

Charities Aid Foundation

# TRUSTEES' REPORT

*and financial statements for the year ended 30 April 2015*

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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 FOREWORD

The generosity and resilience of charity supporters and charities themselves is one of the more profound stories to come out of the years of global economic uncertainty following the financial crisis of a few years ago.

Our role at CAF is to support that culture of giving and encourage it to grow around the world, facilitating the work of charities through our efficient and expert services, but also bringing people together to achieve more than they could alone.

CAF's position working with thousands of companies, charity supporters and charities across more than 100 countries makes us uniquely placed to underpin and develop the work of civil society in many fields.

As a bank specifically established to serve charities, CAF Bank has provided loan finance which has, for example, helped housing associations build affordable homes. Elsewhere, CAF Venturesome, our pioneering social investment arm, supported Interhealth to create a new base in Nairobi providing vital medical and psychological support to health workers travelling to combat the devastating Ebola outbreak that swept across parts of Africa.

Those examples show the enormous diversity of CAF's work, and how it can provide the infrastructure, finance and vision to make civil society ever more successful.

The linkages that CAF builds allow us to innovate and create new opportunities by bringing people together from the commercial and charitable worlds. Our product team worked with Visa Europe and Save the Children to test fundraising using contactless card technology. Our campaigns team brought together more than 820 charities and businesses to bring #GivingTuesday to the UK for the first time as part of a global movement to promote giving.

Meanwhile, 2,000 charities are now using our CAF Donate platform, allowing them to accept online donations in some cases for the first time. And of course our leading banking, investment and other services, operated by and for the not-for-profit sector, help charities manage their money, operate more efficiently, and ultimately better serve their beneficiaries.

We work with hundreds of leading companies as their trusted, expert partners. We help to build sustainable collaborations and create corporate responsibility strategies aimed at bringing business and social aims closer together, as well as helping hundreds of thousands of employees give effectively every month through their payroll. Our support ranges from helping Warburtons develop and deliver its 'Families Matter' community investment strategy that reaches hundreds of thousands of people annually and their sustainability strategy that is helping to secure its long term success, to helping SITA to establish a corporate foundation, driving sustained investment in Africa's ICT education.

Our major donor team is working with a growing number of private clients, helping them realise their philanthropic goals, and supporting them on their journey of effective giving. In addition, we are increasingly advising charities on strategy, and running grant-making programmes internationally.

While we work to increase giving in the UK, our Global Alliance works to build a culture of philanthropic giving around the world. The significant social changes happening in the world's fast-developing countries give us a once-in-a-generation opportunity to build the strong civil society which is needed to affect social change.

Of course many charities do still feel concern about the future despite the welcome return to economic growth in the past year. CAF itself continues to adapt to the low interest rate environment, driving improvements in productivity to provide the best and most efficient services to charities and donors.

But what has been striking is the way that people and companies have maintained or even increased their support for civil society both in Britain and around the world. CAF's annual UK Giving survey, one of the many world-class research projects we are able to deliver each year, estimates that in this country we gave £10.6 billion to charity last year. It paints a heartening picture of resilience, of enduring generosity regardless of the ebb and flow of economic fortune.

As ever, our own generous donors are there to support their chosen causes, a constant source of much needed financial aid for tens of thousands of charitable causes. The money we at CAF distribute to charities on our donors' behalf significantly increased last year to £478 million, a testament to their enduring commitment to charitable causes.

I would like to extend my thanks to all those who support CAF's work in Britain and around the world, bringing organisations and people together to support the causes we all care about. Staff, volunteers and my fellow Trustees work hard to underpin the work of charities, and other social purpose organisations on behalf of their many beneficiaries.

But above all, I want to thank the generous donors who give so selflessly, and the charities and organisations which we serve. Their unwavering commitment makes it possible for us to make a difference in so many ways to people and their communities across the globe.

A handwritten signature in black ink, reading "Dominic Casserley". The signature is written in a cursive style with a prominent initial 'D' and a long, sweeping underline.

Dominic Casserley  
Chairman of Trustees

# ACHIEVEMENTS AND PERFORMANCE

## Overview

Donations to charities through CAF in 2014/15 increased significantly, rising from £443m to £478m, a demonstration of the enduring generosity of British people and businesses.

Charitable donations in the UK remained strong during 2014/15 with 70% of UK adults contributing to charitable causes during the past year, according to the latest analysis of our UK Giving surveys.

	2015	2014
Donations paid to charities by CAF*	£478m	£443m
Donations received by CAF from donors*	£493m	£452m

Total funds managed by the CAF family were £3.0bn which is £0.1bn higher than the previous year, including funds held off balance sheet in CAF's investment and savings products.

## Major donors

CAF continues to support and nurture our existing major donors as well as attract growing numbers of aspiring philanthropists. We have witnessed a 33% increase in the level of donations compared with the previous financial year, reflecting the growing generosity of our clients, and we hope, pointing to a growing trend for major donor philanthropy. During this financial year, our major donors have gifted £156.2m to their favourite causes.

Our continuing commitment to donors sees our team working with them in a variety of ways; from helping them structure their giving both in the UK and internationally, to advising on how to factor philanthropy into estate and succession planning, and measuring and evaluating the success of their philanthropic activities.

We also continue to see a growing appetite for our social investment work and we have expanded the options available to our donors by introducing a new themed Children and Young Adults Fund.

## Regular givers

CAF Charity Account holders continued to be highly committed supporters of charitable causes, donating £100m in the year, in line with 2013/14.

CAF Charity Account	Donations to charities
Gift Aid funded	£69m
CAF Give As You Earn funded	£31m
	£100m

In 2014/15 we claimed £25m in Gift Aid in respect of our major donors and regular givers, reducing the administrative burden on charities and increasing the amount available to be donated.

## Companies

CAF continues to provide leading, trusted expert advice and support to corporate donors, enabling them to develop successful corporate responsibility programmes and deploy their resources to achieve ever increasing social impact. Our support is designed to help companies take a more strategic view of their philanthropy and community work, whether in company-wide programmes or local community projects.

We offer an advice-led approach which focuses on meeting clients' needs by combining advisory and transaction services. We have launched new advisory services for corporate foundations and business charity partnerships as well as continuing to provide our donor-advised CAF Company Accounts and CAF Give As You Earn, Britain's leading payroll giving service.

In 2014/15 we saw the high level of corporate donations maintained with companies giving £81.9m to charities worldwide through CAF Company Accounts and CAF Company Fundraising Accounts.

Through CAF Give As You Earn, employees donated £70m in 2014/15, similar to last year, including generous one-off gifts as well as regular monthly donations. Our corporate advisory services continue to pioneer new approaches and

drive best practice in the market, such as SE-Assist, our award-winning corporate social investment programme in partnership with Legal & General.

## *Charities*

CAF Bank has grown its loanmaking to more than £20m, supporting increasing numbers of charities with the finance they need to expand their services. It serves more than 17,500 charities and has improved its banking services designed specifically for the unique needs of the not-for-profit sector. CAF also supports charities with investment services and the CAF Donate fundraising platform, which allows thousands of charities to establish online fundraising and access to services such as direct debits.

CAF continues to provide an outsourced grantmaking service to a wide range of clients, including companies, trusts and foundations, and individual philanthropists. We helped our clients make grants of over £5m, which included everything from medical research to helping people get into work. CAF was selected by the Cabinet Office as grant making partner for a new £4m fund aimed at supporting charities in their work to coordinate volunteer search and rescue operations across the UK, and launched the next phase of our international Advocacy for Development Fund.

Our Charity Advisory team supported a broad range of large and small charities in targeted consultancy assignments, based on best in class insight on income diversification, fundraising, governance and strategy.

## *International*

CAF's Global Alliance offices have continued their work to strengthen philanthropy globally over the past year, with new research into giving and educational events such as the International Grant Making Symposium – a partnership between CAF America and Johns Hopkins School of Advanced International Studies. Five of our global offices took part in #GivingTuesday campaigns. We have launched funding campaigns in response to natural disasters, such as floods in Bulgaria and the earthquake in Nepal, as well as to address more systemic problems, including sanitation in India.

We have extended our range of services, establishing a new subsidiary in Canada to support cross border giving and a new CAF America office in San Francisco as well as completing the roll out of a new payroll giving system in Australia. We have launched impact measurement services for clients and are close to completing our first social return on investment reports on programmes funded by major donors in Russia and Brazil.

During April 2015 CAF relinquished control over CAF Australia. As a consequence, its activities are shown in the group Statement of Financial Activities (SOFA) and cash flow, but not consolidated in the group balance sheet at 30 April 2015.

## *Sector support*

CAF continues to be a leading voice in the charitable sector, both in the UK and internationally. We published the final report of our all-party Growing Giving Inquiry, and have started work building support for the recommendations, including working with organisations across further and higher education to encourage volunteering among young people.

We launched the international #GivingTuesday campaign in the UK, bringing together more than 820 partners from the commercial and not-for-profit sector to create a day to celebrate charity as an alternative to the pre-Christmas Black Friday and Cyber Monday sales.

Our policy development team continue to lead debate on the future of giving. Our Future World Giving project is increasingly influential internationally, while our Giving Thought policy programme has produced discussion papers on issues from the culture of philanthropy to the role of cryptocurrency in charitable giving.

CAF's research and insight team continue to produce internationally respected studies, such as the CAF World Giving Index, and the long-running UK Giving study, as well as the Social Landscape report, a survey of charity leaders, in association with ACEVO, and work on the value of charity with the Institute of Public Policy Research.

\* Donations paid to charities and received from donors include £59m and £56m (2014: £65m and £66m) respectively, for which CAF has acted as agent. A detailed analysis of donations paid and received is set out in note 18 to the financial statements.

