



(A Charitable Company Limited by Guarantee)

Annual Report and Financial Statements

31 March 2006

Registered Charity No. 1054914

Company No. 3182826

THE CHARITY FINANCE DIRECTORS' GROUP

Registered Charity Number 1054914

Our Objects

To advance public education in and promote improved standards of management in charities

Our Vision

A transparent and efficiently managed charity sector that engenders public confidence and trust

Our Mission

To deliver services that are valued by members and enable those with financial responsibility in the charity sector to develop and adopt best practice.

Our Aims

We have adopted the following strategic aims to take us forward to 2008:

- We will ensure that legislation and regulation is informed in relation to the impact of change and the burden of bureaucracy on charities.
- We will raise standards by developing and promoting best practice in the management of charities.
- We will maximise the impact of CFDG's voice by collaborating with other organisations and governments, nationally and internationally, to explain publicly the economic realities of running a charity.
- We will give CFDG a strong voice by having a growing and active membership throughout England and Wales.
- We will ensure CFDG remains a sustainable organisation.

The Charity Finance Directors' Group

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Charity Finance Directors' Group
Annual Report and Financial Statements
For the year ending 31 March 2006

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Chair's Message

This year has been one of growth and change for CFDG. During the year the Board conducted a strategic review of the Group's work and a new strategy has been launched to support our mission to deliver services that are valued by members and enable those with financial responsibility in the charity sector to develop and adopt best practice.

We continue to strive for a transparent and efficiently managed charity sector that engenders public confidence and trust and this year has brought many successes. We have experienced growth in our membership and our geographical reach, have developed our member services and have seen a significant improvement in our resource base in order to sustain and develop our work.

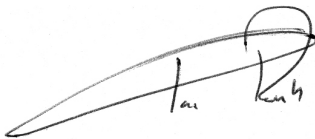
During the year we bid farewell to our Chief Executive, Shirley Scott who left CFDG after 11 years. The growth and development of the Group over this period is due in no small part to her efforts and enthusiasm and the strong position we now have is a real testimony to her achievements. I would like to thank Shirley on behalf of the Board and Members of CFDG for all of her work.

We welcomed Keith Hickey, as the new Chief Executive of CFDG from 1 April 2006. Keith comes to CFDG with a wealth of experience in both the voluntary and the private sector and the Board is very excited to be working with him in this next phase of the Group's development.

We also welcomed Roger Chester, Finance Director of Lionheart, to the Board of Trustees in September 2005

This annual report illustrates the great progress that we have made this year and the Trustees would like to thank the staff, members, subscribers, funders and volunteers who have made this possible.

The annual report also outlines our plans for the future. We intend further membership growth and development particularly working with members and potential members for the CFDG regional groups; we have a number of new initiatives planned for members to share and develop good practice during the year; and we have a clear policy agenda to take forward.

A handwritten signature in black ink, appearing to read 'Paul Breckell', with a large, sweeping flourish above the name.

Paul Breckell

Report of the Board of Trustees For the year ending 31 March 2006 (incorporating the Directors' report)

Principal achievements for the year

Activity areas are:

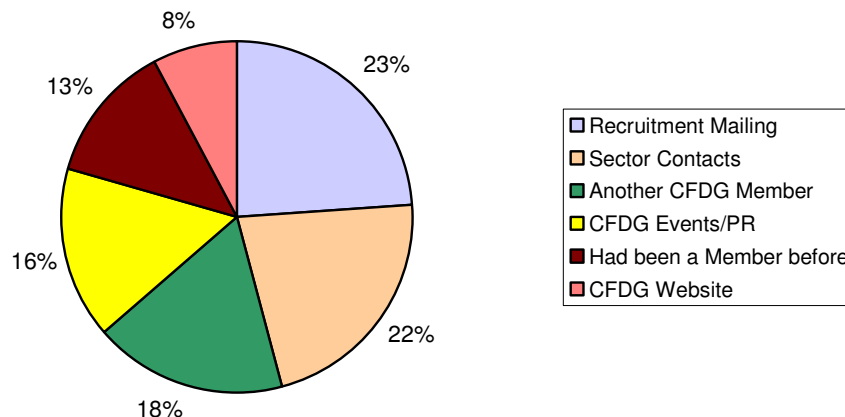
- Member and Information services, including recruitment and retention of members, Charities Resource Network development and website;
- Training, Events and Conferences, including subscriber recruitment and our one fundraising event, the CFDG Annual Dinner;
- Policy and Campaigning.

These activity areas relate to the five aims as follows: aim one (to influence legislation and regulation) is covered by our policy and campaigning work; aim two (raising standards) is covered by our training and events programme (and to a smaller extent by policy initiatives); aim three (collaboration) crosses all three activity areas but is co-ordinated in member services; aim four (recruitment and the regions) is the responsibility primarily of member services; aim five (sustainability) is largely related to internal systems and processes, though the focus on income generation cuts across all activity areas.

Member and Information Services

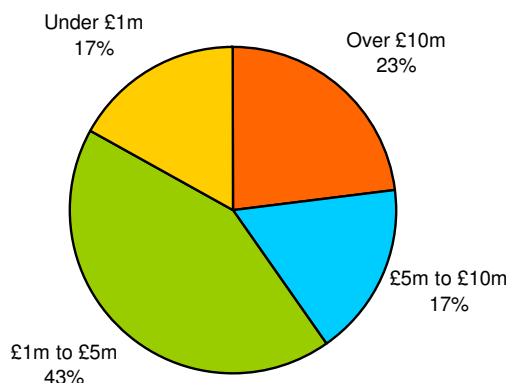
Membership is renewed annually and at 31 March 2005 we had 1,077 individual members from charities. By the end of the year this had increased to 1,190 representing a net increase in total membership of 113. This represents membership growth of just over 10% against a target of 12%. The number of corporate subscribers increased during the year from 76 to 91, our target was to reach 84.

