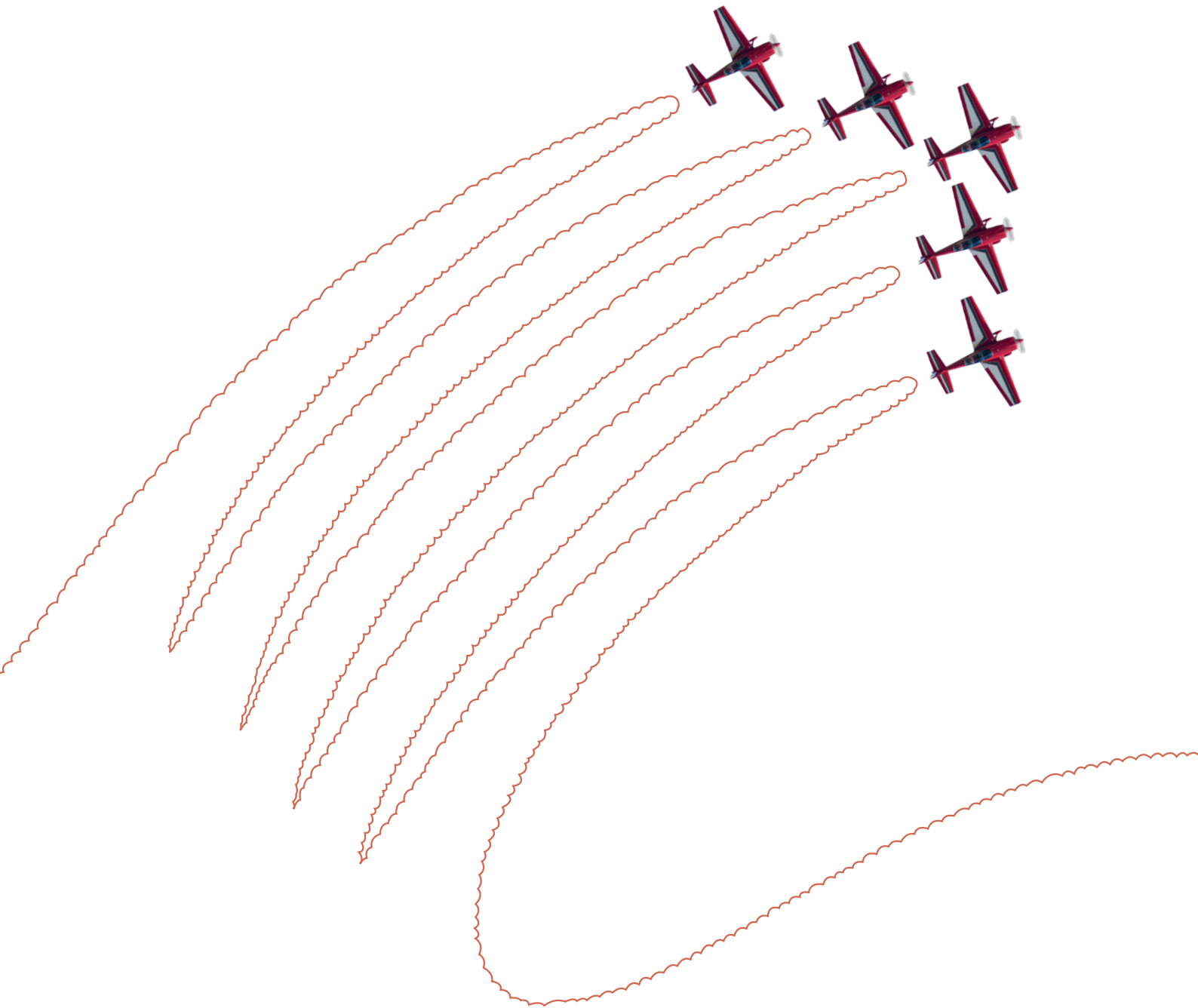


**CAF** Charities Aid  
Foundation

# TRUSTEES' REPORT

*and financial statements for the year ended 30 April 2017*





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# OUR MISSION

*Motivating society to give ever more effectively, helping to transform lives and communities around the world*

CAF aims to deliver on its mission through our work in a number of focused areas:

- We support major donors at every stage of their philanthropy from sustainable funding through to strategic advice.
- We work with regular donors to enable them to give effective support to charities.
- We work with companies, providing support for the work they do with charities and communities and helping them to engage their employees in charitable activity.
- We work with a wide range of mainly smaller and medium sized charities, providing solutions for their funding and finance needs, across banking, investments, fundraising and social investment.
- We work through our global alliance to provide services and use its influence to support international, individual and company donors to make the most of the resources they have to give, wherever in the world they choose to focus.
- We represent the needs of donors and the charitable sector to government and other decision makers in working to improve the giving environment and to secure supportive legal, fiscal and regulatory conditions for donors, charities and social enterprises.

# CHAIRMAN'S REPORT

Tumultuous times create uncertainty, raise challenges, bring opportunities and leave their mark when the dust settles. But although political and economic shifts can be sudden and unpredictable, one thing endures: the desire to give remains undimmed.

Brexit, the Trump presidency, a snap general election; this has undoubtedly been a year of surprises and unexpected change. But despite the challenges, the simple desire to give to a cause you care about has remained a constant.

One of the great strengths of CAF is our ability to track giving over long periods of time and look at the trends as they unfold over the year. In the aftermath of the financial crisis, and after the EU referendum, giving to charity has remained remarkably stable.

We see this resilience every day in our work at CAF. This year has been a year of records. We were able to gift a record amount to charities around the world, breaking the £500m barrier for the first time. Donations into CAF have broken records at more than £600m.

Behind those numbers are amazing stories, stories of people giving a few pounds a week through their payroll, to entrepreneurs creating wealth and deciding that it is the right thing to start a philanthropic journey.

It is also a story of innovation, helping people achieve their aims. So, CAF has created ways to channel millions of pounds from the five pence levy on plastic bags at the checkout to charitable causes.

We have created Britain's first and only secure, digital trading account designed for charities of all sizes, giving charities the ability to research, manage and trade investments in one place online for the first time, building on the existing investment services provided by CAF.

CAF Bank has lent millions more to charities, investing in schemes to build social housing, create homes for people recovering from drug addiction and build new facilities to give churches and neighbourhood groups new sources of income that will see them thrive into the future. Our social investment arm CAF Venturesome, supports some brilliantly entrepreneurial projects from Hubbub a fast-growing environmental charity which runs creative campaigns to reduce food waste and litter to the Llanhilleth Miners Institute, a vibrant centre in the Welsh Valleys.

At one level, CAF's work is straightforward. We provide services to help people and companies give simply and easily, and we provide financial services so charities can make their money work harder. In detail, however, this is complex work. For instance, we are using the techniques of advanced finance to change the way money flows into and out of charities for the better – transforming lives and communities around the world.

We also have the opportunity to use our research, our insights, our policy work and our profile to encourage people to give and to ensure charities have a better environment in which to work.

That approach is summed up by the work of our offices around the world. Our colleagues in countries such as the United States, Canada, India, Brazil, Russia, and South Africa have built their work facilitating cross-border giving and building civil society, helping channel the rapid growth of fast-developing economies to address social needs.

For decades our colleagues have been working to build civil society around the world, from the collapse of communism, from the fall of apartheid, and through huge economic growth. We have the potential to do so much more, to harness huge social movements for good and foster the kind of giving culture that has made charity as we know it such a powerful force for positive change.

Closer to home, our campaigns team has been able to grow the global #givingtuesday campaign in the UK, helping 1,600 charities and businesses talk to new groups of people about their favoured causes.

CAF also exists to bring people together, to find solutions that support charities.

Our expertise means we can help when rules change. So, when Gift Aid rules changed for partnership firms we were able to work with major law firms and professional services companies to create a new partnership account, allowing them to continue giving, using our generous Gift Aid system to support charities everywhere.

With change, comes challenge. As for many organisations, the cut in interest rates following Britain's referendum on European Union membership presents a challenge for CAF and we are taking mitigating action where possible, and working hard to grow the amount we can send to charities, become ever more efficient and grow the support we offer to charities everywhere we can.

Of course, using the mechanisms of finance to achieve social good is a team enterprise. Staff and my fellow trustees offer infrastructure that helps charities, businesses and other social purpose organisations to achieve so much, both in the UK and around the world.

All of us were delighted to see John Low, who has achieved so much as Chief Executive of CAF, receive a knighthood for his services to charity in the 2017 Queen's birthday honours list. This great honour reflects the amazing impact of CAF, and of every staff member, as well as of course recognising John's strong and long-term leadership.

Above all else, I would like to thank the hugely generous people who give through CAF to tens of thousands of charitable causes around the world. Their support, unwavering through times good and bad, is what allows us to make a real difference to so many causes in so many ways.



**Dominic Casserley**  
Chairman of Trustees

# ACHIEVEMENTS AND PERFORMANCE

## Overview

CAF draws on more than 90 years of experience at the forefront of philanthropy both in the UK and around the world as one of Europe's largest charitable foundations. It exists to support the not-for-profit sector. Despite economic uncertainty, political change and historically low interest rates, we have channelled record sums to charity in the past year and provided a wide range of services to charities, donors and companies both in the UK and across the globe.

Our aim is to increase the flow of donations to charities through CAF, maximise donations to the whole charitable sector and secure a supportive environment for charities everywhere. We help charities manage their money, with low cost financial services such as investments, fundraising and banking, and help them borrow through CAF Bank and our social investment arm CAF Venturesome so they can invest in services for the future.

We aim continuously to improve our support for charities and donors.

**Driving growth and our impact:** We significantly increased both donations into CAF and donations out to charities – more than £500m donated out to charities in one year for the first time. Our generous donors have given more than £600m, again a record, with many building up their philanthropic capital for the future. We have built the new CAF Investment Account to give charities access to the biggest selection of charity-specific investment funds online supporting charity investment. We have grown CAF Bank's lending to charities to more than £70m and we have launched the CAF Resilience programme, a three year pilot, backed by a major donor, to make a sustained and meaningful impact on small and medium sized charities in the UK.

Our international offices in the United States, Canada, India, Brazil, Russia, and Southern Africa remain strong, facilitating cross-border giving and building civil society, helping channel the rapid growth of fast-developing economies to address social needs.

CAF's campaigns team has been able to grow the global #givingtuesday campaign in the UK, which asks people to give money, time or their voice to charity at the start of the Christmas shopping season, helping 1,600 charities and businesses talk to new groups of people about their favoured causes.

**Accelerating digital capacity:** We have launched the UK's first secure digital investment platform for charities, invested further in Give As You Earn, the leading payroll giving service, to make it easier for employees to sign up online and encourage companies to unleash the potential of giving by their employees. We continue to invest in our digital services to make it easier for people to give in an online and mobile world.

**Customer service excellence:** We have created new online tools to help charities manage funding from CAF, introduced new paperless systems to allow charities to receive money more quickly and easily and strengthened the skills of our staff to ensure we continue to allow our clients to give with absolute confidence.

**Quality and efficiency:** The quality of our services makes it easy for major donors and household name companies to give through CAF, knowing that we will safeguard their charitable funds and fulfil their charitable aims efficiently and effectively. So for example, we have granted more than £1m to search and rescue charities from a fund established by the UK government in 2014.

## Major donors

CAF is the UK's largest provider of donor advised funds. CAF Charitable Trusts allow people to donate money, shares or property and invest in a philanthropic fund for the future. We hold these donations and donate them on to charitable causes in line with the philanthropist's wishes.

We have seen exceptional growth in donations from our private clients and a record year for donations into CAF and donations out to charities. Overall, our private clients donated £284m to CAF, up from £206m in 2015/16, and granted out £177m to charities, up from £164m in 2015/16.



Donations from private clients greatly exceeded our expectations for the year. We expect 2016/17 to be an unusually generous year, with many clients accelerating their planned giving to CAF Charitable Trusts this year, building their philanthropic funds for the future buoyed by stock market performance and increased engagement with civil society.

Share giving is significantly up and many donors have built up their philanthropic funds for the future. Donations to charities are also buoyant, putting these funds to good use.

The projects and causes funded by CAF's generous donors are extraordinarily diverse, and we support them at every stage of their philanthropic journey. From funding the building work of a library for an overseas orphanage in memory of a loved one, to funding a project to illuminate bridges on the Thames in central London, our donors are making a difference all over the world.

CAF American Donor Fund also enjoyed huge success, growing substantially and helping hundreds of US and UK citizens living on both sides of the Atlantic give to maximum effect, channelling £55.9m to charities around the world.

We also work to advise and help our donors achieve their goals. From helping purchase a farm in Sussex to help children at risk of exclusion, to helping purchase 11,600 hectares of wetlands in Argentina, we help our donors to make a tangible difference to the causes they care about.

## Regular givers

CAF is the largest provider of payroll giving, allowing employees to give direct from their gross salaries to good causes. Thousands of people also enjoy a CAF Charity Account, a simple way of donating to a personal fund held by CAF which we can donate on to charitable causes in line with the donor's wishes. We also help people plan to leave a charitable legacy to the causes they care about.

CAF Charity Account and Give As You Earn donors are enduring and hugely generous supporters of their chosen causes, donating record sums to their favourite charities.

Donations paid to charities from CAF Charity Accounts	2017	2016
Gift Aid funded	£81m	£74m
CAF Give As You Earn funded	£31m	£30m
	£112m	£104m

We were able to help our regular donors give a record £112m to charities around the world from their CAF Charity Accounts and through their payroll with CAF Give As You Earn. The figure was up sharply on last year's figure of £104m, and above expectations, reflecting the decision of some of our donors to donate from their CAF accounts and in line with our mission to increase the flow of funds through CAF to charitable causes. Donations into CAF Charity Accounts fell slightly during the year, and we will focus on encouraging donors to keep their accounts topped up so they are able to give.

We achieved a six per cent increase in new accounts during the year – we are working to make giving through CAF appealing to new generations so we can maintain our long track record of strong support to the charities we serve. We rolled out new ways to sign up to payroll giving online, making it easier than ever for companies to encourage their employees and enable them to use this convenient and easy way to give.

## Companies

CAF works with thousands of companies, including many of the largest firms in Britain and overseas. We help them donate to good causes, help offer convenient and effective ways for employees to give and offer advice and consultancy, helping them maximise their potential to have a positive impact on society.

CAF has long and deep experience partnering with companies to help improve corporate responsibility and enable thousands of companies to give, supporting the work they do with charities and communities, and helping them engage their employees.

In the corporate market we surpassed our expectations during 2016/17 helping our company donors give more than £98m to charities, up from £76m during the previous year.

CAF has continued to support thousands of companies to enable them to give to charities and engage their employees. We have worked with many of our clients to develop new, ambitious initiatives to fund charities as well as offer them and their employees a more digital experience.

CAF was the first to announce a payroll giving scheme in the UK in 1987 and this year we celebrated 30 years of payroll giving. During this time we have helped employees give around £1.3 billion to charity through their salaries and continue to deliver a market leading scheme.

Strong competition in donation management services continues to be a challenge, with the growth of technology platforms. However, we continue to innovate and provide new ways for businesses to engage with charities from encouraging them to get involved in #givingtuesday to developing a new giving vehicle, CAF Partnership Account, which allows LLPs to continue to give to their favourite charities whilst fulfilling the new Gift Aid rules from HMRC.

We are very proud to have worked with many of the major supermarket chains, including Aldi, Marks and Spencer, Sainsbury's and The Cooperative Group to help them donate £14m in plastic bag levies to local and national charities. We helped roll out national community programmes for major retailers such as The Local Community Fund for The Cooperative Group, which distributed £9m to 4,000 charities across the UK. In addition to distributing the plastic bag levy funds, we supported Marks and Spencer's Sparks Card charity element, which donates 1p to one of ten national charities every time a Sparks member shops with them and scans their card. We were also able to support in-store fundraising for a number of supermarkets and high street retailers, including Sainsbury's Comic Relief campaign.

## *Charities*

Helping charities make the most of their scarce resources and invest in the future is a key plank of CAF's work. We offer a wide range of financial services specifically tailored to charities – banking, savings and loans through CAF Bank, the new CAF Investment Account and our leading online fundraising service CAF Donate – run by the sector for the sector.

We fulfilled our plans to launch the new CAF Investment Account last autumn and are making steady progress bringing charities onto this new platform. Our CAF Donate online fundraising service grew by 10 per cent over the year, achieving an additional £2.3m to charities, again slightly above our expectations.

A fast growing area is our grantmaking and charity advisory work, working with funders to distribute funds to good causes, and offering consultancy services to charities on strategy and fundraising.

CAF has provided expert strategic advice to various charities, and designs major grant-making programmes on behalf of charities, foundations and government.

Throughout the year our priority has been to offer charities low cost services that offer a good return, something thrown into particular relief by the Bank of England's decision to halve base rates during the year.

We have sought out competitive rates in the market for our fixed term deposit accounts, and launched our class-leading investment account for charities, giving charities access to a wide range of sector-specific investment funds in one place online for the first time. Our social investment arm CAF Venturesome faces increased competition from state aid assisted funds but marked its 500th deal, underlining its position as a pioneer in social investment.

## *CAF Bank*

CAF Bank occupies a uniquely important position in the charity world – a bank for charities, wholly owned by a charity. As a bank owned by a charity and run for charities, CAF Bank supports customers to deliver social impact and achieve a fairer society by providing an ethical and fair approach to banking and offering straightforward and transparent services that customers understand and trust.

CAF Bank continues to offer a reliable and secure home for charities' money, keeping its services as low cost as possible in the current economic climate. CAF Bank's mission is to provide security in difficult times, so we are acutely aware of the pressures on charities and we do all we can to maintain our rates and keep fees as low as possible.

As well as offering full service banking to 15,900 charities, we aimed to increase lending to charities and our lending has grown in line with our plans from £46m to £72m with a further £14m of loans and overdrafts committed but not yet drawn at the end of the year. It has been a great achievement to grow lending to this level in just four years, helping charities develop everything from social housing to drug rehabilitation schemes and is in line with our plans to grow lending to charity over the medium term.

## *International*

CAF's Global Alliance is a unique international network of organisations across nine countries, working to build civil society and catalyse domestic philanthropy in fast growing economies and provide infrastructure for cross-border giving around the globe.

The CAF Global Alliance continues to play a hugely important role in building philanthropy and strengthening civil society around the world. Globally, the climate for civil society is under increasing pressure. The CAF Global Alliance strengthens the sector through capacity building initiatives, growing cross-border philanthropy and catalysing domestic mass market giving. For cross-border giving, CAF America continues to outperform expectations, climbing the tables of US foundations, rising 30 places to 271 of 1.2m foundations. Donations from CAF America to charities were £28.7m, up from £18.6m in 2015/16. CAF Canada, although young, is exceeding expectations and making a mark as a leading player in cross-border giving. CAF American Donor Fund continues to play a powerful role in effective international philanthropy with £55.9m given to charities, up from £29.4m in 2015/16, again exceeding expectations and highlighting the potential power of cross-border giving.