# PLANS FOR THE FUTURE

As a charity which exists to support the not-for-profit sector we have ambitious plans that build on our strategy and deliver our mission of motivating society to give ever more effectively, transforming lives and communities around the world.

With the current low interest rate environment expected to continue for some time CAF remains focussed on managing our costs whilst ensuring we focus on development and driving growth in giving and offering the best possible service to charities and their supporters.

Our plans fall into three key areas:

## *Drive growth and impact*

Our aim is to grow giving through the volume of donations we make to charities and to promote and encourage effective philanthropy.

Through our expert understanding of the sector and our valued products and services we continue to build on raising awareness and building strategic partnerships to attract new customers with a particular focus on promoting philanthropy and spearheading company giving solutions.

We support this with our leading position as a voice for the sector through continued investment in our advisory, research, policy and campaigns work, all of which furthers our mission and delivers significant social impact.

## *Accelerate digital capability*

Digital capability is central to our plans, both to make us more efficient as an organisation and to provide effective and convenient products and services for our customers.

We continue with the development of our market-leading Give As You Earn service, working with our customers to develop and grow this donation channel and build stronger connections between charities and donors.

We are also making a significant investment in our digital infrastructure to modernise our products and services and appeal to the new generation of donors.

## *Customer service*

With a large and varied client base covering individual donors, charities and companies we maintain a relentless focus on providing exemplary service and building and developing solutions for our current and our future customers.

We anticipate ongoing growth in CAF Bank's lending and in our social investment arm, CAF Venturesome, providing charities with much-needed support. In addition we are developing our investment services for charities and continue to improve CAF Donate, our donation processing service.



# FINANCIAL REVIEW

The CAF group's finances encompass unrestricted, restricted, and endowment funds, with restricted funds comprising the majority of our activities.

The continued low interest rate environment and uncertain economic conditions have again affected all areas of CAF's performance this year. Despite this, donations received and donations paid to charities are broadly in line with the plan and favourable compared to last year. Total income of the CAF group was £467m in 2014/15 (2013/14: £418m).

## *Unrestricted funds*

Our unrestricted funds increased by £1.5m (2013/14: £3.7m) over the year from £51.5m to £53.0m. Although like-for-like income was down on the previous year, primarily as a result of reduced interest rates, total expenditure on charitable activities was £0.1m lower than 2013/14 as a result of a concerted effort to reduce costs and one-off expenses which arose in 2013/14.

On 30 April 2014 CAF recognised a liability of £2.1m being its share of the deficit on a multi-employer defined benefit pension scheme. During the year under review unrestricted funds benefitted from a reduction of £1.4m in CAF's share of the scheme deficit.

## *Restricted funds*

Despite the wider economic uncertainty, the CAF group received £437m into restricted funds from individual and company donors in 2014/15 by way of donations and investment income and donated £419m to other charities in the same period (2013/14: £386m and £378m respectively). In total, our restricted funds increased by £54m (2013/14: £23m) over the year from £944m to £998m, including investment gains of £37m (2013/14: £15m).

Donations paid from CAF Charitable Trusts saw a considerable rise from £131m in 2013/14 to £156m, but despite expectations this was still exceeded by donations received from major donors reflecting the long term capital nature of the service. Restricted funds also benefitted

from donations into CAF Company accounts with £82m received during the year compared with £88m in 2013/14. We saw continuing growth in the amounts given through CAF American Donor Fund.

## *Endowment funds*

We have two endowment funds that are used to support the development of a charitable giving culture in Russia.

## *Reserves policy*

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

Given the nature of CAF's activities, the determination of the required level of reserves considers the risks inherent in our financially based activities including credit risk, operating risk and other risks to which CAF is exposed.

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

CAF's unrestricted funds stood at £53m at the end of 2014/15, an increase of £1.5m since the start of the financial year. Although reserves have increased significantly in recent years, we continue to develop activities which require additional capital and financial regulation continues to require increasing levels of capital. We therefore continue to take a cautious approach to the levels of capital retained.

We will continue to monitor our reserves position very closely to ensure an adequate level of capital is maintained to support the activities of the group.

## *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, placing funds over which it has discretion only in the largest UK and global banks with stronger levels of sovereign support.

### **Unrestricted funds**

Unrestricted funds are used to support the operating activities of the CAF group, including long leasehold premises used for the group's activities. Surplus funds are invested in term deposits with UK banks, gilts, multilateral development bank bonds, and in a small value of highly rated corporate bonds. The total return of the bond portfolio for the year ended 30 April 2015 was 0.52%.

### **Restricted funds**

Investments are held for restricted funds as follows:

#### **CAF Charitable Trusts**

Investments held for major donors in CAF Charitable Trusts 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**

Other restricted funds principally comprise balances held pending onward donation to other charities and are invested in term deposits with the largest UK banks, and in gilts, multilateral development bank bonds and corporate bonds.

Our yield on cash deposits was 1.42% as we took advantage of higher rates on longer term deposits as market rates decreased. We are expecting this outperformance to reduce in the future, with any increase in market rates expected to have minimal positive effect in the short-term on the rates available from banks meeting CAF's investment criteria. On our bond and gilt portfolio the total return for the year ended 30 April 2015 was 2.26%.

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.

## *Pension arrangements*

CAF has begun a process to set up a CAF-specific defined benefit pension scheme which will be closed to new members from inception. CAF plans to transfer assets and liabilities relating to CAF employees, former employees and pensioners from The Pensions Trust Growth Plan Series 1, 2 and 3 into this new scheme. Full details are provided in note 24 to the financial statements.

## *Going concern*

Our business activities, together with our financial position and factors likely to affect our future development and performance are set out in this report and financial statements. Our forecasts and objectives, which take into account the current economic environment, show that we should be able to operate at adequate levels of both liquidity and capital. Consequently, the Trustees are satisfied that we should have sufficient resources to continue to operate and have, therefore, continued 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.

Board of Trustees 1 May 2014 to 30 April 2015	Total no of meetings attended during 2014/15
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> )	6/6
Robin Creswell ( <i>Chair, Investment Advisory Committee</i> )	5/6
Matt Hammerstein	6/6
Philip Hardaker	1/3
Alison Hutchinson	5/6
Tiina Lee	6/6
Martyn Lewis	4/6
David Locke	3/3
Stephen Lovegrove	5/6
Iain MacKinnon ( <i>Chair, CAF Bank Limited</i> )	6/6
Dr Julie Maxton	2/5

## Changes to Board of Trustees from 1 May 2014 to 30 April 2015

Appointments	Date
Dr Julie Maxton	1 May 2014

Retirements	Date
Philip Hardaker	18 September 2014
David Locke	18 September 2014

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 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:

- 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

## *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 the Chief Executive and other senior executive officers, and reviews and agrees the basis for the general pay award to staff. It reviews the general terms and conditions of employment of our staff with particular attention to the provision of pension arrangements. The committee meets at least three times a year.

## *The CAF family*

The CAF family comprises the UK and overseas organisations together with a number of other bodies that provide charity, banking and investment services. CAF is represented on the governing boards of the separately constituted family members by senior executive officers of CAF and where relevant by Trustees of CAF or independent experts in the relevant field. CAF's Board of Trustees regularly receives updates from the boards of each entity in the CAF group. The members of the CAF family are listed below and further details can be found in note 2 to the financial statements.

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

- CAF
- CAF Bank Ltd
- CAF Financial Solutions Ltd
- CAF Investments Ltd
- CAF America
- Southampton Row Trust Ltd (CAF American Donor Fund)
- CAF Canada
- CAF Global Trustees
- CAF Russia (*branch*), together with:
  - CAF Philanthropy Services LLC
  - CAF Foundation for Philanthropy Support and Development
- Ven Investments Ltd

CAF relinquished control of CAF Australia in April 2015 and accordingly the net assets of CAF Australia are not consolidated at 30 April 2015.

### Independent members of our international network

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

- Bulgarian CAF
- CAF India
- IDIS, Brazil
- CAF Southern Africa
- CAF South East Asia

### CAF branded investment and banking products

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

- CAF UK Equitrack Fund
- CAF Socially Responsible Portfolio
- FP CAF Investment Funds
- CAF 90 Day Notice Account
- CAF One Year Fixed Term Deposit Account
- CAF 12 Month Bond

### Charity Bank

CAF had a 32% interest in Charity Bank at 30 April 2015. 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. Accordingly, CAF's interest in Charity Bank is held as an investment and is not equity accounted. Further information is 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, which was paid £1.9m (2013/14: £1.8m) during the year under an enduring contractual obligation.

## *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

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

Risk is managed by the Trustees, Executive Management and relevant committees. CAF's 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 business, as set by the Trustees.

Identifying and monitoring top and emerging risks is integral to our approach to risk management.

CAF's Risk Management Framework includes a three lines of defence model where:

- First line of defence – the business identifies, mitigates and manages its risks within an overall control environment with clearly defined ownership of risks;
- Second line of defence – the risk and compliance teams provide assurance, challenge and oversight of risk; and
- Third line of defence – independent assurance is provided by the internal function which performs a risk-based programme of audits and reports on risk and control matters to the Executive and Audit Risk and Compliance Committee (ARCC).

CAF's principal risks are credit risk, liquidity and funding risk, market and interest rate risk, operational risk and regulatory risk.

## *Credit risk*

Credit risk is the risk of loss as a result of the failure of a borrower or counterparty to meet obligations as they fall due. Credit risk arises primarily from investing funds with wholesale counterparties and lending to charities and personal customers.

