000	Incoming resources £000	Resources expended £000	Trans- fers £000	Invest- ment losses £000	At 30 April 2009 £000
Charity						
CAF Russia:						
C S Mott Foundation	604	-	-	-	(64)	540
The Ford Foundation	567	-	-	-	(76)	491
	1,171	-	-	-	(140)	1,031
Group						
CAF Australia Bequest	299	13	-	-	-	312
	1,470	13	-	-	(140)	1,343

CAF Russia - the two endowments are permanent. The principals are maintained in segregated funds in perpetuity and the income from each used to support CAF's operations in Russia.

CAF Australia Bequest – represents an expendable endowment to be used for the strategic development of the CAF group's activities in Australia.

19. Analysis of group net assets between funds and client balances

	Unres- tricted funds £000	Res- tricted funds £000	Endow- ment funds £000	CAF Bank and donor client balances £000	Total 2009 £000
Tangible fixed assets	5,812	-	-	-	5,812
Fixed asset investments	8,899	420,965	406	-	430,270
Current asset investments	-	-	-	970,227	970,227
Other current assets	25,910	223,485	937	111,721	362,053
Depositor and client balances	-	-	-	(1,073,598)	(1,073,598)
Other liabilities	(12,638)	(23,510)	-	(8,350)	(44,498)
Total net assets	27,983	620,940	1,343	-	650,266

Notes to the financial statements for the year ended 30 April 2009

20. Group cash flow statement

20.1 Reconciliation of net incoming resources to net cash inflow from operating activities	2009	2008
	£000	£000
Net incoming resources	5,562	92,854
Revaluation of property	(565)	-
Depreciation	334	634
Losses on disposal of tangible assets	546	34
Amortisation of fixed asset investments	528	692
Decrease/(Increase) in interest receivable	5,510	(2,569)
(Increase)/decrease in debtors	(6,247)	406
Increase in creditors	1,870	9,273
Increase in donor client balances	(73)	743
Increase in CAF Bank depositors' balances	139,381	59,014
(Decrease)/Increase in provisions for liabilities	(99)	220
Net cash inflow from operating activities	146,747	161,301

20.2 Reconciliation of net cash flow to movement in net funds	2009	2008
	£000	£000
Increase in cash in the year	42,381	15,153
Cash outflow from increase in liquid resources	(34,682)	(10,650)
Changes in net funds resulting from cash flow	7,699	4,503
Increase in current asset investments	145,289	160,650
Movement in net funds in the year	152,988	165,153
Net funds at 1 May 2008	1,142,630	977,477
Balance at 30 April 2009	1,295,618	1,142,630

20.3 Analysis of net funds	At 1 May	Cash flow	At 30 April
	2008		2009
	£000	£000	£000
Cash at bank and in hand	20,524	43,405	63,929
Bank overdrafts	(765)	(1,024)	(1,789)
	19,759	42,381	62,140
Money market deposits	306,283	(34,682)	271,601
	326,042	7,699	333,741
Current asset investments	824,938	145,289	970,227
Loan stock and preference shares	(8,350)	-	(8,350)
	1,142,630	152,988	1,295,618

Notes to the financial statements for the year ended 30 April 2009

21. Trustees

The Trustees receive no remuneration for their services, but are reimbursed for out-of-pocket expenses in respect of attending meetings and carrying out duties on behalf of CAF. The aggregate value reimbursed for the year was £1,007 paid to six trustees (2008: £3,033 to eight trustees).

None of the Trustees nor any connected persons had a material or beneficial interest in any contract or undertaking with CAF, nor in the shares of its subsidiary companies.

22. Operating lease commitments

At 30 April 2009 the group and CAF had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	2009	2008
	£000	£000
Operating leases which expire:		
Between one and five years	160	28
After more than five years	<u>110</u>	<u>242</u>

23. Related party transactions

Investment and banking services

During the year the group received fees and commissions in respect of administration services and marketing, as well as investment income from the following CAF investment schemes:

	2009		2008	
	Group	Charity	Group	Charity
	Fees and	Investment	Fees and	Investment
	commissions	income	commissions	income
	£000	£000	£000	£000
CAF Bond Income Fund	269	1,871	214	1,989
CAF UK Equity Growth Fund	<u>191</u>	<u>2,522</u>	<u>439</u>	<u>2,557</u>

The fees and commissions are receivable under agreements on normal commercial terms. At 30 April 2009 fees and commissions of £76,000 were due to the group (2008: £164,000).

The investment income is in respect of unitholdings in the schemes.

International network

The group made the following payments to support the operations of the following charities in the CAF international network:

	2009	2008
	£000	£000
Bulgarian CAF	20	22
CAF India Trust	140	100
CAF Southern Africa	<u>80</u>	<u>102</u>

The above investment schemes and charities do not form part of the CAF group and their results and net assets are not included in these consolidated accounts. Details of each of the entities are set out in note 2 and in the Trustees' report.

Notes to the financial statements for the year ended 30 April 2009

24. Financial instruments

CAF Bank Limited, CAF's banking subsidiary, is exposed to a range of risks relating to financial instruments. The risks include those relating to fluctuations in market prices, interest rates and foreign currencies and liquidity and credit.

The details of the risks to which the bank is exposed are set out in full in its annual report and financial statements, copies of which may be obtained from CAF's head office.

The group does not utilise financial derivatives.

25. Commitments and contingent liabilities

At the balance sheet date the group was committed to the following:

	Group and Charity	
	2009	2008
	£000	£000
Commitments to beneficiary charities	19,912	22,491
Venturesome loans to charities	2,235	2,225
Guarantees	1,020	1,020
	23,167	25,736

Commitments to beneficiary charities

At the balance sheet date the group was committed to pay donations from restricted funds to beneficiary charities over a period to 2017, subject to certain conditions being met by the charities. No liability has been recorded in the balance sheet for these amounts.

Venturesome loans to charities

At the balance sheet date Venturesome was committed to provide loans to charities, as detailed above. No liability has been recorded in the balance sheet for these loans. The commitments become due or expire (if the charity no longer needs the funding) within one year.

Guarantees

One of CAF's Trust clients has agreed to act as a guarantor for another charity for an indefinite period. No liability has been recorded in the balance sheet for this guarantee.

Contingent liabilities

Pensions Trust:

CAF participates in three pension arrangements administered by The Pensions Trust: the Growth Plan, the Unitised Ethical Plan and the Flexible Retirement Plan. A description of each plan and details of employees' and CAF's contributions are set out in note 7.

As at the date of this report CAF had a contingent liability which has not been provided for in the accounts, in relation to the Growth Plan (the 'plan'). This liability, which derives exclusively from a change in pensions' law in 2005, would crystallise only if CAF ceased to be a participating employer in the plan or if the plan was to be wound up.

CAF continues to offer membership of the plan to its employees and as at the balance sheet date there were 97 (2008: 109) active members of the plan employed by CAF.

The buy-out funding position of the plan at 30 September 2008 was 80% (2008: 89%) and the Pensions Trust has estimated that, if CAF ceased to participate in the plan as at 30 September 2008, CAF would have to pay £4.2 million (2008: £2.1 million), based on the financial position of the plan and the employers that, as at that date, were relevant employers.

CAF has no contingent liability under either the Unitised Ethical Plan or the Flexible Retirement Plan.

CAF Bank

As a participant in the Financial Services Compensation Scheme ('FSCS'), CAF Bank has an obligation to make good its share of any potential shortfall in amounts recovered from banks being wound down compared to borrowings taken out to fund protected deposits. It is expected that the period of such winding down will be three years from the date of initial funding. It is not possible at the current time to determine the amount of any potential shortfall.