A total of 192 new members were accepted during the year. The reason for their joining (where known) was as follows:



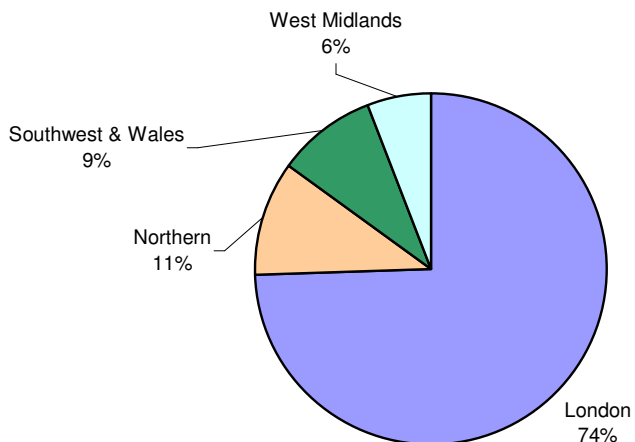
CHARITY FINANCE DIRECTORS' GROUP

As at 31 March 2006, the individual members represented between them a total of 973 not-for-profit organisations, compared to 886 organisations as at 31 March 2005. The profile of those member organisations, in relation to income size is as follows:



In line with the strategy for regional development, during 2005 funding was secured from CAF to enable us to appoint a part-time Regional Development Manager. The post was filled in October 2005.

As at 31 March 2006, CFDG had four regions available for members to join. The overall percentage of members belonging to a region other than London has marginally increased during the year. The regional membership profile is as follows:



It was agreed that the priority for working with the regions would be the sustainable growth of CFDG as a regional network, ensuring that the provision of services and support for existing regional members was maintained at a high level, and that the current excellent retention rate was not jeopardised.

In February 2006 a survey was sent to all regional members in order to gain an insight into what topics members would like included in the events programme, how to encourage greater attendance at regional meetings and to understand what members value about CFDG membership. The results will be used to shape activities during the coming year.

We continue to develop the CFDG website as the primary medium for delivering information not just to the existing membership but also the wider sector and public audience. The usage statistics for the year 2005/06 demonstrate a significant growth in numbers accessing the website with the monthly hits increasing by over 80% during the year.

"Finance Count 2005", our benchmarking survey of the finance function in charities, was officially launched in June 2005. This work was undertaken in partnership with Agenda Consulting. As a follow-up activity a series of five workshops was run to enable members to identify and share good practice. Topics covered were: outsourcing payroll, modernising the finance function, financial reporting to non-accountants, cash and treasury management and purchasing. The Finance Count Steering Group has agreed an outline plan of similar activities for 2006/07.

Help lines for members were provided by: Deloitte, John Tate, Charles Russell, Control Risks Group and JP Morgan Fleming. We also provide support for special interest groups, particularly the Overseas Special Interest Group ("OSSIG") and the newly established Entry Level Software Special Interest Group, as well as more general networking between members to help them contact others with direct experience of issues and good practice in any area.

Members took part in a number of CFDG surveys during the year, each one run in partnership with a different corporate Subscriber:

- 'Managing Risk – Targeting Governance' (with PKF) – was launched in August 2005. This highlighted the growing maturity of the risk management function in charities;
- 'Charity VAT Survey' (with Deloitte) was launched in January 2006. This showed VAT compliance is still a significant cause for concern among small to medium-sized charities and that accounting software does not support VAT reporting adequately;
- 'Occupier Survey 2006' (with Donaldsons) was launched in March 2006. This showed that property management is not an area of great concern amongst our members whereas relocation is an area where members would like to see more research;
- Marketing (with RSM Robson Rhodes) – to be completed during 2006/07.

We did not undertake an online survey to review the Charities Resource Network (CRN) as intended. This has been put on hold until the introduction of the re-designed website during 2006/07.

The database software used to maintain the register of members and provide the CRN was upgraded during 2005/06. The upgraded system provides the platform for the introduction of an Events Management module, which will include an online event bookings facility.

Training, Events and Conferences

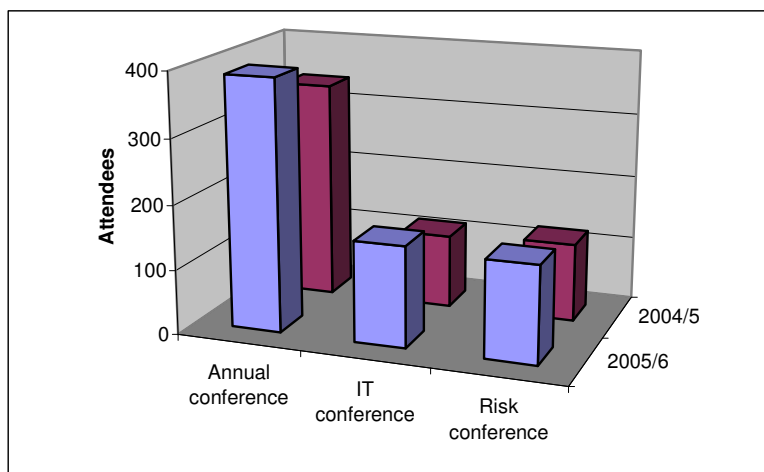
Over 3,000 delegates attended more than 50 CFDG events during the year. We planned to increase events income by at least 10%, the actual increase was 24%.

