

**CAFCASH LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 APRIL 1998**

**REGISTERED NUMBER**

**1837656**



**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 1998****CONTENTS**

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**DIRECTORS**

J A Brooks  
Sir Peter Baldwin  
M J M Brophy  
D W Clark  
Miss R M Cottrell  
C F Green  
T Higham  
Dr J Martin Owen  
Sir Brian Pearse  
Sir John Read

**JOINT COMPANY SECRETARIES**

Ms J E Biden  
D T Norris

**REGISTERED OFFICE**

Kings Hill  
West Malling  
Kent  
ME19 4TA

**AUDITORS**

Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London  
EC4A 4TR

**REGISTERED NUMBER**

1837656

## **REPORT OF THE DIRECTORS**

The directors submit their report, together with the audited financial statements for the year ended 30 April 1998.

### **Activities**

The company is an authorised institution under the Banking Act 1987, and offers a range of traditional bank current account facilities.

The company earns interest for its customers by depositing portions of the total fund with a carefully selected range of banks, building societies and local authorities. The amount deposited with any one institution is determined by European and UK banking legislation and by the company itself. A credit committee regularly reviews these arrangements. All deposits are made in the sterling money market and it is the company's policy not to use derivatives.

The company's commission charge is deducted from the total rate of interest earned and the remainder is declared as the rate at which interest is payable to customers.

With effect from 1 August 1997, the company was appointed to act as fund manager for a new common deposit fund, CAF Gold, which was set up by the Charity Commissioners under Section 25 of the Charities Act 1993. CAF Gold was launched by CAF as a complementary service to the CafCash scheme offered by the company and is aimed at charities which do not require the transactional facilities provided by CafCash. The Trustees of CAF Gold have appointed the company as fund manager and remunerates the company by an agreed rate of commission. This largely accounts for the increase in fees and commissions receivable from £54,000 in 1997 to £142,000 in 1998.

Following the launch of CAF Gold, a significant number of the company's customers, especially many of the larger clients, transferred funds from the company into the new fund, and this process accounts for the fall in the aggregate value of customers deposits during the year reported in the Balance Sheet. This also accounts for the increase in administrative expenses from £349,000 in 1997 to £440,000 in 1998 as disclosed in the profit and loss account.

### **Share Capital, Subordinated Loan Stock and Reserves**

Banking legislation requires certain levels of capital to be raised by the company relative to the aggregate value of customers' deposits. This capital is subordinate to customers' balances. The company raises the level of capital required by the issue of ordinary and preference shares and loan stock.

Interest is paid to the holders of loan stock, but no dividends are paid on the ordinary or preference shares which are held entirely by Charities Aid Foundation (CAF), a registered charity. No dividend is paid because the profits of the company, amounting to £443,842 for the year under review, are paid to CAF.

**REPORT OF THE DIRECTORS** (continued)**Future developments in the business**

Apart from the specific banking services available, the company has a customer orientation that dictates a high quality of customer service and care. Part of this approach is the information it can offer customers, such as the very successful 'Bulletin' newsletter. The level of face to face customer contact available from the Kent head office is limited, but staff will continue to develop close relationships with customers by meeting with them and will warmly welcome visitors to its offices in Kent.

In anticipation of the year 2000 and in line with CAF's overall strategy, the company is undertaking a major recomputerisation project and plans to introduce new computer systems by the Spring of 1999.

**Directors**

The names of directors who served at any time during the year are as follows:

J A Brooks (Chairman)	C F Green
Sir Peter Baldwin	T Higham
M J M Brophy	Dr J Martin Owen (appointed 18 March 1998)
J H Chaplin (resigned 19 June 1997)	Sir Brian Pearse (appointed 18 March 1998)
D W Clark	Sir John Read
Miss R M Cottrell	

None of the directors has a beneficial interest in the shares of the company or any associated undertaking or trust.

**Auditors**

A resolution reappointing Messrs Deloitte & Touche as auditors of the company and authorising the board to fix their remuneration will be submitted to the forthcoming Annual General Meeting.

**Approved by the Board of Directors and signed on their behalf.**



Secretary

Date 3 August 1998

Kings Hill  
West Malling  
Kent  
ME19 4TA

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE MEMBERS OF  
CAFCASH LIMITED**

We have audited the financial statements on pages 7 to 18 which have been prepared under the accounting policies set out on page 10.