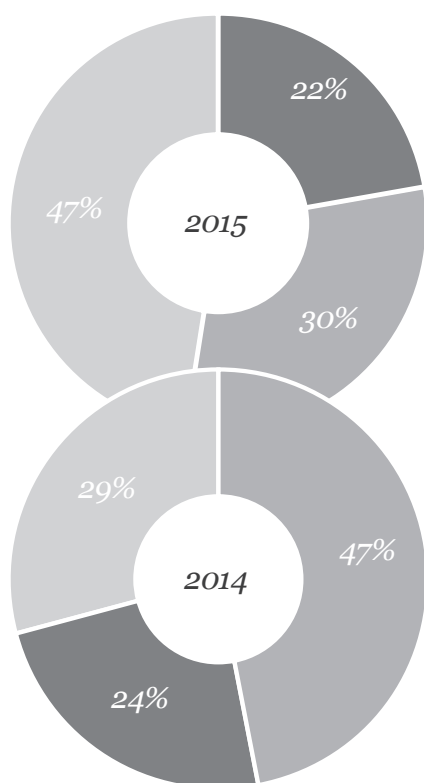
### **Wholesale assets**

Wholesale counterparties are reviewed and approved by the investment committees in accordance with approved policies and monitored by the ARCC and CAF Bank's Risk Committee. CAF sets criteria which include credit rating and counterparty lending limits.

### **Analysis of current asset investments:**

	2015		2014	
	Carrying Value £000	Market Value £000	Carrying Value £000	Market Value £000
Listed securities:				
UK government	138,966	139,359	-	-
Floating rate corporate bonds	174,271	174,885	174,293	174,474
Multilateral financial institutions/ Fixed coupon corporate bonds	376,381	376,963	285,679	285,622
Certificates of deposit	40,000	40,188	33,000	33,146
	<b>729,618</b>	<b>731,395</b>	<b>492,972</b>	<b>493,242</b>

### Current asset investments by exposure value



	UK Government and Multilateral Financial Institutions
	Financial and Non Financial Institutions <£10m
	Financial and Non Financial Institutions £10m - £20m

Money market and bank balances are held with the Bank of England and major banks. Counterparties and exposure limits are reviewed by the CAF Investment Advisory Committee and CAF Bank ALCO and Risk Committees.

#### 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 relevant Sanctioning Committee appropriate to the loan, in accordance with agreed policies and monitored by the respective Risk committees. 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 and geographical area. At 30 April 2015, the loan book comprised of 40 loans totalling £20.4m, the largest loan being £2.1m. The maximum aggregate exposures to any one sector and geographical area were 26% and 25% respectively.

CAF Venturesome's programme related investments enable charities to lever their operations, and deliver more social impact. At 30 April 2015, the CAF Venturesome investment book comprised of 97 loans amounting to £5m before provisions.

Loans are subject to regular monitoring of loan performance.

Provisions are assessed on a loan by loan basis taking into account the impact of a reduction in property values of various degrees of severity.

### Liquidity and funding risk

Liquidity risk is the risk that CAF 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.

Liquidity and Funding risk is monitored against daily limits. The liquidity position is monitored by the ARCC and CAF Bank ALCO and Risk Committees.

### 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 our income or the value of our assets. This includes interest rate risk in CAF Bank's banking book (IRRBB) which is the risk arising from a mismatch between the duration of assets and liabilities.

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

Market and interest rate risk is measured by monitoring mismatches between assets and liabilities which may result from movements in market interest rates over a specified time period within approved limits.

## *Operational risk*

Operational risk is the risk of loss caused by human error, ineffective or inadequately designed internal processes, system failure, improper conduct, fraud and external events.

Management identifies the key operational risks within the business, evaluates the effectiveness of the control framework and identifies appropriate action to mitigate or minimise the risk. Risks are monitored by the ARCC and CAF Bank Risk Committee.

Key operational risks monitored by the business include exposure of CAF and its customers to financial crime, including money laundering. Cyber threats are seen to be escalating from an increasingly sophisticated criminal community and we continue to invest in strengthening defences. Additional resource is being recruited by CAF Bank to manage the increased requirement for customer reviews in line with good practice and anti-money laundering and prevention of terrorist financing requirements.

Management also continue to invest in IT infrastructure in response to the need to ensure resilience, security and capacity as the business model and volumes develop.

## *Regulatory risk*

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with regulatory requirements and expectations. CAF Bank is regulated in the UK by Financial Conduct Authority (FCA) and Prudential Regulation Authority. CAF Financial Solutions Limited is regulated in the UK by FCA.

CAF and CAF Bank have in place systems and controls to ensure that it complies with its regulatory reporting requirements as well as a framework to ensure that new and amended regulation is embedded in to the systems and processes of the organisation.

CAF Bank has had a relatively low capital requirement over a number of years due to its activity as a deposit taker. CAF Bank also has the benefit of a strong funding model achieved through offering low cost banking services. In keeping with revised regulations implemented since the financial crisis, CAF Bank is seeking to strengthen its capital position and increase its Leverage Ratio. This is expected to be achieved by a combination of additional capital and managing the value of deposits.



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

Under the trust deed of the charity and charity law, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

The group and charity's financial statements are required by law to give a true and fair view of the state of affairs of the group and charity and of the group's and charity's excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- state whether the financial statements comply with the trust deed, 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 required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

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

Approved by the Board of Trustees on 9 July 2015 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 group and charity financial statements (the 'financial statements') of Charities Aid Foundation for the year ended 30 April 2015, set out on pages 19 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees as a body, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and 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 its 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 set out on page 17 the Trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of 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.

*Mike Peck*

Michael Peck  
for and on behalf of KPMG LLP,  
Statutory Auditor Chartered Accountants  
15 Canada Square  
Canary Wharf  
London E14 5GL

10 July 2015

*KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006*

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## 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 charity's affairs as at 30 April 2015 and of the group's incoming resources and application of resources for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly 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' Annual Report is inconsistent in any material respect with the financial statements, or
- the charity has not kept sufficient accounting records, or
- the 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.

# GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 APRIL 2015

	Notes	Unrestricted funds		Restricted and endowment funds		Total	
		2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
<b>Income and donations received</b>							
Donations received		3,732	5,063	426,583	375,547	430,315	380,610
Fee income		10,782	10,341	-	-	10,782	10,341
Investment income	3	6,459	8,511	10,908	10,865	17,367	19,376
CAF Bank net interest income	2	8,468	7,886	-	-	8,468	7,886
<b>Total income</b>	<b>4</b>	<b>29,441</b>	<b>31,801</b>	<b>437,491</b>	<b>386,412</b>	<b>466,932</b>	<b>418,213</b>
<b>Expenditure on charitable activities</b>							
Donations paid to charities		392	460	419,165	377,879	419,557	378,339
Direct costs of charitable activities		12,971	13,625	-	-	12,971	13,625
Support costs of charitable activities		15,181	14,512	-	-	15,181	14,512
Governance costs	5	475	515	-	-	475	515
<b>Total expenditure</b>	<b>4</b>	<b>29,019</b>	<b>29,112</b>	<b>419,165</b>	<b>377,879</b>	<b>448,184</b>	<b>406,991</b>
<b>Net surplus before exceptional items</b>		<b>422</b>	<b>2,689</b>	<b>18,326</b>	<b>8,533</b>	<b>18,748</b>	<b>11,222</b>
<b>Exceptional items</b>							
Defined benefit pension scheme:	24						
Decrease/(increase) in deficit		1,400	(2,100)	-	-	1,400	(2,100)
Associated costs		(138)	-	-	-	(138)	-
Deconsolidation of CAF Australia	2, 4, 18	(131)	-	(2,373)	-	(2,504)	-
Charity Bank:							
Charitable property received		-	-	-	8,120	-	8,120
Irrevocable capital contribution		-	-	-	(8,120)	-	(8,120)
<b>Net surplus before other recognised gains and losses</b>		<b>1,553</b>	<b>589</b>	<b>15,953</b>	<b>8,533</b>	<b>17,506</b>	<b>9,122</b>
Gains on fixed asset investments	10	-	2,500	37,356	14,813	37,356	17,313
Long leasehold property revaluation	9	-	651	-	-	-	651
Taxation	8	(56)	(51)	-	-	(56)	(51)
<b>Net movement in funds</b>		<b>1,497</b>	<b>3,689</b>	<b>53,309</b>	<b>23,346</b>	<b>54,806</b>	<b>27,035</b>
Fund balances brought forward		51,486	47,797	946,515	923,169	998,001	970,966
<b>Fund balances carried forward</b>	<b>18</b>	<b>52,983</b>	<b>51,486</b>	<b>999,824</b>	<b>946,515</b>	<b>1,052,807</b>	<b>998,001</b>

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

The notes on pages 22 to 44 form an integral part of these financial statements.