The Annual Conference in May 2005 focused on the subject of "Sustainable Outcomes" and looked at a variety of charity finance and governance issues including sessions on internal audit, disability compliance, money laundering and fraud, sustainable fundraising, VAT, and finance benchmarking. An important element of the conference was of course the new SORP. The conference dedicated a whole stream to regulation matters, specifically looking at the new trustees report, the SIR and internal and external reporting. With over 300 delegates, the conference, which was sponsored by haysmacintyre and the Bank of Scotland, had excellent feedback from members, many of who also made use of the networking opportunities of the reception at the end of the day. As per our plans we investigated ways of developing the conference in 2006 by moving venue to the more spacious QEII Centre.

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Due to a change in the date of the IT Conference, the year saw not one but two IT Conferences, in April 2005 and February 2006. Together, they had an audience of almost 300, and strengthened the reputation of CFDG as a key player in IT strategy planning for charities (a fact born out by a recent survey in Charity Finance magazine in which CFDG was the voted most highly respected provider of IT information in the sector). As technology progresses, CFDG continues to encourage discussion on how IT can be used to build comprehensive management information systems

The CFDG Risk Conference also attracted an audience of 150 (its highest ever). Brendan Gormley, Chief Executive of the Disasters and Emergencies Committee was the keynote speaker, giving some insights into how risk management is addressed by a global multi-agency relief effort. The chart below shows the growth in attendance at our major conferences over the last two years.



The new SORP was also the focus of two very well received training courses at the beginning of the year, led by Pesh Framjee (Deloitte), Keith Hickey (then of Help the Aged) and Nick Kavanagh (Save the Children Fund) through which CFDG had the chance to train almost 300 members in the hands-on application of the new SORP. These followed on from the SORP launch events CFDG held the year before in London and all regional groups. Due to staff shortages we were not able to extend our VAT or Trustee training as we had planned.

Our Annual Fundraising Dinner took place at The Brewery in the City of London in October 2005. In an evening supported by the Royal Bank of Scotland, many of CFDG's subscribers again sponsored tables and invited CFDG members, resulting in a very well-received social and networking event. We increased attendance by 6% against plans of 10%, being somewhat limited by the capacity of the venue. However we increased income by over 30% against a target of 15%.

2005/06 also saw a 10% rise in corporate sponsorship for CFDG events and training courses. As we are providing services for an ever increasing number of delegates, as mentioned above, this sponsorship, mostly coming from our corporate subscribers, enables us to keep fees for events as low as possible for charity employees. Companies sponsoring and hosting CFDG events in 2005/06 included: Addleshaw Goddard LLP, Anglo Irish Bank, Baker Tilly, Bank of Scotland, Barclays Bank, BDO Stoy Hayward LLP, The Co-operative Bank, Deloitte, Fujitsu-Siemens, haysmacintyre, Horwath Clark Whitehill LLP, Merrill Lynch Investment Managers, PKF (UK) LLP, Rathbone Investment Management, The Royal Bank of Scotland, Rensburg Sheppards, Sarasin Chiswell, Touchstone, and UBS Wealth Management.

Policy and Campaigning

Our policy and public affairs activity was held back during the year as we were without a Policy Officer for 10 months. Consequently much of the workload that was laid out in last year's annual report was unable to be developed. However, policy work continued during the year and our Public Affairs Committee completed the development of a strategic plan for our policy work for the period 2005 to 2008. A new policy officer, Ernese Skinner joined us at the end of January 2006 and will be taking forward this strategy.

Specific key policy areas we consulted our members on during the year included:

- Gift Aid and Admissions Charges, which raised much concern amongst our members and the wider voluntary community. CFDG's campaign on this issue resulted in an Early Day Motion put forward by Bob Russell MP and a meeting with John Healey, Economic Secretary to discuss alternative ways forward;
- The Department for Trade and Industry/Treasury consultation on the modernisation of accounting directives/IAS Infrastructure, which led to us providing input to the Institute of Chartered Accounts in England and Wales on guidelines for the sector;
- European Union Code of Conduct for Non-profit Organisations to Promote Transparency and Accountability Best Practices;
- Accounting Standards Board Exposure Draft: Statement of Principles for Financial Reporting – Proposed Interpretation for Public Benefit Entities;
- Pensions Protection Fund Levy upon which we worked jointly with the Charities Consortium to highlight the key issues for charities;
- Full cost recovery, where we collaborated with Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out a survey that highlighted key issues for Charities and was widely covered in the sector press.

In addition, CFDG has supported the Charity Tax Reform Group's campaign on irrecoverable VAT and provided an immediate briefing on the Budget 2006 that highlighted key issues impacting our members.

During the year the issue of appropriate accounting software for small to medium-sized charities came up several times and as a result of this interest we decided to set up a special interest group to investigate the problem. The group has generated a lot of interest from members, IT companies and the charity media. It is in the process of investigating the extent of the problem for members with a turnover of less than £2m and is also talking with the main software suppliers in the market to see if they can make their products more charity-specific. During the next year we will complete our benchmarking study of the current situation and will seek funding for a more substantial project to look at the feasibility of making a high-end software package available to smaller charities.

CFDG was sad to see that there has been such little progress on the Charities Bill and hopes that the Charities Bill will make its way through parliament this session and will be following its progress keenly.

We are grateful to our members and subscribers for the invaluable support that they have given to the Public Affairs Committee, Policy Development Working Group and Technical Accounting Group during the year.

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Valuing Volunteers

It is obvious from the preceding sections of our report that the part played by volunteers in achieving our objectives is huge. In keeping with recommended practice we have made an estimate of the number of hours that members and subscribers give to us free of charge during the year. We rely on numerous speakers at our members' meetings and conferences as well as trainers for our courses such as Introduction to Charity Finance, Investment Training for Trustees and SORP Workshops. CFDG also has many committees covering its policy, education, regional work etc. Without the many volunteers that serve on these committees we would not be able to carry out the wide variety of work that our members have come to rely on. We have not put a value on the many hours work that our volunteers give us but if we were to value them at £55.00 per hour (2005: £50) the total would come to nearly £123,000 (2005: £77,000). Considering that the vast majority of our volunteers are finance professionals this would not be an unreasonable hourly rate.

