

Charities Aid Foundation

# TRUSTEES' REPORT

*and financial statements for the year ended 30 April 2016*

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# OUR MISSION

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

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

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

# CHAIRMAN'S REPORT

This has been a year of important milestones at CAF; taking more donations than ever before and putting in place strong foundations for the future which will allow us to do more in the years ahead to support charities around the world.

It is testament to the strength of giving in all the countries in which we work, that CAF received more than half a billion pounds from hundreds of thousands of people and organisations who we have helped to generously support the causes they care about.

Much of those donations were quickly paid out to tens of thousands of charities, their impact already being felt by millions of people. Other donations are being built up over time as people and businesses grow their philanthropic funds for the future.

We were recently able to launch the CAF Retail Charity Bond, raising £20m. This will help CAF Bank to increase lending to charities, helping us to keep charities' money safe while making more capital available for charities to invest in the future. And it will help the whole of CAF to build its capacity and continue the 90 year tradition of innovation and service of which we are so proud.

Opening the London Stock Exchange to mark the success of the bond symbolised the way CAF adds value: a charity using the skills and techniques common in the commercial finance world to support civil society, making it easier to give, helping charities process and manage their money more effectively, and acting as a powerful advocate.

So CAF Bank has been able to help organisations like the Dolphin Square Charitable Foundation and Dunbritton Housing Association finance their plans to build much-needed homes across the UK with multi million pound finance packages, while CAF Venturesome, our pioneering social investment arm, worked with CAF Bank to support Cornwall Community Land Trust build eight affordable homes for their community at St Teath.

CAF Venturesome has now reached its 500th deal, helping charities and social enterprises which would struggle to

ever raise capital on the high street, organisations like PEAS which is aiming to build schools in Uganda for over 25,000 secondary school children.

Important alongside CAF's ability to channel money to charities around the world, is our unique place working with donors, companies and charities. That gives us the power to bring people together to make change happen.

So we have worked with leading retailers to help them pass millions of pounds to charity from plastic bag levies at the checkout. And we have worked to maintain payroll giving for thousands of people working in scores of companies at the centre of British automotive industry.

The #GivingTuesday campaign, which we brought to the UK in 2014, has gone from strength to strength, with more than 1,400 partners from charities to big businesses all doing amazing charitable work and talking about the benefits.

We are growing our influence. Our global advocacy encourages governments to look at how they can nurture civil society to help address many of the world's problems, including work to ensure that the international rules for regulators and financial service providers set by the Financial Action Task Force (FATF) better reflect the risks and realities for charities working across a wide range of issues and environments. Our Global Alliance offices work to make our vision a reality in countries around the world as they continue to experience economic transformation.

Our policy team are exploring new ideas. These range from examining how the blockchain, the technology behind developments like the Bitcoin, could underpin charitable giving to the ways in which hundreds of years of history still influences philanthropy today.

And our World Giving Index, the only global league of generosity, reaches ever more people around the globe. Charities in the UK have faced criticism over the past year for fundraising techniques that have sometimes fallen short of the high standards people rightly expect. CAF has responded by bringing people together to show how

charities touch everybody's daily lives, while doing our bit to put in place new regulatory arrangements to ensure people have faith in the charities they support and use.

As always, we look to the future. The recent referendum on British membership of the EU has created great uncertainty, and raised many questions about the political, social and economic outlook; the ramifications will be felt for a long time to come.

One thing is certain: the voluntary sector will continue to play a vital role and the support and advocacy for the people and causes we serve will be essential in the coming months and years. At CAF we will play our part. Our aim is to increase the support we give to charities, to find better and easier ways for people and organisations to give and to build the culture of giving which is such a strong part of our history.

So we are continually developing our services to make them operate better in an increasingly digital world. In a world of continuous economic uncertainty we are looking at better ways for charities to invest – ways to get them a better return on the resources they have. And naturally we strive to give the most efficient service we can.

Staff and my fellow Trustees help underpin the work of charities, businesses and other social purpose organisations that do so much to support millions of people and enrich society both here in the UK and around the world.

But above all else, I would like to thank all those who give through CAF for their generosity to charitable causes across the globe. Their enduring support allows us to make a real difference in so many ways.

A handwritten signature in black ink, reading "Dominic Casserley". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Dominic Casserley  
Chairman of Trustees

# ACHIEVEMENTS AND PERFORMANCE

## Overview

CAF works with 50,000 charities, channelling vital donations and providing services that help them make a real difference on the ground; assist in raising funds, manage their money and invest in new facilities and innovative ideas. We enable more than 250,000 people to support the causes they care about and work with thousands of companies to fulfil their philanthropic goals.

Our aim is to grow giving through the volume of donations we make to charities and to promote and encourage effective philanthropy. We aim to increase lending by CAF Bank and our social investment arm, CAF Venturesome.

Digital capability has been 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 have also maintained a focus on providing exemplary service, building and developing solutions for our current and our future customers.

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.

We have moved our legacy defined benefit pension schemes from the multi-employer Pensions Trust Growth Plan to a new closed CAF-only scheme, securing pensions for our staff past and present, and limiting CAF's exposure to the pension liabilities of others.

Donations to CAF increased in 2015/16, rising to £524m, as our donors increased the charitable funds available to give to charity. The amount distributed to charities was slightly down to £462m, reflecting the wishes of our donors.

Overall, charitable donations remained strong during the year, with more than two in three people giving to charitable causes in the past year, and one in eight people volunteering in the past year, according to the latest edition of our annual UK Giving survey.

	2016	2015
Donations received from donors*	£524m	£490m
Donations paid to charities*	£462m	£479m

This report and the accompanying financial statements are the first prepared in accordance with the new Financial Reporting Standard 102 (FRS 102) and the revised Charity SORP. Consequently, the financial figures for 2014/15 have been revised from those previously reported to enable a true comparison with this year's figures. Further information is set out later in the Financial Review and in note 31.

## Major donors

CAF continues to see strong growth in donations from our existing major donors as well as growing numbers of new clients who turn to CAF to support their philanthropic journey. We have seen an increase of more than 10 per cent in donations into our CAF Charitable Trust accounts and through legacies compared with the previous financial year, reflecting the continued generosity of our donors and a growing trend towards charitable legacies.

During the past year we have also seen an increase in the amount we distribute to charities on behalf of our major donors, rising from £156m to £164m.

We continue to work to promote the benefits of effective philanthropy amongst wealthy individuals and their advisors and are seeing increasing enthusiasm for philanthropy and social investment, despite ongoing economic uncertainty.

Our team works with donors to help them factor philanthropy into their long term financial and succession planning. While most donors choose to support specific charities of particular interest to them, we advise people at the start of their philanthropic journey, or those planning a legacy, helping them identify causes and charities that will make a real difference in ways they care about. In an increasingly globalised world, we also work to help clients give across borders.

\* Donations received from donors and paid to charities each include £60.6m for which CAF has acted as agent (2015: £57.5m and £59.3m respectively). More detail of donations received and paid is set out in the Financial Review and in notes 17 and 22 to the financial statements.

## Regular givers

CAF Charity Account holders continued to be enduring supporters of their chosen causes, donating £104m to their favourite charities, up on 2014/15.

Donations paid to charities from CAF Charity Accounts	2016	2015
Gift Aid funded	£74m	£69m
CAF Give As You Earn funded	£30m	£31m
	£104m	£100m

We have responded to our donors, improving our digital service to regular givers, allowing donors to sign up to GAYE online and improving our digital Direct Debit service for new CAF Charity Account donors. Our team is committed to implementing regular improvements to our digital services, reflecting the desire of donors to make it ever easier to give.

Our customer services team handled more than 200,000 contacts from clients with average customer satisfaction remaining at 94%. The team validated more than 50,000 national and international charities, ensuring our donors can give with confidence.

In 2015/16 we claimed £33.8m in Gift Aid in respect of our major donors and regular givers, reducing the administrative burden on charities, making it easier for people to manage their donations and increasing the amount available to be donated.

## Companies

We continue to grow our support for companies and their employees, offering company accounts which allow firms to distribute donations to charity safely and with confidence. Donations into our CAF Company Accounts have grown to £85m, reflecting the continuing tradition of support for charities as companies see their role in the community as an increasingly integral part of their business models.

We have developed ways to allow partnerships to meet new Gift Aid rules and continue their tradition of giving, and have built better ways for people to sign up to give through their payroll, making it easier for companies to help their staff contribute regularly to their favourite causes.

Our advisory team work with major businesses to help them identify causes and find ways to work with civil society to best effect, fulfil their philanthropic goals and put corporate responsibility at the centre of the business. Our team has worked with major retailers to help them donate proceeds from the national plastic bag levy to charity, while we have worked with the automotive industry to allow staff in more than 150 firms to give as they earn.

## Charities

CAF Bank has grown its lending to £46m, supporting ever increasing numbers of charities with finance to build affordable homes, and help them develop new services and new sources of income.

Our pioneering social investment arm CAF Venturesome has now completed its 500th deal, offering repayable finance to institutions which often struggle to obtain investment on the high street. Venturesome support exciting ground-breaking initiatives, like Hubbub, a charity that creates fun environmental campaigns, linked to people's passion for food, homes and fashion, or Peaceful Change Initiative, which is working in countries like Libya, Syria and Ukraine to build relationships across conflict divides.

We have also grown our support for charity fundraising. We have improved CAF Donate, our online fundraising platform, helping raise more than £23m in the past financial year. Our digital developments also make it easier for charities to receive donations from CAF charity accounts, corporate accounts and trusts, improving our service and helping them get vital funds more efficiently.

Our charity grantmaking and advisory team continues to grow, offering insight and advice to a broad range of charities, and helping funders design their giving programmes and distribute donations to charities safely and effectively.

## *International*

CAF's Global Alliance continues to develop, a powerful voice developing civil society, philanthropy and mass giving in some of the fastest-growing economies around the world. CAF America continues to climb the tables of US foundations, becoming a stronger voice in the development of philanthropy, while CAF Canada is strengthening its position allowing Canadians to support causes around the world. The first Brazil Giving research, commissioned by IDIS, gives unprecedented insight into trends, while CAF India's award-winning campaigns and programmes are helping address social issues like sanitation while building employee giving in the sub-continent. CAF Bulgaria celebrated 20 years of developing civil society in June while CAF Russia is using the international #GivingTuesday movement further to develop a culture of supporting civil society. Reflecting the demands from donors and charities to measure the value of their work, CAF Russia and IDIS are the first organisations in their respective countries to have practitioners accredited to assess social return on investment.

## *Sector support*

CAF is a leading voice within the charitable sector, using insight, analysis and policy expertise to inform charities and policymakers and help encourage giving and shape a positive environment for civil society, both in the UK and around the world.

In 2014 we launched the global #GivingTuesday campaign in the UK. In 2015 we grew the campaign, bringing together 1,400 companies, charities and other organisations to create a day of giving as an alternative to the pre-Christmas Black Friday and Cyber Monday sales.

CAF's public affairs team have been actively working with regulators and others to secure a better understanding and management of the risks for charities and financial services organisations in the current regulatory framework.

Our media team has significantly increased the exposure for CAF's work and are working to increase the profile and reputation of charities through substantial mainstream media coverage of our research and policy work.

We have built our profile as global experts on giving through our Giving Thought and Future World Giving programmes, with comprehensive analysis of incentives for giving around the world, and a comprehensive study of the historical lessons for contemporary philanthropy.

Our research and insight team produces nationally and internationally respected studies, from our flagship World Giving Index, which reached a potential audience of 1.6 billion people, to our long-running UK Giving survey and comprehensive research into public awareness and attitudes to charities today.

# PLANS FOR THE FUTURE

CAF exists to provide ever stronger support to the not-for-profit sector and our plans reflect that commitment to continual improvement, so we can fulfil our mission to motivate society to give ever more effectively, transforming lives and communities around the world.

With the continuing low interest rate environment we will remain focussed on managing our costs, while ensuring we continually development the services we offer and give the highest quality support to charities and their supporters.

Our plans follow four strategic principles:

## *Driving growth and impact*

We will focus on growing CAF Bank lending during the year, building on the £46m of loans drawn during 2015/16 and will aim to increase the volume of donations charities are able to collect through CAF Donate, our online donation platform.

We continue our focus to support companies in achieving their charitable and social objectives, through advisory, product and service solutions and to offer donors whether one off or established philanthropists the means and services to fulfil their goals.

A further critical foundation to drive sustainable impact is our continued work across advisory, research, policy and media, reaching more people and producing enhanced research and insight aimed at supporting charities by increasing their understanding of people's behaviour and the environment for giving.

## *Accelerate digital capability*

CAF will continue to enhance its web presence and online products. Our aim is to transform our products and services by a process of continuous improvement and development, delivering scalable and efficient services for charities and donors. This will include significant improvements to our website, making it more useable for charities and their supporters, improved online self service for donations and reporting, giving charities more control and a new online donor service.

We also plan to create new opportunities for charities to manage their investment portfolios, part of our commitment to helping charities get the most out of limited resources.

## *Customer service excellence*

We will continue to build on our strong record of exemplary customer service across CAF. Our overall complaints were down 20% year on year and we maintained our overall customer satisfaction rating at 92%. To build on this we continue to focus on customer experience across all channels, better understanding their needs and updating the way we serve to reflect the changing world around us and our customer expectations.

## *Quality and efficiency*

We are continually working to enhance the experience of dealing with CAF, making our systems more secure, efficient and cost-effective so we can better serve charities and their supporters and ensure that charities receive vital funds as quickly and efficiently as possible.

While we deliver and focus on digitising customer facing products and services we are also investing in reshaping our back office processes and security to support both the sector and CAF.

# FINANCIAL REVIEW

## Overview

The CAF group's finances encompass unrestricted, restricted and endowment charitable funds, together with CAF Bank depositor balances and other donor client balances. Restricted charitable funds and CAF Bank depositor balances form the majority of our balances and activities and for the first time in 2015/16 donations received from donors exceeded £500m.

	Donations & legacies received		Donations paid to charities	
	2016 £m	2015 £m	2016 £m	2015 £m
Restricted funds per Group Statement of Financial Activities (SOFA)	463.3	432.0	401.8	419.3
Donor client balances (note 17 to the Financial Statements)	99.1	94.5	60.6	59.3
less: CAF Give As You Earn receipts transferred to restricted funds and included in the Group SOFA	(38.5)	(37.0)	-	-
	60.6	57.5	60.6	59.3
	523.9	489.5	462.4	478.6

### Key financial events

Despite the continuing low interest rate environment and weak economic recovery, in the year under review the group's unrestricted, restricted funds and depositors' balances grew. Total charitable funds increased from £1,065m to £1,119m. Significant events which have impacted CAF's financial results in the year include:

- raising £20m, before costs, from the issue of the CAF Retail Charity Bond;
- committing to withdrawal from a multi-employer defined benefit pension plan, closing off a previously uncapped exposure to orphaned liabilities;
- a transfer of £4.6m from a CAF Charitable Trust to unrestricted funds; and
- growth of CAF Bank's lending to charities.