CAF Russia led #givingtuesday, in Russia for the first time, working with 900 partners and covering 124 cities and increasing donations by 250%, greatly exceeding our expectations for the campaign's first year in Russia. CAF India exceeded expectations for the year, although economic and political conditions in South Africa and Brazil remain a challenge. IDIS, our Brazilian partner launched the country's Giving Pledge with the backing of a leading Brazilian philanthropist, urging individuals to commit 30% of their wealth to charities. CAF India's work with the corporate sector has been recognised by the government, being asked to advise on India's national CSR standards. And CAF Southern Africa continues to play a vital role in convening civil society to engage with the government to ensure proposed legislation does not impact negatively on the sector.

## *Sector support*

CAF is a leading voice with the charity sector. We provide policy, insight and analysis to support charities, highlight their importance and nurture a positive environment in which they can thrive, both in the UK and around the world.

Our policy team's work with charities, government and regulators across the world helped secure revisions to the Financial Action Task Force (FATF) revised recommendations on charities' access to financial services, meeting our aim to improve the regulatory environment for civil society worldwide. The team continues to build CAF's profile as a thought leader through our Giving Thought think tank and Future World Giving policy programme. This has included pioneering papers on the opportunities presented to charities through new technology like blockchain, and how companies are working to protect civil society.

UK Giving, our long-running survey into people's giving behaviour, is now being used to give charities monthly insight into patterns of charitable giving, contributing to our goal of ensuring our research is widely used to help charities plan. Our flagship World Giving Index continues to garner more media coverage every year, significantly driving up public awareness of CAF. Last year's version of the report generated media coverage in 70 countries. Our research team also worked with Acevo to produce the annual Social Landscape report, the leading survey of charity chief executives.

The #givingtuesday campaign, which CAF brought to the UK in 2014 continues to go from strength-to-strength. We aimed to increase the number of partner organisations and also to encourage companies to use the campaign to encourage giving among their customers, a trend we are seeing develop as the campaign matures.

Last year we brought together a record 1,600 charities and businesses to take part in the global day of giving. Around one in ten UK adults took part by doing something in support of a good cause on the day and public awareness was also up, reflecting our aim to raise the profile of charities and encouraging people to give.

Our media team has significantly increased CAF's profile – with coverage up in national, trade and international media, again reflecting our aim to encourage giving and build trust in charities. In addition to promoting our policy and campaigns, we have secured coverage of the new CAF Investment Account, the 30th anniversary of Give As You Earn and CAF Charity Accounts. We also helped lead a coalition of charities and sector bodies which secured a day of BBC coverage about the value of charities earlier this year.

CAF's advisory team launched the CAF Resilience programme to enhance charity resilience and promote giving, with the numbers of charities applying to be involved exceeding our expectations. The team will now working with ten smaller charities to help strengthen their long term organisational health so they can continue delivering vital services for their communities.

# PLANS FOR THE FUTURE

CAF exists to realise the potential of giving. To facilitate donations to charity, help non-profit organisations do more and create the conditions in which civil society can thrive.

We always aim to increase the money we can send to charities from our generous donors, grow our financial services for charities and keep our fees and charges as low as possible to ensure that the maximum resources reach charities at the front line.

## *Driving growth and impact*

We aim to increase the donations we receive from supporters and pass on to charities. Whilst the overall donations from CAF clients varies from year to year depending on economic conditions, and is often influenced by very large donations, we aim to continue an upward trend in donations both into CAF and out to the charities we support over time.

As a charity which pays its own way by offering services, the economy continues to be a challenge, particularly with interest rates cut to a historic low. CAF's objective as always is to remain strong, keep fees and charges low and take mitigating action where it is possible so we can offer the maximum support to the charities we serve.

We aim to deliver continuing improvements in our customer service and efficiency – making it ever easier to give, safely and securely.

We also aim to increase the effectiveness of our financial services for charities – helping more and more charities to make use of our innovative investment account, lending more to help charities invest in services and new income streams, and increasing the social investment we can make in innovative and fast-growing charities and social enterprises.

At the same time we aim to increase CAF's influence for good. Building our capacity across advisory, research, policy and media work, both here and around the world, is critical to our success. We are pressing hard for governments in the UK and around the world to recognise the potential of a vast army of donors in emerging economies around the world and to put in place the infrastructure to build the conditions and trust needed for giving to grow.

Our advisory capacity is growing and we are building our grantmaking work – using CAF's skills, experience and expertise to help distribute philanthropic funds, regulatory fines and other major grants to good causes everywhere.

We will also grow our cross-border giving services, recognising real demand from people to maximise the value of their donations to causes they care about wherever in the world they may be. Whether they are American citizens in London, people who work in more than one country or those who want to give back to the land of their ancestors, we want to help them achieve their philanthropic goals.

We want to increase our international reach, proactively looking to grow the geographical footprint of the CAF Global Alliance and expand opportunities to increase giving in countries as they develop and grow.

## *Accelerate digital capability*

With online and mobile technology all-pervasive, CAF's aim is to become a digital organisation that embraces technology to make giving easier and more accessible. We will complete our web upgrade, ensuring our services are online and mobile compatible and streamline our services to ensure we remove red tape and provide a reliable, easy to use service.

We are investing in further enhancements to the online CAF Investment Account, and rolling out improvements to our digital services.

Security and safety are our top priority and we are continuously reviewing and upgrading our defences in order to keep our clients safe and are rolling out new digital services to allow charities and donors to benefit from our insight, expertise and research so they can fulfil their charitable aims.

## *Customer service excellence*

Our customer service teams are committed to helping our clients fulfil their charitable goals whatever they may be. We are investing in training so our people can better serve our clients, reviewing our customer journeys so we can make it ever easier to give through CAF and ensure our financial services are simple, clear and efficient.

We are updating our processes to reflect the needs of the world around us and ensure we meet the needs and expectations of our customers.

## *Quality and efficiency*

CAF aims to deliver continuous improvement in the service we provide and build on our long track record of exemplary customer service. Our online services complement the personal and friendly service on which we pride ourselves.

While we transform our customer-facing services, we are working to transform our back office systems to ensure we always deliver the right result for charities and donors.

One of CAF's strengths is the ability to send funds to tens of thousands of charities and allow donors to give safely to organisations across the globe, despite the ever increasing burdens of regulation, both here and internationally. As one of the country's largest funders of charity we also constantly review the way we validate charities, so donors can give with absolute confidence and we can ensure as many charities as possible can benefit from funding.

# FINANCIAL REVIEW

## Overview of the year

The CAF group's finances encompass unrestricted, restricted and endowment charitable funds, together with CAF Bank depositor balances and other donor client balances.

Restricted charitable funds and CAF Bank depositor balances form the majority of our balances and activities. The restricted funds principally relate to the services we provide to donors through CAF Charitable Trusts, CAF Charity Accounts, CAF Company Accounts, CAF American Donor Fund and CAF America.

For the first time in 2016/17 donations paid out to charities from our donor funds exceeded £500m. Also for the first time, donations and legacies received from our donors exceeded £600m.

	Donations & legacies received		Donations paid to charities	
	2017 £m	2016 £m	2017 £m	2016 £m
Restricted funds per Group Statement of Financial Activities (SOFA)	553.0	462.9	480.7	401.8
Donor client balances (note 18 to the Financial Statements)	94.9	99.1	58.4	60.6
less: CAF Give As You Earn receipts transferred to restricted funds and included in the Group SOFA	(36.9)	(38.5)	-	-
	58.0	60.6	58.4	60.6
	611.0	523.5	539.1	462.4

### Key financial events

During the year broader uncertainties arose as a result of the EU referendum (Brexit) and the US election, which came against a background of an already weak economic recovery. Despite this our donors' continuing generosity ensured that overall giving increased and consequently the group's unrestricted, restricted funds and depositors' balances grew during the year. Total charitable funds increased from £1,119m to £1,285m. Significant events which have impacted CAF's financial results in the year include:

- receiving £4.8m of legacy income into unrestricted funds;
- completing our withdrawal from a multi-employer defined benefit pension plan, closing off a previously uncapped exposure to orphaned liabilities;
- continued growth of CAF Bank's lending to charities;
- launch of the UK's first online digital investment platform for charities; and
- continued investment in digital services.

## *Unrestricted funds*

Group unrestricted funds increased by £5.3m (2016: £2.1m) over the year from £54.9m to £60.2m. In respect of normal day-to-day operating activities total income exceeded total expenditure by £3.3m (2016: £0.1m). Group income particularly benefitted from an exceptional level of legacy income of £4.8m (2016: £0.6m), an increase in fee income in CAF America and an increase in CAF Bank's fee income and net interest income as a result of growth in lending and slightly improved yields on its investment portfolio. Gains on investments of £1.8m (2016: nil) arose during the year, including one-off realised gains of £1.5m on the disposal of our bond portfolio as part of an exercise to realign our treasury position.

CAF and the group continued to be impacted by low interest rates. As a consequence we continued to tightly control costs across the organisation, although additional costs were incurred to address increased regulatory requirements and also to make upgrades to our IT infrastructure and systems.

## *Restricted and endowment funds*

The CAF group received £565.8m into restricted and endowment funds from individual and company donors in the year by way of donations and investment income and donated £480.7m to other charities in the same period (2016: £473.5m and £401.8m respectively).

Income from donations and legacies grew from £462.9m to £553.0m. Although we saw giving to CAF from companies and regular givers reduce slightly, there were significant increases in giving from major donors into CAF Charitable Trusts as they sought to build up their philanthropic funds.

While many major donors used CAF to build their fund for the future, donations to charities from CAF and the group increased across the range of our activities. Donations to charitable causes around the world through CAF American Donor Fund increased from £29.4m to £55.9m. Despite the slight reduction in giving to CAF from companies and regular givers, we saw donations paid from CAF on behalf of companies increase by £26.5m to £98.2m and regular givers gave £111.6m compared with £103.7m in 2015/16.

The growth in UK investment markets has resulted in investment gains of £75.4m arising in the year (2016: losses of £14.8m), providing additional philanthropic capital for our major donors' funds. These investment gains, together with an increased level of donations, have contributed to a net increase of £160.4m in total group restricted and endowment funds, which stood at £1,224.8m at 30 April 2017 (2016: £1,064.4m),

Endowments of £2.3m (2016: £2.1m) consist of two funds used to support the development of a charitable giving culture in Russia.

## *Depositor and donor client balances*

Depositor and donor client balances principally consist of the assets and liabilities of CAF Bank. At 30 April 2017 CAF Bank depositors' balances stood at £1,002.1m (2016: £1,000.1m), while donor client balances in respect of payroll giving through Give As You Earn together with those held for CAF Donate, our donation administration service for charities, stood at £6.3m (2016: £6.8m)

During the year CAF Bank continued to transition from a deposit taker into a more diversified bank with a growing lending book and continued to build a small base of personal customers.



CAF Bank benefits from a long term loyal base of charity deposit customers who provide a strong and stable source of funds, enabling loans to be advanced to other charities at competitive rates. CAF Bank's lending grew as planned during the year, driven by demand from charities for funds to enable them to grow their impact. Loans drawn at 30 April 2017, net of repayments and provisions were £71.7m (2016: £45.6m), with a further £14m of loans and overdrafts committed but not yet drawn at the end of the year.

As for CAF itself, CAF Bank continued to be impacted by low interest rates, which are expected to remain at relatively low levels for the foreseeable future. Given the outlook, and the need to cover operating costs, CAF Bank took the difficult decision to introduce a £5 monthly charge to all charity customers in November 2016, complementing the £25/month charge to personal customers.

CAF Bank reported a profit on ordinary activities before taxation of £4.1m in 2016/17, an increase of £0.4m on 2015/16. It benefitted from growth in lending and slightly improved yields on its investment portfolio, while costs were impacted by additional staff to satisfy increased regulatory requirements and IT costs to upgrade infrastructure and payment systems. CAF Bank's profits are gifted to CAF to support its charitable activities.

## *Reserves policy*

CAF's policy is to maintain, but not exceed, an appropriate level of reserves to support the activities of the group, taking into account the risks to which the group is exposed, existing and projected future levels of income and expenditure and the capital requirements of its regulated subsidiaries.

The policy and determination of the required level of reserves are set in accordance with Charity Commission guidelines and are reviewed at least annually by Trustees.

In determining the appropriate level of reserves, Trustees consider the nature of the group's activities and the risks inherent in our financially based activities including credit risk, liquidity risk and interest rate risk, along with other risks to which CAF and the group are exposed.

They also consider future capital requirements and changes in our operating environment, including regulatory changes, that may also impact the level of retained reserves or the levels of reserves we are required to maintain in the future.

Group unrestricted funds, which also represent free reserves, stood at £60.2m at 30 April 2017, an increase of £5.3m during the financial year. This level of reserves at 30 April 2017 is considered to be sufficient to support the ongoing activities and development of the group.

Our objective is to remain strong, keep our fees and charges low and take mitigating action where it is possible, so we can offer the maximum support to the charities and donors we serve. We, therefore, continue to take a cautious approach to the levels of capital maintained. Through regular reviews, we will continue to monitor our reserves position closely to ensure an adequate level is maintained to support the activities and development of the group.

## *CAF investment policies and performance*

CAF adopts investment policies appropriate to the nature of the funds for which the investments are held. The policies include consideration of liquidity requirements, credit and interest rate risk, yield and diversification. The Investment Advisory Committee reviews our investment policies and performance on behalf of the Trustees.

CAF continues to be extremely cautious in the current financial climate, only placing funds, over which it has discretion, with UK and global banks.

### **Unrestricted funds** – Wholesale treasury assets

Unrestricted funds are used to support the operating activities of the CAF group, including long leasehold premises used for the group's activities. During 2016/17 funds were invested primarily in term deposits with UK banks, but may from time-to-time be invested in gilts, multilateral development bank bonds and in a small value of highly-rated corporate bonds.

### **Restricted funds**

Investments are held for restricted funds as follows:

#### **Financial investments – Trust funds**

Investments held for major donors in CAF Charitable Trusts, CAF America Donor Advised Funds and CAF American Donor Fund Trusts (collectively 'Trust funds') are aligned with the charitable objectives of each donor where these are available. As a result, this portfolio consists of a broad range of investments often held over the longer term, comprising pooled investment funds, equities, bonds and cash deposits. Performance is measured against an appropriate benchmark taking into account the objectives of the donor, where this has been agreed.

#### **Other restricted funds – Wholesale treasury assets**

Other restricted funds principally comprise balances held pending onward donation to other charities and are invested in term deposits with UK banks and in gilts, multilateral development bank bonds and corporate bonds. In June 2016 CAF disposed of its portfolio of gilts and bonds and realised a gain of £1.5m.

While yields from term deposits remained above yields on gilts and bonds through the remainder of 2016/17, no further investment in gilts and bonds was made during the year.

Our yield for the year ended 30 April 2017 was 1.27% (2016: 1.45%). We continued to benefit from higher rates on longer term deposits, but we expect this performance to fall away further in the future. On our bond and gilt portfolio the total return for the year ended 30 April 2017 was 2.21% (2016: 2.21%).

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.

## *Going concern*

In order to assess the appropriateness of the going concern assumption basis, the Trustees have considered the group's financial position, reserves and forecasts for the foreseeable future. They have considered the assumptions underlying those forecasts and the impact of the potential risks affecting them.

Having made those enquiries, the Trustees have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due for at least twelve months from the date of signing this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charities Aid Foundation is a registered charity (number 268369) and is governed by a Declaration of Trust dated 2 October 1974 (as amended from time to time). The Board of Trustees, together with the executive are set out at the end of this document.

## CAF Trustees

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; and
- 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 NCVO, no Trustee may hold office for more than three consecutive terms. Newly appointed Trustees undertake a series of meetings with CAF's senior management, which ensures that they gain a full understanding of CAF and their responsibilities.

The Trustees delegate management responsibilities to the Chief Executive and also delegate certain functions to the sub-committees described below. Each sub-committee has specific terms of reference and 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 consists of Trustees and co-opted members with relevant expertise. The committee meets with senior management and the external auditors at least four times a year. The committee's purpose is to review and make recommendations on the following on behalf of the Trustees:

Board of Trustees 1 May 2016 to 30 April 2017	Total no. of meetings attended during 2016/17
Dominic Casserley ( <i>Chairman</i> )	6/6
Saphieh Ashtiany ( <i>Vice Chair</i> )	4/6
Stuart Barnett ( <i>Chair, Audit, Risk and Compliance Committee</i> )	5/6
Robin Creswell ( <i>Chair, Investment Advisory Committee</i> )	5/6
Matt Hammerstein	4/6
Alison Hutchinson - resigned December 2016	3/4
Peter Kellner (current Chair, NCVO) - appointed November 2016	2/2
Tiina Lee	5/6
Sir Martyn Lewis (former Chair, NCVO) - stood down November 2016	2/3
Stephen Lovegrove - term ended September 2016	0/3
Carole Machell - appointed February 2017	1/1
Iain MacKinnon ( <i>Chair, CAF Bank Limited</i> )	5/6
Dr Julie Maxton	4/6
Roger Perkin - appointed April 2017	0/0
Janet Pope - appointed February 2017	1/1
Susannah Storey - appointed February 2017	1/1

- Internal control and risk management systems
- Effectiveness of internal audit
- CAF's relationship with its external auditors
- Procedures for compliance with anti-money laundering legislation and CAF's other regulatory obligations
- Annual report and accounts
- The arrangement by which staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters

During the year the committee reviewed the arrangements for external and internal audit and made recommendations, which were accepted by the Trustees, to appoint Deloitte LLP as external auditor and for Mazars LLP to provide internal audit services.

## *Investment Advisory Committee*

The Investment Advisory Committee is a panel of independent investment experts chaired by a Trustee. The committee meets with senior management at least four times a year. The purpose of the committee is to advise the Trustees on investment matters regarding CAF's funds as well as the funds held in CAF Charitable Trusts 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 monitors 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 makes recommendations regarding the remuneration of members of the Executive Committee of CAF (who form the key management personnel of the group) and other senior members of staff, and reviews and agrees the basis for the general pay award to staff. Remuneration and salaries are assessed and reviewed against market rates using third-party data. The committee also reviews the general terms and conditions of employment of our staff including the provision of pension arrangements. The committee meets at least three times a year.

## *The CAF family*

CAF is a group of wholly owned entities together with affiliated organisations which exist to provide our broad range of services to donors and charities and support our work to build civil society around the world.

