

*Annual Report and  
Financial Statements  
for the year ended 30 April 2008*





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# Trustees' report

## Trustees, committees, officers and professional advisers

### Board of Trustees

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

Lord Cairns CVO CBE, Chairman (100%)  
Peter Berry CMG, Vice Chairman (83%)  
Adele Blakebrough MBE (67%)  
Stuart Chandler, Chairman of CAF Bank Limited (83%)  
Philip Hardaker FCA (from 27 September 2007) (100%)  
Gary Hoffman (83%)  
Constance Jackson (83%)  
Michael Lake CBE<sup>1</sup> (67%)  
Kim Lavelly (83%)  
David Locke FCA<sup>1</sup> (from 29 November 2007) (100%)  
Sir Graham Melmoth<sup>1</sup>, Chairman of NCVO (100%)  
Keith Niven (until 27 September 2007) (67%)  
Sir John Stuttard FCA<sup>2</sup> (from 27 March 2008) (100%)  
Helen Verney ACA<sup>1</sup> (until 26 October 2007) (33%)  
David Weymouth (67%)  
Peter Wolton (from 27 September 2007) (67%)

<sup>1</sup> Appointed by NCVO

<sup>2</sup> Reappointed as a Trustee following his term as the Lord Mayor of the City of London

### Patron

HRH The Prince Philip, The Duke of Edinburgh KG KT

### President

Sir Brian Jenkins GBE

### Executive officers (at date of signing of this report)

#### Chief Executive

Dr John Low CBE

#### Executive Director, Communications

Mark Webster

#### Executive Director, Customer Services

John Alexander

#### Executive Director, Enterprise and Philanthropy Development

Russell Prior

#### Finance Director

Mike Dixon ACA

#### Executive Director, Marketing & Private Client

Sheila Hooper

### Audit, Risk and Compliance Committee

Philip Hardaker FCA, Chairman

Constance Jackson (to 21 January 2008)

David Locke FCA (from 27 March 2008)

Hugh O'Brien (to 31 March 2008)

Sir John Stuttard FCA (from 21 April 2008)

Tim Sweeney (from 1 April 2008)

Helen Verney (to 26 October 2007)

David Weymouth

### Investment Advisory Committee

Peter Wolton, Chairman

Lionel Anderson (to 26 November 2007)

Robin Creswell (from 31 January 2008)

Constance Jackson (from 31 January 2008)

Keith Niven (to 27 September 2007)

Nicola Richards (from 31 January 2008)

John White

### Nominations and Remuneration Committee

Lord Cairns CVO CBE, Chairman

Peter Berry CMG

Gary Hoffman

Constance Jackson

Kim Lavelly

### Grants Advisory Council

Dr John Low CBE, Acting Chairman (from 8 November 2007)

Adele Blakebrough (to 8 November 2007)

Elizabeth Balgobin

Michael Eastwood

Julia Kaufman OBE

Professor Steven Myint

Sue Nyfield

### Principal professional advisers

#### Auditors

Deloitte & Touche LLP

Stonecutter Court

1 Stonecutter Street

London EC4A 4TR

#### Bankers

National Westminster Bank Plc

214 High Holborn

London WC1V 7BX

#### Head office

Charities Aid Foundation

25 Kings Hill Avenue

Kings Hill

West Malling

Kent ME19 4TA

T: 01732 520 000

F: 01732 520 001

E: [enquiries@cafonline.org](mailto:enquiries@cafonline.org)

W: [www.cafonline.org](http://www.cafonline.org)

## Trustees' report (continued)

### **Constitution**

The Charities Aid Foundation (CAF) is a registered charity (No. 268369) and is governed by a Declaration of Trust dated 2 October 1974. The address of CAF's head office, together with details of how to contact us, is set out on page 2. The Trustees are listed on page 2, together with the names of the executive directors.

### **Objectives and principal activities**

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

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

This year we helped individuals and companies give £368m (2007: £315m) to thousands of charities. We also offer award-winning financial services to charities.

At 30 April 2008 charities and donors had £2.5bn (2007: £2.2bn) of charitable funds in CAF's services.

CAF structured its services around the following activities for the year covered by this annual report:

#### *Growing individual giving*

CAF's Individual Giving area offers services to help donors manage their giving tax effectively, from enabling one-off donations through to establishing a major charitable foundation or giving overseas.

#### *Growing company giving*

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

#### *Increasing charities' resources*

Our Charity Financial Services team provides banking and investment services to charities of all sizes as well as a Fundraising Support service to help charities process and manage donations. Our social enterprise initiative, Venturesome, offers affordable loans to small charities that are unable to access mainstream lenders.

#### *Building capacity and international giving*

We work to create an environment which will enable giving to flourish at home and abroad.

#### *Championing the giving environment*

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

### **Public benefit**

CAF assists donors to give to charitable activities in the UK and abroad by providing a range of services directed to the effective handling and distribution of funds. CAF's activities contribute to the public benefit by creating value for other charities and helping to shape the charitable sector.

Our achievements in these areas for the year are set out in the following sections of this report. We have also set out our goals for next year through which we will aim to increase the volume of our services and the public benefit we provide.

Any surplus generated is invested to increase our capacity to deliver a higher volume of services more efficiently and further develop the charitable sector.

## Trustees' report (continued)

### Achievements and performance

#### Overview

It has been a year in which activity in all principal areas of CAF has increased, resulting in more donations being paid to charities and more charities using our banking services.

Donations of £368m paid to charities by CAF donors – almost £1.5m every working day

	Shown in the SOFA <sup>1</sup> £m	Other donations <sup>2</sup> £m	Total 2008 £m	<i>*Restated</i> Total 2007 £m
<b>Growing individual giving</b>				
Trust Accounts	81	-	81	73
Individual Charity Accounts	73	-	73	66
	<b>154</b>	<b>-</b>	<b>154</b>	<b>139</b>
<b>Growing company giving</b>				
Company Accounts	72	-	72	59
Give As You Earn	32	50	82	71
	<b>104</b>	<b>50</b>	<b>154</b>	<b>130</b>
<b>Increasing charities' resources</b>				
Fundraising support accounts	-	29	29	26
<b>Building capacity and inter- national giving</b>				
International giving	30	-	30	18
Other resources expended	1	-	1	2
	<b>31</b>	<b>-</b>	<b>31</b>	<b>20</b>
	<b>289</b>	<b>79</b>	<b>368</b>	<b>315</b>

Total funds in CAF and CAF products grows to £2.5bn

	Shown in group balance sheet £m	Other CAF products <sup>3</sup> £m	Total 2008 £m	<i>*Restated</i> Total 2007 £m
Trustees' and donor funds	714	-	714	635
Other donor funds	10	46	56	48
CAF banking products	924	358	1,282	1,055
CAF collective investment funds	-	401	401	499
	<b>1,648</b>	<b>805</b>	<b>2,453</b>	<b>2,237</b>

#### *\*Restatement of comparatives*

As a result of the evolving nature of the group's activities in respect of tax efficient giving from restricted funds, the accounting policy for resources expended on charitable activities has been refined for the year ended 30 April 2008 to reflect constructive liabilities as they are notified to both the group and the beneficiary charity. This does not impact cash flows or payment streams.

