

Charities Aid Foundation

TRUSTEES' REPORT

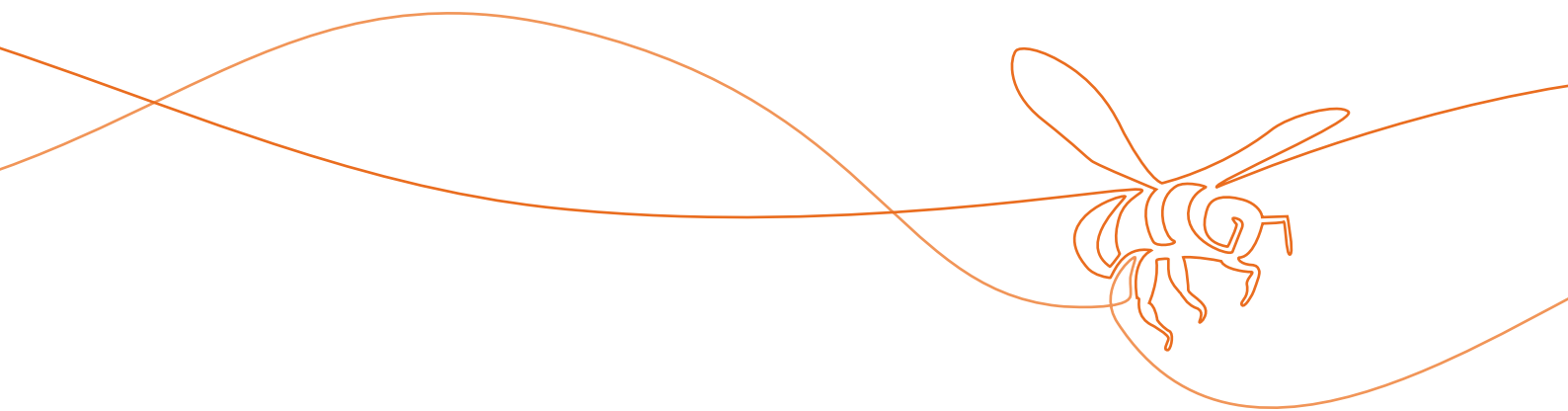
and financial statements for the year ended 30 April 2012





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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.

The report that follows gives details of how we have addressed each of these objectives during 2011/12.



CHAIRMAN'S FOREWORD

The year 2011/12 was difficult for the charity sector, with cuts in government funding and falling per capita donations. Our major annual study on charitable behaviour, UK Giving, published in December, showed that in 2010/11, 1.1m more people gave to charity than in the previous year, but the average gift each month fell from £12 to £11.

Faced with this backdrop, many charities were left with little choice but to cut jobs and reduce services. At the same time, the pressure on them to deliver more continued to grow. As these pressures unfolded, CAF was there to support donors and charities.

Throughout 2011/12, we continued to work with major donors, individuals and corporate organisations to promote and facilitate greater and more effective giving. Despite the ongoing economic uncertainty, giving from major donors to CAF increased by 20% to reach a total of £122.9m. Meantime, payroll giving held up well and we are currently working with the Government to develop ways of improving the facilitation of giving in this way. Overall, donations to charities through CAF rose to £401m, up from £378m the previous year.

During the year, we also provided charities with excellent financial products and services. Charities continued to entrust £1bn of their cash with CAF Bank, and the newly introduced CAF Bank Debit Card was being used by more than 2,000 customers by the end of the year. We also provided much needed social finance, with CAF Venturesome approving £4.6m in loans and investments to 47 charities, social enterprises and community land trusts.

As an international organisation, we worked hard to increase the flow of funds to the charity and the non-profit sector globally. With many emerging economies in various parts of the world continuing to grow rapidly, we strove last year to strengthen and embed a culture of philanthropy and support for civil society in all those countries in which we work. In 2011/12, £83m from individuals, companies and foundations was made available internationally through the UK and our eight international offices, supporting causes in every continent, underpinned by robust due diligence.

In order to help foster an environment in which philanthropy can flourish, we worked with the UK Government on a range of fronts. We helped to shape the White Paper on Giving and the thinking behind the Social Action Fund and Innovation in Giving Fund. We also helped set the agenda for the Modernising Infrastructure Fund, and played a key role in shaping the Government's social investment strategy and Big Society Capital, which was launched in April. We also supported the government-sponsored action groups on promoting philanthropy that fed into the Giving Summit in May.

We always work collaboratively with the Government, where possible. But we were not afraid to lead the sector-wide campaign against the proposal, made in the 2012 Budget, to cap tax relief on major donations, a policy that we estimated would have cost charities up to £500m per year. Working alongside the National Council for Voluntary Organisations (NCVO), we quickly launched a campaign to secure a full exemption for all charitable giving



from the proposed cap on tax relief. The campaign had its own website, its own Twitter hashtag, and was eventually backed by more than 1,000 charities. We met with ministers and special advisors about the proposal. We were quoted in hundreds of national newspaper items, and our spokespeople were repeatedly interviewed on national TV and radio.

Taking care to work collaboratively with broad interests across the sector and with the media, we gave voice to a challenging public issue and provided tenacious leadership, and at the end of May 2012, the campaign achieved success when the Chancellor announced that he would, after all, exempt all charitable donations from the cap on tax relief. The campaign had safeguarded essential funding for the UK's charities and shown that the sector cannot be ignored.

Earlier in 2011/12, we prompted debate on the issue of philanthropy worldwide, when we published the World Giving Index – the largest study of charitable behaviour anywhere in the world. The report was quoted by current and former government ministers of various nationalities and, in Malaysia, the Government even launched a national volunteering initiative in response to the study.

As the overall picture of economic uncertainty continues, charities and social enterprises will need as much support as possible to secure the right level of funding. CAF will be there throughout 2012/13 to promote giving, and provide the sector with the financial services and social finance that they need.

May I take this opportunity to thank CAF's staff and my fellow Trustees for their excellent work on behalf of civil society organisations and their beneficiaries. I would also like to acknowledge and thank our donors and all those we seek to serve for their continuing support and dedication.

A handwritten signature in black ink, reading "Dominic Casserley".

Dominic Casserley
Chairman of Trustees



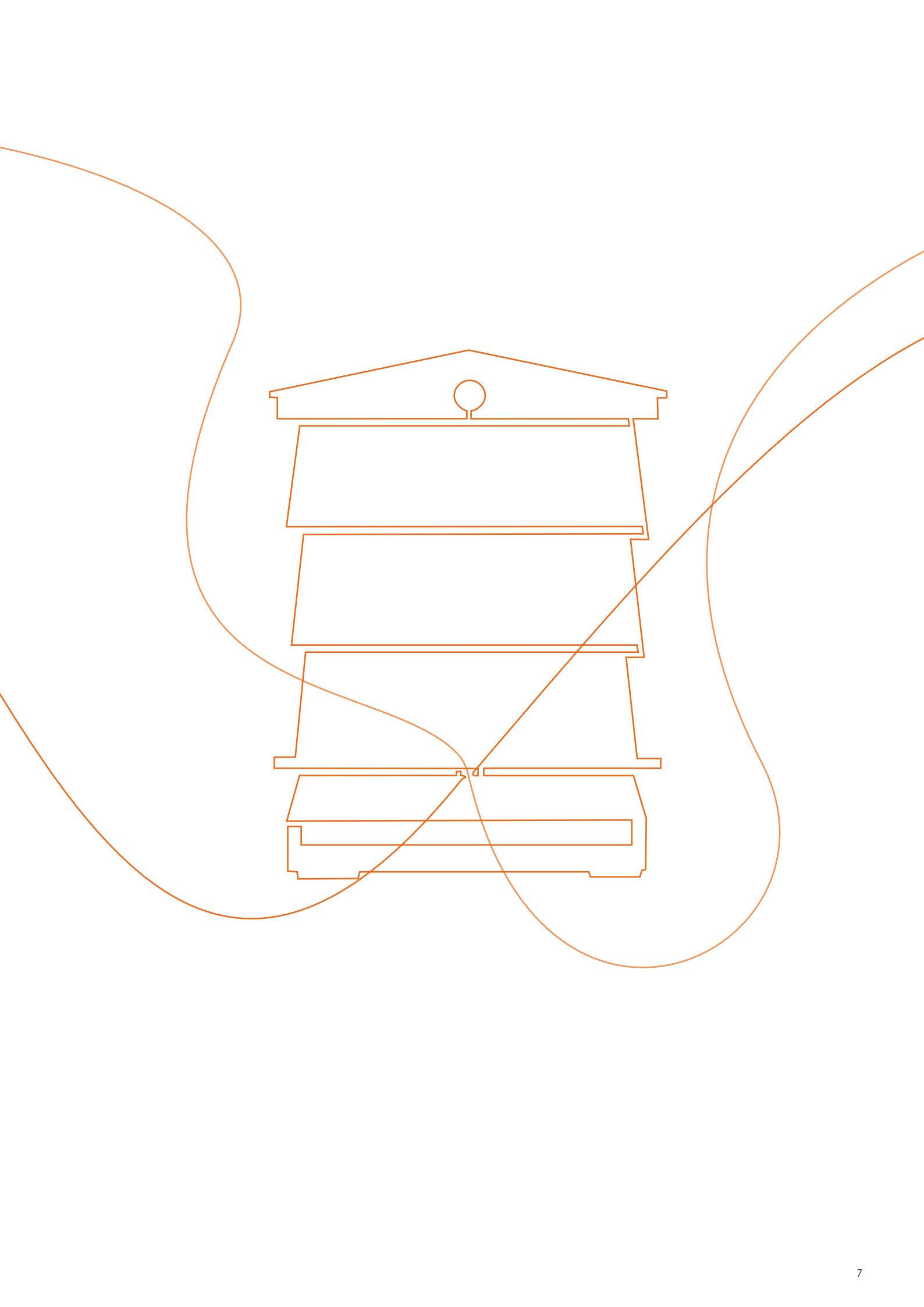
OVERVIEW

Donations worldwide to charities through CAF in 2011/12 were £23m higher than in the previous year. This is despite the challenging economic environment. In a time of widespread government cutbacks, our donors continue to provide a vital lifeline for their favourite causes.

Charitable giving in the UK remains prolific with almost six in every ten adults donating to charitable causes, according to our annual survey on charitable behaviour UK Giving, which we produce in conjunction with NCVO. This equates to 29.5m adults giving in a typical month. The proportion of people giving also increased slightly over 2010/11, from 56% to 58%, and continues the upward trend since 2008/09.

Motivating giving

	2011/12	2010/11
Donations to charities through CAF	£401m	£378m
Donations to CAF from donors	£444m	£448m





HOW WE HELP MAJOR DONORS

We support major donors at every stage of their giving from sustainable funding through to strategic advice.

Our generous major donors once again increased their giving, with £122.9m donated to their favourite causes from CAF Charitable Trusts in 2011/12. This represented a 20% increase from £102.2m in the previous year – indicating that our clients are rising to the challenges that charities face despite the general uncertainty in the economy.

We also saw 208 new trust accounts opened – the highest number for four years, with existing customers topping-up their CAF Charitable Trusts by £146.9m. This was largely down to our ever strengthening relationships with introducers such as private banks, wealth managers, accountants and solicitors, and also to our own clients referring friends, family and colleagues to us.

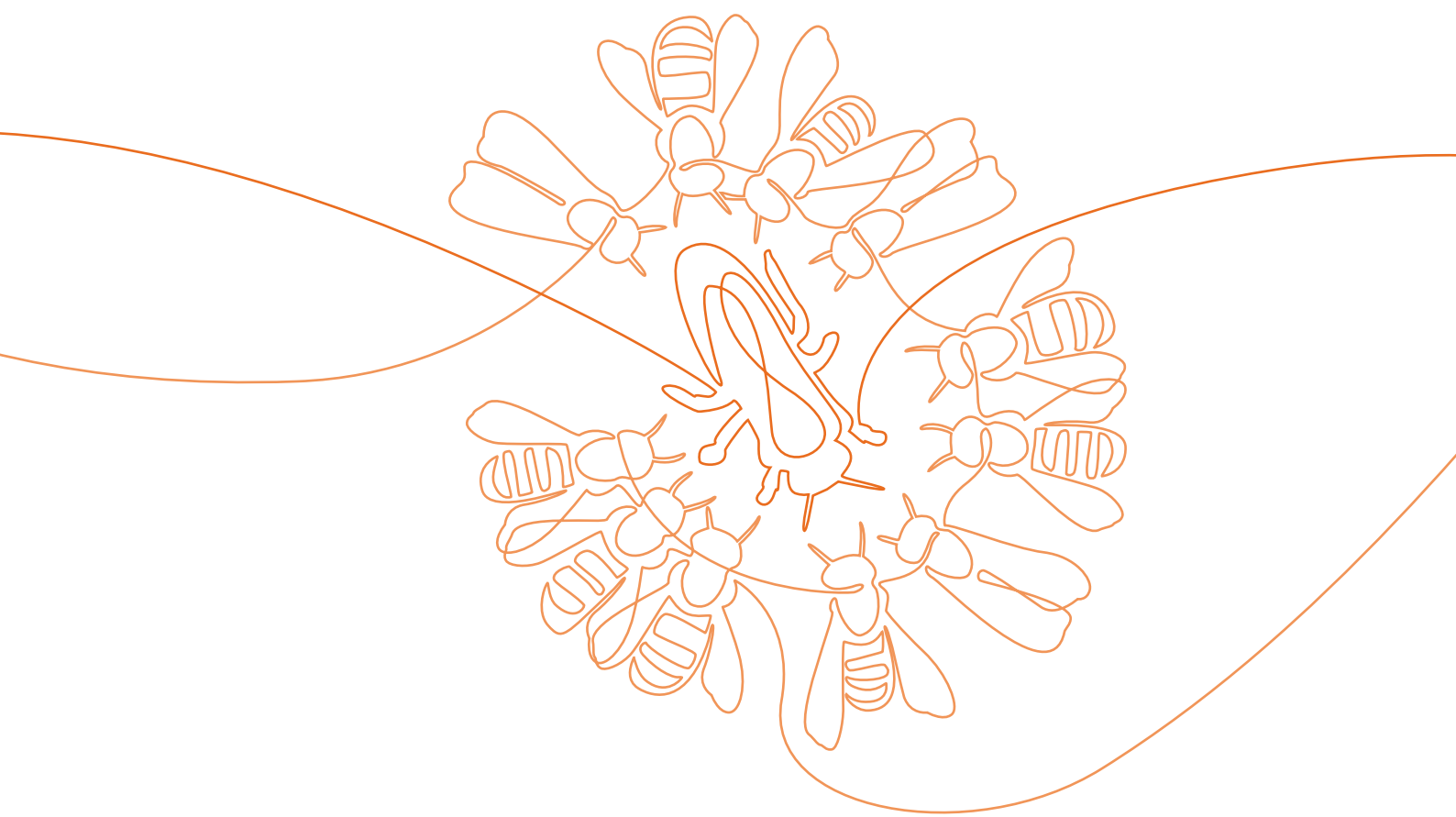
Despite the challenging economic environment in 2011/12, The Sunday Times Giving List, produced in partnership with CAF, found that 100 of the richest people in Britain donated at least 1% of their residual wealth. This was the first time this had happened in 11 years.

Overall, donations and pledges from the top 100 philanthropists increased by £220m to £1.89bn, from £1.67bn in 2010/11. These positive figures indicate that the culture of philanthropy remains strong in the UK.

Towards the end of 2011/12, we launched a high profile campaign to exempt donations from the cap on tax relief proposed by the Chancellor in the Budget.

In support of the campaign, we generated huge national media coverage, which showed that the cap would have discouraged philanthropy – with donations falling by an estimated £500m per year and £1.5bn of benefits to society being lost. According to one report we commissioned, 19,000 jobs would have been lost across the sector and the wider economy.

The campaign, which was run in partnership with NCVO, and backed by more than 1,000 charities, secured success in May 2012 when George Osborne decided to exempt all forms of charitable gifts from the cap on tax relief.



We are continuing to develop our advisory support for major philanthropists on a national and global scale. In 2011/12, we worked with colleagues from CAF Russia and IDIS in Brazil to run our CAF Foundation School in Italy. This is a week-long programme for philanthropists and their advisors, involving an international panel of expert speakers to inspire and encourage strategic philanthropy. We have also spoken at a number of conferences and events in the UK and globally, provided interviews and articles for publications, including *Spears*, on strategic philanthropy, and hosted regular round table discussions for philanthropists and their peers to address the most topical issues of strategic philanthropy.