In the UK, CAF owns a number of subsidiaries, the largest of which is CAF Bank, which exists to provide banking services to charities. CAF has also built the CAF Global Alliance which comprises UK and overseas charitable entities, including CAF's subsidiaries and branches CAF American Donor Fund, CAF America, CAF Canada and CAF Russia. The CAF Global Alliance also includes a range of independent organisations including BCause (Bulgaria), Good2Give (Australia), CAF India, CAF Southern Africa and IDIS Brazil.

CAF's Board of Trustees regularly receives updates from the boards of each entity which is a member of the CAF group.

Full details of the CAF group are set out in note 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, NCVO. CAF has an ongoing annual obligation to collect charitable contributions on behalf of NCVO, under which £2.07m (2016: £1.98m) was paid to NCVO during the year.

## *Public benefit*

CAF's purpose (as set out in the Declaration of Trust) is to raise money and hold funds 'for the benefit of such charitable institutions or such charitable purposes as the Trustees shall think fit'. The activities and objectives arising from the pursuit of our mission are described throughout this report. CAF's purpose and its activities contribute to the public benefit by creating value for other charities and helping to shape the charitable sector.

CAF has paid due regard to the Charity Commission's general guidance on public benefit when reviewing its aims and objectives and in planning its future activities.

# RISK MANAGEMENT

## *Risk management framework*

The group operates a framework that provides oversight and accountability for the management of risk across all risk types and at all levels of the group.

Risk is managed by the Trustees, Executive Committee and relevant boards and committees. The control environment is designed around a risk management framework, and a related set of policies which facilitate the taking of acceptable risks within the appetite of the group, as set by the Trustees and relevant boards.

Identifying and monitoring current and emerging risks is integral to the group's approach to risk management. The group's Risk Management Framework includes three key elements:

- through the implementation of policies, systems and controls, the group identifies, assesses, mitigates and manages its risks;
- the risk and compliance functions challenge, monitor, guide and support the management of risk exposure; and
- independent assurance is provided by the internal audit function, which performs a risk-based programme of audits and reports on risk and control matters to the Executive Committee, Audit Risk and Compliance Committee (ARCC) or the CAF Bank Audit Committee and Risk and Compliance Committee.

The main risk categories to which the group has exposure are:

### **Financial risks**

- Credit risk
- Liquidity and funding risk
- Market and interest rate risk

### **Non-financial risks**

- Strategic and capital risk
- Regulatory risk
- Operational risk
- Cyber risk
- Reputational risk

## *Financial risks*

Through such services as the CAF Charity Account, CAF Company Account and CAF Charitable Trust, the group's activities include the receipt, investment and onward distribution of charitable funds. Activities also include the banking services, such as deposit taking and lending provided by CAF Bank. Consequently, the group holds a significant level of financial instruments and has a corresponding exposure to the associated financial risks.

Details of the financial instruments held by CAF Bank are set out in note 31 to the financial statements, together with descriptions of the management of each category of financial risk.

## Credit risk

Credit risk is the risk of financial loss arising from a borrower or counterparty failing to meet their financial obligations to repay the group in accordance with agreed terms. Credit risk arises primarily from investing funds with wholesale treasury counterparties and lending to charities and personal customers.

### Wholesale treasury assets

Wholesale treasury policies are reviewed and approved by the CAF Investment Advisory Committee and CAF Bank's Executive Risk Committee. The boards of group entities set criteria which include credit rating and counterparty lending limits, group exposures and country limits.

Loans and advances are made to major banks and to the Bank of England. Counterparties and exposure limits are reviewed by the CAF Investment Advisory Committee and CAF Bank Asset and Liability Committee (ALCO).

### Financial investments held for Trust funds

CAF Charitable Trusts, CAF America Donor Advised Funds and CAF American Donor Fund Trusts (collectively 'Trust funds') are invested in accordance with policies approved by the CAF Investment Advisory Committee on behalf of CAF's and CAF American Donor Fund's Trustees and the board of CAF America. Donors typically hold a proportion of their funds in cash in order to meet their short-term giving expectations and invest funds to meet their medium to long-term philanthropic objectives. Donors plan donations by reference to the market values and liquidity profile of the assets held for their trust fund.

The exposure to credit risk is also mitigated by directly investing only in liquid debt securities and with counterparties having a credit rating at purchase of at least A-/A3 from Moody's/Fitch/S&P ratings.

Cash held for Trust funds by investment managers pending investment is subject to the FCA's client money rules and must be held only at banks within approved credit policy.

### Lending and programme related investments

There are two principal streams of lending activity: CAF Bank and CAF Venturesome.

CAF Bank has in place a system of limits and controls to manage credit risk on its loan portfolio. Loan applications are reviewed by a credit assessment team and presented for approval to the Sanctions Committee, a sub-committee of the Credit Committee, in accordance with policies and criteria approved by the CAF Bank board. CAF Bank lending is secured on property and subject to maximum limits on loan to value ratios.

CAF Bank's lending policies include maximum exposure values and limits to manage concentration risk by sector. Exposure to geographical area is monitored.

CAF Bank's loans, overdrafts and BACS facilities are subject to regular monitoring of loan performance and individual annual review. Administration of the loan book is outsourced to Capita Mortgage Services Ltd who provide regular management information on a loan-by-loan and aggregated basis.

CAF Venturesome's programme-related investments enable charities to lever their operations, and deliver more social impact.

All loans are subject to regular monitoring of loan performance.

Provisions are assessed on a loan-by-loan basis and where appropriate, includes consideration of the impact of a reduction in property values of various degrees of severity.

## *Liquidity and funding risk*

Liquidity risk is the risk that a group entity does not have sufficient financial resources to meet its obligations as they fall due, or can secure them only at excessive cost. Liquidity risk arises from mismatches in the timing of cash flows. Funding risk arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

### **Wholesale treasury assets**

Liquidity and funding risk is measured and monitored against daily limits and for CAF Bank against intra-day triggers. The liquidity position is monitored by the CAF Investment Advisory Committee and for CAF Bank by its ALCO and Executive Risk Committee. CAF Bank undertakes regular stress testing of its liquidity position and behavioural analysis of its liabilities and assets.

### **Financial investments held for Trust funds**

Trust funds are invested at the discretion of donors in accordance with investment policies which require investments to be highly liquid. Investments by donors take into account anticipated liquidity requirements to fund donations. Should additional liquidity be required to fund donations, investments are disposed. In the event of a shortfall in anticipated proceeds, the value of the donation would be reduced.

## *Market and interest rate risk*

Market and interest rate risk is the risk from adverse movements in external markets, e.g. interest rate movements, changes in investment values or currency movements that will reduce income or the value of assets. This includes interest rate risk in CAF Bank's banking book which is the risk arising from a mismatch between the duration of assets and liabilities.

### **Wholesale treasury assets**

Neither CAF nor CAF Bank undertake proprietary trading activities. Investments are usually held to maturity and valued at cost with any premium or discount amortised over the remaining term (the effective interest method).

Market and interest rate risk is measured by monitoring mismatches between assets and liabilities assessed on a behavioural basis, which may result from movements in market interest rates over a specified time period within limits approved by the boards of group entities.

### **Financial investments held for Trust funds**

Trust funds are invested to fund long term philanthropic goals of donors. The value of investments determines the value of funds available to make donations. Accordingly, a movement in equity markets or interest rates may affect the value of Trust funds held by the group, but does not impact the level of unrestricted funds.

## *Non-financial risks*

### **Strategic and capital risk**

Strategic risks are those that arise from the decisions taken concerning the group's objectives and ability to meet those objectives. Business risks derive from the decisions taken in relation to developing and sustaining products and services, the attendant economic risks concerning income and costs, and associated risk arising from change in the technological environment for those products and services. Non-business risks arise out of the longer term sources of finance.

Capital risk is the risk that the group or some of its entities do not have the amount and/or quality of reserves needed to meet the requirement of the entities reserves policy or the minimum regulatory requirements or to support planned strategic growth.

The group's principal risk exposure is to financial risks and consequently changes in the financial markets have the potential to have a significant impact on our strategic plans. Our strategic planning includes the modelling of a range of potential future scenarios in respect of changes in the group's operating environment, through which we identify opportunities for the furtherance of our strategic goals or for the mitigation of any negative impact arising from the change in the operating environment.

The risks of short term economic downturn and a continuing low or negative interest rate environment are modelled. Similarly, the risk of inflationary pressures and higher interest rates in the medium term are considered.

Changes in our operating environment, including regulatory changes, may also impact the level of our retained reserves or the levels of reserves we are required to maintain in the future. Our planning processes include comparison of projected reserves against the minimum level of reserves required to support our ongoing operations and planned strategic growth.

During 2015/16 we raised £20m (before costs) through the issue of the CAF Retail Charity Bond, this is enabling us to increase CAF Bank's capital in order to support planned growth in the bank's lending to charities and facilitate planned enhancements to our services for donors and charities.

The risks to CAF's strategy arising out of the planned exit of the UK from the EU (Brexit) continue to be assessed and monitored, including the future of EU funding for charitable work, the longer term sustainability of corporate social responsibility programmes, the future of tax relief arrangements for donations into or out of the EU, and the future of London as a global hub for philanthropy. CAF does not receive any direct EU funding.

### **Regulatory risk**

Regulatory risk is defined as the risk to earnings and reputation associated with a failure to comply with regulatory requirements and expectations. The group aims to comply with all regulatory requirements to minimise the risk of financial loss, maintain its high reputation and avoid regulatory sanction.

CAF is regulated by the Charity Commission for England and Wales and is also required to comply with tax legislation for which HM Revenue & Customs is responsible for ensuring adherence. CAF is responsible for ensuring that the charitable funds which it receives, administers and distributes are managed in compliance with charity law and the tax legislation relevant to charitable giving and expenditure. CAF Bank is regulated in the UK by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. CAF Financial Solutions Limited is regulated in the UK by the FCA.



Compliance with regulatory requirements and expectations commences at board level for each group entity, is cascaded down through the senior management teams and is embedded across all areas of operation through the Risk and Compliance teams.

The group is committed to ensure that the appropriate resource is made available to adhere to regulatory requirements, albeit in a proportionate way.

### Operational risk

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The group continues to develop systems and controls to increase the probability of success and reduce the likelihood of failure associated with operational risks. Policies and practices are in place to address and mitigate our operational risks, the reporting of which will be enhanced on a continuous improvement basis.

Key operational risks monitored by the group include exposure of group entities and their customers to financial crime, including money laundering. Customer and beneficiary reviews, including at advanced levels where required, are undertaken in line with best practice, anti-money laundering, prevention of terrorist financing and HM Revenue & Customs requirements.

CAF Bank uses the Basic Indicator Approach to allocate capital to operational risk exposures.

### Cyber risk

Cyber threats are escalating from an increasingly sophisticated criminal community and we continue to invest in strengthening defences for both the group and its customers and in developing emergency response plans. We continue to respond to the need to ensure resilience, to layer up security measures and to build capacity as our operating model and volumes develop.

### Reputational risk

Reputational risk is the risk of an adverse event resulting in damage to the group's and/or any of its subsidiaries' reputation, leading to lost revenue or increased operating, capital or regulatory costs.

The group's standing in the eyes of its donors, customers, beneficiaries, charity sector and the general public is of critical importance to us. Reputational risk arises as a consequence of the other types of risk described above, and as such potential reputational impact is an integral part of assessing and managing those risks.

# STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the charity and of the incoming resources and application of resources of the group and the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are 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.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustees' Report on pages 5 to 26 was approved by the Board of Trustees on 13 July 2017 and signed on their behalf.



Dominic Casserley  
Chairman of Trustees

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF CHARITIES AID FOUNDATION

We have audited the financial statements of Charities Aid Foundation for the year ended 30 April 2017 which comprise the Consolidated and Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011, regulations made under section 154 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 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 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 auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 30 April 2017 and of the group's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Deloitte LLP  
Statutory Auditor  
London, UK

Date: 13 July 2017

*Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.*

# GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 APRIL 2017

	Notes	Unrestricted		Restricted and endowment funds		Total	
		2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
<b>Income</b>							
Donations		2,772	3,143	533,917	427,991	536,689	431,134
Legacies		4,758	568	19,117	34,895	23,875	35,463
		<b>7,530</b>	<b>3,711</b>	<b>553,034</b>	<b>462,886</b>	<b>560,564</b>	<b>466,597</b>
Charitable activities:							
Fee income		14,290	10,356	-	23	14,290	10,379
CAF Bank net interest income		10,756	9,673	-	-	10,756	9,673
Investment income	4	6,334	6,083	12,803	10,595	19,137	16,678
<b>Total income</b>	<b>5</b>	<b>38,910</b>	<b>29,823</b>	<b>565,837</b>	<b>473,504</b>	<b>604,747</b>	<b>503,327</b>
<b>Expenditure</b>							
Charitable activities:							
Donations paid to charities		218	622	480,686	401,897	480,904	402,519
Other expenditure on charitable activities		35,363	29,086	-	-	35,363	29,086
<b>Total expenditure</b>	<b>5</b>	<b>35,581</b>	<b>29,708</b>	<b>480,686</b>	<b>401,897</b>	<b>516,267</b>	<b>431,605</b>
<b>Net income before group's share of losses in associate</b>		<b>3,329</b>	<b>115</b>	<b>85,151</b>	<b>71,607</b>	<b>88,480</b>	<b>71,722</b>
Group's share of losses in associate	14	(53)	(520)	(13)	-	(66)	(520)
<b>Net income/(expenditure) before net gains/(losses) on investments</b>		<b>3,276</b>	<b>(405)</b>	<b>85,138</b>	<b>71,607</b>	<b>88,414</b>	<b>71,202</b>
Net gains on debt securities		1,540	-	-	-	1,540	-
Net gains/(losses) on financial investments		-	-	74,559	(14,793)	74,559	(14,793)
Net gains on other investments		215	-	836	-	1,051	-
<b>Net income/(expenditure) before exceptional items</b>		<b>5,031</b>	<b>(405)</b>	<b>160,533</b>	<b>56,814</b>	<b>165,564</b>	<b>56,409</b>
<b>Exceptional items</b>							
Multi-employer defined benefit pension plan:							
Share of orphaned liabilities	28	-	(2,000)	-	-	-	(2,000)
Costs of withdrawal from plan	28	-	(327)	-	-	-	(327)
<b>Net income/(expenditure)</b>	<b>5</b>	<b>5,031</b>	<b>(2,732)</b>	<b>160,533</b>	<b>56,814</b>	<b>165,564</b>	<b>54,082</b>
<b>Transfers between funds</b>	<b>23</b>	<b>141</b>	<b>4,717</b>	<b>(141)</b>	<b>(4,717)</b>	<b>-</b>	<b>-</b>
<b>Net movement in funds before other recognised gains/(losses)</b>		<b>5,172</b>	<b>1,985</b>	<b>160,392</b>	<b>52,097</b>	<b>165,564</b>	<b>54,082</b>
<b>Other recognised gains/(losses)</b>							
Actuarial gains on defined benefit pension plan	28	431	163	-	-	431	163
Asset limit remeasurement on defined benefit pension plan	28	(305)	-	-	-	(305)	-
<b>Net movement in funds</b>		<b>5,298</b>	<b>2,148</b>	<b>160,392</b>	<b>52,097</b>	<b>165,690</b>	<b>54,245</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		54,910	52,762	1,064,408	1,012,311	1,119,318	1,065,073
<b>Total funds carried forward</b>	<b>23</b>	<b>60,208</b>	<b>54,910</b>	<b>1,224,800</b>	<b>1,064,408</b>	<b>1,285,008</b>	<b>1,119,318</b>

The notes on pages 34 to 73 form an integral part of these financial statements.

# CHARITY STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 APRIL 2017

	Notes	Unrestricted		Restricted and endowment funds		Total	
		2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
<b>Income</b>							
Donations		6,121	5,739	431,858	356,597	437,979	362,336
Legacies		4,758	568	19,117	34,895	23,875	35,463
		<b>10,879</b>	<b>6,307</b>	<b>450,975</b>	<b>391,492</b>	<b>461,854</b>	<b>397,799</b>
Charitable activities:							
Fee income		10,068	9,325	-	23	10,068	9,348
Investment income	4	6,745	6,027	12,409	10,217	19,154	16,244
<b>Total income</b>	<b>5</b>	<b>27,692</b>	<b>21,659</b>	<b>463,384</b>	<b>401,732</b>	<b>491,076</b>	<b>423,391</b>
<b>Expenditure</b>							
Charitable activities:							
Donations paid to charities		242	622	392,164	351,756	392,406	352,378
Other expenditure on charitable activities		24,605	21,184	-	-	24,605	21,184
<b>Total expenditure</b>	<b>5</b>	<b>24,847</b>	<b>21,806</b>	<b>392,164</b>	<b>351,756</b>	<b>417,011</b>	<b>373,562</b>
<b>Net income/(expenditure) before net gains/(losses) on investments</b>		<b>2,845</b>	<b>(147)</b>	<b>71,220</b>	<b>49,976</b>	<b>74,065</b>	<b>49,829</b>
Net gains on debt securities		1,540	-	-	-	1,540	-
Net gains/(losses) on financial investments		-	-	71,844	(14,315)	71,844	(14,315)
Net gains on other investments		215	-	836	-	1,051	-
Net losses on associate undertakings		(53)	(520)	(13)	-	(66)	(520)
<b>Net income/(expenditure) before exceptional items</b>		<b>4,547</b>	<b>(667)</b>	<b>143,887</b>	<b>35,661</b>	<b>148,434</b>	<b>34,994</b>
<b>Exceptional items</b>							
Multi-employer defined benefit pension plan:							
Share of orphaned liabilities	28	-	(2,000)	-	-	-	(2,000)
Costs of withdrawal from plan	28	-	(327)	-	-	-	(327)
<b>Net income/(expenditure)</b>	<b>5</b>	<b>4,547</b>	<b>(2,994)</b>	<b>143,887</b>	<b>35,661</b>	<b>148,434</b>	<b>32,667</b>
<b>Transfers between funds</b>	<b>23</b>	<b>141</b>	<b>4,717</b>	<b>(141)</b>	<b>(4,717)</b>	<b>-</b>	<b>-</b>
<b>Net movement in funds before other recognised gains/(losses)</b>		<b>4,688</b>	<b>1,723</b>	<b>143,746</b>	<b>30,944</b>	<b>148,434</b>	<b>32,667</b>
<b>Other recognised gains/(losses)</b>							
Actuarial gains on defined benefit pension plan	28	431	163	-	-	431	163
Asset limit remeasurement on defined benefit pension plan	28	(305)	-	-	-	(305)	-
<b>Net movement in funds</b>		<b>4,814</b>	<b>1,886</b>	<b>143,746</b>	<b>30,944</b>	<b>148,560</b>	<b>32,830</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		53,747	51,861	996,781	965,837	1,050,528	1,017,698
<b>Total funds carried forward</b>	<b>23</b>	<b>58,561</b>	<b>53,747</b>	<b>1,140,527</b>	<b>996,781</b>	<b>1,199,088</b>	<b>1,050,528</b>

The notes on pages 34 to 73 form an integral part of these financial statements.