	2006	2005
	hours	hours
Member and information services	728	617
Training, events & conferences	606	409
Policy & campaigning	424	236
Governance	472	277
Total	<u>2,230</u>	<u>1,539</u>

Plans for 2006 and beyond

During 2006/7 the Chief Executive is undertaking a review of the Charity's operational plans to ensure that CFDG will continue to work towards its Vision.

Member and information services

Results from the regional membership survey will be incorporated into the review of CFDG strategy. Discussions will be held with regional subscribers to identify opportunities to secure further support for the expansion of regional CFDG activities. The opportunity to work collaboratively with other voluntary sector umbrella bodies in the regions will be explored and where appropriate pilot schemes will be developed.

During 2006/7 we will continue with the implementation of the recruitment plan. We aim to increase our membership income by 8%.

We will launch the re-designed website and review the use of the CRN through an online survey. We will undertake a "Finance Count 2006" benchmarking survey and run a further series of related workshops

Training, events and conferences

Our main objective for the year will be to maintain our current programme of events, whilst striving to improve on quality wherever possible. We will enable the most popular ones to grow by finding new venues for the Annual Conference and the Annual Fundraising Dinner. At the same time, as part of the new CEO's review of the business plan we will look at a range of other events and training courses that we will start to roll out by the end of the year.

We also plan to increase attendance at CFDG events and training courses by 10%, and to achieve 25% online booking and payment for events by 2007.

Policy and campaigning

The Budget 2006 raised some major opportunities for the voluntary sector. Firstly HM Treasury announced the creation of an office of Charity and Third Sector Finance which will act as a policy and strategy network in HM Treasury, bringing together all aspects of tax, spending and financial services policy relating to the third sector. CFDG will review, in conjunction with HM Treasury how it can most effectively work with and support the office of Charity and Third Sector Finance. A review on the future role of the third sector in social and economic regeneration was launched on 15th May 2006. CFDG will be consulting members during the first half of 2006 through the Policy Development Working Group and Members Meetings, and will collaborate with the Charities Consortium to provide input to the review.

The Compact Commissioner is due to take up post in the summer and CFDG will undertake campaigning around the compact plus and full cost recovery to coincide with this. CFDG will also commence its work to provide a manifesto in advance of the next general election during the coming year.

The Policy strategy identified key areas for CFDG to concentrate on. We will start to develop this work in 2006/7 which we will undertake working in partnership with other bodies in the sector. These areas include full cost recovery, outcome reporting, funding and the role of the FD.

Review of Financial Position

In our budget for the 2005/6 we anticipated a surplus of £40,000 on unrestricted funds. We managed to achieve a surplus of over £90,000. This was due to the tight control of expenditure, having a successful member recruitment drive and exceeding our budgeted surplus on all our major events (the IT Conference, Risk Conference, Main Conference and Annual Dinner). During 2005/6, excluding donated services, overall expenditure increased by about 17% whilst net incoming resources increased by 28%.

Our key areas of income are membership fees (which includes the subscriber fees that our corporate supporters pay), events, training, and policy. Membership income increased from £312,331 in 2005 to £376,453 in 2006. This 21% increase was due to roughly 10% growth in members and 18% growth in corporate subscribers. We also increased subscriber fees by 20%. Although half of our income comes from membership fees it is essential for future growth to diversify income sources and develop reliable income streams. We have been awarded a £60,000 grant from the Charities Aid Foundation Collaborative Fund over three years from 2006. We will use this money to take forward our regional development.

As per last year's report we applied for two grants from government but were unsuccessful in both cases. However we were very successful in working with our traditional supporter base of corporate partners, as a result of this we increased our non-membership fee income, as a percentage of total income, from 48% in 2005 to 51% in 2006.

Policy and campaigning income is down on last year as the Pensions Project was completed in 2005 and we had no major policy project during this year. There was also less activity during the year on policy.

The increase in expenditure from unrestricted funds (again, excluding donated services) was 21%, compared to a 29% growth in unrestricted income. Our salaries bill and number of staff stayed broadly the same, although our employee related costs increased to £55,343 from £10,902 in 2005. This was partly due to increased training costs but was largely a result of recruitment costs for the six posts that were recruited during the year, including that of CEO. Apart from this all the growth was in direct service provision and it reflects the remarkably busy year we had.

The restricted fund is made up only of the ongoing depreciation of fixed assets on the CRN project. The restricted funds carried forward (£14,583) represent the net book value of fixed assets relating to the CRN.

The unrestricted general fund ended the year up from £150,452 to £241,298, an increase of over 60%. This means that we have already met the target of the Trustees' policy of building up the reserves to an appropriate level (see reserves policy below).

All staff are directly engaged in activities in furtherance of the objects of CFDG and their cost has been allocated accordingly. Governance costs – which include an allowance for the value of donated venues and refreshments – were reduced by 16% as we were no longer developing our new three-year strategic plan. The cost of generating funds relates solely to putting on our Annual Fundraising Dinner, which raised over £76,000 in support of our unrestricted programme.

We incurred irrecoverable VAT of just over £22,000; however we were also able to make a one-off claim for £12,000 as a result of a re-calculation of our partial exemption figures over the past three years.

Structure, Governance and Management

The Charity Finance Directors' Group was incorporated by guarantee on 29 March 1996. It has no share capital and is a registered charity. The guarantee of each member is limited to £1. The governing document is the Memorandum and Articles of Association of the company and members of the Board of Trustees are the Directors of the company.