Our client engagement has never been higher, through our new Giving News – Focus on Philanthropy, quarterly newsletter, and regular Philanthropy Series workshops; we enable philanthropists to create greater impact. We have also held investment updates for those clients who access investment services through CAF to help them fund their giving sustainably.

We carried out a review of our CAF Legacy Service this year in order to ensure capacity is available to develop the service over the coming years. A direct result of this review was 'Legacy 10', an initiative which we hope will, over the longer term, stimulate further giving by raising the profile of this scheme with our current and prospective clients. Our CAF Legacy Service distributed over £8.8m from generous donors to 455 charities and six CAF charitable trusts received money from legacies.

Client satisfaction remained exceptionally high with 86% saying they were satisfied. We continue to work hard on providing excellent client satisfaction and in 2012/13 we will be building on, and improving in, all areas where we engage with clients. Winning the Society of Trust and Estate Practitioners (STEP) Private Client Award of Philanthropy Team of the Year 2011/12 was a fantastic accolade and demonstrated that the significant changes we have put in place over the past few years are working well.



CASE STUDIES

A secret millionaire

Every philanthropist we work with has their own unique and inspiring experience of giving. And Bradley Reback, an entrepreneur who has featured on the Channel 4 programme 'The Secret Millionaire', is no exception. Bradley spent the first part of his career working as a fundraiser for a charity. Then, in order, in his words, to 'make some real money', he moved into the private sector and set up his own care home business. When he sold the successful firm 10 years later, he used the proceeds to return to his philanthropic roots. His first move was a little unorthodox. "I knew it was time to reconnect in a qualitative way with the voluntary sector," says Bradley, "and I was privileged enough to do this through my own experience as a 'Secret Millionaire' in the Channel 4 show." In the programme, wealthy benefactors say goodbye to their luxury lifestyles and go undercover in deprived areas to find out who needs their help. Through the show, Bradley found himself immersed in the world of homelessness and poverty, which enabled him to interact with charities on the ground and see firsthand the impact his support had on their beneficiaries.

Living undercover as a homeless person, Bradley was brought face to face with the reality that the homeless live through each day, but he also saw the positive impact that he and others can have on their situation. The experience will stay with him forever, says Bradley. "Philanthropy can be life changing for the recipient, and also the donor."

With his philanthropic passion reignited, Bradley started to look into setting up his own charitable trust. But he soon realised that this was no mean feat: "You need lawyers, accountants, approvals from the HMRC and, of course, there are lots of costs for all that advice and guidance." As a fundraiser, Bradley had regularly come into contact with the Charities Aid Foundation and this prompted him to get in touch with us to see how we could help. "It was with great speed and efficiency that my trust was ready to go, and the low costs and tax advantages were even bigger benefits. Since then, with CAF's support, I have been able to focus on my charitable activity – which I take very seriously."

Bradley named the Brad Phillips Charitable Trust after his undercover character on the show, and its primary focus, unsurprisingly is homelessness. One of the first developments is an innovation of which Bradley is particularly proud. "We've created a map that shows the support and facilities available for those sleeping rough and homeless in Brighton and Hove, which has acted not only as a guide for those who need it but also by enabling additional support for homeless people through its creation" he says. "It is regularly updated and its impact monitored. We are planning to roll this out to other cities."

Bradley sees philanthropy as a very important aspect of his life. "My charitable trust is one of the things I am most proud of, and something I hope to leave long after I have left the planet. And with CAF it was so easy to establish."



FAST FACTS

Twelve major donors gave over £1m each during 2011/12, compared to six in 2010/11

A social investor

Innovation in giving is important to our donors. From new ways of getting money to charities to different areas of impact. Jamie Justham is a CAF client and was one of the first philanthropists to put funds in the CAF Social Impact Fund. He is the founder of Dotted Eyes, an organisation providing services to partners such as the NHS in the Geographic Information System (GIS) market.

The CAF Social Impact Fund is a unique social investment fund which enables individuals to invest charitable funds to support charities and social enterprises. These organisations work across all sectors – around the UK and overseas. Jamie explains what the fund is about and how it has had an impact on the causes that he cares deeply about.

“After a career in business, my wife and I sold our company and for the first time found we had more money than we needed to live on. We wanted to use that money to help multiple charities in a way that would make a lasting impact. I opened a CAF Charitable Trust Fund to serve as a ‘holding tank’ on which Gift Aid could be claimed, and I’ve since been able to add to that with further donations of cash and shares.

“It was easy to get started in social investment through my trust. I didn’t have a clear idea of how charities work at first and it was a revelation to learn from CAF Venturesome about how charities not only rely on

donations but often find it difficult to borrow money while they are waiting for grants and funding. Often charity projects have to be completed before the funding is made available, so charities are left in a very difficult position. Through the CAF Social Impact Fund, the funds I had set aside in my CAF Charitable Trust could be used to help with loans to charities. CAF Venturesome has a lot of experience of due diligence and so I felt confident that my money would be in good hands.

“The CAF Social Impact Fund fitted with my personal objectives – putting to good use my philanthropic funds, and helping a number of different organisations by recycling the funds and investing over and over again. I’ve committed the money for various periods of between two and five years. If I make a loan and don’t get all of it back, then in a sense it becomes a donation – the money was earmarked for charity from the start. I would be disappointed, though, because it would signal that a charity had failed to achieve its plans in some way and that would be a setback for them.

“I can thoroughly recommend the CAF Social Impact Fund and CAF Venturesome as an investor. I don’t see it as a substitute for making charitable gifts, which I continue to make, but it is a vital complement to donations and grants. And, of course, once the money has been recycled, it can eventually be donated. There’s a need for this type of social investment as well as straightforward donations. It’s simply a case of making my money work harder so it can have the greatest impact possible.”



HOW WE HELP REGULAR GIVERS

We work with regular donors to enable them to give effective support to charities.

We strive to make it as easy as possible for regular donors to support their chosen causes and be sure that the money they donate works as hard as it possibly can for the charities they choose. Over 81,020 individual donors organised and operated their support for charities through a CAF Charity Account, of which 54,088 are funded by Gift Aid donations and 26,932 donate through our CAF Give As You Earn® (GAYE) scheme.

CAF Charity Account holders continued to be highly committed supporters of charitable causes, donating £100.7m to charities in 2011/12. We also reclaimed £12.9m in Gift Aid for our customers, reducing the administrative burden on charities and increasing the amount donated.

Our major annual study on charitable behaviour, UK Giving, is seen as the key report on giving by ministers, civil servants and many across the charitable sector. Last year's report, which generated widespread national media coverage, showed that while 1.1m more people gave to charity in 2010/11 than during the previous year, the average gift each month fell from £12 to £11.

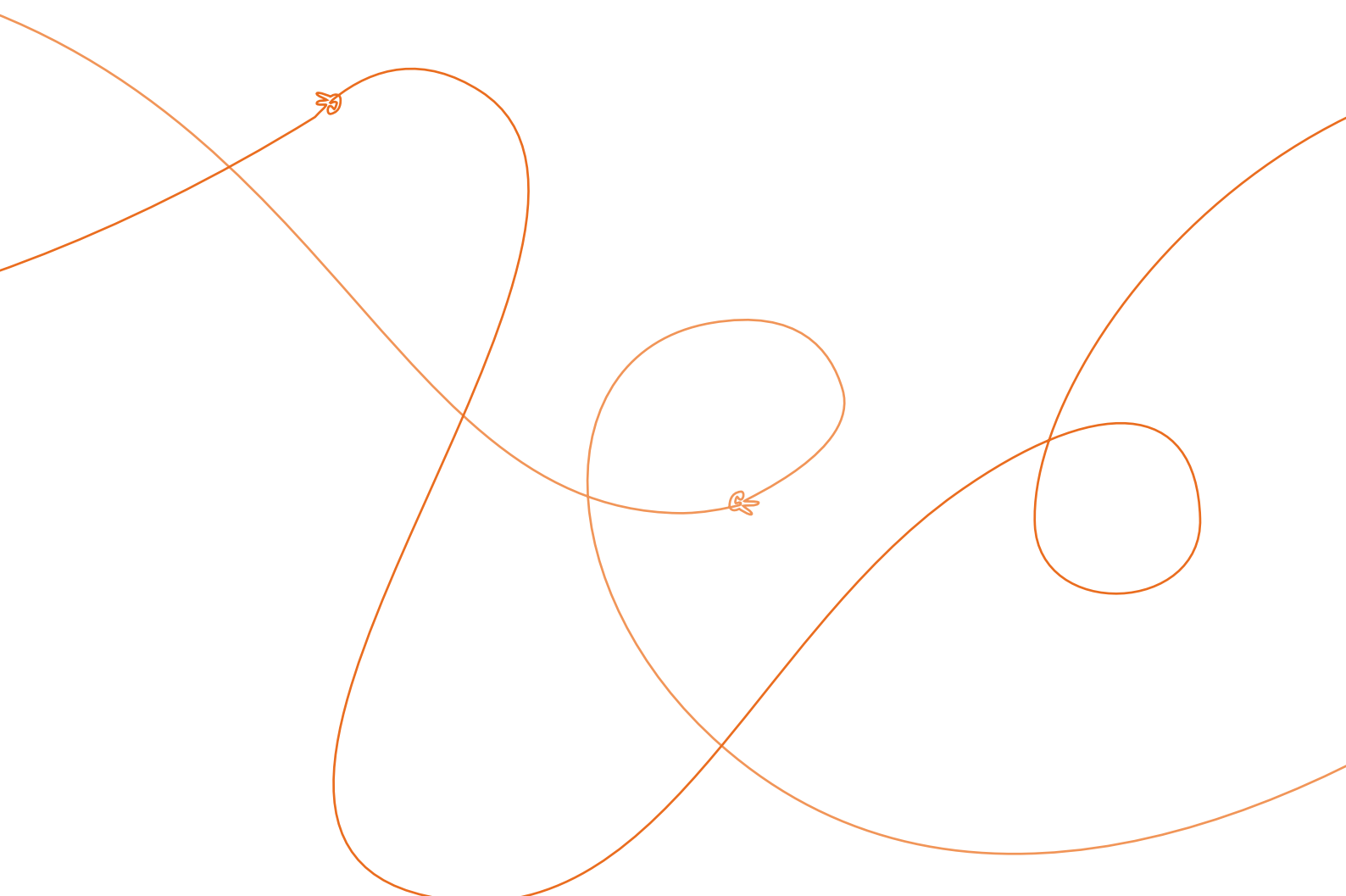
This trend was mirrored in our customer base. In 2011/12, 1,000 more CAF Charity Account holders made 866,596 donations with an average value of £97.36 per donation compared to £98.75 in the previous year. These figures

reinforce the fact that our customers continue to actively support a range of good causes through uncertain economic conditions.

Donors can fund their CAF Charity Accounts through either CAF Give As You Earn donations or donations on which gift aid can be claimed. All donors choosing to use our CAF Charity Account are maximising the amount donated to the charities they support by using fully the tax breaks available on charitable giving. The table below shows how the different accounts are used.

	Value of donations
GAYE funded CAF Charity Account	£31.3m
Gift Aid funded CAF Charity Account	£69.4m
Total	£100.7m

We are currently undertaking an extensive review of how we best promote a culture of regular giving and increase the total amount given to charitable causes. We will be looking at ways to help regular givers make full use of all digital technologies like mobile and social media to engage with and donate to their favourite causes.



FAST FACTS

The largest donation from a CAF Charity Account in 2011/12 was £672,000 and our busiest donor made 741 donations throughout the year



HOW WE HELP COMPANIES

We work with companies and their employees to help them support charities and local communities.

The ongoing uncertain economic climate could so easily have damaged corporate philanthropy in 2011/12; however support for charity and community programmes remains robust for both CAF Company Accounts and CAF Give As You Earn.

Companies gave £71.5m to charities through CAF Company Accounts and fundraising accounts – **an increase of £6m from 2010/11.**

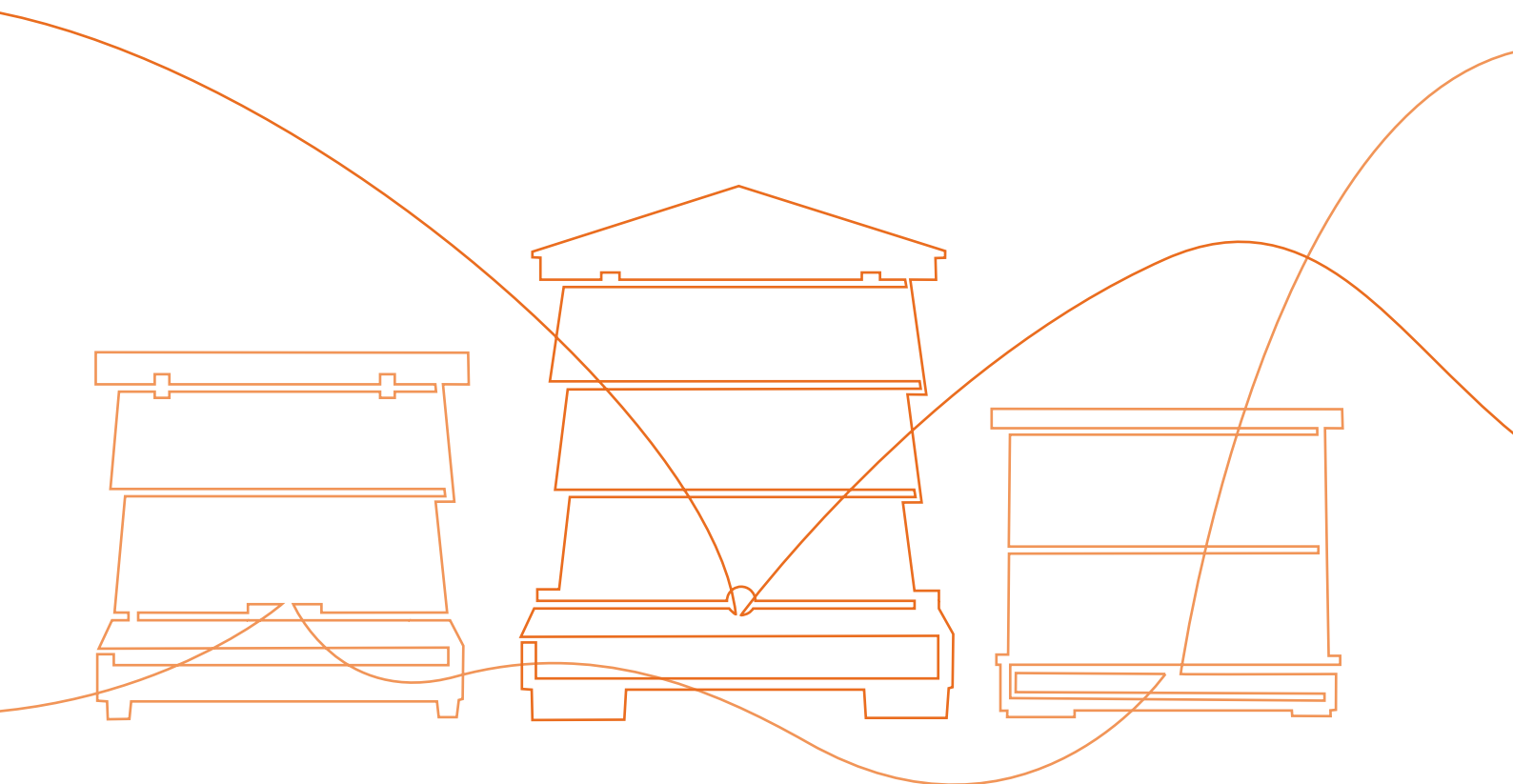
We continue to be the leading player in payroll giving with a market share of 70%* and are working closely with the Government to look at ways of encouraging and improving payroll giving in the UK.

In 2011/12, we repositioned and strengthened our service to corporate clients, with the aim of ensuring a more strategic approach in all our activities with corporate clients, to help them achieve greater impact through effective community investment.

To deliver this we identified four key 'pillars' of strategic advice:

- Long-term strategy development.
- Supporting more sustainable partnerships.
- Ensuring effective engagement.
- Maximising giving.