# GROUP BALANCE SHEET

## AS AT 30 APRIL 2017

	Notes	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
		2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
<b>Assets</b>									
Balances at Bank of England		33,744	26,192	1,571	3,541	167,965	130,964	203,280	160,697
Loans and advances to banks:									
Repayable on demand	9	34,175	39,600	435,135	293,117	10,669	9,981	479,979	342,698
Other	9	-	-	236,227	238,778	18,000	23,000	254,227	261,778
Loans and advances to customers	10	2,443	2,172	2,009	2,986	71,705	45,620	76,157	50,778
Debt securities	11	1,481	2,373	6,972	32,115	733,265	792,920	741,718	827,408
Financial investments	12	-	-	566,301	507,203	-	-	566,301	507,203
Other investments	13	657	273	3,440	650	-	-	4,097	923
Associate undertaking	14	3,427	3,480	87	100	-	-	3,514	3,580
Tangible fixed assets	15	5,151	5,040	-	-	-	-	5,151	5,040
Other debtors	16	845	1,438	10,488	4,593	-	-	11,333	6,031
Prepayments and accrued income		5,576	3,121	22,824	18,873	7,603	6,633	36,003	28,627
<b>Total assets</b>		<b>87,499</b>	<b>83,689</b>	<b>1,285,054</b>	<b>1,101,956</b>	<b>1,009,207</b>	<b>1,009,118</b>	<b>2,381,760</b>	<b>2,194,763</b>
<b>Liabilities</b>									
CAF Bank depositors' balances	17	-	-	-	-	1,002,063	1,000,088	1,002,063	1,000,088
Give As You Earn and CAF Donate balances	18	-	-	-	-	6,266	6,836	6,266	6,836
Due to beneficiary charities	19	-	-	58,232	36,222	-	-	58,232	36,222
Other creditors	20	4,327	4,577	1,392	1,128	63	95	5,782	5,800
Accruals and deferred income		3,376	2,454	630	198	815	249	4,821	2,901
Provisions for corporation tax		17	18	-	-	-	-	17	18
Long-term loan	21	19,571	19,530	-	-	-	-	19,571	19,530
Subordinated liabilities	22	-	-	-	-	-	350	-	350
Preference shares	22	-	-	-	-	-	1,500	-	1,500
Pension obligations	28	-	2,200	-	-	-	-	-	2,200
<b>Total liabilities</b>		<b>27,291</b>	<b>28,779</b>	<b>60,254</b>	<b>37,548</b>	<b>1,009,207</b>	<b>1,009,118</b>	<b>1,096,752</b>	<b>1,075,445</b>
Funds	23	60,208	54,910	1,224,800	1,064,408	-	-	1,285,008	1,119,318
<b>Total liabilities and charitable funds</b>		<b>87,499</b>	<b>83,689</b>	<b>1,285,054</b>	<b>1,101,956</b>	<b>1,009,207</b>	<b>1,009,118</b>	<b>2,381,760</b>	<b>2,194,763</b>

The notes on pages 34 to 73 form an integral part of these financial statements.

Approved by the Trustees on 13 July 2017 and signed on their behalf by



Stuart Barnett FCA  
Trustee



Mike Dixon FCA  
Director of Finance and Operations

# CHARITY BALANCE SHEET AS AT 30 APRIL 2017

Registered charity number 268369	Notes	Unrestricted funds		Restricted and endowment funds		Donor client balances		Total	
		2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
<b>Assets</b>									
Loans and advances to banks:									
Repayable on demand	9	31,512	37,939	385,301	248,644	6,329	6,985	423,142	293,568
Other	9	-	-	229,898	227,073	-	-	229,898	227,073
Loans and advances to customers	10	2,327	2,172	2,009	2,986	-	-	4,336	5,158
Debt securities	11	-	-	-	32,115	-	-	-	32,115
Financial investments	12	-	-	548,361	499,076	-	-	548,361	499,076
Other investments	13	657	273	3,440	650	-	-	4,097	923
Subsidiary undertakings	14	30,925	24,925	-	2,025	-	-	30,925	26,950
Associate undertaking	14	3,427	3,480	87	100	-	-	3,514	3,580
Tangible fixed assets	15	4,959	5,016	-	-	-	-	4,959	5,016
Other debtors	16	4,421	4,175	8,878	2,905	-	-	13,299	7,080
Prepayments and accrued income		5,453	3,035	22,633	18,515	-	-	28,086	21,550
<b>Total assets</b>		<b>83,681</b>	<b>81,015</b>	<b>1,200,607</b>	<b>1,034,089</b>	<b>6,329</b>	<b>6,985</b>	<b>1,290,617</b>	<b>1,122,089</b>
<b>Liabilities</b>									
Give As You Earn and CAF Donate balances	18	-	-	-	-	6,266	6,836	6,266	6,836
Due to beneficiary charities	19	-	-	58,058	35,982	-	-	58,058	35,982
Other creditors	20	2,985	3,112	1,392	1,128	63	149	4,440	4,389
Accruals and deferred income		2,564	2,426	630	198	-	-	3,194	2,624
Long-term loan	21	19,571	19,530	-	-	-	-	19,571	19,530
Pension obligations	28	-	2,200	-	-	-	-	-	2,200
<b>Total liabilities</b>		<b>25,120</b>	<b>27,268</b>	<b>60,080</b>	<b>37,308</b>	<b>6,329</b>	<b>6,985</b>	<b>91,529</b>	<b>71,561</b>
<b>Funds</b>	<b>23</b>	<b>58,561</b>	<b>53,747</b>	<b>1,140,527</b>	<b>996,781</b>	<b>-</b>	<b>-</b>	<b>1,199,088</b>	<b>1,050,528</b>
<b>Total liabilities and charitable funds</b>		<b>83,681</b>	<b>81,015</b>	<b>1,200,607</b>	<b>1,034,089</b>	<b>6,329</b>	<b>6,985</b>	<b>1,290,617</b>	<b>1,122,089</b>

The notes on pages 34 to 73 form an integral part of these financial statements.

Approved by the Trustees on 13 July 2017 and signed on their behalf by



Stuart Barnett FCA  
Trustee



Mike Dixon FCA  
Director of Finance and Operations

# GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017		2016	
		£000	£000	£000	£000
<b>Cash flows from operating activities:</b>					
Net cash provided by operating activities	24		1,992		29,982
<b>Cash flows from investing activities</b>					
(Increase)/decrease in Cash Ratio Deposit with Bank of England		(34)		89	
Net decrease in loans and advances to banks		7,551		38,577	
Net decrease/(increase) in debt securities		82,600		(62,435)	
Payments to acquire financial investments		(112,180)		(99,843)	
Proceeds on disposal of financial investments		180,519		115,299	
Payments to acquire other investments		(170)		-	
Proceeds on disposal of other investments		6,736		312	
Payments to acquire tangible fixed assets		(420)		(3)	
(Increase)/decrease in investment portfolio cash and settlements pending		(4,605)		13,232	
Receipts of Trust Funds investment income		12,702		12,213	
<b>Net cash provided by investing activities</b>			<b>172,699</b>		<b>17,441</b>
<b>Cash flows from financing activities</b>					
Proceeds on issue of long-term loan		-		19,648	
Payments of interest on long-term loan		(1,020)		-	
Payments on redemption of subordinated liabilities		(350)		-	
Payments on redemption of preference shares		(1,500)		-	
<b>Net cash (used in)/provided by financing activities</b>			<b>(2,870)</b>		<b>19,648</b>
<b>Change in cash and cash equivalents in the year</b>			<b>171,821</b>		<b>67,071</b>
<b>Cash and cash equivalents as at 1 May</b>			<b>502,902</b>		<b>434,606</b>
Change in cash and cash equivalents due to exchange rate movements			8,009		1,225
<b>Cash and cash equivalents as at 30 April</b>			<b>682,732</b>		<b>502,902</b>
Represented by:					
Balances at Bank of England repayable on demand			202,753		160,204
Loans and advances to banks repayable on demand			479,979		342,698
			<b>682,732</b>		<b>502,902</b>

The notes on pages 34 to 73 form an integral part of these financial statements.



# CHARITY CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2017

	Notes	2017		2016	
		£000	£000	£000	£000
<b>Cash flows from operating activities:</b>					
Net cash provided by operating activities	24		14,589		11,130
<b>Cash flows from investing activities</b>					
Net (increase)/decrease in loans and advances to banks		(2,825)		14,320	
Net decrease in debt securities		33,597		5,000	
Payments to acquire financial investments		(106,876)		(98,378)	
Proceeds on disposal of financial investments		177,393		115,297	
Payments to acquire other investments		(170)		-	
Proceeds on disposal of other investments		6,736		312	
Payments to acquire subsidiary undertakings		(6,000)		(2,000)	
Proceeds on disposal of subsidiary undertakings		2,025		-	
Payments to acquire tangible fixed assets		(225)		-	
(Increase)/decrease in investment portfolio cash and settlements pending		(4,369)		13,232	
Receipts of Trust Funds investment income		12,308		11,835	
Net cash provided by investing activities			111,594		59,618
<b>Cash flows from financing activities</b>					
Net proceeds on issue of long-term loan		-		19,648	
Payments of interest on long-term loan		(1,020)		-	
Net cash (used in)/provided by financing activities			(1,020)		19,648
<b>Change in cash and cash equivalents in the year</b>			125,163		90,396
<b>Cash and cash equivalents as at 1 May</b>			293,568		201,878
Change in cash and cash equivalents due to exchange rate movements			4,411		1,294
<b>Cash and cash equivalents as at 30 April</b>			423,142		293,568

The notes on pages 34 to 73 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 1. Accounting policies

The principal accounting policies and judgements used in the preparation of the financial statements are:

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and the Statement of Recommended Practice: Accounting and Reporting by Charities ('Charity SORP (FRS 102)').

Monetary amounts in these financial statements are stated in pounds sterling and are rounded to the nearest whole £1,000, except where otherwise indicated.

### 1.2 Going concern

In order to assess the appropriateness of the going concern assumption basis, the Trustees have considered the Group's financial position, reserves and forecasts for the foreseeable future. They have considered the assumptions underlying those forecasts and the impact of the potential risks affecting them.

After making due enquiries, the Trustees have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for at least twelve months from the date of signing this report. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### 1.3 Funding accounting

The Group holds restricted, unrestricted and endowment funds.

Fund classification is an area of significant judgement and is dealt with in Note 1.15 (a).

Unrestricted income funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the charitable objects of the Group.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors. Restricted funds comprise donations to the Group which are held pending instructions for investment or onward donation to charitable organisations.

Two permanent endowments representing donations to support the Group's operations in Russia are not material and are reported in these financial statements along with restricted funds.

Further details of each fund are disclosed in note 23.

### 1.4 Income recognition

Income is recognised once the Group has entitlement to the income, it is probable that the income will be received and the amount can be measured reliably.

#### a Donations and legacies

Donations received are recognised once the Group has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

In the event that a donation or grant is subject to conditions, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the Group and it is probable that those conditions will be fulfilled.

Legacy donations are recognised on a case-by-case basis where there has been a grant of probate or notification has been made by executors that a distribution will be made. In the event that the gift is in the form of an asset other than cash, or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy. Where legacies have been notified with an estimated value but the criteria for income recognition have not been met, then the legacies are treated as contingent assets and disclosed if material (see note 27).

Donations processed by the Group acting in an agency role are recognised in the balance sheet. Such donations consist of amounts in respect of CAF Give As You Earn and CAF Donate services.

#### b Fee income

Income in respect of grant administration services provided to grant-makers, which forms part of wider arrangements including the receipt and onward payment of funds to beneficiary charities, is recognised upon delivery of the administration services. Recognition of this income is dependent upon being able to measure reliably: the stage of completion, the costs incurred in delivering the service and the costs to complete the requirements of the service.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 1. Accounting policies (continued)

Loan arrangement fees are recognised using the effective interest method over the term of the loan. Non-utilisation fees on undrawn loans are recognised as income in the period they are earned.

### c Investment income

Interest receivable on financial assets is recognised using the effective interest method. Dividends are recognised once the dividend has been declared and notification has been received of the value of the dividend due. Where investments are managed by external investment managers, this is normally upon notification by the investment manager of the dividend income.

### 1.5 Expenditure recognition

Expenditure is recognised as soon as there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Donations paid to charities principally represent donations by donor clients and are charged to the Statement of Financial Activities (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.

Grants payable are payments where the beneficiary charity has been formally notified in writing of the award. This notification gives the recipient a reasonable expectation that they will receive the one-year or multi-year grant. In the case of an unconditional grant offer this is accrued once the recipient has been notified of the grant award. Grant awards that are subject to the recipient fulfilling performance conditions are accrued when any remaining unfulfilled conditions attaching to that grant are outside of the control of the Group.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Group that would permit the Group to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the average rate of investment yield in the year in which the grant award is made.

### 1.6 Allocation of support cost

All expenses including support costs and governance costs are allocated or apportioned to the applicable expenditure headings. Where support costs cannot be directly attributed to one or more categories, they are apportioned on the basis of staff headcount. No support costs are allocated to restricted funds.

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice.

Irrecoverable VAT is charged as a cost.

### 1.7 Operating leases

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

### 1.8 Pension costs

Details of the Group's pension arrangements are set out in note 28. The following policies are applied to the recognition and measurement of costs and liabilities in respect of the pension plans.

#### Defined contribution pension plans

Pension contributions payable for the year in respect of defined contribution pension plans are recognised as an expense and as a liability, after deducting any amounts already paid.

#### Defined benefit pension plan

In April 2016 CAF completed the set up of a new CAF-specific defined benefit pension plan (Charities Aid Foundation Pension Scheme), which is closed to both new members and benefit accrual, and committed to the withdrawal from a multi-employer defined benefit pension plan, which has been closed to new members since July 2012. The effective date of transfer of CAF's share of the assets and liabilities of the multi-employer plan to the Charities Aid Foundation Pension Scheme was 30 April 2016. In accordance with the requirements of FRS 102, if CAF's obligations under the plan exceed the value of the plan's assets, CAF recognises a 'net defined benefit liability'.

The 'net defined benefit liability' is measured in accordance with the requirements of FRS 102 and is determined by an independent actuary. The net change in the defined benefit liability during the period is recognised in the SOFA.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 1. Accounting policies (continued)

### 1.9 Foreign currency

Transactions in foreign currencies are translated to Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Sterling at the exchange rate ruling 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.

### 1.10 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.

### 1.11 Tangible fixed assets

Tangible fixed assets, other than long-leasehold property, are stated at cost less accumulated depreciation and accumulated impairment losses.

Long-leasehold property is stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains and losses on revaluation are recognised in the SOFA and accumulated in the revaluation reserve.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Group entities assess at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the SOFA on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Long-leasehold property 50 years
- Long-leasehold and other leasehold improvements Shorter of the remaining term of the lease or the useful economic life of the improvements
- Furniture and fittings 1 to 4 years
- Computer equipment 1 to 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change in the pattern by which the Group expects to consume an asset's future economic benefits.

### 1.12 Basic financial instruments

#### Investments

Investments may be held for two broad investment objectives:

- to generate income to support the Group's charitable activities – 'Wholesale treasury assets' which include CAF Bank's investments, or
- to achieve capital appreciation and to generate income for CAF, CAF America Donor Advised Funds and CADF Charitable Trusts – 'Financial investments'.

#### Wholesale treasury assets

Debt securities are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### Financial investments

Pools of investments are held for CAF Charitable Trusts, CAF America Donor Advised Funds and CAF American Donor Fund Trusts (collectively 'Trust funds') to achieve an investment return to fund future charitable donations. The value of the investments determines the funds available for donation at any point in time.

Basic financial instruments held as 'Financial investments' are, therefore, measured initially at fair value, which is normally the transaction price. Transaction costs are expensed in the SOFA (where material) if the investments are subsequently measured at fair value through profit or loss. Subsequent to initial recognition all types of investments, including debt securities, that can be measured reliably are measured at fair value with changes recognised in the SOFA. Where the fair value of such investments cannot be reliably measured because, for example they are not publicly traded, the investments are measured at cost less impairment.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 1. Accounting policies (continued)

### Other investments

Investments in equity instruments, such as ordinary and preference shares, are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded (where material) if the investments are subsequently measured at fair value through profit or loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in the SOFA.

### Investments in subsidiaries

Investments in subsidiaries which consist of ordinary share capital, preference share capital and Additional Tier 1 (AT1) securities are carried at cost less impairment.

### Investment in associate

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investors holds between 20% and 50% of the equity voting rights.

The Group's share of the profits less losses of associates is included in the Group SOFA and its interest in their net assets is recorded on the balance sheet using the equity method.

In the parent financial statements, investments in associates are carried at cost less impairment.

### Investments in subsidiaries held for subsequent resale

Interests held as part of an investment portfolio are deemed to be held with a view to subsequent resale. These interests are not consolidated but are included in the accounts of the investing entity at fair value with movements in the fair value recognised through the SOFA.

### Loans and advances to banks

Loans and advances to banks comprise the Group's cleared and uncleared balances held at clearing banks and deposits with an original maturity of five years or less. These are shown at the lower of cost or estimated realisable value.

Where a pool of 'Financial investments' is managed on a discretionary basis by an investment manager and the portfolio includes cash and cash deposits, those balances are included with the investment balance to reflect that the funds do not form part of normal day-to-day operational cash flows and balances.

### CAF Bank depositors' balances

CAF Bank depositors' balances represent the value of deposits by account holders and are recorded as liabilities.

### Debtors and creditors

Debtors are recognised at the settlement amount due after any discount offered. Prepayments are valued at the amount prepaid.

Creditors are recognised where there is a present obligation resulting from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any discounts due.

### Interest-bearing loans receivable and payable

Interest-bearing loans are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing loans are stated at amortised cost using the effective interest method, less any impairment losses.

### Concessionary loans receivable and payable

Concessionary loans may be receivable from other charities as a result of lending activity undertaken by CAF Venturesome and loans advanced by CAF Charitable Trusts. Such loans are advanced at concessionary (non-market) rates of interest, which may include interest-free loans. These are initially recognised at the amount advanced to the borrower and are subsequently measured at the amount advanced less amounts received less any impairment.