### Transition to FRS 102 and SORP

This is the group's first annual report and accounts since transition to Financial Reporting Standard 102 (FRS 102) and the new Charities Statement of Recommended Practice (SORP). The principal change relates to the criteria set out by SORP requiring the earlier recognition of legacy income, which is received through the CAF Charitable Legacy Service. Details of the financial impact are set out in note 31 to the financial statements.

### Balance sheets

Upon transition to FRS 102 and the associated SORP, we have also reviewed the presentation of the group's balance sheet and have adopted a format which we believe more clearly represents the group's financial assets and liabilities.

### CAF Retail Charity Bond

In one week in March 2016 CAF raised £20m (before costs) from the issue of the CAF Retail Charity Bond. The proceeds of this issue, which are repayable in ten years time, will permit CAF Bank to increase its lending to charities and will also enable us to support the group's activities and enhance our services for donors and the thousands of charities we work with. The proceeds are reflected as a liability in CAF's balance sheet. Further details are set out in note 20 to the financial statements.

## Unrestricted funds

Group unrestricted funds increased by £2.1m (2015: £1.3m) over the year from £52.8m to £54.9m. In respect of normal day-to-day operating activities total income exceeded total expenditure by £0.1m (2015: £0.5m). Group income benefitted from an increase in CAF Bank's net interest income as a result of growth in lending and slightly improved yields on its investment portfolio. Donations and gifts received, as well as investment income, were slightly behind the previous year. We saw an element of controlled cost increase during the year as we continue to adapt to increasing regulatory requirements and made improvements to our IT infrastructure and systems.

The following developments for CAF during the year have had a significant impact on CAF's and the group's unrestricted funds:

### Defined benefit pension plan

During the year CAF established a new CAF-specific defined benefit pension plan (the CAF Pension Scheme), which is closed to both new members and benefit accrual, and committed to the withdrawal from a multi-employer defined benefit pension plan, which had been closed to new members since July 2012. The effective date of transfer of CAF's share of the assets and liabilities of the multi-employer plan to the CAF Pension Scheme was 30 April 2016.

As a result of committing to the terms of this transfer, which included an obligation for CAF to settle £2m in respect of its share of orphaned liabilities, CAF has capped its liabilities in respect of the multi-employer scheme from which it has withdrawn.

The net defined benefit pension liability stood at £0.7m at the beginning of 2015/16 and had risen to £2.2m at 30 April 2016, principally as a result of the £2m obligation in respect of the orphaned liabilities within the multi-employer plan. Improvements to the funding position arose from payments of £0.3m (2015: £0.3m) made during the year under the terms of a deficit reduction plan, as well as from a credit to the SOFA of £0.2m (2015: £1.1m) in respect of actuarial gains arising. The deficit at the balance sheet date represents the funding position of the new CAF Pension Scheme, rather than CAF's share of the multi-employer scheme from which CAF has now withdrawn.

Full details of pension arrangements are set out in note 27 to the financial statements.

### Transfers from restricted funds

Transfers during the year from restricted funds to unrestricted funds include £4.6m from a CAF Charitable Trust, following legal advice received by Trustees.

Upon their death in 2010 a client held a CAF Charitable Trust and made use of the CAF Charitable Legacy Service, leaving the residue of their estate to CAF for the credit of the CAF Charitable Trust. The trusts upon which the CAF Charitable Trust was held failed and, therefore, the funds have been applied for the general charitable purposes of CAF.

### Associate undertaking

The SOFA reflects a £0.5m charge (2015: nil) in respect of the group's share of the losses of Charity Bank, an associate undertaking. Further details are set out in note 2 to the financial statements.

## Restricted and endowment funds

Income from donations and legacies grew from £432.0m to £463.3m, with increases seen across the range of the group's activities. Although we also saw growth in the amounts paid to other charitable causes in most areas of the group's activities, overall donations paid to charities fell to £401.8m from £419.3m in the preceding year. The decrease was principally attributable to a single exceptional donation of US\$20.0m paid in 2014/15 and a £10.1m decrease in payments from corporate donors.

In total, the CAF group received £473.5m into restricted and endowment funds from individual and company donors in the year by way of donations and investment income and donated £401.8m to other charities in the same period (2015: £442.9m and £419.3m respectively).

Despite investment losses of £14.8m for the year (2015: gains of £37.4m), total group restricted and endowment funds increased by £52.1m to £1,064.4m at 30 April 2016 (2015: £58.6m to £1,012.3m). Although disappointing, the investment losses, which arose as markets declined, have no immediate significant impact for the group, having arisen on generally long-term investment portfolios held by CAF Charitable Trusts to fund long-term philanthropic plans.

Endowments of £2.1m (2015: £2.1m) consist of two funds used to support the development of a charitable giving culture in Russia.

## *Depositor and donor client balances*

Depositor and donor client balances principally consist of the assets and liabilities of CAF Bank. The year marked a key point in CAF Bank's transition to a more diversified business model, including lending to charities, that was initiated in 2013/14.

CAF Bank benefits from a long-term loyal base of charity deposit customers and such balances grew from £967.3m to £1,000.1m during the year. These depositor balances provide a strong and stable source of funds, enabling loans to be advanced to other charities at competitive rates. The bank's lending grew significantly during 2015/16, driven by demand from charities for funds to enable them to grow their impact. Loans drawn at 30 April 2016, net of repayments and provisions were £45.6m (2015: £20.2m). Lending was primarily to charities and other social purpose organisations. CAF Bank also offered a small number of short-term development loans to personal customers during the year, allowing the bank to cross-subsidise banking services for many smaller charities.

## *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 £54.9m at 30 April 2016, an increase of £2.1m during the financial year. Although reserves have increased significantly in recent years, we continue to develop activities which require additional capital. We therefore continue to take a cautious approach to the levels of capital maintained.

Following the UK's recent EU referendum and the decision to leave the EU, it is unclear at this stage what the impact of this decision will be on CAF and the group. We will monitor closely the risks of further financial market disruption together with the potential impact of a short-term economic downturn and a continuing low or negative interest rate environment. Similarly, the risk of inflationary pressures and higher interest rates in the medium-term will be considered.

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.

## *CAF investment policies and performance*

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

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

### **Unrestricted funds**

#### **Wholesale treasury assets**

Unrestricted funds are used to support the operating activities of the CAF group, including long-leasehold premises used for the group's activities. During 2015/16 funds were invested primarily in term deposits with UK banks, but may from time-to-time be invested in gilts, multilateral development bank bonds and in a small value of highly-rated corporate bonds.

### **Restricted funds**

Investments are held for restricted funds as follows:

#### **Financial investments – CAF and CADF Trusts**

Investments held for major donors in CAF and CADF Trusts (CAF Charitable Trusts and CAF American Donor Fund 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 – Wholesale treasury assets**

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

Our yield on cash deposits for the year ended 30 April 2016 was 1.28% (2015: 1.42%). We continued to benefit from higher rates on longer term deposits, but we expect this performance to fall away further in the future. On our bond and gilt portfolio the total return for the year ended 30 April 2016 was 2.21% (2015: 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.

## *Going concern*

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

Having made those enquiries, the Trustees have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# STRUCTURE, GOVERNANCE AND MANAGEMENT

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

## CAF Trustees

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

- Not less than eight Trustees appointed by resolution of the Trustees; and
- the Chairman of NCVO

The Board meets at least five times a year. All Trustees are non-executive and none of them receives remuneration from CAF. Trustees are appointed to hold office for a term of three years. Except for the Chairman of NCVO, no Trustee may hold office for more than three consecutive terms. Newly appointed Trustees undertake a series of meetings with CAF's senior management, which ensures that they gain a full understanding of CAF and their responsibilities.

Board of Trustees 1 May 2015 to 30 April 2016	Total no of meetings attended during 2015/16
Dominic Casserley ( <i>Chairman</i> )	7/7
Saphieh Ashtiany ( <i>Vice Chair</i> )	4/7
Stuart Barnett ( <i>Chair, Audit, Risk and Compliance Committee</i> )	6/7
Robin Creswell ( <i>Chair, Investment Advisory Committee</i> )	7/7
Matt Hammerstein	6/7
Alison Hutchinson	5/7
Tiina Lee	3/7
Sir Martyn Lewis ( <i>Chair, NCVO</i> )	4/7
Stephen Lovegrove	4/7
Iain MacKinnon ( <i>Chair, CAF Bank Limited</i> )	5/7
Dr Julie Maxton	4/7

There were no changes to the board of Trustees during the year.

The Trustees delegate management responsibilities to the Chief Executive and also delegate certain functions to the sub-committees described below. Each sub-committee has specific terms of reference and a chairman appointed by the Trustees. Trustees strengthen the sub-committees by co-opting experts in the relevant field. This delegation is controlled by requiring regular reporting from the Chief Executive and the sub-committees to the Board of Trustees.

## Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee consists of Trustees and co-opted members with relevant expertise. The committee meets with senior management and the external auditors at least four times a year. The committee's purpose is to review and make recommendations on the following on behalf of the Trustees:

- 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

### **Charity Bank**

CAF had a 31.8% interest in Charity Bank at 30 April 2016 (2015: 32.5%). Under FRS 102 significant influence, but not control, is presumed to exist over the operating and financial policies of an entity when an investor holds between 20% and 50% of the entity's equity voting rights. Consequently, for accounting purposes, Charity Bank is an associate of the CAF group and it is accounted for as such using the equity accounting method in the group balance sheet and SOFA. However, it is CAF's intention to be a long-term passive investor in Charity Bank and CAF does not intend to be a source of further capital as Charity Bank's needs grow. Further information is set out in note 2 to the financial statements.

### **Independent members of our international network**

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

- Good2Give (formerly CAF Australia)
- BCause (formerly Bulgarian CAF)
- CAF India
- CAF Southern Africa
- IDIS, Brazil

### **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 Fund and its sub-funds
- CAF Managed Portfolio Service
- CAF 60 Day Notice Account
- CAF 90 Day Notice Account
- CAF One Year Fixed Term Deposit Account
- CAF 12 Month Bond

### 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 £1.6m during the year (2014/15: £1.9m) 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

## Risk management framework

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

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

Identifying and monitoring current and emerging risks is integral to the group's approach to risk management.

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

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

### Wholesale treasury assets by class

		Book value		Market value	
		2016	2015	2016	2015
		£000	£000	£000	£000
Listed:	UK government	99,845	150,959	100,766	150,517
	Multilateral financial institutions	329,081	240,721	330,805	242,637
	Fixed coupon corporate bonds	146,556	163,563	147,319	163,887
	Floating rate corporate bonds	202,025	174,271	201,964	174,885
		<b>777,507</b>	<b>729,514</b>	<b>780,854</b>	<b>731,926</b>
Unlisted:	Certificates of deposit	40,000	40,000	40,326	40,188
	Commercial paper	9,901	-	9,901	-
		<b>49,901</b>	<b>40,000</b>	<b>50,227</b>	<b>40,188</b>
	<b>Debt securities (note 11)</b>	<b>827,408</b>	<b>769,514</b>	<b>831,081</b>	<b>772,114</b>
	Balances at Bank of England	160,697	219,784	160,697	219,784
	Loans and advances to banks (note 9)	604,476	516,985	604,476	516,985
		<b>1,592,581</b>	<b>1,506,283</b>	<b>1,596,254</b>	<b>1,508,883</b>

## Principal risks

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

Financial risks*	Non-financial risks
• Credit risk	• Strategic risk
• Liquidity and funding risk	• Capital risk
• Market and interest rate risk	• Regulatory risk
	• Operational risk
	• Reputational risk

\* Note 30 to the financial statements sets out information specific to CAF Bank in respect of the risks associated with the financial instruments it holds.

The following information on pages 17 to 20 is covered by the independent auditor's opinion on page 23.

## 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 treasury counterparties and lending to charities and personal customers.

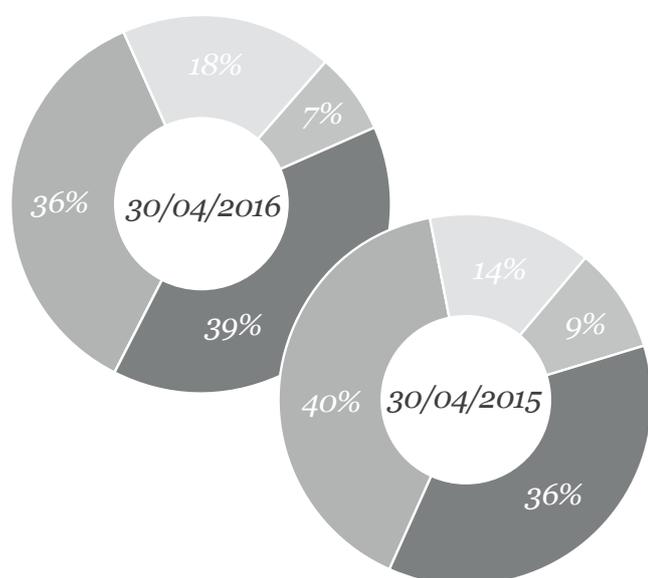
### Wholesale treasury assets

Wholesale treasury counterparties are reviewed and approved by group investment committees in accordance with policies and monitored by the ARCC and CAF Bank's Risk and Compliance Committee. The boards of group entities set criteria which include credit rating and counterparty lending limits, group exposures and country limits.

### Wholesale treasury assets by credit rating

Category (Fitch equivalent lowest credit rating)	2016		2015	
	Book value £000	% of book £000	Book value £000	% of book £000
UK Government	260,051	16.3%	370,744	24.6%
AAA	294,989	18.5%	208,277	13.8%
AA+	49,482	3.1%	33,050	2.2%
AA-	138,181	8.7%	125,787	8.4%
A+	50,918	3.2%	81,584	5.4%
A	443,981	27.9%	414,315	27.5%
A-	70,393	4.4%	59,626	4.0%
BBB+	163,177	10.2%	119,230	7.9%
BBB	4,328	0.3%	4,484	0.3%
BBB-	527	0.0%	-	0.0%
BB+	882	0.1%	-	0.0%
No rating	115,672	7.3%	89,186	5.9%
	<b>1,592,581</b>	<b>100.0%</b>	<b>1,506,283</b>	<b>100.0%</b>

### Wholesale treasury assets by exposure value



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

Loans and advances are made to major banks and to the Bank of England. Counterparties and exposure limits are reviewed by the CAF Investment Advisory Committee and CAF Bank ALCO and Risk Committees.

### Financial investments held for CAF and CADF Trusts

CAF and CADF Trusts are invested in accordance with policies approved by the CAF Investment Advisory Committee on behalf of CAF's and CADF's Trustees. Donors typically hold a proportion of their funds in cash in order to meet their short-term giving expectations and invest funds to meet their medium to long-term philanthropic objectives. Donors plan donations by reference to the market values and liquidity profile of the assets held for their trust fund.