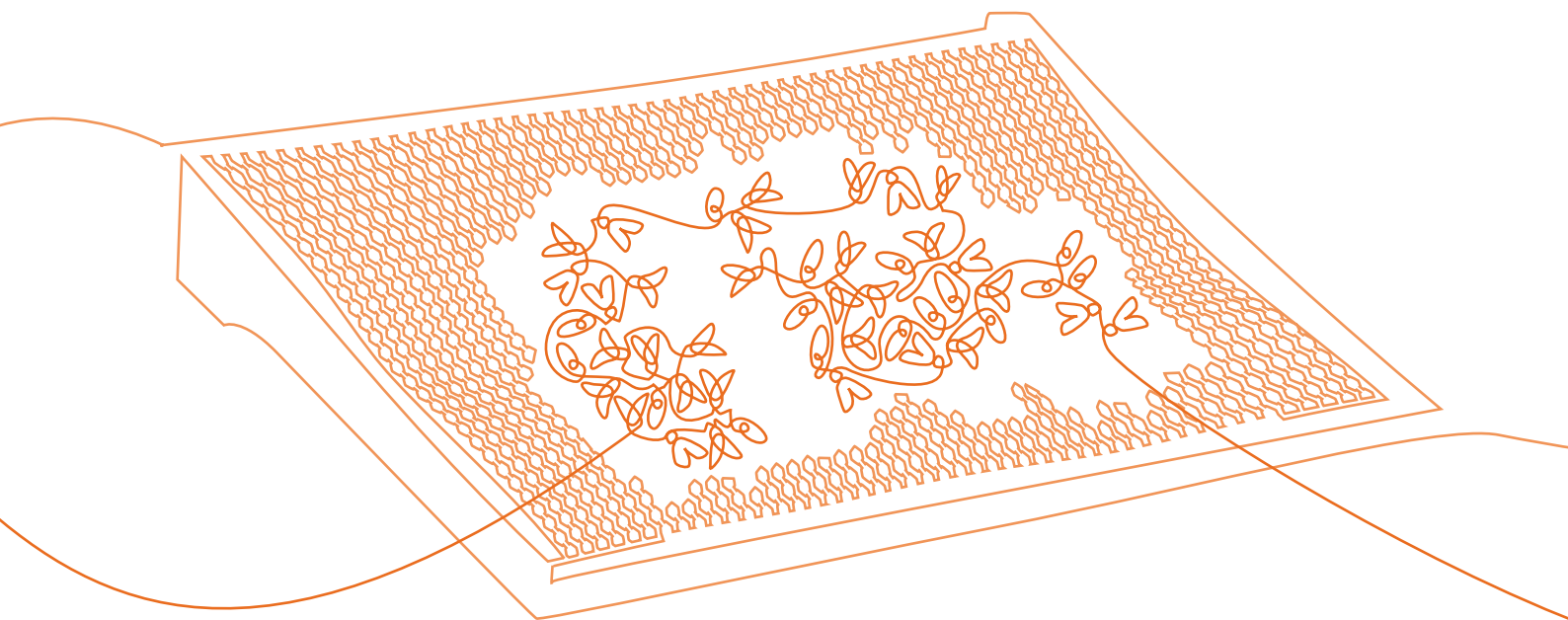
*Market share figure taken from the HMRC reporting period of April 2010–March 2011



The success of this initiative has resulted in:

- Increased new business activity across all areas leading to 32 new companies, including Legal & General and BT, increasing their engagement with new CAF products and services.
- New relationships being developed with Sodexo, Coca Cola and British Airways.
- A record year for corporate advisory projects – including 19 new projects with clients including Rio Tinto, ASOS and Toyota GB – which saw us exceed our ambitious target and almost double the consultancy provided in 2010/11 for a similar number of projects.
- A record year for new business activity – with over £10.5m in new company account deposits and 12 new sizeable CAF Give As You Earn schemes.

We aim to build on our successes of 2011/12 by innovating in key areas for the benefit of the civil society organisations and their long-term sustainability. These include creating social investment partnerships and corporate models, monitoring public sector outsourcing and its impact on communities and increasing the monetary benefits of non-financial donations. We will also continue to promote the benefits of employee engagement and sustainable partnerships to increase corporate giving.



CASE STUDIES

Enterprising Coca Cola...

Coca Cola Enterprises (CCE) employs 14,000 staff in the manufacture and distribution of Coke products across Belgium, Great Britain, France, Luxembourg, Monaco, the Netherlands, Norway and Sweden.

CCE already has a well developed Corporate Responsibility programme focused on six areas, including Community Investment. In late 2011, CCE announced its goal of donating 1% of pre-tax profits by the end of 2015. Volunteering is at the cornerstone of the plan, with the aim of increasing their current overall volunteering from around 12,000 hours – with a corresponding value of \$400,000.

CCE asked CAF to support the development of a new company-wide volunteering strategy with the key goals of:

- Increasing percentage of employees volunteering.
- Increasing total volunteering hours.
- Widening volunteering to every aspect of the business.
- Delivering more value through CCE volunteering to the third sector.

CAF has supported CCE for several years, providing an outsourced corporate trust facility amongst other services.

This was the first time the two organisations have worked together on a strategic project.

With an established outsourced corporate trust facility and other services provided by CAF, CCE understood how CAF's in-house strategic expertise, international capabilities, strong corporate client base and unique understanding of charities in different countries could offer support to the project.

CAF carried out a strategic analysis of volunteering in Europe and a comparative study of different countries' volunteering cultures, together with in-depth case studies of corporate volunteering programmes in the UK, Europe and the USA. From this groundwork the most successful volunteering models in use today were identified, adapted and enhanced for CCE staff without interrupting their productivity. At the same time, CAF identified the most adaptable reward schemes that would engage and encourage CCE's local employees to volunteer across different cultures and demographics.

CCE's local managers have been supplied with the support framework and toolkit to motivate increased volunteering, and pilot projects are underway in all territories. CAF will continue to work with CCE to achieve the ultimate goal of trebling the value of their employee volunteering to charities across Europe by 2015.

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CAF assists ITV Text Santa campaign

CAF's Company Relations team and its Advisory and Consulting team worked closely with ITV to help choose charities for its 2011 Christmas campaign.

Featuring household names from the worlds of television, music and show business, ITV1's Text Santa campaign raised funds for nine charities working with vulnerable people at Christmas.

The first programme aired in early December with the second broadcast live over Christmas. Viewers were invited to text their donations to Santa or donate by telephone, online or at their bank.

As a long-standing client of CAF's Company Relations team, ITV was keen to get CAF's advice. The Company Relations and Advisory and Consulting teams were keen to ensure that the charities selected for the programme would capture the audience's imagination while using the funds generated to provide vital support in communities across the UK.

CAF's Advisory team's strategic advice created a bespoke framework for evaluating charities and then produced a comprehensive list of suitable partners that were put

forward for selection at a meeting with ITV executives and stakeholders.

ITV Director of Television Peter Fincham said: *"This was a superb opportunity for us to throw the weight of the UK's biggest commercial broadcaster behind a brand new charity initiative and event."*

"Text Santa was the entertainment centrepiece to the ITV1 Christmas schedule, but more importantly it raised awareness and funds for a range of causes which can make a real difference to people's lives."

Senior CAF manager Jane Arnott said: *"This is an outstanding example of CAF using its unique charity sector experience and client management skills to sell and deliver a major piece of advisory work."*

"In addition to the importance of the work itself, it put CAF at the heart of a high profile TV campaign."



HOW WE HELP CHARITIES

We help a wide range of charities, particularly those which are smaller or medium-sized, providing solutions for their funding and financial needs across banking, investments funding and social investment.

During 2011/12, we improved service delivery by strengthening our client management capability and improving the functionality of our banking services.

We continued to provide a robust range of fundraising and finance solutions, tailored primarily for small and medium-sized charities whose needs continue to be poorly serviced by mainstream providers. These charities depend on our support as they lack the resources enjoyed by larger organisations.

Despite the continued effects of ongoing economic uncertainty, and the pressures on charities to use their financial reserves for the day-to-day delivery of their activities, donations to charities increased by £23m to £401m, while we broadly held the level of total funds in our banking and investment products.

Over 2012/13, we will continue to focus on providing financial solutions to support the sector by developing our ability to lend to charities by way of overdrafts and loans, which we believe will help charitable organisations to be more effective in securing sustainable growth. We aim to establish CAF Bank as the primary banking provider for charities and other non-profit organisations, offering them a safe pair of hands and services that cater for their needs.

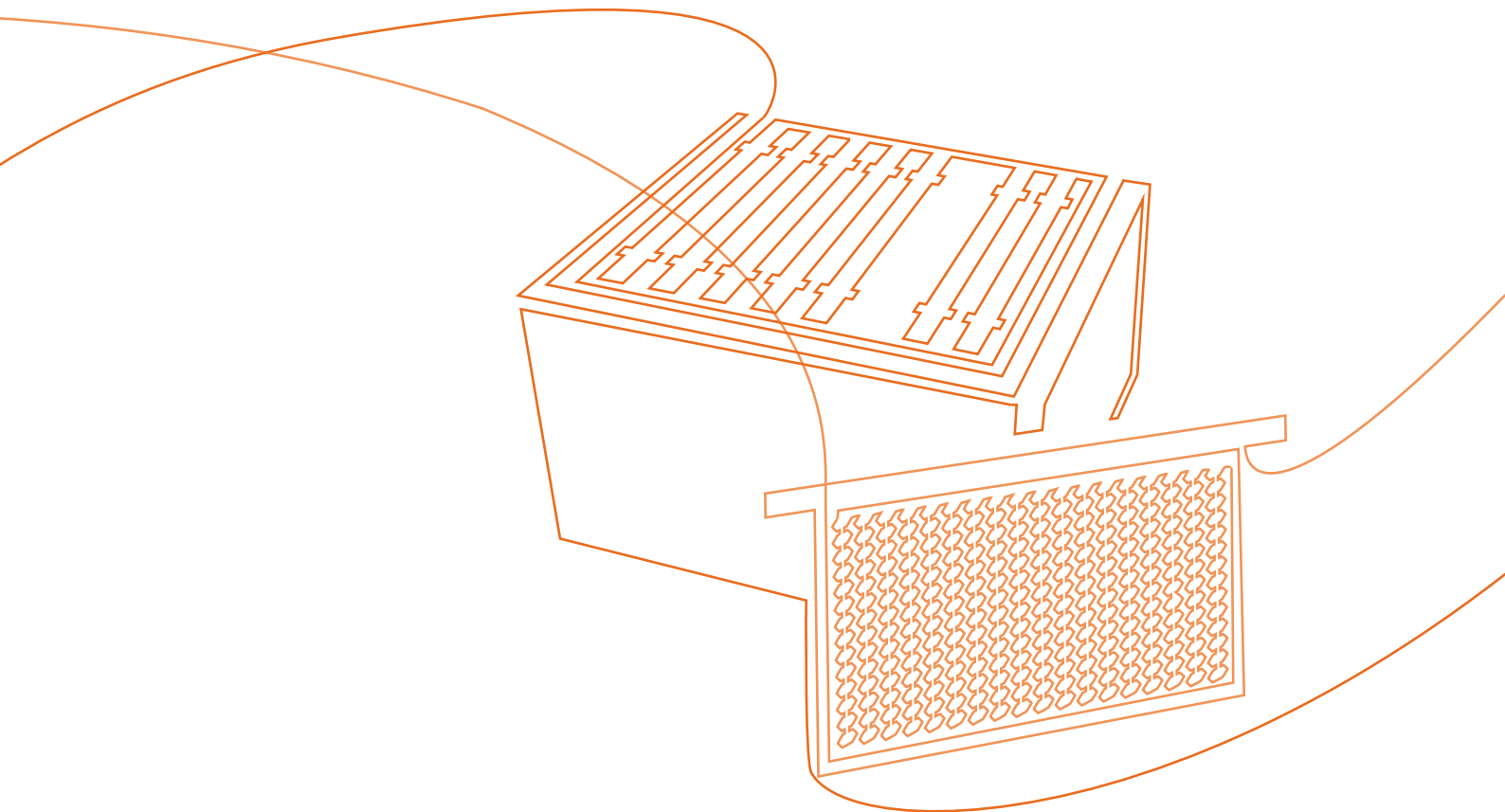
Banking the charitable sector

Despite a challenging environment throughout 2011/12, which continued to see short-term interest rates remain at very low levels, charities continued to entrust almost £1bn of their cash to CAF Bank.

Our offer of free banking and provision of a consistently high quality service has ensured that the number of CAF Bank customer accounts continued to grow during the year from 28,304 to 29,358.

Other financial products and services that helped charities in the ongoing challenging environment were:

- The CAF 90 Day Notice Account and the CAF 1 Year Fixed Term Deposit Account in partnership with Scottish Widows Bank, which performed extremely well, attracting balances of £191m over the year.
- Improvements to our range of banking services and functionality by extending our roles in the area of merchant acquiring and BACS sponsorship. Since launching the Bank's first debit card there are now over 2,000 cards in circulation.



- Building stronger management capability to improve service delivery, with regional teams servicing Scotland, Wales, Northern Ireland and the North, Midlands, South West, and South East of England now in place.

Although total balances fell by £29m over the course of 2011/12, balances in the relaunched CAF Platinum 30 Day Notice Account have increased by 69% since the start of the financial year to over £104m.

Investment funds for charities

We continued to promote the two new and distinct services we launched at the start of 2011 as part of a continuing programme of change to the investment options open to charitable investors. This is now supported by an online Investment Knowledge Centre that gives charities relevant and valuable information to help their decision making.

The Direct Investment Service allows investors to create their own portfolio of funds from the range of nine funds including the CAF UK Equitrack Fund (managed by Legal & General) and the CAF Socially Responsible Portfolio (delivered by F&C). Collectively these give access to a variety of investment strategies, asset types and fund managers. Charitable investors can access all our funds at a lower cost

than if they went direct to an external fund manager for a comparable investment.

For investors seeking help choosing the right blend of assets for their organisation, or who want someone to take on the burden of ongoing management, the CAF Managed Portfolio Service is also available. Operated for CAF by Octopus Investments, the service for charities provides a full analysis of an investor's situation, followed by detailed advice and ongoing management. The process is fully documented to provide an audit trail and evidence that the requirements of CC14 – the Charity Commission's guidance on investing charity funds – have been taken into account.

All the investments offered to charitable investors are overseen by the CAF Funds Monitoring Committee. This independent body of investment experts monitor the funds and advise CAF on the performance of the managers. In this way we are able to ensure funds are delivering effectively, while remaining suitable for charitable investors.

Total assets under management (AUM) increased to £516m despite challenging market conditions. Customers have given positive feedback on the breadth and flexibility of the new services.



FAST FACTS

Seventeen charities received more than £1m via CAF customers

Social investment in charities

CAF Venturesome had a record year in 2011/12, approving £4.6m loans and investments to 47 charities, social enterprises and community land trusts. Our success in providing social investment is underpinned by the support of many individual philanthropists and leading foundations.

In July 2011 the CAF Social Impact Fund (SIF) was launched, enabling trust clients to multiply the social impact of their money by investing it in charities and social enterprises. The fund has attracted a great deal of interest from investors and we have ambitious plans to expand it over the coming year.

The changing contracting environment for charities, which favours payment by results, lends itself to innovative social finance mechanisms and we continue to explore every possibility.

While our default rate remains remarkably low at 5.9%, we expect this to rise in the coming year. The year 2011/12 was challenging for many of our investees, some of whom struggled through the recession by spending their reserves. Having maintained a strong portfolio since the recession first hit, we expect our loan loss rate to increase.

Our *Impact Investor's Handbook: Lessons from the World of Microfinance* report remained popular in 2011/12. Published in November 2010, the report traces the development of the microfinance market in its first 35 years, in order to draw parallels with the developing social investment market. The report was downloaded and commented upon across the world, and has cemented our position as a thought leader.

Having founded CAF Venturesome, and led it for 10 years, John Kingston moved on from CAF in 2011. John made an enormous contribution to the development of the social investment market, including, latterly the development of Big Society Capital. Early in 2012, we welcomed Stephanie Poole as our Director of Social Investment, with a brief to develop our involvement in the social investment sector.

