

TRUSTEES REPORT

and financial statements
for the year ended
30 April 2018



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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

One of the tremendous strengths of CAF is its ability to bring people together from diverse walks of life, with a huge range of passions and interests, but with a common goal of taking action to make our world a better place.

In that context, it was an enormous privilege a few months ago to meet many of our generous major donors in person, and talk about their charitable endeavours. For many their journey started with one donation but their support for their favourite causes had gone on to become a major part of their lives. Their enthusiasm for causes is infectious, from education in Africa, to starting offenders on the journey from a prison cell, to life with a purpose or helping vulnerable children to thrive. In each case CAF had helped them make a difference.

The venue that night was the Garden Museum on London's South Bank, a space transformed with the help of finance from CAF Bank, and just one example of how CAF uses the techniques of finance and business to achieve things for great causes that make a difference to lives and communities around the world, making giving count.

CAF has developed tremendously over the past years, once again sending more than half a billion pounds in donations to charities last year. The growth in donations we pass on over the past decade, during a decade of economic uncertainty and political change, reflects the enormous and enduring generosity of hundreds of thousands of people, and thousands of businesses which we help get support to where it is needed most.

Last year was the 30th anniversary of payroll giving, a simple and convenient way for people to give direct from their salary before tax is deducted, something pioneered by CAF and a legacy of our track record of innovation which has helped us send more than £1.3bn to charities from employees over the intervening years.

Our social investment arm, CAF Venturesome, pioneered the use of philanthropic capital to provide loan finance to give smaller organisations the help they need.

CAF Bank once again has had a successful year, with the value of drawn and committed loans growing to over £100m for the first time. That lending supports charities of all kinds to invest. Charities like Stoll, that works with ex-servicemen and women who are struggling to reintegrate into civilian life has opened a new housing development in Aldershot thanks to support from CAF Bank.

Today we are still innovating, for example helping companies grant millions of pounds from the national plastic bag levy to charity. That is a great combination of a charge which is dramatically reducing plastic waste and supporting thousands of good causes in the process, and a model of how charges and levies can be put to use.

We are investing in our own journey of digital transformation, upgrading our website to make it easier to give on the move, help people sponsor friends and family and test new channels to improve the experience of giving through CAF. We have seen huge improvements, and will roll out significant development and partnerships to test new channels in the year ahead. Behind the scenes, we are embarking on major developments to our IT systems, improving security, making us more efficient and preparing us for the future.

While managing money for donors and charities is at the heart of our work, CAF is so much more, providing ever growing insight, new ideas and advocacy which we hope will help charities adapt for the future. Thousands of charities receive data from our monthly polling on giving from our UK Giving series. Our ideas about growing philanthropy in our great cities, and building a culture of giving in the fast growing economies of the world are becoming part of the mainstream discussion among policymakers here and around the world. Our work on the impact of technology on charities and society is shaping thinking about the ways in which artificial intelligence might be harnessed for good.

While CAF traces its origins back more than 90 years, this type of work is at the leading edge of change, reflecting the desire of my fellow Trustees and the management team to invest in the future of CAF as a key part of our charitable infrastructure.

During the year, we have welcomed several new colleagues as Trustees of CAF and said farewell to valued friends as their terms of office have come to an end. I am enormously grateful for their wisdom and support, in particular Iain MacKinnon who made an enormous contribution chairing CAF Bank for the past 6 years. I am also indebted to our highly professional and hard working staff who are key to our successes.

Looking to the next few months, we will also see the departure in September of two long-serving Trustees, Saphié Ashtiany, our Vice-Chair, and Robin Creswell, the Chair of our Investment Advisory Committee. Both are retiring after our maximum of three terms as Trustees. Saphié has been a tireless advocate of our charitable mission, and a wise advisor on legal issues, as well as a wonderful Vice-Chair. Robin has brought great investment wisdom during a period of extraordinary financial conditions, and helped CAF to build its reserves during this period.

This will be my last Chairman's report, as I too will retire in September from the Board of Trustees after three terms. It has been an absolute privilege to work in such a significant organisation, with wonderful Trustees, and a truly talented and committed set of managers. A highlight for me this year was the knighting of John Low to become Sir John Low, a tribute not only to John's leadership but also to the importance of CAF in the world.

I am very excited that at the start of 2019 James Leigh-Pemberton will become Chairman of CAF. James brings to the role a wide set of experiences in the charitable, financial and public sectors, and as importantly real enthusiasm for the mission and future possibilities for CAF. I am very confident that under his leadership, the Trustees and the management will enable CAF to deliver more benefits to the charitable sector and its supporters.

While times and leadership change, some things endure. For CAF, a central constant is the amazing generosity of all those who give through CAF and make such a tremendous difference to causes of all kinds, in all parts of the world. For that, they deserve our heartfelt thanks.



Dominic Casserley
Chairman of Trustees

ACHIEVING OUR MISSION: WE MAKE GIVING COUNT

We are CAF and we exist to make giving go further, so together we can transform more lives and communities around the world.

We are a charity, a bank and a champion for better giving, and for over 90 years we've been helping donors, companies, charities and social organisations to make a bigger impact. Our independence, expertise and reach mean we are uniquely placed to do this.

For donors we make it easier to give, so you can give more, and more often, confident that your money gets to where it is needed. For companies and their people, we make it possible for you to give and keep on giving to do more for your communities. For charities and social organisations we provide the necessary support so you can get more help to where it matters, more efficiently. And for society we invest to help grow the culture of giving throughout the world.

For donors: We make it easier to give

We provide ways to give in ways which suit you, whether you want to give a few pounds a month or a few million pounds.

CAF Charity Account: Our regular givers donate to CAF, we add Gift Aid and then hold the donations until donors ask us to send their donations to charitable causes around the world.

CAF Charitable Trust: Our major donors give cash, shares or other assets to us. We add Gift Aid and then hold or invest the funds for the future until donors ask us to send their donations to charitable causes around the world.

CAF Give As You Earn: We enable employees to give direct from their pay, before tax and either send the money direct to charities of their choice or fund a CAF Charity Account or CAF Charitable Trust so they can fund their chosen charities at a later date.

CAF Charitable Legacy Service: CAF offers an easy and flexible way to leave a gift in your will to benefit as many charities as you like.

For companies and organisations

CAF Company Account: Companies can donate to CAF, we will then hold the funds and companies can fund charitable causes around the world.

CAF Give As You Earn: Our sector-leading payroll giving service allows companies and organisations to offer a convenient way to give to all their employees.

Corporate Advisory Services: We offer advice to companies and organisations to integrate social purpose through high impact strategies and programmes and provide a range of other services.

Grant making: We're experts in helping organisations design their own grant programme or delivering it for them.

For charities

Everyday charity banking: CAF Bank, the specialist bank for charities, wholly owned by CAF, offers transactional current and deposit accounts.

Savings: We offer a range of instant access and fixed term savings accounts

Loans and Borrowing: We offer secured loans to fund charity projects from CAF Bank and social investment loans from CAF Venturesome, our pioneering social investment arm.

Donations: CAF Donate makes fundraising easier by helping charities manage donations online, by post and by phone, all in one place.

Strategic consultancy: We're experts in supporting charities to become financially sustainable and resilient, so they can perform at their best and make a bigger impact.

International

CAF Global Alliance: Spanning six continents, with local experts in nine countries, we help donors create the greatest impact with their giving.

Sector support

Research, policy and public affairs: Our world class research, insight and policy work helps shape the environment for civil society, in the UK and around the world.

ACHIEVEMENTS AND PERFORMANCE

Overview

CAF aims to make giving count by making it easier for people and businesses to give more, and by helping charities and social organisations to get money to where it is needed, as efficiently as possible.

We are pleased that the appetite of our donors to give remains extremely strong with overall donations made to CAF exceeding expectations for the year, and ending 2017/18 close to what was an exceptional year in 2016/17.

We have made progress in many areas; increasing loans drawn or committed by CAF Bank to over £100m; building stronger security for charities; growing the CAF American Donor Fund (CADF) by more than 13% in a year, and increasing our grant making and advisory work.

Our digital services continue to develop, focussing on improving the experience of using CAF services. This included significant online updates for CADF, improvements to the CAF individual donation journey and our homepage, while ensuring that services are seamlessly accessible from mobile devices. Web traffic increased by 13% from 2016/17 to 2017/18.

We have invested in product development to introduce products, services and features to benefit those we serve and make it easier and more cost effective to use CAF. We have also strengthened our compliance and risk functions in the past year, building our capacity to respond to increased regulatory demands and continue to ensure that our donors, both corporate and individual, can give securely and with confidence.

That has helped us grant funds to charitable causes in more than 110 countries, including many where the challenges and needs are greatest. Our role ensures that people get the support they need, while donors and charities are reassured that their donations are reaching the right place.

CAF Bank remains popular, and has grown its lending, helping support capital projects in charities, while our pioneering social investment arm CAF Venturesome continues to support ground-breaking and exciting projects across the country.

As an organisation partly dependent on interest income, we have worked hard to control costs and invest in growth to mitigate the effect of the Bank of England's decision to cut interest rates in 2016. The Bank's decision to raise interest rates late in 2017 was welcome, and we will monitor the situation closely as it evolves.

Part of CAF's appeal is to help donors plan their giving, allowing them to hold their philanthropic funds until they ask us to donate them on to charitable causes. This means that a difference arises between the donations made to CAF and the donations we are asked to send on to charities on behalf of donors in a particular year. This year the amount we donated on to charities was lower than 2016/17, reflecting the wishes of our donors.

	2018	2017
Donations received from donors	£607m	£611m
Donations paid to charities	£505m	£539m

(further details are set out on page 16)

Major donors

It has been another very successful year helping major donors with their giving in the UK and globally and our community of private clients, our major donors, continues to grow.

We advise clients directly and partner with leading financial and professional services organisations to help their own clients with philanthropy and social investment. We encourage donors to step back and think about their longer term giving approach, helping them to consider areas like legacies, family philanthropy, giving circles, repayable finance and impact strategies.

CAF is the UK market leader in donor advised giving, providing services to support the causes our major donors care about both in the UK and around the world. We anticipated that donations by our major donors would not reach the exceptional levels of 2016/17, which saw very substantial individual donations by people building up their philanthropic funds for the future.

This year donations by our major donors continued to exceed our expectations through the year, exceeding £224m during 2017/18, reflecting their enduring generosity. We were delighted to help our major donors to send more than £157m to charities around the world, reflecting the desire of most donors to give their funds to beneficiaries rather than husband them for future philanthropy.

We enable donors to support transformational projects in the UK and overseas, for example funding research into the eradication of the PTEN gene mutation, investing in innovative ways to address mental health issues, or funding the Black Sea Maritime Archaeology Project (MAP) which is researching the history of the Black Sea.

We continue to invest in our services for donors, giving them the modern, convenient, online experience that encourages them to give. Our new online interface for the CAF American Donor Fund is already proving popular with our many transatlantic donors and we believe this provides an ideal model to guide modernisation of our services for donors over the coming years.

Regular givers

The generosity of our regular givers, the thousands of people who use a CAF Charity Account to give every month to charity, is remarkable and reflects the long-standing desire of the British public to give. Overall donations by our regular givers, including those funding their accounts through CAF Give As You Earn, exceeded our expectations, reaching over £125m during the year, up from £103m in 2016/17. Many donors use CAF to create a charitable savings fund that allows them to give when they wish. Donations on to charities run slightly behind donations to CAF as donors consider where to direct their donations, and were slightly lower overall, at £108m, reflecting the wishes of our donors during the year.

Donations paid to charities from CAF Charity Accounts	2018	2017
Gift Aid Funded	£75m	£81m
CAF Give As You Earn funded	£33m	£31m
	£108m	£112m

We have continued to develop our service for regular givers, making it easier for people to give online and sponsor their friends and family using their CAF Accounts to maximise the value of sponsorship to charities.

In 2017/18 we claimed £57.2m in Gift Aid in respect of our major donors and regular givers, reducing the administrative burden on charities, and making it easier for people to make their giving count.

Companies

We partner with major corporate clients to help them maximise the social impact of their charitable giving and corporate responsibility strategies.

We continue to be the leader in managing corporate philanthropic capital in the UK with growth across both our corporate and employee giving. We have been delighted at the growth of funds for charities from the national plastic bag levy. We now manage 23% of plastic levy funds and deliver community programmes at scale for many of the major retailers, such as the Co-op Community Fund, where we have worked with the Co-op to grant £9m to 4000 charities across the UK.

Our corporate giving programmes go from strength to strength as illustrated by Viiv Healthcare. Through CAF, Viiv has funded 360 community-based organisations around the world to the value of £36m and, by doing so, supported marginalised groups that struggle to receive conventional funding. This growth has been accompanied by the introduction of our online grant making service to help clients deliver inspiring programmes aimed at helping people in the UK and internationally.

This year we celebrated 30 years of our pioneering payroll giving service CAF Give As You Earn, which has directed £1.3bn into charities during that time. We continue our commitment to the digital development of our flagship employee product with over half of all our major clients now online. We work closely with third parties, from flexible benefits providers to professional fundraising organisations, to ensure as many employers can offer and promote CAF Give As You Earn to their employees in the way most suited to their working culture.

The corporate and employee giving market is evolving rapidly. Investment in digitalisation and automation remain critical to drive our leadership position in the market. We continue to build our work with organisations that have an appetite for ambitious giving and social investment programmes through our dedicated account management and award-winning customer service teams.

Charities

We have grown our online fundraising service CAF Donate, which processed donations worth £28.7m during the year, in line with our expectations. CAF Donate has proved particularly appealing to smaller charities which use our platform to allow them to accept Direct Debit donations. For example, BuildAid has been able to raise nearly £23,000 to fund their latest construction project – the Trinity Angels orphanage in the Philippines.

We are investing in programmes to build the resilience of charities, developing ways for charities to invest their funds.

Our grant making work continues to grow, delivering 15 grant programmes with £7.3m distributed to 2,184 causes.

Our investment services for charities remain popular with charities. Our range of savings accounts exceeded our expectations, allowing charities to access the best rates we can negotiate for them.

Last year we reported that CAF was able to launch the UK's first secure digital investment platform designed for charities, helping them find ways of getting a return on their money at a time when interest rates are among the lowest in history.

This year the service has taken on its first charity investments and won the Innovation in Fund Services Award 2017 at the prestigious Investment Week Fund Services Awards.

Growth has been slower than expected due to the decision of our initial platform provider to exit this market. We are transitioning to a new provider and are optimistic that we will be able to provide significant support and value to charities as they attempt to optimise their resources in the continuing environment of historically low interest rates.

Our advisory and consulting services continue to develop strongly, exceeding our expectations, and we are pressing ahead with the development of our CAF Resilience programme, which aims to build the capacity and resilience of small and medium sized charities through a package of advisory work and other support. It helps them to become more resilient and build greater social impact over time. It is designed and run by CAF with funding from our private clients and the aim is to encourage more major donors to support it and take an interest in the smaller charity sector.

We intend to share the learning with the whole sector for the benefit of both charities and funders.

Our social investment arm, CAF Venturesome, has approved £2.5m worth of social investments and raised £4m in philanthropic funds to support our ongoing investment in a huge variety of charities and socially worthwhile enterprises.