Concessionary loans may be payable in respect of funds advanced to support lending undertaken by CAF Venturesome. Such loans are advanced at concessionary (non-market) rates and are usually interest-free loans. These are initially recognised at the amount advanced by the lender and are subsequently measured at the amount advanced less any amounts repaid to the lender.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 1. Accounting policies (continued)

### 1.13 Other financial instruments - financial instruments not considered to be 'Basic financial instruments'

Other financial instruments not meeting the definition of 'Basic financial instruments' are recognised initially at fair value. Subsequent measurement is at fair value with changes recognised in the SOFA, except for equity instruments which are not publicly traded and whose value cannot otherwise be measured reliably, which are measured at cost less impairment.

Derivative financial instruments are not held by the Group, except where a pool of 'Financial investments' is managed on a discretionary basis by an investment manager and derivative financial instruments (such as forward currency exchange contracts) may be used to mitigate risk.

### 1.14 Impairment of assets

#### Financial assets (including trade and other debtors)

Financial assets including loans are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence can include default or delinquency by a borrower, restructuring of a loan or advance on terms the Group would otherwise not consider, indications that a borrower or issuer may become insolvent, or a reduction in marketability of security.

The Group considers evidence for impairment for loans and advances (including on-demand commitments) at both specific and collective level. If there is evidence of impairment leading to an impairment loss for an individual counterparty relationship, then the amount of the loss is determined as the difference between the carrying amount of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from foreclosure less costs for obtaining and selling collateral. The carrying amount of the loan is reduced by the use of an allowance account and the amount of the loss is recognised in the SOFA.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and loss experience for assets with credit risk characteristics similar to those in the Group. In addition,

the Group uses its judgement to estimate the amount of an impairment loss, supported by historical loss experience data for similar assets. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process.

#### Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the SOFA.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Investment properties

Investment properties which are only acquired upon donation, usually by legacies, to the Group are measured initially at probate valuation. Subsequent to initial recognition, investment properties are held at open market value.

### 1.15 Significant estimates and judgements

#### a Judgements

##### Classification of funds

Judgement has been applied in whether certain funds held in accordance with CAF's standard terms and conditions should be classified as restricted funds or designated funds under the SORP. These funds, which amount to £995.6m (2016: £855.3m), are held by CAF pending instruction for onward distribution to third party charities.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 1. Accounting policies (continued)

The Trustees consider that the following factors indicate that these funds held in CAF Charity Accounts, CAF Company Accounts and CAF Charitable Trusts are more appropriately classified as restricted funds:

- The SORP states that a restriction may result from a decision by the donor to support a specific purpose of the charity. So, although the standard terms and conditions of CAF do not themselves restrict the funds, the view of the Trustees is that the donor decision results in a restriction in substance.
- There is an expectation from the donor and users of the accounts that these funds will be used in line with the wishes of the donor.
- In the ordinary course of business, there is no expectation that these funds will be used for any purposes other than onward distribution. This is supported by long term business practice and the fact that use of these funds for CAF's own needs would likely be damaging to the business model and would only ever be contemplated in an extreme event.

### Legacies

Judgement has been applied in recognising income from legacies gifted to CAF. Legacies are recognised as income where receipt is probable, which is determined from a review of a number of criteria including grant of probate, sufficiency of assets and the existence of any conditions to be met.

## b Estimates

With respect to the next reporting period, 2017/18, the most significant areas of uncertainty that affect the carrying value of assets held by the Group are the level of investment return and the performance of investment markets.

### Pensions

An estimate has been made of a net defined benefit liability from a former defined benefit pension arrangement (the Charities Aid Foundation Pension Scheme) which is no longer available to staff (see note 28 for more information).

### Fair value – estimations and assumptions in valuation models used

Where no market value is available for an investment or no recent transactions of an identical asset are available, an estimate is made of fair value using other valuation models. Such models include those in accordance with International Private Equity and Venture Capital Valuation Guidelines.

The Group carries its investment property at fair value, with changes in fair value being recognised in the SOFA. The Group engaged independent valuation specialists to determine fair value at 30 April 2017. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2015 and in accordance with United Kingdom Guidance Note 7 – Valuations for Charities.

### 1.16 Entity status

CAF meets the definition of a Public Benefit Entity under FRS102.

## 2. Consolidation

The Group financial statements include the accounts of CAF (the charity) and its subsidiary undertakings for the year. The income and donations received and net movement in funds for CAF are disclosed in note 23.

### Consolidated entities

The following entities are controlled by CAF and are consolidated in the Group financial statements:

### Trading subsidiaries

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

- **CAF Bank Limited**, a bank for charities authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
- **CAF Financial Solutions Limited**, a company authorised and regulated by the Financial Conduct Authority, responsible for the marketing and promotion of regulated savings and investment products to customers of CAF and its subsidiaries
- **CAF Investments Limited**, the sponsor of an Open Ended Investment Company (OEIC), namely, FP CAF Investment Fund

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 2. Consolidation (continued)

### UK registered charities

Southampton Row Trust Limited, which operates as CAF American Donor Fund, is a UK charitable company registered with the Charity Commission (number 1079020) and is wholly-owned by CAF America (see below). 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 on charitable gifts in each country.

### 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 has the power to appoint and remove the members of CAF America at any time
- **CAF Canada**, a Canadian charity registered with the Canadian Revenue Agency of which CAF and CAF America are the only members
- **CAF Philanthropy Services LLC and the CAF Foundation for Philanthropy Support and Development**, which were founded in Russia by CAF and operate alongside our branch in Moscow. Together they work to raise awareness of NGO's and to advance giving and philanthropy in Russia

### CAF Global Trustees (CAF GT)

CAF GT is a UK charitable company registered with the Charity Commission (registered number 1111039). It acts as the corporate trustee of independent 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, but the independent foundations are not consolidated.

### Entities not consolidated

Good2Give (Australia), BCause (Bulgaria), 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.

Other than through investment as an account holder or unit holder, and fees earned for administration and marketing, the CAF Group entities have no beneficial interest in the net assets of the following:

- CAF UK Equitrack Fund
- CAF Socially Responsible Portfolio
- FP CAF Investment Fund and its sub-funds
- CAF Managed Portfolio Service
- CAF 60 Day Notice Account
- CAF 90 Day Notice Account
- CAF One Year Fixed Term Deposit Account
- CAF 12 Month Bond

### Associate undertaking

#### Charity Bank

CAF's intention is to be a long-term passive investor in Charity Bank, but does not intend to be a source of further capital as Charity Bank's needs grow.

As a result of third party investments in Charity Bank, CAF's interest in Charity Bank reduced from 31.8% to 22.4% with CAF's voting rights reducing from 31.8% to 24.5%. At the date of this report, CAF's interest had reduced further to 19.3% with its voting rights remaining at 24.5%.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 3. Results and net assets of subsidiaries

Due to the number of subsidiary undertakings, the disclosure required by the Charities SORP would result in information of excessive length being given. As a result, detailed information is only given for CAF Bank, whose results significantly affect the Group accounts. The movement of donor funds within CAF's principal subsidiaries, other than CAF Bank, are set out in note 23.2.

	2017	2016		2017	2016
	£000	£000		£000	£000
<b>CAF Bank Limited</b>					
<b>Profit and loss account</b>			<b>Balance Sheet</b>		
Interest receivable	11,748	11,646	Total assets	1,039,785	1,034,753
Interest payable	(992)	(1,790)	Total liabilities		
<b>Net interest income</b>	<b>10,756</b>	<b>9,856</b>	Depositors' balances	1,003,633	1,001,604
Other operating income/(expenditure)	775	159	Other liabilities	5,802	8,799
Administrative expenses	(6,944)	(5,921)		<b>1,009,435</b>	<b>1,010,403</b>
Loan loss provision	(258)	(267)	Shareholders' funds	30,350	24,350
FSCS levy	30	(90)		<b>1,039,785</b>	<b>1,034,753</b>
<b>Profit on ordinary activities before taxation</b>	<b>4,359</b>	<b>3,737</b>			
Tax on profit on ordinary activities	(800)	(698)			
<b>Profit on ordinary activities after taxation</b>	<b>3,559</b>	<b>3,039</b>			
Profit and loss account balance brought forward	-	(222)			
Charitable donation to CAF	(3,839)	(3,292)			
Current tax credit thereon	768	658			
Dividends payable to AT1 shareholders	(488)	(183)			
<b>Profit and loss account balance carried forward</b>	<b>-</b>	<b>-</b>			

## 4. Investment income

	Unrestricted		Restricted		Total	
	2017	2016	2017	2016	2017	2016
Group	£000	£000	£000	£000	£000	£000
Interest on fixed interest securities and cash deposits	6,055	5,845	1,244	1,655	7,299	7,500
Dividends	34	35	11,559	8,940	11,593	8,975
Interest on concessory loans to charities	245	203	-	-	245	203
	<b>6,334</b>	<b>6,083</b>	<b>12,803</b>	<b>10,595</b>	<b>19,137</b>	<b>16,678</b>
<b>Charity</b>						
Interest on fixed interest securities and cash deposits	5,978	5,606	1,140	1,277	7,118	6,883
Dividends	522	218	11,269	8,940	11,791	9,158
Interest on concessory loans to charities	245	203	-	-	245	203
	<b>6,745</b>	<b>6,027</b>	<b>12,409</b>	<b>10,217</b>	<b>19,154</b>	<b>16,244</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 5. Income and donations received and charitable activities expenditure

5.1 Group unrestricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Other funds	Total 2017	Total 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>									
Donations	11	1,322	435	11	481	510	2	2,772	3,143
Legacies	-	-	-	-	-	-	4,758	4,758	568
	11	1,322	435	11	481	510	4,760	7,530	3,711
Charitable activities:									
Fee income	2,684	403	2,510	3,537	5,116	40	-	14,290	10,356
CAF Bank net interest income	-	-	-	10,756	-	-	-	10,756	9,673
Investment income	2,789	1,255	1,297	397	133	95	368	6,334	6,083
<b>Total income</b>	<b>5,484</b>	<b>2,980</b>	<b>4,242</b>	<b>14,701</b>	<b>5,730</b>	<b>645</b>	<b>5,128</b>	<b>38,910</b>	<b>29,823</b>
<b>Expenditure on charitable activities</b>									
Donations paid to charities	-	-	-	21	197	-	-	218	622
Direct costs	2,183	1,618	3,350	10,099	5,737	2,347	1,026	26,360	20,662
Support costs:									
Human resources	107	88	198	384	17	71	-	865	893
Property	198	164	366	713	31	131	-	1,603	1,650
Finance	215	178	399	775	34	143	-	1,744	1,634
Information systems	678	606	956	1,120	78	177	-	3,615	3,300
Governance costs	125	103	231	559	75	83	-	1,176	947
<b>Total support costs</b>	<b>1,323</b>	<b>1,139</b>	<b>2,150</b>	<b>3,551</b>	<b>235</b>	<b>605</b>	<b>-</b>	<b>9,003</b>	<b>8,424</b>
<b>Total expenditure</b>	<b>3,506</b>	<b>2,757</b>	<b>5,500</b>	<b>13,671</b>	<b>6,169</b>	<b>2,952</b>	<b>1,026</b>	<b>35,581</b>	<b>29,708</b>
<b>Net income/(expenditure) before net gains/(losses) on investments</b>	<b>1,978</b>	<b>223</b>	<b>(1,258)</b>	<b>1,030</b>	<b>(439)</b>	<b>(2,307)</b>	<b>4,102</b>	<b>3,329</b>	<b>115</b>
Net gains on debt securities	-	-	-	-	-	-	1,540	1,540	-
Net gains on other investments	-	-	-	-	-	-	215	215	-
Group's share of losses in associate	-	-	-	-	-	-	(53)	(53)	(520)
<b>Net income/(expenditure) before exceptional items</b>	<b>1,978</b>	<b>223</b>	<b>(1,258)</b>	<b>1,030</b>	<b>(439)</b>	<b>(2,307)</b>	<b>5,804</b>	<b>5,031</b>	<b>(405)</b>
<b>Exceptional items</b>									
Multi-employer defined benefit pension plan:									
Share of orphaned liabilities	-	-	-	-	-	-	-	-	(2,000)
Costs of withdrawal from multi-employer plan	-	-	-	-	-	-	-	-	(327)
<b>Net income/(expenditure)</b>	<b>1,978</b>	<b>223</b>	<b>(1,258)</b>	<b>1,030</b>	<b>(439)</b>	<b>(2,307)</b>	<b>5,804</b>	<b>5,031</b>	<b>(2,732)</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

5.2 Charity unrestricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Other funds	Total 2017	Total 2016
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>									
Donations*	11	1,322	435	3,841	-	510	2	6,121	5,739
Legacies	-	-	-	-	-	-	4,758	4,758	568
	11	1,322	435	3,841	-	510	4,760	10,879	6,307
Charitable activities:									
Fee income	2,683	402	2,509	3,163	1,271	40	-	10,068	9,325
Investment income	2,789	1,255	1,297	397	56	95	856	6,745	6,027
<b>Total income</b>	<b>5,483</b>	<b>2,979</b>	<b>4,241</b>	<b>7,401</b>	<b>1,327</b>	<b>645</b>	<b>5,616</b>	<b>27,692</b>	<b>21,659</b>
<b>Expenditure on charitable activities</b>									
Donations paid to charities	-	-	-	21	221	-	-	242	622
<b>Direct costs</b>	<b>2,183</b>	<b>1,618</b>	<b>3,350</b>	<b>3,392</b>	<b>1,851</b>	<b>2,347</b>	<b>1,026</b>	<b>15,767</b>	<b>12,905</b>
Support costs:									
Human resources	107	88	198	384	17	71	-	865	893
Property	198	164	366	713	31	131	-	1,603	1,650
Finance	215	178	399	775	34	143	-	1,744	1,634
Information systems	678	606	956	1,120	78	177	-	3,615	3,300
Governance costs	125	103	231	449	20	83	-	1,011	802
<b>Total support costs</b>	<b>1,323</b>	<b>1,139</b>	<b>2,150</b>	<b>3,441</b>	<b>180</b>	<b>605</b>	<b>-</b>	<b>8,838</b>	<b>8,279</b>
<b>Total expenditure</b>	<b>3,506</b>	<b>2,757</b>	<b>5,500</b>	<b>6,854</b>	<b>2,252</b>	<b>2,952</b>	<b>1,026</b>	<b>24,847</b>	<b>21,806</b>
<b>Net income/(expenditure) before net gains/(losses) on investments</b>	<b>1,977</b>	<b>222</b>	<b>(1,259)</b>	<b>547</b>	<b>(925)</b>	<b>(2,307)</b>	<b>4,590</b>	<b>2,845</b>	<b>(147)</b>
Net gains on debt securities	-	-	-	-	-	-	1,540	1,540	-
Net gains on other investments	-	-	-	-	-	-	215	215	-
Net losses on associate undertakings	-	-	-	-	-	-	(53)	(53)	(520)
<b>Net income/(expenditure) before exceptional items</b>	<b>1,977</b>	<b>222</b>	<b>(1,259)</b>	<b>547</b>	<b>(925)</b>	<b>(2,307)</b>	<b>6,292</b>	<b>4,547</b>	<b>(667)</b>
<b>Exceptional items</b>									
Multi-employer defined benefit pension plan:									
Share of orphaned liabilities	-	-	-	-	-	-	-	-	(2,000)
Costs of withdrawal from multi-employer plan	-	-	-	-	-	-	-	-	(327)
<b>Net income/(expenditure)</b>	<b>1,977</b>	<b>222</b>	<b>(1,259)</b>	<b>547</b>	<b>(925)</b>	<b>(2,307)</b>	<b>6,292</b>	<b>4,547</b>	<b>(2,994)</b>

\* Donation income, in respect for services for charities ('Charities'), includes £3.84m (2016: £3.29m) from CAF Bank (see note 3).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 5.3 Unrestricted funds - Allocation of support costs

Support costs of charitable activities comprise costs of certain central functions, which underpin the delivery of our services to support donors, charities and the sector and are shared across more than one of our activities. These shared functions provide support in areas such as information systems, premises, human resources, finance, executive management and governance. Where the costs of these shared functions cannot be attributed directly to an area of our activities, they are allocated on the basis of staff headcount.

No support costs are allocated to restricted funds.

5.4 Group restricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Total 2017	Total 2016
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>								
Donations	252,310	71,991	101,103	2	108,037	474	533,917	427,991
Legacies	19,117	-	-	-	-	-	19,117	34,895
	271,427	71,991	101,103	2	108,037	474	553,034	462,886
Fee income	-	-	-	-	-	-	-	23
Investment income	12,409	-	-	-	394	-	12,803	10,595
<b>Total income</b>	<b>283,836</b>	<b>71,991</b>	<b>101,103</b>	<b>2</b>	<b>108,431</b>	<b>474</b>	<b>565,837</b>	<b>473,504</b>
<b>Expenditure on charitable activities</b>								
Donations paid to charities	176,547	80,643	129,122	322	90,403	3,649	480,686	401,897
<b>Total expenditure</b>	<b>176,547</b>	<b>80,643</b>	<b>129,122</b>	<b>322</b>	<b>90,403</b>	<b>3,649</b>	<b>480,686</b>	<b>401,897</b>
<b>Net income/(expenditure) before net gains/(losses) on investments</b>	<b>107,289</b>	<b>(8,652)</b>	<b>(28,019)</b>	<b>(320)</b>	<b>18,028</b>	<b>(3,175)</b>	<b>85,151</b>	<b>71,607</b>
Net gains/(losses) on financial investments	71,644	-	-	-	2,915	-	74,559	(14,793)
Net gains on other investments	836	-	-	-	-	-	836	-
Group's share of losses in associate	(13)	-	-	-	-	-	(13)	-
<b>Net income/(expenditure)</b>	<b>179,756</b>	<b>(8,652)</b>	<b>(28,019)</b>	<b>(320)</b>	<b>20,943</b>	<b>(3,175)</b>	<b>160,533</b>	<b>56,814</b>

The net movement in funds includes foreign currency gains of £11.57m (2016: £4.65m).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 5.5 Charity restricted funds

	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Total 2017	Total 2016
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>								
Donations	252,310	71,991	105,404	2	1,677	474	431,858	356,597
Legacies	19,117	-	-	-	-	-	19,117	34,895
	271,427	71,991	105,404	2	1,677	474	450,975	391,492
Fee income	-	-	-	-	-	-	-	23
Investment income	12,409	-	-	-	-	-	12,409	10,217
<b>Total income</b>	<b>283,836</b>	<b>71,991</b>	<b>105,404</b>	<b>2</b>	<b>1,677</b>	<b>474</b>	<b>463,384</b>	<b>401,732</b>
<b>Expenditure on charitable activities</b>								
Donations paid to charities	176,547	80,643	129,177	322	1,826	3,649	392,164	351,756
<b>Total expenditure</b>	<b>176,547</b>	<b>80,643</b>	<b>129,177</b>	<b>322</b>	<b>1,826</b>	<b>3,649</b>	<b>392,164</b>	<b>351,756</b>
Net income/(expenditure) before net gains/(losses) on investments	107,289	(8,652)	(23,773)	(320)	(149)	(3,175)	71,220	49,976
Net gains/(losses) on financial investments	71,644	-	-	-	200	-	71,844	(14,315)
Net gains on other investments	836	-	-	-	-	-	836	-
Net losses on associate undertakings	(13)	-	-	-	-	-	(13)	-
<b>Net income/(expenditure)</b>	<b>179,756</b>	<b>(8,652)</b>	<b>(23,773)</b>	<b>(320)</b>	<b>51</b>	<b>(3,175)</b>	<b>143,887</b>	<b>35,661</b>

The net movement in funds includes foreign currency gains of £6.41m (2016: £2.41m).