# GROUP AND CHARITY BALANCE SHEETS AS AT 30 APRIL 2015

	Notes	Group		Charity	
		2015 £000	2014 £000	2015 £000	2014 £000
<b>Fixed assets</b>					
Tangible assets	9	5,281	5,526	5,236	5,462
Investments	10	577,266	529,136	592,744	538,694
		<b>582,547</b>	<b>534,662</b>	<b>597,980</b>	<b>544,156</b>
<b>Current assets</b>					
Investments	11	729,618	492,972	-	-
Interest receivable		9,402	9,325	4,068	4,360
Loans and advances	12	26,310	10,525	5,882	4,995
Debtors	13	8,082	7,428	9,071	8,034
Money market and bank balances	14	736,769	959,854	443,271	422,732
		<b>1,510,181</b>	<b>1,480,104</b>	<b>462,292</b>	<b>440,121</b>
<b>Current liabilities: amounts falling due within one year</b>					
Creditors	15	48,367	15,386	33,597	13,224
Bank overdrafts		1,226	-	-	-
Donor client balances	16	7,127	9,125	7,127	9,125
CAF Bank depositors' balances		967,294	977,907	-	-
		<b>1,024,014</b>	<b>1,002,418</b>	<b>40,724</b>	<b>22,349</b>
<b>Net current assets</b>		<b>486,167</b>	<b>477,686</b>	<b>421,568</b>	<b>417,772</b>
<b>Total assets less current liabilities</b>		<b>1,068,714</b>	<b>1,012,348</b>	<b>1,019,548</b>	<b>961,928</b>
<b>Liabilities: amounts falling due after more than one year</b>					
Creditors	15	13,357	10,397	13,357	10,397
Loan stock and preference shares	17	1,850	1,850	-	-
Defined benefit pension scheme liability	24	700	2,100	700	2,100
<b>Net assets</b>		<b>1,052,807</b>	<b>998,001</b>	<b>1,005,491</b>	<b>949,431</b>
<b>Funds</b>					
<b>Funds held for the benefit of charities or for charitable purposes</b>					
Endowment funds	18.3	2,062	2,089	2,062	1,956
Restricted funds	18.2	997,762	944,426	951,569	896,737
		<b>999,824</b>	<b>946,515</b>	<b>953,631</b>	<b>898,693</b>
<b>Own reserves - funds for charitable purposes</b>					
Unrestricted funds	18.1	52,983	51,486	51,860	50,738
		<b>1,052,807</b>	<b>998,001</b>	<b>1,005,491</b>	<b>949,431</b>

The notes on pages 22 to 44 form an integral part of these financial statements.

Approved by the Trustees on 9 July 2015 and signed on their behalf



Dominic Casserley  
Chairman of Trustees



Mike Dixon ACA  
Director of Finance and Operations

# GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2015

	Notes	2015		2014	
		£000	£000	£000	£000
<b>Reconciliation of net surplus to net cash inflow from operating activities</b>					
Net surplus before other recognised gains and losses			17,506		9,122
Change in working capital and other non-cash transactions	20.1		5,078		48,138
<b>Net cash inflow from operating activities</b>			<b>22,584</b>		<b>57,260</b>
<b>Taxation</b>					
UK corporation tax paid			(42)		(81)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets			(116)		(470)
Payments to acquire fixed asset investments			(110,327)		(233,677)
Proceeds on disposal of fixed asset investments			110,545		180,566
(Increase)/decrease in investment portfolio cash and settlements pending			(8,002)		32,588
			(7,900)		(20,993)
<b>Cash inflow before management of liquid resources and financing</b>	20.3		<b>14,642</b>		<b>36,186</b>
<b>Management of liquid resources</b>					
Payments to acquire current asset investments			(341,844)		(235,783)
Proceeds on disposal of current asset investments			102,891		233,607
Net withdrawals from/(deposits in) the money market			300,529		(39,051)
			61,576		(41,227)
<b>Increase/(decrease) in cash in the year</b>	20.2/3		<b>76,218</b>		<b>(5,041)</b>

The notes on pages 22 to 44 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## 1. Accounting policies

### Basis of preparation of financial statements and accounting standards

The group financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain fixed asset investments, and in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), 'Accounting and Reporting by Charities' Statement of Recommended Practice (SORP 2005), the Charities Act 2011 and the Charities (Accounts and Reports) Regulations 2008, except for the provision of SORP 2005 for all investments to be valued at market value, since certain debt securities which are normally held to maturity for balance sheet management purposes are valued at amortised cost. The financial statements have been prepared on a going concern basis.

### Fund accounting

Unrestricted funds comprise general funds that are available for use at the discretion of the Trustees in furtherance of the general objectives of the group, and a revaluation reserve representing the difference between the historical cost of tangible fixed assets and the revalued amounts included in the balance sheet.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by donors or which have been raised by the group for specific purposes. The costs of administering restricted funds are charged to the specific fund.

Two permanent endowments are held for which the assets must be held permanently by the charity. Income from those assets may only be used to support the charity's operations in Russia.

### Income and donations received

Income and donations received comprise the following:

- Donations received which includes tax effective donations, legacies and gifts-in-kind from individuals, trust clients and companies
- Fee income, representing fees earned on processing donor funds, management, marketing and administration services of CAF investment products and CAF Russia grant programmes
- Investment income and
- CAF Bank net interest income, representing interest earned by CAF Bank Limited after deduction of the interest paid to its charity depositors

Income and donations received are included in the Statement of Financial Activities (SOFA) when the group is legally entitled to the income and the amount can be quantified with reasonable accuracy. Donations are accounted for when any conditions for receipt have been met and there is reasonable assurance of receipt. All other income and donations received are accounted for on an accruals basis.

Donations processed by the group acting in an agency role are not included in the SOFA. These consist of amounts in respect of CAF Give As You Earn and CAF Donate services.

### Expenditure on charitable activities

The SOFA shows expenditure for direct costs and support costs, accounted for on an accruals basis. Where support costs cannot be directly attributed to one or more categories, they are apportioned on the basis of staff headcount.

### Donations paid to charities

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

### Support costs

Support costs include those relating to business support (including human resource and general administration expenses), executive management, finance, and information systems. The details of support costs are shown under note 4.1.

### Governance costs

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

### Research expenditure

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

### VAT

Irrecoverable VAT is charged as a cost to the SOFA.

### Operating leases

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

### Pension costs

Defined contribution pension schemes

Pension contributions payable in the year in respect of defined contribution pension schemes are charged to the SOFA on an accruals basis.

Defined benefit pension schemes

During 2014 CAF decided to withdraw from a multi-employer defined benefit pension scheme operated by The Pensions Trust, which has been closed to new members since July 2012. CAF intends to transfer its share of assets and liabilities into a new closed defined benefit scheme. As a result, since 30 April 2014 CAF has been able to determine its share of the assets and liabilities of the scheme and account for them in accordance with the provisions of FRS 17 as set out in note 24.

Since April 2013 CAF has paid an annual levy in respect of a 10-year deficit reduction plan for The Pensions Trust multi-employer scheme. These amounts have been charged to the SOFA and further details are set out in note 24.

### Foreign currency

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

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

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

### Taxation

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

### Tangible fixed assets

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, or in the case of land and buildings at valuation, including any incidental expenses of acquisition. Valuation of land and buildings is determined by an independent valuer at least every five years. The gain or loss on revaluation of land and buildings is transferred to the revaluation reserve. A review is performed in subsequent years to identify material changes in value. Where a material change in value is detected from a review an interim valuation is conducted by a qualified valuer. Impairment reviews are only carried out if there is an indication that the recoverable amount of an asset is below the asset's net book value.

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

Long leasehold property	50 years
Long leasehold and other leasehold improvements	Shorter of the remaining life of the lease or the useful economic life of the improvements
Furniture and fittings	4 years
Computer equipment	3 years
Software licences and development costs	A maximum of 3 years

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## Investments

Three classes of fixed asset investments are held by the group in order to generate income for the support of charitable activities and to provide suitable assets to meet the needs of reserves:

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

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

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

## Provisions for bad and doubtful debts

Specific provision is made against loans and other assets where, in the opinion of the Trustees or Directors, the debt is not fully recoverable. CAF Bank also assesses a collective provision against drawn loans based on the expected loss for each borrower, taking into account the probability of default, the loss in the event of default and loan to value ratios.

## 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 (the charity) are disclosed in note 18. Further details of CAF's relationship with each member of the CAF family can be found in the Trustees' report.

### Consolidated entities

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

#### Trading subsidiaries

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

- **CAF Bank Ltd**, 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 Ltd**, 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 Ltd**, the sponsor of an Open Ended Investment Company (OEIC), namely, FP CAF Investment Fund

### UK registered charities

**Southampton Row Trust Ltd**, which operates as the **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 in each country on charitable gifts.



### Overseas charitable entities

CAF controls the following overseas charitable entities:

- **CAF America**, a US public charity recognised by the US Internal Revenue Service. CAF America provides US citizens with the opportunity to make tax-effective gifts for the support of overseas charities. CAF 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 advance giving and philanthropy in Russia, and facilitate grants and donations to NGO's.

### Other consolidated entities

CAF owns 100% of the equity share capital of **Ven Investments Ltd**, an investment holding company. Ven Investments holds investments on behalf of a restricted trust fund.

### 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 a number of charitable foundations, enabling donors to register their own charitable foundation in the UK even if they are not a UK citizen. CAF controls CAF GT and its results and net assets are included in the accounts of the CAF Group.

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

### Entities not consolidated

During April 2015 CAF relinquished control over **CAF Australia** (which includes CAF Community Fund and CAF Research and Technology Ltd). As a consequence, CAF Australia's activities are included in the SOFA and cash flow, but are not consolidated in the group balance sheet at 30 April 2015. The transfer of control is reflected as an exceptional item in the group SOFA.

Bulgarian CAF, CAF India, CAF Southern Africa and CAF South East Asia 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
- CAF 90 Day Notice Account
- CAF One Year Fixed Term Deposit Account
- CAF 12 Month Bond

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## Charity Bank

From its formation in 2002 until 31 May 2013 Charity Bank operated as an independent self-financing business within the CAF family and was not consolidated in the group accounts. During 2013/14 CAF supported a plan to facilitate the injection of additional third party capital into Charity Bank.

On 28 March 2014 CAF's shareholding was reduced to 35% as a result of an investment of £4.5m from Big Society Capital (BSC). This formed the first part of a commitment by BSC to invest a total of up to £14.5m in Charity Bank over the next three years, at the completion of which CAF's interest in Charity Bank will be reduced to less than 19%.

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. Accordingly, CAF's interest in Charity Bank is held as an investment and is not equity accounted.

In March 2015, another third party invested £1m, reducing CAF's interest to 32%.

## Results 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, information is only given for CAF Bank, whose results materially affect the group accounts.