CAF Bank

CAF Bank's everyday banking, savings and loans are central to our suite of financial services tailored to charities.

CAF Bank has continued to increase lending, building a highly varied loan book, supporting investment by charitable organisations from social housing and faith to disability and education, as well as residential development lending to philanthropically-minded individuals. The value of drawn and committed loans has grown to just over £100m, representing about 10 per cent of the balance sheet.

We will continue to focus on growing this part of our work in a steady and controlled way.

Lending from CAF Bank has a major impact on the organisations we serve. For example Hope Church in Newtown, Wales, is redeveloping its facilities and extending its community activities including a full-time day nursery and daytime activities for parents and toddlers, children and the elderly.

International

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

Globally, the climate for civil society continues to be under pressure. The CAF Global Alliance strengthens the sector through capacity building initiatives, growing cross-border philanthropy and catalysing domestic mass market giving.

One specialist area of support for donors is CADF, which is part of the CAF group and serves the needs of dual UK and US taxpayers on both sides of the Atlantic. With nearly 300 donors, CAF is the market leader in this area. Over £70m was given by CADF clients in 2017/18 which is an increase of 13% on the prior year which itself was an exceptional year. Grants to charities totalled £59.8m, 7% higher than prior year. This money went to support good causes in the UK and around the world with a particular emphasis on education, religion, health and human rights.

Working closely with wealth and professional advisers in both the UK and the US, we are growing quickly and supporting a growing community of international donors. We have invested in a new mobile-enabled online platform for CADF which has been received well by clients and potential clients alike and provides a model for future digital services for our major donors.

CAF America, CAF's US subsidiary, continues to outperform expectations, with donations to charities of £36.3m, up from £28.7m in 2016/17. Our profile and presence as a leader in international giving in the USA was further enhanced with CAF America climbing the tables of US foundations, rising 16 places to 255 of 1.2m foundations. CAF America was named, for the first time, as one of the top 50 nonprofit places to work in the United States by The Nonprofit Times in partnership with Best Companies Group. CAF Canada, CAF's Canadian subsidiary, established in 2014, continues to exceed expectations, distributing £2.5m.

CAF Russia, through our branch and subsidiary in Russia, led #givingtuesday for the second year, successfully working with 1,850 partners and holding 2,000 events across 210 cities and towns, almost doubling the amount of donations from the public on the day.

The sector leading work on Corporate Social Responsibility (CSR) by CAF India, our partner in India, has been recognised by the government who have invited us to produce a guide on Indian Standards on CSR for corporations and to develop Sustainable Development Goal (SDG) guidelines by the government for domestic Indian Non-Governmental Organisations (NGOs).

The economic and political climate in South Africa and Brazil remains challenging. Our partner, CAF Southern Africa, however, has made good ground in its corporate advisory work and, with CAF's support, is investing in digitising its validation systems to further improve the support we provide to civil society. IDIS, our Brazilian partner, launched a new campaign to grow public giving, as well as making good progress in its efforts with the government to introduce an effective endowment policy.

Sector support

CAF is a leading voice in the charity sector, working to use insight, analysis and policy proposals to create an open and enabling environment for civil society, in the UK and around the world.

We are delighted that our policy work on place-based giving, the role of disruptive technology and the potential to grow giving in fast developing international economies is reflected in Government thinking around the forthcoming UK civil society strategy.

The Government's decision to reduce the risk rating for civil society organisations from medium high to low in its latest national risk assessment was also extremely welcome, and reflects our long running work with national and international bodies aimed at ensuring charities are able to work safely through the international financial system.

Our flagship UK Giving survey has grown to be the largest survey of household giving in this country, informing commentators and policymakers, while providing thousands of charities with monthly updates on giving trends. For example, we have demonstrated the remarkable stability of giving in the UK when compared with a wide range of external economic indicators.

CAF's annual World Giving Index continues to be an influential measure of comparative generosity around the world, and we have supplemented this broad international study with more detailed country giving research covering Russia, India, Brazil, South Africa and the United States.

At the international level, CAF continues to cement its profile and positioning around the important role philanthropy plays in global development and civil society sustainability. In partnership with Wilton Park, a non-executive agency of the UK Foreign Office, we hosted an international conference on the role of philanthropy in delivering the SDGs, bringing together leaders from foundations, companies, International NGOs and other stakeholders.

PLANS FOR THE FUTURE

With a continuing low interest rate environment and ongoing political and economic uncertainty, we remain committed to managing our costs, while continually investing for the future so we can grow giving and help charities everywhere to thrive.

Our plans follow four strategic principles:

Driving growth and impact

Our aim is always to maximise the donations we are able to collect and therefore maximise the funds we are able to donate on to tens of thousands of charities all over the world. We do this on behalf of our generous donors, whether they are major donors and philanthropists, regular givers, companies or organisations.

We are seeing significant opportunities to grow cross border giving, particularly among US and UK citizens living on both sides of the Atlantic. We aim to increase CAF Bank's lending portfolio beyond £100m, giving much-needed capital support to charities aiming to invest in the future, and helping support everyday banking for charities.

We are transforming our digital presence, upgrading our online donation journey, to make it easier for people to give from their PC or mobile device and upgrading our back office functions to make them more efficient.

We will continue to improve the user experience including a significant development for private clients as well as test and learn partnerships in new channels such as web-chat and mobile apps. We are also expanding our transformation programme to look at large scale process re-design to enable increased automation.

We are very grateful for the support we have had from the investment fund managers helping us bring together charity-specific investment funds in a single place. We are driving forwards with the promotion of the award-winning CAF Investment Account to charities which have not previously had easy access to specialist charity funds through an online platform designed specifically for charity investors. Not only does this assist charities to select and administer investment portfolios, it is a unique way for charities to invest in funds and equities, including many funds open only to the not-for-profit sector, to help them maximise their resources for the future.

And we see great potential to grow our grant making work, helping foundations, companies, and government bodies grant funds to support thousands of charities around the world.

Accelerate digital capacity

Transforming access to our services, to ensure they remain appealing and relevant to a world where mobile technology is an essential part of everyone's lives is a key priority for us. Last year, we launched a mobile hub for CADF and we will use the learnings from this so that we can develop digital services for all of our donors. We are learning more and more about the needs of future donors and are exploring exciting opportunities to develop our online and mobile services, while maintaining the quality, security and personal touch which our donors rightly expect of us.

We will continue to add facilities to the CAF Investment Account, our online investment platform for charities, making that a simple, one-stop service for them to invest and manage their funds to greatest effect.

Customer service excellence

We are proud of our customer service and our team whose friendly, helpful approach is greatly appreciated by the thousands of people and organisations we serve. We continue to focus on customer service excellence, and strive better to understand our customers' needs and their feedback so we can serve them better.

We are investing in our compliance and validation resources, which are at the heart of our ability to facilitate making donations to virtually any charity around the world. We are working to utilise smart technology, to make our processes faster and more efficient, while ensuring that we make donations in line with global best practice so our donors can give with confidence wherever they are, and whatever cause is close to their hearts.

Quality and efficiency

Digital back office operations are key enablers to us improving customer experiences and to manage costs, so we are embarking on a major investment in our IT infrastructure during the year. Updating our systems is a key priority for us, making CAF more resilient, more efficient and more adaptable to an ever changing future.

FINANCIAL REVIEW

Overview of the year

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

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

Despite the ongoing uncertainties arising from Brexit in the UK and the worldwide political unease, together with a background of a mixed economic recovery, our donors' generosity again ensured that overall giving exceeded £600m for a second successive year, with the group's unrestricted, restricted funds and depositor balances growing during the year.

Following our record year in 2016/17, we have seen donations and legacies received from our donors, fall slightly but remain in excess of £600m. Once again donations paid out to charities from our restricted funds exceeded £500m. Although this was a little below 2016/17, we remain encouraged by the ongoing level of donations and legacies received, which we expect to support high levels of giving to beneficiary charities into the future.

	Donations & legacies received		Donations paid to charities	
	2018 £m	2017 £m	2018 £m	2017 £m
Restricted funds per Group Statement of Financial Activities (SOFA)	546.6	553.0	445.4	480.7
Donor client balances (note 18 to the Financial Statements)	102.9	94.9	59.9	58.4
less: CAF Give As You Earn receipts transferred to restricted funds and included in the Group SOFA	(42.4)	(36.9)	-	-
Net donor client balance	60.5	58.0	59.9	58.4
Total	607.1	611.0	505.3	539.1

Unrestricted funds

Although we saw a small increase in UK base rates in November 2017, this merely restored rates to the pre-Brexit record low of 0.50%. CAF and the group therefore continues to be impacted by low interest rates and we continue to tightly control costs across the organisation.

At 30 April 2018 group unrestricted funds stood at £60.3m (2017: £60.2m). This small increase follows an increment of £5.3m in the preceding year, largely driven by an exceptional level of legacy income of £4.8m. Legacy income for the current year amounted to £1.8m. In respect of normal day-to-day operating activities we saw income exceed expenditure by £10,000 (2017: £3.3m, including the exceptional level of legacies). Despite the £3.0m decrease in income from legacies, group income at £37.1m was just £1.8m lower, as a result of fee income increasing by a total £1.1m as we saw growth across a range of our activities. There was a controlled increase in expenditure, as we invested further in resilient and secure IT systems and ensured continuing compliance with the ever-changing regulatory environment, including data protection.

Restricted and endowment funds

The CAF group received £560.7m into restricted and endowment funds from individual and company donors in the year by way of donations and investment income and donated £445.4m to other charities in the same period (2017: £565.8m and £480.7m respectively).

Income from donations and legacies of £546.6m (2017: £553.0m) was slightly lower than last year. In 2016/17 we experienced exceptional levels of giving from a number of our major donors. Although we did not see the same number of exceptional donations from our major donors this year, we saw donations received from our Regular Givers rise from £103.3m to £125.4m. This increase was a result of a number of significant individual gifts and the total consists of £90.8m in respect of individual Charity Accounts and £34.6m in respect of CAF Give As You Earn Charity Accounts.

This was coupled with a slight increase of £1.0m in donations received into CAF Company Accounts with the total rising to £70.8m. Funds flowing through CAF American Donor Fund, CAF America and CAF Canada again showed growth, with donations to charitable causes around the world increasing from £85m to almost £100m.

Although we saw a broadly similar level of income during the year, donations paid to charities from donor accounts fell by 7% to £445.4m from £480.7m. Major donors continued to increase their funds for future giving and following an exceptional year in 2016/17, giving by companies fell back to £75.9m from £98.2m. Although growth in the UK investment markets did not reach the exceptional levels of 2016/17, we saw investment gains add a further £14.7m (2017: £75.4m) to the philanthropic capital held for major donors. Consequently, group restricted and endowment funds increased by £129.6m and at 30 April 2018 stood at £1,354.4m (2017: £1,224.8m).

Depositor and donor client balances

Depositor and donor client balances principally consist of the liabilities of CAF Bank. At 30 April 2018 CAF Bank depositor balances stood at £1,048.1m (2017: £1,002.1m), while donor client balances in respect of payroll giving through CAF Give As You Earn together with those held for CAF Donate, our donation administration service for charities, stood at £5.2m (2017: £6.3m).

During the year CAF Bank continued to transition into a more diversified bank with a growing lending book and a small base of philanthropically minded personal customers. CAF Bank lends to charities and other social purpose organisations and provides residential development loans to personal customers who make a charitable donation in lieu of part of the arrangement fee.

The CAF Bank loan book grew during the year, driven by demand from charities for funds to enable them to support their mission. Loans drawn at 30 April 2018 were £92.0m (2016/17: £72.5m) with a further £11.8m committed (2017/18 £12.4m). CAF Bank benefits from a loyal base of charity deposit customers who provide a strong and stable source of funds, enabling loans to be advanced to other charities at competitive rates.

Although demand from charities and personal customers for loans continues, we are seeing a level of apprehension and uncertainty around the impact of Brexit on the economy which is resulting in slightly slower growth in the loan book than planned.

CAF Bank is continuing a significant programme of investment in IT to improve operational resilience and security. Two factor authentication is planned to be introduced later in 2018 to bolster security for internet banking customers and a further series of IT hardware and software upgrades is planned for 2018/19.

CAF Bank's personal banking service offers current account banking by invitation to individuals in conjunction with their making a regular tax effective donation to charity. CAF Bank had 215 personal accounts at 30 April 2018.

CAF Bank reported a profit on ordinary activities before taxation of £4.5m in 2017/18, an increase of £0.1m on 2016/17. CAF Bank benefitted from growth in lending, although this was offset by higher staff costs to meet increased regulation and lower income on treasury investments, in spite of an increase in Base Rate during the year. CAF Bank's profits are gifted to CAF to support its charitable activities.

Reserves policy

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

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

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

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

Group unrestricted funds, which also represent our reserves, stood at £60.3m at 30 April 2018, representing a slight increase during the financial year. This level of reserves at 30 April 2018 is considered to be sufficient to support the ongoing activities and development of the group.

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

CAF investment policies and performance

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

CAF continues to be extremely cautious in the current financial climate, only placing funds, over which it has discretion, with UK 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 2017/18 funds were invested primarily in term deposits with UK banks, but may from time-to-time be invested in gilts, multilateral development bank bonds and in a small value of highly-rated corporate bonds.

Restricted funds

Investments are held for restricted funds as follows:

Financial investments – Trust funds

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

Other restricted funds – Wholesale treasury assets

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

At 30 April 2018, our portfolio yield was 0.9519% (2017: 1.0891%), compared with a benchmark of 6 month LIBOR of 0.8679% (2017: 0.5028%). While we continue to benefit from higher rates on some remaining longer term deposits, we are seeing this performance fall away further as longer term deposits mature.

Investment policies of subsidiary and associated companies and trusts are determined and managed by their respective boards. Details of these policies are set out in the report and financial statements of each entity.

Going concern

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

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

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

CAF Trustees

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

- Not less than eight Trustees appointed by resolution of the Trustees; and
- the Chairman of NCVO (National Council for Voluntary Organisations)

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 2017 to 30 April 2018	Total no. of meetings attended during 2017/18
Dominic Casserley (<i>Chairman</i>)	5/5
Saphié Ashtiany (<i>Vice Chair</i>)	5/5
Stuart Barnett (<i>former Chair, Audit, Risk & Compliance Committee</i>) – resigned, 14 July 2017	1/1
Robin Creswell (<i>Chair, Investment Advisory Committee</i>)	5/5
Matt Hammerstein	4/5
Peter Kellner (<i>Chair, NCVO</i>)	4/5
Tiina Lee	4/5
The Hon James Leigh-Pemberton CVO – appointed, 1 April 2018	1/1
Carole Machell	3/5
Iain MacKinnon (<i>former Chair, CAF Bank Ltd</i>) – retired, 26 April 2018	3/5
Dr Julie Maxton	3/5
Roger Perkin (<i>current Chair, Audit, Risk & Compliance Committee</i>)	2/5
Janet Pope (<i>current Chair, CAF Bank Ltd</i>)	4/5
Susannah Storey	5/5

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 arrangements by which staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Investment Advisory Committee

The Investment Advisory Committee is a panel of independent investment experts chaired by a Trustee. The committee meets with senior management at least four times a year. The purpose of the committee is to advise the Trustees on investment matters regarding CAF's funds as well as the funds held in CAF Charitable Trusts or as agent. This is undertaken in the context of our long range strategic plans, operational activities and Charity Commission guidelines. The committee monitors compliance with agreed investment policies and performance benchmarks. It also monitors compliance with procedures relating to investments, as well as providing other advice on an ad hoc basis.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee advises the Trustees on the appointment of CAF's Trustees and of the co-opted members and advisers to the boards and committees of the CAF group. The committee also makes recommendations regarding the remuneration of members of the Executive Committee of CAF (who form the key management personnel of the Group) and other senior members of staff, and reviews and agrees the basis for the general pay award to staff. Remuneration and salaries are assessed and reviewed against market rates using third-party data. The committee also reviews the general terms and conditions of employment of our staff including the provision of pension arrangements. The committee meets at least three times a year.