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1. SOFA (Statement of financial activities) on page 12
  2. Other donations consist of payments to charities where CAF acts as agent on behalf of others. These donations are not included in the SOFA
  3. Other CAF products:
    - 3.1 Other donor funds consist of charitable funds managed on behalf of other trusts and foundations
    - 3.2 CAF banking products shown as 'Other CAF products' consist of CAF Fixed Rate Selector Accounts. The entity which holds and manages the funds deposited in CAF Fixed Rate Selector Accounts is Birmingham Midshires, a division of Bank of Scotland plc and consequently are not on the group balance sheet
    - 3.3 The entities which hold and manage the funds in the CAF collective investment funds are independent entities and consequently are not on the group balance sheet

## **Achievements and performance (continued)**

Our aims and achievements for the year were:

### *Growing individual giving*

Our aims:

- to exceed our record of distributing £139m from individual donors to the charitable sector
- to grow the total funds we receive from individuals by 10%

Our achievements:

- the charitable sector benefited from £154m of donations from our individual donors
- we received a total of £233m. This represents an increase of 40% over last year (2007: £167m, excluding an exceptional receipt of £120m). Growth in CAF Trusts, which will provide future income for distribution to charities, was particularly strong

### *Growing company giving*

Our aims:

- to increase giving through Give As You Earn and Company Accounts to £133m
- to provide advice on the distribution of £9m of companies' charitable funds through our consulting and advisory service

Our achievements:

- giving through Give As You Earn and Company Accounts increased to £154m
- we advised companies on the distribution of £27m of grants to charitable causes

### *Increasing charities resources*

Our aim:

- to ensure that all our financial products for charities achieve top quartile performance in their respective asset classes

Our achievements:

- our banking products continued to pay competitive rates of interest:
  - rates on our CafCash high interest cheque account were consistently higher than those of similar accounts offered by a representative sample of the high street banks
  - deposit account rates remained attractive, with the CAF Fixed Rate Selector Account regularly paying rates in excess of London Inter Bank Bid rates (LIBID)
- the CAF UK Equitrack Fund achieved performance which places it in the top quartile for its class. We continue to work with our partners to improve the performance of the CAF Bond Income Fund and the CAF UK Equity Growth Fund

### *Building capacity and international giving*

Our aim:

- to grow international and cross-border giving to exceed £30m

Our achievement:

- we grew international and cross-border giving by 66% to £30m

### *Championing the giving environment*

Our aims:

- to work with others across the sector to overcome the barriers small charities face in making donations tax-effective
- to continue to target the £700m in tax that goes unclaimed by charities each year

Our achievements:

- we have worked closely with HMRC and the Charity Tax Group over the past year to improve the efficiency of Gift Aid, increase payroll giving and to make all giving more effective. We played a significant role in the campaign to ensure that all charities could continue to reclaim tax at 22% under Gift Aid following the reduction of basic rate tax to 20%
- by focusing on tax efficient giving we have helped the amount reclaimed by charities through Gift Aid to rise from more than £800m in 2006/07 to nearly £1bn this year

## **Our aims for next year**

During 2007/08 we completed a major review of our strategy and activities and commenced the implementation of a significant programme to improve our customer service and modernise our operations. Next year we plan to complete several key components of this programme, implementing new back office donation management systems which will provide the capacity to deliver growth.

As part of the review, CAF has restructured its activities into an integrated, customer-focused organisation. This has involved reshaping our objectives in line with the new structure. 2008/09 will be a year of transition and we will begin to measure our achievements against a new set of targets and benchmarks.

### *Stimulating and motivating giving*

- Giving by our donor clients to charitable causes around the world will increase from £360m (excluding one off payments of £8m) to £370m
- Total assets managed by the CAF family will increase from £2.5bn to £2.7bn

### *Using funds effectively*

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

### *Operating efficiently*

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

### *Customer focus*

We will conduct surveys in order to research and benchmark:

- the percentage of customers who are at least 'satisfied' with our service
- awareness of our brand among our target market
- the impact of new propositions launched in the year

## **Grantmaking policy**

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

For our 2008/09 programme we will focus on supporting initiatives that aim to make positive changes in the way people give to charity and the way that charities work with donors. We will engage and seek the views of key stakeholders to determine the focus. A proportion of each grant will support research, analysis and dissemination and we will seek to use approaches and learning to underpin the further development of our broader activities.

The programme will be funded by our donor clients. Awards that meet our funding priorities will be made by the Board of Trustees with the support of our Grants Advisory Council and CAF employees.

## **Financial review**

We have set out the full details of our income and expenditure in the statement of financial activities (SOFA) on page 12. CAF's income for the year, principally representing income from donors, was £409m (2007: £442m, including an exceptional receipt of £120m on the transfer of a large foundation into CAF). Total resources expended (principally representing donations to charities) were £316m (2007: £275m). As a result we recorded net incoming resources of £93m (2007: £167m), including an increase of £91m in restricted funds received from donor clients. We have described in more detail our achievements and performance in respect of the activities we undertake for our donor clients on pages 4 and 5. After taking into account losses on investments, total funds grew by £79m to £714m (2007: by £185m to £635m).



## Financial review (continued)

Unrestricted funds increased by £0.4m (2007: £2.4m) during the year. Income on unrestricted funds (principally representing fee and interest income) increased to £28.9m (2007: £27.1m), as a result of business growth, improved short-term interest rates and higher interest earning balances. Expenditure on unrestricted funds (operating expenses) increased to £27.0m (2007: £25.9m), principally reflecting the cost of our programme to improve and modernise our operations.

## Reserves policy

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

During the year we completed a major review of our strategy and commenced the implementation of a significant programme to improve our operations. This programme is expected to be funded partly from operating income, with the balance from reserves as shown below. The anticipated growth in business will require investment in infrastructure and additional risk capital which is also reflected below.

The group's reserves position is summarised as follows:

	2008	2007
	£000	£000
<b>CAF group reserves and external capital</b>		
Group unrestricted funds	30,758	30,327
External capital	8,350	8,350
	<b>39,108</b>	<b>38,677</b>
Less: Tangible fixed assets	(5,797)	(5,768)
Less: Reserves required to meet financial and operating risks and contingencies	(29,529)	(26,214)
<b>Available for future growth</b>	<b>3,782</b>	<b>6,695</b>
<b>Planned investment in growth</b>	<b>4,773</b>	<b>7,543</b>
<b>Shortfall</b>	<b>(991)</b>	<b>(848)</b>

The Trustees consider the shortfall to be manageable and will continue to monitor it as our programme to improve our operations progresses.

## Investment policies and performance

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

### *Unrestricted Trustees' funds*

The investment policy relating to the Trustees' unrestricted funds is to provide a high degree of security, diversity and liquidity. Performance is measured against a benchmark of seven day LIBOR (London Inter Bank Offer Rate). The total return for the year ended 30 April 2008 was 5.61%, 0.08% below the benchmark, reflecting the performance of a small element of equities in the portfolio.

### *Restricted funds*

Investments are held for restricted funds as follows:

- *Trust Accounts*

The types of investments held for Trust Accounts are determined by the investment objective of each donor. As a result, this portfolio consists of a broad range of investments. Performance is measured against an appropriate benchmark taking into account the objectives of the donor.

## **Investment policies and performance (continued)**

### ▪ *Other restricted funds*

Investments held in respect of other restricted funds are invested primarily in UK gilts and money market deposits with high grade counterparties. The portfolio also includes a smaller element of high grade Eurobonds. Performance is measured against a benchmark of the FT-A British Government All Stocks. The total return for the year ended 30 April 2008 was 6.60%, 0.36% above the benchmark, as a result of the weighting of the portfolio towards shorter gilts, offset by the impact of deteriorating corporate bond values during the year.