	2015	2014
	£000	£000
<b>CAF Bank Limited</b>		
Interest receivable	10,710	11,096
Interest payable	(2,242)	(3,210)
<b>Net interest income</b>	<b>8,468</b>	<b>7,886</b>
Operating expenditure	(71)	(93)
Administrative expenses	(5,826)	(5,123)
<b>Operating profit before exceptional items</b>	<b>2,571</b>	<b>2,670</b>
FSCS levy (note 7)	(330)	(275)
<b>Operating profit</b>	<b>2,241</b>	<b>2,395</b>
Charitable donation to CAF	(2,185)	(2,344)
<b>Profit on ordinary activities before taxation</b>	<b>56</b>	<b>51</b>
Tax on profit on ordinary activities	(56)	(51)
<b>Retained profit for the year</b>	<b>-</b>	<b>-</b>

The results and activities of the group's subsidiaries other than CAF Bank are set out in note 18.2.

## 3. Investment income

	Unrestricted		Restricted		Total	
	2015	2014	2015	2014	2015	2014
	£000	£000	£000	£000	£000	£000
Interest on fixed interest securities and cash deposits	6,090	8,255	1,339	1,289	7,429	9,544
Dividends	33	32	9,569	9,576	9,602	9,608
Interest on loans to charities	336	224	-	-	336	224
	<b>6,459</b>	<b>8,511</b>	<b>10,908</b>	<b>10,865</b>	<b>17,367</b>	<b>19,376</b>

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

### 4.1 Unrestricted funds

	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Other funds	Total 2015	Total 2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income and donations received</b>									
Donations received	35	1,317	489	36	605	-	1,250	3,732	5,063
Fee income	2,230	365	2,256	1,463	3,939	529	-	10,782	10,341
Investment income	2,373	1,471	1,571	409	126	193	316	6,459	8,511
CAF Bank net interest income	-	-	-	8,468	-	-	-	8,468	7,886
<b>Total income</b>	<b>4,638</b>	<b>3,153</b>	<b>4,316</b>	<b>10,376</b>	<b>4,670</b>	<b>722</b>	<b>1,566</b>	<b>29,441</b>	<b>31,801</b>
<b>Expenditure on charitable activities</b>									
Donations paid to charities	-	-	-	55	337	-	-	392	460
Direct costs of charitable activities	1,305	571	1,895	4,675	2,919	1,641	(35)	12,971	13,625
<b>Support costs of charitable activities</b>									
Business support	843	849	1,508	3,384	972	440	-	7,996	6,822
Finance and executive management	248	245	491	1,200	478	179	-	2,841	2,553
Information systems	604	589	919	1,574	443	215	-	4,344	5,137
<b>Total support costs of charitable activities</b>	<b>1,695</b>	<b>1,683</b>	<b>2,918</b>	<b>6,158</b>	<b>1,893</b>	<b>834</b>	<b>-</b>	<b>15,181</b>	<b>14,512</b>
Governance costs	41	40	80	214	71	29	-	475	515
<b>Total expenditure</b>	<b>3,041</b>	<b>2,294</b>	<b>4,893</b>	<b>11,102</b>	<b>5,220</b>	<b>2,504</b>	<b>(35)</b>	<b>29,019</b>	<b>29,112</b>
<b>Net surplus/(deficit) before exceptional items</b>	<b>1,597</b>	<b>859</b>	<b>(577)</b>	<b>(726)</b>	<b>(550)</b>	<b>(1,782)</b>	<b>1,601</b>	<b>422</b>	<b>2,689</b>
<b>Exceptional items</b>									
Defined benefit pension scheme:									
Decrease/(increase) in deficit	-	-	-	-	-	-	1,400	1,400	(2,100)
Associated costs	-	-	-	-	-	-	(138)	(138)	-
Deconsolidation of CAF Australia	-	-	-	-	(131)	-	-	(131)	-
<b>Net surplus/(deficit) before other recognised gains and losses</b>	<b>1,597</b>	<b>859</b>	<b>(577)</b>	<b>(726)</b>	<b>(681)</b>	<b>(1,782)</b>	<b>2,863</b>	<b>1,553</b>	<b>589</b>
Gains on fixed asset investments	-	-	-	-	-	-	-	-	2,500
Property revaluation	-	-	-	-	-	-	-	-	651
Taxation	-	-	-	(56)	-	-	-	(56)	(51)
<b>Net movement in funds</b>	<b>1,597</b>	<b>859</b>	<b>(577)</b>	<b>(782)</b>	<b>(681)</b>	<b>(1,782)</b>	<b>2,863</b>	<b>1,497</b>	<b>3,689</b>

### Allocation of support costs

CAF adopts a policy of allocating costs to its operations. Where support costs cannot be directly attributed to an activity, they are assessed and allocated on the basis of the activities that they support, or where they cannot be allocated to activities they are allocated on the basis of staff headcount.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## 4.2 Restricted and endowment funds

	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Total 2015	Total 2014
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income and donations received</b>								
Donations received	166,669	69,270	113,294	4	76,848	498	426,583	375,547
Investment income	10,522	-	-	-	386	-	10,908	10,865
<b>Total income</b>	<b>177,191</b>	<b>69,270</b>	<b>113,294</b>	<b>4</b>	<b>77,234</b>	<b>498</b>	<b>437,491</b>	<b>386,412</b>
<b>Expenditure on charitable activities</b>								
Donations paid to charities	156,221	72,749	117,576	123	72,396	100	419,165	377,879
<b>Total expenditure</b>	<b>156,221</b>	<b>72,749</b>	<b>117,576</b>	<b>123</b>	<b>72,396</b>	<b>100</b>	<b>419,165</b>	<b>377,879</b>
<b>Net surplus/(deficit) before exceptional items</b>	<b>20,970</b>	<b>(3,479)</b>	<b>(4,282)</b>	<b>(119)</b>	<b>4,838</b>	<b>398</b>	<b>18,326</b>	<b>8,533</b>
<b>Exceptional items</b>								
Deconsolidation of CAF Australia	-	-	-	-	(2,373)	-	(2,373)	-
Charity Bank (see note 2):								
Charitable property received	-	-	-	-	-	-	-	8,120
Irrevocable capital contribution	-	-	-	-	-	-	-	(8,120)
<b>Net surplus/(deficit) before other recognised gains and losses</b>	<b>20,970</b>	<b>(3,479)</b>	<b>(4,282)</b>	<b>(119)</b>	<b>2,465</b>	<b>398</b>	<b>15,953</b>	<b>8,533</b>
Gains on fixed asset investments	36,976	-	-	-	380	-	37,356	14,813
<b>Net movement in funds</b>	<b>57,946</b>	<b>(3,479)</b>	<b>(4,282)</b>	<b>(119)</b>	<b>2,845</b>	<b>398</b>	<b>53,309</b>	<b>23,346</b>

### Payments to NCVO

Donations paid to charities include £1,863,000 (2014: £1,791,000) paid to CAF's founder, NCVO, under the terms of CAF's Declaration of Trust.

### 5. Governance costs

	2015	2014
	£000	£000
Internal audit	118	134
Fees payable to the external auditor:		
Audit of financial statements	254	254
Other services	53	9
Company secretarial	13	13
Trustees' indemnity insurance	23	18
Support costs	14	87
	<b>475</b>	<b>515</b>

### 6. Staff costs

	2015	2014
	£000	£000
Salaries and wages	15,671	14,775
Social security costs	1,597	1,541
Pension costs	1,057	846
Training and welfare	492	392
	<b>18,817</b>	<b>17,554</b>
Payments under a 10-year deficit reduction plan in respect of a multi-employer defined benefit pension scheme (see note 24)	335	325
	<b>19,152</b>	<b>17,879</b>

## 6. Staff costs (continued)

### Employee emoluments

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

	2015	2014
	Number	Number
£60,001 - £70,000	10	9
£70,001 - £80,000	5	4
£80,001 - £90,000	6	7
£90,001 - £100,000	4	2
£100,001 - £110,000	1	1
£120,001 - £130,000	-	1
£130,001 - £140,000	2	-
£140,001 - £150,000	1	1
£160,001 - £170,000	-	1
£170,001 - £180,000	1	-
	30	26

Pension contributions were paid by CAF in respect of 29 (2014: 22) of the employees included in the preceding table.

	2015	2014
	£000	£000
The aggregate value of those contributions was	303	160

	2015	2014
	Number	Number
Average number of employees during the year was:		
Full-time and part-time employees	514	515
Full-time equivalent	475	446
Average number of full time equivalent employees analysed by function:		
Major donors	47	43
Regular givers	46	40
Companies	93	86
Charities	157	151
International	95	85
Sector support	34	37
Governance	3	4
	475	446

## 7. FSCS levy

The Financial Services Compensation Scheme ('FSCS') levy is required to fund interest on borrowings undertaken by the FSCS to make good protected deposits at banks seeking the scheme's support.

The levy year runs from 1 April to 31 March, and the amount of the levy is based on a bank's share of protected deposits at 31 December. The provision at 30 April 2015 represents the estimated amounts due in respect of CAF Bank's participation in the scheme for the years ending 31 March 2015 and 2016, and a provision on a best estimate basis of CAF Bank's share of the shortfall in amounts recovered under the scheme.

As a participant in the FSCS, CAF Bank has an obligation to make good its share of any potential shortfall in amounts recovered from banks being wound down compared to borrowings taken out to fund protected deposits via a capital compensation levy. The amount accrued as at 30 April 2015 includes £147,000 in respect of the third year of the capital levy.

	2015	2014
	£000	£000
Provision at 1 May	733	839
Paid during the year	(391)	(381)
Provided during the year	330	275
Provision at 30 April	672	733

## 8. Taxation

CAF is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 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.