The CAF family

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

In order to deliver its mission and to comply with the regulatory requirements for the provision of banking and investment solutions to charities, in the UK CAF has created and holds mixed-motive investments in a number of subsidiaries, the largest of which is CAF Bank. These investments further CAF's charitable mission, as well as providing a financial return.

CAF has also built the CAF Global Alliance which comprises UK and overseas charitable entities, including CAF's subsidiaries and branches CAF American Donor Fund, CAF America, CAF Canada and CAF Russia. The CAF Global Alliance also includes a range of independent organisations including BCause (Bulgaria), Good2Give (Australia), CAF India, CAF Southern Africa and IDIS Brazil.

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

Full details of the CAF group are set out in note 2 to the financial statements.

Relationships with other charities

We have links with a large number of charities through the provision of financial and administration services, as well as with our founder, NCVO. CAF has an ongoing annual obligation to collect charitable contributions on behalf of NCVO under which £2.11m (2017: £2.07m) was paid to NCVO during the year.

Public benefit

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

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

RISK MANAGEMENT

Risk management framework

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

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

The framework is designed to support informed decision-making regarding the risks that affect our ability to achieve our objectives and is designed to manage rather than eliminate these risks. It also provides a consistent approach to identifying, assessing and monitoring current and emerging risks. The group's Risk Management Framework operates through top-down review by various governance committees and bottom-up review by individual functions and includes three key elements:

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

Developments in the charity sector have seen increased media, public and regulator interest in the operation of charities. The trustees and management remain focused on those risks which could adversely affect our reputation and ensuring that all activities are carried out in a respectful, open and honest manner.

The main risk categories faced by CAF or its subsidiaries are:

Non-financial risks

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

Financial risks

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

Non-financial risks

Risk	Mitigation
<p><i>Reputational risk</i></p> <p>Reputational risk is the risk of an adverse event resulting in damage to the group's and/or any of its subsidiaries' reputation, leading to lost revenue or increased operating, capital or regulatory costs.</p> <p>The group's standing in the eyes of its donors, customers, beneficiaries, charity sector and the general public is of critical importance to us. Reputational risk arises as a consequence of the other types of risk described below, and as such potential reputational impact is an integral part of assessing and managing those risks.</p>	<p>We work to build and protect our brand by ensuring our values are embedded in our staff and external communications.</p> <p>Our policies set out our risk and operational procedures for all areas of reputational risk, including financial crime, regulatory compliance, conduct-related concerns and employee relations.</p>
<p><i>Strategic and capital risk</i></p> <p>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.</p> <p>Changes in the financial markets have the potential to have a significant impact on our strategic plans. 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.</p> <p>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.</p>	<p>A detailed approach is taken to budget setting and development of financial plans and these are reviewed and approved by the board of Trustees. Regular detailed financial monitoring is carried out and actions taken to mitigate against any budget pressures, including effective cost management measures.</p> <p>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.</p> <p>Our planning processes include comparison of projected reserves against the minimum level of reserves required to support our ongoing operations and planned strategic growth.</p>

Non-financial risks (continued)

Risk	Mitigation
<p><i>Strategic and capital risk (continued)</i></p>	<p>Risks associated with the exit of the UK from the EU (Brexit) continue to be assessed and monitored, including the future of EU funding for charitable work, the longer term sustainability of corporate social responsibility programmes, the future of tax relief arrangements for donations into or out of the EU, and the future of London as a global hub for philanthropy. CAF does not receive any direct EU funding.</p>
<p><i>Regulatory risk</i></p> <p>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.</p> <p>CAF is regulated by the Charity Commission for England and Wales and is also required to comply with tax legislation for which HM Revenue & Customs is responsible for ensuring adherence. CAF is responsible for ensuring that the charitable funds which it receives, administers and distributes are managed in compliance with charity law and the tax legislation relevant to charitable giving and expenditure. CAF is supervised in the UK by the Financial Conduct Authority (FCA) for anti-money laundering purposes. CAF Bank is regulated by the FCA and the Prudential Regulation Authority. CAF Financial Solutions Limited is regulated by the FCA.</p>	<p>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.</p> <p>Quarterly reporting to our Audit, Risk and Compliance Committee (ARCC) on risks arising out of our operations and internal mitigating controls. The ARCC reviews and monitors the adequacy of internal controls and reports to the Board of Trustees on significant risks, any identified weaknesses in controls and progress of actions for addressing any such identified weaknesses.</p> <p>Data protection and information governance policies are in place and are reviewed to ensure our internal processes are robust and comply with any new legislative, regulatory or contractual requirements.</p> <p>Data governance training is compulsory for all staff and has been designed to ensure awareness of our duty to protect data and support implementation of our internal policies and procedures on data protection and information governance.</p> <p>The group is committed to ensure that the appropriate resource is made available to adhere to regulatory requirements, albeit in a proportionate way.</p>

Non-financial risks (continued)

Risk	Mitigation
<p><i>Operational risk</i></p> <p>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.</p>	<p>The group continually develops systems and controls to increase the probability of success and reduce the likelihood of failure associated with operational risks. Policies and practices are in place to address and mitigate our operational risks, the reporting of which will be enhanced on a continuous improvement basis.</p> <p>Key operational risks monitored by the group include exposure of group entities and their customers to financial crime, including money laundering. Customer and beneficiary reviews, including at advanced levels where required, are undertaken in line with best practice, anti-money laundering, prevention of terrorist financing and HM Revenue & Customs requirements.</p> <p>CAF Bank uses the Basic Indicator Approach to allocate capital to operational risk exposures.</p> <p>Our people are the key to our success so we invest significantly in learning and development. We carry out surveys of our staff and we develop and implement action plans to address key issues.</p> <p>We carry out comprehensive reviews of our business continuity arrangements and plans and perform ongoing resilience testing of key business-critical activities.</p>
<p><i>Cyber risk</i></p> <p>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.</p>	<p>We continue to respond to the need to ensure resilience, to layer up security measures and to build capacity as our operating model and volumes develop.</p>

Financial risks

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

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

Risk	Mitigation
<p><i>Credit risk</i></p> <p>Credit risk is the risk of financial loss arising from a borrower or counterparty failing to meet their financial obligations to repay the group in accordance with agreed terms.</p> <p>Credit risk arises primarily from investing funds with wholesale treasury counterparties and lending to charities and personal customers.</p>	<p><i>Wholesale treasury assets</i></p> <p>Wholesale treasury policies are reviewed and approved by the CAF Investment Advisory Committee and CAF Bank's Asset and Liability Committee (ALCO). The boards of group entities set criteria which include credit rating and counterparty lending limits, group exposures and country limits.</p> <p>Loans and advances are made to major banks, non-financial corporates and to the Bank of England. Counterparties and exposure limits are reviewed by the CAF Investment Advisory Committee and CAF Bank ALCO.</p> <p><i>Financial investments held for Trust funds</i></p> <p>CAF Charitable Trusts, CAF America Donor Advised Funds and CAF American Donor Fund Trusts (collectively 'Trust funds') are invested in accordance with policies approved by the CAF Investment Advisory Committee, on behalf of CAF's and CAF American Donor Fund's Trustees, and the board of CAF America. Donors typically hold a proportion of their funds in cash in order to meet their short-term giving expectations and invest funds to meet their medium to long-term philanthropic objectives. Donors plan donations by reference to the market values and liquidity profile of the assets held for their trust fund.</p> <p>The exposure to credit risk is also mitigated by directly investing only in liquid debt securities and with counterparties having a credit rating at purchase of at least A- or A3 from Moody's, Fitch, and S&P ratings.</p> <p>Cash held for Trust funds by investment managers pending investment is subject to the FCA's client money rules.</p>

Financial risks (continued)

Risk	Mitigation
<p><i>Credit risk (continued)</i></p>	<p><i>Lending and programme related investments</i></p> <p>There are two principal streams of lending activity: CAF Bank and CAF Venturesome.</p> <p>CAF Bank has in place a system of limits and controls to manage credit risk on its loan portfolio. Loan applications are reviewed by a credit assessment team and presented for approval to the Sanctions Committee, a sub-committee of the CAF Bank Credit Committee, in accordance with policies and criteria approved by the CAF Bank board. CAF Bank lending is secured on property and subject to maximum limits on loan to value ratios.</p> <p>CAF Bank's lending policies include maximum exposure values and limits to manage concentration risk by sector. Exposure to geographical area is monitored.</p> <p>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 Link Mortgage Services Ltd who provide regular management information on a loan-by-loan and aggregated basis.</p> <p>CAF Venturesome's programme-related investments enable charities to lever their operations, and deliver more social impact.</p> <p>All loans are subject to regular monitoring of loan performance.</p> <p>Provisions are assessed for evidence of impairment at both specific and collective level and where appropriate, includes consideration of the impact of a reduction in property values of various degrees of severity.</p>

Financial risks (continued)

Risk	Mitigation
<p><i>Liquidity and funding risk</i></p> <p>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.</p>	<p><i>Wholesale treasury assets</i></p> <p>Liquidity and funding risk is measured and monitored against daily limits and for CAF Bank against intra-day triggers. The liquidity position is monitored by the CAF Investment Advisory Committee and for CAF Bank by its ALCO and Executive Risk Committee. CAF Bank undertakes regular stress testing of its liquidity position and behavioural analysis of its liabilities and assets.</p> <p><i>Financial investments held for Trust funds</i></p> <p>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.</p>
<p><i>Market and interest rate risk</i></p> <p>Market and interest rate risk is the risk from adverse movements in external markets, e.g. interest rate movements, changes in investment values or currency movements that will reduce income or the value of assets. This includes interest rate risk in CAF Bank's banking book which is the risk arising from a mismatch between the duration of assets and liabilities.</p>	<p><i>Wholesale treasury assets</i></p> <p>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).</p> <p>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.</p> <p><i>Financial investments held for Trust funds</i></p> <p>Trust funds are invested to fund long term philanthropic goals of donors. The value of investments determines the value of funds available to make donations. Accordingly, a movement in equity markets or interest rates may affect the value of Trust funds held by the group, but does not impact the level of unrestricted funds.</p>

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

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

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

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

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

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

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

The Trustees report on pages 4 to 30 was approved by the Board of Trustees on 12 July 2018 and signed on their behalf.



Dominic Casserley
Chairman of Trustees

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

Report on the audit of the financial statements

Opinion

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 2018 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 United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements of Charities Aid Foundation (the 'Charity') and its subsidiaries (the 'Group') for the year ended 30 April 2018 which comprise:

- the Group and Charity Statements of Financial Activities;
- the Group and Charity Balance Sheets;
- the Group and Charity Cash Flow Statements; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Charity.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key Audit Matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> ■ Recognition of income from new major donors and legacies; ■ Recognition of donations paid to new overseas beneficiaries and grants payable; and ■ Loan impairment provisions in CAF Bank Limited.
Materiality	<p>The materiality that we used for the Group was £6 million which was determined on the basis of 1% of total income.</p>
Scoping	<p>Our audit scope included the audit of the Group's significant components namely the Charity, CAF Bank Limited and CAF America. These components account for 99% of funds as at 30 April 2018</p>

Conclusions related to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of income from new major donors and legacies

Refer to the accounting policy in note 1.4 on page 46 and note 5 on pages 55 to 58.

Key audit matter description



Over 39% of donation income during the year was from major donors. We consider the risk of misstatement due to error or fraud to be higher where donations are received from new major donors given the lack of track record and the need to perform due diligence procedures in the current period to substantiate the source of funds.

During the year, the Group earned a total of £33.6m of legacy income, of which £1.8m was received as unrestricted income. Management judgement is involved in assessing the entitlement, probability and measurement of the income. Accordingly, we consider there to be an increased risk of misstatement due to error or fraud in respect of legacy income.

How the scope of our audit responded to the key matter



We assessed the design and tested the implementation of controls by performing walkthroughs of the Charity's control procedures over the recognition of donations from new major donors and legacies.

We tested a sample of donations from new major donors and legacies to assess whether the income was recognised when the Charity became entitled to the income, receipt of the income was probable and the amount of the income could be reliably estimated.

Where donations from new major donors and legacies had been received, we tested a sample of cash receipts and agreed them to bank statements.

We tested the completeness of new major donations during the period by reference to client lists and files and testing a sample of cash receipts.

Where donations from new major donors and legacies were subject to conditions, we tested the fulfilment of those conditions and, where relevant, the deferral or non-recognition of the donations and legacies.

Key observations



Based on the procedures performed and evidence obtained, we identified no issues in the recognition of legacies and income from new major donors.

Recognition of donations paid to new overseas beneficiaries and grants payable

Refer to the accounting policy in note 1.5 on page 47 and note 5 on pages 55 to 58.

Key audit matter description



Donations paid to charities (£446.1m) represent donations by donor clients and are charged to the Statement of Financial Activities when both the Group and beneficiary charities are notified in the normal course of business of an unconditional obligation to transfer funds. There is a higher risk of misstatement associated with donations paid to new overseas beneficiaries as overseas not-for-profit entities are not necessarily subject to the levels of regulatory oversight applied to similar entities in the UK and new overseas beneficiaries require detailed due diligence to be undertaken in the current year.

Grants payable are payments where the beneficiary charity has been formally notified in writing of the award. This notification gives the beneficiary a reasonable expectation that they will receive the grant. Grants payable for the year ended 30 April 2018 were £19.3m. The recognition of grants payable involves judgement to assess the obligation, probability and value of each grant.

How the scope of our audit responded to the key matter



We assessed the design and implementation of controls by performing walkthroughs of the Charity's control procedures over the recognition of donations paid to new overseas beneficiaries and grants.

We obtained source documentation for a sample of donations paid to new overseas beneficiaries to assess whether the awards had been communicated by the donor to the Charity and communicated in turn to the beneficiary charity.

We tested a sample of overseas beneficiaries to ensure that validation and due diligence processes had been performed in accordance with the Group's policies.

We tested the completeness of donation expenditure to new overseas beneficiaries through sample testing of cheques, instructions from clients and cash disbursements.

Where grants, particularly multi-year grants, are subject to the beneficiary charity fulfilling conditions, we tested the fulfilment of those conditions and, where relevant, the deferral of the grants.

Key observations



Based on the procedures performed and evidence obtained, we identified no issues relating to expenditure recognition in respect of grants and donations paid to new beneficiaries overseas.