Investment policies of subsidiary and associated companies and trusts are determined and managed by their respective boards. Details of these policies are set out in the report and financial statements of each entity, copies of which are available from CAF's head office.

## **Structure, governance and management**

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

- not less than six Trustees appointed by resolution of the Trustees
- the Chairman of the NCVO
- two nominated Trustees appointed by the Executive Committee of the NCVO

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

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

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

### *Audit, Risk and Compliance Committee*

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

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

### *Investment Advisory Committee*

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

## **Structure, governance and management (continued)**

### *Nominations and Remuneration Committee*

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

### *Grants Advisory Council*

The purpose of the Grants Advisory Council is to guide the Trustees on our grantmaking. The council met on four occasions during the year under review. It consists of a panel of independent members with relevant expertise.

### *Other committees*

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

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

## **The CAF group and family and relationships with other charities**

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

### *CAF group*

Some of the strands collectively form the CAF group and their financial results and net assets are included in our group financial statements:

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

### *Independent members of our international network*

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

- Bulgarian CAF
- CAF India
- CAF Southern Africa

### *CAF-branded investment and banking products*

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

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

### *Charity Bank*

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

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

### *Relationships with other charities*

We have links with a large number of charities through the provision of financial and administration services, as well as with our founder, the National Council for Voluntary Organisations (NCVO), which was paid £1.2m (2007: £1.1m) during the year. Where we perform services on an agency basis for other charities, the related investments are maintained in segregated portfolios.

### **Risk management and internal control**

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

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

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

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

### **Statement of Trustees' responsibilities**

The Trustees are responsible for preparing the annual report and financial statements for each financial year, in accordance with the Charities Act 1993, the Charities (Accounts and Reports) Regulations 2005 and United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the incoming resources and application of the resources of the group during the year and of the charity's and group's state of affairs at the end of the financial year. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and group will continue in operation

The Trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the charity and group and to enable them to ensure that the financial statements comply with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2005. They are also responsible for safeguarding the assets of the charity and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Trustees on 27 August 2008 and signed on their behalf

**Lord Cairns CVO CBE**  
Chairman of Trustees

# Independent auditors' report to the Trustees of Charities Aid Foundation

We have audited the group and parent charity financial statements of Charities Aid Foundation for the year ended 30 April 2008 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with Regulation 7 of the Charities (Accounts and Reports) Regulations 2005. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of trustees and auditors**

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993 and the trust deed. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and the parent charity's affairs as at 30 April 2008 and of the group's incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993 and the trust deed.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom  
27 August 2008

## Group statement of financial activities for the year ended 30 April 2008

		Unrestricted	Restricted	Endowment	Total	*Restated
	Notes	funds	funds	funds	Total	Total
		£000	£000	£000	2008	2007
		£000	£000	£000	£000	£000
<b>Incoming resources</b>						
<b>Incoming resources from generated funds</b>						
Voluntary income		2,815	842	115	3,772	4,403
Investment income	3	9,244	17,817	-	27,061	19,032
<b>Incoming resources from charitable activities</b>						
Tax efficient giving from donors		6,160	359,534	-	365,694	406,458
CAF Bank net interest income	2	7,460	-	-	7,460	7,225
Other income		3,224	2,032	-	5,256	4,522
<b>Total incoming resources</b>	<b>4</b>	<b>28,903</b>	<b>380,225</b>	<b>115</b>	<b>409,243</b>	<b>441,640</b>
<b>Resources expended</b>						
<b>Costs of generating funds</b>						
Fundraising and publicity		1,013	33	-	1,046	1,256
<b>Charitable activities</b>						
Growing individual giving	5	4,461	153,670	-	158,131	143,130 *
Growing company giving	5	7,529	105,335	-	112,864	98,180 *
Increasing charities' resources	5	8,281	44	-	8,325	7,118
Building capacity and international giving	5	3,791	30,267	-	34,058	23,111 *
Championing the giving environment	5	1,348	-	-	1,348	1,350
<b>Governance costs</b>	<b>6</b>	<b>617</b>	<b>-</b>	<b>-</b>	<b>617</b>	<b>627</b>
<b>Total resources expended</b>		<b>27,040</b>	<b>289,349</b>	<b>-</b>	<b>316,389</b>	<b>274,772</b>
<b>Net incoming resources before transfers</b>		<b>1,863</b>	<b>90,876</b>	<b>115</b>	<b>92,854</b>	<b>166,868</b>
Transfers between funds		25	(86)	61	-	-
<b>Net incoming resources before recognised gains and losses</b>		<b>1,888</b>	<b>90,790</b>	<b>176</b>	<b>92,854</b>	<b>166,868</b>
(Losses)/gains on fixed asset investments		(1,392)	(12,198)	(135)	(13,725)	18,387
Taxation	8	(65)	-	-	(65)	(65)
<b>Net movement in funds</b>		<b>431</b>	<b>78,592</b>	<b>41</b>	<b>79,064</b>	<b>185,190</b>
Fund balances brought forward		30,327	602,792	1,429	634,548	449,358
<b>Fund balances carried forward</b>	<b>17</b>	<b>30,758</b>	<b>681,384</b>	<b>1,470</b>	<b>713,612</b>	<b>634,548 *</b>

\* Amounts have been restated to reflect the refined policy for recognition of charitable activities expenditure as described in note 1. This does not impact cash flows or payment streams.

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

## Group and charity balance sheets as at 30 April 2008

	Notes	Group		Charity	
		2008 £000	*Restated 2007 £000	2008 £000	*Restated 2007 £000
<b>Fixed assets</b>					
Tangible assets	9	5,797	5,768	5,775	5,753
Investments	10	506,282	525,313	498,150	512,769
		<b>512,079</b>	<b>531,081</b>	<b>503,925</b>	<b>518,522</b>
<b>Current assets</b>					
Investments	11	824,938	664,288	-	-
Interest receivable		18,139	15,570	4,698	3,333
Debtors	12	7,647	8,053	7,641	7,448
Money market and bank balances		326,807	323,679	211,841	112,224
		<b>1,177,531</b>	<b>1,011,590</b>	<b>224,180</b>	<b>123,005</b>
<b>Current liabilities: amounts falling due within one year</b>					
Creditors	13	25,300	14,442 *	21,132	9,712 *
Bank overdrafts		765	2,140	-	942
Donor client balances	14	10,148	9,405	10,148	9,405
CAF Bank depositors' balances		924,142	865,128	-	-
		<b>960,355</b>	<b>891,115</b>	<b>31,280</b>	<b>20,059</b>
<b>Net current assets</b>		<b>217,176</b>	<b>120,475</b>	<b>192,900</b>	<b>102,946</b>
<b>Total assets less current liabilities</b>		<b>729,255</b>	<b>651,556</b>	<b>696,825</b>	<b>621,468</b>
<b>Liabilities: amounts falling due after more than one year</b>					
Creditors	13	(6,884)	(8,469) *	(6,884)	(8,469) *
Loan stock and preference shares	15	(8,350)	(8,350)	-	-
<b>Provisions for liabilities</b>	16	(409)	(189)	(409)	(189)
		<b>713,612</b>	<b>634,548</b>	<b>689,532</b>	<b>612,810</b>
<b>Funds</b>	17				
<b>Funds held for the benefit of charities or for charitable purposes</b>					
Endowment funds		1,470	1,429	1,171	1,306
Restricted funds		681,384	602,792 *	657,811	581,304 *
		<b>682,854</b>	<b>604,221</b>	<b>658,982</b>	<b>582,610</b>
<b>Own reserves - funds for charitable purposes</b>					
Unrestricted funds		<b>30,758</b>	<b>30,327</b>	<b>30,550</b>	<b>30,200</b>
		<b>713,612</b>	<b>634,548</b>	<b>689,532</b>	<b>612,810</b>

<b>CAF group reserves and external capital</b>			
Group unrestricted funds	17	30,758	30,327
External capital	15	8,350	8,350
<b>Total group reserves and external capital</b>		<b>39,108</b>	<b>38,677</b>
<b>(see Reserves policy in Trustees' report)</b>			

\* Amounts have been restated to reflect the refined policy for recognition of charitable activities expenditure as described in note 1. This does not impact cash flows or payment streams.