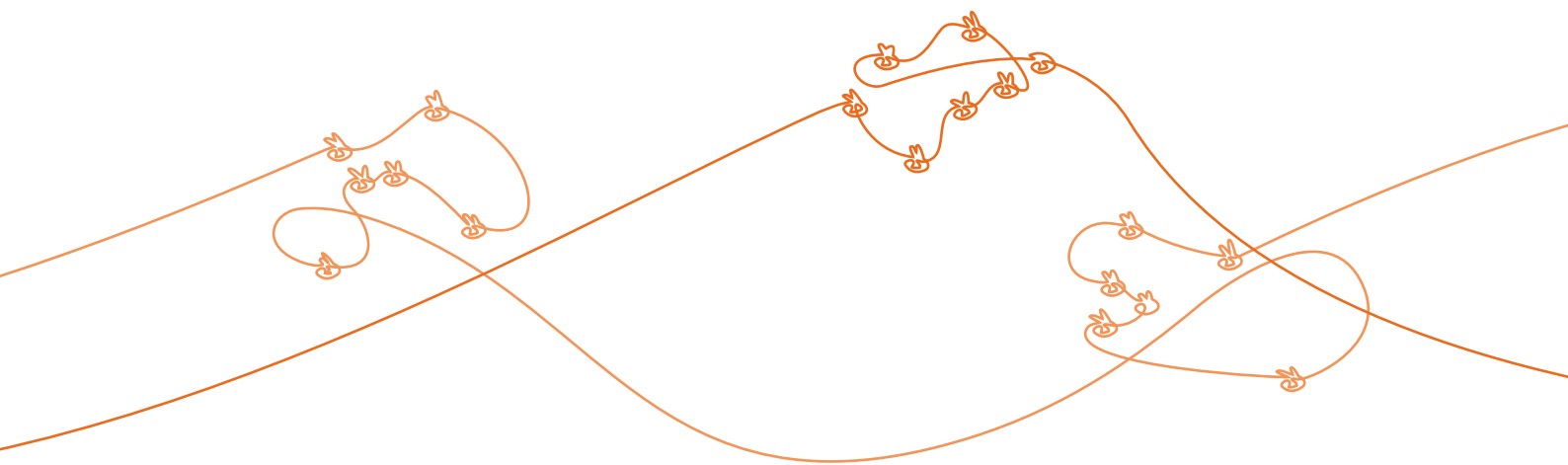
Big Society Capital launched in May 2012 and has already begun investing in social finance intermediaries. CAF Venturesome remains an important source of risk capital to smaller charities and social enterprises that achieve high social impact. There remain few active social investors in the UK that can tolerate the level of risk that CAF Venturesome takes. As such, investing in charities, supporting our portfolio and developing our marketing remain essential elements of our work.

There are a growing number of social investment funds in the market, which Venturesome now co-invests with regularly. We have also seen an increasing number of large companies contributing to the social investment market by deploying the expertise of their staff to social enterprise, sometimes alongside grants and loans. CAF Venturesome has been an active partner in some of these programmes.

CAF Fundraising Support Services

We received £23.8m in donations through CAF Fundraising Support over the last financial year, including £2.8m in Gift Aid for those funds.

Having sought feedback from donors and charities alike, we recognised the need to provide a simple way for charities to accept donations via their own websites, without linking out



to another site, or requiring donors to complete a pop-up form – an option only open to those organisations with the resources to employ specialist web developers.

In response to the need for a new online mechanism for donations, we developed the concept of a simple ‘widget’ form that charities themselves could add to their websites and other online channels, by simply inserting some code. The widget is hosted securely on our servers, while being displayed to donors via the charity’s own site. We worked closely with a range of organisations to understand fully how they wanted to use the widget and what they wanted it to do. They told us it needed to be fully customisable, so that they could match it to the logo, fonts and colours of their websites. They also wanted it to work on Facebook, so their growing communities of Facebook supporters could give without leaving the site.

The final design was extremely well received, and the CAF Giving Widget was launched in September 2011 – with the Disasters Emergency Committee being one of the launch charities.

As the widget is hosted by us, it is possible for anyone to ‘grab’ and embed the widget anywhere across the web. Supporters, whether an individual or organisation, can therefore embed it on Facebook, a blog, a website, even their intranet, for a particular charity or campaign that they want to support.

Charities have responded enthusiastically to the ways in which the widget helps them connect with donors and raise more money. We are also delighted with the greater level of feedback we are receiving from many of our customers and are incorporating further improvements into a new version.

Advisory and consulting

We have provided advice and support to a range of local, national and global charities – including operational charities providing direct services to their beneficiaries, and to grantmaking charities. We have worked with our charity clients to develop their fundraising approaches to high net worth and corporate donors, and to trusts and foundations. For others we have built their understanding and options around social investment and income generation. We have also provided health checks for charities – on behalf of the charity itself, and for their funders. This includes assessing capacity in areas such as governance, management and fundraising, and identifying areas for development.

In 2011/12, we distributed over £6m in grant funding for corporate, individual and charity clients. Each of our grant programmes is designed for the individual funder’s requirements. Our grantmaking ranged from small grants to individual young people through to a multi-national programme for a global corporate foundation.

We also contributed to sector discussion through interviews with a range of national and specialist media.

In the coming year, we will continue to develop our consulting services to the sector, with a particular focus on working with charities to develop their capacity and impact in key areas of fundraising, income generation and social investment.



CASE STUDIES

Team v youth volunteering project gets our help

vInspired helps young people discover the value of volunteering, using the power of online media to inspire offline actions, offering easy-to-access opportunities and support to involve them with good causes in their communities.

In partnership with CAF, NIACE and the Rank Foundation, vInspired launched its national youth leadership and social action programme, Team v, in October.

Team v empowers 18–25 year old volunteers to become a positive force for social change in their local community through social action campaigns. Each partner brought their own unique skillset to the mix and fantastic goals were achieved in the three campaigns delivered in the startup year.

CAF formulated the grantmaking plan, process and timeline and worked with vInspired staff to develop and define the programme's objectives, strategy and desired impact.

Food poverty was the target of the first campaign. Over the Christmas period more than 6,000 people benefitted from the 20,300 donations to the food collection hubs organised by 40 Team v leaders and the 615 volunteers they recruited.

In February, 220 volunteers were recruited to tackle loneliness and isolation amongst older people. More than 800 people took part in events and activities that successfully bridged the generation gap.

A third campaign, improving child literacy through the power of stories, is underway, with pop-up story circles and writing competitions being organised by leaders in their local communities.

Senior CAF manager Jane Arnott said: *"Team v has done exceptionally well in terms of generating positive social action and has had great results."*

"We were delighted to have played such a significant role in helping to get the programme up and running as well as helping to manage it. We hope that next year will attract more local leaders and have an even greater impact on local communities across the country."

Renewable energy in Nepal

The Nepal Trust operates mainly in the North West district of Humla, Nepal, an impoverished area which lacks access to basic services – and from which the nearest road is approximately a 10 day walk. The trust works with local communities to enable them to implement sustainable projects which meet basic needs, and strengthen the ability of communities to improve their livelihood.

Back in 2000, the Trust raised £55,000 in the UK and approximately £130,000 locally in Nepal towards a 50kw micro hydro project, a scheme which would bring clean and renewable energy to three villages comprising over 5,000 people, schools, health posts, and community buildings. However, due to the Maoist insurgency, the implementation of the scheme was delayed for almost 10 years.

By 2010, work was ready to begin but the costs had substantially increased. As a result, the Nepal Trust had a funding gap of £15,000 which needed to be filled quickly in order to complete the project before weather conditions made further work impossible until the following year.



CAF's social investment arm, CAF Venturesome, provided a £15,000 bridging loan repayable over three years from future fundraising. Given the Trust's almost 20 year track record in successfully fundraising, and implementing community development projects in the remotest parts of the Himalayas, CAF Venturesome was confident in providing a loan. The project has now been successfully completed and has been inaugurated by the Nepal government. The loan was repaid in full in March.

Nepal Trust secretary and acting Chief Executive Chris Rae said: *"A loan from CAF Venturesome was a great assistance to the Nepal Trust and enabled us to get the job done against all the odds."*

Maximising online fundraising for LoveAston

The Aston Annual Fund (AAF) is a fundraising initiative aimed at gaining support from alumni, staff and friends of Aston University. The fund helps to improve teaching facilities, invest in new technologies, and provide new scholarship and bursary awards for the next generation of Aston students.

Aston launched the LoveAston campaign in 2011. After changes were made to the way higher education is funded, the university felt compelled to find new ways to support its diverse student population, particularly as approximately 50% of Aston students are from the four lowest socio-economic groups and around 90% come from state schools.

The campaign was designed to build on current levels of philanthropic support for the university – and inspire new donors to LoveAston too.

The campaign was communicated through a variety of media on and offline. It was designed to draw support from different demographics, reflect changes in consumer behaviour and get the most out of social media.

As LoveAston gained popularity, Aston University realised it needed to improve its online giving facility, and identified the CAF Giving Widget. This is an online portal which takes regular and one-off credit/debit card, direct debit and PayPal donations securely.

Aston University was able to customise the widget's branding to reflect the unique look and feel for the LoveAston campaign from end to end. The university placed the widget on its website and also on their Facebook page. This maximised the use of social media, and allowed them to reach a new audience of supporters.

The results for the campaign have been extremely rewarding with record numbers of new donors attracted to the university – with over £100,000 raised.

Aston University Annual Fund Manager Luke Taylor said: *"An important strategic objective of the LoveAston campaign was to respond to the changes we were seeing in donor behaviour, and make it easier for people to support us online."*

"The CAF Widget allowed us to do this. It streamlined the process for donors, was fully customisable to fit the campaign brand, and helped us to maximise the potential of online fundraising through Facebook."



HOW WE HELP INTERNATIONALLY

We work globally to increase the flow of funds to the charity and non-profit sectors through the provision of philanthropy advice and services.

We have an impressive track record of enabling corporate and individual donors to focus on maximising the impact of the resources they have to give on the lives of individuals and communities around the world.

In 2011/12, our international offices received over £48m from individuals, companies and foundations for distribution to charitable causes. Our UK donors made more than 1,600 grants to charitable projects in over 90 countries, supporting initiatives to the value of over £35m – an increase of more than 55% from the previous year.

While charitable donations continue to increase despite the challenging economic environment in many parts of the world, our offices are having to work hard to keep philanthropy on the agenda. We continue to see substantial growth in the emerging economies, particularly in India. CAF as an international organisation continues to have a significant impact on global philanthropy, harnessing the economic potential in the emerging economies of Russia, Brazil and India in particular to drive forwards the philanthropy agenda.

Among the many achievements across CAF's global alliance of organisations in 2011/12:

- Receipts in CAF Russia increased by 35% in 2011/12, with over £7m received for distribution to charitable projects. The vast majority of this being locally generated funds, helping to build the philanthropic infrastructure and tradition there – reflecting the explosion of wealth.
- CAF India's national campaign, Support My School (SMS), was launched in January 2011. The aim of the campaign, backed by CAF India and its partners Coca Cola India, UN-Habitat, NDTV and Pearson, is to create awareness on water, sanitation, environment, and healthy, active living – all within an environment conducive to learning and improved health. It currently benefits 50,000 children in 100 schools across 11 states nationwide. Thanks to a successful fundraising telethon, SMS has also raised enough to support an additional 40 schools.
- CAF Russia played a major part in the most far-reaching change of charity law in the country, providing favourable tax support for donors, thereby changing the philanthropic landscape. CAF Russia's innovative and successful Socially Active Media project has been running for a number of years. Thanks to initial funding from the European Union and Open Society, the project enables charities to access web and print advertising space in some of the largest media outlets in Russia.



FAST FACTS

More than 1,500 donations were given to charities internationally through CAF last year

FAST FACTS

Charities in 90 countries received donations through CAF last year

- We also ran the CAF Foundation School in Italy for family foundations, with pre-course modules also being held in Sao Paulo and Moscow.
- The CAF American Donor Fund (CADF) had its best year for donations since its creation in 1999. Donations reached £20.1m, an impressive 61% increase on the previous year. Grants paid also increased by 80% with CADF Trust account numbers growing by nearly 50%. In the year ahead, we are to undertake a thorough review of the fund to ensure future growth. Our underlying objective is to treble receipts and assets under administration over the next five years.
- CAF Bulgaria hosted the fifth annual Responsible Company – Responsible Employees Conference, a two-day event focusing on the growth of corporate social responsibility. This was the most successful event yet, with over 100 organisations in attendance alongside representatives from the American Embassy, Bulgarian Ministry of Education and speakers from the region and the UK.
- CAF America received around £13m to distribute to charitable projects around the world.
- CAF Australia paid £5m to charitable causes in 2011/12, making a total of £34m donated over the last five years. We are continuing to review strategic options for this organisation with local management.
- CAF Southern Africa ran Employee Volunteer Week, a nationwide campaign encouraging and facilitating volunteering in communities throughout South Africa. Backed by an extensive media and communications campaign, Employee Volunteer Week successfully engaged with over 500 not-for-profit organisations.
- IDIS in Brazil worked with a number of corporate and family foundations completing strategic reviews and developing grant making programmes, continuing to support the development of the sector in Brazil and beyond. IDIS was invited by the Justice Department of the State of Sao Paulo – Brazil's largest city with a population of 20m people – to coordinate and deliver nine hours of free online management training, reaching thousands of Brazilian non-government organisations in the process.



HOW WE HELP THE SECTOR

We help transform lives and communities around the world by motivating society to give ever more effectively.

At a time of much economic uncertainty, when many charities are faced with smaller donations from the public and cuts to government funding, we have redoubled our efforts to promote the need for greater and more effective giving.

During 2011/12, we sought to shape the debate on giving through high profile campaigning work, publishing major research, influencing policy development and promoting generosity among the young.

Campaigning

Towards the end of 2011/12, we launched a high profile campaign to exempt charity donations from the cap on tax relief proposed by the Chancellor in the Budget.

The campaign led to a national debate on the role of philanthropy and charity, with CAF generating coverage on the front pages of national newspapers, and on major television and radio news bulletins. Our concerns were even quoted by Newsnight's Jeremy Paxman and by Labour leader Ed Miliband during Prime Minister's Questions.

The campaign was eventually successful in May, when George Osborne confirmed that he would exempt all forms of charitable gifts from the cap on tax reliefs.

Research

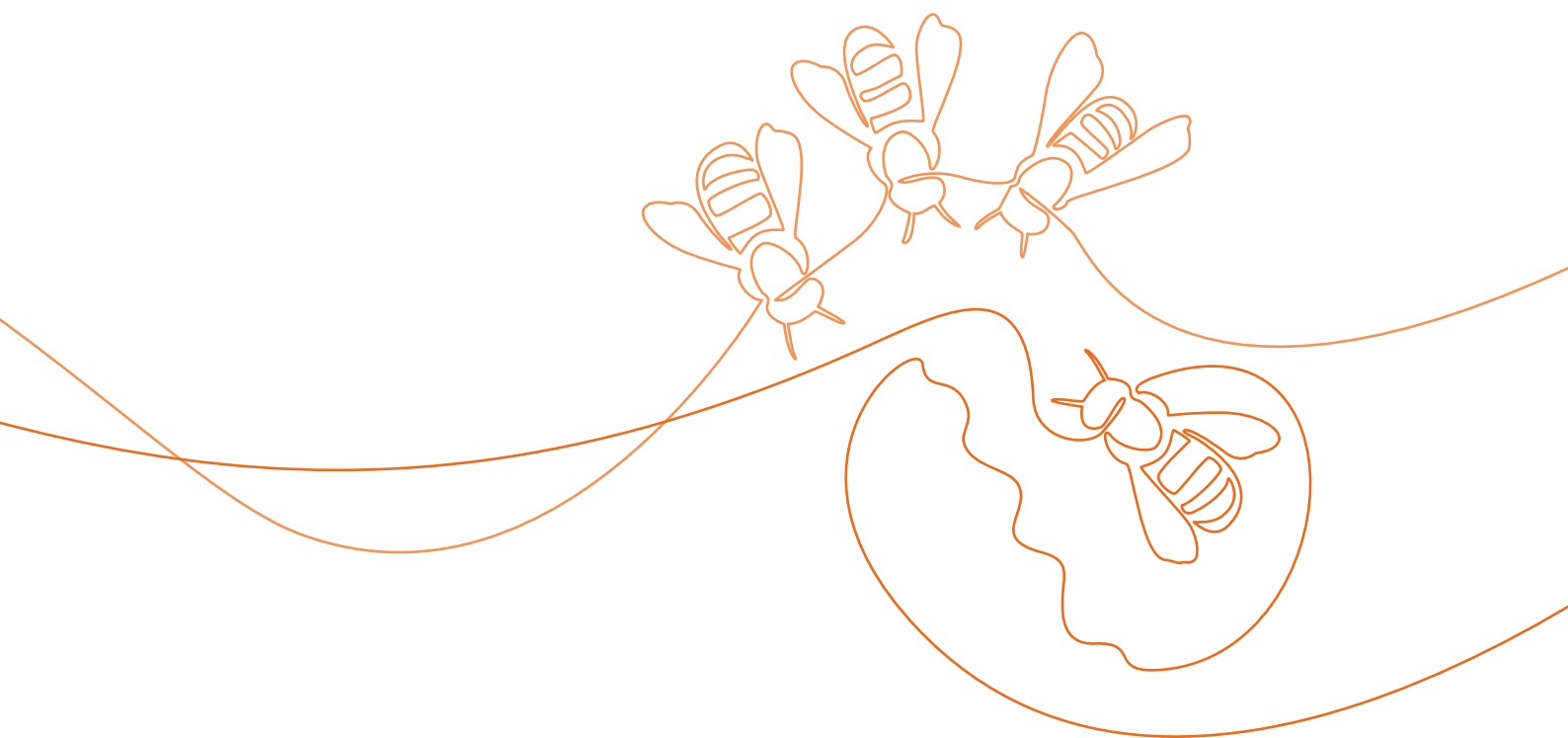
Earlier in 2011/12, we shaped the global debate on giving by publishing the second edition of the World Giving Index, the most comprehensive study of charitable behaviour around the world.