Loan impairment provisions in CAF Bank Limited

Refer to the accounting policy in note 1.14 on page 50 and note 10 on page 62.

Key audit matter description



CAF Bank Limited's gross loans and advances to customers increased from £72.9m to £92.9m during the year.

The provision for loan impairment requires judgement in the identification of impairment triggers and in assessing the expected recoverable cash flows for impaired loans. Given lending to customers is a growing part of the business, CAF Bank has limited loss experience which increases the judgement required for both specific and collective provisions. Given the level of judgement required, we consider there to be a higher risk of misstatement due to error or fraud in respect of loan impairment provisions.

The impairment provision as at 30 April 2018 was £641k (2017: £522k).

How the scope of our audit responded to the key matter



We have assessed the design and tested the implementation of controls by performing walkthroughs of CAF Bank Limited's control procedures relating to the loan impairment provisions.

We challenged the company's loan impairment provisioning policy to assess whether it is in compliance with the requirements of the accounting framework.

We tested a sample of performing loans to assess whether there is objective evidence that impairment had arisen and not been identified.

We challenged the key assumptions by benchmarking to historic performance and industry peers.

We re-performed the calculation of the provisions to test their mathematical accuracy.

Key observations



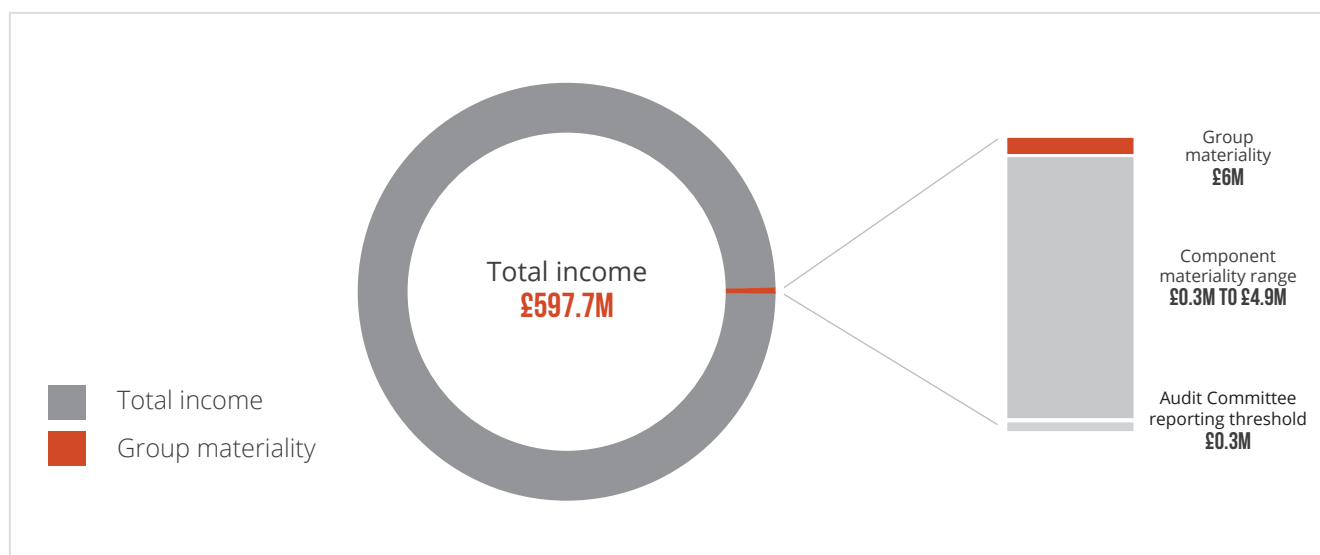
Based on the procedures performed and evidence obtained, we found the Group's assumptions, judgements and approach to estimating loan impairment provisions to be reasonable and therefore consider the level of provisions to be appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Charity financial statements
Materiality	£6m	£4.9m
Basis for determining materiality	1% of total income	1% of total income
Rationale for the benchmark applied	We consider total income to be an appropriate benchmark as it is a key measure of the performance of the Group, being a not-for-profit organisation.	We consider total income to be an appropriate benchmark as it is a key measure of the performance of the Charity, being a not-for-profit organisation.



We agreed with the Audit Risk and Compliance Committee that we would report to the Committee all audit differences in excess of £300k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Risk and Compliance Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the balances within each entity and the risks of material misstatement at the Group level.

Our Group audit scope included full scope audits of the Charity, CAF Bank Limited and CAF America. These components account for 99% of funds as at 30 April 2018 and their audits were performed at lower levels of materiality set by the Group audit team ranging between £300K and £4.9m.

At the Group level, we tested the consolidation process and carried out analytical procedures to confirm that there were no significant risks of material misstatement in the aggregated financial information of components not subject to audit or an audit of specified account balances.

During the year, we held discussions with each component subject to audit to enable us to be involved in the planning and risk assessment process in addition to overseeing their detailed audit procedures. Furthermore, we attended key meetings with component management and auditors, and reviewed detailed component auditor work papers.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of the Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Charity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Charity; or
- the Charity financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Consistency of the Trustees Report with the Financial Statements

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees Report is inconsistent in any material respect with the financial statements.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

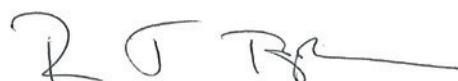
Following the recommendation of the Audit Risk and Compliance Committee, we were appointed by the Group at its Board of Trustees meeting on 16 September 2016 to audit the financial statements of the Group for the year ended 30 April 2017 and subsequent financial periods.

Our total uninterrupted period of engagement is two years covering the year of our appointment through to the year ended 30 April 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Risk and Compliance Committee we are required to provide in accordance with ISAs (UK).

The engagement partner on the audit resulting in this independent auditor's report is Robert Topley.



Robert Topley FCA

Deloitte LLP
Statutory Auditor
London
12 July 2018

Deloitte LLP is eligible for appointment as auditor for the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 APRIL 2018

		Unrestricted		Restricted and endowment funds		Total	
	Notes	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Income							
Donations		2,521	2,772	514,814	533,917	517,335	536,689
Legacies		1,818	4,758	31,739	19,117	33,557	23,875
		4,339	7,530	546,553	553,034	550,892	560,564
Charitable activities:							
Fee income		15,387	14,290	24	-	15,411	14,290
CAF Bank net interest income		11,090	10,756	-	-	11,090	10,756
Investment income	4	6,252	6,334	14,090	12,803	20,342	19,137
Total income	5	37,068	38,910	560,667	565,837	597,735	604,747
Expenditure							
Charitable activities:							
Donations payable to charities		633	218	445,447	480,686	446,080	480,904
Other expenditure on charitable activities		36,425	35,363	-	-	36,425	35,363
Total expenditure	5	37,058	35,581	445,447	480,686	482,505	516,267
Net income before group's share of losses in associate		10	3,329	115,220	85,151	115,230	88,480
Group's share of losses in associate	14	(54)	(53)	(3)	(13)	(57)	(66)
Net income/(expenditure) before net gains on investments		(44)	3,276	115,217	85,138	115,173	88,414
Net gains on debt securities		-	1,540	-	-	-	1,540
Net gains on financial investments		-	-	14,622	74,559	14,622	74,559
Net gains on other investments		-	215	109	836	109	1,051
Net income/(expenditure)	5	(44)	5,031	129,948	160,533	129,904	165,564
Transfers between funds	23	340	141	(340)	(141)	-	-
Net movement in funds before other recognised gains/(losses)		296	5,172	129,608	160,392	129,904	165,564
Other recognised gains/(losses)							
Defined benefit pension plan:							
Actuarial gains	28	444	431	-	-	444	431
Asset not recognised	28	(674)	(305)	-	-	(674)	(305)
Net movement in funds		66	5,298	129,608	160,392	129,674	165,690
Reconciliation of funds							
Total funds brought forward		60,208	54,910	1,224,800	1,064,408	1,285,008	1,119,318
Total funds carried forward	23	60,274	60,208	1,354,408	1,224,800	1,414,682	1,285,008

The notes on pages 46 to 89 form an integral part of these financial statements.

CHARITY STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 APRIL 2018

		Unrestricted		Restricted and endowment funds		Total		
Notes		2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	
Income								
Donations		5,833	6,121	405,066	431,858	410,899	437,979	
Legacies		1,818	4,758	24,529	19,117	26,347	23,875	
		7,651	10,879	429,595	450,975	437,246	461,854	
Charitable activities:								
Fee income		10,388	10,069	24	-	10,412	10,069	
Investment income		4	6,978	6,744	13,200	12,409	20,178	19,153
Total income		5	25,017	27,692	442,819	463,384	467,836	491,076
Expenditure								
Charitable activities:								
Donations payable to charities		660	242	344,859	392,164	345,519	392,406	
Other expenditure on charitable activities		24,573	24,605	-	-	24,573	24,605	
Total expenditure		5	25,233	24,847	344,859	392,164	370,092	417,011
Net income/(expenditure) before net gains/(losses) on investments			(216)	2,845	97,959	71,220	97,743	74,065
Net gains on debt securities			-	1,540	-	-	-	1,540
Net gains on financial investments			-	-	14,373	71,844	14,373	71,844
Net gains on other investments			-	215	109	836	109	1,051
Net losses on associate undertakings			(54)	(53)	(3)	(13)	(57)	(66)
Net income/(expenditure)		5	(270)	4,547	112,438	143,887	112,168	148,434
Transfers between funds		23	340	141	(340)	(141)	-	-
Net movement in funds before other recognised gains/(losses)			70	4,688	112,098	143,746	112,168	148,434
Other recognised gains/(losses)								
Defined benefit pension plan:								
Actuarial gains		28	444	431	-	-	444	431
Asset not recognised		28	(674)	(305)	-	-	(674)	(305)
Net movement in funds			(160)	4,814	112,098	143,746	111,938	148,560
Reconciliation of funds								
Total funds brought forward			58,561	53,747	1,140,527	996,781	1,199,088	1,050,528
Total funds carried forward		23	58,401	58,561	1,252,625	1,140,527	1,311,026	1,199,088

The notes on pages 46 to 89 form an integral part of these financial statements.

GROUP BALANCE SHEET

AS AT 30 APRIL 2018

		Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total		
	Notes	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	
Assets										
Balances at Bank of England		45,592	33,744	1,361	1,571	368,392	167,965	415,345	203,280	
Loans and advances to banks:										
Repayable on demand	9	23,688	34,175	439,640	435,135	9,475	10,669	472,803	479,979	
Other	9	-	-	221,909	236,227	8,000	18,000	229,909	254,227	
Loans and advances to customers		10	1,405	2,327	2,354	2,125	91,425	71,705	95,184	76,157
Debt securities		11	514	1,481	26,282	6,972	581,994	733,265	608,790	741,718
Financial investments		12	-	-	640,510	566,301	-	-	640,510	566,301
Other investments		13	726	657	5,075	3,440	-	-	5,801	4,097
Associate undertaking		14	3,373	3,427	84	87	-	-	3,457	3,514
Tangible fixed assets		15	4,840	5,151	-	-	-	-	4,840	5,151
Other debtors		16	1,331	961	9,136	10,372	-	-	10,467	11,333
Prepayments and accrued income			6,306	5,576	30,257	22,824	4,177	7,603	40,740	36,003
Total assets			87,775	87,499	1,376,608	1,285,054	1,063,463	1,009,207	2,527,846	2,381,760
Liabilities										
CAF Bank depositor balances		17	-	-	-	-	1,048,065	1,002,063	1,048,065	1,002,063
Give As You Earn and CAF Donate balances		18	-	-	-	-	5,191	6,266	5,191	6,266
Due to beneficiary charities		19	-	-	19,295	58,232	-	-	19,295	58,232
Other creditors		20	4,620	4,327	2,240	1,392	16	63	6,876	5,782
Accruals and deferred income			3,262	3,376	665	630	49	815	3,976	4,821
Provisions for corporation tax			5	17	-	-	-	-	5	17
Repurchase agreement		21	-	-	-	-	10,142	-	10,142	-
Long-term loan		22	19,614	19,571	-	-	-	-	19,614	19,571
Total liabilities			27,501	27,291	22,200	60,254	1,063,463	1,009,207	1,113,164	1,096,752
Funds		23	60,274	60,208	1,354,408	1,224,800	-	-	1,414,682	1,285,008
Total liabilities and charitable funds			87,775	87,499	1,376,608	1,285,054	1,063,463	1,009,207	2,527,846	2,381,760

The notes on pages 46 to 89 form an integral part of these financial statements

Approved by the Trustees and authorised for issue on 12 July 2018 and signed on their behalf by



Roger Perkin FCA
Trustee



Mike Dixon FCA
Director of Finance and Operations

CHARITY BALANCE SHEET

AS AT 30 APRIL 2018

		Unrestricted funds		Restricted and endowment funds		Donor client balances		Total	
Registered charity number 268369	Notes	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Assets									
Loans and advances to banks:									
Repayable on demand	9	20,894	31,512	372,333	385,301	5,207	6,329	398,434	423,142
Other	9	-	-	217,549	229,898	-	-	217,549	229,898
Loans and advances to customers	10	1,405	2,327	2,245	2,009	-	-	3,650	4,336
Debt securities	11	-	-	19,708	-	-	-	19,708	-
Financial investments	12	-	-	619,829	548,361	-	-	619,829	548,361
Other investments	13	726	657	5,075	3,440	-	-	5,801	4,097
Subsidiary undertakings	14	41,925	30,925	-	-	-	-	41,925	30,925
Associate undertaking	14	3,373	3,427	84	87	-	-	3,457	3,514
Tangible fixed assets	15	4,684	4,959	-	-	-	-	4,684	4,959
Other debtors	16	4,479	4,421	7,810	8,878	-	-	12,289	13,299
Prepayments and accrued income		6,064	5,453	30,170	22,633	-	-	36,234	28,086
Total assets		83,550	83,681	1,274,803	1,200,607	5,207	6,329	1,363,560	1,290,617
Liabilities									
Give As You Earn and CAF Donate balances	18	-	-	-	-	5,191	6,266	5,191	6,266
Due to beneficiary charities	19	-	-	19,273	58,058	-	-	19,273	58,058
Other creditors	20	2,908	2,985	2,240	1,392	16	63	5,164	4,440
Accruals and deferred income		2,627	2,564	665	630	-	-	3,292	3,194
Long-term loan	22	19,614	19,571	-	-	-	-	19,614	19,571
Total liabilities		25,149	25,120	22,178	60,080	5,207	6,329	52,534	91,529
Funds	23	58,401	58,561	1,252,625	1,140,527	-	-	1,311,026	1,199,088
Total liabilities and charitable funds		83,550	83,681	1,274,803	1,200,607	5,207	6,329	1,363,560	1,290,617

The notes on pages 46 to 89 form an integral part of these financial statements.