Approved by the Trustees on 27 August 2008 and signed on their behalf

**Lord Cairns CVO CBE**  
Chairman of Trustees

**Mike Dixon ACA**  
Finance Director

## Group cash flow statement for the year ended 30 April 2008

	Notes	2008		2007	
		£000	£000	£000	£000
<b>Cash inflow from operating activities</b>	19.1		161,301		73,325
<b>Taxation</b>					
UK corporation tax paid			(65)		(62)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(697)		(91)	
Proceeds on disposal of tangible fixed assets		-		889	
Payments to acquire fixed asset investments		(250,960)		(133,709)	
Proceeds on disposal of fixed asset investments		255,574		119,373	
			<u>3,917</u>		<u>(13,538)</u>
<b>Cash inflow before management of liquid resources and financing</b>	19.2/3		<b>165,153</b>		<b>59,725</b>
<b>Management of liquid resources</b>					
Payments to acquire current asset investments		(2,139,117)		(1,889,288)	
Proceeds on disposal of current asset investments		1,978,467		1,874,487	
Net withdrawals/(deposits) in the money market		10,650		(52,088)	
			<u>(150,000)</u>		<u>(66,889)</u>
<b>Increase/(decrease) in cash in the year</b>	19.2/3		<b>15,153</b>		<b>(7,164)</b>



# Notes to the financial statements for the year ended 30 April 2008

## 1. Accounting policies

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

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

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

### **Fund accounting**

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

#### *Unrestricted funds*

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

#### *Restricted funds*

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

#### *Endowment funds*

These represent:

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

### **Incoming resources**

Incoming resources comprise the following:

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

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

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

# Notes to the financial statements for the year ended 30 April 2008

## 1. Accounting policies (continued)

### Resources expended

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

#### *Charitable activities expenditure*

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

#### *Support costs*

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

#### *Governance costs*

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

#### *Research expenditure*

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

#### *VAT*

Irrecoverable VAT is charged as a cost to the SOFA.

### Operating leases

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

### Pension costs

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

### Foreign currency

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

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

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

### Taxation

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

# Notes to the financial statements for the year ended 30 April 2008

## 1. Accounting policies (continued)

### Tangible fixed assets

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

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

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

No depreciation is provided on land.

### Investments

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

- Fixed term debt securities held other than for Trust Accounts which are expected to be held to maturity. These are shown at cost plus or minus amortisation of any discount or premium on redemption and are regularly reviewed for impairment.
- Investments held for Trust Accounts (see note 17.2) are included at market value at the balance sheet date. Any surplus or deficit on revaluation is transferred to the fund for which the security is held. If no market value is readily available at the balance sheet date for unlisted investments, they are included at the most recently available value; at Trustees' valuation; or value upon acquisition by or gift to CAF.
- Investments in subsidiaries are stated at cost less any impairment

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

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

### Venturesome

Venturesome provides mezzanine finance to other registered charities. Venturesome loans are included in debtors (note 12) net of provisions made for their non-recovery. Provisions are made on a case-by-case basis and are adjusted as necessary following monthly reviews of the risks associated with each loan.

### Restatement of comparatives

As a result of the evolving nature of the group's activities in respect of tax efficient giving from restricted funds, the accounting policy for resources expended on charitable activities has been refined for the year ended 30 April 2008 to reflect constructive liabilities as they are notified to both the group and the beneficiary charity. This does not impact cash flows or payment streams. Comparative figures have been restated, as set out below, in order to show the effect of the change.

The effect of the restatement on the group SOFA for resources expended at 30 April 2007 is to:

- Increase 'Growing individual giving' by £13,014,000
- Increase 'Company giving' by £19,000
- Increase 'Building capacity and international giving' by £253,000
- Decrease fund balances carried forward by £13,286,000

The effect of the restatement on the charity and group balance sheets at 30 April 2007 is to:

- Increase short-term creditors by £4,818,000
- Increase long-term creditors by £8,469,000
- Decrease restricted funds by £13,287,000

# Notes to the financial statements for the year ended 30 April 2008

## 2. Consolidation

The group financial statements include the accounts of CAF (the charity) and its subsidiary undertakings for the year ended 30 April 2008. Further details of CAF's relationship with each member of the CAF family can be found in the Trustees' report.

### 2.1 Consolidated entities

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

#### Trading subsidiaries

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

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

#### UK registered charities

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

#### Overseas charitable entities

CAF controls the following overseas charitable entities:

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

#### Joint ventures

CAF Marketing Services Limited holds a 30% stake in **CaSE Insurance** (Charities and Social Enterprise Insurance LLP). CaSE provides insurance products designed specifically for the third sector. The partnership was formed in March 2007 and its results to 30 April 2008, which have been included in these accounts, do not materially affect the group results.

#### Branch

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

#### CAF Global Trustees (CAF GT)

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

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

# Notes to the financial statements for the year ended 30 April 2008

## 2. Consolidation (continued)

### 2.2 Entities not consolidated

#### Independent members of the CAF international network

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

#### CAF-branded investment and banking products

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

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

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

#### Charity Bank

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

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

### 2.3 Results of subsidiaries

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

	2008	2007
	£000	£000
<b>CAF Bank Limited</b>		
Interest receivable	52,368	43,459
Interest payable	(44,908)	(36,234)
Net interest income	7,460	7,225
Operating expenditure	(742)	(623)
Administrative expenses	(3,129)	(3,101)
Operating profit	3,589	3,501
Charitable donation to CAF	(3,524)	(3,436)
Profit on ordinary activities before taxation	65	65
Tax on profit on ordinary activities	(65)	(65)
<b>Retained profit for the year</b>	<b>-</b>	<b>-</b>

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

# Notes to the financial statements for the year ended 30 April 2008

## 3. Investment income

	2008 £000	2007 £000
Interest on fixed interest securities and cash deposits	15,880	12,126
Dividends	11,091	6,820
Interest on loans to charities	90	86
	<b>27,061</b>	<b>19,032</b>

## 4. Incoming resources

	Growing individual giving £000	Growing corporate giving £000	Increasing charities' resources £000	Building capacity and international giving £000	Championing the giving environment £000	Other unrestricted income £000	Total 2008 £000	Total 2007 £000
Voluntary income	1,482	484	5	1,462	-	339	3,772	4,403
Investment income	21,908	2,937	814	1,089	-	313	27,061	19,032
Tax efficient giving from donors	217,315	115,435	1,093	31,851	-	-	365,694	406,458
CAF Bank net interest income	-	-	7,460	-	-	-	7,460	7,225
Other income	45	1,093	1,586	2,342	106	84	5,256	4,522
	<b>240,750</b>	<b>119,949</b>	<b>10,958</b>	<b>36,744</b>	<b>106</b>	<b>736</b>	<b>409,243</b>	<b>441,640</b>

Tax efficient giving from donors in 2007 included an exceptional receipt of £120m.