The 2011 report – based on polling by Gallup in 153 nations – showed that the US was the most charitable country in the world, followed by Ireland and Australia, with the UK being fifth.

The launch of the report led to huge media coverage around the world, with the findings being picked up by thousands of news outlets including the BBC, Washington Post, RTE One in Ireland and the Hindustan Times in India. In total, there were more than 50,000 news items globally.

The report also sparked widespread debate across the planet, with comments being given by the Sri Lankan government, the Singaporean Finance Minister Josephine Teo, former US Labour Secretary Elaine Chao, and UK Civil Society Minister Nick Hurd MP. The Malaysian government even launched a new national volunteering initiative in response to the report.

Prior to the launch of the World Giving Index, we published another major study of charitable behaviour: the latest edition of UK Giving, which is seen as the predominant annual report on generosity in the UK.



Following the launch of the study, our spokespeople were interviewed on BBC One O'Clock News, and on Radio 5 Live and Radio 2.

Policy

During 2011/12, we worked to demonstrate to the Government how it can help promote giving. Over the course of the year, we secured ministerial support for the principle of a Universal Gift Aid declaration. We also influenced government policy and thinking on charitable giving, through participation in Cabinet Office, HMRC and Treasury working groups, shaping the government's Giving Summit and establishing regular policy forums with sector and government officials.

Promoting generosity among the young

We secured substantial national media coverage on Five News for the finalists of Britain's Kindest Kid, the national competition jointly run by us and Channel Five. The finalists were invited to Downing Street to meet the Prime Minister. The Downing Street website used images of the finalists and David Cameron provided quotes for our press release.

Effective use of funds

We work hard to manage our costs in the context of the volume of activity we undertake. A year ago, we said that we would aim to keep the cost of processing donations in 2011/12 to 4.69p per £1 processed, and the cost per £1 of assets managed to no more than 0.93p. Although we bettered our targeted cost as a proportion of assets under management, a one-off investment in our systems infrastructure meant that we did not achieve our targeted cost per £1 donated, although this cost was lower than 2010/11.

Processing and managing funds effectively

2011/12	Aim	Achieved
Cost as a proportion of donations processed	4.69p/£1	4.94p/£1
Cost as a proportion of assets under management	0.93p/£1	0.91p/£1

We remain committed to keeping our cost ratios as low as possible for 2012/13, despite the challenging external economic environment, with our aim being to:

- Keep the cost of processing donations to charities to 4.63p per £1.
- Keep the cost per £1 of assets managed to no more than 0.96p.



HOW WE MANAGE THE MONEY YOU GIVE US

Funds managed by CAF comprise the money received from donors, and CAF's own reserves. We manage these funds in accordance with policies which reflect the purposes for which the funds are held.

Monitoring reserves

CAF's reserves policy is to maintain, but not exceed, an adequate level of capital to support our activities, taking into account the risks to which it is exposed and existing and projected future levels of income and expenditure. Given the nature of our activities the policy considers the risks inherent in our financially based activities including credit risk, operating risk and other risks to which we are exposed. The appropriate level of capital is then determined following the principles of the EU Capital Requirements Directive and Charity Commission guidelines. Trustees review the policy annually.

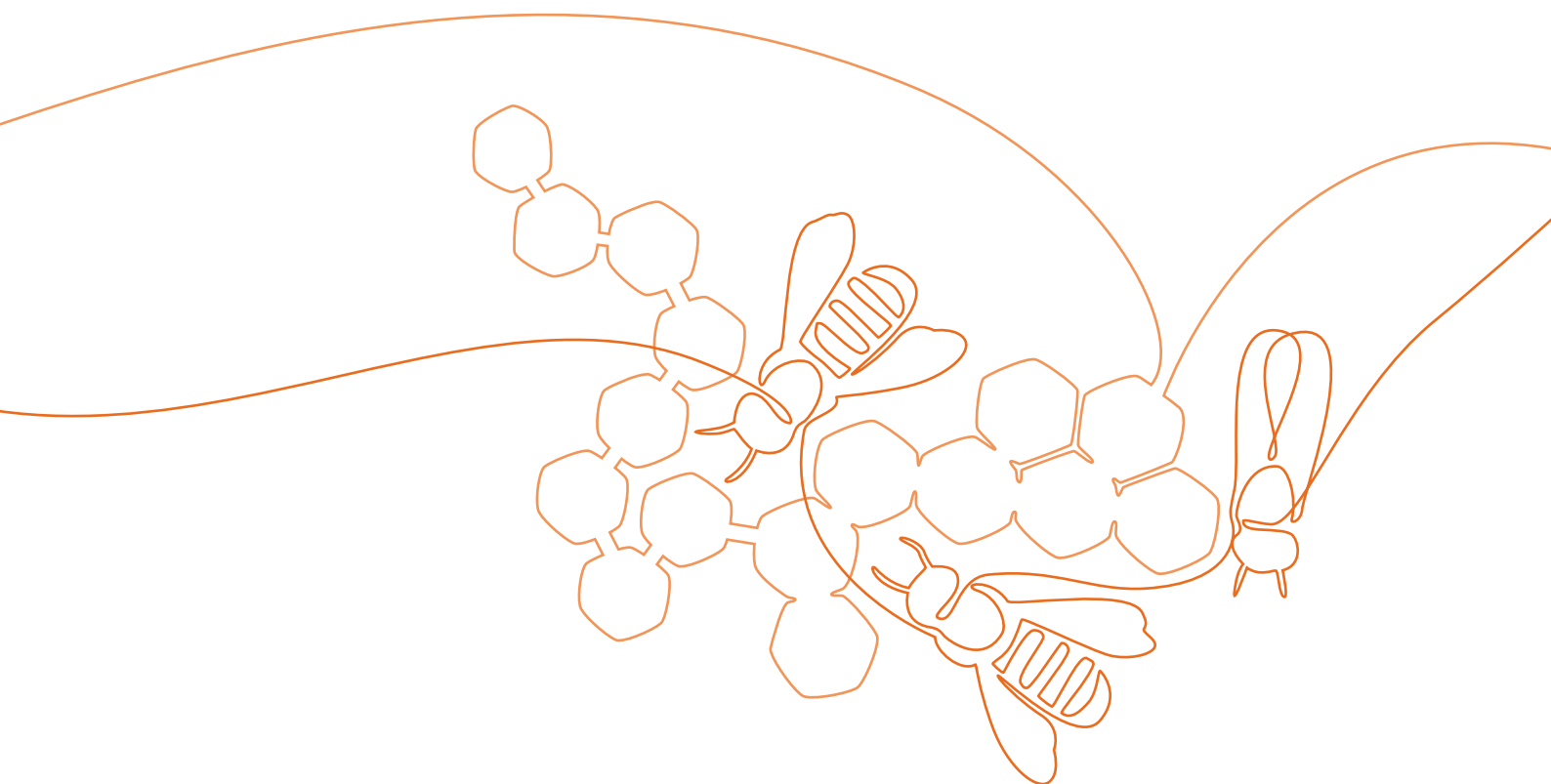
CAF's unrestricted funds stood at £45.4m at the end of 2011/12, an increase of £1m since the start of the financial year and a surplus of £1m above the required level. Although reserves have increased significantly in the last

couple of years, we continue to take a cautious approach in the current financial and economic conditions. Financial regulators are demanding increasingly stringent capital adequacy standards which are increasing the amount of capital required to be held. The group was affected by the credit rating agency bank downgrades in 2011/12, which has increased the amount of capital required in respect of counterparty exposures.

In addition, the group is planning to develop activities which require additional capital, including innovative social lending and a more traditional lending proposition through CAF Bank. The group is likely to have to increase its reserves in order to maintain its ability to service the sector. We will continue to monitor our reserves position very closely to ensure adequate capital is maintained to support the activities of the group.

Managing risk

We are committed to a policy of identifying, monitoring and managing the risks that might adversely affect the activities in which we are involved. In this context, risk



is defined as the potential to fail to achieve business objectives and for loss, financial and reputational, inherent in the environment in which we operate and in the nature of the transactions undertaken.

There has been in place throughout the year an ongoing process for identifying, evaluating and managing the risk that CAF and its subsidiaries face, which has been regularly reviewed by Trustees. Appropriate actions have, where possible, been put in place to mitigate the consequences of these risks.

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

Through the oversight of the Audit, Risk and Compliance Committee and the work of the Audit and Risk department,

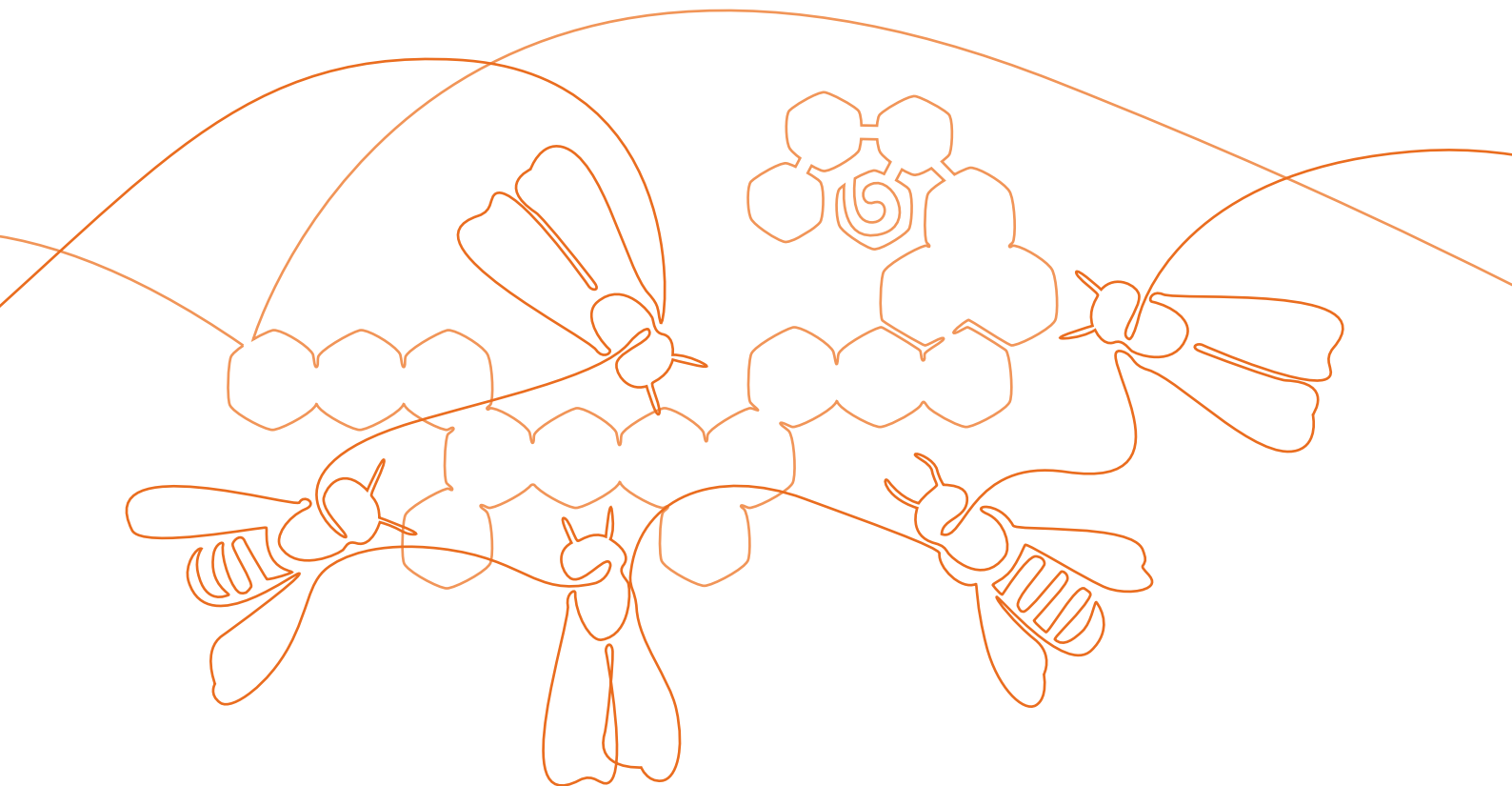
Trustees review the effectiveness of the system of internal control and risk management. Trustees are satisfied that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review process.

Financial review

The CAF Group's finances encompass unrestricted, restricted, and endowment funds (see 'Fund Accounting' in Note 1 to the financial statements), with restricted funds comprising the majority of our funding. Total income was £400m in 2011/12.

The total amount of donations processed by CAF includes amounts included in the SOFA and processed through CAF Give As You Earn (GAYE) and our other agency activities:

	Donations received £m	Donations paid £m
Restricted funds (SOFA)	369.1	330.4
GAYE and other (non –SOFA)	74.5	70.9
	443.6	401.3



Unrestricted funds

Overall, our unrestricted funds grew by £1m to £45.4m, which was a better performance than we expected at the start of the year. Income was £0.8m lower than in 2010/11, principally due to the continuing low interest rate environment which impacted the income earned on funds being held by CAF.

Direct costs of charitable activities were 0.8% higher than 2010/11 as we continued to maintain close control of our cost base. Support costs were increased due to a significant project to upgrade CAF's IT hardware, including the transfer of systems to an external hosting service.

Restricted funds

In spite of the wider economic uncertainty, CAF received donations into restricted funds of £369.1m from individual and company donors in 2011/12 and donated £330.4m to other charities in the same period (2010/11: £367.8m and £298.2m respectively). This resulted in our restricted funds increasing by £28.9m (2010/11: £83.7m increase) over the year from £829.7m to £858.6m.

Donations into CAF Trusts by major donors continue to exceed donations paid to charities from these accounts due to

the inherent long term capital nature of the service, although the value of funds was impacted by reduced investment returns in 2011/12. Restricted funds also benefitted from stronger donations into CAF Company Accounts, and continuing growth in CAF American Donor Fund.

Endowment funds

We have three endowment funds that are used for specific purposes. This includes £1.8m for two funds to support the development of a charitable giving culture in Russia and £0.3m to support the expansion of charitable giving in Australia.

Investment policies and performance

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

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



Unrestricted Trustees' funds

Unrestricted funds are invested in the operating activities of the CAF Group, including a very long lease building used for the group's activities. Surplus funds are invested in term deposits with UK banks, gilts, and in a small value of highly rated corporate bonds. The total return of the bond portfolio for the year ended 30 April 2012 was 5.81%, which was 4.45% above the benchmark of six month LIBOR, reflecting gains on longer term gilts and bonds held in the portfolio during the year.