## 5.6 Restricted funds - Payments to NCVO

CAF was founded by NCVO to whom it has an ongoing annual obligation to pay a levy collect charitable contributions on its behalf. Donations paid to charities include £2.07m (2016: £1.98m) paid to NCVO in respect of this obligation.

## 6. Governance costs

	Group		Charity	
	2017 £000	2016 £000	2017 £000	2016 £000
Governance costs include the following amounts:				
Internal audit	284	142	225	142
Fees payable to the external auditor, net of VAT:				
Audit of financial statements	300	286	160	144
Other services*	101	24	30	-
Trustees' indemnity insurance	26	22	26	22

\* In 2016, in addition to the fees paid to the former external auditor (KPMG), an amount of £99k was also incurred in respect of bond issue costs which were included as capitalised costs, (see note 21).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 7. Staff costs

	Group		Charity	
	2017 £000	2016 £000	2017 £000	2016 £000
Salaries and wages	16,752	15,467	12,627	11,667
Social security costs	1,700	1,634	1,361	1,251
Defined contribution scheme pension costs	1,408	984	1,183	768
Training and welfare	332	394	332	353
	<b>20,192</b>	<b>18,479</b>	<b>15,503</b>	<b>14,039</b>
Other pension costs (see note 28)	196	10	196	10
	<b>20,388</b>	<b>18,489</b>	<b>15,699</b>	<b>14,049</b>

Included within salaries and wages are redundancy and termination costs totalling £70k (2016: £45k).

### Employee emoluments

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

	Group		Charity	
	2017 Number	2016 Number	2017 Number	2016 Number
£60,001 - £70,000	16	14	14	13
£70,001 - £80,000	2	3	2	3
£80,001 - £90,000	3	4	3	4
£90,001 - £100,000	3	2	3	2
£100,001 - £110,000	2	3	1	3
£110,001 - £120,000	1	-	1	-
£120,001 - £130,000	-	1	-	1
£130,001 - £140,000	1	-	1	-
£140,001 - £150,000	-	1	-	-
£150,001 - £160,000	1	2	1	2
£160,001 - £170,000	3	-	2	-
£170,001 - £180,000	-	1	-	1
	<b>32</b>	<b>31</b>	<b>28</b>	<b>29</b>

Pension contributions and pension allowances were paid in respect of the employees included in the preceding table as follows:

	Group		Charity	
	2017 Number	2016 Number	2017 Number	2016 Number
Number of employees	32	31	28	29
	£000	£000	£000	£000
The aggregate value of those contributions	258	287	222	232

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 7. Staff costs (continued)

Employee numbers	Group		Charity	
	2017 Number	2016 Number	2017 Number	2016 Number
Average number of employees during the year was:				
Full-time and part-time employees	532	510	440	427
Full-time equivalent	487	460	417	395
Average number of full time equivalent employees analysed by function:	Number	Number	Number	Number
Major donors	51	49	51	49
Regular givers	43	44	43	44
Companies	95	94	95	94
Charities	185	166	185	166
International	78	74	8	9
Sector support	34	31	34	31
Governance	1	2	1	2
	487	460	417	395

The key management personnel of the Group are the Executive Committee of CAF. Total salary and employee benefits received by key management personnel during the year amounted to £958,486 (2016: £993,127) plus pension contributions and pension allowances of £89,208 (2016: £99,849).

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 £243 (2016: £290) paid to two Trustees.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 8. Taxation

CAF is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is exempt from taxation in respect of income or capital gains received within categories covered by Part 10 of the Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

During the year, a corporation tax charge of £32,000 (2016: £40,000) arose for the Group which is attributable to profits retained by CAF Bank for the payment of non-deductible coupons on preference shares.

## 9. Loans and advances to banks

Group	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Repayable on demand	34,175	39,600	435,135	293,117	10,669	9,981	479,979	342,698
Remaining maturity of other loans and advances:								
Less than 6 months	-	-	35,814	90,823	10,000	-	45,814	90,823
Over 6 months to 1 year	-	-	57,413	20,955	8,000	15,000	65,413	35,955
Over 1 year to 5 years	-	-	143,000	127,000	-	8,000	143,000	135,000
	34,175	39,600	671,362	531,895	28,669	32,981	734,206	604,476

Charity	Unrestricted funds		Restricted and endowment funds		Donor client balances		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Repayable on demand	31,512	37,939	385,301	248,644	6,329	6,985	423,142	293,568
Remaining maturity of other loans and advances:								
Less than 6 months	-	-	31,338	81,184	-	-	31,338	81,184
Over 6 months to 1 year	-	-	55,560	18,889	-	-	55,560	18,889
Over 1 year to 5 years	-	-	143,000	127,000	-	-	143,000	127,000
	31,512	37,939	615,199	475,717	6,329	6,985	653,040	520,641



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 10. Loans and advances to customers

	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Concessionary loans:								
CAF Venturesome loans to charities	2,327	2,172	84	320	-	-	2,411	2,492
CAF Charitable Trust loans to charities	-	-	1,925	2,666	-	-	1,925	2,666
<b>Charity</b>	<b>2,327</b>	<b>2,172</b>	<b>2,009</b>	<b>2,986</b>	<b>-</b>	<b>-</b>	<b>4,336</b>	<b>5,158</b>
CAF Bank loans to charities	-	-	-	-	71,705	45,620	71,705	45,620
CADF loans to charities	116	-	-	-	-	-	116	-
<b>Group</b>	<b>2,443</b>	<b>2,172</b>	<b>2,009</b>	<b>2,986</b>	<b>71,705</b>	<b>45,620</b>	<b>76,157</b>	<b>50,778</b>

Maturity	Group		Charity	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Amounts receivable in less than one year</b>				
CAF Venturesome loans to charities	3,004	3,088	3,004	3,088
CAF Charitable Trust loans to charities	3,093	1,413	3,093	1,413
CAF Bank loans to charities	15,113	4,479	-	-
	<b>21,210</b>	<b>8,980</b>	<b>6,097</b>	<b>4,501</b>
<b>Amounts receivable in one to five years</b>				
CAF Venturesome loans to charities	2,124	1,430	2,124	1,430
CAF Charitable Trust loans to charities	329	2,239	329	2,239
CAF Bank loans to charities	18,742	12,363	-	-
CADF loans to charities	116	-	-	-
	<b>21,311</b>	<b>16,032</b>	<b>2,453</b>	<b>3,669</b>
<b>Amounts receivable in more than five years</b>				
CAF Venturesome loans to charities	208	308	208	308
CAF Charitable Trust loans to charities	21	323	21	323
CAF Bank loans to charities	39,061	29,487	-	-
	<b>39,290</b>	<b>30,118</b>	<b>229</b>	<b>631</b>
<b>Less: Deferred income and provisions</b>				
CAF Venturesome loans to charities	(2,925)	(2,334)	(2,925)	(2,334)
CAF Charitable Trust loans to charities	(1,518)	(1,309)	(1,518)	(1,309)
CAF Bank loans to charities	(1,211)	(709)	-	-
	<b>(5,654)</b>	<b>(4,352)</b>	<b>(4,443)</b>	<b>(3,643)</b>
	<b>76,157</b>	<b>50,778</b>	<b>4,336</b>	<b>5,158</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 11. Debt securities

	Group				Charity			
	Book value		Market value		Book value		Market value	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
<b>Unrestricted funds</b>								
Listed:								
UK government	1,481	2,373	-	2,343	-	-	-	-
	<b>1,481</b>	<b>2,373</b>	<b>-</b>	<b>2,343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restricted and endowment funds</b>								
Listed:								
UK government	-	9,817	-	10,071	-	9,817	-	10,071
Multilateral financial institutions	-	19,784	-	20,651	-	19,784	-	20,651
Fixed coupon corporate bonds	-	2,514	-	2,687	-	2,514	-	2,687
	<b>-</b>	<b>32,115</b>	<b>-</b>	<b>33,409</b>	<b>-</b>	<b>32,115</b>	<b>-</b>	<b>33,409</b>
Unlisted:								
Certificates of deposit	6,972	-	6,972	-	-	-	-	-
	<b>6,972</b>	<b>-</b>	<b>6,972</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>6,972</b>	<b>32,115</b>	<b>6,972</b>	<b>33,409</b>	<b>-</b>	<b>32,115</b>	<b>-</b>	<b>33,409</b>
<b>Depositor and donor client balances</b>								
Listed:								
UK government	24,883	87,655	26,799	88,352	-	-	-	-
Multilateral financial institutions	368,604	309,297	370,396	310,154	-	-	-	-
Fixed coupon corporate bonds	145,252	144,042	146,739	144,632	-	-	-	-
Floating rate corporate bonds	174,526	202,025	175,355	201,964	-	-	-	-
	<b>713,265</b>	<b>743,019</b>	<b>719,289</b>	<b>745,102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unlisted:								
Certificates of deposit	20,000	40,000	20,225	40,326	-	-	-	-
Commercial paper	-	9,901	-	9,901	-	-	-	-
	<b>20,000</b>	<b>49,901</b>	<b>20,225</b>	<b>50,227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>733,265</b>	<b>792,920</b>	<b>739,514</b>	<b>795,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total debt securities</b>	<b>741,718</b>	<b>827,408</b>	<b>746,486</b>	<b>831,081</b>	<b>-</b>	<b>32,115</b>	<b>-</b>	<b>33,409</b>

Maturity	Book value			
	Group		Charity	
	2017 £000	2016 £000	2017 £000	2016 £000
1 day to 8 days	211	9,972	-	-
Over 8 days to 3 months	1,537	85,345	-	-
3 months to 6 months	156,841	81,859	-	5,519
6 months to 1 year	145,895	152,355	-	-
	<b>304,484</b>	<b>329,531</b>	<b>-</b>	<b>5,519</b>
1 year to 5 years	437,234	488,060	-	16,779
	<b>741,718</b>	<b>817,591</b>	<b>-</b>	<b>22,298</b>
5 years and over	-	9,817	-	9,817
<b>Total debt securities</b>	<b>741,718</b>	<b>827,408</b>	<b>-</b>	<b>32,115</b>
<b>Unamortised premiums</b>	<b>(1,522)</b>	<b>(10,103)</b>	<b>-</b>	<b>(2,314)</b>

In accordance with FRS102 debt securities are measured at amortised cost using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 11. Debt securities (continued)

Group	Cost	Amortisation	Book value
	£000	£000	£000
Unrestricted funds			
At 1 May 2016	2,522	(149)	2,373
Redemptions	(946)	65	(881)
Amortisation	-	(11)	(11)
<b>At 30 April 2017</b>	<b>1,576</b>	<b>(95)</b>	<b>1,481</b>
Restricted and endowment funds			
At 1 May 2016	33,667	(1,552)	32,115
Acquisitions	12,959	(22)	12,937
Disposals	(6,292)	-	(6,292)
Redemptions	(33,667)	1,609	(32,058)
Amortisation	-	(81)	(81)
Foreign exchange gains	351	-	351
<b>At 30 April 2017</b>	<b>7,018</b>	<b>(46)</b>	<b>6,972</b>
Depositor and donor client balances			
At 1 May 2016	801,615	(8,695)	792,920
Acquisitions	284,641	(3,321)	281,320
Redemptions	(342,508)	6,422	(336,086)
Amortisation	-	(4,889)	(4,889)
<b>At 30 April 2017</b>	<b>743,748</b>	<b>(10,483)</b>	<b>733,265</b>

Charity	Cost	Amortisation	Book value
	£000	£000	£000
Restricted and endowment funds			
At 1 May 2016	33,667	(1,552)	32,115
Acquisitions	-	-	-
Redemptions	(33,667)	1,609	(32,058)
Amortisation	-	(57)	(57)
<b>At 30 April 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 12. Financial investments

The following tables show the carrying amounts of investments held by the Group at fair value and represent restricted funds held for CAF Charitable Trusts, CAF America Donor Advised Funds and CAF American Donor Fund Trusts (collectively 'Trust funds'). It does not include fair value information for other financial assets and liabilities held by the Group which are not measured at fair value.

	Group		Charity	
	2017 £000	2016 £000	2017 £000	2016 £000
<b>Restricted and endowment funds</b>				
At 1 May 2016	492,327	504,122	484,200	497,040
Additions	160,453	118,547	150,465	116,968
Disposal proceeds	(180,519)	(115,299)	(177,393)	(115,297)
Net investment gains/(losses)	74,559	(15,043)	71,844	(14,511)
	<b>546,820</b>	<b>492,327</b>	<b>529,116</b>	<b>484,200</b>
Investment portfolio cash and settlements pending	19,481	14,876	19,245	14,876
<b>At 30 April 2017</b>	<b>566,301</b>	<b>507,203</b>	<b>548,361</b>	<b>499,076</b>
<b>Historical cost of investments</b>	<b>455,568</b>	<b>438,896</b>	<b>441,495</b>	<b>430,962</b>
<b>Represented by:</b>				
Listed securities:				
UK Government fixed interest	6,776	16,625	6,776	16,625
Overseas Government fixed interest	19,437	9,335	19,437	9,335
Other fixed interest	30,399	7,604	30,399	7,604
UK equities	36,332	29,097	36,292	29,097
Overseas equities	21,886	10,100	21,886	10,100
CAF investment funds:				
FP CAF UK Equity Fund	79,880	74,083	79,880	74,083
FP CAF Fixed Interest Fund	33,938	34,909	33,938	34,909
CAF UK Equitrack Fund	40,674	35,233	35,528	30,774
FP CAF International Equity	12,569	10,325	12,569	10,325
FP CAF Alternative Strategies	8,497	7,257	8,497	7,257
Unit trusts and other pooled investments	240,027	245,644	227,594	242,163
Investment trusts	10,968	7,824	10,883	7,699
Unlisted investments:				
UK	1,490	473	1,490	411
Overseas	3,947	3,818	3,947	3,818
	<b>546,820</b>	<b>492,327</b>	<b>529,116</b>	<b>484,200</b>
Investment portfolio cash and settlements pending	19,481	14,876	19,245	14,876
	<b>566,301</b>	<b>507,203</b>	<b>548,361</b>	<b>499,076</b>

### Nature of Trust funds

Trust funds are held pending onward donation instructions from clients. Until such instructions are received there is no constructive obligation or liability to pay a defined amount within a set time period. Donors typically hold a proportion of their funds in cash in order to meet their short-term giving expectations and invest funds to meet their medium to long-term philanthropic objectives. Donors plan donations by reference to the market values and liquidity profile of the assets held for their trust fund.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 12. Financial investments (continued)

### Accounting classifications and fair values – Group

	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	2017 £000	2017 £000	2017 £000	2017 £000
Sovereign debt securities	26,258	-	-	26,258
Corporate debt securities	12,389	-	-	12,389
Pooled funds - fixed interest	46,127	-	-	46,127
	<b>84,774</b>	<b>-</b>	<b>-</b>	<b>84,774</b>
Equity securities	64,664	-	4,437	69,101
Pooled funds - equity	374,213	-	-	374,213
	<b>438,877</b>	<b>-</b>	<b>4,437</b>	<b>443,314</b>
Pooled funds - alternative funds	15,246	-	-	15,246
Pooled funds - property funds	3,486	-	-	3,486
Investment portfolio cash and settlements pending	19,481	-	-	19,481
	<b>561,864</b>	<b>-</b>	<b>4,437</b>	<b>566,301</b>

### Accounting classifications and fair values – Charity

	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	2017 £000	2017 £000	2017 £000	2017 £000
Sovereign debt securities	26,258	-	-	26,258
Corporate debt securities	12,389	-	-	12,389
Pooled funds - fixed interest	39,120	-	-	39,120
	<b>77,767</b>	<b>-</b>	<b>-</b>	<b>77,767</b>
Equity securities	64,539	-	4,437	68,976
Pooled funds - equity	363,641	-	-	363,641
	<b>428,180</b>	<b>-</b>	<b>4,437</b>	<b>432,617</b>
Pooled funds - alternative funds	15,246	-	-	15,246
Pooled funds - property funds	3,486	-	-	3,486
Investment portfolio cash and settlements pending	19,245	-	-	19,245
	<b>543,924</b>	<b>-</b>	<b>4,437</b>	<b>548,361</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 12. Financial investments (continued)

### Accounting classifications and fair values – Group

	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	2016 £000	2016 £000	2016 £000	2016 £000
Sovereign debt securities	25,960	-	-	25,960
Corporate debt securities	7,604	-	-	7,604
Pooled funds - fixed interest	76,455	-	-	76,455
	<b>110,019</b>	<b>-</b>	<b>-</b>	<b>110,019</b>
Equity securities	47,021	-	4,291	51,312
Pooled funds - equity	296,567	-	-	296,567
	<b>343,588</b>	<b>-</b>	<b>4,291</b>	<b>347,879</b>
Pooled funds - alternative funds	30,048	-	-	30,048
Pooled funds - property funds	4,381	-	-	4,381
Investment portfolio cash and settlements pending	14,876	-	-	14,876
	<b>502,912</b>	<b>-</b>	<b>4,291</b>	<b>507,203</b>

### Accounting classifications and fair values – Charity

	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	2016 £000	2016 £000	2016 £000	2016 £000
Sovereign debt securities	25,960	-	-	25,960
Corporate debt securities	7,604	-	-	7,604
Pooled funds - fixed interest	76,455	-	-	76,455
	<b>110,019</b>	<b>-</b>	<b>-</b>	<b>110,019</b>
Equity securities	46,896	-	4,229	51,125
Pooled funds - equity	291,243	-	-	291,243
	<b>338,139</b>	<b>-</b>	<b>4,229</b>	<b>342,368</b>
Pooled funds - alternative funds	27,432	-	-	27,432
Pooled funds - property funds	4,381	-	-	4,381
Investment portfolio cash and settlements pending	14,876	-	-	14,876
	<b>494,847</b>	<b>-</b>	<b>4,229</b>	<b>499,076</b>

### Measurement of fair values

The Group uses the following hierarchy to estimate the fair value of investments held for Trust funds:

**Level 1:** The quoted price for an identical asset in an active market.

**Level 2:** When quoted prices are unavailable, the fair value is taken as the price of a recent transaction for an identical asset.