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

## 5. Charitable activities expenditure

	Growing individual giving £000	Growing corporate giving £000	Increasing charities' resources £000	Building capacity and international giving £000	Championing the giving environment £000	Total 2008 £000	*Restated Total 2007 £000
Tax efficient giving to charities	155,687	108,554	1,476	30,267	-	295,984	254,927 *
Other charitable activities	-	-	3,432	2,895	955	7,282	7,534
Support costs:							
Business support	939	1,380	1,578	461	159	4,517	4,352
Executive management	50	85	69	9	12	225	325
Finance	330	557	759	251	81	1,978	1,658
Information systems	1,125	2,288	1,011	175	141	4,740	4,093
	<b>158,131</b>	<b>112,864</b>	<b>8,325</b>	<b>34,058</b>	<b>1,348</b>	<b>314,726</b>	<b>272,889</b>

\* Amounts have been restated to reflect the refined policy for recognition of charitable activities expenditure as described in note 1. This does not impact cash flows or payment streams. The effect of this on expenditure for the year ended 30 April 2007 is as follows:

	As previously stated £000	Adjustment £000	Restated £000
Tax efficient giving to charities	241,641	13,286	254,927

### Payments to the NCVO

Tax efficient giving to charities includes £1,194,000 (2007: £1,091,000) paid to CAF's founder, the National Council for Voluntary Organisations (NCVO), under the terms of CAF's Declaration of Trust.

### Allocation of support costs

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

# Notes to the financial statements for the year ended 30 April 2008

## 6. Governance costs

	2008	2007
	£000	£000
Internal audit	247	263
External audit:		
- Audit fees	176	174
- Other	51	39
Company secretarial	11	1
Trustees' indemnity insurance	18	25
Trustees' and meeting expenses	3	7
Support costs	111	118
	<b>617</b>	<b>627</b>

## 7. Staff costs

	2008	2007
	£000	£000
Salaries and wages	12,358	10,833
Social security costs	1,305	1,165
Pension costs	769	660
Training and welfare	507	348
	<b>14,939</b>	<b>13,006</b>

### Pension costs

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

#### *Growth Plan*

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

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from normal retirement date. Details of a contingent liability in respect of these contributions are set out in note 24.

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

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

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

#### *Unitised Ethical Plan and Flexible Retirement Plan*

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

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

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

# Notes to the financial statements for the year ended 30 April 2008

## 7. Staff costs (continued)

### Employee emoluments

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

	2008 number	2007 number
£60,001 - £70,000	3	5
£70,001 - £80,000	9	4
£80,001 - £90,000	1	2
£90,001 - £100,000	2	3
£100,001 - £110,000	2	-
£110,001 - £120,000	1	-
£130,001 - £140,000	-	1
	<b>18</b>	<b>15</b>

Pension contributions were paid by CAF in respect of 16 (2007: 14) of the employees included above. The aggregate value of those contributions was:

	2008 £000	2007 £000
	<b>204</b>	<b>151</b>

The average number of employees analysed by function was:

	2008 number	2007 number
Growing individual giving	82	84
Growing company giving	146	136
Increasing charities' resources	116	107
Building capacity and international giving	97	69
Championing the giving environment	22	26
Governance	6	5
	<b>469</b>	<b>427</b>

## 8. Taxation

CAF is a registered charity and is exempt from income tax on its income and gains to the extent applied for charitable purposes. The tax charge of £65,000 (2007: £65,000) is attributable to profits which are retained by CAF Bank Limited for the payment of interest on preference shares. There is no unprovided deferred taxation.



# Notes to the financial statements for the year ended 30 April 2008

## 9. Tangible assets

Group	Long leasehold property £000	Leasehold property improve- ments £000	Furniture, fittings and computer equipment £000	Total £000
<b>Cost or valuation</b>				
At 1 May 2007	5,482	943	1,850	8,275
Additions	-	201	496	697
Disposals	-	-	(44)	(44)
At 30 April 2008	<u>5,482</u>	<u>1,144</u>	<u>2,302</u>	<u>8,928</u>
<b>Depreciation</b>				
At 1 May 2007	202	765	1,540	2,507
Charged in year	103	50	481	634
On disposal	-	-	(10)	(10)
At 30 April 2008	<u>305</u>	<u>815</u>	<u>2,011</u>	<u>3,131</u>
<b>Net book value</b>				
At 30 April 2008	<u>5,177</u>	<u>329</u>	<u>291</u>	<u>5,797</u>
<i>At 30 April 2007</i>	<u>5,280</u>	<u>178</u>	<u>310</u>	<u>5,768</u>

Charity	Long leasehold property £000	Leasehold property improve- ments £000	Furniture, fittings and computer equipment £000	Total £000
<b>Cost or valuation</b>				
At 1 May 2007	5,482	943	1,809	8,234
Additions	-	201	478	679
Disposals	-	-	(38)	(38)
At 30 April 2008	<u>5,482</u>	<u>1,144</u>	<u>2,249</u>	<u>8,875</u>
<b>Depreciation</b>				
At 1 May 2007	202	765	1,514	2,481
Charged in year	103	50	470	623
On disposal	-	-	(4)	(4)
At 30 April 2008	<u>305</u>	<u>815</u>	<u>1,980</u>	<u>3,100</u>
<b>Net book value</b>				
At 30 April 2008	<u>5,177</u>	<u>329</u>	<u>269</u>	<u>5,775</u>
<i>At 30 April 2007</i>	<u>5,280</u>	<u>178</u>	<u>295</u>	<u>5,753</u>

### Long leasehold property

The long leasehold property consists of the lease to the year 2190 on the land and buildings occupied by CAF as its head office. The property is held at valuation and was last valued at 30 April 2004. 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 £5.7 million. At 30 April 2008 the Trustees are not aware of any material change in the value of the long leasehold property and therefore the valuation has not been updated.

A revaluation in accordance with appropriate professional guidelines will be carried out at least every five years; the next is due in April 2009.

The historical cost carrying value of the property at the balance sheet date was £4,429,000 (2007: £4,481,000).