Restricted funds

Investments are held for restricted funds as follows:

CAF Trust Accounts

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

Other restricted funds

Other restricted funds principally comprise balances held pending onward donation to other charities and are invested in term deposits with the largest UK banks, and in gilts/AAA rated bonds and corporate bonds. The total return for the year ended 30 April 2012 was 5.2%. Investment policies of subsidiary and associated companies and trusts are determined and managed by their respective boards. Details of these policies are set out in the report and financial statements of each entity, copies of which are available from our head office.



OUR STRUCTURE, GOVERNANCE AND MANAGEMENT

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.

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
- the Chairman of NCVO

The Board meets at least five times a year. All Trustees are non-executive and none of them receives remuneration from CAF. Trustees are appointed to hold office for a term of three years. Except for the Chairman of NCVO, no Trustee may hold office for more than three consecutive terms.

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.

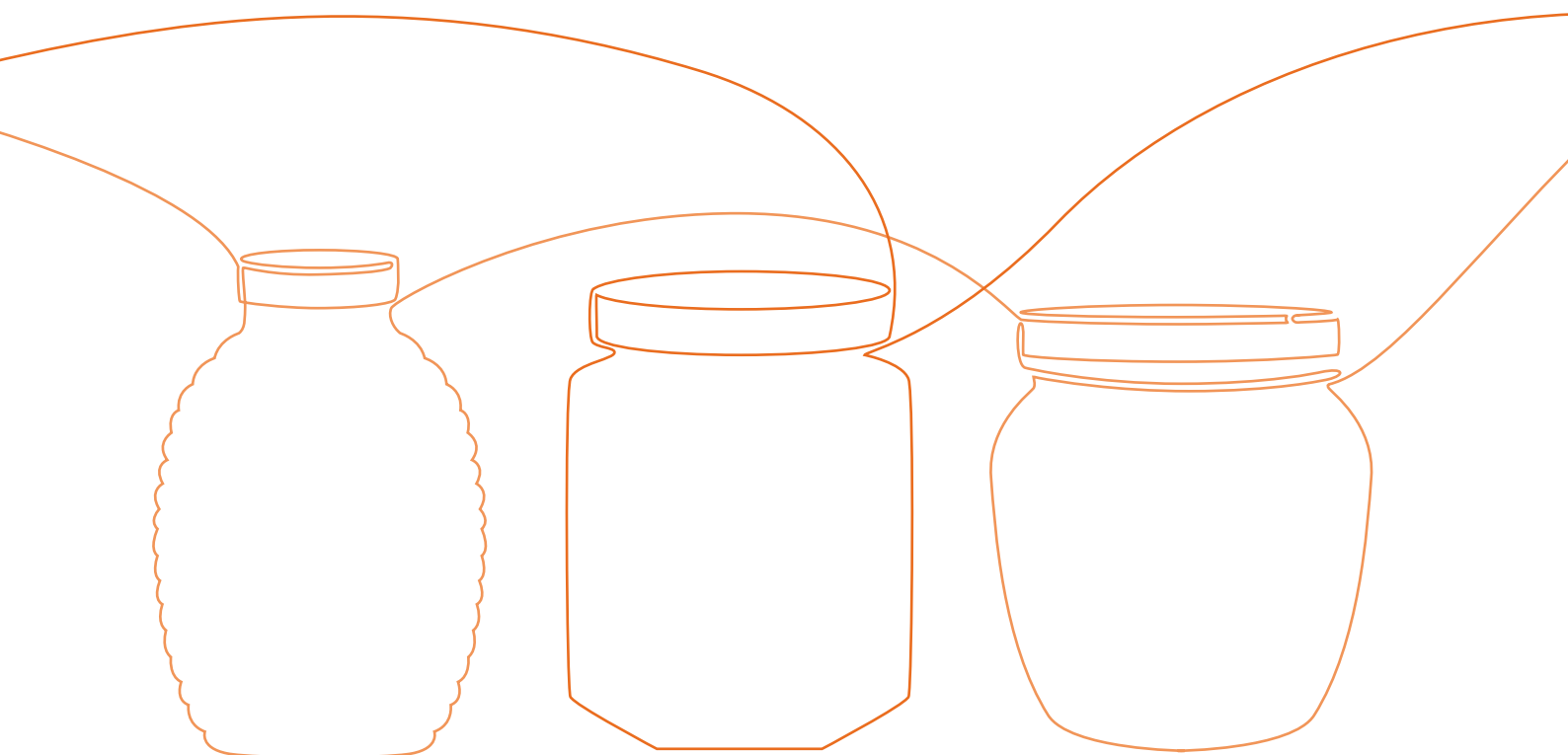
Public benefit

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.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee consists of one independent member as well as Trustees with relevant expertise. The committee met with senior management and the external auditors on five occasions during the 2011/12 financial year. The committee's purpose is to review and make recommendations on the following on behalf of the Trustees:



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

Following a review of the provision of audit services, the group appointed KPMG LLP as auditor in September 2011.

Investment Advisory Committee

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

Nominations and Remuneration Committee

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

The CAF Family

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

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

- CAF
- CAF Bank Ltd
- CAF Financial Solutions Ltd
- CAF Investments Ltd
- CAF America
- Southampton Row Trust Ltd (CAF American Donor Fund)
- Ven Investments Ltd
- CAF Australia
- CAF South East Asia
- CAF Philanthropy Services LLC
- CAF Foundation for Philanthropy Support and Development
- CAF Global Trustees
- CAF Russia (branch)

Independent members of our international network

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

- Bulgarian CAF
- CAF India
- IDIS, Brazil
- CAF Southern Africa

CAF branded investment and banking products

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

- CAF UK Equitrack Fund
- CAF Socially Responsible Portfolio
- CAF Fixed Rate Selector Account
- IM CAF Investment Fund
- CAF 90 Day Notice Account
- CAF 1 Year Fixed Term Deposit Account

Charity Bank

Charity Bank operates as a wholly independent undertaking that is entirely reliant on the strength of its own balance sheet and with no recourse to CAF by way of any form of direct or indirect financial support. Accordingly, Charity Bank is not consolidated in the group accounts – see note 2 to the financial statements.

Relationships with other charities

We have links with a large number of charities through the provision of financial and administration services, as well as with our founder, NCVO, which was paid £1.4m (2010/11: £1.3m) during the year under an enduring contractual obligation.

Going concern

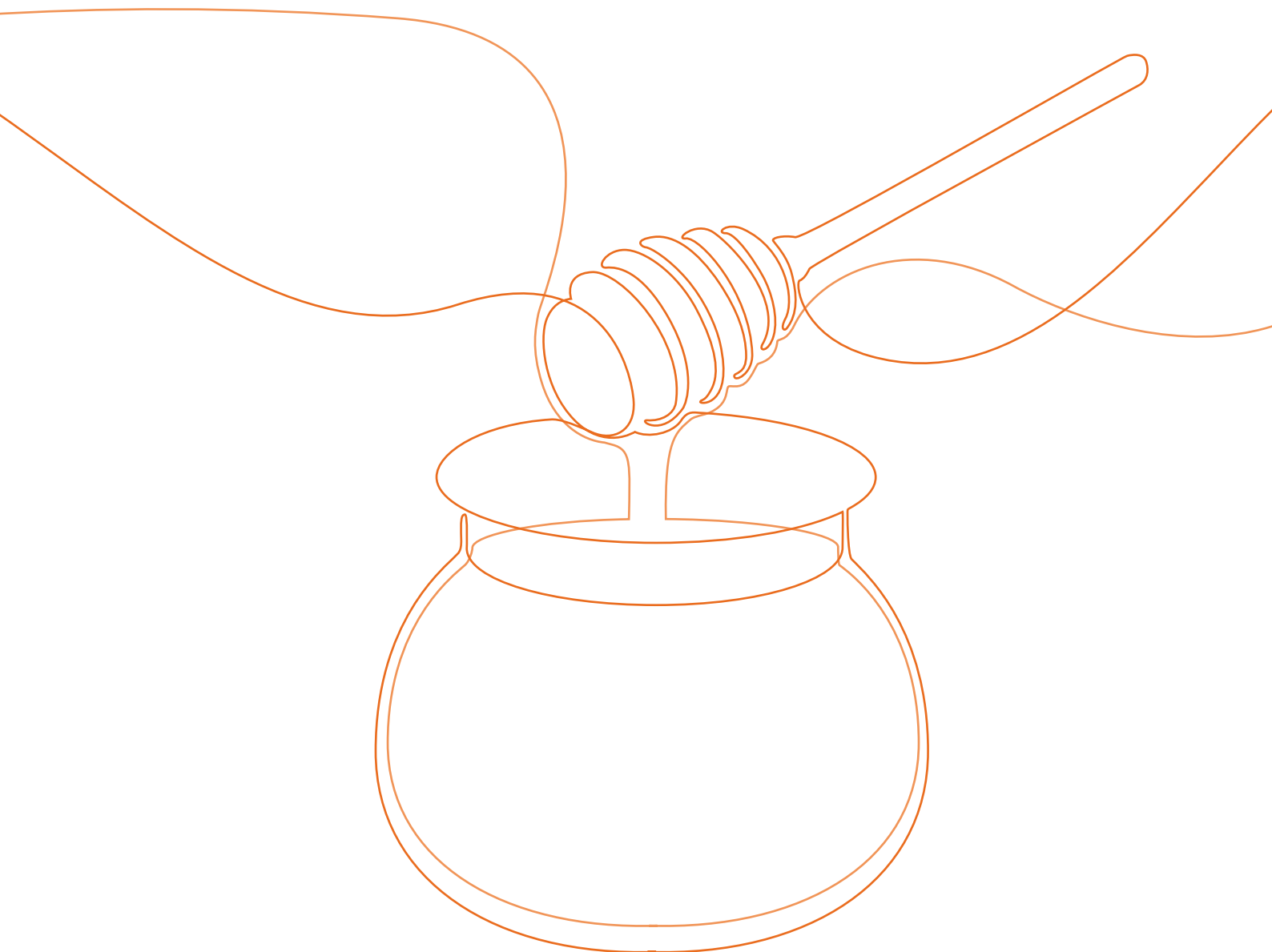
Our business activities, together with our financial position and factors likely to affect our future development and performance are set out in this report and accounts. Our forecasts and objectives, which take into account the current external economic environment, show that we should be able to operate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

Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements

Under the trust deed of the charity and charity law, the Trustees are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and regulations. The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business



The Trustees are required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

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

Approved by the Board of Trustees on 28 August 2012 and signed on their behalf

Dominic Casserley
Chairman

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF CHARITIES AID FOUNDATION

We have audited the group and charity financial statements (the 'financial statements') of Charities Aid Foundation for the year ended 30 April 2012 set out on pages 37 to 60. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees as a body, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 34 to 35 the Trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the charity's affairs as at 30 April 2012 and of the group's incoming resources and application of resources for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Charities Act 2011

Matters on which we are required to report by exception

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

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements, or
- the charity has not kept sufficient accounting records, or
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit

Mike Peck

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

28 August 2012

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

GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 APRIL 2012

		Unrestricted funds		Restricted and endowment funds		Total	Total
		2012	2011	2012	2011	2012	2011
		£000	£000	£000	£000	£000	£000
	Notes						
Income and donations received							
Donations received		2,647	2,922	359,172	357,952	361,819	360,874
Fee income		8,965	8,840	–	–	8,965	8,840
Investment income	3	9,074	9,359	9,936	9,913	19,010	19,272
CAF Bank net interest income	2	10,152	10,495	–	–	10,152	10,495
Total income	4.1/4.2	30,838	31,616	369,108	367,865	399,946	399,481
Expenditure on charitable activities							
Donations paid to charities		502	378	330,486	298,283	330,988	298,661
Direct costs of charitable activities		13,896	14,238	–	–	13,896	14,238
Support costs of charitable activities		14,922	13,513	–	–	14,922	13,513
Governance costs	5	442	478	–	–	442	478
Total Expenditure	4.1/4.2	29,762	28,607	330,486	298,283	360,248	326,890
Net surplus before other recognised gains and losses		1,076	3,009	38,622	69,582	39,698	72,591
Gains/(losses) on fixed asset investments		–	9,556	(9,832)	14,125	(9,832)	23,681
Property revaluation		(4)	(4)	–	–	(4)	(4)
Taxation	8	(46)	(64)	–	–	(46)	(64)
Net movement in funds		1,026	12,497	28,790	83,707	29,816	96,204
Fund balances brought forward		44,348	31,851	831,910	748,203	876,258	780,054
Fund balances carried forward	18	45,374	44,348	860,700	831,910	906,074	876,258

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

GROUP AND CHARITY BALANCE SHEETS AS AT 30 APRIL 2012

		Group	Group	Charity	Charity
		2012	2011	2012	2011
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	9	5,027	5,340	5,002	5,320
Investments	10	501,100	474,578	512,120	474,667
		506,127	479,918	517,122	479,987
Current assets					
Investments	11	689,573	757,203	–	–
Interest receivable		8,744	8,222	3,981	3,783
Debtors	12	7,733	6,914	10,544	10,752
Money market and bank balances	13	709,165	674,742	379,705	376,555
		1,415,215	1,447,081	394,230	391,090
Current liabilities: amounts falling due within one year					
Creditors	14	22,895	19,243	20,097	15,702
Bank overdrafts		253	11,345	253	–
Donor client balances	15	8,394	8,463	8,394	8,463
CAF Bank depositors' balances		964,667	996,091	–	–
		996,209	1,035,142	28,744	24,165
Net current assets		419,006	411,939	365,486	366,925
Total assets less current liabilities		925,133	891,857	882,608	846,912
Liabilities: amounts falling due after more than one year					
Creditors	14	(16,852)	(6,779)	(16,852)	(6,779)
Loan stock and preference shares	16	(1,850)	(8,350)	–	–
Provisions for liabilities	17	(357)	(470)	(357)	(470)
Net assets		906,074	876,258	865,399	839,663
Funds	18				
Funds held for the benefit of charities or for charitable purposes					
Endowment funds		2,110	2,193	1,787	1,780
Restricted funds		858,590	829,717	818,745	794,001
		860,700	831,910	820,532	795,781
Own reserves – funds for charitable purposes					
Unrestricted funds		45,374	44,348	44,867	43,882
		906,074	876,258	865,399	839,663

Approved by the Trustees on 28 August 2012 and signed on their behalf

Dominic Casserley
Chairman of Trustees



Mike Dixon ACA
Director of Finance and Operations



GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2012

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
Cash inflow from operating activities	20.1		26,814		54,658
Taxation					
UK corporation tax paid			(65)		(62)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(382)		(253)	
Proceeds on disposal of tangible fixed assets		–		–	
Payments to acquire fixed asset investments		(512,035)		(129,442)	
Proceeds on disposal of fixed asset investments		475,178		173,742	
			(37,239)		44,047
Cash (outflow)/inflow before management of liquid resources and financing	20.3		(10,490)		98,643
Management of liquid resources					
Payments to acquire current asset investments		(1,450,112)		(1,574,245)	
Proceeds on disposal of current asset investments		1,512,617		1,584,336	
Net deposits in the money market		(66,586)		(105,424)	
			(4,081)		(95,333)
Financing					
Redemption of loan stock and preference shares			(6,500)		–
(Decrease)/increase in cash in the year	20.2/3		(21,071)		3,310

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

1 Accounting policies

Basis of preparation of financial statements and accounting standards

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

Fund accounting

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

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

Endowment funds are held in respect of the following:

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

Income and donations received

Income and donations received comprise the following:

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

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

Donations processed by the group acting in an agency role are not included in the SOFA. This includes amounts in respect of CAF's Fundraising Support Services and CAF Give As You Earn.

Expenditure on charitable activities

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

Donations paid to charities

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

Support costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

1 Accounting policies (continued)

Governance costs

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

Research expenditure

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

VAT

Irrecoverable VAT is charged as a cost to the SOFA.

Operating leases

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

Pension costs

The amount charged in the SOFA in respect of pension costs is the contributions payable in the year on an accruals basis. See note 6 for more information.

Foreign currency

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

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

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

Taxation

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

Tangible fixed assets

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

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

Long leasehold property	50 years
Leasehold property improvements	Shorter of the remaining life of the lease or the useful economic life of the improvements
Furniture and fittings	Four years
Computer equipment	Three years
Software licences and development costs	A maximum of three years

No depreciation is provided on land.

Investments

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

1 Accounting policies (continued)

- Investments in subsidiaries are stated at cost less any impairment.