The tax charge of £56,000 (2014: £51,000) is attributable to profits which are retained by CAF Bank for the payment of interest on preference shares.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## 9. Tangible assets

Group	Long leasehold property and improvements	Other leasehold improvements	Furniture, fittings and computer equipment	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 May 2014	5,328	767	2,236	8,331
Additions	-	81	35	116
Disposals	-	(257)	(58)	(315)
At 30 April 2015	5,328	591	2,213	8,132
<b>Depreciation</b>				
At 1 May 2014	328	302	2,175	2,805
Charged in year	166	62	54	282
On disposal	-	(183)	(53)	(236)
At 30 April 2015	494	181	2,176	2,851
<b>Net book value</b>				
At 30 April 2015	4,834	410	37	5,281
At 30 April 2014	5,000	465	61	5,526

Charity	Long leasehold property and improvements	Other leasehold improvements	Furniture, fittings and computer equipment	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 May 2014	5,328	701	2,099	8,128
Additions	-	-	14	14
Disposals	-	(182)	(12)	(194)
At 30 April 2015	5,328	519	2,101	7,948
<b>Depreciation</b>				
At 1 May 2014	328	274	2,064	2,666
Charged in year	166	45	30	241
On disposal	-	(183)	(12)	(195)
At 30 April 2015	494	136	2,082	2,712
<b>Net book value</b>				
At 30 April 2015	4,834	383	19	5,236
At 30 April 2014	5,000	427	35	5,462

### Long leasehold property

The long leasehold property consists of the lease to the year 2190 on land and buildings occupied by CAF as its head office. 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 £5 million. A revaluation in accordance with appropriate professional guidelines will be carried out at least every five years; the next is due in April 2019.

The historical cost carrying value of the property and improvements at the balance sheet date was £4,094,000 (2014: £4,182,000).



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## 10.2 Charity

	Investments held at cost plus/(minus) amortisation	Investments held at market value	Total carrying value 2015	Total carrying value 2014
	£000	£000	£000	£000
At 1 May 2014	51,217	467,602	518,819	447,600
Additions	14,058	127,597	141,655	234,857
Disposal proceeds/maturing investments	(2,510)	(126,737)	(129,247)	(180,334)
Amortisation of premiums and discounts	(286)	-	(286)	(276)
Net investment gains	-	37,023	37,023	16,972
	<b>62,479</b>	<b>505,485</b>	<b>567,964</b>	<b>518,819</b>
Investment portfolio cash and settlements pending	-	24,780	24,780	19,875
<b>At 30 April 2015</b>	<b>62,479</b>	<b>530,265</b>	<b>592,744</b>	<b>538,694</b>
Historical cost of investments	63,759	450,696	514,455	476,264
<b>Represented by:</b>				
Listed securities:				
UK Government fixed interest	11,026	15,333	26,359	16,000
Overseas Government fixed interest	23,960	10,125	34,085	35,527
Other fixed interest	2,543	11,175	13,718	18,641
UK equities	-	41,212	41,212	35,323
Overseas equities	-	17,570	17,570	17,195
CAF investment funds:				
FP CAF UK Equity Fund	-	79,020	79,020	77,069
FP CAF International Equity	-	37,596	37,596	8,119
FP CAF Fixed Interest Fund	-	34,467	34,467	36,748
CAF UK Equitrack Fund	-	9,972	9,972	34,452
FP CAF Alternative Strategies	-	7,705	7,705	5,031
Unit trusts and other pooled investments	-	217,317	217,317	179,537
Investment trusts	-	8,608	8,608	19,005
Unlisted investments:				
UK	-	4,865	4,865	4,751
Overseas	-	3,757	3,757	3,872
Property investments	-	1,017	1,017	767
Subsidiaries:				
Trading companies	24,950	-	24,950	20,950
Investment holding company	-	5,746	5,746	5,832
	<b>62,479</b>	<b>505,485</b>	<b>567,964</b>	<b>518,819</b>
Investment portfolio cash and settlements pending	-	24,780	24,780	19,875
	<b>62,479</b>	<b>530,265</b>	<b>592,744</b>	<b>538,694</b>

Investments held at cost plus/(minus) amortisation: Comparison of carrying values with market values	Carrying value 2015	Market value 2015	Carrying value 2014	Market value 2014
	£000	£000	£000	£000
Listed securities:				
UK Government fixed interest	11,026	11,032	1,001	1,057
Overseas Government fixed interest	23,960	25,409	24,208	25,877
Other fixed interest	2,543	2,775	5,058	5,310
	<b>37,529</b>	<b>39,216</b>	<b>30,267</b>	<b>32,244</b>
Trading companies	24,950	-	20,950	-
	<b>62,479</b>		<b>51,217</b>	



## 11. Current asset investments

Group	Held at cost plus/ (minus) amortisation	
	2015 £000	2014 £000
At 1 May 2014	492,972	492,353
Additions	341,844	235,783
Disposal proceeds/maturing investments	(102,891)	(233,607)
Amortisation of premiums and discounts	(2,307)	(1,557)
<b>At 30 April 2015</b>	<b>729,618</b>	<b>492,972</b>
Historical cost	736,056	501,240

	Carrying value 2015 £000	Market value 2015 £000	Carrying value 2014 £000	Market value 2014 £000
<b>Represented by:</b>				
Listed securities:				
UK government	138,966	139,359	-	-
Floating rate corporate bonds	174,271	174,885	174,293	174,474
Multilateral financial institutions/ Fixed coupon corporate bonds	376,381	376,963	285,679	285,622
Certificates of deposit	40,000	40,188	33,000	33,146
	<b>729,618</b>	<b>731,395</b>	<b>492,972</b>	<b>493,242</b>

The table below shows the breakdown of assets held by credit rating

Category (Fitch equivalent credit rating)	2015		2014	
	Carrying value	% of book	Carrying value	% of book
UK Government	138,966	19.05	-	0.00
AAA	193,621	26.54	144,056	29.22
AA+	33,049	4.53	-	0.00
AA	-	0.00	-	0.00
AA-	115,651	15.85	136,562	27.70
A+	66,584	9.13	65,591	13.31
A	119,887	16.43	88,993	18.05
A-	39,627	5.43	38,818	7.87
BBB+	17,749	2.43	18,952	3.84
BBB	4,484	0.61	-	0.00
	<b>729,618</b>	<b>100.00</b>	<b>492,972</b>	<b>100.00</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## 12. Loans and advances

	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>Amounts receivable in less than one year:</b>				
CAF Bank loans to charities	1,716	92	-	-
CAF Venturesome loans to charities	1,523	1,435	1,523	1,435
CAF Charitable Trust loans to charities	797	40	797	40
	<b>4,036</b>	<b>1,567</b>	<b>2,320</b>	<b>1,475</b>
<b>Amounts receivable in more than one year:</b>				
CAF Bank loans to charities				
Receivable 1-5 years	6,346	662	-	-
Receivable more than 5 years	12,366	4,776	-	-
CAF Venturesome loans to charities	1,136	1,637	1,136	1,637
CAF Charitable Trust loans to charities	2,426	1,883	2,426	1,883
	<b>22,274</b>	<b>8,958</b>	<b>3,562</b>	<b>3,520</b>
	<b>26,310</b>	<b>10,525</b>	<b>5,882</b>	<b>4,995</b>

## 13. Debtors

	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>Amounts receivable in less than one year</b>				
Income tax recoverable	6,108	4,714	4,953	3,757
Receivable on disposal of investments	147	11	147	11
Staff loans	24	47	24	47
Amounts due from subsidiaries	-	-	2,388	1,976
Other debtors	496	1,048	817	1,005
Prepayments and accrued income	1,307	1,608	742	1,238
	<b>8,082</b>	<b>7,428</b>	<b>9,071</b>	<b>8,034</b>

## 14. Money market investments

Included in money market investments are deposits with a term of over twelve months of £107m and £110m in the charity and group respectively (2014: £62m and £85m respectively).

## 15. Creditors

	Group		Charity	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>Amounts payable in less than one year:</b>				
Due to beneficiary charities	38,442	6,048	25,420	6,048
Payable on acquisition of investments	201	18	201	18
Trade creditors	526	792	526	792
UK corporation tax payable	40	26	-	-
Tax and social security	478	121	478	121
Interest payable	47	325	54	40
Other creditors	7,828	6,969	6,355	5,118
Deferred income	805	1,087	563	1,087
	<b>48,367</b>	<b>15,386</b>	<b>33,597</b>	<b>13,224</b>
<b>Amounts payable in more than one year:</b>				
Due to beneficiary charities	13,357	10,397	13,357	10,397
	<b>61,724</b>	<b>25,783</b>	<b>46,954</b>	<b>23,621</b>

Amounts due to beneficiary charities represent contractual obligations, principally in respect of longer term grants. Two grants were awarded but not paid during 2015 having an aggregate value of £29.5m.

Included within other creditors are amounts totalling £1,334,000 repayable to seven third party investors of CAF Venturesome (2014: £1,558,000, seven third party investors). Amounts are repayable within three or six months from receipt of written instruction. The loans do not bear interest and amounts are repaid net of any losses incurred.

## 16. Donor client balances

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

	Group and charity	
	2015 £000	2014 £000
CAF Give As You Earn	4,869	6,755
CAF Donate	162	114
Other	2,096	2,256
	<b>7,127</b>	<b>9,125</b>

### Other charitable funds

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

	Group and charity	
	2015 £000	2014 £000
Investments	78,301	57,048
Money market deposits and bank balances	549	224
	<b>78,850</b>	<b>57,272</b>
Bank balances with CAF Bank	638	665
	<b>79,488</b>	<b>57,937</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## 17. Loan stock and preference shares

	Notes	Group	
		2015 £000	2014 £000
<b>Loan stock:</b>	17.1		
Floating rate:			
Second issue	(a)	100	100
Sixth issue	(b)	250	250
		<b>350</b>	<b>350</b>
Preference shares	17.2	1,500	1,500
		<b>1,850</b>	<b>1,850</b>

### 17.1 Loan stock

Subordinated loan stock consists of unsecured borrowings issued by CAF Bank, for the development and expansion of its business and to strengthen the capital base.