The full complement of Trustees is ten; this was maintained till March 2006. Trustees serve for a term of three years and may be appointed to serve for one further term. Appointment is by election at the Annual General Meeting, which takes place in September each year, and postal ballots are conducted when necessary. All Trustees must be members of CFDG and the members are invited to nominate people to serve. Prior to inviting nominations the Trustees review their skills audit to try to attract members with the relevant experience and skills to the Board. The Chair and Officers are appointed by the Trustees from among their number. The Board convenes five times each year and holds an additional strategic planning day.

Because all CFDG members are finance specialists it can be difficult to get some of the skills we need so we have set up committees to advise and support us on some aspects of our work. We also have Pesh Framjee of Deloitte as our Special Adviser and John Tate who is our IT Adviser. The supporting committees included at least one Trustee as follows:

- | | |
|--------------------------|---------------------------------|
| • Finance | Tom Sterry and Helen Verney |
| • Public Affairs | Keith Hickey and Melvin Coleman |
| • Marketing | Alan Sharpe and Helen Verney |
| • Education | Geoffrey Wheeler |
| • Information Technology | Steve Mahon and Roger Chester |

Each Committee has its own Terms of Reference and their reports are a standing agenda item for the full Board meetings. The Board also receives reports from each of our three main work activities, as described earlier in this report. Other committees and working groups are set up as needed to support and inform staff and these include the Policy Development Working Group chaired by Claire Newton of Marie Curie Cancer Care and the Technical Accounting Group chaired by Fiona Young previously of Crisis. We are very grateful to them and all those who have helped us to develop our work and influence.

Since incorporation in 1996 the number of charities with a CFDG member has increased from 493 charities to 973 and there are now three regional membership groups. Each of these is constituted as a Branch under the Articles of Association and has its own steering committee. The Trustees are currently completing a governance review to ensure that the structure, procedures and protocols are appropriate for a charity of this size and activity.

On appointment each Trustee signs a code of conduct and completes a register of interests. The latter is renewed annually. They are given a Trustee Handbook that includes the Memorandum and Articles of Association, policies and procedures on issues such as delegation of authority, recruitment, equal opportunities, and conflict of interest and other guidance. It contains job descriptions for Trustees, officers and staff. New trustees meet with the Chair and Chief Executive and undertake an induction process. According to their skills and aptitude they take responsibility for at least one activity area by appointment to a committee. We are fortunate that as our trustees are charity finance directors their training needs are met by their employers.

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CFDG Trustees have delegated management of CFDG to the Chief Executive who reports on the performance against the Strategic and Operational Plans approved by the Trustees. The Deputy Chief Executive reports, via the Treasurer and Finance Committee, on the financial position, including outturn against budget. Management Accounts are received quarterly by the Board and monthly by the Finance Committee.

The Trustees are currently undertaking a complete review of the Charity's governance and intend to report back their findings to members during Summer 2006 and place special resolutions to the AGM on 7th September 2006.

Membership of CFDG

Full members of CFDG are the people employed by a Charity with responsibility for financial management. They are also members of the Company and have full voting rights. If another person joins from the same charity they are termed "Secondary Members", pay a lower, or no, subscription but have the same rights and services. Other classes of member are Associates, CRN members and Honorary members who are not members of the Company.

Subscribers of CFDG are individuals working for professional or commercial suppliers who are active in charity finance and other related matters. They are essential for the work of CFDG and we value their support enormously. They are not members of the company and their number may not exceed 10 per cent of the number of voting members.

Full details of membership are always available on our website, and application forms can be downloaded.

Risk assessment

The Board of Trustees has reviewed during the year an assessment of the risks to which the charity is exposed, particularly business, operational and financial risks, and introduced procedures and reporting regimes to manage and reduce the identified risks. Trustees have agreed clear lines of delegation and authority to staff and have involved staff in recognition of risk in all their activities.

In last year's risk assessment the trustees identified two main areas of risk. Firstly the lack of long-term regional strategy and ongoing staff support to develop the regions. This was met during the year by the appointment of Lindsay Derry our new – part-time – Regional Development Manager. The second main risk was financial viability, which is essential if CFDG is to develop. It was with a view to building reserves that the Trustees set a budget for the year with a projected surplus of £40,000 on unrestricted funds. However as a result of our very successful year for recruitment and events we achieved a surplus of over £90,000, therefore bringing our free reserves into line with the reserves policy.

Management and Staffing

The Chief Executive has responsibility for planning and developing the services and strategies for CFDG within clear policies and protocols set by the Trustees. The Chief Executive ensures that the staff team is recruited and supported to provide the skills and expertise needed to run a successful organisation and that the values of CFDG are observed. The Chief Executive has direct line management of the Policy and Campaigning, and Regional Development work.

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The Deputy Chief Executive has operational responsibility for Membership and Information and Training and Events and has particular responsibility for the IT systems used by CFDG. He is also the Finance Officer and runs our accounting systems.

The Membership and Information Team is lead by Mike Dykes who is supported by Margaret Waterfield. Responsibility for the membership database and Charities Resource Network (CRN) rests with the Membership and Information Team, with Tom Steel as Website and Information Officer.

The Marketing and Events team is lead by Susanne Kendler who is supported by Charlotte Giles (Training and Events Officer) and Wai-Han Wong (Marketing and Events Administrator).

The Policy Officer, Sophie Chapman, moved to a new post in April 2005 and her successor was not finally recruited until January 2006, when Ernese Skinner joined the team. The new part-time post of Regional Development Manager – agreed at the March 2005 Board meeting – was filled in October 2005 by Lindsay Derry.

Trustees' Responsibilities

Company law requires the Board of Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the income and expenditure of the company for that year. In preparing these financial statements, the Board of Trustees has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards and statements of recommended practice without any material departures;
- prepared the financial statements on the going concern basis.

The Board of Trustees is 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.