# Notes to the financial statements for the year ended 30 April 2008

## 10. Fixed asset investments

<b>10.1 Group</b>	<b>Investments held at cost plus/minus amortisation £000</b>	<b>Investments held at market value £000</b>	<b>Total carrying value 2008 £000</b>	<b>Total carrying value 2007 £000</b>
At 1 May 2007	192,134	333,179	525,313	381,371
Additions	7,070	243,890	250,960	245,997
Disposal proceeds	(21,078)	(234,496)	(255,574)	(119,373)
Amortisation of premiums and discounts	(692)	-	(692)	(1,069)
Net investment (losses)/gains	(15)	(13,710)	(13,725)	18,387
At 30 April 2008	<b>177,419</b>	<b>328,863</b>	<b>506,282</b>	<b>525,313</b>
Historical cost	<b>180,243</b>	<b>292,473</b>	<b>472,716</b>	<b>473,272</b>

<b>Represented by:</b>	<b>Investments held at cost plus/minus amortisation £000</b>	<b>Investments held at market value £000</b>	<b>Total carrying value 2008 £000</b>	<b>Total carrying value 2007 £000</b>
Listed securities:				
Government fixed interest	131,760	3,697	135,457	153,237
Other fixed interest	45,659	3,430	49,089	46,282
UK equities	-	18,007	18,007	21,038
Overseas equities	-	36,896	36,896	39,077
CAF investment funds:				
- CAF UK Equity Growth Fund	-	59,793	59,793	77,772
- CAF Bond Income Fund	-	40,748	40,748	40,139
- CAF UK Equitrack Fund	-	10,554	10,554	7,928
- CAF Socially Responsible Portfolio	-	347	347	426
Unit trusts and other pooled investments	-	111,817	111,817	119,697
Investment trusts	-	3,220	3,220	3,494
Unlisted investments:				
- UK	-	4,414	4,414	2,065
- Overseas	-	30,044	30,044	7,760
Investment portfolio cash and settlements pending	-	5,779	5,779	6,281
Property investments	-	117	117	117
	<b>177,419</b>	<b>328,863</b>	<b>506,282</b>	<b>525,313</b>

### Investments held at cost plus/minus amortisation:

Comparison of carrying values with market values	2008		2007	
	Carrying value £000	Market value £000	Carrying value £000	Market value £000
Listed securities:				
Government fixed interest	131,760	131,696	150,280	146,070
Other fixed interest	45,659	43,681	42,840	41,398
	<b>177,419</b>	<b>175,377</b>	<b>193,120</b>	<b>187,468</b>

# Notes to the financial statements for the year ended 30 April 2008

## 10. Fixed asset investments (continued)

<b>10.2 Charity</b>	<b>Investments held at cost plus/minus amortisation £000</b>	<b>Investments held at market value £000</b>	<b>Total carrying value 2008 £000</b>	<b>Total carrying value 2007 £000</b>
At 1 May 2007	186,050	326,719	512,769	370,271
Additions	7,079	240,512	247,591	242,697
Disposal proceeds	(18,661)	(230,765)	(249,426)	(117,307)
Amortisation of premiums and discounts	(628)	-	(628)	(980)
Net investment (losses)/gains	-	(12,156)	(12,156)	18,088
At 30 April 2008	<b>173,840</b>	<b>324,310</b>	<b>498,150</b>	<b>512,769</b>
Historical cost	<b>176,418</b>	<b>288,466</b>	<b>464,884</b>	<b>323,773</b>

<b>Represented by:</b>	<b>Investments held at cost plus/minus amortisation £000</b>	<b>Investments held at market value £000</b>	<b>Total carrying value 2008 £000</b>	<b>Total carrying value 2007 £000</b>
Listed securities:				
Government fixed interest	124,398	3,697	128,095	144,405
Other fixed interest	37,492	3,350	40,842	38,095
UK equities	-	18,007	18,007	21,038
Overseas equities	-	35,430	35,430	35,090
CAF investment funds:				
- CAF UK Equity Growth Fund	-	59,793	59,793	77,772
- CAF Bond Income Fund	-	40,748	40,748	40,139
- CAF UK Equitrack Fund	-	10,554	10,554	7,928
- CAF Socially Responsible Portfolio	-	347	347	426
Unit trusts and other pooled investments	-	108,860	108,860	117,398
Investment trusts	-	3,220	3,220	3,494
Unlisted investments:				
- UK	-	4,364	4,364	1,893
- Overseas	-	30,044	30,044	7,743
Investment portfolio cash and settlements pending	-	5,779	5,779	6,281
Property investments	-	117	117	117
CAF's trading subsidiaries	11,950	-	11,950	10,950
	<b>173,840</b>	<b>324,310</b>	<b>498,150</b>	<b>512,769</b>

### Investments held at cost plus/minus amortisation:

Comparison of carrying values with market values	2008		2007	
	Carrying value	Market value	Carrying value	Market value
Listed securities:				
Government fixed interest	124,398	124,045	141,468	137,211
Other fixed interest	37,492	35,658	34,632	33,421
	<b>161,890</b>	<b>159,703</b>	<b>176,100</b>	<b>170,632</b>
CAF's trading subsidiaries	11,950		10,950	
	<b>173,840</b>		<b>187,050</b>	

# Notes to the financial statements for the year ended 30 April 2008

## 11. Current asset investments

Group	Held at cost plus/minus amortisation	
	2008	2007
	£000	£000
At 1 May 2007	664,288	649,487
Additions	2,139,117	1,889,288
Disposal proceeds	(1,978,467)	(1,874,487)
At 30 April 2008	<b>824,938</b>	<b>664,288</b>
Historical cost	<b>824,938</b>	<b>664,288</b>

Represented by:	2008		2007	
	Carrying value	Market value	Carrying value	Market value
	£000	£000	£000	£000
Listed securities:				
UK government	59,937	59,772	-	-
Floating rate notes	110,000	109,863	-	-
Commercial paper	-	-	14,288	14,781
Certificates of deposit	655,001	663,985	650,000	649,139
	<b>824,938</b>	<b>833,620</b>	<b>664,288</b>	<b>663,920</b>

## 12. Debtors

	Group		Charity	
	2008	2007	2008	2007
	£000	£000	£000	£000
Amounts receivable in less than one year:				
Income tax recoverable	2,301	3,436	2,196	2,250
Venturesome loans to charities	1,048	1,159	1,048	1,159
Trust loans to charities	525	877	525	877
Staff loans	159	99	159	99
Other debtors	1,707	948	1,998	1,375
Prepayments and accrued income	1,570	1,226	1,178	1,180
	<b>7,310</b>	<b>7,745</b>	<b>7,104</b>	<b>6,940</b>
Amounts receivable in more than one year:				
Trust loans to charities	198	192	198	192
Loans to CAF Australia	-	-	200	200
Staff loans	139	116	139	116
	<b>337</b>	<b>308</b>	<b>537</b>	<b>508</b>
	<b>7,647</b>	<b>8,053</b>	<b>7,641</b>	<b>7,448</b>

# Notes to the financial statements for the year ended 30 April 2008

## 13. Creditors

	Group		Charity	
	2008	*Restated 2007	2008	*Restated 2007
	£000	£000	£000	£000
Amounts payable in less than one year:				
Trade creditors	272	425	272	425
UK corporation tax payable	65	65	-	-
Tax and social security	368	455	366	435
Due to beneficiary charities	15,356	4,817 *	15,356	4,817 *
Interest payable	5,237	4,574	663	484
Other creditors	3,164	3,593	3,637	3,038
Deferred income	838	513	838	513
	<b>25,300</b>	<b>14,442</b>	<b>21,132</b>	<b>9,712</b>
Amounts payable in more than one year:				
Due to beneficiary charities	6,884	8,469 *	6,884	8,469 *
	<b>32,184</b>	<b>22,911</b>	<b>28,016</b>	<b>18,181</b>

\* Amounts have been restated to reflect the refined policy for recognition of charitable activities expenditure as described in note 1. This does not impact cash flows or payment streams. The effect of this on balances as at 30 April 2007 is as follows:

	As previously		Restated
	stated	Adjustment	
	£000	£000	£000
Creditors:			
Group	9,625	13,286	22,911
Charity	4,895	13,286	18,181

Deferred income represents income received from institutional donors to fund programmes which are managed by the CAF group. These programmes often have a timeframe over several years and future funding is dependent on certain conditions being met.