**Respective responsibilities of directors and auditors**

As described on page 5, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 1998 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and  
Registered Auditors  
Stonecutter Court  
1 Stonecutter Street  
London  
EC4A 4TR

Date 5 August 1998

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 April 1998

	1998		1997	
	£'000	£'000	£'000	£'000
Interest receivable (note 2)		12,754		11,292
Interest payable		<u>(11,941)</u>		<u>(10,602)</u>
<b>Net interest income</b>		813		690
Fees and commissions receivable	142		54	
Fees and commissions payable	<u>(71)</u>		<u>(40)</u>	
<b>Operating income</b>		71		14
Administrative expenses (note 3)		<u>(440)</u>		<u>(349)</u>
<b>Operating profit and profit on ordinary activities before and after taxation</b>		444		355
Profit gifted to CAF (note 4)				
Generated by operating activities	211		122	
Attributable to CAF's investment in the company	<u>233</u>		<u>233</u>	
		(444)		(355)
<b>Result for the financial year</b>		-		-
Profit and loss account balance brought forward		-		-
<b>Profit and loss account balance carried forward</b>		<u>-</u>		<u>-</u>

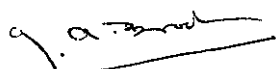
There are no recognised gains or losses for either period other than those shown in the profit and loss account above. All income and expenses for the year ended 30 April 1998 are derived from continuing operations.

**BALANCE SHEET**  
as at 30 April 1998

	1998		1997	
	£'000	£'000	£'000	£'000
<b>ASSETS</b>				
Loans and advances to banks (note 5)		164,500		208,759
Money market placements with local authorities (note 6)		2,000		5,300
Debt securities (note 7)		3,837		3,844
Bank balances		445		428
Prepayments and accrued income		1,334		1,454
<b>Total assets</b>		<u>172,116</u>		<u>219,785</u>
<b>LIABILITIES</b>				
Customer accounts (note 8)		166,437		214,253
Other liabilities (note 9)		445		248
Accruals and deferred income		984		1,034
Subordinated liabilities (note 10)		1,400		1,400
		<u>169,266</u>		<u>216,935</u>
Called up share capital (note 11)		2,850		2,850
Profit and loss account		-		-
Shareholders' funds		2,850		2,850
Comprising - Equity		500		500
- Non Equity		2,350		2,350
<b>Total liabilities and shareholders' funds</b>		<u>172,116</u>		<u>219,785</u>

Approved by the Board of Directors and signed on behalf of the Board

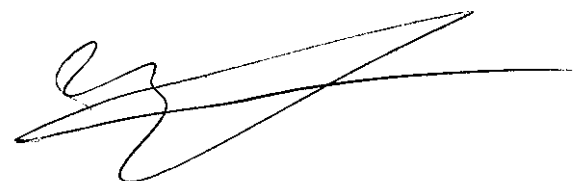
Director



Date

3 August 1998

Director



Date

3 August 1998



**CASH FLOW STATEMENT**  
for the year ended 30 April 1998

	1998		1997	
	£'000	£'000	£'000	£'000
<b>Net cash (outflow)/inflow from operating activities (note 14.1)</b>		(10,217)		11,040
<b>Net cash outflow from returns on investments and servicing of finance</b>				
Charitable donations paid		(315)		(193)
<b>Taxation</b>				
Income tax paid		(33)		(32)
<b>Investing activities</b>				
Purchase of investment securities	-	-	(1,350)	(1,350)
<b>Financing (note 14.3)</b>				
Issue of subordinated liabilities	-	-	1,000	
Redemption of subordinated liabilities	-	-	(450)	
Issue of share capital	-	-	350	
		-		900
<b>(Decrease)/increase in cash (note 14.2)</b>		<u>(10,565)</u>		<u>10,365</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 30 April 1998

#### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the special provisions of Part VII Chapter II of the Companies Act 1985 relating to banking companies.

The principal accounting policies adopted are described below.

##### 1.1 Income recognition

Interest and fee income is recognised in the profit and loss account on an accruals basis

##### 1.2 Debt Securities

The cost of the debt securities held for investment purposes is adjusted for the systematic amortisation of premiums or discounts over the period to maturity. The amortisation of the premiums or discounts is included in interest income in the profit and loss account.