The trustees have confirmed that so far as they are aware, there is no relevant audit information of which the charitable company's auditors are unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

Reserves Policy

The Trustees have examined CFDG's requirements for free reserves in the light of the predominant risks to the organisation. These are identified as loss of reputation, causing falling membership income, and loss of corporate support. They have set a target of between 25% and 35% of annual unrestricted charitable income (budgeted income for 2006/07 is £805,024; therefore the target is £201,000 to £282,000). The Free reserves are needed to meet the working capital requirements of CFDG and to allow for the development of new initiatives (where we would incur significant expenditure in advance of anticipated income) and to provide a buffer against a significant drop in funding. Total free reserves at 31 March 2006 were £241,298 (2005: £150,452), which is 31% of

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unrestricted charitable income for 2005/6. For 2006/7 the Trustees have agreed a balanced budget and so the level of reserves is expected to remain at £241,000, which will be about 30% of unrestricted income.

Investment Policy

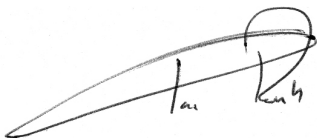
CFDG receives income on an annual basis through membership subscriptions, sponsorships, grants and other sources. It plans activities over a three to five year time horizon and budgets to expend all anticipated income, except for retaining a prudent amount in reserves. It has no permanent endowment and provides for capital expenditure within the budget. The only funds of CFDG that are not expendable within 12 months of receipt are reserves and any grants or contracts for activities over a longer period.

Consequently the Board of Trustees does not consider that it is prudent to invest income for the longer term. Its policy for investment is therefore to retain funds as cash and place them on bank deposit at the best rate obtainable. As a result it considers that it is not appropriate for CFDG to adopt an ethical investment policy.

Appointment of Auditors

A resolution for the appointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD OF TRUSTEES

A handwritten signature in black ink, appearing to read 'Paul Breckell', written over a horizontal line.

Paul Breckell
Chairman
10 July 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CHARITY FINANCE DIRECTORS' GROUP**

We have audited the financial statements of Charity Finance Directors' Group for the year ended 31 March 2006 which comprise the statement of financial activities, the balance sheet, and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of the charitable company for the purposes of company law) for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of trustees' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

We report to you whether in our opinion the information given in the trustees' report is consistent with the financial statements.

Basis of audit opinion

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

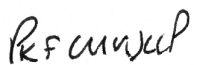
We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the trustees' report is consistent with the financial statements.

London, UK
10 July 2006


PKF (UK) LLP
Registered auditors

CHARITY FINANCE DIRECTORS' GROUP

Statement of Financial Activities for the year ended 31 March 2006

(Incorporating the income and expenditure account)

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2006 £	Total 2005 £
Incoming resources					
<i>Incoming resources from charitable activities</i>					
Members' subscriptions		376,453	-	376,453	312,331
Member and information services		51,129	-	51,129	48,533
Events, conferences and training		305,820	-	305,820	217,136
Policy & campaigning		7,030	-	7,030	8,175
<i>Incoming resources from generated funds</i>					
Bank interest		14,277	-	14,277	9,888
<i>Other incoming resources</i>					
		15,781	-	15,781	6,431
Total incoming resources		<u>770,490</u>	<u>-</u>	<u>770,490</u>	<u>602,494</u>
Resources expended					
<i>Cost of generating funds</i>					
		31,971	-	31,971	-
<i>Charitable activities</i>					
Member and information services		288,778	12,500	301,278	214,889
Events, conferences and training		245,635	-	245,635	223,710
Policy & campaigning		67,644	-	67,644	95,474
<i>Governance costs</i>					
		45,616	-	45,616	56,139
Total resources expended	2	<u>679,644</u>	<u>12,500</u>	<u>692,144</u>	<u>590,212</u>
Net incoming/(outgoing) resources / Net income/(expenditure)	3	90,846	(12,500)	78,346	12,282
Total funds brought forward 1 April 2005		150,452	27,083	177,535	165,253
Total funds carried forward at 31 March 2006	8	<u>241,298</u>	<u>14,583</u>	<u>255,881</u>	<u>177,535</u>

There are no recognised gains and losses other than those in the statement of financial activities.

Therefore no statement of total recognised gains and losses has been prepared.

For Companies Act purposes, total income is £709,790 (2005:£551,594) and total expenditure is £631,444 (2005: £539,312), which is total incoming resources and total resources expended as shown above, both net of gifts in kind of £60,700 (2005: £50,900).

All the above amounts relate to continuing activities.

The notes on pages 18 to 22 form part of these accounts.

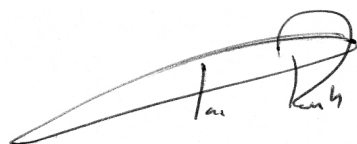
Balance sheet

As at 31 March 2006

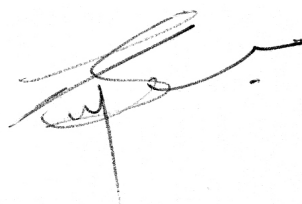
	Note	2006 £	2005 £
Fixed Assets			
Tangible assets	5	<u>39,467</u>	<u>29,833</u>
Current Assets			
Debtors	6	168,791	128,178
Short term deposits		335,302	157,684
Cash at bank		<u>60,223</u>	<u>121,739</u>
		564,316	407,601
Liabilities			
Creditors: amounts falling due within one year	7	(347,902)	(259,899)
		<u>216,414</u>	<u>147,702</u>
Net current assets			
		<u>216,414</u>	<u>147,702</u>
Total assets less current liabilities			
	9	<u><u>255,881</u></u>	<u><u>177,535</u></u>
Funds			
	8		
Unrestricted funds		241,298	150,452
Restricted funds		14,583	27,083
		<u>255,881</u>	<u>177,535</u>

The notes on pages 18 to 22 form part of these accounts.