**Level 3:** If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, a valuation technique is used to estimate the fair value. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arms length exchange motivated by normal business considerations. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, the assets are valued at cost less impairment until a reliable measure of fair value becomes available.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 13. Other investments

	Unrestricted funds		Restricted and endowment funds		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Group and charity						
Investment properties	465	250	3,440	650	3,905	900
Unlisted investments	162	13	-	-	162	13
Other investments	30	10	-	-	30	10
<b>At 30 April 2017</b>	<b>657</b>	<b>273</b>	<b>3,440</b>	<b>650</b>	<b>4,097</b>	<b>923</b>

	Unrestricted funds	Restricted and endowment funds	Total
	£000	£000	£000
Group and charity			
As at 1 May 2016	273	650	923
Additions	170	8,690	8,860
Disposal proceeds	-	(6,736)	(6,736)
Revaluation	214	836	1,050
<b>As April 2017</b>	<b>657</b>	<b>3,440</b>	<b>4,097</b>

The open market valuation of each investment property was reviewed between February and April 2017. The valuations were carried out by an independent, qualified chartered surveyor.

## 14. Subsidiary and associate undertakings

Group	Associate undertaking	Total
	£000	£000
At 1 May 2016	3,580	3,580
Group's share of losses	(66)	(66)
<b>At 30 April 2017</b>	<b>3,514</b>	<b>3,514</b>

Charity	Trading subsidiaries	Associate undertaking	Total
	£000	£000	£000
At 1 May 2016	26,950	3,580	30,530
Additions	6,000	-	6,000
Disposal proceeds	(2,025)	-	(2,025)
Impairment	-	(66)	(66)
<b>At 30 April 2017</b>	<b>30,925</b>	<b>3,514</b>	<b>34,439</b>

Details of the entities held as subsidiary and associate undertakings are disclosed in note 2 of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 15. Tangible fixed assets

	Long leasehold property & improvements	Other leasehold improvements	Furniture, fittings & computer equipment	Total
Group - unrestricted funds	£000	£000	£000	£000
Cost or valuation				
At 1 May 2016	5,328	591	2,216	8,135
Additions	-	108	312	420
Disposals	-	(72)	(98)	(170)
<b>At 30 April 2017</b>	<b>5,328</b>	<b>627</b>	<b>2,430</b>	<b>8,385</b>
Depreciation				
At 1 May 2016	660	242	2,193	3,095
Charged in year	165	60	84	309
On disposal	-	(72)	(98)	(170)
<b>At 30 April 2017</b>	<b>825</b>	<b>230</b>	<b>2,179</b>	<b>3,234</b>
Net book value				
<b>At 30 April 2017</b>	<b>4,503</b>	<b>397</b>	<b>251</b>	<b>5,151</b>
<b>At 30 April 2016</b>	<b>4,668</b>	<b>349</b>	<b>23</b>	<b>5,040</b>

	Long leasehold property & improvements	Other leasehold improvements	Furniture, fittings & computer equipment	Total
Charity - unrestricted funds	£000	£000	£000	£000
Cost or valuation				
At 1 May 2016	5,328	519	2,101	7,948
Additions	-	-	225	225
<b>At 30 April 2017</b>	<b>5,328</b>	<b>519</b>	<b>2,326</b>	<b>8,173</b>
Depreciation				
At 1 May 2016	660	182	2,090	2,932
Charged in year	165	46	71	282
<b>At 30 April 2017</b>	<b>825</b>	<b>228</b>	<b>2,161</b>	<b>3,214</b>
Net book value				
<b>At 30 April 2017</b>	<b>4,503</b>	<b>291</b>	<b>165</b>	<b>4,959</b>
<b>At 30 April 2016</b>	<b>4,668</b>	<b>337</b>	<b>11</b>	<b>5,016</b>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 15. Tangible fixed assets (continued)

### 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 principal place of business. The property is held at valuation and was valued at 30 April 2014 by CBRE, Chartered Surveyors. 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 £5m.

A revaluation in accordance with appropriate professional guidelines will be carried out when needed to ensure the valuation is kept up-to-date.

The historical cost carrying value of the property and improvements at the balance sheet date was £3,859,000.

## 16. Other debtors

	Unrestricted funds		Restricted and endowment funds		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Group						
Income tax recoverable	-	-	9,501	4,510	9,501	4,510
Other debtors	845	1,438	987	83	1,832	1,521
	845	1,438	10,488	4,593	11,333	6,031

	Unrestricted funds		Restricted and endowment funds		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Charity						
Amounts due from subsidiary undertakings	3,831	3,713	-	-	3,831	3,713
Income tax recoverable	-	-	8,139	2,881	8,139	2,881
Other debtors	590	462	739	24	1,329	486
	4,421	4,175	8,878	2,905	13,299	7,080

## 17. CAF Bank Depositors' balances

	Depositor and donor client balances	
	2017 £000	2016 £000
Group		
Repayable on demand	965,532	947,464
Repayable within 30 days	36,531	52,624
	1,002,063	1,000,088

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 18. Donor client balances

The following are either donations to other charities which are being processed by CAF or loans from donor clients. The loans are for an indefinite period.

	At 1 May 2016	Amounts received	Amounts paid to charities	Donations paid to group	At 30 April 2017
Group	£000	£000	£000	£000	£000
CAF Give As You Earn	4,812	69,491	(32,927)	(36,900)	4,476
CAF Donate	184	25,366	(25,483)	-	67
	4,996	94,857	(58,410)	(36,900)	4,543
Concessionary loans payable	1,840	547	(639)	(25)	1,723
	6,836	95,404	(59,049)	(36,925)	6,266

	At 1 May 2016	Amounts received	Amounts paid to charities	Donations paid to CAF	At 30 April 2017
Charity	£000	£000	£000	£000	£000
CAF Give As You Earn	4,812	69,491	(32,927)	(36,900)	4,476
CAF Donate	184	25,366	(25,483)	-	67
	4,996	94,857	(58,410)	(36,900)	4,543
Concessionary loans payable	1,840	547	(639)	(25)	1,723
	6,836	95,404	(59,049)	(36,925)	6,266

### 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. 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.

	2017 £000	2016 £000
Investments	96,108	77,341
Money market deposits and bank balances	260	248
	96,368	77,589
Bank balances with CAF Bank	117	489
	96,485	78,078

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 19. Amounts due to beneficiary charities

Group	Restricted and endowment funds	
	2017 £000	2016 £000
Payable within 1 year	46,540	10,358
Payable after more than 1 year	11,692	25,864
	<b>58,232</b>	<b>36,222</b>

Charity	Restricted and endowment funds	
	2017 £000	2016 £000
Payable within 1 year	46,366	10,118
Payable after more than 1 year	11,692	25,864
	<b>58,058</b>	<b>35,982</b>

Amounts due to beneficiary charities represent constructive obligations, principally in respect of longer term grants.

## 20. Other creditors

Group	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Payable on acquisition of investments	-	-	110	61	-	-	110	61
Trade creditors	479	618	-	-	-	-	479	618
Tax and social security	507	480	-	-	-	-	507	480
Other creditors	3,341	3,479	1,282	1,067	63	95	4,686	4,641
	<b>4,327</b>	<b>4,577</b>	<b>1,392</b>	<b>1,128</b>	<b>63</b>	<b>95</b>	<b>5,782</b>	<b>5,800</b>

Charity	Unrestricted funds		Restricted and endowment funds		Donor client balances		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Payable on acquisition of investments	-	-	110	61	-	-	110	61
Trade creditors	479	618	-	-	-	-	479	618
Tax and social security	507	480	-	-	-	-	507	480
Other creditors	1,999	2,014	1,282	1,067	63	149	3,344	3,230
	<b>2,985</b>	<b>3,112</b>	<b>1,392</b>	<b>1,128</b>	<b>63</b>	<b>149</b>	<b>4,440</b>	<b>4,389</b>

Included within other creditors are amounts totalling £1.57m (2016: £1.37m) repayable to seven third party investors of CAF Venturesome. Amounts are repayable within three or six months from receipt of written instruction. These concessionary loans do not bear interest and amounts are repaid net of any losses incurred.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 21. Long-term loan

	Carrying value	
	2017 £000	2016 £000
Group and charity		
Unrestricted funds		
At May 2016	19,530	-
Loan advanced	-	20,000
Capitalised costs	-	(525)
Amortisation of capitalised costs	41	2
Interest payable for the year	1,020	53
Interest paid	(1,020)	-
At 30 April 2017	19,571	19,530

	Carrying value	
	2017 £000	2016 £000
Payable		
3 months to 6 months	53	53
	53	53
5 years and over	19,518	19,477
	19,571	19,530

In April 2016 Retail Charity Bonds plc (RCB) launched the CAF Retail Charity Bond, which was issued through and is listed on the London Stock Exchange Retail Bonds platform. RCB raised £20m from the issue of this bond.

The full amount of the funds raised by RCB have been loaned to CAF under the terms of a loan agreement between CAF and RCB.

The loan is repayable in full in April 2026. Interest is payable at a rate of 5% per annum.

CAF was advanced £19.6m net of the bond issue costs. The bond issue costs of £352k, together with other costs of £173k associated with the advance of this loan, including legal and accountancy fees, have been capitalised and are being amortised over the term of the loan.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 22. Loan stock and preference shares

Group	Notes	Depositor and donor client balances	
		2017 £000	2016 £000
Loan stock	22.1		
Floating rate:			
Second issue		-	100
Sixth issue		-	250
		-	350
Preference shares	22.2	-	1,500
		-	1,850

### 22.1 Loan stock

Subordinated loan stock consisted of unsecured borrowings issued by CAF Bank, for the development and expansion of its business and to strengthen the capital base. CAF Bank redeemed all the loan stock at par during 2016/17.

### 22.2 Preference shares

Preference shares represented 1,500,000 9.15% preference shares of £1 issued by CAF Bank. CAF Bank redeemed all the preference shares at par during 2016/17.

## 23. Statement of funds

Group	Notes	At 1 May 2016	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2017
		£000	£000	£000	£000	£000	£000
Unrestricted funds	23.1	54,910	38,910	(35,581)	141	1,828	60,208
Restricted funds	23.2	1,062,351	565,837	(480,686)	(141)	75,182	1,222,543
Endowment funds	23.2	2,057	-	-	-	200	2,257
		1,119,318	604,747	(516,267)	-	77,210	1,285,008
<b>Charity</b>							
Unrestricted funds	23.1	53,747	27,692	(24,847)	141	1,828	58,561
Restricted funds	23.2	994,724	463,384	(392,164)	(141)	72,467	1,138,270
Endowment funds	23.2	2,057	-	-	-	200	2,257
		1,050,528	491,076	(417,011)	-	74,495	1,199,088

### 23.1 Unrestricted funds

Group	At 1 May 2016	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2017
	£000	£000	£000	£000	£000	£000
General funds	54,191	38,910	(35,581)	162	1,828	59,510
Property revaluation reserve	719	-	-	(21)	-	698
	54,910	38,910	(35,581)	141	1,828	60,208
<b>Charity</b>						
General funds	53,028	27,692	(24,847)	162	1,828	57,863
Property revaluation reserve	719	-	-	(21)	-	698
	53,747	27,692	(24,847)	141	1,828	58,561

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 23. Statement of funds (continued)

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 principal place of business.

Transfers from restricted funds to unrestricted funds – represents funds previously held as restricted funds from which the donors have lifted the restriction.

### 23.2 Restricted funds

Group	At 1 May 2016	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2017
	£000	£000	£000	£000	£000	£000
<b>Major donors</b>						
CAF Charitable Trusts	779,653	283,836	(176,547)	(2,011)	72,467	957,398
<b>Regular givers</b>						
Individual charity accounts	92,577	71,991	(80,643)	5,043	-	88,968
<b>Companies</b>						
Company accounts	73,610	69,774	(98,169)	1,412	-	46,627
CAF Give As You Earn charity accounts	30,445	31,329	(30,953)	(98)	-	30,723
	104,055	101,103	(129,122)	1,314	-	77,350
<b>Charities</b>						
CAF Venturesome accounts	2,700	2	(322)	1,272	-	3,652
CAF Social Impact Fund	5,249	-	-	(1,840)	-	3,409
	7,949	2	(322)	(568)	-	7,061
<b>International</b>						
CAF American Donor Fund	47,958	62,319	(55,906)	55	1,431	55,857
CAF America	18,345	40,479	(28,677)	(4,926)	1,284	26,505
CAF Canada	100	1,443	(832)	-	-	711
CAF Russia grant programmes	1,034	1,054	(1,826)	622	-	884
CAF Foundation for Philanthropy	1,226	3,136	(3,162)	-	-	1,200
	68,663	108,431	(90,403)	(4,249)	2,715	85,158
<b>Sector support</b>						
CAF discretionary funds	9,085	20	(3,526)	518	-	6,097
Other funds	369	454	(123)	(188)	-	512
	9,454	474	(3,649)	330	-	6,609
	1,062,351	565,837	(480,686)	(141)	75,182	1,222,543
<b>Endowment funds</b>						
CAF Russia:						
Endowment Fund	677	-	-	-	48	725
The Ford Foundation	1,380	-	-	-	152	1,532
	2,057	-	-	-	200	2,257
	1,064,408	565,837	(480,686)	(141)	75,382	1,224,800

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 23.2 Restricted funds (continued)

Charity	At 1 May 2016	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2017
	£000	£000	£000	£000	£000	£000
<b>Major donors</b>						
CAF Charitable Trusts	779,653	283,836	(176,547)	(2,011)	72,467	957,398
<b>Regular givers</b>						
Individual charity accounts	92,577	71,991	(80,643)	5,043	-	88,968
<b>Companies</b>						
Company accounts	73,610	74,075	(98,169)	(2,889)	-	46,627
CAF Give As You Earn charity accounts	30,445	31,329	(31,008)	(43)	-	30,723
	104,055	105,404	(129,177)	(2,932)	-	77,350
<b>Charities</b>						
CAF Venturesome accounts	2,700	2	(322)	1,272	-	3,652
CAF Social Impact Fund	5,249	-	-	(1,840)	-	3,409
	7,949	2	(322)	(568)	-	7,061
<b>International</b>						
CAF Russia grant programmes	1,036	1,677	(1,826)	(3)	-	884
<b>Sector support</b>						
CAF discretionary funds	9,085	20	(3,526)	518	-	6,097
Other funds	369	454	(123)	(188)	-	512
	9,454	474	(3,649)	330	-	6,609
	994,724	463,384	(392,164)	(141)	72,467	1,138,270
<b>Endowment funds</b>						
CAF Russia:						
Endowment Fund	677	-	-	-	48	725
The Ford Foundation	1,380	-	-	-	152	1,532
	2,057	-	-	-	200	2,257
	996,781	463,384	(392,164)	(141)	72,667	1,140,527

Restricted funds comprise:

- CAF Charitable Trusts – consist of capital gifted to CAF and the related investment income. The capital is held in accordance with CAF's investment policy for CAF Charitable Trusts 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
- Individual charity accounts, Company accounts and CAF Give As You Earn 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
- CAF Venturesome accounts – represent funds set aside by CAF donors to complement the funds assigned by the Trustees for CAF Venturesome
- CAF Social Impact Fund – represents funds set aside by CAF donors to support the activities of the CAF Social Impact Fund
- CAF American Donor Fund, CAF America and CAF Canada – 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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 23.2 Restricted funds (continued)

- f. CAF Russia grant programmes and CAF Foundation for Philanthropy – 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
- g. CAF discretionary funds – represent funds available to support the sector at Trustees' discretion
- h. 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.

## Transfers between restricted funds

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

## 24. Cash flow statement

	Group		Charity	
	2017 £000	2016 £000	2017 £000	2016 £000
Net income for the year	165,564	54,082	148,434	32,667
Adjustments for:				
Depreciation	309	244	282	220
Gains on debt securities	(1,540)	-	(1,540)	-
(Gains)/losses on financial investments	(74,559)	14,847	(71,844)	14,315
Gains on other investments	(1,051)	-	(1,051)	-
Group share of losses in associate	66	520	66	520
Amortisation and other revaluations of debt securities	4,630	4,541	58	391
Amortisation of capitalised costs of borrowing	41	2	41	2
Non-cash transactions:				
In specie transfers and share gifts	(48,272)	(18,704)	(43,589)	(18,590)
Gift of property	(8,690)	-	(8,690)	-
Defined benefit pension plan expense	196	2,010	196	2,010
Capitalised costs of long-term loan payable	-	(172)	-	(172)
Interest on long-term loan	1,020	53	1,020	53
Investment income receivable on Trust Funds	(12,803)	(10,595)	(12,409)	(10,217)
(Increase)/decrease in loans and advances to customers	(25,379)	(24,690)	822	724
Increase in other assets and prepayments	(12,577)	(5,837)	(12,653)	(4,523)
Increase/(decrease) in amounts due to beneficiary charities	22,010	(15,577)	22,076	(2,795)
Increase/(decrease) in other liabilities and accruals	1,901	(1,673)	621	(1,543)
Pension deficit reduction plan payments	(2,270)	(347)	(2,270)	(347)
Decrease in donor client balances	(570)	(291)	(570)	(291)
Increase in CAF Bank depositors' balances	1,975	32,794	-	-
Unrealised gains on foreign currency	(8,009)	(1,225)	(4,411)	(1,294)
<b>Net cash provided by operating activities</b>	<b>1,992</b>	<b>29,982</b>	<b>14,589</b>	<b>11,130</b>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 25. Operating lease commitments

At the balance sheet date the Group and CAF had total commitments under non-cancellable operating leases for land and buildings as set out below:

	Group		Charity	
	2017 £000	2016 £000	2017 £000	2016 £000
Operating lease payments falling due:				
Within one year	680	493	468	409
Between one and five years	2,411	1,548	1,612	1,548
After more than five years	1,472	747	374	747
	<b>4,563</b>	<b>2,788</b>	<b>2,454</b>	<b>2,704</b>

The amounts charged to the SOFA totalled £0.62m and £0.41m (2016: £0.53m and £0.40m) for the Group and CAF, respectively.