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

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

CAF Venturesome

CAF Venturesome provides advice, finance and capital investment to charities and social purpose organisations, aiming to fill the funding gap between grantmaking and bank lending. CAF Venturesome loans are included in debtors (note 12) net of provisions made for their non-recovery. Provisions are made on a case-by-case basis and are adjusted as necessary following monthly reviews of the risks associated with each loan.

2 Consolidation

The group financial statements include the accounts of CAF (the charity) and its subsidiary undertakings for the year ended 30 April 2012. The income and donations received and net movement in funds for CAF (the charity) are disclosed in note 18. Further details of CAF's relationship with each member of the CAF family can be found in the Trustees' report.

Consolidated entities

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

Trading subsidiaries

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

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

- CAF Investments Limited, the sponsor of the IM CAF Investment Funds.

UK registered charities

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

Overseas charitable entities

CAF controls the following overseas charitable entities:

- CAF America, a US public charity recognised by the US Internal Revenue Service. CAF America provides US citizens with the opportunity to make tax-effective gifts for the support of overseas charities. CAF's Chief Executive is the sole member of CAF America.
- CAF Australia, which offers a range of charitable services to Australian donors and charities similar to those offered by CAF in the UK. CAF is the sole member and appoints the directors of the entities in CAF Australia
- 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 Non Government Organisations (NGO's) and to advance giving and philanthropy in Russia.
- CAF South East Asia, which was established to support CAF's activities in Asia, through a base in Singapore.

Other consolidated entities

CAF owns 100% of the equity share capital of Ven Investments Limited, an investment holding company. Ven Investments holds investments on behalf of restricted trust funds.

CAF Global Trustees Limited (CAF GT)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

2 Consolidation (continued)

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

Entities not consolidated

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

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

- CAF UK Equitrack Fund
- CAF Socially Responsible Fund
- CAF Fixed Rate Selector Account
- IM CAF Investment Fund
- CAF 30 Day Notice Account
- CAF 1 Year Fixed Term Account

Charity Bank

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

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

Results of subsidiaries

Due to the number of subsidiary undertakings, the disclosure required by the Charities SORP would result in information of excess length being given. As a result, information is only given for CAF Bank, whose results materially affect the group accounts.

	2012	2011
	£000	£000
CAF Bank Limited		
Interest receivable	14,969	15,244
Interest payable	(4,817)	(4,749)
Net interest income	10,152	10,495
Operating expenditure	(1,046)	(1,127)
Administrative expenses	(4,638)	(4,293)
Operating profit before exceptional items	4,468	5,075
Gain on sale of gilts/bonds	–	5,306
FSCS levy (note 7)	150	(300)
Operating profit	4,618	10,081
Charitable donation to CAF	(4,572)	(10,017)
Profit on ordinary activities before taxation	46	64
Tax on profit on ordinary activities	(46)	(64)
Retained profit for the year	–	–

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

3 Investment income

	Unrestricted		Restricted		Total	Total
	2012	2011	2012	2011	2012	2011
	£000	£000	£000	£000	£000	£000
Interest on fixed interest securities and cash deposits	8,867	9,181	2,368	1,627	11,235	10,808
Dividends	30	32	7,568	8,286	7,598	8,318
Interest on loans to charities	177	146	–	–	177	146
	9,074	9,359	9,936	9,913	19,010	19,272

4.1 Income and donations received, and charitable activities expenditure – unrestricted funds

	Major donors	Regular givers	Companies	Charities	Inter-national	Sector support	Other funds	Total 2012	Total 2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income and donations received									
Donations received	90	1,293	332	1	269	8	654	2,647	2,922
Fee income	1,244	406	2,191	2,001	2,680	443	–	8,965	8,840
Investment income	3,684	2,141	2,308	328	121	198	294	9,074	9,359
CAF Bank net interest income	–	–	–	10,152	–	–	–	10,152	10,495
Total income	5,018	3,840	4,831	12,482	3,070	649	948	30,838	31,616
Expenditure on charitable activities									
Donations paid to charities	–	–	–	–	466	36	–	502	378
Direct costs of charitable activities	1,383	833	1,973	5,234	2,731	1,742	–	13,896	14,238
Support costs of charitable activities:									
Business support	667	661	1,174	2,610	390	373	–	5,875	5,447
Finance and Executive Management	265	218	513	1,290	185	196	–	2,667	2,663
Information systems	1,208	1,134	1,599	1,891	238	310	–	6,380	5,403
Total support costs of charitable activities:	2,140	2,013	3,286	5,791	813	879	–	14,922	13,513
Governance costs	42	40	79	180	70	31	–	442	478
Total expenditure	3,565	2,886	5,338	11,205	4,080	2,688	–	29,762	28,607
Net surplus/(deficit) before other recognised gains/ losses	1,453	954	(507)	1,277	(1,010)	(2,039)	948	1,076	3,009
Gains on fixed asset investments	–	–	–	–	–	–	–	–	9,556
Property revaluation	–	–	–	–	–	–	(4)	(4)	(4)
Taxation	–	–	–	(46)	–	–	–	(46)	(64)
Net movement in funds	1,453	954	(507)	1,231	(1,010)	(2,039)	944	1,026	12,497

Allocation of support costs

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

4.2 Income and donations received, and charitable activities expenditure – restricted and endowment funds

	Major donors £000	Regular givers £000	Companies £000	Charities £000	Inter-national £000	Sector support £000	Total 2012 £000	Total 2011 £000
Income and donations received								
Donations received	137,470	68,319	108,665	–	44,125	593	359,172	357,952
Investment income	9,337	–	–	–	599	–	9,936	9,913
Total income	146,807	68,319	108,665	–	44,724	593	369,108	367,865
Expenditure on charitable activities								
Donations paid to charities	122,870	69,412	102,803	110	35,108	183	330,486	298,283
Total expenditure	122,870	69,412	102,803	110	35,108	183	330,486	298,283
Net surplus/(deficit) before other recognised gains and losses	23,937	(1,093)	5,862	(110)	9,616	410	38,622	69,582
(Losses)/Gains on fixed asset investments	(9,496)	–	–	–	(336)	–	(9,832)	14,125
Net movement in funds	14,441	(1,093)	5,862	(110)	9,280	410	28,790	83,707

Payments to NCVO

Donations paid to charities includes £1,362,000 (2011: £1,313,000) paid to CAF's founder, NCVO, under the terms of CAF's Declaration of Trust.

5 Governance costs

	2012 £000	2011 £000
Internal audit	117	87
External audit:		
Audit fees	218	255
Other	34	28
Company secretarial	13	13
Trustees' indemnity insurance	11	10
Trustees' and meeting expenses	3	3
Support costs	46	82
	442	478

6 Staff costs

	2012 £000	2011 £000
Salaries and wages	14,583	14,155
Social security costs	1,524	1,492
Pension costs	940	884
Training and welfare	570	503
	17,617	17,034

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

6 Staff costs (continued)

Pension costs

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

Growth Plan

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

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined benefit amounts of pension payable from normal retirement date. Details of a contingent liability in respect of these contributions are set out in note 25.

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

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

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

Unitised Ethical Plan and Flexible Retirement Plan

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

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

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

Employee emoluments

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

	2012 Number	2011 Number
£60,001 – £70,000	11	8
£70,001 – £80,000	4	1
£80,001 – £90,000	6	9
£90,001 – £100,000	1	–
£100,001 – £110,000	2	1
£110,001 – £120,000	–	1
£120,001 – £130,000	1	2
£140,001 – £150,000	–	1
£150,001 – £160,000	1	–
	26	23

Pension contributions were paid by CAF in respect of 23 (2011:19) of the employees included above. The aggregate value of those contributions was:

	2012 £000	2011 £000
	214	245

The average number of employees during the year was:

	2012 Number	2011 Number
	518	530

The average number of full time equivalent employees analysed by function was:

	2012 Number	2011 Number
Major donors	50	47
Regular givers	46	46
Companies	95	96
Charities	155	150
International	71	81
Sector support	37	43
Governance	3	3
	457	466

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

7 FSCS levy

In early 2009, CAF Bank was advised by the FSA of a substantial increase in the Financial Services Compensation Scheme ('FSCS') levy. This is required to fund interest on borrowings undertaken by the FSCS to make good protected deposits at banks seeking the scheme's support.

The levy year runs from 1 April to 31 March, and the amount of the levy is based on a bank's share of protected deposits at the preceding 31 December. The provision at 30 April 2012 represents the estimated amounts due in respect of the Bank's participation in the scheme for the years ending 2012 and 2013, and a provision on a best estimate basis of the Bank's share of the shortfall in amounts recovered under the scheme.

The continuing low interest rate environment and recent clarification of the timing of the capital compensation levy allowed us to decrease the FSCS levy provision, resulting in a credit to the profit and loss account for the year.

	2012	2011
	£000	£000
Provision at 1 May 2011	1,230	1,267
Paid during the year	(302)	(337)
(Released)/Provided during the year	(150)	300
Provision at 30 April 2012	778	1,230

8 Taxation

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

The tax charge of £46,000 (2011: £64,000) is attributable to profits which are retained by CAF Bank Limited for the payment of interest on preference shares.

There is no unprovided deferred taxation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

9 Tangible assets

Group	Long leasehold property	Leasehold property improvements	Furniture, fittings and computer equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 May 2011	4,528	1,476	3,323	9,327
Additions	–	53	329	382
Disposals	–	–	(166)	(166)
At 30 April 2012	4,528	1,529	3,486	9,543
Depreciation				
At 1 May 2011	180	1,043	2,764	3,987
Charged in year	89	75	372	536
On disposal	–	–	(7)	(7)
At 30 April 2012	269	1,118	3,129	4,516
Net book value				
At 30 April 2012	4,259	411	357	5,027
At 30 April 2011	4,348	433	559	5,340

Charity	Long leasehold property	Leasehold property improvements	Furniture, fittings and computer equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 May 2011	4,528	1,476	3,220	9,224
Additions	–	53	316	369
Disposals	–	–	(159)	(159)
At 30 April 2012	4,528	1,529	3,377	9,434
Depreciation				
At 1 May 2011	180	1,043	2,681	3,904
Charged in year	89	75	364	528
On disposal	–	–	–	–
At 30 April 2012	269	1,118	3,045	4,432
Net book value				
At 30 April 2012	4,259	411	332	5,002
At 30 April 2011	4,348	433	539	5,320

Long leasehold property

The long leasehold property consists of the lease to the year 2190 on the land and buildings occupied by CAF as its head office. The property is held at valuation and was last valued at 30 April 2009 by CB Richard Ellis, 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 at least every five years; the next is due in April 2014.

The historical cost carrying value of the property at the balance sheet date was £4,089,000 (2011: £4,173,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

10 Fixed asset investments

10.1 Group

	Investments held at cost plus/(minus) amortisation	Investments held at market value	Total carrying value 2012	Total carrying value 2011
	£000	£000	£000	£000
At 1 May 2011	100,106	374,472	474,578	500,268
Additions	–	512,035	512,035	129,442
Disposal proceeds/maturing investments	(12,853)	(462,325)	(475,178)	(173,742)
Amortisation of premiums and discounts	(503)	–	(503)	(726)
Net investment (losses)/gains	–	(9,832)	(9,832)	19,336
At 30 April 2012	86,750	414,350	501,100	474,578
Historical cost	109,839	369,989	479,828	440,060
Represented by:				
Listed securities:				
UK Government fixed interest	37,251	47,641	84,892	45,412
Overseas Government fixed interest	33,705	664	34,369	38,166
Other fixed interest	15,794	13,005	28,799	26,490
UK equities	–	32,034	32,034	25,825
Overseas equities	–	21,775	21,775	32,493
CAF investment funds:				
– IM CAF UK Equity Fund	–	59,054	59,054	61,223
– IM CAF International Equity	–	3,888	3,888	569
– IM CAF Fixed Interest Fund	–	41,509	41,509	42,088
– CAF UK Equitrack Fund	–	16,239	16,239	16,446
– IM CAF Alternative Strategies	–	2,657	2,657	952
Unit trusts and other pooled investments	–	111,627	111,627	128,022
Investment trusts	–	75	75	527
Unlisted investments:				
UK	–	1,303	1,303	2,101
Overseas	–	32,819	32,819	49,230
Investment portfolio cash and settlements pending	–	28,543	28,543	4,917
Property investments	–	1,517	1,517	117
	86,750	414,350	501,100	474,578

Investments held at cost plus/(minus) amortisation:

Comparison of carrying values with market values	Carrying value	Market value	Carrying value	Market value
	2012	2012	2011	2011
	£000	£000	£000	£000
Listed securities:				
UK Government fixed interest	37,251	41,183	42,385	45,970
Overseas Government fixed interest	33,705	35,964	38,166	39,641
Other fixed interest	15,794	15,100	19,555	19,258
	86,750	92,247	100,106	104,869

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

10 Fixed asset investments (continued)

10.2 Charity

	Investments held at cost plus/(minus) amortisation £000	Investments held at market value £000	Total carrying value 2012 £000	Total carrying value 2011 £000
At 1 May 2011	107,932	366,735	474,667	491,161
Additions	6,500	511,951	518,451	128,287
Disposal proceeds/maturing investments	(8,673)	(462,325)	(470,998)	(162,043)
Amortisation of premiums and discounts	(494)	–	(494)	(682)
Net investment (losses)/gains	–	(9,506)	(9,506)	17,944
At 30 April 2012	105,265	406,855	512,120	474,667
Historical cost	107,317	384,408	491,725	442,069
Represented by:				
Listed securities:				
UK Government fixed interest	36,274	47,641	83,915	44,433
Overseas Government fixed interest	33,705	664	34,369	33,990
Other fixed interest	14,336	13,005	27,341	25,021
UK equities	–	32,034	32,034	25,825
Overseas equities	–	21,775	21,775	32,493
CAF investment funds:				
– IM CAF UK Equity Fund	–	59,054	59,054	61,223
– IM CAF International Equity	–	3,888	3,888	569
– IM CAF Fixed Interest Fund	–	41,509	41,509	42,088
– CAF UK Equitrack Fund	–	16,239	16,239	16,446
– IM CAF Alternative Strategies	–	2,657	2,657	952
Unit trusts and other pooled investments	–	104,198	104,198	120,364
Investment trusts	–	75	75	527
Unlisted investments:				
UK	–	1,237	1,237	2,022
Overseas	–	28,244	28,244	26,338
Investment portfolio cash and settlements pending	–	25,192	25,192	4,917
Property investments	–	1,517	1,517	117
Subsidiaries				
Trading companies	20,950	–	20,950	14,450
Investment holding company	–	7,926	7,926	22,892
	105,265	406,855	512,120	474,667

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

10 Fixed asset investments (continued)

Investments held at cost plus/(minus) amortisation:

Comparison of carrying values with market values	Carrying value	Market value	Carrying value	Market value
	2012	2012	2011	2011
	£000	£000	£000	£000

Listed securities:

UK Government fixed interest	36,274	39,846	41,406	44,681
Overseas Government fixed interest	33,705	35,964	33,990	35,355
Other fixed interest	14,336	13,985	18,086	18,046
	84,315	89,795	93,482	98,082
Trading companies	20,950		14,450	
	105,265		107,932	

11 Current asset investments

Group

	Held at cost plus/(minus) amortisation	
	2012	2011
	£000	£000
At 1 May 2011	757,203	765,428
Additions	1,450,112	1,574,245
Disposal proceeds/maturing investments	(1,512,617)	(1,584,336)
Amortisation of premiums and discounts	(5,125)	(2,479)
Net investment gains	–	4,345
At 30 April 2012	689,573	757,203
Historical cost	698,404	760,908

	Carrying value	Market value	Carrying value	Market value
	2012	2012	2011	2011
	£000	£000	£000	£000

Represented by:

Listed securities:

Floating rate notes	250,000	248,327	285,000	283,751
Sterling Eurobonds	221,250	222,570	209,249	209,036
Commercial paper	164,479	164,862	92,954	92,987
Certificates of deposit	53,844	54,040	170,000	170,010
	689,573	689,799	757,203	755,784

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

11 Current asset investments (continued)

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

Category (Fitch credit rating)	2012		2011	
	Carrying value	% of book	Carrying value	% of book
	£000	%	£000	%
AAA	224,031	32.49%	253,539	33.48%
AA+	–	0.00%	14,969	1.98%
AA	45,153	6.55%	19,995	2.64%
AA –	44,192	6.41%	418,767	55.30%
A+	44,707	6.48%	49,934	6.59%
A	331,490	48.07%	–	0.00%
	689,573	100%	757,203	100%

12 Debtors

	Group	Group	Charity	Charity
	2012	2011	2012	2011
	£000	£000	£000	£000
Amounts receivable in less than one year:				
Income tax recoverable	1,837	1,294	1,349	792
Venturesome loans to charities	2,680	2,034	2,680	2,034
Trust loans to charities	45	1,029	45	1,029
Receivable on disposal of investments	695	150	695	150
Staff loans	59	73	59	73
Amounts due from subsidiaries	–	–	3,764	4,926
Other debtors	1,182	1,273	965	856
Prepayments and accrued income	753	705	505	536
	7,251	6,558	10,062	10,396
Amounts receivable in more than one year:				
Trust loans to charities	481	341	481	341
Staff loans	1	15	1	15
	482	356	482	356
	7,733	6,914	10,544	10,752

13 Money market investments

Included in money market investments are deposits with a term of over twelve months of £74.8m in the charity and group (2011: £49.9m charity, £69.5m group).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

14 Creditors

	Group 2012 £000	Group 2011 £000	Charity 2012 £000	Charity 2011 £000
Amounts payable in less than one year:				
Due to beneficiary charities	10,570	5,436	10,421	4,864
Payable on acquisition of investments	407	101	407	101
Trade creditors	429	807	429	807
UK corporation tax payable	56	75	–	–
Tax and social security	504	474	504	474
Interest payable	932	511	469	511
Amounts due to subsidiaries	–	–	32	500
Other creditors	8,965	10,858	6,803	7,464
Deferred income	1,032	981	1,032	981
	22,895	19,243	20,097	15,702
Amounts payable in more than one year:				
Due to beneficiary charities	16,852	6,779	16,852	6,779
	39,747	26,022	36,949	22,481

Amounts due to beneficiary charities represent a contractual obligation, principally in respect of longer term grants.