#### Security and subordination

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

#### Interest and repayment

- This issue bears interest at a rate fixed daily based on the rates paid to CAF Bank's depositors, and is redeemable at par on the expiry of not less than five years and one day's notice given by CAF Bank or the stockholder. No such notice has been given.
- This issue bears interest at rates fixed periodically based on London Inter Bank Offered Rates. This issue has no fixed date for repayment.

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

### 17.2 Preference shares

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

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

## 18. Statement of fund

		At 1 May 2014	Income and donations received	Expenditure on charitable activities	Exceptional items	Recognised gains	At 30 April 2015
	Notes	£000	£000	£000	£000	£000	£000
<b>Group</b>							
Unrestricted funds	18.1	51,486	29,441	(29,075)	1,131	-	52,983
Restricted funds	18.2	944,426	437,433	(419,121)	(2,285)	37,309	997,762
Endowment funds	18.3	2,089	58	(44)	(88)	47	2,062
		<b>998,001</b>	<b>466,932</b>	<b>(448,240)</b>	<b>(1,242)</b>	<b>37,356</b>	<b>1,052,807</b>
<b>Charity</b>							
Unrestricted funds	18.1	50,738	21,032	(21,172)	1,262	-	51,860
Restricted funds	18.2	896,737	367,763	(349,907)	-	36,976	951,569
Endowment funds	18.3	1,956	58	-	-	48	2,062
		<b>949,431</b>	<b>388,853</b>	<b>(371,079)</b>	<b>1,262</b>	<b>37,024</b>	<b>1,005,491</b>

### 18.1 Unrestricted funds

		At 1 May 2014	Income and donations received	Expenditure on charitable activities	Exceptional items	Recognised gains	At 30 April 2015
		£000	£000	£000	£000	£000	£000
<b>Group</b>							
General funds		50,668	29,441	(29,075)	1,131	78	52,243
Property revaluation reserve		818	-	-	-	(78)	740
		<b>51,486</b>	<b>29,441</b>	<b>(29,075)</b>	<b>1,131</b>	<b>-</b>	<b>52,983</b>
<b>Charity</b>							
General funds		49,920	21,032	(21,172)	1,262	78	51,120
Property revaluation reserve		818	-	-	-	(78)	740
		<b>50,738</b>	<b>21,032</b>	<b>(21,172)</b>	<b>1,262</b>	<b>-</b>	<b>51,860</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## 18.2 Restricted funds

Group	At 1 May 2014	Income and donations received	Expenditure on charitable activities	Transfers	Exceptional items	Recognised gains	At 30 April 2015
	£000	£000	£000	£000	£000	£000	£000
<b>Major donors</b>							
CAF Charitable Trusts	696,435	177,191	(156,221)	(4,387)	-	36,976	749,994
<b>Regular givers</b>							
Individual charity accounts	87,810	69,270	(72,749)	5,326	-	-	89,657
<b>Companies</b>							
Company accounts	65,261	81,883	(86,503)	2,645	-	-	63,286
CAF Give As You Earn charity accounts	27,909	31,411	(31,073)	391	-	-	28,638
	93,170	113,294	(117,576)	3,036	-	-	91,924
<b>Charities</b>							
CAF Venturesome accounts	908	4	(123)	1,077	-	-	1,866
CAF Social Impact Fund	6,308	-	-	(885)	-	-	5,423
	7,216	4	(123)	192	-	-	7,289
<b>International</b>							
CAF American Donor Fund	38,878	45,346	(44,141)	(868)	-	321	39,536
CAF America	5,843	21,981	(16,472)	(5,237)	-	-	6,115
CAF Canada	-	206	(176)	-	-	-	30
CAF Australia	2,469	4,393	(5,001)	412	(2,285)	12	-
CAF Russia grant programmes	1,060	1,814	(3,139)	897	-	-	632
CAF Foundation for Philanthropy	500	3,436	(3,423)	-	-	-	513
	48,750	77,176	(72,352)	(4,796)	(2,285)	333	46,826
<b>Sector support</b>							
CAF grants programme	10,690	35	(92)	1,074	-	-	11,707
Other funds	355	463	(8)	(445)	-	-	365
	11,045	498	(100)	629	-	-	12,072
	944,426	437,433	(419,121)	-	(2,285)	37,309	997,762

## Charity

<b>Major donors</b>							
CAF Charitable Trusts	696,436	177,190	(156,221)	(4,387)	-	36,976	749,994
<b>Regular givers</b>							
Individual charity accounts	87,810	69,271	(72,749)	5,326	-	-	89,658
<b>Companies</b>							
Company accounts	65,262	86,680	(86,503)	(2,151)	-	-	63,288
CAF Give As You Earn charity accounts	27,909	31,411	(31,072)	391	-	-	28,639
	93,171	118,091	(117,575)	(1,760)	-	-	91,927
<b>Charities</b>							
CAF Venturesome accounts	907	3	(124)	1,077	-	-	1,863
CAF Social Impact Fund	6,308	-	-	(885)	-	-	5,423
	7,215	3	(124)	192	-	-	7,286
<b>International</b>							
CAF Russia grant programmes	1,061	2,710	(3,139)	-	-	-	632
<b>Sector Support</b>							
CAF grants programme	10,689	35	(91)	1,074	-	-	11,707
Other funds	355	463	(8)	(445)	-	-	365
	11,044	498	(99)	629	-	-	12,072
	896,737	367,763	(349,907)	-	-	36,976	951,569

Restricted funds comprise:

- a. **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.
 

Income and donations received for the year include £4m from the Cabinet Office for the UKSAR Volunteer Training Fund to support search and rescue (SAR) volunteering
- b. **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
- c. **CAF Venturesome accounts** – represent funds set aside by CAF donors to complement the funds assigned by the Trustees for CAF Venturesome (see note 1)
- d. **CAF Social Impact Fund** – represents funds set aside by CAF donors to support the activities of the CAF Social Impact Fund (see note 1)
- e. **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
- 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 grants programme** – represents funds available to support CAF's grants programme
- h. **Other restricted funds** – are invested in accordance with the investment policies set out in the Trustees' report

#### Transfers between restricted funds

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

### 18.3 Endowment funds

	At 1 May 2014	Income and donations received	Expenditure on charitable activities	Transfers	Exceptional items	Recognised gains	At 30 April 2015
	£000	£000	£000	£000		£000	£000
<b>Charity</b>							
CAF Russia:							
C S Mott Foundation	679	-	-	-	-	19	698
The Ford Foundation	1,277	58	-	-	-	29	1,364
	1,956	58	-	-	-	48	2,062
<b>Group</b>							
CAF Australia Bequest	133	-	(44)	-	(88)	(1)	-
	2,089	58	(44)	-	(88)	47	2,062

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

**CAF Australia Bequest** – following CAF relinquishing control of CAF Australia, the remaining funds in the CAF Australia Bequest were granted to CAF Australia.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

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

	Unrestricted funds	Restricted funds	Endowment funds	CAF Bank and donor client balances	Total 2015
	£000	£000	£000	£000	£000
Tangible fixed assets	5,281	-	-	-	5,281
Fixed asset investments	5,024	569,066	786	2,390	577,266
Current asset investments	-	-	-	729,618	729,618
Other current assets	53,789	481,259	1,276	244,263	780,563
Depositor and client balances	-	-	-	(974,421)	(974,421)
Other liabilities	(11,087)	(52,563)	-	(1,850)	(65,500)
<b>Total net assets</b>	<b>52,983</b>	<b>997,762</b>	<b>2,062</b>	<b>-</b>	<b>1,052,807</b>

## 20. Group cash flow statement

### 20.1 Change in working capital and other non-cash transactions

	2015	2014
	£000	£000
Revaluation of property	-	(5)
Depreciation	282	368
Losses on disposal of tangible fixed assets	79	14
Amortisation of investments	2,609	1,848
Non-cash transactions:		
Donation received	-	(1,500)
Charity Bank charitable property	-	(8,120)
Charity Bank irrevocable capital contribution	-	8,120
In specie transfers and share gifts	(3,292)	-
Increase in interest receivable	(77)	(406)
(Increase)/decrease in loans and advances	(15,785)	561
Increase in other debtors	(654)	(5,565)
Increase/(decrease) in creditors	35,927	(5,055)
(Decrease)/increase in donor client balances	(1,998)	331
(Decrease)/increase in CAF Bank depositors' balances	(10,613)	55,690
(Decrease)/increase in defined benefit pension scheme liability	(1,400)	2,100
Decrease in provisions for liabilities	-	(243)
<b>Change in working capital and other non-cash transactions</b>	<b>5,078</b>	<b>48,138</b>



20.2 Reconciliation of net cash flow to movement in cash and current asset investments	2015	2014
	£000	£000
Increase/(decrease) in cash in the year	76,218	(5,041)
Cash inflow from increase in liquid resources	(300,529)	39,051
<b>Changes in cash and liquid resources resulting from cash flow</b>	<b>(224,311)</b>	<b>34,010</b>
Increase in current asset investments	236,646	619
<b>Movement in the year</b>	<b>12,335</b>	<b>34,629</b>
Balance at 1 May 2014	1,452,826	1,418,197
<b>Balance at 30 April 2015</b>	<b>1,465,161</b>	<b>1,452,826</b>

### 20.3 Analysis of cash and current asset investments

	At 1 May 2014	Cash flow	Non cash movements	At 30 April 2015
	£000	£000	£000	£000
Cash at bank and in hand	77,213	77,444	-	154,657
Bank overdrafts	-	(1,226)	-	(1,226)
	<b>77,213</b>	<b>76,218</b>	<b>-</b>	<b>153,431</b>
Money market deposits	882,641	(300,529)	-	582,112
	<b>959,854</b>	<b>(224,311)</b>	<b>-</b>	<b>735,543</b>
Current asset investments	492,972	238,953	(2,307)	729,618
	<b>1,452,826</b>	<b>14,642</b>	<b>(2,307)</b>	<b>1,465,161</b>

## 21. Trustees

The Trustees receive no remuneration for their services (2014: nil), 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 £323 paid to two Trustees (2014: £254 to one Trustee).