##### 1.3 Segmental information

In the opinion of the directors, the company carries on one principal class of business, banking and fund management, and operates in one geographical segment, the United Kingdom.

#### 2. INTEREST RECEIVABLE

	1998	1997
	£'000	£'000
Loans and advances to banks and other money market placements	12,438	10,979
Interest receivable and similar income arising from debt securities	316	313
	<u>12,754</u>	<u>11,292</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 April 1998**

**3. ADMINISTRATIVE EXPENSES**

**3.1**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs</b>		
Wages and salaries	85	55
Social security costs	7	6
Other pension costs	19	4
	<u>111</u>	<u>65</u>
<b>Other administrative expenses</b>	<u>329</u>	<u>284</u>
	<u><u>440</u></u>	<u><u>349</u></u>

**3.2 Employees and management charges**

Throughout the year seven (1997:5) employees of the company's parent trust (note 13) were assigned to duties relating to the activities of the company. The cost of that assignment is analysed in note 3.1 above.

Other administrative expenses include the following amounts paid to the parent trust in respect of other indirect staff costs and of management charges relating principally to the occupancy of premises and the use of equipment.

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Other indirect staff costs	96	91
Management charges	<u>78</u>	<u>74</u>
	<u><u>174</u></u>	<u><u>165</u></u>

**3.3 Directors' emoluments**

None of the directors who served during the year were remunerated directly by the company (1997: Nil). However, the company reimbursed CAF with £17,175 (1997: £15,250) in respect of services rendered by two executive directors.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 April 1998**

**3. ADMINISTRATIVE EXPENSES (continued)**

**3.4 Auditors' remuneration**

Auditors' remuneration included in administrative expenses consists of the following:

	1998 £'000	1997 £'000
Audit	5	5
Non audit - Bank of England reporting accountant	12	4

**4. CHARITABLE DONATIONS**

In accordance with the charitable deed of covenant No.97108 executed on 25 March 1991 the company is required to pay an annual sum equal to its taxable profits for the year to the Charities Aid Foundation, registered charity No.268369.

**5. LOANS AND ADVANCES TO BANKS**

	1998 £'000	1997 £'000
Repayable on demand	19,500	29,877
Remaining maturity of other loans and advances:		
1 day to 8 days	31,469	33,115
8 days to 3 months	113,500	140,531
3 months to 6 months	31	5,236
	164,500	208,759

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 April 1998**

**6. MONEY MARKET PLACEMENTS WITH LOCAL AUTHORITIES**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
Repayable on demand	2,000	1,700
Remaining maturity of other placements:		
1 day to 8 days	-	3,600
	<u>2,000</u>	<u>5,300</u>

**7. DEBT SECURITIES**

All debt securities are held as investment securities.

	<b>1998</b>		<b>1997</b>	
	<b>Book Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>Market Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Issued by public bodies				
Government securities -				
All listed on				
a recognised				
UK exchange	3,837	4,734	3,844	4,020
Due 1 year and over	<u>3,837</u>		<u>3,844</u>	

	<b>Cost</b>	<b>Amort-isation</b>	<b>Book Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Movement in debt securities</b>			
At 1 May 1997	3,850	(6)	3,844
Acquisitions	-	-	-
Amortisation	-	(7)	(7)
At 30 April 1998	<u>3,850</u>	<u>(13)</u>	<u>3,837</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 April 1998**

**8. CUSTOMER ACCOUNTS**

	1998 £'000	1997 £'000
Repayable on demand	117,745	131,503
Not repayable on demand but within 7 days	<u>48,692</u>	<u>82,750</u>
	<u>166,437</u>	<u>214,253</u>
<b>Amounts include:</b>		
Amounts owed to parent trust	<u>2,716</u>	<u>15,349</u>

**9. OTHER LIABILITIES**

	1998 £'000	1997 £'000
<b>Amounts due within one year:</b>		
Income tax payable	55	33
Amounts owed to Charities Aid Foundation	<u>215</u>	<u>148</u>
Sundry creditors	<u>175</u>	<u>67</u>
	<u>445</u>	<u>248</u>

**10. SUBORDINATED LIABILITIES**

	1998 £'000	1997 £'000
The total subordinated borrowing of the company is as follows:-		
£1m Undated floating rate subordinated unsecured loan stock, second issue	400	400
£1m Undated floating rate subordinated unsecured loan stock, third issue	<u>1,000</u>	<u>1,000</u>
	<u>1,400</u>	<u>1,400</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 April 1998**

**10. SUBORDINATED LIABILITIES (continued)**

Both classes of the subordinated unsecured loan stock are redeemable at par on the expiry of not less than five years and one day's notice given by the company or the stockholder. No such notice has been given. With the consent of the Bank of England (Financial Services Authority with effect from 1 June 1998) the company may redeem the stock at par on the expiry of not less than fourteen days' notice to the stockholder.