The maximum credit risk exposure in respect of CAF and CADF Trust investments held at fair value at 30 April 2016 was £507.2m and £493.3m for the group and CAF respectively (2015: £532.2m and £519.4m). The exposure of CAF and CADF Trusts to credit risk is mitigated by investing primarily in pooled investment funds. At 30 April 2016 £407.5m (2015: £393.0m) was invested in pooled investment funds.

CAF and CADF Trusts' exposure to credit risk is also mitigated by directly investing only in liquid debt securities and with counterparties having a credit rating at purchase of at least A-/A3 from Moody's/Fitch/S&P ratings. CAF and the group held £7.6m of debt securities in CAF Trust investment portfolios at 30 April 2016 (2015: £11.2m).

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

### Lending and programme related investments

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

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

CAF Bank's lending policies include maximum exposure values and limits to manage concentration risk by sector. Exposure to geographical area is monitored. At 30 April 2016 the largest loan was £5m. The maximum aggregate exposures to any one sector and geographical area were 30% and 33% respectively.

CAF Bank's loans, overdrafts and BACS facilities are subject to regular monitoring of loan performance and individual annual review. Administration of the loan book is outsourced to Capita Mortgage Services Ltd who provide regular management information on a loan-by-loan and aggregated basis. A collective provision of £269k has been made by CAF Bank at 30 April 2016 reflecting losses that may have been incurred but not yet identified. One overdraft of £23k was written off by CAF Bank during the year (2015: nil).

No CAF Bank accounts were in arrears at 30 April 2016 (2015: none). One account is considered impaired as the borrower has decided to cease its activity (2015: none). No loss is expected on the impaired loan due to the value of security held by CAF Bank.

CAF Venturesome's programme-related investments enable charities to lever their operations, and deliver more social impact. At 30 April 2016, the CAF Venturesome investment book comprised of 91 loans amounting to £4.8m before provisions.

All loans are subject to regular monitoring of loan performance.

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

### Liquidity and funding risk

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

#### Wholesale treasury assets

Liquidity and funding risk is monitored against daily limits. The liquidity position is monitored by the ARCC and for CAF Bank by its ALCO and its Board Risk and Compliance Committee. CAF Bank undertakes regular stress testing of its liquidity position and behavioural analysis of its liabilities and assets.

CAF Bank has a high level of liquidity, holding buffer eligible assets of £561m. Liquidity buffer assets principally comprise investments in the Bank of England Reserve Account, UK Gilts, T Bills and AAA-rated multilateral development banks.

#### Financial investments held for CAF and CADF Trusts

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

At 30 April 2016 99.1% (2015: 98.6%) of CAF and CADF Trust investments were held in marketable securities, including pooled investment funds and direct investments in debt securities and equities.

## Market and interest rate risk

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

### Wholesale treasury assets

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

### Financial investments held for CAF and CADF Trusts

Fair values of Level 1 investments:

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Fixed income investments	110,019	93,366	110,019	93,366
Equity investments	343,588	306,143	338,139	300,302
Sensitivity to 2% change in interest rates (assuming 5 year average term)	11,002	9,337	11,002	9,337
Sensitivity to 10% change in equity markets	34,359	30,614	33,814	30,030

The following information is not covered by the independent auditor's opinion on page 23.

## Strategic and capital risk

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

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

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

### Financial investments held for CAF and CADF Trusts

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

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Fixed income investments	110,019	93,366	110,019	93,366
Equity investments	343,588	306,143	338,139	300,302
Sensitivity to 2% change in interest rates (assuming 5 year average term)	11,002	9,337	11,002	9,337
Sensitivity to 10% change in equity markets	34,359	30,614	33,814	30,030

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

Following the UK's referendum decision to leave the EU, the risks of financial market disruption and dislocation are monitored. The risks of short term economic downturn and a continuing low or negative interest rate environment are

modelled. Similarly, the risk of inflationary pressures and higher interest rates in the medium term are considered.

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

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

The risks to CAF's strategy arising out of the referendum result to leave the EU are being assessed and monitored, including the future of EU funding for charitable work, the longer term sustainability of corporate social responsibility programmes, the future of tax relief arrangements for donations into or out of the EU, and the future of London as a global hub for philanthropy. CAF does not receive any direct EU funding.

## *Regulatory risk*

Regulatory risk is defined as the risk to earnings and reputation associated with a failure to comply with regulatory requirements and expectations. The group aims to comply with all regulatory requirements to minimise the risk of financial loss, maintain its high reputation and avoid regulatory sanction. CAF Bank is regulated in the UK by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. CAF Financial Solutions Limited is regulated in the UK by the FCA.

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

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

## *Operational risk*

Operational risk is the risk of 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's Risk and Compliance Committee.

Key operational risks monitored by the business include exposure of group entities and their customers to financial crime, including money laundering. Cyber threats are escalating from an increasingly sophisticated criminal community and we continue to invest in strengthening defences for both the group and its customers and in developing emergency response plans. Enhanced levels of customer reviews are now undertaken in line with industry practice, anti-money laundering and prevention of terrorist financing requirements.

We also continue to invest in IT infrastructure in response to the need to ensure resilience, to layer up security measures and to build capacity as the business model and volumes develop.

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

## *Reputational risk*

Reputational risk is the risk of loss resulting from damage to the group and/or any of its subsidiaries reputation resulting in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value. Risk arises consequent to an adverse event.

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

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

Under the Declaration of Trust 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.

Charity law requires the Trustees to prepare financial statements for each financial year. The Trustees have elected to prepare the financial statements in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 the charity and of the group's and the charity's excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice requires 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 Declaration of Trust, 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 group and the charity will continue in business.

The Trustees are required to act in accordance with the Declaration of Trust 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 29 July 2016 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 2016 set out on pages 24 to 69. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charity's Trustees as a body, in accordance with section 144 of the Charities Act 2011 (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 22 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.

## 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 2016 and of the group's and charity'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; or
- we have not received all the information and explanations we require for our audit.

Mike Peck

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

29 July 2016

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

# GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 APRIL 2016

	Notes	Unrestricted		Restricted and endowment funds		Total	
		2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
<b>Income</b>							
Donations and legacies		3,711	3,716	462,886	431,958	466,597	435,674
Charitable activities:							
Fee income		10,356	10,639	23	-	10,379	10,639
CAF Bank net interest income		9,673	8,468	-	-	9,673	8,468
Investment income	3	6,083	6,459	10,595	10,912	16,678	17,371
<b>Total income</b>	<b>4</b>	<b>29,823</b>	<b>29,282</b>	<b>473,504</b>	<b>442,870</b>	<b>503,327</b>	<b>472,152</b>
<b>Expenditure</b>							
Charitable activities:							
Donations paid to charities		622	392	401,843	419,277	402,465	419,669
Costs of charitable activities		29,086	28,428	-	-	29,086	28,428
<b>Total expenditure</b>	<b>4</b>	<b>29,708</b>	<b>28,820</b>	<b>401,843</b>	<b>419,277</b>	<b>431,551</b>	<b>448,097</b>
<b>Net income before group's share of losses in associate</b>		<b>115</b>	<b>462</b>	<b>71,661</b>	<b>23,593</b>	<b>71,776</b>	<b>24,055</b>
Group's share of losses in associate	13	(520)	-	-	-	(520)	-
<b>Net income before net gains/(losses) on investments</b>		<b>(405)</b>	<b>462</b>	<b>71,661</b>	<b>23,593</b>	<b>71,256</b>	<b>24,055</b>
Net gains/(losses) on investments		-	-	(14,847)	37,356	(14,847)	37,356
<b>Net income/(expenditure) before exceptional items</b>		<b>(405)</b>	<b>462</b>	<b>56,814</b>	<b>60,949</b>	<b>56,409</b>	<b>61,411</b>
<b>Exceptional items</b>							
Deconsolidation of CAF Australia		-	(131)	-	(2,373)	-	(2,504)
Defined benefit pension plan:							
Share of orphaned liabilities		(2,000)	-	-	-	(2,000)	-
Costs of withdrawal from multi-employer plan	27	(327)	(138)	-	-	(327)	(138)
<b>Net income/(expenditure)</b>		<b>(2,732)</b>	<b>193</b>	<b>56,814</b>	<b>58,576</b>	<b>54,082</b>	<b>58,769</b>
<b>Transfers between funds</b>	<b>22</b>	<b>4,717</b>	<b>-</b>	<b>(4,717)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net movement in funds before other recognised gains/(losses)</b>		<b>1,985</b>	<b>193</b>	<b>52,097</b>	<b>58,576</b>	<b>54,082</b>	<b>58,769</b>
<b>Other recognised gains/(losses)</b>							
Actuarial gains on multi-employer defined benefit pension plan	27	163	1,145	-	-	163	1,145
<b>Net movement in funds</b>		<b>2,148</b>	<b>1,338</b>	<b>52,097</b>	<b>58,576</b>	<b>54,245</b>	<b>59,914</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		52,762	51,424	1,012,311	953,735	1,065,073	1,005,159
<b>Total funds carried forward</b>	<b>22</b>	<b>54,910</b>	<b>52,762</b>	<b>1,064,408</b>	<b>1,012,311</b>	<b>1,119,318</b>	<b>1,065,073</b>

The notes on pages 30 to 69 form an integral part of these financial statements.

# CHARITY STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 APRIL 2016

	Notes	Unrestricted		Restricted and endowment funds		Total	
		2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
<b>Income</b>							
Donations and legacies		6,307	5,463	391,492	362,838	397,799	368,301
Charitable activities:							
Fee income		9,325	9,157	23	-	9,348	9,157
Investment income	3	6,027	6,396	10,217	10,526	16,244	16,922
<b>Total income</b>	<b>4</b>	<b>21,659</b>	<b>21,016</b>	<b>401,732</b>	<b>373,364</b>	<b>423,391</b>	<b>394,380</b>
<b>Expenditure</b>							
Charitable activities:							
Donations paid to charities		622	446	351,756	349,989	352,378	350,435
Costs of charitable activities		21,184	20,471	-	-	21,184	20,471
<b>Total expenditure</b>	<b>4</b>	<b>21,806</b>	<b>20,917</b>	<b>351,756</b>	<b>349,989</b>	<b>373,562</b>	<b>370,906</b>
<b>Net income before net gains/(losses) on investments</b>		<b>(147)</b>	<b>99</b>	<b>49,976</b>	<b>23,375</b>	<b>49,829</b>	<b>23,474</b>
Net gains/(losses) on investments		(520)	-	(14,315)	37,023	(14,835)	37,023
<b>Net income/(expenditure) before exceptional items</b>		<b>(667)</b>	<b>99</b>	<b>35,661</b>	<b>60,398</b>	<b>34,994</b>	<b>60,497</b>
<b>Exceptional items</b>							
Defined benefit pension plan:							
Share of orphaned liabilities		(2,000)	-	-	-	(2,000)	-
Costs of withdrawal from multi-employer plan	27	(327)	(138)	-	-	(327)	(138)
<b>Net income/(expenditure)</b>		<b>(2,994)</b>	<b>(39)</b>	<b>35,661</b>	<b>60,398</b>	<b>32,667</b>	<b>60,359</b>
<b>Transfers between funds</b>	<b>22</b>	<b>4,717</b>	<b>-</b>	<b>(4,717)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net movement in funds before other recognised gains/(losses)</b>		<b>1,723</b>	<b>(39)</b>	<b>30,944</b>	<b>60,398</b>	<b>32,667</b>	<b>60,359</b>
<b>Other recognised gains/(losses)</b>							
Actuarial gains on multi-employer defined benefit pension plan	27	163	1,145	-	-	163	1,145
<b>Net movement in funds</b>		<b>1,886</b>	<b>1,106</b>	<b>30,944</b>	<b>60,398</b>	<b>32,830</b>	<b>61,504</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		51,861	50,755	965,837	905,439	1,017,698	956,194
<b>Total funds carried forward</b>	<b>22</b>	<b>53,747</b>	<b>51,861</b>	<b>996,781</b>	<b>965,837</b>	<b>1,050,528</b>	<b>1,017,698</b>

The notes on pages 30 to 69 form an integral part of these financial statements.

# GROUP BALANCE SHEET

## AS AT 30 APRIL 2016

	Notes	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
		2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
<b>Assets</b>									
Balances at Bank of England		26,192	23,515	3,541	24,010	130,964	172,259	160,697	219,784
Loans and advances to banks:									
Repayable on demand	9	39,600	16,692	293,117	192,705	9,981	7,233	342,698	216,630
Other	9	-	-	238,778	257,355	23,000	43,000	261,778	300,355
Loans and advances to customers	10	2,172	2,014	2,986	3,868	45,620	20,206	50,778	26,088
Debt securities	11	2,373	3,390	32,115	36,506	792,920	729,618	827,408	769,514
Financial investments	12	-	-	507,203	532,230	-	-	507,203	532,230
Other investments		273	23	650	1,017	-	-	923	1,040
Associate undertaking	13	3,480	4,000	100	100	-	-	3,580	4,100
Tangible fixed assets	14	5,040	5,281	-	-	-	-	5,040	5,281
Other assets	15	1,438	949	4,593	6,387	-	-	6,031	7,336
Prepayments and accrued income		3,121	4,556	18,873	13,294	6,633	5,253	28,627	23,103
<b>Total assets</b>		<b>83,689</b>	<b>60,420</b>	<b>1,101,956</b>	<b>1,067,472</b>	<b>1,009,118</b>	<b>977,569</b>	<b>2,194,763</b>	<b>2,105,461</b>
<b>Liabilities</b>									
CAF Bank depositors' balances	16	-	-	-	-	1,000,088	967,294	1,000,088	967,294
Give As You Earn and CAF Donate balances	17	-	-	-	-	6,836	7,127	6,836	7,127
Bank overdraft		-	-	-	-	-	1,226	-	1,226
Due to beneficiary charities	18	-	-	36,222	51,799	-	-	36,222	51,799
Other liabilities	19	4,577	4,373	1,128	2,747	344	72	6,049	7,192
Accruals and deferred income		2,454	2,545	198	615	-	-	2,652	3,160
Provisions for tax		18	40	-	-	-	-	18	40
Long-term loan	20	19,530	-	-	-	-	-	19,530	-
Subordinated liabilities	21	-	-	-	-	350	350	350	350
Preference shares	21	-	-	-	-	1,500	1,500	1,500	1,500
Pension obligations	27	2,200	700	-	-	-	-	2,200	700
<b>Total liabilities</b>		<b>28,779</b>	<b>7,658</b>	<b>37,548</b>	<b>55,161</b>	<b>1,009,118</b>	<b>977,569</b>	<b>1,075,445</b>	<b>1,040,388</b>
<b>Funds</b>	22	<b>54,910</b>	<b>52,762</b>	<b>1,064,408</b>	<b>1,012,311</b>	<b>-</b>	<b>-</b>	<b>1,119,318</b>	<b>1,065,073</b>
<b>Total liabilities and charitable funds</b>		<b>83,689</b>	<b>60,420</b>	<b>1,101,956</b>	<b>1,067,472</b>	<b>1,009,118</b>	<b>977,569</b>	<b>2,194,763</b>	<b>2,105,461</b>

The notes on pages 30 to 69 form an integral part of these financial statements.