Included within other creditors are amounts totalling £3,651,000 repayable to six third party investors of Venturesome (2011: £3,768,000, eight third party investors). Amounts are repayable within three or six months from receipt of written instruction. The loans do not bear interest and amounts are repaid net of any losses incurred.

15 Donor client balances

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

	Group and charity	
	2012 £000	2011 £000
CAF Give As You Earn	4,667	4,702
Interest free loans	3,172	3,000
Agency charitable trusts	560	589
CAF Fundraising Support Services	(5)	172
	8,394	8,463

Other charitable funds

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

	Group and charity	
	2012 £000	2011 £000
Investments	62,303	61,918
Money market deposits and bank balances	1,121	4,444
	63,424	66,362
Bank balances with CAF Bank Ltd	1,545	1,795
	64,969	68,157

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

16 Loan stock and preference shares

	Note	Group 2012 £000	Group 2011 £000
Loan stock:	16.1		
Floating rate:			
Second issue	(a)	100	100
Sixth issue	(b)	250	250
Fixed rate:			
Seventh issue	(c)	–	2,250
Eighth issue	(d)	–	4,250
		350	6,850
Preference shares	16.2	1,500	1,500
		1,850	8,350

16.1 Loan stock

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

Security and subordination

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

Interest and repayment

- This issue bears interest at a rate fixed daily based on the rates paid to CAF Bank's depositors, and is redeemable at par on the expiry of not less than five years and one day's notice given by CAF Bank or the stockholder. No such notice has been given.
- This issue bears interest at rates fixed periodically based on London Inter Bank Offered Rates. This issue has no fixed date for repayment.
- Prior to 21 December 2006, this issue bore a fixed rate of 8.375%. After this date the coupon increased to a fixed rate of 8.875% until December 2011 when the issue was repaid. This issue was redeemable by the Bank at par on any interest payment date until the final redemption date of 21 December 2011 when this issue was repaid in full.

- This issue bore a fixed rate of 8.75% until December 2011 when the issue was repaid. This issue was redeemable by the Bank at par in whole on 21 December 2011 or on any interest payment date thereafter. This issue was repaid in full in December 2011.

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

16.2 Preference shares

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

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

17 Provisions for liabilities

	Group and charity	
	2012 £000	2011 £000
At 1 May 2011	470	470
Credited to the SOFA	(113)	–
At 30 April 2012	357	470

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

18 Statement of funds

		At 1 May 2011	Income and donations received	Expenditure on charitable activities	Investment losses	At 30 April 2012
	Note	£000	£000	£000	£000	£000
Group						
Unrestricted funds	18.1	44,348	30,838	(29,808)	(4)	45,374
Restricted funds	18.2	829,717	369,091	(330,396)	(9,822)	858,590
Endowment funds	18.3	2,193	17	(90)	(10)	2,110
		876,258	399,946	(360,294)	(9,836)	906,074
Charity						
Unrestricted funds	18.1	43,882	24,524	(23,535)	(4)	44,867
Restricted funds	18.2	794,001	340,390	(306,150)	(9,496)	818,745
Endowment funds	18.3	1,780	17	–	(10)	1,787
		839,663	364,931	(329,685)	(9,510)	865,399

18.1 Unrestricted funds

	At 1 May 2011	Income and donations received	Expenditure on charitable activities	Investment losses	At 30 April 2012
	£000	£000	£000	£000	£000
Group					
General funds	44,173	30,838	(29,808)	–	45,203
Property revaluation reserve	175	–	–	(4)	171
	44,348	30,838	(29,808)	(4)	45,374
Charity					
General funds	43,707	24,524	(23,535)	–	44,696
Property revaluation reserve	175	–	–	(4)	171
	43,882	24,524	(23,535)	(4)	44,867

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

18.2 Restricted funds

	At 1 May 2011	Income and donations received	Expenditure on charitable activities	Transfers	Investment losses	At 30 April 2012
	£000	£000	£000	£000	£000	£000
Group						
Major donors						
Trust accounts	627,867	146,807	(122,870)	(8,125)	(9,496)	634,183
Regular givers						
Individual charity accounts	81,121	68,319	(69,412)	3,616	–	83,644
Companies						
Company accounts	51,984	76,476	(71,537)	2,374	–	59,297
GAYE charity accounts	25,581	32,189	(31,266)	379	–	26,883
	77,565	108,665	(102,803)	2,753	–	86,180
Charities						
CAF Venturesome accounts	636	–	(61)	(10)	–	565
CAF Social Impact Fund	–	–	(49)	1,665	–	1,616
	636	–	(110)	1,655	–	2,181
International						
CAF American Donor Fund	28,759	20,072	(16,307)	–	(231)	32,293
CAF America	3,212	12,693	(8,824)	(3,978)	–	3,103
CAF Australia	3,852	4,582	(3,854)	53	(95)	4,538
CAF Russia grant programmes	1,824	6,497	(5,188)	710	–	3,843
CAF Philanthropy Services LLC	10	863	(845)	–	–	28
	37,657	44,707	(35,018)	(3,215)	(326)	43,805
Sector support						
CAF grants programme	4,504	280	(92)	3,591	–	8,283
Other funds	367	313	(91)	(275)	–	314
	4,871	593	(183)	3,316	–	8,597
	829,717	369,091	(330,396)	–	(9,822)	858,590
Charity						
Major donors						
Trust accounts	627,867	151,760	(127,823)	(8,125)	(9,496)	634,183
Regular givers						
Individual charity accounts	81,121	68,319	(69,420)	3,624	–	83,644
Companies						
Company accounts	51,984	80,322	(72,160)	(849)	–	59,297
GAYE charity accounts	25,581	32,189	(31,266)	379	–	26,883
	77,565	112,511	(103,426)	(470)	–	86,180
Charities						
CAF Venturesome accounts	753	–	(61)	(10)	–	682
CAF Social Impact Fund	–	–	(49)	1,665	–	1,616
	753	–	(110)	1,655	–	2,298
International						
CAF Russia grant programmes	1,824	7,207	(5,188)	–	–	3,843
Sector support						
CAF grants programme	4,504	280	(92)	3,591	–	8,283
Other funds	367	313	(91)	(275)	–	314
	4,871	593	(183)	3,316	–	8,597
	794,001	340,390	(306,150)	–	(9,496)	818,745

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

18 Statement of funds (continued)

18.2 Restricted funds (continued)

Restricted funds comprise:

- **Trust accounts** consist of capital gifted to CAF and the related investment income. The capital is held in accordance with CAF's investment policy for trust accounts and investment gains or losses are credited or charged to the funds. These funds may only be used to make payments to other charities as instructed by the donor.
- **Individual charity accounts, company accounts and GAYE charity accounts** – represent amounts gifted to CAF by individual and corporate donors which are held in accounts until disbursed to charities on behalf of the donor.
- **CAF Venturesome accounts** – represent funds set aside by CAF donors to complement the funds assigned by the Trustees for CAF Venturesome.
- **CAF American Donor Fund, CAF America and CAF Australia** – represent undistributed donations received by each of these charities. The boards of these entities review, validate and approve donors' suggestions for distributions to charities worldwide.
- **CAF Russia grant programmes** – represent funds received from institutional donors which may only be used to make payments to charities in the former Soviet Union in accordance with restrictions imposed by the donor.
- **CAF grants programme** – represents funds available to support CAF's grants programme.
- **Other restricted funds** – are invested in accordance with the investment policies set out in the Trustees' report.

18.3 Endowment funds

	At 1 May 2011	Income and donations received	Expenditure on charitable activities	Investment losses	At 30 April 2012
	£000	£000	£000	£000	£000
Charity					
CAF Russia:					
C S Mott Foundation	604	–	–	(6)	598
The Ford Foundation	1,176	17	–	(4)	1,189
	1,780	17	–	(10)	1,787
Group					
CAF Australia Bequest	413	–	(90)	–	323
	2,193	17	(90)	(10)	2,110

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

CAF Australia Bequest – represents an expendable endowment to be used for the strategic development of the CAF Group's activities in Australia, which is expected to continue to be drawn down by CAF Australia over the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

19 Analysis of group net assets between funds and client balances

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	CAF Bank and donor client balances £000	Total 2012 £000
Tangible fixed assets	5,027	–	–	–	5,027
Fixed asset investments	3,553	494,566	546	2,435	501,100
Current asset investments	–	–	–	689,573	689,573
Other current assets	48,471	392,704	1,564	282,903	725,642
Depositor and client balances	–	–	–	(973,061)	(973,061)
Other liabilities	(11,677)	(28,680)	–	(1,850)	(42,207)
Total net assets	45,374	858,590	2,110	–	906,074

20 Group cash flow statement

20.1 Reconciliation of net surplus to net cash inflow from operating activities

	2012 £000	2011 £000
Net surplus before other recognised gains/(losses)	39,698	72,591
Revaluation of property	(4)	(4)
Depreciation	536	478
Losses on disposal of tangible fixed assets	159	5
Amortisation of investments	5,628	3,205
Increase in interest receivable	(522)	(980)
(Increase)/decrease in debtors	(819)	12,568
Increase/(decrease) in creditors	13,744	(8,817)
Decrease in donor client balances	(69)	(2,059)
Decrease in CAF Bank depositors' balances	(31,424)	(22,329)
Decrease in provisions for liabilities	(113)	–
Net cash inflow from operating activities	26,814	54,658

20.2 Reconciliation of net cash flow to movement in cash and current asset investments

	2012 £000	2011 £000
(Decrease)/increase in cash in the year	(21,071)	3,310
Cash inflow from increase in liquid resources	66,586	105,424
Changes in cash and liquid resources resulting from cash flow	45,515	108,734
Decrease in current asset investments	(67,630)	(8,225)
Decrease in loan stock and preference shares	6,500	–
Movement in the year	(15,615)	100,509
Balance at 1 May 2011	1,412,250	1,311,741
Balance at 30 April 2012	1,396,635	1,412,250

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

20 Group cash flow statement (continued)

20.3 Analysis of cash and current asset investments

	At 1 May 2011	Cash flow	Non cash movements	At 30 April 2012
	£000	£000	£000	£000
Cash at bank and in hand	98,132	(32,163)	–	65,969
Bank overdrafts	(11,345)	11,092	–	(253)
	86,787	(21,071)	–	65,716
Money market deposits	576,610	66,586	–	643,196
	663,397	45,515	–	708,912
Current asset investments	757,203	(62,505)	(5,125)	689,573
Loan stock and preference shares	(8,350)	6,500	–	(1,850)
	1,412,250	(10,490)	(5,125)	1,396,635

21 Trustees

The Trustees receive no remuneration for their services (2011: nil), but are reimbursed for out-of-pocket expenses in respect of attending meetings and carrying out duties on behalf of CAF. The aggregate value reimbursed for the year was £2,266 paid to four Trustees (2011: £2,601 to four Trustees).

None of the Trustees nor any connected persons had a material or beneficial interest in any contract or undertaking with CAF, nor in the shares of its subsidiary companies (2011: none).

22 Operating lease commitments

At 30 April 2012 the group and CAF had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	2012	2011
	£000	£000
Operating leases which expire:		
Within one year	29	–
Between one and five years	260	318

The amounts charged to the SOFA totalled £289,000 (2011: £318,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2012

23 Related party transactions

Investment and banking services

During 2011 the group received fees and commissions in respect of administration services and marketing, as well as investment income from the following CAF investment schemes:

	Group fees and commissions	Charity investment income	Group fees and commissions	Charity investment income
	2012 £000	2012 £000	2011 £000	2011 £000
CAF Bond Income Fund	–	–	170	1,796
CAF UK Equity Growth Fund	–	–	252	2,694
	–	–	422	4,490

There were no transactions with these funds in 2011/12.

24 Financial instruments

CAF Bank Limited, CAF's banking subsidiary, is exposed to a range of risks relating to financial instruments. The risks include those relating to fluctuations in market prices, interest rates and foreign currencies and liquidity and credit. The details of the risks to which the bank is exposed are set out in full in its annual report and financial statements, copies of which may be obtained from CAF's website.

The group does not utilise financial derivatives.

25 Commitments and contingent liabilities

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

	Group and charity	
	2012 £000	2011 £000
Commitments to beneficiary charities	24,865	20,625
CAF Venturesome loans to charities	1,825	1,496
	26,690	22,121

Commitments to beneficiary charities

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

CAF Venturesome loans to charities

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

Contingent liabilities – Pensions Trust

CAF participates in three pension arrangements administered by the Pensions Trust: the Growth Plan, the Unitised Ethical Plan and the Flexible Retirement Plan. A description of each plan and details of employees' and CAF's contributions are set out in note 6.

As at the date of this report CAF had a contingent liability which has not been provided for in the accounts, in relation to the Growth Plan (the 'plan'). This liability, which derives exclusively from a change in pensions' law in 2005, would crystallise only if CAF ceased to be a participating employer in the plan or if the plan was to be wound up. There are no plans in place for CAF to cease to be an employer in the plan.

CAF continues to offer membership of the plan to its employees and as at the balance sheet date there were 67 (2011: 67) active members of the plan employed by CAF.

The buy-out funding position of the plan at 30 September 2011 was 77.3% (2010: 80.2%) and the Pensions Trust has estimated that, if CAF ceased to participate in the plan as at 30 September 2011, CAF would have to pay £5.4 million (2011: £4.7 million), based on the financial position of the plan and the employers that, as at that date, were relevant employers. CAF has no contingent liability under either the Unitised Ethical Plan or the Flexible Retirement Plan.

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:

Dominic Casserley, Chairman
Sue Ashtiany
Robin Creswell
Matt Hammerstein (appointed 09/02/12)
Philip Hardaker FCA
Alison Hutchinson
Martyn Lewis, Chairman of NCVO
David Locke FCA
John Lorimer
Stephen Lovegrove
Iain MacKinnon
Jenny Watson

The following individual also served as a member of the Board of Trustees during the year:
Kim Lavelly (retired 15/09/11)

Executive committee (at date of signing of this report)

Chief Executive
Dr John Low CBE

Director of Finance and Operations
Mike Dixon ACA

Director of Philanthropy
Jo Ensor

Director of Product and Marketing
John Hunter-Brown

CEO, CAF Bank
Peter Mitchell

Director of Communications
Paul Rees

Director of Social Investment
Stephanie Poole

Director of Human Resources
Corinne Wells

Auditors

KPMG LLP, Statutory Auditor
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Registered charity number 268369

CAF Charities Aid
Foundation