Interest on the second issue loan stock is payable at the rate per annum which is equal to the average gross rate per annum earned by the company on the principal monies deposited with Company's CafCash Deposit Fund during the relevant Quarter Period plus 2% per annum ("the Second Issue Floating Rate")

Interest on the third issue loan stock is payable at 8.71%.

All loan stock is subordinated to the claims of depositors and other unsubordinated creditors of the company.

**11. CALLED UP SHARE CAPITAL**

	1998 £'000	1997 £'000
<b>Authorised:</b>		
500,000 ordinary shares of £1 each	500	500
1,500,000 redeemable preference shares of £1 each	1,500	1,500
3,000,000 non-cumulative redeemable preference shares of £1 each	<u>3,000</u>	<u>3,000</u>
	<u>5,000</u>	<u>5,000</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 April 1998**

**11. CALLED UP SHARE CAPITAL (continued)**

	1998 £'000	1997 £'000
<b>Allotted, issued and fully paid:</b>		
500,000 ordinary shares of £1 each (1997: 500,000)	500	500
1,360,000 redeemable preference shares of £1 each (1997: 1,360,000)	1,360	1,360
990,000 non-cumulative redeemable preference shares of £1 each (1997: 990,000)	990	990
	<u>2,850</u>	<u>2,850</u>

The preference shares are redeemable at par upon one month's written notice being given by the company. No such notice has been given. Preference shares confer the right in a winding up of the company to the capital paid up on them in priority to ordinary shares. Preference shares have no rights to receive any dividends nor to receive notices of general meetings of the company or to attend and vote thereat.

**12. RECONCILIATION OF SHAREHOLDERS FUNDS**

	1998 £'000	1997 £'000
Retained loss for financial year	-	-
New share capital issued	-	350
Net additions to shareholders' funds	-	350
Opening shareholders' funds	2,850	2,500
Closing shareholders' funds	<u>2,850</u>	<u>2,850</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 April 1998**

**13. PARENT TRUST**

All of the company's issued share capital is owned by the Charities Aid Foundation, registered charity no. 268369. The accounts of the Charities Aid Foundation can be obtained from the company's registered office.

**14. CASH FLOW STATEMENT**

**14.1 Reconciliation of operating profit before  
taxation to net inflow from operating activities**

	1998 £'000	1997 £'000
Operating profit before taxation	444	355
Decrease/(increase) in prepayments and accrued income	150	(585)
(Decrease)/increase in accruals and deferred income	(50)	320
Amortisation	7	4
Net cash inflow from trading activities	<u>551</u>	<u>94</u>
Net decrease/(increase) in loans and advances to banks and local authorities	36,976	(47,892)
(Decrease)/increase in customer accounts	(47,816)	58,870
Increase in other assets	(27)	(6)
Increase/(decrease) in other liabilities	99	(26)
Net cash (outflow)/inflow from operating activities	<u><u>(10,217)</u></u>	<u><u>11,040</u></u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 April 1998**

**14. CASH FLOW STATEMENT (continued)**

**14.2 Analysis of the balances of cash as shown in the balance sheet**

	<b>At 1 May 1997</b>	<b>Cash flow</b>	<b>At 30 April 1998</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and balances at central banks	236	(205)	31
Loans and advances to other banks repayable on demand	29,877	(10,377)	19,500
Bank account	428	17	445
	<u>30,541</u>	<u>(10,565)</u>	<u>19,976</u>

**14.3 Analysis of changes in financing during the year**

	<b>Subordinated liabilities</b>	<b>Ordinary share capital</b>	<b>Preference share capital</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 May 1997	1,400	500	2,350
Cash inflow from financing	-	-	-
Cash outflow from financing	-	-	-
Balance at 30 April 1998	<u>1,400</u>	<u>500</u>	<u>2,350</u>

**15. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemptions available under paragraph 17 of FRS 8 not to disclose transactions with other group entities.