Approved by the Trustees and authorised for issue on 12 July 2018 and signed on their behalf by



Roger Perkin FCA
Trustee



Mike Dixon FCA
Director of Finance and Operations

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2018

		2018		2017	
	Notes	£000	£000	£000	£000
Cash flows from operating activities:					
Net cash provided by operating activities	24		50,126		1,992
Cash flows from investing activities					
Increase in Cash Ratio Deposit with Bank of England		(63)		(34)	
Net decrease in loans and advances to banks		24,318		7,551	
Net decrease in debt securities		126,787		82,600	
Payments to acquire financial investments		(237,601)		(112,180)	
Proceeds on disposal of financial investments		217,094		180,519	
Payments to aquire other investments		(175)		(170)	
Proceeds on disposal of other investments		280		6,736	
Payments to acquire tangible fixed assets		(8)		(420)	
Decrease/(increase) in investment portfolio cash and settlements pending		3,798		(4,605)	
Proceeds on advance from repurchase agreement		10,142		-	
Receipts of Trust Funds investment income		13,988		12,702	
Net cash provided by investing activities			158,560		172,699
Cash flows from financing activities					
Payments of interest on long-term loan		(1,021)		(1,020)	
Payments on redemption of subordinated liabilities		-		(350)	
Payments on redemption of preference shares		-		(1,500)	
Net cash used in financing activities			(1,021)		(2,870)
Change in cash and cash equivalents in the year			207,664		171,821
Cash and cash equivalents as at 1 May			682,732		502,902
Change in cash and cash equivalents due to exchange rate movements			(2,838)		8,009
Cash and cash equivalents as at 30 April			887,558		682,732
Represented by:					
Balances at Bank of England repayable on demand			414,755		202,753
Loans and advances to banks repayable on demand			472,803		479,979
			887,558		682,732

The notes on pages 46 to 89 form an integral part of these financial statements.

CHARITY CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2018

		2018		2017	
	Notes	£000	£000	£000	£000
Cash flows from operating activities:					
Net cash provided by operating activities	24		4,652		14,589
Cash flows from investing activities					
Net decrease/(increase) in loans and advances to banks		12,349		(2,825)	
Net (increase)/decrease in debt securities		(19,914)		33,597	
Payments to acquire financial investments		(236,545)		(106,876)	
Proceeds on disposal of financial investments		209,722		177,393	
Payments to acquire other investments		(175)		(170)	
Proceeds on disposal of other investments		280		6,736	
Payments to acquire subsidiary undertakings		(11,000)		(6,000)	
Proceeds on disposal of subsidiary undertakings		-		2,025	
Payments to acquire tangible fixed assets		-		(225)	
Decrease/(increase) in investment portfolio cash and settlements pending		4,542		(4,369)	
Receipts of Trust Funds investment income		13,124		12,308	
Net cash provided by investing activities			(27,617)		111,594
Cash flows from financing activities					
Payments of interest on long-term loan		(1,021)		(1,020)	
Net cash used in financing activities			(1,021)		(1,020)
Change in cash and cash equivalents in the year			(23,986)		125,163
Cash and cash equivalents as at 1 May			423,142		293,568
Change in cash and cash equivalents due to exchange rate movements			(722)		4,411
Cash and cash equivalents as at 30 April			398,434		423,142

The notes on pages 46 to 89 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

1. Accounting policies

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

1.1 Basis of preparation

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

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

1.2 Going concern

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

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

1.3 Funding accounting

The Group holds restricted, unrestricted and endowment funds.

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

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

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

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

Further details of each fund are disclosed in note 23.

1.4 Income recognition

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

1.4 (a) Donations and legacies

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

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

Legacy donations are recognised on a case-by-case basis where there has been a grant of probate or notification has been made by executors that a distribution will be made. In the event that the gift is in the form of an asset other than cash, or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy 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 27).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

1. Accounting policies (continued)

1.4 (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.

1.4 (c) Investment income

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

1.5 Expenditure recognition

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

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

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

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

1.6 Allocation of support cost

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

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

Irrecoverable VAT is charged as a cost.

1.7 Operating leases

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

1.8 Pension costs

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

Defined contribution pension plans

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

1. Accounting policies (continued)

Defined benefit pension plan

The CAF-specific defined benefit pension plan (Charities Aid Foundation Pension Scheme) is closed to both new members and benefit accrual. In accordance with the requirements of FRS 102, if CAF's obligations under the plan exceed the value of the plan's assets, CAF recognises a 'net defined benefit liability'. The 'net defined benefit liability' is measured in accordance with the requirements of FRS 102 and is determined by an independent actuary. The net change in the defined benefit liability during the period is recognised in the SOFA.

At the balance sheet date, under the FRS 102 basis, the fair value of the plan's assets exceeded the present value of the defined benefit obligations. No corresponding asset has been recognised, given that at the same date, the plan's actuary estimated the plan's deficit, in accordance with the plan's funding basis, was £0.8m.

1.9 Foreign currency

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

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

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

1.10 Taxation

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

1.11 Tangible fixed assets

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

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

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

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

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

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

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

1.12 Basic financial instruments

Investments

Investments may be held for two broad investment objectives:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

1. Accounting policies (continued)

Wholesale treasury assets

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

Financial investments

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

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

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.

Investment properties are measured initially at fair value which is typically probate value. They are subsequently reviewed at each balance sheet date for any changes in fair value which is typically open market value.

Investments in subsidiaries

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

Investment in associate

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

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

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

Investments in subsidiaries held for subsequent resale

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

Loans and advances to banks

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

1. Accounting policies (continued)

CAF Bank depositor balances

CAF Bank depositor 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.

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

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

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

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

1.14 Impairment of assets

Financial assets (including trade and other debtors)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

1. Accounting policies (continued)

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

Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the SOFA. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

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

Investment properties

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

1.15 Significant estimates and judgements

(a) Judgements

Classification of funds

Judgement has been applied in whether certain funds held in accordance with CAF's standard terms and conditions should be classified as restricted funds or designated funds under the SORP. These funds, which amount to £1,103.5m (2017: £995.6m), 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, CAF Company Accounts and CAF Charitable Trusts are more appropriately classified as restricted funds:

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

Legacies

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

1. Accounting policies (continued)

(b) Estimates

With respect to the next reporting period, 2018/19, 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 the fair value of the assets and of the present value of the defined benefit obligations in respect of a defined benefit pension arrangement (the Charities Aid Foundation Pension Scheme), which is no longer available to staff (see note 28 for more information).

Fair value – estimations and assumptions in valuation models used

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

The Group carries its investment property at fair value, with changes in fair value being recognised in the SOFA. The Group engaged independent valuation specialists to determine fair value of all investment properties as at 30 April 2017. Similarly, any new properties acquired during the year to 30 April 2018 also had their value determined by independent valuation specialists. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards 2015 and in accordance with United Kingdom Guidance Note 7 – Valuations for Charities.

The fair value of properties held as at 30 April 2017 and 30 April 2018 were determined by the Group and reviewed by our CAF Bank lending team.

1.16 Entity status

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

2. Consolidation

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

Consolidated entities

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

Trading subsidiaries

By way of mixed-motive investments, 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 on charitable gifts in each country.

Overseas charitable entities

CAF controls the following overseas charitable entities:

- **CAF America**, a US public charity recognised by the US Internal Revenue Service. CAF America provides US citizens with the opportunity to make tax-effective gifts for the support of overseas charities. CAF has the power to appoint and remove the members of CAF America at any time
- **CAF Canada**, a Canadian charity registered with the Canadian Revenue Agency of which CAF and CAF America are the only members

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

2. Consolidation (continued)

- 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 NGOs and to advance giving and philanthropy in Russia.

CAF Global Trustees (CAF GT)

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

Entities not consolidated

Good2Give (Australia), BCause (Bulgaria), CAF India and CAF Southern Africa are independent members of the CAF Global Alliance. CAF does not have a controlling interest in these entities and consequently their results are not consolidated in the Group financial statements. IDIS Brazil is a strategic partner within the CAF Global Alliance.

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

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

Associate undertaking

Charity Bank

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

As a result of third party investments in Charity Bank, CAF's interest in Charity Bank reduced from 22.4% to 17.0% with CAF's voting rights remaining at 24.5%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

3. Results and net assets of subsidiaries

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

	2018	2017		2018	2017
CAF Bank Limited	£000	£000		£000	£000
Profit and loss account			Balance Sheet		
Interest receivable	11,405	11,748	Total assets	1,106,256	1,039,785
Interest payable	(315)	(992)	Total liabilities		
Net interest income	11,090	10,756	Depositors' balances	1,049,426	1,003,633
Other operating income	1,074	775	Other liabilities	15,480	5,802
Administrative expenses	(7,566)	(6,944)		1,064,906	1,009,435
Loan loss provision	(119)	(258)	Shareholders' funds	41,350	30,350
FSCS levy	18	30		1,106,256	1,039,785
Profit on ordinary activities before taxation	4,497	4,359			
Tax on profit on ordinary activities	(3)	(32)			
Profit on ordinary activities after taxation	4,494	4,327			
Profit and loss account balance brought forward	-	-			
Charitable donation to CAF	(3,600)	(3,839)			
Dividends payable to AT1 shareholders	(894)	(488)			
Profit and loss account balance carried forward	-	-			

4. Investment income

	Unrestricted		Restricted		Total	
Group	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Interest on fixed interest securities and cash deposits	6,055	6,055	1,266	1,244	7,321	7,299
Dividends	30	34	12,820	11,559	12,850	11,593
Interest on concessionary loans to charities	167	245	4	-	171	245
	6,252	6,334	14,090	12,803	20,342	19,137
Charity						
Interest on fixed interest securities and cash deposits	5,888	5,977	890	1,140	6,778	7,117
Dividends	923	522	12,310	11,269	13,233	11,791
Interest on concessionary loans to charities	167	245	-	-	167	245
	6,978	6,744	13,200	12,409	20,178	19,153

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

5. Income and donations received and charitable activities expenditure

5.1 Group unrestricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Other funds	Total 2018	Total 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income									
Donations	15	1,257	451	82	507	-	209	2,521	2,772
Legacies	-	-	-	-	-	-	1,818	1,818	4,758
	15	1,257	451	82	507	-	2,027	4,339	7,530
Charitable activities:									
Fee income	2,854	373	2,306	4,365	5,454	35	-	15,387	14,290
CAF Bank net interest income	-	-	-	11,090	-	-	-	11,090	10,756
Investment income	3,406	1,082	948	289	199	77	251	6,252	6,334
Total income	6,275	2,712	3,705	15,826	6,160	112	2,278	37,068	38,910
Expenditure on charitable activities									
Donations paid to charities	-	-	-	391	201	41	-	633	218
Direct costs	2,245	1,686	3,197	10,312	6,495	1,661	1,082	26,678	26,360
Support costs:									
Human resources	122	98	209	447	22	84	-	982	865
Property	218	174	373	798	39	150	-	1,752	1,603
Finance	237	189	405	866	43	162	-	1,902	1,744
Information systems	662	576	926	1,264	88	211	-	3,727	3,615
Governance costs	155	123	264	650	86	106	-	1,384	1,176
Total support costs	1,394	1,160	2,177	4,025	278	713	-	9,747	9,003
Total expenditure	3,639	2,846	5,374	14,728	6,974	2,415	1,082	37,058	35,581
Net income/ (expenditure) before group's share of losses in associate	2,636	(134)	(1,669)	1,098	(814)	(2,303)	1,196	10	3,329
Net gains on debt securities	-	-	-	-	-	-	-	-	1,540
Net gains on other investments	-	-	-	-	-	-	-	-	215
Group's share of losses in associate	-	-	-	-	-	-	(54)	(54)	(53)
Net income/(expenditure)	2,636	(134)	(1,669)	1,098	(814)	(2,303)	1,142	(44)	5,031

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

5.2 Charity unrestricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Other funds	Total 2018	Total 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income									
Donations*	15	1,257	451	3,901	-	-	209	5,833	6,121
Legacies	-	-	-	-	-	-	1,818	1,818	4,758
	15	1,257	451	3,901	-	-	2,027	7,651	10,879
Charitable activities:									
Fee income	2,854	373	2,306	3,365	1,453	37	-	10,388	10,069
Investment income	3,406	1,082	948	289	32	77	1,144	6,978	6,744
Total income	6,275	2,712	3,705	7,555	1,485	114	3,171	25,017	27,692
Expenditure on charitable activities									
Donations paid to charities	-	-	-	391	228	41	-	660	242
Direct costs	2,247	1,686	3,197	3,022	2,074	1,661	1,082	14,969	15,767
Support costs:									
Human resources	122	98	209	447	22	84	-	982	865
Property	218	174	373	798	39	150	-	1,752	1,603
Finance	237	189	405	866	43	162	-	1,902	1,744
Information systems	662	576	926	1,264	88	211	-	3,727	3,615
Governance costs	155	123	264	565	28	106	-	1,241	1,011
Total support costs	1,394	1,160	2,177	3,940	220	713	-	9,604	8,838
Total expenditure	3,641	2,846	5,374	7,353	2,522	2,415	1,082	25,233	24,847
Net income/ (expenditure) before net gains/(losses) on investments	2,634	(134)	(1,669)	202	(1,037)	(2,301)	2,089	(216)	2,845
Net gains on debt securities	-	-	-	-	-	-	-	-	1,540
Net gains on other investments	-	-	-	-	-	-	-	-	215
Net losses on associate undertakings	-	-	-	-	-	-	(54)	(54)	(53)
Net income/ (expenditure)	2,634	(134)	(1,669)	202	(1,037)	(2,301)	2,035	(270)	4,547

* Donation income, in respect for services for charities ('Charities'), includes £3.60m (2017: £3.84m) from CAF Bank (see note 3).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

5.3 Unrestricted funds - Allocation of support costs

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

No support costs are allocated to restricted funds.

5.4 Group and endowment restricted funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Total 2018	Total 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Income								
Donations	200,220	90,809	105,357	-	117,799	629	514,814	533,917
Legacies	24,529	-	-	-	7,210	-	31,739	19,117
	224,749	90,809	105,357	-	125,009	629	546,553	553,034
Fee income	-	-	-	24	-	-	24	-
Investment income	13,190	-	-	-	900	-	14,090	12,803
Total income	237,939	90,809	105,357	24	125,909	629	560,667	565,837
Expenditure on charitable activities								
Donations paid to charities	157,743	75,294	108,714	259	103,215	222	445,447	480,686
Total expenditure	157,743	75,294	108,714	259	103,215	222	445,447	480,686
Net income/(expenditure) before net gains/(losses) on investments	80,196	15,515	(3,357)	(235)	22,694	407	115,220	85,151
Net gains on financial investments	14,362	-	-	-	260	-	14,622	74,559
Net gains on other investments	109	-	-	-	-	-	109	836
Group's share of losses in associate	(3)	-	-	-	-	-	(3)	(13)
Net income/(expenditure)	94,664	15,515	(3,357)	(235)	22,954	407	129,948	160,533

The group receives and holds some donations in currencies other than sterling; principally US dollars. Foreign currency translation differences arise upon their subsequent distribution for charitable purposes, usually in the original currency, or upon translation of such funds held at the balance sheet date. Net income includes foreign currency translation losses of £4.31m (2017: translation gains of £11.57m).