Approved by the Trustees on 29 July 2016 and signed on their behalf by



Stuart Barnett FCA  
Trustee



Mike Dixon ACA  
Director of Finance and Operations

# CHARITY BALANCE SHEET

## AS AT 30 APRIL 2016

Registered charity number 268369	Notes	Unrestricted funds		Restricted and endowment funds		Donor client balances		Total	
		2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
<b>Assets</b>									
Loans and advances to banks:									
Repayable on demand	9	37,939	14,788	248,644	179,857	6,985	7,233	293,568	201,878
Other	9	-	-	227,073	241,393	-	-	227,073	241,393
Loans and advances to customers	10	2,172	2,014	2,986	3,868	-	-	5,158	5,882
Debt securities	11	-	1,000	32,115	36,506	-	-	32,115	37,506
Financial investments	12	-	-	499,076	525,148	-	-	499,076	525,148
Other investments		273	23	650	1,017	-	-	923	1,040
Subsidiary undertakings	13	24,925	22,925	2,025	2,025	-	-	26,950	24,950
Associate undertaking	13	3,480	4,000	100	100	-	-	3,580	4,100
Tangible fixed assets	14	5,016	5,236	-	-	-	-	5,016	5,236
Other assets	15	4,175	3,229	2,905	5,100	-	-	7,080	8,329
Prepayments and accrued income		3,035	4,468	18,515	12,928	-	-	21,550	17,396
<b>Total assets</b>		<b>81,015</b>	<b>57,683</b>	<b>1,034,089</b>	<b>1,007,942</b>	<b>6,985</b>	<b>7,233</b>	<b>1,122,089</b>	<b>1,072,858</b>
<b>Liabilities</b>									
Give As You Earn and CAF Donate balances	17	-	-	-	-	6,836	7,127	6,836	7,127
Due to beneficiary charities	18	-	-	35,982	38,777	-	-	35,982	38,777
Other liabilities	19	3,112	2,582	1,128	2,747	149	106	4,389	5,435
Accruals and deferred income		2,426	2,540	198	581	-	-	2,624	3,121
Long-term loan	20	19,530	-	-	-	-	-	19,530	-
Pensions and similar obligations	27	2,200	700	-	-	-	-	2,200	700
<b>Total liabilities</b>		<b>27,268</b>	<b>5,822</b>	<b>37,308</b>	<b>42,105</b>	<b>6,985</b>	<b>7,233</b>	<b>71,561</b>	<b>55,160</b>
<b>Funds</b>	22	<b>53,747</b>	<b>51,861</b>	<b>996,781</b>	<b>965,837</b>	<b>-</b>	<b>-</b>	<b>1,050,528</b>	<b>1,017,698</b>
<b>Total liabilities and charitable funds</b>		<b>81,015</b>	<b>57,683</b>	<b>1,034,089</b>	<b>1,007,942</b>	<b>6,985</b>	<b>7,233</b>	<b>1,122,089</b>	<b>1,072,858</b>

The notes on pages 30 to 69 form an integral part of these financial statements.

Approved by the Trustees on 29 July 2016 and signed on their behalf by



Stuart Barnett FCA  
Trustee



Mike Dixon ACA  
Director of Finance and Operations

# GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2016

	Notes	2016		2015	
		£000	£000	£000	£000
<b>Cash flows from operating activities:</b>					
Net cash provided by operating activities	23		29,982		10,344
<b>Cash flows from investing activities</b>					
Decrease/(increase) in Cash Ratio Deposit with Bank of England		89		(306)	
Net decrease/(increase) in loans and advances to banks		38,577		(18,934)	
Net increase in debt securities		(62,435)		(246,501)	
Payments to acquire financial investments		(99,843)		(124,957)	
Proceeds on disposal of financial investments		115,299		132,973	
Proceeds on disposal of other investments		312		-	
Decrease/(increase) in investment portfolio cash and settlements pending		13,232		(8,002)	
Payments to acquire tangible fixed assets		(3)		(116)	
Receipts of Trust Funds investment income		12,213		10,908	
Net cash provided by/(used in) investing activities			17,441		(254,935)
<b>Cash flows from financing activities</b>					
Proceeds on issue of long-term loan		19,648		-	
Net cash provided by financing activities			19,648		-
<b>Change in cash and cash equivalents in the year</b>			67,071		(244,591)
<b>Cash and cash equivalents as at 1 May</b>			434,606		678,157
Change in cash and cash equivalents due to exchange rate movements			1,225		1,040
<b>Cash and cash equivalents as at 30 April</b>			502,902		434,606
Represented by:					
Balances at Bank of England repayable on demand			160,204		219,202
Loans and advances to banks repayable on demand			342,698		216,630
Bank overdraft			-		(1,226)
			502,902		434,606

The notes on pages 30 to 69 form an integral part of these financial statements.

# CHARITY CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2016

	Notes	2016		2015	
		£000	£000	£000	£000
<b>Cash flows from operating activities:</b>					
Net cash provided by operating activities	23		11,130		22,794
<b>Cash flows from investing activities</b>					
Payments to acquire tangible fixed assets			-		(14)
Net decrease/(increase) in loans and advances to banks		14,320		(22,875)	
Net decrease/(increase) in debt securities		5,000		(7,548)	
Payments to acquire financial investments		(98,378)		(124,055)	
Proceeds on disposal of financial investments		115,297		126,651	
Proceeds on disposal of other investments		312		-	
Payments to acquire subsidiary undertakings		(2,000)		(4,000)	
Decrease/(increase) in investment portfolio cash and settlements pending		13,232		(4,819)	
Receipts of Trust Funds investment income		11,835		10,522	
Net cash provided by/(used in) investing activities			59,618		(26,138)
<b>Cash flows from financing activities</b>					
Net proceeds on issue of long-term loan		19,648		-	
Net cash provided by financing activities			19,648		-
<b>Change in cash and cash equivalents in the year</b>			90,396		(3,344)
<b>Cash and cash equivalents as at 1 May</b>			201,878		204,214
Change in cash and cash equivalents due to exchange rate movements			1,294		1,008
<b>Cash and cash equivalents as at 30 April</b>			293,568		201,878

The notes on pages 30 to 69 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 1. Accounting policies

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

### 1.1 Basis of preparation

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

Upon transition to FRS 102 and the associated SORP, a revised presentation of the group's balance sheet has been adopted which more clearly represents the Group's financial assets and liabilities.

Where it is noted within the Risk Management Report that information is covered by the independent auditor's opinion on page 23, that information forms part of these financial statements. Consequently, the information set out on pages 17 to 20 of the Risk Management Report forms part of these financial statements.

### 1.2 Going Concern

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

After making due enquiries, the Trustees have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### 1.3 Reconciliation with previous Generally Accepted Accounting Practice

The adjustments required in order to prepare the financial statements on the basis set out in note 1.1 are detailed in note 31.

### 1.4 Fund accounting

The Group holds restricted, unrestricted and endowment funds.

Fund classification is an area of significant judgement and is dealt with in Note 1.16 (a).

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

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

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

Further details of each fund are disclosed in note 22.

### 1.5 Income recognition

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

#### a Donations

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

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

Legacy donations are recognised on a case by case basis where there has been a grant of probate or notification has been made by the executors that a distribution will be made. In the event that the gift is in the form of an asset other than cash, or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title to the asset having been transferred to the Group. Where legacies have been notified with an estimated value but the criteria for income recognition have not been met, then the legacies are treated as contingent assets and disclosed if material (see note 26).

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## b Fee Income

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

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

## c Investment income

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

### 1.6 Expenditure recognition

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

Donations paid to charities principally represent donations by CAF clients and are charged to the Statement of Financial Activities (SOFA) when both the Group and beneficiary charities are notified in the normal course of business of an unconditional obligation to transfer funds. Amounts to be paid at a future date are included in creditors.

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

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

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

Irrecoverable VAT is charged as a cost.

### 1.7 Allocation of support cost

All expenses including support costs and governance costs are allocated or apportioned to the applicable expenditure headings. Where support costs cannot be directly attributed to one or more categories, they are apportioned on the basis of staff headcount.

### 1.8 Operating leases

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

### 1.9 Pension costs

Details of the Group's pension arrangements are set out in note 27. The following policies are applied to the recognition and measurement of costs and liabilities in respect of the pension plans.

#### Defined contribution pension plans

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

#### Defined benefit pension schemes

During the year CAF completed the set up of a new CAF-specific defined benefit pension plan (The CAF Pension Scheme), which is closed to both new members and benefit accrual, and committed to the withdrawal from a multi-employer defined benefit pension plan, which has been closed to new members since July 2012. The effective date of transfer of CAF's share of the assets and liabilities of the multi-employer plan to the CAF Pension Scheme was 30 April 2016. CAF recognises a 'net defined benefit liability', which represents CAF's obligations under the plan less the

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

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

Since April 2013 CAF has paid an annual levy in respect of a deficit reduction plan for the multi-employer plan and will continue to make such payments in respect of the CAF Pension Scheme. Given that a 'net defined benefit liability' is recognised in respect of this plan a liability has not been recognised in respect of the future payments due under the deficit reduction plan.

## 1.10 Foreign currency

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

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

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

## 1.11 Taxation

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

## 1.12 Tangible fixed assets

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

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

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

At each reporting date tangible fixed assets are assessed for impairment.

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

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

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

## 1.13 Basic financial instruments

### Investments

Investments may be held for two broad investment objectives:

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

### Wholesale treasury assets

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

### Financial investments

A pool of investments is held for each Charitable Trust to achieve an investment return to fund future charitable donations. The value of the investments determines the funds available for donation at any point in time.

Basic financial instruments held as 'Financial investments' are, therefore, measured initially at fair value, which is normally the transaction price. Transaction costs are expensed in the SOFA (where material) if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition all types of investments, including debt

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

securities, that can be measured reliably are measured at fair value with changes recognised in the SOFA. Where the fair value of such investments cannot be reliably measured because, for example they are not publicly traded, the investments are measured at cost less impairment.

## Other investments

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

## Investments in subsidiaries

Investments in subsidiaries which consist of ordinary share capital, preference share capital and debt securities are carried at cost less impairment.

## Investment in associate

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

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

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

## Investments in subsidiaries held for subsequent resale

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

## Loans and advances to banks

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

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

## CAF Bank depositors' balances

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

## Debtors and creditors

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

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

## Interest-bearing loans receivable and payable

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

## Concessionary loans receivable and payable

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

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

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

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

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

## 1.15 Impairment of assets

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

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

account and the amount of the loss is recognised in the in the SOFA.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and loss experience for assets with credit risk characteristics similar to those in the Group. In addition, the Group uses its judgement to estimate the amount of an impairment loss, supported by historical loss experience data for similar assets. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process.

## Non-financial assets

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

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

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

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

## 1.16 Significant estimates and judgements

### a Judgements

#### Classification of funds

Judgement has been applied in whether certain funds held in accordance with CAF's standard terms and conditions should be classified as restricted funds or designated funds under the SORP. These funds, which amount to £855.3m

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

(2015: £812.3m), are held by CAF pending instruction for onward distribution to third party charities.

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

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

## Legacies

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

## b Estimates

With respect to the next reporting period, 2016/17, the most significant areas of uncertainty that affect the carrying value of assets held by the Group are the level of investment return and the performance of investment markets.

## Pensions

An estimate has been made of a net defined benefit liability from a former defined benefit pension arrangements which are no longer available to staff (see note 27 for more information).

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

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

## 1.17 Entity status

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

## 2. Consolidation

The Group financial statements include the accounts of CAF (the charity) and its subsidiary undertakings for the year. The income and donations received and net movement in funds for CAF are disclosed in note 22.

### Consolidated entities

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

### Trading subsidiaries

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

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

### 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) 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## Overseas charitable entities

CAF controls the following overseas charitable entities:

- CAF America, a US public charity recognised by the US Internal Revenue Service. CAF America provides US citizens with the opportunity to make tax-effective gifts for the support of overseas charities. CAF has the power to appoint and remove the members of CAF America at any time
- CAF Canada, a Canadian charity registered with the Canadian Revenue Agency of which CAF and CAF America are the only members
- CAF Philanthropy Services LLC and the CAF Foundation for Philanthropy Support and Development, which were founded in Russia by CAF and operate alongside our branch in Moscow. Together they work to raise awareness of NGO's and to advance giving and philanthropy in Russia

## CAF Global Trustees (CAF GT)

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

## Entities not consolidated

During April 2015 CAF surrendered its right to appoint the directors of CAF Australia (now Good2Give), thereby relinquishing control of CAF Australia (which includes CAF Community Fund and CAF Research and Technology Ltd).

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

CAF owns 100% of the equity share capital of Ven Investments Limited (Ven), an investment holding company. Ven is held as part of an investment portfolio and is consequently deemed to be held with a view to subsequent sale. Ven is, therefore, not consolidated and is included in the accounts of CAF at fair value with movements in the fair value recognised through the SOFA.

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

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

## 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 by 31 December 2016, 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.

As a result of further third party investments in Charity Bank, at 30 April 2016 CAF's interest had reduced to 31.8% (2015: 32.5%).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## Results and net assets of subsidiaries

Due to the number of subsidiary undertakings, the disclosure required by the Charities SORP would result in information of excessive length being given. As a result, detailed information is only given for CAF Bank, whose results significantly affect the Group accounts. The movement of donor funds within CAF's principal subsidiaries, other than CAF Bank, are set out in note 22.2.