## 14. Donor client balances

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

	Group and charity	
	2008	2007
	£000	£000
Give As You Earn	5,169	5,360
Interest free loans	4,272	3,489
Agency charitable trusts	407	450
Fundraising Support services	300	106
	<b>10,148</b>	<b>9,405</b>

# Notes to the financial statements for the year ended 30 April 2008

## 14. Donor client balances (continued)

### *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.

	<b>Group and charity</b>	
	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Investments	14,686	17,231
Money market deposits and bank balances	31,715	21,061
	<u>46,401</u>	<u>38,292</u>
Bank balances with CAF Bank Limited	7,399	7,687
	<u><b>53,800</b></u>	<u><b>45,979</b></u>

## 15. Loan stock and preference shares

		<b>Group</b>	
	<i>Note</i>	<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
<b>Loan stock:</b>	<i>15.1</i>		
Floating rate:			
Second issue	<i>(a)</i>	100	100
Sixth issue	<i>(b)</i>	250	250
Fixed rate:			
Seventh issue	<i>(c)</i>	2,250	2,250
Eighth issue	<i>(d)</i>	4,250	4,250
		<u><b>6,850</b></u>	<u><b>6,850</b></u>
<b>Preference shares</b>	<i>15.2</i>	1,500	1,500
		<u><b>8,350</b></u>	<u><b>8,350</b></u>

### 15.1 Loan stock

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

#### *Security and subordination*

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

#### *Interest and repayment*

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

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

# Notes to the financial statements for the year ended 30 April 2008

## 15. Loan stock and preference shares (continued)

### 15.2 Preference shares

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

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

## 16. Provisions for liabilities

	Group and charity	
	2008	2007
	£000	£000
At 1 May 2007	189	210
Debited/(credited) to the SOFA	220	(21)
At 30 April 2008	<b>409</b>	<b>189</b>

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

In November 2007 the holder of the sublease exercised their right to break the contract and gave notice of their intention to vacate the premises on 31 May 2008. The provision has been increased to reflect this change.

## 17. Statement of funds

Group	Note	*Restated	Incoming resources	Resources expended	Transfers	Investment losses	At 30 April 2008
		At 1 May 2007					
		£000	£000	£000	£000	£000	£000
Unrestricted funds	17.1	30,327	28,903	(27,105)	25	(1,392)	30,758
Restricted funds	17.2	602,792 *	380,225	(289,349)	(86)	(12,198)	681,384
Endowment funds	17.3	1,429	115	-	61	(135)	1,470
		<b>634,548</b>	<b>409,243</b>	<b>(316,454)</b>	<b>-</b>	<b>(13,725)</b>	<b>713,612</b>
<b>Charity</b>							
Unrestricted funds	17.1	30,200	24,569	(24,012)	25	(232)	30,550
Restricted funds	17.2	581,304 *	349,750	(261,429)	(25)	(11,789)	657,811
Endowment funds	17.3	1,306	-	-	-	(135)	1,171
		<b>612,810</b>	<b>374,319</b>	<b>(285,441)</b>	<b>-</b>	<b>(12,156)</b>	<b>689,532</b>

\* Amounts have been restated to reflect the refined policy for recognition of charitable activities expenditure as described in note 1. This does not impact cash flows or payment streams. The effect of this on balances as at 30 April 2007 is as follows:

	As previously		
	stated	Adjustment	Restated
	£000	£000	£000
Restricted funds:			
Group	616,078	(13,286)	602,792
Charity	594,590	(13,286)	581,304

## Notes to the financial statements for the year ended 30 April 2008

### 17. Statement of funds (continued)

Transfers above comprise:	Unres- tricted funds £000	Res- tricted funds £000	Endow- ment funds £000	Total 2008 £000
<b>Charity</b>				
Government funded programme	25	(25)	-	-
	<b>25</b>	<b>(25)</b>	<b>-</b>	<b>-</b>
<b>Group</b>				
Endowment from CAF donor	-	(61)	61	-
	<b>25</b>	<b>(86)</b>	<b>61</b>	<b>-</b>

#### 17.1 Unrestricted funds

	<i>At 1 May 2007</i> £000	Incoming resources £000	Resources expended £000	Trans- fers £000	Invest- ment losses £000	At 30 April 2008 £000
<b>Group</b>						
General funds	29,528	28,903	(27,054)	25	(1,392)	30,010
Property revaluation reserve	799	-	(51)	-	-	748
	<b>30,327</b>	<b>28,903</b>	<b>(27,105)</b>	<b>25</b>	<b>(1,392)</b>	<b>30,758</b>
<b>Charity</b>						
General funds	29,401	24,569	(23,961)	25	(232)	29,802
Property revaluation reserve	799	-	(51)	-	-	748
	<b>30,200</b>	<b>24,569</b>	<b>(24,012)</b>	<b>25</b>	<b>(232)</b>	<b>30,550</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 2008

## 17. Statement of funds (continued)

### 17.2 Restricted funds

Group	<i>*Restated</i>	Incoming resources	Resources expended	Transfers	Investment losses	At 30 April 2008
	At 1 May 2007					
	£000	£000	£000	£000	£000	£000
<b>Growing individual giving</b>						
Trust Accounts	458,751 *	150,431	(80,606)	(1,886)	(11,789)	514,901
Individual Charity Accounts	63,521	82,812	(73,066)	2,510	-	75,777
	<b>522,272</b>	<b>233,243</b>	<b>(153,672)</b>	<b>624</b>	<b>(11,789)</b>	<b>590,678</b>
<b>Growing company giving</b>						
Company Accounts	34,140 *	78,058	(72,038)	(822)	-	39,338
GAYE Charity Accounts	22,438	34,028	(32,014)	110	-	24,562
	<b>56,578</b>	<b>112,086</b>	<b>(104,052)</b>	<b>(712)</b>	<b>-</b>	<b>63,900</b>
<b>Increasing charities' resources</b>						
Venturesome Network Accounts	832	-	(41)	-	-	791
<b>Building capacity and international giving</b>						
CAF American Donor Fund	14,514	14,743	(12,411)	-	-	16,846
CAF America	4,056	13,387	(14,198)	-	-	3,245
CAF Community Fund (Australia)	2,918	2,345	(1,400)	28	(409)	3,482
CAF Russia grant programmes	107 *	2,537	(2,251)	-	-	393
	<b>21,595</b>	<b>33,012</b>	<b>(30,260)</b>	<b>28</b>	<b>(409)</b>	<b>23,966</b>
CAF grants programme	178	473	(12)	528	-	1,167
Other funds	1,337	1,411	(1,312)	(554)	-	882
	<b>23,110</b>	<b>34,896</b>	<b>(31,584)</b>	<b>2</b>	<b>(409)</b>	<b>26,015</b>
	<b>602,792</b>	<b>380,225</b>	<b>(289,349)</b>	<b>(86)</b>	<b>(12,198)</b>	<b>681,384</b>
<b>Charity</b>						
<b>Growing individual giving</b>						
Trust Accounts	458,751 *	150,431	(80,695)	(1,797)	(11,789)	514,901
Individual Charity Accounts	63,521	82,812	(73,066)	2,510	-	75,777
	<b>522,272</b>	<b>233,243</b>	<b>(153,761)</b>	<b>713</b>	<b>(11,789)</b>	<b>590,678</b>
<b>Growing company giving</b>						
Company Accounts	34,140 *	78,058	(72,038)	(822)	-	39,338
GAYE Charity Accounts	22,438	34,028	(32,014)	110	-	24,562
	<b>56,578</b>	<b>112,086</b>	<b>(104,052)</b>	<b>(712)</b>	<b>-</b>	<b>63,900</b>
<b>Increasing charities' resources</b>						
Venturesome Network Accounts	832	-	(41)	-	-	791
<b>Building capacity and international giving</b>						
CAF Russia grant programmes	107 *	2,537	(2,251)	-	-	393
CAF grants programme	178	473	(12)	528	-	1,167
Other funds	1,337	1,411	(1,312)	(554)	-	882
	<b>1,622</b>	<b>4,421</b>	<b>(3,575)</b>	<b>(26)</b>	<b>-</b>	<b>2,442</b>
	<b>581,304</b>	<b>349,750</b>	<b>(261,429)</b>	<b>(25)</b>	<b>(11,789)</b>	<b>657,811</b>