Terms and conditions vary between products. As a result, a proportion of investment income on funds awaiting charitable distribution is allocated to unrestricted funds (see note 5.1).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

5.5 Charity restricted and endowment funds	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Total 2018	Total 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Income								
Donations	200,220	90,809	110,984	-	2,423	629	405,065	431,858
Legacies	24,529	-	-	-	-	-	24,529	19,117
	224,749	90,809	110,984	-	2,423	629	429,594	450,975
Fee income	-	-	-	24	-	-	24	-
Investment income	13,190	-	-	-	10	-	13,200	12,409
Total income	237,939	90,809	110,984	24	2,433	629	442,818	463,384
Expenditure on charitable activities								
Donations paid to charities	158,086	75,294	108,802	259	2,196	222	344,859	392,164
Total expenditure	158,086	75,294	108,802	259	2,196	222	344,859	392,164
Net income/(expenditure) before net gains/(losses) on investments	79,853	15,515	2,182	(235)	237	407	97,959	71,220
Net gains on financial investments	14,362	-	-	-	11	-	14,373	71,844
Net gains on other investments	109	-	-	-	-	-	109	836
Net losses on associate undertakings	(3)	-	-	-	-	-	(3)	(13)
Net income/(expenditure)	94,321	15,515	2,182	(235)	248	407	112,438	143,887

CAF receives and holds some donations in currencies other than sterling; principally US dollars. Foreign currency translation differences arise upon their subsequent distribution for charitable purposes, usually in the original currency, or upon translation of such funds held at the balance sheet date. Net income includes foreign currency translation losses of £1.29m (2017: translation gains of £6.41m).

Terms and conditions vary between products. As a result, a proportion of investment income on funds awaiting charitable distribution is allocated to unrestricted funds (see note 5.2).

5.6 Restricted funds - Payments to NCVO

CAF was founded by NCVO to whom it has an ongoing annual obligation to collect charitable contributions on its behalf. Donations paid to charities include £2.11m (2017: £2.07m) paid to NCVO in respect of this obligation.

6. Governance costs

	Group		Charity	
Governance costs include the following amounts:	2018 £000	2017 £000	2018 £000	2017 £000
Internal audit	343	284	156	225
Fees payable to the external auditor, net of VAT:				
Audit of financial statements	307	300	156	160
Other services	64	101	-	30
Trustees' indemnity insurance	40	38	28	26

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

7. Staff costs

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Salaries and wages	18,043	16,973	12,859	12,627
Social security costs	1,880	1,790	1,397	1,361
Defined contribution scheme pension costs	1,093	1,044	823	817
Training and welfare	674	478	469	332
	21,690	20,285	15,548	15,137
Other pension costs (see note 28)	150	196	150	196
	21,840	20,481	15,698	15,333

Included within salaries and wages are redundancy and termination costs totalling £86k for the Group and £83k for the Charity (2017: £70k for both).

Employee emoluments

The number of staff whose total emoluments exceeded £60,000 during the year is as follows:

	Group		Charity	
	2018 Number	2017 Number	2018 Number	2017 Number
£60,001 - £70,000	10	16	10	14
£70,001 - £80,000	4	2	3	2
£80,001 - £90,000	6	3	5	3
£90,001 - £100,000	4	3	4	3
£100,001 - £110,000	2	2	2	1
£110,001 - £120,000	4	1	3	1
£120,001 - £130,000	-	-	-	-
£130,001 - £140,000	1	1	1	1
£140,001 - £150,000	-	-	-	-
£150,001 - £160,000	-	1	-	1
£160,001 - £170,000	2	3	2	2
£170,001 - £180,000	1	-	1	-
£180,001 - £190,000	1	-	-	-
	35	32	31	28

Emoluments comprise gross salary and taxable benefits but exclude pension contributions and pension allowances, including those made through salary sacrifice.

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

	Group		Charity	
	2018 Number	2017 Number	2018 Number	2017 Number
Number of employees	35	32	31	28
	£000	£000	£000	£000
The aggregate value of those contributions	277	258	237	222

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

7. Staff costs (continued)

Employee numbers	Group		Charity	
The average number of employees during the year was:	2018 Number	2017 Number	2018 Number	2017 Number
Full-time and part-time employees	554	532	459	440
Full-time equivalent	497	487	422	417
Average number of full-time equivalent employees analysed by function:	Number	Number	Number	Number
Major donors	52	51	52	51
Regular givers	42	43	42	43
Companies	90	95	90	95
Charities	194	185	194	185
International	84	78	9	8
Sector support	34	34	34	34
Governance	1	1	1	1
	497	487	422	417

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 £1,033,655 (2017: £958,486) plus pension contributions and pension allowances of £95,529 (2017: £89,208). Employers' National Insurance contributions amounted to £130,099 (2017: £118,872).

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 £nil (2017: £243 paid to one Trustee).

8. Taxation

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

During the year, a tax charge of £3,000 (2017: £32,000) 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 2018

9. Loans and advances to banks

Group	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Repayable on demand	23,688	34,175	439,640	435,135	9,475	10,669	472,803	479,979
Remaining maturity of other loans and advances:								
Less than 6 months	-	-	65,123	35,814	8,000	10,000	73,123	45,814
Over 6 months to 1 year	-	-	41,986	57,413	-	8,000	41,986	65,413
Over 1 year to 5 years	-	-	114,800	143,000	-	-	114,800	143,000
	23,688	34,175	661,549	671,362	17,475	28,669	702,712	734,206

Charity	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Repayable on demand	20,894	31,512	372,333	385,301	5,207	6,329	398,434	423,142
Remaining maturity of other loans and advances:								
Less than 6 months	-	-	62,121	31,338	-	-	62,121	31,338
Over 6 months to 1 year	-	-	40,628	55,560	-	-	40,628	55,560
Over 1 year to 5 years	-	-	114,800	143,000	-	-	114,800	143,000
	20,894	31,512	589,882	615,199	5,207	6,329	615,983	653,040

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

10. Loans and advances to customers

	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Concessionary loans:								
CAF Venturesome loans to charities	1,405	2,327	319	84	-	-	1,724	2,411
CAF Charitable Trust loans to charities	-	-	1,926	1,925	-	-	1,926	1,925
Charity	1,405	2,327	2,245	2,009	-	-	3,650	4,336
CAF Bank Loans:								
To charities	-	-	-	-	71,021	52,313	71,021	52,313
To individuals	-	-	-	-	20,404	19,392	20,404	19,392
CADF loans to charities	-	-	109	116	-	-	109	116
Group	1,405	2,327	2,354	2,125	91,425	71,705	95,184	76,157

	Group		Charity	
Maturity	2018 £000	2017 £000	2018 £000	2017 £000
Amounts receivable in less than one year				
CAF Venturesome loans to charities	2,835	3,004	2,835	3,004
CAF Charitable Trust loans to charities	2,806	3,093	2,806	3,093
CAF Bank loans	18,131	15,113	-	-
	23,772	21,210	5,641	6,097
Amounts receivable in one to five years				
CAF Venturesome loans to charities	1,474	2,124	1,474	2,124
CAF Charitable Trust loans to charities	80	329	80	329
CAF Bank loans	19,117	18,742	-	-
CADF loans to charities	109	116	-	-
	20,780	21,311	1,554	2,453
Amounts receivable in more than five years				
CAF Venturesome loans to charities	28	208	28	208
CAF Charitable Trust loans to charities	-	21	-	21
CAF Bank loans	55,618	39,061	-	-
	55,646	39,290	28	229
Less: Deferred income and provisions				
CAF Venturesome loans to charities	(2,613)	(2,925)	(2,613)	(2,925)
CAF Charitable Trust loans to charities	(960)	(1,518)	(960)	(1,518)
CAF Bank loans	(1,441)	(1,211)	-	-
	(5,014)	(5,654)	(3,573)	(4,443)
Total loans	95,184	76,157	3,650	4,336

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

11. Debt securities

	Group				Charity			
	Book value		Market value		Book value		Market value	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Unrestricted funds								
Listed:								
UK government	-	961	-	986	-	-	-	-
Multilateral financial institutions	514	520	380	380	-	-	-	-
	514	1,481	380	1,366	-	-	-	-
Restricted and endowment funds								
Listed:								
Multilateral financial institutions	19,708	-	19,474	-	19,708	-	19,474	-
	19,708	-	19,474	-	19,708	-	19,474	-
Unlisted:								
Certificates of deposit	6,574	6,972	6,574	6,972	-	-	-	-
	6,574	6,972	6,574	6,972	-	-	-	-
	26,282	6,972	26,048	6,972	19,708	-	19,474	-
Depositor and donor client balances								
Listed:								
UK government	25,171	25,403	25,266	25,813	-	-	-	-
Multilateral financial institutions	350,420	368,084	349,180	370,016	-	-	-	-
Fixed coupon corporate bonds	98,865	145,252	99,035	146,739	-	-	-	-
Floating rate corporate bonds	97,538	174,526	98,072	175,355	-	-	-	-
	571,994	713,265	571,553	717,923	-	-	-	-
Unlisted:								
Certificates of deposit	10,000	20,000	10,111	20,225	-	-	-	-
	10,000	20,000	10,111	20,225	-	-	-	-
	581,994	733,265	581,664	738,148	-	-	-	-
Total debt securities	608,790	741,718	608,092	746,486	19,708	-	19,474	-

Maturity	Book value			
	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
1 day to 8 days	-	211	-	-
Over 8 days to 3 months	-	1,537	-	-
3 months to 6 months	31,559	156,841	-	-
6 months to 1 year	165,427	145,895	-	-
	196,986	304,484	-	-
1 year to 5 years	411,804	437,234	19,708	-
	608,790	741,718	19,708	-
5 years and over	-	-	-	-
Total debt securities	608,790	741,718	19,708	-
Unamortised premiums	(6,298)	(8,478)	(1,208)	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

11. Debt securities (continued)

	Cost	Amortisation	Book value
Group	£000	£000	£000
Unrestricted funds			
At 1 May 2017	1,576	(95)	1,481
Redemptions	(1,000)	40	(960)
Amortisation	-	(7)	(7)
At 30 April 2018	576	(62)	514
Restricted and endowment funds			
At 1 May 2017	7,018	(46)	6,972
Acquisitions	26,496	(213)	26,283
Redemptions	(6,570)	21	(6,549)
Amortisation	-	(10)	(10)
Foreign exchange losses	(414)	-	(414)
At 30 April 2018	26,530	(248)	26,282
Depositor and donor client balances			
At 1 May 2017	743,748	(10,483)	733,265
Acquisitions	198,141	(330)	197,811
Disposals	(10,000)	-	(10,000)
Redemptions	(345,035)	11,120	(333,915)
Amortisation	-	(5,167)	(5,167)
At 30 April 2018	586,854	(4,860)	581,994
Total	613,960	(5,170)	608,790

	Cost	Amortisation	Book value
Charity	£000	£000	£000
Restricted and endowment funds			
At 1 May 2017	-	-	-
Acquisitions	19,914	(206)	19,708
At 30 April 2018	19,914	(206)	19,708

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

12. Financial investments

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

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Restricted and endowment funds				
At 1 May 2017	546,820	492,327	529,116	484,200
Additions	280,479	160,453	271,359	150,465
Disposal proceeds	(217,094)	(180,519)	(209,722)	(177,393)
Net investment gains	14,622	74,559	14,373	71,844
	624,827	546,820	605,126	529,116
Investment portfolio cash and settlements pending	15,683	19,481	14,703	19,245
At 30 April 2018	640,510	566,301	619,829	548,361
Historical cost of investments	532,094	455,568	516,283	441,495
Represented by:				
Listed securities:				
UK Government fixed interest	45,576	6,776	45,576	6,776
Overseas Government fixed interest	2,001	19,437	2,001	19,437
Other fixed interest	59,820	30,399	53,517	30,399
UK equities	25,899	36,332	25,899	36,292
Overseas equities	17,943	21,886	17,943	21,886
CAF investment funds:				
FP CAF UK Equity Fund	77,595	79,880	77,595	79,880
FP CAF Fixed Interest Fund	33,716	33,938	33,716	33,938
CAF UK Equitrack Fund	44,815	40,674	39,448	35,528
FP CAF International Equity	14,903	12,569	14,903	12,569
FP CAF Alternative Strategies	7,344	8,497	7,344	8,497
Unit trusts and other pooled investments	277,915	240,027	270,018	227,594
Investment trusts	14,284	10,968	14,150	10,883
Unlisted investments:				
UK	1,270	1,490	1,270	1,490
Overseas	1,746	3,947	1,746	3,947
	624,827	546,820	605,126	529,116
Investment portfolio cash and settlements pending	15,683	19,481	14,703	19,245
	640,510	566,301	619,829	548,361

Nature of Trust funds

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

12. Financial investments (continued)

Accounting classifications and fair values – Group

	Level 1	Level 3	Total
Financial investments measured at fair value	2018 £000	2018 £000	2018 £000
Sovereign debt securities	47,576	-	47,576
Corporate debt securities	10,183	-	10,183
Pooled funds - fixed interest	64,669	-	64,669
	122,428	-	122,428
Equity securities	58,126	3,016	61,142
Pooled funds - equity	423,052	-	423,052
	481,178	3,016	484,194
Pooled funds - alternative funds	10,262	-	10,262
Pooled funds - property funds	7,943	-	7,943
Investment portfolio cash and settlements pending	15,683	-	15,683
	637,494	3,016	640,510

Accounting classifications and fair values – Charity

	Level 1	Level 3	Total
Financial investments measured at fair value	2018 £000	2018 £000	2018 £000
Sovereign debt securities	47,576	-	47,576
Corporate debt securities	10,183	-	10,183
Pooled funds - fixed interest	58,366	-	58,366
	116,125	-	116,125
Equity securities	57,992	3,016	61,008
Pooled funds - equity	409,788	-	409,788
	467,780	3,016	470,796
Pooled funds - alternative funds	10,262	-	10,262
Pooled funds - property funds	7,943	-	7,943
Investment portfolio cash and settlements pending	14,703	-	14,703
	616,813	3,016	619,829

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

12. Financial investments (continued)

Accounting classifications and fair values – Group

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

Accounting classifications and fair values – Charity

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

Measurement of fair values

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

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

Level 2: When quoted prices are unavailable, the fair value is taken as the price of a recent transaction for an identical asset. No investments were held in this category as at 30 April 2018 or 30 April 2017.

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 2018

13. Other investments

	Unrestricted funds		Restricted and endowment funds		Total	
Group and charity	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Investment properties	465	465	5,075	3,440	5,540	3,905
Unlisted investments	231	162	-	-	231	162
Other investments	30	30	-	-	30	30
At 30 April 2018	726	657	5,075	3,440	5,801	4,097

	Unrestricted funds	Restricted and endowment funds	Total
Group and charity	£000	£000	£000
As at 1 May 2017	657	3,440	4,097
Additions	175	1,700	1,875
Disposal proceeds	-	(280)	(280)
Revaluation	(106)	215	109
At April 2018	726	5,075	5,801

The open market valuation of each investment property was reviewed as at 30 April 2018. The valuations of properties held as at 30 April 2017 were reviewed by our CAF Bank lending team whilst those acquired in the year were valued by an independent, qualified chartered surveyor.