The accounts were approved and authorised for issue by the Board of Trustees on 10 July 2006 and signed on their behalf by:



Paul Breckell
Chair



Tom Sterry
Treasurer

Notes to the financial statements

For the year ended 31 March 2006

1 Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and comply with the Companies Act 1985. The financial statements have been prepared in accordance with Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities: Statement of recommended practice", published in March 2005 and applicable accounting standards.

b) Fund accounting

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the charitable objectives of CFDG.

Restricted income funds are funds subject to specific restrictions imposed by donors or by the purpose of the appeal. The purpose and use of the restricted funds is set out in the notes to the financial statements.

c) Incoming resources

All income is accounted for as soon as CFDG has entitlement to the income and there is certainty of receipt and the amount is quantifiable.

Donated facilities are included at the value to CFDG, as described in note 3b. Although SORP 2005 recommends that the value of donated facilities is included in voluntary income, they are included under the relevant category of income for charitable activities because CFDG considers this gives a fairer presentation.

d) Members' subscriptions and events & conferences

Subscriptions and events income are accounted for in the year to which they apply. Subscription income received during the year that relates to a subsequent financial accounting period is carried forward as a creditor in the balance sheet and shown as deferred subscriptions income.

e) Pension policy

CFDG operates a pensions policy in compliance with the Stakeholder pension requirements. CFDG pays twice the percentage that the employee contributes up to a maximum of 10%.

f) Resources expended

All expenditure is accounted for on an accruals basis and has been listed under headings that aggregate all the costs related to that activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of the resources.

Direct costs, including directly attributable salaries, are allocated on an actual basis to the key strategic areas of activity. Overheads and other salaries are allocated between expense headings on the basis of time spent.

Governance costs include the costs of governance arrangements which relate to the general running of the charity. These activities provide the governance infrastructure which allows the charity to operate and to generate the information required for public accountability. They include the strategic planning processes that contribute to future development of the charity.

g) Fixed assets

Assets with a cost in excess of £2,000 intended to be of ongoing use to CFDG in carrying out its activities are capitalised as fixed assets.

Depreciation is charged on tangible fixed assets at 25% of cost *per annum*, so as to write them off over their expected useful lives.

Notes to the financial statements

For the year ended 31 March 2006

2 Resources expended

a) Analysis of total resources expended	Staff costs	Support costs	Other direct costs	Total 2006	Total 2005
	£	£	£	£	£
Unrestricted funds					
Cost of generating funds	5,283	2,414	24,274	31,971	-
Charitable activities					
Member and information services	140,508	64,188	84,081	288,777	200,139
Events, conferences and training	104,401	47,694	93,540	245,635	223,710
Policy & campaigning	40,535	18,518	8,592	67,645	81,474
Governance	18,733	8,558	18,325	45,616	56,139
Total unrestricted resources expended	<u>309,460</u>	<u>141,372</u>	<u>228,812</u>	<u>679,644</u>	<u>561,462</u>
Restricted funds					
Charitable expenditure					
Member and information services	-	12,500	-	12,500	14,750
Policy & campaigning	-	-	-	-	14,000
Total restricted resources expended	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>12,500</u>	<u>28,750</u>
Total resources expended	<u>309,460</u>	<u>153,872</u>	<u>228,812</u>	<u>692,144</u>	
<i>Total resources expended 2005</i>	<u>310,883</u>	<u>128,973</u>	<u>150,356</u>	<u>590,212</u>	

Within all charitable activities rows of the 'Other direct costs' column there are costs of £60,700 (2005: £50,900) relating to services donated to CFDG that were not incurred by CFDG. (See note 3b.) Had the services not been donated CFDG would have incurred this cost.

b) Analysis of support costs

	Generating funds	Member Services	Events	Policy	Governance	Total 2006	Total 2005
	£	£	£	£	£	£	£
Unrestricted funds							
Employee-related costs	946	25,127	18,671	7,249	3,350	55,343	10,902
Premises	602	15,998	11,887	4,615	2,133	35,235	40,475
Communications & IT	240	6,386	4,745	1,842	851	14,064	31,373
Postage & printing	194	5,167	3,839	1,491	689	11,380	12,708
Financial costs	393	10,460	7,772	3,018	1,395	23,038	16,128
Depreciation	39	1,050	780	303	140	2,312	2,637
Total unrestricted	<u>2,414</u>	<u>64,188</u>	<u>47,694</u>	<u>18,518</u>	<u>8,558</u>	<u>141,372</u>	<u>114,223</u>
Restricted funds							
Depreciation	-	12,500	-	-	-	12,500	14,750
Total restricted	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,500</u>	<u>14,750</u>

All support costs are allocated on the basis of staff time. Staffing support costs have not been analysed as the majority of CFDG staff work directly on activities and the amount allocatable to support is therefore not material.

c) Analysis of governance costs

Legal and professional fees	1,100	830
Taxation advice from auditors	8,150	5,000
Audit fees	2,981	3,150
Costs of AGM & Trustee travel etc	3,594	5,746
Apportionment of staff and support costs	27,291	39,413
Donated resources	2,500	2,000
Total governance costs	<u>45,616</u>	<u>56,139</u>

CHARITY FINANCE DIRECTORS' GROUP

Notes to the financial statements

For the year ended 31 March 2006

3 Net incoming/(outgoing) resources

a) These are stated after charging :

	2006	2005
	£	£
Auditors' remuneration	2,981	3,150
Depreciation	14,812	17,388
Operating leases - land and buildings	-	20,049
	<u> </u>	<u> </u>

In December 2004 CFDG moved from its rented office space at Camelford House on the Albert Embankment to 1 London Bridge. In common with all the other organisations sharing the space, we have a licence agreement with Community Action Network which means that our commitment is only three months.

b) Valuation of donated resources

Donated facilities are included at the value to CFDG. These are largely made up of meeting venues, audio-visual equipment and refreshments.