	2016	2015		2016	2015
	£000	£000		£000	£000
<b>CAF Bank Limited</b>					
Interest receivable	11,646	10,735	<b>Total assets</b>	1,034,753	1,020,751
Interest payable	(1,973)	(2,242)	Total liabilities		
<b>Net interest income</b>	<b>9,673</b>	<b>8,493</b>	Depositors' balances	1,001,604	989,279
Other operating income/(expenditure)	159	(214)	Other liabilities	8,799	9,344
Administrative expenses	(5,921)	(5,826)		<b>1,010,403</b>	<b>998,623</b>
Loan loss provision	(267)	(25)	Shareholders' funds	24,350	22,128
FSCS levy (note 7)	(90)	(330)		<b>1,034,753</b>	<b>1,020,751</b>
<b>Profit on ordinary activities before taxation</b>	<b>3,554</b>	<b>2,098</b>			
Tax on profit on ordinary activities	(698)	(493)			
<b>Profit on ordinary activities after taxation</b>	<b>2,856</b>	<b>1,605</b>			
Profit and loss account balance brought forward	(222)	(79)			
Charitable donation to CAF	(3,292)	(2,185)			
Current tax credit thereon	658	437			
<b>Profit and loss account balance carried forward</b>	<b>-</b>	<b>(222)</b>			

## 3. Investment income

Group	Unrestricted		Restricted		Total	
	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000
Interest on fixed interest securities and cash deposits	5,845	6,090	1,655	1,339	7,500	7,429
Dividends	35	33	8,940	9,573	8,975	9,606
Interest on concessionary loans to charities	203	336	-	-	203	336
	<b>6,083</b>	<b>6,459</b>	<b>10,595</b>	<b>10,912</b>	<b>16,678</b>	<b>17,371</b>
<b>Charity</b>						
Interest on fixed interest securities and cash deposits	5,789	6,027	1,277	1,162	7,066	7,189
Dividends	35	33	8,940	9,364	8,975	9,397
Interest on concessionary loans to charities	203	336	-	-	203	336
	<b>6,027</b>	<b>6,396</b>	<b>10,217</b>	<b>10,526</b>	<b>16,244</b>	<b>16,922</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

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

4.1 Group Unrestricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Other funds	Total 2016	Total 2015
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>									
Donations and legacies	17	1,344	499	51	962	14	824	3,711	3,716
Charitable activities:									
Fee income	2,492	399	2,505	1,737	3,196	27	-	10,356	10,639
CAF Bank net interest income	-	-	-	9,673	-	-	-	9,673	8,468
Investment income	2,287	1,367	1,421	365	104	170	369	6,083	6,459
<b>Total income</b>	<b>4,796</b>	<b>3,110</b>	<b>4,425</b>	<b>11,826</b>	<b>4,262</b>	<b>211</b>	<b>1,193</b>	<b>29,823</b>	<b>29,282</b>
<b>Expenditure on charitable activities</b>									
Donations paid to charities	-	-	-	274	290	58	-	622	392
Direct costs	3,323	2,688	5,263	10,923	4,785	2,054	10	29,046	28,372
Taxation	-	-	-	40	-	-	-	40	56
<b>Total expenditure</b>	<b>3,323</b>	<b>2,688</b>	<b>5,263</b>	<b>11,237</b>	<b>5,075</b>	<b>2,112</b>	<b>10</b>	<b>29,708</b>	<b>28,820</b>
Net income/(expenditure) before group's share of losses in associate	1,473	422	(838)	589	(813)	(1,901)	1,183	115	462
Group's share of losses in associate	-	-	-	-	-	-	(520)	(520)	-
<b>Net income/(expenditure) before exceptional items</b>	<b>1,473</b>	<b>422</b>	<b>(838)</b>	<b>589</b>	<b>(813)</b>	<b>(1,901)</b>	<b>663</b>	<b>(405)</b>	<b>462</b>
<b>Exceptional items</b>									
Deconsolidation of CAF Australia	-	-	-	-	-	-	-	-	(131)
Defined benefit pension plan:									
Share of orphaned liabilities	-	-	-	-	-	-	(2,000)	(2,000)	-
Costs of withdrawal from multi-employer plan	-	-	-	-	-	-	(327)	(327)	(138)
<b>Net income/(expenditure)</b>	<b>1,473</b>	<b>422</b>	<b>(838)</b>	<b>589</b>	<b>(813)</b>	<b>(1,901)</b>	<b>(1,664)</b>	<b>(2,732)</b>	<b>193</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

4.2 Charity unrestricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Other funds	Total 2016	Total 2015
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>									
Donations and legacies	17	1,344	499	3,516*	-	14	917	6,307	5,463
Charitable activities:									
Fee income	2,492	399	2,505	2,933	969	27	-	9,325	9,157
Investment income	2,287	1,367	1,421	365	48	170	369	6,027	6,396
<b>Total income</b>	<b>4,796</b>	<b>3,110</b>	<b>4,425</b>	<b>6,814</b>	<b>1,017</b>	<b>211</b>	<b>1,286</b>	<b>21,659</b>	<b>21,016</b>
<b>Expenditure on charitable activities</b>									
Donations paid to charities	-	-	-	274	290	58	-	622	446
Direct costs	3,323	2,688	5,263	6,169	1,677	2,054	10	21,184	20,471
<b>Total expenditure</b>	<b>3,323</b>	<b>2,688</b>	<b>5,263</b>	<b>6,443</b>	<b>1,967</b>	<b>2,112</b>	<b>10</b>	<b>21,806</b>	<b>20,917</b>
Net income/(expenditure) before net losses on investments	1,473	422	(838)	371	(950)	(1,901)	1,276	(147)	99
Net losses on investments	-	-	-	-	-	-	(520)	(520)	-
<b>Net income/(expenditure) before exceptional items</b>	<b>1,473</b>	<b>422</b>	<b>(838)</b>	<b>371</b>	<b>(950)</b>	<b>(1,901)</b>	<b>756</b>	<b>(667)</b>	<b>99</b>
<b>Exceptional items</b>									
Defined benefit pension plan:									
Share of orphaned liabilities	-	-	-	-	-	-	(2,000)	(2,000)	-
Costs of withdrawal from multi-employer plan	-	-	-	-	-	-	(327)	(327)	(138)
<b>Net income/(expenditure)</b>	<b>1,473</b>	<b>422</b>	<b>(838)</b>	<b>371</b>	<b>(950)</b>	<b>(1,901)</b>	<b>(1,571)</b>	<b>(2,994)</b>	<b>(39)</b>

\* donation income includes £3.29m (2015: £2.19m) from CAF Bank.

## 4.3 Unrestricted funds - 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 2016

4.4 Group restricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Total 2016	Total 2015
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>								
Donations and legacies	195,961	72,916	116,397	9	77,168	435	462,886	431,958
Fee income	-	-	-	23	-	-	23	-
Investment income	10,208	-	-	9	378	-	10,595	10,912
<b>Total income</b>	<b>206,169</b>	<b>72,916</b>	<b>116,397</b>	<b>41</b>	<b>77,546</b>	<b>435</b>	<b>473,504</b>	<b>442,870</b>
<b>Expenditure on charitable activities</b>								
Donations paid to charities	164,210	73,684	106,446	149	51,724	5,630	401,843	419,277
<b>Total expenditure</b>	<b>164,210</b>	<b>73,684</b>	<b>106,446</b>	<b>149</b>	<b>51,724</b>	<b>5,630</b>	<b>401,843</b>	<b>419,277</b>
Net income/(expenditure) before net gains/(losses) on investments	41,959	(768)	9,951	(108)	25,822	(5,195)	71,661	23,593
Net gains/(losses) on investments	(14,277)	-	-	-	(570)	-	(14,847)	37,356
Net income/(expenditure) before exceptional item	27,682	(768)	9,951	(108)	25,252	(5,195)	56,814	60,949
<b>Exceptional item</b>								
Deconsolidation of CAF Australia	-	-	-	-	-	-	-	(2,373)
<b>Net income/(expenditure)</b>	<b>27,682</b>	<b>(768)</b>	<b>9,951</b>	<b>(108)</b>	<b>25,252</b>	<b>(5,195)</b>	<b>56,814</b>	<b>58,576</b>

The net movement in funds includes foreign currency gains of £4.65m (2015: £3.68m).

4.5 Charity restricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Total 2016	Total 2015
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income</b>								
Donations and legacies	195,961	72,916	120,507	9	1,664	435	391,492	362,838
Fee income	-	-	-	23	-	-	23	-
Investment income	10,208	-	-	9	-	-	10,217	10,526
<b>Total income</b>	<b>206,169</b>	<b>72,916</b>	<b>120,507</b>	<b>41</b>	<b>1,664</b>	<b>435</b>	<b>401,732</b>	<b>373,364</b>
<b>Expenditure on charitable activities</b>								
Donations paid to charities	164,450	73,684	106,446	149	1,397	5,630	351,756	349,989
<b>Total expenditure</b>	<b>164,450</b>	<b>73,684</b>	<b>106,446</b>	<b>149</b>	<b>1,397</b>	<b>5,630</b>	<b>351,756</b>	<b>349,989</b>
Net income/(expenditure) before net gains/(losses) on investments	41,719	(768)	14,061	(108)	267	(5,195)	49,976	23,375
Net gains/(losses) on investments	(14,277)	-	-	-	(38)	-	(14,315)	37,023
Net income/(expenditure)	27,442	(768)	14,061	(108)	229	(5,195)	35,661	60,398

The net movement in funds includes foreign currency gains of £2.41m (2015: £3.87m).

## 4.6 Unrestricted funds - Payments to NCVO

CAF was founded by NCVO to whom it has an ongoing annual obligation to pay a levy. Donations paid to charities include £1.63m (2015: £1.86m) paid to NCVO in respect of this levy.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 5. Governance costs

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Governance costs include the following amounts:				
Internal audit	142	118	142	118
Fees payable to the external auditor, net of VAT:				
Audit of financial statements	286	254	144	131
Other services*	24	53	-	38
Trustees' indemnity insurance	22	23	22	23

\* In addition to these fees paid to the external auditor, which are included within total expenditure in the SOFA, an amount of £99k was also incurred in respect of bond issue costs which are included in capitalised costs, as disclosed in note 20.

## 6. Staff costs

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Salaries and wages	15,467	15,671	11,667	11,708
Social security costs	1,634	1,597	1,251	1,269
Pension costs:				
Defined contribution scheme	984	1,057	768	791
Defined benefit scheme costs (see note 27)	10	80	10	80
Training and welfare	394	492	353	386
	<b>18,489</b>	<b>18,897</b>	<b>14,049</b>	<b>14,234</b>

### Employee emoluments

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

	Number	Number	Number	Number
£60,001 - £70,000	14	10	13	9
£70,001 - £80,000	3	3	3	1
£80,001 - £90,000	4	8	4	7
£90,001 - £100,000	2	2	2	2
£100,001 - £110,000	3	2	3	2
£120,001 - £130,000	1	1	1	1
£130,001 - £140,000	-	1	-	-
£140,001 - £150,000	1	1	-	1
£150,001 - £160,000	2	1	2	1
£160,001 - £170,000	-	1	-	1
£170,001 - £180,000	1	-	1	-
	<b>31</b>	<b>30</b>	<b>29</b>	<b>25</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 6. Staff costs (continued)

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

	Group		Charity	
	2016 Number	2015 Number	2016 Number	2015 Number
Number of employees	31	30	29	25
	£000	£000	£000	£000
The aggregate value of those contributions	287	258	232	214

### Employee numbers

	Group		Charity	
	2016 Number	2015 Number	2016 Number	2015 Number
Average number of employees during the year was:				
Full-time and part-time employees	510	514	427	417
Full-time equivalent	460	475	395	389
Average number of full time equivalent employees analysed by function:	Number	Number	Number	Number
Major donors	49	47	49	47
Regular givers	44	46	44	46
Companies	94	93	94	93
Charities	166	157	166	157
International	74	95	9	9
Sector support	31	34	31	34
Governance	2	3	2	3
	460	475	395	389

The key management personnel of the Group are the Executive Committee of CAF. Total salary and employee benefits received by key management personnel during the year amounted to £993,127 (2015: £927,770) plus pension contributions and pension allowances of £99,849 (2015: £94,621).

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 £290 (2015: £323) paid to two Trustees.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 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 2016 represents the estimated amounts due in respect of CAF Bank's participation in the scheme for the years ending 31 March 2016 and 2017.

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Provision brought forward	672	733	-	-
Paid during the year	(351)	(391)	-	-
Provided during the year	90	330	-	-
Provision carried forward	411	672	-	-

## 8. Taxation

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

During the year, a tax charge of £40,000 (2015: £56,000) arose for the Group which is attributable to profits retained by CAF Bank for the payment of non-deductible coupons on preference shares.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 9. Loans and advances to banks

Group	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Repayable on demand	39,600	16,692	293,117	192,705	9,981	7,233	342,698	216,630
Remaining maturity of other loans and advances:								
Less than 6 months	-	-	90,823	121,299	-	-	90,823	121,299
Over 6 months to 1 year	-	-	20,955	29,056	15,000	40,000	35,955	69,056
Over 1 year to 5 years	-	-	127,000	107,000	8,000	3,000	135,000	110,000
	<b>39,600</b>	<b>16,692</b>	<b>531,895</b>	<b>450,060</b>	<b>32,981</b>	<b>50,233</b>	<b>604,476</b>	<b>516,985</b>

Charity	Unrestricted funds		Restricted and endowment funds		Donor client balances		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Repayable on demand	37,939	14,788	248,644	179,857	6,985	7,233	293,568	201,878
Remaining maturity of other loans and advances:								
Less than 6 months	-	-	81,184	118,985	-	-	81,184	118,985
Over 6 months to 1 year	-	-	18,889	15,408	-	-	18,889	15,408
Over 1 year to 5 years	-	-	127,000	107,000	-	-	127,000	107,000
	<b>37,939</b>	<b>14,788</b>	<b>475,717</b>	<b>421,250</b>	<b>6,985</b>	<b>7,233</b>	<b>520,641</b>	<b>443,271</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 10. Loans and advances to customers

	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Concessionary loans:								
CAF Venturesome loans to charities	2,172	2,014	320	645	-	-	2,492	2,659
CAF Charitable Trust loans to charities	-	-	2,666	3,223	-	-	2,666	3,223
<b>Charity</b>	<b>2,172</b>	<b>2,014</b>	<b>2,986</b>	<b>3,868</b>	<b>-</b>	<b>-</b>	<b>5,158</b>	<b>5,882</b>
CAF Bank loans to charities	-	-	-	-	45,620	20,206	45,620	20,206
<b>Group</b>	<b>2,172</b>	<b>2,014</b>	<b>2,986</b>	<b>3,868</b>	<b>45,620</b>	<b>20,206</b>	<b>50,778</b>	<b>26,088</b>

	Charity	
	2016 £000	2015 £000
Maturity - Concessionary loans		
<b>Amounts receivable in less than one year</b>		
CAF Venturesome loans to charities	1,438	1,523
CAF Charitable Trust loans to charities	104	654
	<b>1,542</b>	<b>2,177</b>
<b>Amounts receivable in one to five years</b>		
CAF Venturesome loans to charities	870	978
CAF Charitable Trust loans to charities	2,239	2,208
	<b>3,109</b>	<b>3,186</b>
<b>Amounts receivable in more than five years</b>		
CAF Venturesome loans to charities	184	158
CAF Charitable Trust loans to charities	323	361
	<b>507</b>	<b>519</b>
<b>Concessionary loans</b>	<b>5,158</b>	<b>5,882</b>

Amounts recoverable in respect of concessionary loans represent future expected cash inflows net of provisions totalling £3.64m (2015: £3.55m).