14. Subsidiary and associate undertakings

	Associate undertaking	Total
Group	£000	£000
At 1 May 2017	3,514	3,514
Group's share of losses	(57)	(57)
At 30 April 2018	3,457	3,457

	Trading subsidiaries	Associate undertaking	Total
Charity	£000	£000	£000
At 1 May 2017	30,925	3,514	34,439
Additions	11,000	-	11,000
Impairment	-	(57)	(57)
At 30 April 2018	41,925	3,457	45,382

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

15. Tangible fixed assets

	Long leasehold property & improvements	Other leasehold improvements	Furniture, fittings & computer equipment	Total
Group - unrestricted funds	£000	£000	£000	£000
Cost or valuation				
At 1 May 2017	5,328	627	2,430	8,385
Additions	-	7	1	8
At 30 April 2018	5,328	634	2,431	8,393
Depreciation				
At 1 May 2017	825	230	2,179	3,234
Charged in year	149	62	108	319
At 30 April 2018	974	292	2,287	3,553
Net book value				
At 30 April 2018	4,354	342	144	4,840
At 30 April 2017	4,503	397	251	5,151

	Long leasehold property & improvements	Other leasehold improvements	Furniture, fittings & computer equipment	Total
Charity - unrestricted funds	£000	£000	£000	£000
Cost or valuation				
At 1 May 2017	5,328	519	2,326	8,173
At 30 April 2018	5,328	519	2,326	8,173
Depreciation				
At 1 May 2017	825	228	2,161	3,214
Charged in year	149	46	80	275
At 30 April 2018	974	274	2,241	3,489
Net book value				
At 30 April 2018	4,354	245	85	4,684
At 30 April 2017	4,503	291	165	4,959

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

15. Tangible fixed assets (continued)

Long leasehold property

The long leasehold property consists of the lease to the year 2190 on the land and buildings occupied by CAF as its principal place of business. The property is held at valuation and was valued at 30 April 2014 by CBRE, Chartered Surveyors. The valuation was carried out in accordance with the guidelines of the Royal Institution of Chartered Surveyors. The open market value, on a vacant possession basis, at that date was estimated at £5m.

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

The historical cost carrying value of the property and improvements at the balance sheet date was £3,677,000 (2017: £3,859,000).

16. Other debtors

Group	Unrestricted funds		Restricted and endowment funds		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Income tax recoverable	-	-	8,017	9,501	8,017	9,501
Other debtors	1,331	961	1,119	871	2,450	1,832
	1,331	961	9,136	10,372	10,467	11,333

Charity	Unrestricted funds		Restricted and endowment funds		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Amounts due from subsidiary undertakings	3,844	3,831	-	-	3,844	3,831
Income tax recoverable	-	-	7,058	8,139	7,058	8,139
Other debtors	635	590	752	739	1,387	1,329
	4,479	4,421	7,810	8,878	12,289	13,299

All balances fall due within one year.

17. CAF Bank Depositor balances

Group	Depositor and donor client balances	
	2018 £000	2017 £000
Repayable on demand	1,019,793	965,532
Repayable within 30 days	28,272	36,531
	1,048,065	1,002,063

18. Donor client balances

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

18. Donor client balances (continued)

	At 1 May 2017	Amounts received	Amounts paid to charities	Donations paid to group	At 30 April 2018
Group	£000	£000	£000	£000	£000
CAF Give As You Earn	4,476	74,171	(31,499)	(42,434)	4,714
CAF Donate	67	28,722	(28,422)	-	367
	4,543	102,893	(59,921)	(42,434)	5,081
Concessionary loans payable	1,723	187	(1,725)	(75)	110
	6,266	103,080	(61,646)	(42,509)	5,191

	At 1 May 2017	Amounts received	Amounts paid to charities	Donations paid to CAF	At 30 April 2018
Charity	£000	£000	£000	£000	£000
CAF Give As You Earn	4,476	74,171	(31,499)	(42,434)	4,714
CAF Donate	67	28,722	(28,422)	-	367
	4,543	102,893	(59,921)	(42,434)	5,081
Concessionary loans payable	1,723	187	(1,725)	(75)	110
	6,266	103,080	(61,646)	(42,509)	5,191

	At 1 May 2016	Amounts received	Amounts paid to charities	Donations paid to group	At 30 April 2017
Group	£000	£000	£000	£000	£000
CAF Give As You Earn	4,812	69,491	(32,926)	(36,900)	4,476
CAF Donate	184	25,366	(25,483)	-	67
	4,996	94,857	(58,410)	(36,900)	4,543
Concessionary loans payable	1,840	547	(639)	(25)	1,723
	6,836	95,404	(59,049)	(36,925)	6,266

	At 1 May 2016	Amounts received	Amounts paid to charities	Donations paid to CAF	At 30 April 2017
Charity	£000	£000	£000	£000	£000
CAF Give As You Earn	4,812	69,491	(32,926)	(36,900)	4,476
CAF Donate	184	25,366	(25,483)	-	67
	4,996	94,857	(58,410)	(36,900)	4,543
Concessionary loans payable	1,840	547	(639)	(25)	1,723
	6,836	95,404	(59,049)	(36,925)	6,266

Other charitable funds

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

	2018 £000	2017 £000
Investments	95,406	96,108
Money market deposits and bank balances	235	260
	95,641	96,368
Bank balances with CAF Bank	117	117
	95,758	96,485

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

19. Amounts due to beneficiary charities

Group	Restricted and endowment funds	
	2018 £000	2017 £000
Payable within 1 year	7,679	46,540
Payable after more than 1 year	11,616	11,692
	19,295	58,232

Charity	Restricted and endowment funds	
	2018 £000	2017 £000
Payable within 1 year	7,657	46,366
Payable after more than 1 year	11,616	11,692
	19,273	58,058

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

20. Other creditors

Group	Unrestricted funds		Restricted and endowment funds		Depositor and donor client balances		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Payable on acquisition of investments	-	-	348	110	-	-	348	110
Trade creditors	533	479	-	-	-	-	533	479
Tax and social security	575	507	-	-	-	-	575	507
Other creditors	3,512	3,341	1,892	1,282	16	63	5,420	4,686
	4,620	4,327	2,240	1,392	16	63	6,876	5,782

Charity	Unrestricted funds		Restricted and endowment funds		Donor client balances		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Payable on acquisition of investments	-	-	348	110	-	-	348	110
Trade creditors	494	479	-	-	-	-	494	479
Tax and social security	570	507	-	-	-	-	570	507
Other creditors	1,844	1,999	1,892	1,282	16	63	3,752	3,344
	2,908	2,985	2,240	1,392	16	63	5,164	4,440

Included within other creditors are amounts totalling £1.18m (2017: £1.57m) 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 2018

21. Repurchase agreements

Repurchase agreements total £10,142,000 (2017: nil). The corresponding carrying value of assets of £10,184,000 (2017: nil) sold under sale and repurchase agreements is included within debt securities (note 11). Amounts relate to Group unrestricted funds, only.

22. Long-term loan

	Carrying value	
	2018 £000	2017 £000
Group and charity		
Unrestricted funds		
At May 2017	19,571	19,530
Amortisation of capitalised costs	43	41
Interest payable for the year	1,021	1,020
Interest paid	(1,021)	(1,020)
At 30 April 2018	19,614	19,571

	Carrying value	
	2018 £000	2017 £000
Payable		
3 months to 6 months	53	53
	53	53
5 years and over	19,561	19,518
	19,614	19,571

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

23. Statement of funds

		At 1 May 2017	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2018
Group	Notes	£000	£000	£000	£000	£000	£000
Unrestricted funds	23.1	60,208	37,068	(37,058)	340	(284)	60,274
Restricted funds	23.2	1,222,543	560,657	(445,401)	(340)	14,717	1,352,176
Endowment funds	23.2	2,257	10	(46)	-	11	2,232
		1,285,008	597,735	(482,505)	-	14,444	1,414,682

Charity

Unrestricted funds	23.1	58,561	25,017	(25,233)	340	(284)	58,401
Restricted funds	23.2	1,138,270	442,809	(344,813)	(340)	14,468	1,250,393
Endowment funds	23.2	2,257	10	(46)	-	11	2,232
		1,199,088	467,836	(370,092)	-	14,195	1,311,026

		At 1 May 2016	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2017
Group	Notes	£000	£000	£000	£000	£000	£000
Unrestricted funds	23.1	54,910	38,910	(35,581)	141	1,828	60,208
Restricted funds	23.2	1,062,351	565,837	(480,686)	(141)	75,182	1,222,543
Endowment funds	23.2	2,057	-	-	-	200	2,257
		1,119,318	604,747	(516,267)	-	77,210	1,285,008

Charity

Unrestricted funds	23.1	53,747	27,692	(24,847)	141	1,828	58,561
Restricted funds	23.2	994,724	463,383	(392,164)	(141)	72,467	1,138,270
Endowment funds	23.2	2,057	-	-	-	200	2,257
		1,050,528	491,075	(417,011)	-	74,494	1,199,088

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

23. Statement of funds (continued)

23.1 Unrestricted funds

	At 1 May 2017	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2018
Group	£000	£000	£000	£000	£000	£000
General funds	59,510	37,068	(37,058)	361	(284)	59,597
Property revaluation reserve	698	-	-	(21)	-	677
	60,208	37,068	(37,058)	340	(284)	60,274
Charity						
General funds	57,863	25,017	(25,233)	361	(284)	57,724
Property revaluation reserve	698	-	-	(21)	-	677
	58,561	25,017	(25,233)	340	(284)	58,401

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

23. Statement of funds (continued)

23.2 Restricted and endowment funds	At 1 May 2017	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2018
Group	£000	£000	£000	£000	£000	£000
Major donors						
CAF Charitable Trusts	957,398	237,939	(157,743)	(8,550)	14,468	1,043,512
Regular givers						
Individual charity accounts	88,968	90,809	(75,294)	10,954	-	115,437
Companies						
Company accounts	46,627	70,800	(75,912)	(205)	-	41,310
CAF Give As You Earn charity accounts	30,723	34,557	(32,802)	54	-	32,532
	77,350	105,357	(108,714)	(151)	-	73,842
Charities						
CAF Venturesome accounts	3,652	24	(259)	4,047	-	7,464
CAF Social Impact Fund	3,409	-	-	(1,802)	-	1,607
	7,061	24	(259)	2,245	-	9,071
International						
CAF American Donor Fund	55,857	70,699	(59,772)	(102)	345	67,027
CAF America	26,505	48,607	(36,297)	(5,493)	(96)	33,226
CAF Canada	711	2,844	(2,490)	-	-	1,065
CAF Russia grant programmes	884	2,423	(2,150)	-	-	1,157
CAF Foundation for Philanthropy	1,200	1,326	(2,460)	398	-	464
	85,157	125,899	(103,169)	(5,197)	249	102,939
Sector support						
CAF discretionary funds	6,097	58	(130)	1,077	-	7,102
Other funds	512	571	(92)	(718)	-	273
	6,609	629	(222)	359	-	7,375
	1,222,543	560,657	(445,401)	(340)	14,717	1,352,176
Endowment funds						
CAF Russia:						
Endowment Fund	725	-	-	-	3	728
The Ford Foundation	1,532	10	(46)	-	8	1,504
	2,257	10	(46)	-	11	2,232
	1,224,800	560,667	(445,447)	(340)	14,728	1,354,408

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

23. Statement of funds (continued)

23.2 Restricted and endowment funds (continued)

	At 1 May 2017	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2018
Charity	£000	£000	£000	£000	£000	£000
Major donors						
CAF Charitable Trusts	957,398	237,938	(158,086)	(8,207)	14,468	1,043,511
Regular givers						
Individual charity accounts	88,968	90,809	(75,294)	10,954	-	115,437
Companies						
Company accounts	46,627	76,427	(75,978)	(5,766)	-	41,310
CAF Give As You Earn charity accounts	30,723	34,557	(32,824)	76	-	32,532
	77,350	110,984	(108,802)	(5,690)	-	73,842
Charities						
CAF Venturesome accounts	3,652	24	(259)	4,047	-	7,464
CAF Social Impact Fund	3,409	-	-	(1,802)	-	1,607
	7,061	24	(259)	2,245	-	9,071
International						
CAF Russia grant programmes	884	2,423	(2,150)	-	-	1,157
Sector support						
CAF discretionary funds	6,097	58	(130)	1,077	-	7,102
Other funds	512	571	(92)	(718)	-	273
	6,609	629	(222)	359	-	7,375
	1,138,270	442,808	(344,813)	(340)	14,468	1,250,393
Endowment funds						
CAF Russia:						
Endowment Fund	725	-	-	-	3	728
The Ford Foundation	1,532	10	(46)	-	8	1,504
	2,257	10	(46)	-	11	2,232
	1,140,527	442,818	(344,859)	(340)	14,479	1,252,625

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

23. Statement of funds (continued)

23.2 Restricted and endowment funds (continued)	At 1 May 2016	Income and donations received	Expenditure on charitable activities	Transfers	Recognised gains & losses	At 30 April 2017
Group	£000	£000	£000	£000	£000	£000
Major donors						
CAF Charitable Trusts	779,653	283,836	(176,547)	(2,011)	72,467	957,398
Regular givers						
Individual charity accounts	92,577	71,991	(80,643)	5,043	-	88,968
Companies						
Company accounts	73,610	69,774	(98,169)	1,412	-	46,627
CAF Give As You Earn charity accounts	30,445	31,329	(30,953)	(98)	-	30,723
	104,055	101,103	(129,122)	1,314	-	77,350
Charities						
CAF Venturesome accounts	2,700	2	(322)	1,272	-	3,652
CAF Social Impact Fund	5,249	-	-	(1,840)	-	3,409
	7,949	2	(322)	(568)	-	7,061
International						
CAF American Donor Fund	47,958	62,319	(55,906)	55	1,431	55,857
CAF America	18,345	40,479	(28,677)	(4,926)	1,284	26,505
CAF Canada	100	1,443	(832)	-	-	711
CAF Russia grant programmes	1,034	1,054	(1,826)	622	-	884
CAF Foundation for Philanthropy	1,226	3,136	(3,162)	-	-	1,200
	68,663	108,431	(90,403)	(4,249)	2,715	85,157
Sector support						
CAF discretionary funds	9,085	20	(3,526)	518	-	6,097
Other funds	369	454	(123)	(188)	-	512
	9,454	474	(3,649)	330	-	6,609
	1,062,351	565,837	(480,686)	(141)	75,182	1,222,543
Endowment funds						
CAF Russia:						
Endowment Fund	677	-	-	-	48	725
The Ford Foundation	1,380	-	-	-	152	1,532
	2,057	-	-	-	200	2,257
	1,064,408	565,837	(480,686)	(141)	75,382	1,224,800

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

23. Statement of funds (continued)

23.2 Restricted and endowment funds (continued)

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

Restricted funds comprise:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

23. Statement of funds (continued)

23.2 Restricted funds (continued)

f. **CAF Russia grant programmes and CAF Foundation for Philanthropy** – represent funds received from institutional donors which may only be used to make payments to charities in the former Soviet Union in accordance with restrictions imposed by the donor

g. **CAF discretionary funds** – represent funds available to support the sector at Trustees' discretion

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

Transfers between restricted funds

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

24. Cash flow statement

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Net income for the year	129,904	165,564	112,168	148,434
Adjustments for:				
Depreciation	319	309	275	282
Gains on debt securities	-	(1,540)	-	(1,540)
Gains on financial investments	(14,622)	(74,559)	(14,373)	(71,844)
Gains on other investments	(109)	(1,051)	(109)	(1,051)
Group share of losses in associate	57	66	57	66
Amortisation and other revaluations of debt securities	6,141	4,630	206	58
Amortisation of capitalised costs of borrowing	43	41	43	41
Non-cash transactions:				
In specie transfers and share gifts	(42,878)	(48,272)	(34,814)	(43,589)
Gift of property and other assets through legacies	(1,700)	(8,690)	(1,700)	(8,690)
Defined benefit pension plan expense	150	196	150	196
Interest on long-term loan	1,021	1,020	1,021	1,020
Investment income receivable on Trust Funds	(14,090)	(12,803)	(13,200)	(12,409)
(Increase)/decrease in loans and advances to customers	(19,027)	(25,379)	686	822
Increase in other assets and prepayments	(3,769)	(12,577)	(7,063)	(12,653)
(Decrease)/increase in amounts due to beneficiary charities	(38,937)	22,010	(38,785)	22,076
Increase in other liabilities and accruals	237	1,901	823	621
Pension deficit reduction plan payments	(380)	(2,270)	(380)	(2,270)
Decrease in donor client balances	(1,075)	(570)	(1,075)	(570)
Increase in CAF Bank depositor balances	46,002	1,975	-	-
Unrealised losses/(gains) on foreign currency	2,838	(8,009)	722	(4,411)
Net cash provided by operating activities	50,126	1,992	4,652	14,589

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

25. Operating lease commitments

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

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Operating lease payments falling due:				
Within one year	648	680	457	468
Between one and five years	2,273	2,411	1,514	1,612
After more than five years	1,011	1,472	23	374
	3,932	4,563	1,994	2,454

The amounts charged to the SOFA totalled £0.70m and £0.42m (2017: £0.62m and £0.41m) for the Group and CAF, respectively.