## 26. Financial commitments and contingent liabilities

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

	2017 £000	2016 £000
Grant commitments	780	691
CAF Venturesome loans	1,505	1,667
CAF Social Impact Fund loans	-	580
<b>Charity</b>	<b>2,285</b>	<b>2,938</b>
CAF Bank commitments to customers	14,285	9,099
<b>Group</b>	<b>16,570</b>	<b>12,037</b>

### Grant 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 2019, subject to certain conditions being met by the charities. No amount has been recorded in the balance sheet for these amounts.

### CAF Venturesome and CAF Social Impact Fund loans to charities

At the balance sheet date CAF Venturesome and CAF Social Impact Fund were committed to provide concessionary loans to charities, subject to certain conditions being met. No liability has been recorded in the balance sheet for these loans. The commitments become due or expire within one year (if the charity no longer needs the funding).

### CAF Bank commitments to customers

At the balance sheet date CAF Bank had commitments comprising amounts yet to be drawn under loan or overdraft agreements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 27. Contingent assets

At the balance sheet date, the charity had been notified of a number of legacies for which probate was not yet granted or other factors indicated that these legacies should not be recognised as income. The aggregate value of those legacies was £4.1m (2016: £7.5m).

## 28. Pension obligations

During the year CAF participated in the following:

### a. Hargreaves Lansdown

The Hargreaves Lansdown scheme is a defined contribution self invested group pension. Since 1 July 2012 new employees have been enrolled into this scheme and from 1 May 2016 all current employees contributed to this scheme only.

On auto-enrolment the employee contribution rate is 1% of basic salary and CAF also contributes 1%. After three months employees may elect to increase their contribution rate to either 3% or 5.67% of basic salary, with CAF contributing 6% or 11.33% respectively.

### b. The Charities Aid Foundation Pension Scheme

The Charities Aid Foundation Pension Scheme is a defined benefit scheme established on 15 September 2015 and is closed to new employees and further benefit accrual. The Charities Aid Foundation Pension Scheme was established solely to receive a transfer from the Growth Plan, a multi-employer section of The Pensions Trust in which CAF was a participating employer.

On 30 April 2016 the Charities Aid Foundation Pension Scheme received the assets and liabilities relating to employees and former employees of CAF who were members of the Growth Plan. The transfer means that CAF has settled all obligations to the Growth Plan, including CAF's share of orphan liabilities.

Since 30 April 2016 members have received benefits from the Charities Aid Foundation Pension Scheme rather than the Growth Plan. Benefits provided by the Charities Aid Foundation Pension Scheme are the same as those previously provided under the Growth Plan.

The first actuarial valuation of the Charities Aid Foundation Pension Scheme has not yet been carried out. Until the first actuarial valuation is completed CAF will pay contributions of £380,000 per annum to fund the deficit in the Charities Aid Foundation Pension Scheme.

At 30 April 2017, the Charities Aid Foundation Pension Scheme assets and liabilities were estimated by an independent qualified actuary for FRS 102 purposes. The results, based on assumptions used for FRS 102 follow.

### c. Charities Aid Foundation Pension Scheme financial position and assumptions

#### i) Amounts recognised in the balance sheet:

	2017	2016
	£000	£000
Present value of liabilities	17,510	16,000
Fair value of assets	(17,815)	(13,800)
Effect on asset limit	305	-
<b>Net defined benefit liability</b>	<b>-</b>	<b>2,200</b>

#### ii) Amounts included in the SOFA under FRS 102:

	2017	2016
	£000	£000
Scheme expenses	168	-
Settlement cost	-	2,000
Interest expense	28	10
<b>Total expense recognised in the SOFA</b>	<b>196</b>	<b>2,010</b>

#### iii) Movement in the net defined benefit liability:

	2017	2016
	£000	£000
Net defined benefit liability at 1 May 2016	2,200	700
Pension cost in SOFA	196	2,010
Employer contributions	(2,270)	(347)
Other recognised actuarial gains	(431)	(163)
Remeasurement of asset limit	305	-
<b>Net defined benefit liability at 30 April 2017</b>	<b>-</b>	<b>2,200</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 28. Pension obligations (continued)

iv) Movement in present value of the defined benefit obligation:

	2017	2016
	£000	£000
Defined benefit obligation at 1 May 2016	16,000	24,500
Employer's part of current service cost	-	-
Impact of settlement	-	(7,100)
Interest on obligation	530	560
Contribution from scheme members	-	-
Actuarial losses/(gains)	1,807	(1,170)
Benefits paid	(827)	(790)
<b>Defined benefit obligation at 30 April 2017</b>	<b>17,510</b>	<b>16,000</b>

v) Movement in fair value of scheme assets:

	2017	2016
	£000	£000
Fair value of the scheme assets at 1 May 2016	13,800	23,800
Interest on scheme assets	502	550
Impact of settlement	-	(9,100)
Actual return less interest on assets	2,238	(1,007)
Contributions by the employer	2,270	347
Scheme expenses	(168)	-
Benefits paid	(827)	(790)
<b>Fair value of scheme assets at 30 April 2017</b>	<b>17,815</b>	<b>13,800</b>

vi) Analysis of the change in the asset limit:

	2017	2016
	£000	£000
Effect of the asset limit at 1 May 2016	-	-
Interest on effect of the asset limit	-	-
Remeasurement of the asset limit	305	-
<b>Effect of the asset limit at 30 April 2017</b>	<b>305</b>	<b>-</b>

vii) Major categories of the scheme assets as a percentage of total assets are as follows:

	2017	2016
	Allocation	Allocation
Equities	26%	14%
Corporate bonds	0%	7%
Diversified growth funds	16%	0%
Absolute return bonds	11%	0%
Hedge funds	0%	7%
Cash	1%	30%
Property	9%	1%
LDI funds	17%	12%
Annuity policies	20%	29%
	<b>100%</b>	<b>100%</b>

The Scheme does not invest directly in property occupied by the employer or in financial securities issued by the employer.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 28. Pension obligations (continued)

viii) Principal assumptions at the balance sheet date:

	<b>2017</b>	<b>2016</b>
	Allocation	Allocation
Discount rate	2.5% pa	3.4% pa
Inflation measured by Retail Price Index (RPI)	3.3% pa	3.1% pa
Inflation measured by Consumer Price Index (CPI)	2.3% pa	2.1% pa
Pension increases in deferment	0.0% pa	0.0% pa
Pension increases in payment:		
CPI capped at 5% pa	2.3% pa	2.1% pa
CPI capped at 2.5% pa	2.0% pa	1.8% pa
Exchange of pension for cash on retirement	50% of members assumed to exchange 25% of their pension sum for a cash sum	50% of members assumed to exchange 25% of their pension sum for a cash sum
Base mortality table	S2PMA/S2PFA tables with a 90% scaling factor	S1PMA/S1PFA tables with a 90% scaling factor
Mortality projection basis	CMI (Core) 2016 projection with a long-term rate of improvement of 1.5% pa for males and 1.0% pa for females	CMI (Core) 2012 projection with a long-term rate of improvement of 1.5% pa for males and 1.0% pa for females
Life expectancy of a male aged 65 at accounting date	88.0 yrs	88.7 yrs
Life expectancy of a male aged 65 20 years from accounting date	89.8 yrs	91.0 yrs
Life expectancy of a female aged 65 at accounting date	89.5 yrs	90.6 yrs
Life expectancy of a female aged 65 20 years from accounting date	90.8 yrs	92.1 yrs

Information shown as at 30 April 2016 relates to CAF's share of the Pensions Trust Growth Plan rather than the Charities Aid Foundation Pension Scheme.

## 29. Transactions with related parties

Other than the matters detailed below, none of the Trustees nor any connected persons had a material or beneficial interest in any contract or undertaking with CAF, other than in the ordinary course of business, nor in the shares of its subsidiary companies. One of CAF's trustees is the Chairman of NCVO. Donations paid by CAF, during the year, included £2,066,925 (2016: £1,982,982) to NCVO under the terms of CAF's Declaration of Trust. The amount due to NCVO at 30 April 2017 was £397,177 (2016: £358,306).

## 30. Post balance sheet events

There have been no events since the balance sheet date that are required to be adjusted for, or to be disclosed.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 31. CAF Bank financial instruments and risk management

CAF Bank is a wholly owned subsidiary of CAF and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The group's risk management framework and principal risks, including those applicable to CAF Bank, are set out in the Risk Management Report set out on pages 21 to 25 within the Trustees' Report. CAF Bank's exposure to its principal risks, which are those associated with holding financial instruments, is further described below:

### 31.1 Credit Risk

CAF Bank's exposure to and management of credit risk is described on page 22 in the Group Risk Management Report. The following tables set out CAF Bank's principal financial instruments from which credit risk arises.

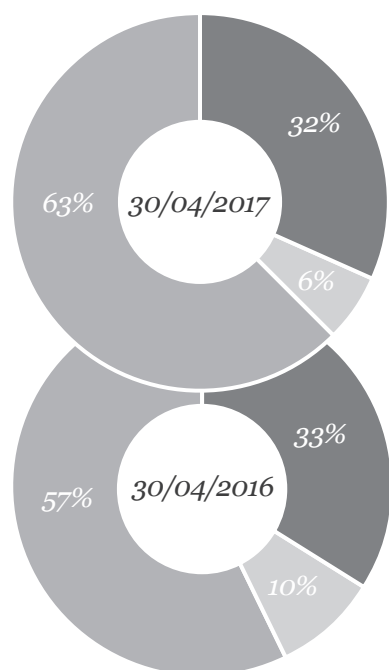
Treasury assets by class	2017		2016	
	Book value £000	Market value £000	Book value £000	Market value £000
Listed:				
UK government	26,364	26,799	90,028	90,695
Multilateral financial institutions	368,604	370,396	309,297	310,154
Fixed coupon corporate bonds	145,252	146,739	144,042	144,632
Floating rate corporate bonds	174,526	175,355	202,025	201,964
	<b>714,746</b>	<b>719,289</b>	<b>745,392</b>	<b>747,445</b>
Unlisted:				
Certificates of deposit	20,000	20,225	40,000	40,326
Commercial paper	-	-	9,901	9,901
<b>Total debt securities</b>	<b>734,746</b>	<b>739,514</b>	<b>795,293</b>	<b>797,672</b>
Balances at Bank of England	203,278	203,278	160,697	160,697
Loans and advances to banks	22,341	22,341	25,996	25,996
	<b>960,365</b>	<b>965,133</b>	<b>981,986</b>	<b>984,365</b>

Treasury asset by credit rating Category (Fitch equivalent credit rating)	2017		2016	
	Book value £000	% of book	Book value £000	% of book
UK government	229,642	23.91%	250,726	25.53%
Other AAA	358,050	37.28%	284,388	28.96%
AA+	32,395	3.37%	49,482	5.04%
AA	9,620	1.00%	-	0.00%
AA-	104,393	10.87%	137,903	14.04%
A+	38,056	3.96%	48,918	4.98%
A	113,849	11.85%	143,705	14.63%
A-	51,666	5.38%	41,948	4.27%
BBB+	12,173	1.27%	19,179	1.95%
BBB	10,521	1.10%	4,328	0.44%
BBB-	-	0.00%	527	0.05%
BB+	-	0.00%	882	0.09%
	<b>960,365</b>	<b>100.00%</b>	<b>981,986</b>	<b>100.00%</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 31.1 Credit Risk (continued)

### Treasury assets by exposure value



UK Government and Multilateral Financial Institutions
Financial and Non Financial Institutions <=£12m
Financial and Non Financial Institutions >£12m - £20m

### Lending

CAF Bank's management and exposure to credit risk in respect of lending is described on page 22 in the group Risk Management Report.

CAF Bank's policies include maximum exposure values, and limits to manage concentration risk by sector. Exposure to geographical area is monitored. At 30 April 2017, the largest loan was £5m. The maximum aggregate exposures to any one sector and geographical area were 34% and 36% respectively.

Loans, overdrafts and BACS facilities are subject to regular monitoring of loan performance and individual annual review. Administration of the loan book is outsourced to Capita Mortgage Services Ltd who provide regular management information on a loan by loan and aggregated basis.

A collective provision of £522k has been made at 30 April 2017 reflecting losses that may have been incurred but not yet identified (2016: £269k). One overdraft of £5k was written off during the year (2016: £23k).

One loan account was in arrears at 30 April 2017 (2016: none). One loan account is considered impaired as the borrower has decided to cease its activity (2016: one). No loss is expected on the impaired loan due to the value of security held by CAF Bank.

### Secured and unsecured lending

	2017	2016
	£000	£000
Gross loans and advances to customers	72,916	46,329
Contingent liabilities and commitments	14,285	9,099
	87,201	55,428
<b>Amounts included within the above:</b>		
Secured on property	86,173	53,660
<b>Unsecured:</b>		
Loans	255	356
Overdrafts	773	1,412
	87,201	55,428

## 31.2 Liquidity and Funding Risk

CAF Bank's exposure to and management of Liquidity and Funding risk is described on page 23 in the group Risk Management Report.

CAF Bank has a high level of liquidity, holding buffer eligible assets of £598m. Liquidity buffer assets comprise investments in the Bank of England Reserve Account, UK Gilts, T Bills and multilateral development banks.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 31.3 Market and Interest Rate Risk

CAF Bank's exposure to and management of Market and Interest Rate risk is described on page 23 in the group Risk Management Report. The following tables set out details of the maturity and duration of financial instruments held by CAF Bank.

Non-maturity (on-demand) deposits are behaviourally adjusted as follows:

### CafCash (current accounts)

£0 - £249,999	2 - 3 years
£250,000 - £999,999	1 - 2 years
Over £1m	6 - 12 months

Assets and liabilities analysed by interest rate pricing time periods:

	Next Day	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Other items	Total
At 30 April 2017	£000	£000	£000	£000	£000	£000	£000	£000
<b>Assets</b>								
Balances at Bank of England	202,751	527	-	-	-	-	-	203,278
Loans and advances to banks	4,341	10,000	-	5,000	3,000	-	-	22,341
Loans and advances to customers	71,705	-	-	-	-	-	-	71,705
Debt securities	-	215,565	88,064	142,448	288,669	-	-	734,746
Prepayments and accrued income	-	-	-	-	-	-	7,715	7,715
	278,797	226,092	88,064	147,448	291,669	-	7,715	1,039,785
<b>Liabilities</b>								
Customer accounts	582,092	-	-	42,837	368,409	-	10,295	1,003,633
Other liabilities	-	-	-	-	-	-	5,676	5,676
Accruals and deferred income	-	-	-	-	-	-	126	126
Shareholders' funds	-	-	-	-	-	-	30,350	30,350
	582,092	-	-	42,837	368,409	-	46,447	1,039,785
Interest rate sensitivity gap	(303,295)	226,092	88,064	104,611	(76,740)	-	(38,732)	-
Impact of 2% change in interest rates	-	184	(652)	(1,538)	3,108	-	-	1,102

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 31.3 Market and Interest Rate Risk (continued)

	Next Day	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Other items	Total
At 30 April 2016	£000	£000	£000	£000	£000	£000	£000	£000
<b>Assets</b>								
Balances at Bank of England	160,204	493	-	-	-	-	-	160,697
Loans and advances to banks	2,996	-	-	15,000	8,000	-	-	25,996
Loans and advances to customers	45,620	-	-	-	-	-	-	45,620
Debt securities	-	294,335	56,340	150,354	294,264	-	-	795,293
Prepayments and accrued income	-	-	-	-	-	-	7,147	7,147
	208,820	294,828	56,340	165,354	302,264	-	7,147	1,034,753
<b>Liabilities</b>								
Customer accounts	619,242	-	-	41,603	337,906	-	2,853	1,001,604
Other liabilities	-	-	-	-	-	-	4,675	4,675
Accruals and deferred income	-	-	-	-	-	-	249	249
Subordinated liabilities	1,100	-	-	-	-	1,000	-	2,100
Preference shares	-	-	-	-	-	-	1,775	1,775
Shareholders' funds	-	-	-	-	-	-	24,350	24,350
	620,342	-	-	41,603	337,906	1,000	33,902	1,034,753
Interest rate sensitivity gap	(411,522)	294,828	56,340	123,751	(35,642)	(1,000)	(26,755)	-
Impact of 2% change in interest rates	-	271	(417)	(1,807)	3,035	98	-	1,180

## 31.4 Other categories of risk

- Capital risk
- Operational risk
- Regulatory risk
- Cyber risk

The Group approach to exposure to and management of each of the above risks is described in the Group Risk Management Report on pages 24 and 25 which includes particular reference to CAF Bank in respect of regulatory and operational risk.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2017

## 31.5 Capital Management

CAF Bank's capital management approach is to maintain a capital base to support the development of its business and to meet regulatory capital requirements at all times.

The bank's capital comprises ordinary share capital, additional tier 1 capital and distributable reserves. CAF Bank is subject to and has complied with capital requirements set out in European Capital Requirements Regulations which have been adopted into UK Law.

CAF Bank has in place systems and controls to help monitor compliance with its regulatory requirements and to review new and amended regulations.

CAF Bank Capital Resources	2017	2016
comprise:	£000	£000
Ordinary share capital	21,350	19,350
Distributable reserves	1,000	1,000
Additional tier 1 capital	8,000	4,000
Preference shares	-	1,775
Subordinated debt	-	2,100
Amortisation	-	(840)
	30,350	27,385

# TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS

## *Patron*

HRH Prince Philip, The Duke of Edinburgh KG KT

## *Board of Trustees*

During the year, the members of the board were:

### **Chairman**

Dominic Casserley

Saphieh Ashtiany, Vice Chair

Stuart Barnett FCA

Robin Creswell

Matt Hammerstein

Alison Hutchinson CBE (resigned 09/12/16)

Peter Kellner, Chairman of NCVO (appointed 21/11/16)

Tiina Lee

Sir Martyn Lewis (stood down 21/11/16)

Stephen Lovegrove (term ended 15/09/16)

Carole Machell (appointed 09/02/17)

Iain MacKinnon

Dr Julie Maxton CBE

Roger Perkin (appointed 27/04/17)

Janet Pope (appointed 09/02/17)

Susannah Storey (appointed 09/02/17)

## *Executive Committee*

at 13 July 2017

**Chief Executive**

Sir John Low CBE

**Director of Finance and Operations**

Mike Dixon FCA

**Director of International**

Michael Mapstone

CAF Bank CEO

Peter Ostacchini

**Director of Product and Marketing**

Bridgit Richards

**Director of Communications**

Ben Russell

**Director of Philanthropy and Development**

David Stead

**Director of Human Resources**

Corinne Wells

## *Auditors*

Deloitte LLP, Statutory Auditor

2 New Street Square

London

EC4A 3BZ

Mazars LLP, Internal auditor

Tower Bridge House, St Katherine's Way

London

E1W 1DD

## *Principal bankers*

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*Registered charity number 268369*

**CAF** Charities Aid  
Foundation