### Trust Accounts

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

# Notes to the financial statements for the year ended 30 April 2008

## 17. Statement of funds (continued)

### 17.2 Restricted funds (continued)

#### Other restricted funds

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

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

#### Transfers between restricted funds

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

### 17.3 Endowment funds

	At 1 May 2007 £000	Incoming resources £000	Resources expended £000	Trans- fers £000	Invest- ment losses £000	At 30 April 2008 £000
<b>Charity</b>						
CAF Russia:						
C S Mott Foundation	671	-	-	-	(67)	604
The Ford Foundation	635	-	-	-	(68)	567
	<b>1,306</b>	-	-	-	<b>(135)</b>	<b>1,171</b>
<b>Group</b>						
CAF Australia Bequest	123	115	-	61	-	299
	<b>1,429</b>	<b>115</b>	-	<b>61</b>	<b>(135)</b>	<b>1,470</b>

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

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

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

	Unres- tricted funds £000	Res- tricted funds £000	Endow- ment funds £000	CAF Bank and donor client balances £000	Total 2008 £000
Tangible fixed assets	5,797	-	-	-	5,797
Fixed asset investments	15,783	483,361	1,167	5,971	506,282
Current asset investments	-	-	-	824,938	824,938
Other current assets	20,296	220,263	303	111,731	352,593
Depositor and client balances	-	-	-	(934,290)	(934,290)
Other liabilities	(11,118)	(22,240)	-	(8,350)	(41,708)
<b>Total net assets</b>	<b>30,758</b>	<b>681,384</b>	<b>1,470</b>	<b>-</b>	<b>713,612</b>

# Notes to the financial statements for the year ended 30 April 2008

## 19. Group cash flow statement

19.1 Reconciliation of net incoming resources to net cash inflow from operating activities	2008	*Restated 2007
	£000	£000
Net incoming resources	92,854	166,868 *
In specie transfer of investments	-	(112,288)
Depreciation	634	495
Losses/(gains) on disposal of tangible assets	34	(253)
Amortisation of fixed asset investments	692	1,069
Increase in interest receivable	(2,569)	(6,220)
Decrease in debtors	406	492
Increase in creditors	9,273	13,885 *
Increase/(decrease) in donor client balances	743	(1,491)
Increase in CAF Bank depositors' balances	59,014	10,789
Increase/(decrease) in provisions for liabilities	220	(21)
<b>Net cash inflow from operating activities</b>	<b>161,301</b>	<b>73,325</b>

\* Amounts have been restated to reflect the refined policy for recognition of charitable activities expenditure as described in note 1. This does not impact cash flows or payment streams.

	As previously		Restated £000
	stated £000	Adjustment £000	
Net incoming resources	180,154	(13,286)	166,868
Increase in creditors	599	13,286	13,885

19.2 Reconciliation of net cash flow to movement in net funds	2008 £000	2007 £000
Increase/(decrease) in cash in the year	15,153	(7,164)
Cash (outflow)/inflow from increase in liquid resources	(10,650)	52,088
Changes in net funds resulting from cash flow	4,503	44,924
Increase in current asset investments	160,650	14,801
Movement in net funds in the year	165,153	59,725
Net funds at 1 May 2007	977,477	917,752
<b>Balance at 30 April 2008</b>	<b>1,142,630</b>	<b>977,477</b>

19.3 Analysis of net funds	At 1 May 2007 £000	Cash flow £000	At 30 April 2008 £000
Cash at bank and in hand	6,746	13,778	20,524
Bank overdrafts	(2,140)	1,375	(765)
	4,606	15,153	19,759
Money market deposits	316,933	(10,650)	306,283
	321,539	4,503	326,042
Current asset investments	664,288	160,650	824,938
Loan stock and preference shares	(8,350)	-	(8,350)
	<b>977,477</b>	<b>165,153</b>	<b>1,142,630</b>

# Notes to the financial statements for the year ended 30 April 2008

## 20. Trustees

The Trustees receive no remuneration for their services, but are reimbursed for out-of-pocket expenses in respect of attending meetings and carrying out duties on behalf of CAF. The aggregate value reimbursed for the year was £3,033 paid to eight trustees (2007: £6,752 to seven trustees).

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

## 21. Operating lease commitments

At 30 April 2008 the group and CAF had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Operating leases which expire:		
Between one and five years	28	28
After more than five years	<u>242</u>	<u>242</u>

## 22. Related party transactions

### Investment and banking services

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

	<b>2008</b>		<b>2007</b>	
	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>Fees and</b>	<b>Investment</b>	<b>Fees and</b>	<b>Investment</b>
	<b>commissions</b>	<b>income</b>	<b>commissions</b>	<b>income</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
CAF Bond Income Fund	214	1,989	250	2,085
CAF UK Equity Growth Fund	<u>439</u>	<u>2,557</u>	<u>582</u>	<u>1,833</u>

The fees and commissions are receivable under agreements on normal commercial terms. At 30 April 2008 fees and commissions of £164,000 were due to the group (2007: £219,000).

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

### International network

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

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Bulgarian CAF	22	28
CAF India Trust	100	100
CAF Southern Africa	<u>102</u>	<u>102</u>

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

# Notes to the financial statements for the year ended 30 April 2008

## 23. Financial instruments

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

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

The group does not utilise financial derivatives.

## 24. Commitments and contingent liabilities

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

	Group and charity	
	2008	2007
	£000	£000
Commitments to beneficiary charities	22,491	25,586
Venturesome loans to charities	2,225	1,855
Guarantees	1,020	1,020
Capital commitments	-	434
	<b>25,736</b>	<b>28,895</b>

### *Commitments to beneficiary charities*

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

### *Venturesome loans to charities*

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

### *Capital commitments*

At the balance sheet date the group was not committed to any capital expenditure.

### *Guarantees*

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

### *Contingent liability*

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

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

CAF continues to offer membership of the plan to its employees and as at the balance sheet date there were 109 (2007: 141) active members of the plan employed by CAF.

The buy-out funding position of the plan at 30 September 2007 was 89% (2007: 80%) and the Pensions Trust has estimated that, if CAF ceased to participate in the plan as at 30 September 2007, CAF would have to pay £2.1 million (2007: £3.9 million), based on the financial position of the plan and the employers that, as at that date, were relevant employers.

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

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E [enquiries@cafonline.org](mailto:enquiries@cafonline.org)

T 01732 520 000

W [cafonline.org/effect](http://cafonline.org/effect)

Charities Aid Foundation

25 Kings Hill Avenue

Kings Hill

West Malling

Kent ME19 4TA

Registered charity number 268369

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ELHAP – A Special Needs Adventure Playground

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Foundation