	Group	
	2016 £000	2015 £000
Maturity - CAF Bank loans		
Amounts receivable in less than one year	4,479	1,741
Amounts receivable in one to five years	12,363	6,346
Amounts receivable in more than five years	29,487	12,366
	<b>46,329</b>	<b>20,453</b>
Less: Deferred income and provisions	(709)	(247)
<b>CAF Bank loans</b>	<b>45,620</b>	<b>20,206</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 11. Debt securities

	Group				Charity			
	Book Value		Market value		Book value		Market value	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Unrestricted funds								
Listed:								
UK government	2,373	3,390	2,343	3,555	-	1,000	-	1,015
	<b>2,373</b>	<b>3,390</b>	<b>2,343</b>	<b>3,555</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>1,015</b>
Restricted and endowment funds								
Listed:								
UK government	9,817	10,025	10,071	10,017	9,817	10,025	10,071	10,017
Multilateral financial institutions	19,784	23,960	20,651	25,409	19,784	23,960	20,651	25,409
Fixed coupon corporate bonds	2,514	2,521	2,687	2,752	2,514	2,521	2,687	2,752
	<b>32,115</b>	<b>36,506</b>	<b>33,409</b>	<b>38,178</b>	<b>32,115</b>	<b>36,506</b>	<b>33,409</b>	<b>38,178</b>
Depositor and donor client balances								
Listed:								
UK government	87,655	137,544	88,352	136,945	-	-	-	-
Multilateral financial institutions	309,297	216,761	310,154	217,228	-	-	-	-
Fixed coupon corporate bonds	144,042	161,042	144,632	161,135	-	-	-	-
Floating rate corporate bonds	202,025	174,271	201,964	174,885	-	-	-	-
	<b>743,019</b>	<b>689,618</b>	<b>745,102</b>	<b>690,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unlisted:								
Certificates of deposit	40,000	40,000	40,326	40,188	-	-	-	-
Commercial paper	9,901	-	9,901	-	-	-	-	-
	<b>49,901</b>	<b>40,000</b>	<b>50,227</b>	<b>40,188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>792,920</b>	<b>729,618</b>	<b>795,329</b>	<b>730,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total debt securities</b>	<b>827,408</b>	<b>769,514</b>	<b>831,081</b>	<b>772,114</b>	<b>32,115</b>	<b>37,506</b>	<b>33,409</b>	<b>39,193</b>

Maturity	Book value			
	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
1 day to 8 days	9,972	9,974	-	-
Over 8 days to 3 months	85,345	65,672	-	4,005
3 months to 6 months	81,859	120,852	5,519	1,000
6 months to 1 year	152,355	153,885	-	-
	<b>329,531</b>	<b>350,383</b>	<b>5,519</b>	<b>5,005</b>
1 year to 5 years	488,060	409,106	16,779	22,476
	<b>817,591</b>	<b>759,489</b>	<b>22,298</b>	<b>27,481</b>
5 years and over	9,817	10,025	9,817	10,025
<b>Total debt securities</b>	<b>827,408</b>	<b>769,514</b>	<b>32,115</b>	<b>37,506</b>
Unamortised premiums	(10,103)	(10,583)	(2,314)	(2,734)

In accordance with FRS 102 debt securities are measured at amortised cost using the effective interest method. Premium or discounts on investments held to maturity are amortised over their remaining lives.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 11. Debt securities (continued)

	Cost	Amortisation	Book value
Group	£000	£000	£000
Unrestricted funds			
At 1 May 2015	3,579	(189)	3,390
Redemptions	(1,057)	57	(1,000)
Amortisation	-	(17)	(17)
<b>At 30 April 2016</b>	<b>2,522</b>	<b>(149)</b>	<b>2,373</b>
Restricted and endowment funds			
At 1 May 2015	37,807	(1,301)	36,506
Acquisitions	-	-	-
Redemptions	(4,140)	140	(4,000)
Amortisation	-	(391)	(391)
<b>At 30 April 2016</b>	<b>33,667</b>	<b>(1,552)</b>	<b>32,115</b>
Depositor and donor client balances			
At 1 May 2015	736,056	(6,438)	729,618
Acquisitions	556,361	(95)	556,266
Redemptions	(490,802)	1,971	(488,831)
Amortisation	-	(4,133)	(4,133)
<b>At 30 April 2016</b>	<b>801,615</b>	<b>(8,695)</b>	<b>792,920</b>

	Cost	Amortisation	Book value
Charity	£000	£000	£000
Unrestricted funds			
At 1 May 2015	1,057	(57)	1,000
Redemptions	(1,057)	57	(1,000)
Amortisation	-	-	-
<b>At 30 April 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>
Restricted and endowment funds			
At 1 May 2015	37,807	(1,301)	36,506
Acquisitions	-	-	-
Redemptions	(4,140)	140	(4,000)
Amortisation	-	(391)	(391)
<b>At 30 April 2016</b>	<b>33,667</b>	<b>(1,552)</b>	<b>32,115</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 12. Financial investments

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

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
<b>Restricted and endowment funds</b>				
At 1 May 2015	504,122	471,490	497,040	459,321
Additions	118,547	128,249	116,968	127,347
Disposal proceeds	(115,299)	(132,973)	(115,297)	(126,651)
Net investment gains	(15,043)	37,356	(14,511)	37,023
	<b>492,327</b>	<b>504,122</b>	<b>484,200</b>	<b>497,040</b>
Investment portfolio cash and settlements pending	14,876	28,108	14,876	28,108
<b>At 30 April 2016</b>	<b>507,203</b>	<b>532,230</b>	<b>499,076</b>	<b>525,148</b>
<b>Historical cost of investments</b>	<b>438,896</b>	<b>455,558</b>	<b>430,962</b>	<b>461,580</b>
<b>Represented by:</b>				
Listed securities:				
UK Government fixed interest	16,625	15,333	16,625	15,333
Overseas Government fixed interest	9,335	10,125	9,335	10,125
Other fixed interest	7,604	11,175	7,604	11,175
UK equities	29,097	41,212	29,097	41,212
Overseas equities	10,100	17,570	10,100	17,570
CAF investment funds:				
FP CAF UK Equity Fund	74,083	79,020	74,083	79,020
FP CAF Fixed Interest Fund	34,909	37,596	34,909	37,596
CAF UK Equitrack Fund	35,233	39,326	30,774	34,467
FP CAF International Equity	10,325	9,972	10,325	9,972
FP CAF Alternative Strategies	7,257	7,705	7,257	7,705
Unit trusts and other pooled investments	245,644	219,352	242,163	217,317
Investment trusts	7,824	8,734	7,699	8,608
Unlisted investments:				
UK	473	827	411	765
Overseas	3,818	6,175	3,818	6,175
	<b>492,327</b>	<b>504,122</b>	<b>484,200</b>	<b>497,040</b>
Investment portfolio cash and settlements pending	14,876	28,108	14,876	28,108
	<b>507,203</b>	<b>532,230</b>	<b>499,076</b>	<b>525,148</b>

### Nature of CAF and CADF trust funds

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 12. Financial investments (continued)

### Accounting classifications and fair values – Group

	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	2016 £000	2016 £000	2016 £000	2016 £000
Sovereign debt securities	25,960	-	-	25,960
Corporate debt securities	7,604	-	-	7,604
Pooled funds - fixed interest	76,455	-	-	76,455
	<b>110,019</b>	<b>-</b>	<b>-</b>	<b>110,019</b>
Equity securities	47,021	-	4,291	51,312
Pooled funds - equity	296,567	-	-	296,567
	<b>343,588</b>	<b>-</b>	<b>4,291</b>	<b>347,879</b>
Pooled funds - mixed	34,429	-	-	34,429
Investment portfolio cash and settlements pending	14,876	-	-	14,876
	<b>502,912</b>	<b>-</b>	<b>4,291</b>	<b>507,203</b>

### Accounting classifications and fair values – Charity

	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	2016 £000	2016 £000	2016 £000	2016 £000
Sovereign debt securities	25,960	-	-	25,960
Corporate debt securities	7,604	-	-	7,604
Pooled funds - fixed interest	76,455	-	-	76,455
	<b>110,019</b>	<b>-</b>	<b>-</b>	<b>110,019</b>
Equity securities	46,896	-	4,229	51,125
Pooled funds - equity	291,243	-	-	291,243
	<b>338,139</b>	<b>-</b>	<b>4,229</b>	<b>342,368</b>
Pooled funds - mixed	31,813	-	-	31,813
Investment portfolio cash and settlements pending	14,876	-	-	14,876
	<b>494,847</b>	<b>-</b>	<b>4,229</b>	<b>499,076</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 12. Financial investments (continued)

### Accounting classifications and fair values – Group

	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	2015 £000	2015 £000	2015 £000	2015 £000
Sovereign debt securities	25,458	-	-	25,458
Corporate debt securities	11,175	-	-	11,175
Pooled funds - fixed interest	56,733	-	-	56,733
	<b>93,366</b>	<b>-</b>	<b>-</b>	<b>93,366</b>
Equity securities	67,516	-	7,002	74,518
Pooled funds - equity	238,627	-	-	238,627
	<b>306,143</b>	<b>-</b>	<b>7,002</b>	<b>313,145</b>
Pooled funds - mixed	97,611	-	-	97,611
Investment portfolio cash and settlements pending	28,108	-	-	28,108
	<b>525,228</b>	<b>-</b>	<b>7,002</b>	<b>532,230</b>

### Accounting classifications and fair values – Charity

	Level 1	Level 2	Level 3	Total
Financial investments measured at fair value	2015 £000	2015 £000	2015 £000	2015 £000
Sovereign debt securities	25,458	-	-	25,458
Corporate debt securities	11,175	-	-	11,175
Pooled funds - fixed interest	56,733	-	-	56,733
	<b>93,366</b>	<b>-</b>	<b>-</b>	<b>93,366</b>
Equity securities	67,390	-	6,940	74,330
Pooled funds - equity	232,912	-	-	232,912
	<b>300,302</b>	<b>-</b>	<b>6,940</b>	<b>307,242</b>
Pooled funds - mixed	96,432	-	-	96,432
Investment portfolio cash and settlements pending	28,108	-	-	28,108
	<b>518,208</b>	<b>-</b>	<b>6,940</b>	<b>525,148</b>

### Measurement of fair values

The Group uses the following hierarchy to estimate the fair value of investments held by CAF and CADF Trusts:

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

13. Subsidiary and associate undertakings	Associate undertaking	Total
Group	£000	£000
Unrestricted funds		
At 1 May 2015	4,100	4,100
Additions	-	-
Group's share of losses	(520)	(520)
<b>At 30 April 2016</b>	<b>3,580</b>	<b>3,580</b>

	Trading subsidiaries	Associate undertaking	Total
Charity	£000	£000	£000
Unrestricted funds			
At 1 May 2015	24,950	4,100	29,050
Additions	2,000	-	2,000
Impairment	-	(520)	(520)
<b>At 30 April 2016</b>	<b>26,950</b>	<b>3,580</b>	<b>30,530</b>

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

14. Tangible fixed assets	Long leasehold property & improvements	Other leasehold improvements	Furniture, fittings & computer equipment	Total
Group - unrestricted funds	£000	£000	£000	£000
Cost or valuation				
At 1 May 2015	5,328	591	2,213	8,132
Additions	-	-	3	3
<b>At 30 April 2016</b>	<b>5,328</b>	<b>591</b>	<b>2,216</b>	<b>8,135</b>
Depreciation				
At 1 May 2015	494	182	2,175	2,851
Charged in year	166	60	18	244
<b>At 30 April 2016</b>	<b>660</b>	<b>242</b>	<b>2,193</b>	<b>3,095</b>
Net book value				
<b>At 30 April 2016</b>	<b>4,668</b>	<b>349</b>	<b>23</b>	<b>5,040</b>
<b>At 30 April 2015</b>	<b>4,834</b>	<b>409</b>	<b>38</b>	<b>5,281</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 14. Tangible fixed assets (continued)

	Long leasehold property & improvements	Other leasehold improvements	Furniture, fittings & computer equipment	Total
	£000	£000	£000	£000
Charity - unrestricted funds				
Cost or valuation				
At 1 May 2015	5,328	519	2,101	7,948
Additions	-	-	-	-
At 30 April 2016	5,328	519	2,101	7,948
Depreciation				
At 1 May 2015	494	136	2,082	2,712
Charged in year	166	46	8	220
At 30 April 2016	660	182	2,090	2,932
Net book value				
At 30 April 2016	4,668	337	11	5,016
At 30 April 2015	4,834	383	19	5,236

### 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 valued at 30 April 2014 by CBRE, Chartered Surveyors. The valuation was carried out in accordance with the guidelines of the Royal Institution of Chartered Surveyors. The open market value, on a vacant possession basis, at that date was estimated at £5m.

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

The historical cost carrying value of the property and improvements at the balance sheet date was £3,994,000.

## 15. Other assets

Group	Unrestricted funds		Restricted and endowment funds		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Income tax recoverable	-	-	4,510	6,108	4,510	6,108
Other debtors	1,438	949	83	279	1,521	1,228
	1,438	949	4,593	6,387	6,031	7,336

Charity	Unrestricted funds		Restricted and endowment funds		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Amounts due from subsidiary undertakings	3,713	2,697	-	-	3,713	2,697
Income tax recoverable	-	-	2,881	4,953	2,881	4,953
Other debtors	462	532	24	147	486	679
	4,175	3,229	2,905	5,100	7,080	8,329

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 16. CAF Bank Depositors' balances

Group	Depositor and donor client balances	
	2016 £000	2015 £000
Repayable on demand	947,464	893,020
Repayable within 30 days	52,624	74,274
	<b>1,000,088</b>	<b>967,294</b>

## 17. Donor client balances

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

Group	At 1 May 2015 £000	Amounts received £000	Amounts paid to charities £000	Donations paid to group £000	At 30 April 2016 £000
CAF Give As You Earn	4,869	76,070	(37,578)	(38,549)	4,812
CAF Donate	162	23,079	(23,057)	-	184
	<b>5,031</b>	<b>99,149</b>	<b>(60,635)</b>	<b>(38,549)</b>	<b>4,996</b>
Concessionary loans payable	2,096	432	(688)	-	1,840
	<b>7,127</b>	<b>99,581</b>	<b>(61,323)</b>	<b>(38,549)</b>	<b>6,836</b>

Charity	At 1 May 2015 £000	Amounts received £000	Amounts paid to charities £000	Donations paid to group £000	At 30 April 2016 £000
CAF Give As You Earn	4,869	76,070	(37,818)	(38,309)	4,812
CAF Donate	162	23,079	(23,057)	-	184
	<b>5,031</b>	<b>99,149</b>	<b>(60,875)</b>	<b>(38,309)</b>	<b>4,996</b>
Concessionary loans payable	2,096	432	(688)	-	1,840
	<b>7,127</b>	<b>99,581</b>	<b>(61,563)</b>	<b>(38,309)</b>	<b>6,836</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. 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.