None of the Trustees nor any connected persons had a material or beneficial interest in any contract or undertaking with CAF, nor in the shares of its subsidiary companies (2014: none).

## 22. Operating lease commitments

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

	2015	2014
	£000	£000
<b>Operating leases which expire:</b>		
Within one year	26	-
Between one and five years	-	26
After more than five years (commencing June 2015)	374	374

The amounts charged to the SOFA totalled £319,000 (2014: £165,000).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

## 23. Financial commitments and contingent liabilities

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

	2015	2014
	£000	£000
<b>Charity</b>		
Grant commitments	234	9,873
CAF Venturesome loans	1,022	1,272
CAF Social Impact Fund loans	440	780
	<b>1,696</b>	<b>11,925</b>
<b>Group</b>		
CAF Bank commitments to customers	14,184	12,150
	<b>15,880</b>	<b>24,075</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 2017, 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 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 (if the charity no longer needs the funding) within one year.

### CAF Bank commitments to charities

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

## 24. Pension obligations

CAF participates in pension arrangements administered by the Pensions Trust and Hargreaves Lansdown.

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.

### 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.

### b. Pensions Trust Unitised Ethical Plan and Flexible Retirement Plan

The Unitised Ethical Plan is invested entirely in equity shares within the Stewardship Fund. The Flexible Retirement Plan is a money purchase pension scheme and employees' units are invested in a range of investment funds. The value of the units in the funds at the date of retirement will determine the amount available to provide the pension. There are no guarantees attaching to either plan.

### c. Pensions Trust Growth Plan Series 4

Series 4 of the Pensions Trust Growth Plan is a defined contribution plan. Members' contributions purchase units in either the GP Managed Fund, which is invested 65% in global equities and 35% non-equities or the GP Pre-retirement Fund, which is invested 75% in bonds and 25% in cash, depending on whether they are within five years of retirement. There is also the option for members to invest in a cash-based fund. At retirement members' units will be cashed in and the value of the fund will be used to purchase an annuity.

### d. Pensions Trust Growth Plan Series 1, 2 and 3 ('Growth Plan')

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

Contributions paid into the Growth Plan up to and including September 2001 (Series 1 and 2) were converted to defined benefit amounts of pension payable from normal retirement date. Details of the liabilities and

a contingent liability in respect of these contributions are set out in note 24f below.

From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement either within the Growth Plan or by the purchase of an annuity (Series 3).

Series 3 was closed to CAF employees in July 2012 and members were transferred to Growth Plan Series 4 for future contributions.

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

Following a review of the Growth Plan, CAF plans to withdraw from the Growth Plan Series 1, 2 and 3 at a date yet to be agreed but expected to be within the next six months. CAF is in the process of setting up a new CAF-specific defined benefit pension scheme, which it is planned will be accepting CAF's share of the accrued assets and liabilities from the Growth Plan (Series 1, 2 and 3) as a bulk transfer. The new scheme will be closed to new joiners from its inception and will provide benefits on exactly the same basis as the Growth Plan. Members of the new scheme will not earn any further benefits. No other employer will participate in the new CAF scheme.

As the Pensions Trust Growth Plan is a multi-employer pension plan, until 30 April 2014 CAF was unable to identify its share of the assets and liabilities of the plan and accordingly the accounting charge under FRS17 represented the employer contribution payable. As a result of CAF's intention to withdraw from the Growth Plan and subsequent discussions with the Pensions Trust, information has been made available to CAF and it has been able to identify its share of underlying assets and liabilities in the Growth Plan on a consistent and reasonable basis. CAF is therefore able to account for its share of the deficit of the Growth Plan in accordance with the provisions of FRS17.

An actuarial valuation of the Growth Plan is carried out on a three yearly basis. The last valuation was at 30 September 2011. The valuation showed total liabilities of the Growth Plan were £928m; the assets were £780m, resulting in a deficit of £148m. Since 1 April 2013, as part of a recovery plan for the Growth Plan, CAF is required to pay additional contributions for ten years to address its share of the deficit relating to employees who were scheme members prior to 1 October 2001. The additional contributions paid in the year to 30 April 2015 were £0.3m. This additional contribution will increase by 3% per annum. An actuarial valuation of the Growth Plan as at 30 September 2014 is currently being finalised. This could lead to a change in the contributions.

At 30 April 2015, CAF's share of the Growth Plan assets was estimated by an independent qualified actuary for FRS17 purposes. The actuary has calculated the value of the liabilities in accordance with FRS 17 on an approximate basis using the projected unit method at the accounting date. At this date, the FRS 17 deficit is estimated to be £0.7m (30 April 2014: £2.1m). Further details together with the assumptions used are shown in note 24e.

**e. Growth Plan financial position at the balance sheet date and assumptions**

- i) Amounts recognised in the balance sheet based upon CAF's assumed share of assets and liabilities:

Balance sheet as at 30 April 2015	2015	2014
	£000	£000
Present value of liabilities	24,500	21,700
Fair value of assets	(23,800)	(19,600)
<b>Balance sheet liability at 30 April 2015</b>	<b>700</b>	<b>2,100</b>

The above liabilities and assets include £7.0m and £6.8m respectively, which represent CAF's share of the Growth Plan's orphaned members at 30 April 2015 (2014: £5.1m and £4.6m respectively at 30 April 2014)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

ii) The following amounts have been included in the Statement of Financial Activities under FRS17 in relation to Growth Plan Series 1, 2 and 3:

	2015	2014
	£000	£000
Service cost	-	-
Operating (credit)/charge	-	-
Interest cost	620	-
Expected return on assets	(680)	-
Financing credit	(60)	-
Pension credit in Statement of Financial Activities	(60)	-

iii) The change in the balance sheet over the period is as follows:

	2015	2014
	£000	£000
Balance sheet liability at 30 April 2014	2,100	-
Pension credit in Statement of Financial Activities	(60)	-
Other recognised actuarial gains	(1,005)	-
Company contributions	(335)	-
Initial recognition of assets and liabilities	-	2,100
Balance sheet liability at 30 April 2015	700	2,100

iv) The major categories of the assumed share assets as a percentage of total assets are as follows:

	2015	2014
	Allocation	Allocation
Equities	11%	11%
Corporate bonds	7%	6%
Hedge funds	9%	12%
Cash	29%	36%
Property	1%	0%
Liability hedging assets	14%	11%
Insurance policies	29%	24%
	100%	100%

v) Principal assumptions at the balance sheet date

	2015	2014
Discount rate	3.4% pa	4.2% pa
Inflation measured by Consumer Prices Index (CPI)	2.2% pa	2.4% pa
Pension increases in payment:		
CPI capped at 5% pa	2.2% pa	2.4% pa
CPI capped at 2.5% pa	1.9% pa	2.2% pa
Life expectancy of a male aged 65 in 2015	23.6 yrs	23.6 yrs
Life expectancy of a male aged 65 in 2035	25.9 yrs	25.8 yrs
Commutation		
An allowance for members to take part of their pension as a lump sum at retirement on the terms currently available.		

f. Contingent liability in respect of Pensions Trust Growth Plan 'orphan' liabilities

Pending the completion of the bulk transfer of CAF's share of the assets and liabilities of the Growth Plan to the new single employer defined benefit pension scheme, CAF has a contingent liability in respect of the orphaned liabilities within the Growth Plan administered by The Pensions Trust. This amounts to £1.8m (30 April 2014: £0.8m) and is represented by the difference between:

- CAF's share of the solvency funding position attributable to the orphaned liabilities (£2.0m at 30 April 2015); and
- The portion of CAF's share of the deficit attributable to orphaned liabilities, accounted for in accordance with FRS 17 (£0.2m at 30 April 2015).

## 25. Transactions with related parties

During 2014 CAF Bank terminated an agreement with Charity Bank to provide loan administration and credit service. The agreement was on commercial arm's length terms. The costs paid to Charity Bank from this agreement during the year was £10,970 (2014: £59,000).

One of CAF Bank's directors was appointed a director of SofGen (UK) Limited on 14 March 2014 and resigned on 30 April 2015. SofGen (UK) Limited is a supplier of IT software to CAF Bank. All services were provided on commercial arm's length terms. The costs paid to SofGen (UK) Limited from this agreement during the year was £107,200 (2014: £20,700).

## 26. Post balance sheet events

There have been no significant post balance sheet events.

# 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

Philip Hardaker FCA (resigned 18 September 2014)

Alison Hutchinson

Tiina Lee

Martyn Lewis, Chairman of NCVO

David Locke FCA (resigned 18 September 2014)

Stephen Lovegrove

Iain MacKinnon

Dr Julie Maxton (appointed 1 May 2014)

## *Executive Committee*

at date of signing of this report

Chief Executive

Dr John Low CBE

Director of International

Jane Arnott

Director of Finance and Operations

Mike Dixon ACA

CAF Bank CEO

Peter Ostacchini

Director of Communications

Ben Russell

Director of Product and Marketing

Gail Russell

Director of Philanthropy and Development

David Stead

Director of Human Resources

Corinne Wells

## *Auditor*

KPMG LLP, Statutory Auditor

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## *Principal bankers*

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London

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*Registered charity number 268369*

**CAF** Charities Aid  
Foundation