	2006	2005
	£	£
Member and information services	28,200	22,400
Events, conferences and training	26,200	23,300
Policy & campaigning	3,800	3,200
Governance	2,500	2,000
Total	<u>60,700</u>	<u>50,900</u>

4 Trustees and employee information

a) Trustee information

No remuneration was paid to the Trustees during the year (2005: £Nil). Expenses of £2,159 for travel was paid to four trustees during the year (2005: £1,010, three trustees).

b) Employee information

	2006	2005
	£	£
<i>Employee costs during the year were :</i>		
Salaries	267,580	269,521
Social security	26,514	27,420
Pension	15,366	13,942
	<u>309,460</u>	<u>310,883</u>

The number of employees whose emoluments amounted to over £60,000 during the year was nil (2005: nil).

	2006	2005
The average number of staff employed during the year was:	<u>8.3</u>	<u>8.7</u>

Notes to the financial statements

For the year ended 31 March 2006

5 Tangible fixed assets

	Computers	Database	Total
	£	£	£
Cost			
At 1 April 2005	29,413	50,000	79,413
Additions	-	24,445	24,445
Disposals	(21,911)	-	(21,911)
	<u>7,502</u>	<u>74,445</u>	<u>81,947</u>
Depreciation			
At 1 April 2005	26,662	22,917	49,579
Charge for the year	1,700	13,112	14,812
Disposals	(21,911)	-	(21,911)
	<u>6,451</u>	<u>36,029</u>	<u>42,480</u>
Net book value			
At 31 March 2006	<u>1,051</u>	<u>38,416</u>	<u>39,467</u>
At 31 March 2005	<u>2,750</u>	<u>27,083</u>	<u>29,833</u>

The above fixed assets are used to support all of CFDG's activities.

6 Debtors

	2006	2005
	£	£
Trade debtors	146,166	94,610
Other debtors	8,187	10,164
Prepayments and accrued income	14,438	23,404
	<u>168,791</u>	<u>128,178</u>

7 Creditors :

Amounts falling due within one year

	£	£
Deferred subscriptions income	243,845	181,569
Deferred events income	46,075	36,215
Other creditors and accruals	57,982	42,115
	<u>347,902</u>	<u>259,899</u>

8 Total funds

	Opening balance	Incoming resources	Resources expended	Closing balance
	£	£	£	£
Unrestricted - general	150,452	770,490	(679,644)	241,298
Restricted - CRN project	27,083	-	(12,500)	14,583
	<u>177,535</u>	<u>770,490</u>	<u>(692,144)</u>	<u>255,881</u>

CHARITY FINANCE DIRECTORS' GROUP

Notes to the financial statements

For the year ended 31 March 2006

9 Analysis of assets between funds

	Unrestricted funds	Restricted funds	Total funds
<i>Funds balances at 31 March 2006 are represented by :</i>	£	£	£
Fixed assets	24,884	14,583	39,467
Debtors	168,791	-	168,791
Deposits and cash at bank	395,525	-	395,525
Creditors	(347,902)	-	(347,902)
	<u>241,298</u>	<u>14,583</u>	<u>255,881</u>

The Restricted CRN Project was established in 2000 by a grant from the Community Fund to develop the Charities Resource Network. This project was complete during 2004 and the closing balance represents the net book value of the membership database which is being depreciated over four years from the date it went live in June 2003.

10 Capital commitment

At 31st March 2006 there were no capital commitments.

11 Related party transaction

There were no related party transactions during the year. (2005: There were also none.)

12 Barter transaction

We were involved in a barter transaction with Plaza Publishing in relation to the 'Charity Finance Yearbook'. The value of the transaction was £11,687 for which we exchanged our editorial input and branding in return for 1,200 copies of the book.

Trustees Officers and Advisers

Registered Charity No: 1054914 **Company No:** 3182826 **VAT No:** 769375081

Board of Trustees

Paul Breckell (Chair)
Helen Verney (Deputy Chair)
Tom Sterry (Treasurer)
Roger Chester (*from September 2005*)
Melvin Coleman
Keith Hickey (*resigned March 2006*)
Stephen Mahon
Alan Sharpe
Martin Waller
Geoffrey Wheeler

Chief Executive and Company Secretary

Shirley Scott (*resigned December 2005*)
Keith Hickey (*from April 2006*)

Deputy Chief Executive

& Acting CEO and Company Secretary
01/01/06 to 31/03/06
David Membrey

Special Adviser

Pesh Framjee

IT Adviser

John Tate

Head Office and Registered Office

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Web site: www.cfdg.org.uk
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Putney
London SW15 6AB

Bankers

Unity Trust Bank plc
Nine Brindleyplace
4 Oozells Square
Birmingham B1 2HB

Finance Committee

Tom Sterry (Chair)
Helen Verney
Fiona Young
(*to June 2005*)
Ray Salmons
(*from September 2005*)

Public Affairs Committee

Keith Hickey (Chair)
(*resigned March 2006*)
Melvin Coleman
Stephen Burgess
(*resigned July 2005*)
Peter Burrows
John Graham
Claire Newton

Marketing Committee

Alan Sharpe (Chair)
Helen Verney
Charles Mesquita
Carol Sellwood
John Tate
Bonny Young

IT Committee

John Tate (Chair)
Roger Chester
David Locke
Michael Price

Auditors

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Farringdon Place
20 Farringdon Road
London EC1M 3AP

CAF Bank Ltd
25 Kings Hill Avenue
Kings Hill
West Malling
Kent ME19 4JQ