	2016 £000	2015 £000
Investments	77,341	78,301
Money market deposits and bank balances	248	549
	<b>77,589</b>	<b>78,850</b>
Bank balances with CAF Bank	489	638
	<b>78,078</b>	<b>79,488</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 18. Amounts due to beneficiary charities

Group	Restricted and endowment funds	
	2016 £000	2015 £000
Payable within 1 year	10,358	38,442
Payable after more than 1 year	25,864	13,357
	<b>36,222</b>	<b>51,799</b>

Charity	Restricted and endowment funds	
	2016 £000	2015 £000
Payable within 1 year	10,118	25,420
Payable after more than 1 year	25,864	13,357
	<b>35,982</b>	<b>38,777</b>

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

## 19. Other liabilities

Group	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Payable on acquisition of investments	-	-	61	201	-	-	61	201
Trade creditors	618	526	-	-	-	-	618	526
Tax and social security	480	478	-	-	-	-	480	478
Other creditors	3,479	3,369	1,067	2,546	344	72	4,890	5,987
	<b>4,577</b>	<b>4,373</b>	<b>1,128</b>	<b>2,747</b>	<b>344</b>	<b>72</b>	<b>6,049</b>	<b>7,192</b>

Charity	Unrestricted funds		Restricted and endowment funds		Donor client balances		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Payable on acquisition of investments	-	-	61	201	-	-	61	201
Trade creditors	618	526	-	-	-	-	618	526
Tax and social security	480	478	-	-	-	-	480	478
Other creditors	2,014	1,578	1,067	2,546	149	106	3,230	4,230
	<b>3,112</b>	<b>2,582</b>	<b>1,128</b>	<b>2,747</b>	<b>149</b>	<b>106</b>	<b>4,389</b>	<b>5,435</b>

Included within other creditors are amounts totalling £1.37m (2015: £1.33m) repayable to seven third party investors of CAF Venturesome. Amounts are repayable within three or six months from receipt of written instruction. These concessionary loans do not bear interest and amounts are repaid net of any losses incurred.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 20. Long-term loan

	Carrying value
Group and charity	£000
Unrestricted funds	
Loan value	20,000
Capitalised costs	(525)
Amortisation of capitalised costs	2
Accrued interest payable	53
<b>At 30 April 2016</b>	<b>19,530</b>

	Carrying value	
	2016 £000	2015 £000
<b>Payable</b>		
3 months to 6 months	53	-
6 months to 1 year	-	-
	<b>53</b>	<b>-</b>
5 years and over	19,477	-
	<b>19,530</b>	<b>-</b>

On 10 April 2016 Retail Charity Bonds plc (RCB) launched the CAF Retail Charity Bond, which was issued through and is listed on the London Stock Exchange Retail Charity Bonds platform. RCB raised £20m from the issue of this bond.

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

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

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

## 21. Loan stock and preference shares

Group	Notes	Depositor and donor client balances	
		2016 £000	2015 £000
Loan stock	21.1		
Floating rate:			
Second issue	(a)	100	100
Sixth issue	(b)	250	250
		<b>350</b>	<b>350</b>
Preference shares	21.2	1,500	1,500
		<b>1,850</b>	<b>1,850</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 21.1 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.

## 21.2 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.

## 22. Statement of funds

Group	Notes	At 1 May 2015 £000	Income and donations received £000	Expenditure on charitable activities £000	Exceptional items £000	Transfers £000	Recognised gains & losses £000	At 30 April 2016 £000
Unrestricted funds	22.1	52,762	29,823	(29,708)	(2,327)	4,717	(357)	54,910
Restricted funds	22.2	1,010,249	473,504	(401,843)	-	(4,717)	(14,842)	1,062,351
Endowment funds	22.2	2,062	-	-	-	-	(5)	2,057
		<b>1,065,073</b>	<b>503,327</b>	<b>(431,551)</b>	<b>(2,327)</b>	<b>-</b>	<b>(15,204)</b>	<b>1,119,318</b>
<b>Charity</b>								
Unrestricted funds	22.1	51,861	21,659	(21,806)	(2,327)	4,717	(357)	53,747
Restricted funds	22.2	963,775	401,732	(351,756)	-	(4,717)	(14,310)	994,724
Endowment funds	22.2	2,062	-	-	-	-	(5)	2,057
		<b>1,017,698</b>	<b>423,391</b>	<b>(373,562)</b>	<b>(2,327)</b>	<b>-</b>	<b>(14,672)</b>	<b>1,050,528</b>

### 22.1 Unrestricted funds

Group	At 1 May 2015 £000	Income and donations received £000	Expenditure on charitable activities £000	Exceptional items £000	Transfers £000	Recognised gains & losses £000	At 30 April 2016 £000
General funds	52,022	29,823	(29,708)	(2,327)	4,738	(357)	54,191
Property revaluation reserve	740	-	-	-	(21)	-	719
	<b>52,762</b>	<b>29,823</b>	<b>(29,708)</b>	<b>(2,327)</b>	<b>4,717</b>	<b>(357)</b>	<b>54,910</b>
<b>Charity</b>							
General funds	51,121	21,659	(21,806)	(2,327)	4,738	(357)	53,028
Property revaluation reserve	740	-	-	-	(21)	-	719
	<b>51,861</b>	<b>21,659</b>	<b>(21,806)</b>	<b>(2,327)</b>	<b>4,717</b>	<b>(357)</b>	<b>53,747</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 22. Statement of funds (continued)

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

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

Transfers from restricted funds to unrestricted funds – during the year £4.6m was transferred from a CAF Charitable Trust Account to CAF's unrestricted general funds, following legal advice received by Trustees. Upon their death in 2010 a client held a CAF Charitable Trust and made use of the CAF Charitable Legacy Service, leaving the residue of their estate to CAF for the credit of the CAF Charitable Trust. The trust upon which the CAF Charitable Trust was held failed and the funds have been applied for the general charitable purposes of CAF.

### 22.2 Restricted funds

Group	At 1 May 2015	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2016
	£000	£000	£000	£000	£000	£000
<b>Major donors</b>						
CAF Charitable Trusts	762,030	206,169	(164,210)	(10,059)	(14,277)	779,653
<b>Regular givers</b>						
Individual charity accounts	89,657	72,916	(73,684)	3,688	-	92,577
<b>Companies</b>						
Company accounts	63,288	84,739	(76,444)	2,027	-	73,610
CAF Give As You Earn charity accounts	28,639	31,658	(30,002)	150	-	30,445
	91,927	116,397	(106,446)	2,177	-	104,055
<b>Charities</b>						
CAF Venturesome accounts	1,863	41	(149)	945	-	2,700
CAF Social Impact Fund	5,423	-	-	(174)	-	5,249
	7,286	41	(149)	771	-	7,949
<b>International</b>						
CAF American Donor Fund	39,536	38,525	(29,366)	(172)	(565)	47,958
CAF America	6,115	34,751	(18,572)	(3,998)	49	18,345
CAF Canada	30	308	(297)	59	-	100
CAF Russia grant programmes	1,083	1,424	(1,397)	239	(33)	1,316
CAF Foundation for Philanthropy	513	2,538	(2,092)	1	(16)	944
	47,277	77,546	(51,724)	(3,871)	(565)	68,663
<b>Sector support</b>						
CAF discretionary funds	11,707	50	(5,607)	2,935	-	9,085
Other funds	365	385	(23)	(358)	-	369
	12,072	435	(5,630)	2,577	-	9,454
	1,010,249	473,504	(401,843)	(4,717)	(14,842)	1,062,351
<b>Endowment funds</b>						
CAF Russia:						
C S Mott Foundation	698	-	-	-	(21)	677
The Ford Foundation	1,364	-	-	-	16	1,380
	2,062	-	-	-	(5)	2,057
	1,012,311	473,504	(401,843)	(4,717)	(14,847)	1,064,408

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 22.2 Restricted funds (continued)

Charity	At 1 May 2015	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2016
	£000	£000	£000	£000	£000	£000
<b>Major donors</b>						
CAF Charitable Trusts	762,030	206,169	(164,450)	(9,819)	(14,277)	779,653
<b>Regular givers</b>						
Individual charity accounts	89,658	72,916	(73,684)	3,687	-	92,577
<b>Companies</b>						
Company accounts	63,288	88,849	(76,444)	(2,083)	-	73,610
CAF Give As You Earn charity accounts	28,639	31,658	(30,002)	150	-	30,445
	91,927	120,507	(106,446)	(1,933)	-	104,055
<b>Charities</b>						
CAF Venturesome accounts	1,863	41	(149)	945	-	2,700
CAF Social Impact Fund	5,423	-	-	(174)	-	5,249
	7,286	41	(149)	771	-	7,949
<b>International</b>						
CAF Russia grant programmes	802	1,664	(1,397)	-	(33)	1,036
<b>Sector support</b>						
CAF discretionary funds	11,707	50	(5,607)	2,935	-	9,085
Other funds	365	385	(23)	(358)	-	369
	12,072	435	(5,630)	2,577	-	9,454
	963,775	401,732	(351,756)	(4,717)	(14,310)	994,724
<b>Endowment funds</b>						
CAF Russia:						
C S Mott Foundation	698	-	-	-	(21)	677
The Ford Foundation	1,364	-	-	-	16	1,380
	2,062	-	-	-	(5)	2,057
	965,837	401,732	(351,756)	(4,717)	(14,315)	996,781

### Restricted funds comprise:

- CAF Charitable Trusts – consist of capital gifted to CAF and the related investment income. The capital is held in accordance with CAF's investment policy for CAF Charitable Trusts and investment gains or losses are credited or charged to the funds. These funds may only be used to make payments to other charities as instructed by the donor
- Individual charity accounts, Company accounts and CAF Give As You Earn Charity Accounts – represent amounts gifted to CAF by individual and corporate donors which are held in accounts until disbursed to charities on behalf of the donor
- CAF Venturesome accounts – represent funds set aside by CAF donors to complement the funds assigned by the Trustees for CAF Venturesome
- CAF Social Impact Fund – represents funds set aside by CAF donors to support the activities of the CAF Social Impact Fund
- CAF American Donor Fund, CAF America and CAF Canada – represent undistributed donations received by each of these charities. The boards of these entities review, validate and approve donors' suggestions for distributions to charities worldwide

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 22.2 Restricted funds (continued)

- f. CAF Russia grant programmes and CAF Foundation for Philanthropy – represent funds received from institutional donors which may only be used to make payments to charities in the former Soviet Union in accordance with restrictions imposed by the donor
- g. CAF discretionary funds – represent funds available to support the sector at Trustees' discretion.
- h. CAF Russia – the two endowments are permanent. The principals are maintained in segregated funds in perpetuity and the income from each used to support CAF's operations in Russia.

### Transfers between restricted funds

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

## 23. Cash flow statement

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Net income for the year	54,082	58,769	32,667	60,359
Adjustments for:				
Depreciation	244	282	220	240
Losses on disposal of tangible fixed assets	-	79	-	-
Losses/(gains) on financial investments	14,847	(37,356)	14,835	(37,023)
Group share of losses in associate	520	-	-	-
Amortisation of debt securities	4,541	2,609	391	286
Amortisation of capitalised costs of borrowing	2	-	2	-
Non-cash transactions:				
In specie transfers and share gifts	(18,704)	(3,292)	(18,590)	(3,292)
Gift of property	-	(250)	-	(250)
Defined benefit pension plan expense	2,010	-	2,010	-
Capitalised costs of long-term loan payable	(172)	-	(172)	-
Investment income receivable on Trust Funds	(10,595)	(10,912)	(10,217)	(10,526)
(Increase)/decrease in loans and advances to customers	(24,690)	(15,785)	724	(887)
Increase in other assets and prepayments	(5,837)	(6,089)	(4,523)	(6,268)
(Decrease)/increase in amounts due to beneficiary charities	(15,577)	35,354	(2,795)	22,332
(Decrease)/increase in other liabilities and accruals	(1,673)	841	(1,543)	1,084
Decrease in provision for liabilities	(347)	(255)	(347)	(255)
Decrease in donor client balances	(291)	(1,998)	(291)	(1,998)
Increase/(decrease) in CAF Bank depositors' balances	32,794	(10,613)	-	-
Increase in loan interest payable	53	-	53	-
Unrealised gains on foreign currency	(1,225)	(1,040)	(1,294)	(1,008)
<b>Net cash provided by operating activities</b>	<b>29,982</b>	<b>10,344</b>	<b>11,130</b>	<b>22,794</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 24. Operating lease commitments

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

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Operating lease payments falling due:				
Within one year	493	493	409	400
Between one and five years	1,548	1,574	1,548	1,495
After more than five years	747	1,121	747	1,121
	<b>2,788</b>	<b>3,188</b>	<b>2,704</b>	<b>3,016</b>

The amounts charged to the SOFA totalled £0.53m and £0.40m (2015: £0.59m and £0.41m) for the Group and CAF, respectively.

## 25. Financial commitments and contingent liabilities

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

	2016 £000	2015 £000
Grant commitments	691	234
CAF Venturesome loans	1,667	1,022
CAF Social Impact Fund loans	580	440
<b>Charity</b>	<b>2,938</b>	<b>1,696</b>
CAF Bank commitments to customers	9,099	7,723
<b>Group</b>	<b>12,037</b>	<b>9,419</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 2018, subject to certain conditions being met by the charities. No amount has been recorded in the balance sheet for these amounts.

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

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

### CAF Bank commitments to customers

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 26. Contingent assets

At the balance sheet date, the charity had been notified of a number of legacies for which probate was not yet granted or other factors indicated that these legacies should not be recognised as income. The aggregate value of those legacies was £7.5m (2015: £5.6m).

## 27. Pension obligations

During the year, CAF participated in pension arrangements administered by the Pensions Trust and Hargreaves Lansdown and established the Charities Aid Foundation Pension Scheme (the CAF Pension Scheme), which is closed to both new members and benefit accrual.

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 and from 1 May 2016 all current employees contributed to this scheme only.

### 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. This plan closed to CAF employees on 30 April 2016.

### 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 determine the amount available to provide the pension. There are no guarantees attaching to the plan. This plan closed to CAF employees on 30 April 2016.

### d. The CAF Pension Scheme

The CAF Pension Scheme is a defined benefit scheme established on 15 September 2015. The CAF Pension Scheme was established solely to receive a transfer from the Growth Plan, a multi-employer section of The Pensions Trust in which CAF was a participating employer.

With effect from 30 April 2016, the CAF Pension Scheme is to receive the assets and liabilities relating to employees and former employees of CAF who are members of the Growth Plan. The transfer will mean that CAF has settled all obligations to the Growth Plan (including CAF's share of orphan liabilities, which has been accounted for as a settlement in accordance with FRS 102).

From 30 April 2016 members will receive benefits from the CAF Pension Scheme rather than the Growth Plan. Benefits provided by the CAF Pension Scheme will be the same as those currently provided under the Growth Plan.

The first actuarial valuation of the CAF Pension Scheme has not yet been carried out. Until the first actuarial valuation is completed CAF will pay contributions of £347,000 per annum to fund the deficit in the CAF Pension Scheme. In addition CAF will make a final payment to the Growth Plan of approximately £2m. This payment will be added to the funds that transfer to the CAF Pension Scheme.

At 30 April 2016, the CAF Pension Scheme assets and liabilities were estimated by an independent qualified actuary for FRS 102 purposes. The results, based on assumptions used for FRS 102, are as follows.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 27. Pension obligations (continued)

### e. CAF Pension Scheme financial position and assumptions

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

	2016	2015
	£000	£000
Present value of liabilities	16,000	24,500
Fair value of assets	(13,800)	(23,800)
<b>Net defined benefit liability</b>	<b>2,200</b>	<b>700</b>

The liabilities shown as at 30 April 2015 include £7.0m which represents CAF's share of the Growth Plan's orphaned members as at 30 April 2015. No orphan liabilities will transfer to the CAF Scheme, and neither will the corresponding assets. The figures at 30 April 2016 reflect the impact of this.