26. Financial commitments and contingent liabilities

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

	2018 £000	2017 £000
Grant commitments	734	780
CAF Venturesome loans	2,082	1,505
Charity	2,816	2,285
CAF Bank commitments to customers	12,359	14,285
Group	15,175	16,570

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 2021, subject to certain conditions being met by the charities. No amount has been recorded in the balance sheet for these amounts.

CAF Venturesome and CAF Social Impact Fund loans to charities

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

CAF Bank commitments to customers

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

27. Contingent assets

At the balance sheet date, the charity had been notified of a number of legacies for which probate was not yet granted or other factors indicated that these legacies should not be recognised as income. The aggregate value of those legacies was £4.1m (2017: £4.1m).

28. Pension obligations

During the year CAF participated in the following pension.

a. Hargreaves Lansdown

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

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

From 1 April 2018 and from 1 April 2019 the minimum contribution rate for employees will increase to 1.67% and 2.67%, respectively. The minimum contribution rates for CAF will increase to 3.33% and 5.33%, respectively.

b. The Charities Aid Foundation Pension Scheme

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

The first actuarial valuation of the Charities Aid Foundation Pension Scheme has not yet been carried out. Until the first actuarial valuation is completed CAF will pay contributions of £392,000 per annum to fund the deficit in the Charities Aid Foundation Pension Scheme. At 30 April 2018, the scheme's actuary estimated the scheme's deficit, in accordance with the scheme's funding basis, to be £0.8m.

At 30 April 2018, the Charities Aid Foundation Pension Scheme assets and liabilities were estimated by an independent qualified actuary for FRS 102 purposes. The results, based on assumptions used for FRS 102 follow.

c. Charities Aid Foundation Pension Scheme financial position and assumptions

i) Amounts recognised in the balance sheet:

	2018	2017
	£000	£000
Present value of liabilities	16,352	17,510
Fair value of assets	(17,331)	(17,815)
Asset not recognised	979	305
Net defined benefit asset/ liability	-	-

ii) Amounts included in the SOFA under FRS 102:

	2018	2017
	£000	£000
Scheme expenses	160	168
Interest on asset not recognised	10	-
Interest expense	(10)	28
Total expense recognised in the SOFA	160	196

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

28. Pension obligations (continued)

iii) Movement in the net defined benefit asset/liability:

	2018	2017
	£000	£000
Net defined benefit liability at 1 May 2017	-	2,200
Pension cost in SOFA	160	196
Employer contributions	(380)	(2,270)
Actuarial gains	(444)	(431)
Remeasurement of asset not recognised	664	305
Net defined benefit asset/ liability at 30 April 2018	-	-

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

	2018	2017
	£000	£000
Defined benefit obligation at 1 May 2017	17,510	16,000
Interest on obligation	425	530
Actuarial (gains)/losses	(562)	1,807
Benefits paid	(1,021)	(827)
Defined benefit obligation at 30 April 2018	16,352	17,510

v) Movement in fair value of scheme assets:

	2018	2017
	£000	£000
Fair value of the scheme assets at 1 May 2017	17,815	13,800
Interest on scheme assets	435	502
Actuarial experience (losses)/gains	(118)	2,238
Contributions by the employer	380	2,270
Scheme expenses	(160)	(168)
Benefits paid	(1,021)	(827)
Fair value of scheme assets at 30 April 2018	17,331	17,815

vi) Analysis of the change in the asset not recognised:

	2018	2017
	£000	£000
Asset not recognised at 1 May 2017	305	-
Interest on asset not recognised	10	-
Remeasurement of the asset not recognised	664	305
Asset not recognised at 30 April 2018	979	305

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

	2018	2017
	Allocation	Allocation
Equities	27%	26%
Diversified growth funds	17%	16%
Absolute return bonds	11%	11%
Cash	0%	1%
Property	10%	9%
LDI funds	16%	17%
Annuity policies	19%	20%
	100%	100%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

28. Pension obligations (continued)

viii) Principal assumptions at the balance sheet date:

	2018	2017
	Allocation	Allocation
Discount rate	2.7% pa	2.5% pa
Inflation measured by Retail Price Index (RPI)	3.3% pa	3.3% pa
Inflation measured by Consumer Price Index (CPI)	2.3% pa	2.3% pa
Pension increases in deferment	0.0% pa	0.0% pa
Pension increases in payment:		
CPI capped at 5% pa	2.3% pa	2.3% pa
CPI capped at 2.5% pa	2.0% pa	2.0% pa
Exchange of pension for cash on retirement	50% of members assumed to exchange 25% of their pension sum for a cash sum	50% of members assumed to exchange 25% of their pension sum for a cash sum
Base mortality table	S2PMA/S2PFA tables with a 90% scaling factor	S2PMA/S2PFA tables with a 90% scaling factor
Mortality projection basis	CMI (Core) 2017 projection with a long-term rate of improvement of 1.5% p.a. for males and 1.0% p.a. for females	CMI (Core) 2016 projection with a long-term rate of improvement of 1.5% p.a. for males and 1.0% p.a. for females
Life expectancy of a male aged 65 at accounting date	87.9 yrs	88.0 yrs
Life expectancy of a male aged 65 20 years from accounting date	89.6 yrs	89.8 yrs
Life expectancy of a female aged 65 at accounting date	89.5 yrs	89.5 yrs
Life expectancy of a female aged 65 20 years from accounting date	90.7 yrs	90.8 yrs

29. Transactions with related parties

Other than the matters detailed below, none of the Trustees nor any connected persons had a material or beneficial interest in any contract or undertaking with CAF, other than in the ordinary course of business, nor in the shares of its subsidiary companies. One of CAF's trustees is the Chairman of NCVO. Donations paid by CAF, during the year, included £2,113,026 (2017: £2,066,925) to NCVO under the terms of CAF's Declaration of Trust. The amount due to NCVO at 30 April 2018 was £401,272 (2017: £397,177).

30. Post balance sheet events

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

31. CAF Bank financial instruments and risk management

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

The group's risk management framework and principal risks, including those applicable to CAF Bank, are set out in the Risk Management Report set out on pages 23 to 29 within the Trustees' Report. CAF Bank's exposure to its principal risks, which are those associated with holding financial instruments, is further described below:

31.1 Credit Risk

CAF Bank's exposure to and management of credit risk is described on pages 27 to 28 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	2018		2017	
	Book value £000	Market value £000	Book value £000	Market value £000
Listed:				
UK government	25,171	25,266	26,364	26,799
Multilateral financial institutions	350,934	349,560	368,604	370,396
Fixed coupon corporate bonds	98,865	99,035	145,252	146,739
Floating rate corporate bonds	97,538	98,072	174,526	175,355
	572,508	571,933	714,746	719,289
Unlisted:				
Certificates of deposit	10,000	10,111	20,000	20,225
Debt securities	582,508	582,044	734,746	739,514
Balances at Bank of England	415,346	415,346	203,278	203,278
Loans and advances to banks	12,268	12,268	22,341	22,341
	1,010,122	1,009,658	960,365	965,133

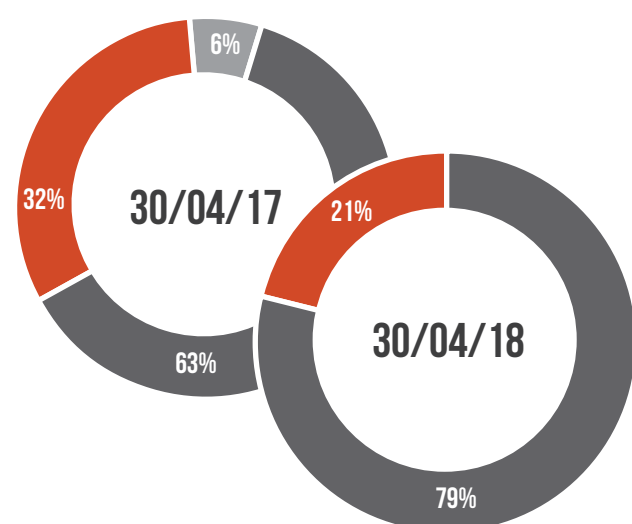
Treasury asset by credit rating Category (Fitch equivalent credit rating)	2018		2017	
	Book value £000	% of book	Book value £000	% of book
UK government	440,517	43.61%	229,642	23.91%
Other AAA	322,874	31.96%	358,050	37.28%
AA+	40,608	4.02%	32,395	3.37%
AA	4,577	0.45%	9,620	1.00%
AA-	32,037	3.17%	104,393	10.87%
A+	20,073	1.99%	38,056	3.96%
A	114,803	11.37%	113,849	11.85%
A-	26,319	2.61%	51,666	5.38%
BBB+	4,378	0.43%	12,173	1.27%
BBB	3,936	0.39%	10,521	1.10%
	1,010,122	100.00%	960,365	100.00%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

31. CAF Bank financial instruments and risk management (continued)

31.1 Credit Risk (continued)

Treasury assets by exposure value:



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

Lending

CAF Bank's management and exposure to credit risk in respect of lending is described on pages 27 to 28 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 2018, the largest loan was £4.69m. The maximum aggregate exposures to any one sector and geographical area were 46% and 26% respectively.

Loans, overdrafts and BACS facilities are subject to regular monitoring of loan performance and individual annual review. Administration of the loan book is outsourced to Capita Mortgage Services Ltd who provide regular management information on a loan by loan and aggregated basis. A collective provision of £641k has been made at 30 April 2018 reflecting losses that may have been incurred but not yet identified (2017: £522k).

No overdrafts were written off during the year (2017: one overdraft of £5k).

No loan accounts were in arrears at 30 April 2018 (2017: one) nor were considered impaired (2017: one).

Secured and unsecured lending

	2018	2017
	£000	£000
Gross loans and advances to customers	92,866	72,916
Contingent liabilities and commitments	12,359	14,285
	105,225	87,201
Amounts included within the above:		
Secured on property	103,812	86,173
Unsecured:		
Loans	148	255
Overdrafts	1,265	773
	105,225	87,201

As at 30 April 2018 the average loan to value ratio across the lending portfolio was 45%.

31.2 Liquidity and Funding Risk

CAF Bank's exposure to and management of Liquidity and Funding risk is described on page 29 in the group Risk Management Report.

CAF Bank has a high level of liquidity, holding buffer eligible assets of £781m (2017: £598m). Liquidity buffer assets comprise investments in the Bank of England Reserve Account, UK Gilts, T Bills and multilateral development banks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

31.3 Market and Interest Rate Risk

CAF Bank's exposure to and management of Market and Interest Rate risk is described on page 29 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 2018	£000	£000	£000	£000	£000	£000	£000	£000
Assets								
Balances at Bank of England	414,756	590	-	-	-	-	-	415,346
Loans and advances to banks	4,268	8,000	-	-	-	-	-	12,268
Loans and advances to customers	91,425	-	-	-	-	-	-	91,425
Debt securities	-	150,329	15,721	127,126	288,835	-	497	582,508
Prepayments and accrued income	-	240	-	-	-	-	4,469	4,709
	510,449	159,159	15,721	127,126	288,835	-	4,966	1,106,256
Liabilities								
Customer accounts	600,581	-	-	47,058	387,766	-	14,021	1,049,426
Repurchase agreements	10,142	-	-	-	-	-	-	10,142
Other liabilities	-	-	-	-	-	-	5,288	5,288
Accruals and deferred income	-	-	-	-	-	-	50	50
Shareholders' funds	-	-	-	-	-	-	41,350	41,350
	610,723	-	-	47,058	387,766	-	60,709	1,106,256
Interest rate sensitivity gap	(100,274)	159,159	15,721	80,068	(98,931)	-	(55,743)	-
Impact of 2% change in interest rates	-	(155)	(115)	(1,169)	1,376	-	-	(63)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

31.3 Market and Interest Rate Risk (continued)

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

31.4 Other categories of risk

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

The Group approach to exposure to and management of each of the above risks is described in the Group Risk Management Report on pages 24 to 26 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 2018

31.5 Capital Management

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

The bank's capital comprises ordinary share capital, additional tier 1 capital, 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:

	2018	2017
	£000	£000
Ordinary share capital	29,350	21,350
Distributable reserves	1,000	1,000
Additional tier 1 capital	11,000	8,000
	41,350	30,350

TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS

Patron

HRH Prince Philip, The Duke of Edinburgh KG KT

Board of Trustees

During the year, the members of the board were:

Chairman

Dominic Casserley

Saphié Ashtiany, Vice Chair

Stuart Barnett (resigned July 2017)

Robin Creswell

Matt Hammerstein

Peter Kellner, Chairman of NCVO

Tiina Lee

The Hon James Leigh-Pemberton CVO
(appointed April 2018)

Carole Machell

Iain MacKinnon (retired April 2018)

Dr Julie Maxton CBE

Roger Perkin FCA

Janet Pope

Susannah Storey

Executive Committee

at 12 July 2018

Chief Executive

Sir John Low CBE

Director of Finance and Operations

Mike Dixon FCA

Director of International

Michael Mapstone

CAF Bank CEO

Peter Ostacchini

Director of Communications

Ben Russell

Director of Product and Marketing

Bridgit Richards

Director of Philanthropy and Development

David Stead

Director of Human Resources

Corinne Wells

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Mazars LLP, Internal Auditor

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Principal bankers

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