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

	2016	2015
	£000	£000
Employer's part of current service cost	-	-
Settlement cost	2,000	-
Interest expense	10	80
<b>Total expense recognised in the SOFA</b>	<b>2,010</b>	<b>80</b>

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

	2016	2015
	£000	£000
Opening net defined benefit liability	700	2,100
Pension cost in SOFA	2,010	80
Employer contributions	(347)	(335)
Other recognised actuarial gains	(163)	(1,145)
<b>Closing net defined benefit liability</b>	<b>2,200</b>	<b>700</b>

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

	2016	2015
	£000	£000
Opening defined benefit obligation	24,500	21,700
Employer's part of current service cost	-	-
Impact of settlement	(7,100)	-
Interest on obligation	560	620
Contribution from scheme members	-	-
Actuarial (gains)/losses	(1,170)	2,480
Benefits paid	(790)	(300)
<b>Closing defined benefit obligation</b>	<b>16,000</b>	<b>24,500</b>

#### v) Movement in fair value of scheme assets

	2016	2015
	£000	£000
Opening fair value of the scheme assets	23,800	19,600
Interest on scheme assets	550	550
Impact of settlement	(9,100)	-
Actual return less interest on assets	(1,007)	3,615
Contributions by the employer	347	335
Contributions by scheme members	-	-
Benefits paid	(790)	(300)
<b>Closing fair value of scheme assets</b>	<b>13,800</b>	<b>23,800</b>

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

	2016	2015
	Allocation	Allocation
Equities	14%	11%
Corporate bonds	7%	7%
Hedge funds	7%	9%
Cash	30%	29%
Property	1%	1%
Liability hedging assets	12%	14%
Insurance policies	29%	29%
	<b>100%</b>	<b>100%</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 27. Pension obligations (continued)

The Scheme will receive funds from the Growth Plan at the end of July 2016 equal to the asset share at the transfer date plus investment returns since 30 April 2016. The Trustees of the Scheme have set the following strategic initial asset allocation (excluding insured assets and liabilities).

	Strategic allocation
Global equities	30%
Diversified growth funds	20%
Absolute return bond funds	13%
Property	13%
Liability hedging assets	22%
Cash	2%
	<b>100%</b>

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

### vii) Principal assumptions at the balance sheet date

	2016	2015
	Allocation	Allocation
Discount rate	3.4% pa	3.4% pa
Inflation measured by Consumer Price Index (CPI)	2.1% pa	2.2% pa
Pension increases in payment:		
CPI capped at 5% pa	2.1% pa	2.2% pa
CPI capped at 2.5% pa	1.8% pa	1.9% pa
Life expectancy of a male aged 65 at accounting date	23.7 yrs	23.6yrs
Life expectancy of a male aged 65 20 years from accounting date	26.0 yrs	25.9yrs

### Commutation:

An allowance for members to take part of their pension as a lump sum at retirement on the terms currently available in the Growth Plan.

## 28. Transactions with related parties

Other than the matters detailed below, none of the Trustees nor any connected persons had a material or beneficial interest in any contract or undertaking with CAF, other than in the ordinary course of business, nor in the shares of its subsidiary companies.

One of CAF's trustees is the Chairman of NCVO. Donations paid by CAF, during the year, included £1,982,982 (2015: £1,862,594) to NCVO under the terms of CAF's Declaration of Trust. The amount due to NCVO at 30 April 2016 was £358,306 (2015: £332,975).

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.

During 2014/15 CAF Bank terminated an agreement with Charity Bank (which is an associated undertaking of CAF) to provide loan administration and credit service. The agreement was on commercial arm's length terms. No costs were paid to Charity Bank from this agreement during the year (2015: £10,970).

## 29. Post balance sheet events

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 30. CAF Bank financial instruments and risk management

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

The Group's risk management framework and principal risks, including those applicable to CAF Bank, are set out in the Risk Management Report on pages 17 to 21 within the Trustees' Report. CAF Bank's exposure to its principal risks which are those associated with holding financial instruments, is further described below.

### 30.1 Credit Risk

CAF Bank's exposure to and management of credit risk is described on page 17 to 19 in the Group Risk Management Report. The following tables set out CAF Bank's principal financial instruments from which credit risk arises.

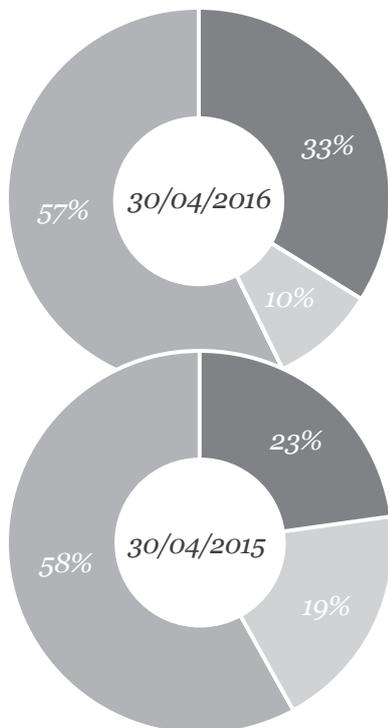
Treasury assets by class	2016		2015	
	Book Value £000	Market Value £000	Book Value £000	Market Value £000
Listed:				
UK government	90,028	90,695	139,934	140,500
Multilateral financial institutions	309,297	310,154	216,761	217,228
Fixed coupon corporate bonds	144,042	144,632	161,042	161,135
Floating rate corporate bonds	202,025	201,964	174,271	174,885
	<b>745,392</b>	<b>747,445</b>	<b>692,008</b>	<b>693,748</b>
Unlisted:				
Certificates of deposit	40,000	40,326	40,000	40,188
Commercial paper	9,901	9,901	-	-
<b>Total debt securities</b>	<b>795,293</b>	<b>797,672</b>	<b>732,008</b>	<b>733,936</b>
Balances at Bank of England	160,697	160,697	219,784	219,784
Loans and advances to banks	25,996	25,996	43,000	43,000
	<b>981,986</b>	<b>984,365</b>	<b>994,792</b>	<b>996,720</b>

Treasury asset by credit rating Category (Fitch equivalent credit rating)	2016		2015	
	Book value	% of book	Book value	% of book
UK government	250,726	25.53%	359,718	36.16%
Other AAA	284,388	28.96%	193,621	19.46%
AA+	49,482	5.04%	33,049	3.32%
AA-	137,903	14.04%	125,652	12.63%
A+	48,918	4.98%	79,584	8.00%
A	143,705	14.63%	119,887	12.05%
A-	41,948	4.27%	59,627	5.99%
BBB+	19,179	1.95%	17,749	1.78%
BBB	4,328	0.44%	4,484	0.45%
BBB-	527	0.05%	532	0.05%
BB+	882	0.09%	889	0.09%
	<b>981,986</b>	<b>100.00%</b>	<b>994,792</b>	<b>100.00%</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 30.1 Credit Risk (continued)

### Treasury assets by exposure value



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

### Lending

CAF Bank's management and exposure to credit risk in respect of lending is described on page 19 in the group Risk Management Report.

CAF Bank's policies include maximum exposure values, and limits to manage concentration risk by sector. Exposure to geographical area is monitored. At 30 April 2016, the largest loan was £5m. The maximum aggregate exposures to any one sector and geographical area were 30% and 33% respectively.

Loans, overdrafts and BACS facilities are subject to regular monitoring of loan performance and individual annual review. A collective provision of £269k has been made at 30 April 2016 reflecting losses that may have been incurred but not yet identified. One overdraft of £23k was written off during the year (2015: nil).

No accounts were in arrears at 30 April 2016 (2015: none). One account is considered impaired as the borrower has decided to cease its activity (2015: none). No loss is expected on the impaired loan due to the value of security held by CAF Bank.

### Secured and unsecured lending

	2016	2015
	£000	£000
Loans and advances to customers	46,329	20,453
Contingent liabilities and commitments	9,099	7,723
	<b>55,428</b>	<b>28,176</b>
<b>Amounts included within the above:</b>		
Secured on property	53,660	26,788
Unsecured:		
Loans	356	22
Overdrafts	1,412	1,366
	<b>55,428</b>	<b>28,176</b>

## 30.2 Liquidity and Funding Risk

CAF Bank's exposure to and management of Liquidity and Funding risk is described on page 19 in the group Risk Management Report.

CAF Bank has a high level of liquidity, holding buffer eligible assets of £561m. Liquidity buffer assets comprise investments in the Bank of England Reserve Account, UK Gilts, T Bills, and multilateral development banks.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 30.3 Market and Interest Rate Risk

CAF Bank's exposure to and management of Market and Interest Rate risk is described on page 20 in the group Risk Management Report. The following tables set out details of the maturity and duration of financial instruments held by CAF Bank.

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

### CafCash (current accounts)

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

Assets and liabilities analysed by interest rate pricing time periods

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 30.3 Market and Interest Rate Risk (continued)

	Next day	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Other items	Total
At 30 April 2015	£000	£000	£000	£000	£000	£000	£000	£000
<b>Assets</b>								
Balances at Bank of England	219,202	582	-	-	-	-	-	219,784
Loans and advances to banks	-	-	-	40,000	3,000	-	-	43,000
Loans and advances to customers	20,206	-	-	-	-	-	-	20,206
Debt securities	-	280,843	84,849	116,742	249,574	-	-	732,008
Prepayments and accrued income	-	-	-	-	-	-	5,753	5,753
	239,408	281,425	84,849	156,742	252,574	-	5,753	1,020,751
<b>Liabilities</b>								
Customer accounts	663,936	-	-	23,694	299,830	-	1,819	989,279
Bank overdraft	1,226	-	-	-	-	-	-	1,226
Other liabilities	-	-	-	-	-	-	4,002	4,002
Accruals and deferred income	-	-	-	-	-	-	241	241
Subordinated liabilities	1,100	-	-	-	-	1,000	-	2,100
Preference shares	-	-	-	-	-	-	1,775	1,775
Shareholders' funds	-	-	-	-	-	-	22,128	22,128
	666,262	-	-	23,694	299,830	1,000	29,965	1,020,751
Interest rate sensitivity gap	(426,854)	281,425	84,849	133,048	(47,256)	(1,000)	(24,212)	-
Impact of 2% change in interest rates	-	344	(628)	(1,943)	2,953	94	-	820

## 30.4 Other categories of risk

- Strategic risk
- Capital risk
- Regulatory risk
- Operational risk
- Reputational risk

The Group approach to exposure to and management of each of the above risks is described in the Group Risk Management Report on page 20 and 21 and includes particular reference to CAF Bank in respect of regulatory and operational risk.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 30.5 Capital Management

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

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

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

CAF Bank Capital Resources comprise:	2016	2015
	£000	£000
Ordinary share capital	19,350	19,350
Distributable reserves	1,000	778
Additional tier 1 capital	4,000	2,000
Preference shares	1,775	1,775
Subordinated debt	2,100	2,100
Amortisation	(840)	(630)
	<b>27,385</b>	<b>25,373</b>

## 31. Reconciliation with previously Generally Accepted Accounting Practice

In accordance with the requirements set out in the basis of preparation in note 1.1 a reconciliation of opening balances and net income/(expenditure) for the year is provided with the net income/(expenditure) under previous GAAP adjusted for the presentation of investment gains/(losses) as a component of reported income.

	Notes	30 April 2015	1 May 2014
Group		£000	£000
Funds as previously stated		1,052,807	998,001
Legacies – accrued income	Recognise income when considered probable. Debtors adjusted.	10,335	4,981
Dividends – accrued income	Recognise income when considered probable. Debtors adjusted.	1,703	1,699
Grants receivable – Russian entities	Recognise income when considered probable. Debtors adjusted.	864	859
Grants payable – Russian entities	Recognise expense when commitment arises. Creditors adjusted.	(414)	(302)
Lending fees – deferred income	Amortise fee income over life of the loan. Creditors adjusted.	(222)	(79)
<b>Total funds</b>		<b>1,065,073</b>	<b>1,005,159</b>

	Notes	Year ended 30 April 2015
Group		£000
Net movement in funds as previously stated		54,806
Legacies – accrued income	Recognise income when considered probable. Donations and legacies income adjusted.	5,354
Dividends – accrued income	Recognise income when considered probable. Investment income adjusted.	4
Grants receivable – Russian entities	Recognise income when considered probable. Donations and legacies income adjusted.	5
Grants payable – Russian entities	Recognise expense when commitment arises. Donations paid to charities expense adjusted.	(112)
Lending fees – deferred income	Amortise fee income over the life of the loan. Fee income adjusted.	(143)
<b>Net movement in funds</b>		<b>59,914</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

## 31. Reconciliation with previously Generally Accepted Accounting Practice (continued)

### Lending fees – deferred income

Loan arrangement fees are recognised using the effective interest method over the term of the loan, rather than at the time of the initial advance as under former UK GAAP, resulting in income being deferred.

	Notes	30 April 2015	1 May 2014
Charity		£000	£000
Funds as previously stated		1,005,491	949,431
Legacies – accrued income	Recognise income when considered probable. Debtors adjusted.	10,335	4,981
Dividends – accrued income	Recognise income when considered probable. Debtors adjusted.	1,703	1,699
Grants receivable – Russian Branch	Recognise income when considered probable. Debtors adjusted.	549	380
Grants payable – Russian Branch	Recognise expense when commitment arises. Creditors adjusted.	(380)	(297)
<b>Total funds</b>		<b>1,017,698</b>	<b>956,194</b>

	Notes	Year ended 30 April 2015
Charity		£000
Net movement in funds as previously stated		56,060
Legacies – accrued income	Recognise income when considered probable. Donations and legacies income adjusted.	5,354
Dividends – accrued income	Recognise income when considered probable. Investment income adjusted.	4
Grants receivable – Russian Branch	Recognise income when considered probable. Donations and legacies income adjusted.	169
Grants payable – Russian Branch	Recognise expense when considered probable. Donations paid adjusted.	(83)
<b>Net movement in funds</b>		<b>61,504</b>

### Legacies – accrued income

Under FRS 102, income must be recognised where receipt is probable, while under former UK GAAP income would have been recognised when 'virtually certain'.

### Dividends – accrued income

Dividends are recognised when they become 'ex dividend', rather than on receipt of funds. This results in accrued income being recognised as shown.

### Grants receivable and payable – Russian entities

The lower threshold for recognising income under FRS 102 results in grant funds received by CAF Russia being recognised as income. The award of a grant payable is recognised as a liability under FRS 102 where there is a constructive obligation and there are no conditions attached to the payment that limits its recognition.

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at July 2016

Chief Executive

Dr John Low CBE

Director of Finance and Operations

Mike Dixon ACA

Director of International

Michael Mapstone

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

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