

ANNUAL REVIEW 2004

CHARITY BANK - MAKING A DIFFERENCE



CHARITY
BANK

*In Brockweir and
Hewelsfield,
Gloucestershire, a
rural community with few
facilities, a group of
local inhabitants
have rekindled the
life of their community
through imagination and
determined effort*



and a little help from us

Squirrel's Day Nursery
Corby, Northamptonshire



Charity Bank has provided a lifeline for us. Commercial lenders were unwilling to lend to us and Department of Education funding was not sufficient. Charity Bank was sympathetic, professional and understood our needs. It looked at our request from the point of view of how it would benefit the community rather than simply how much of a profit it would make."

*Linda Smouton,
founder of the
Squirrel's Day
Nursery*

Cover story:

Villagers in the Forest of Dean were not prepared to stand by and watch their community disappear. Their initiative, sense of 'can do', and their own money have levered in grant and loan funding for a new community shop and village facilities at the heart of their community.

Read the full story at the end of this publication.

CHAIRMAN'S REPORT

As Charity Bank enters its third year of activities it faces an exciting mix of opportunities and challenges. It continues to benefit from the experience of the early years of its existence as Investors in Society and of being part of the wider CAF (Charities

Aid Foundation) family of charitable activities. These forces are helping the Bank to understand better than most how charities can use loans to achieve their mission with greater confidence and accelerate their ambitions to help those in need. CAF's unrivalled position in the charitable sector also extends the reach of the Bank and is helping to build a culture of support for charities suitable for the 21st century.

During the last year we have concentrated on and made progress in the three major areas that we have identified as priorities – deposits, loans and capital. Our deposit raising activities have been considerably enhanced by the Government's Community Investment Tax Relief scheme, and many depositors have opened CITRA accounts. The interest paid on some has been specifically attached to certain charities, adding to the attraction. The loan book continues to expand and as time goes by charities and their trustees are getting acclimatised to the idea of borrowing to refinance their objectives. The other group of invaluable supporters of the mission of the Bank are those who have invested in the

capital. These are made up of trusts, foundations, other charities and, now one bank, that see the leverage that Charity Bank can offer on their investment as being a very effective way of meeting their mission. We realise how important these three sectors are and how they interact together to grow the Bank, and 2005 will see us striving to increase them further.

A significant development has been our work in leading the consortium managing the exciting and important new initiative, Futurebuilders. This is referred to in more detail elsewhere.

Underpinning all of our efforts and aspirations lies the mission of the Bank – to use our financial sector knowledge to work with charities to make life better for the helpless, the underprivileged and those who want to make a better life for themselves and those around them but don't have the means to do so. We are doing this, but there is so much more that we could contribute. Our quest will continue and we will eventually realise our goals. We have all been touched by the generosity and immediacy of reaction of the millions of people around the world who gave to help the victims of the Asian Tsunami. This tragedy makes us aware of the frailty of life, but also the strength of working together. Humans are capable of so many emotions and actions, but none of them is greater than that of wanting to help others in trouble. Charity Bank exists to help them make it happen.

The achievements of the Bank rely so much on the work done by the Bank's executives and staff, as well as the contribution and time given up by my fellow trustees on the board of the Bank. The Credit Committee, which meets regularly, deserves special mention, and is supported by committees that ensure that the Bank has the right audit, compliance and risk management framework. Working with all of them is a pleasure and I am indebted to them for what they do and the collegiate way in which we work together.

As the Bank develops it is inevitable that we begin to see changes in the membership of the trustee body. During the year, Sir Brian Jenkins and Roger Barnes resigned following their retirement as Trustees of CAF. They have both been invaluable colleagues who have seen the development of Charity Bank through from the first ideas and the piloting of Investors in Society. We welcome The Earl Cairns and Sir Patrick Brown as trustees in their stead.

I look forward to reporting to you further progress by the Bank next year.

David Clark

WHAT IS CHARITY BANK ALL ABOUT?

Charity Bank is a simple idea whose time has come. We provide a bridge between people who want to use their liquid resources for the benefit of society and those enterprising community organisations that are best placed to deliver solutions.

We achieve this simply by using our philanthropic capital base to leverage deposits on terms beneficial to charity, some of which may be tax efficient to the depositor, from which we make loans to charities and other community enterprises. The lending is complemented by early stage advice to prospective borrowers and by continuing post investment support.

By achieving this simple aim, Charity Bank also seeks:

- to connect the needs of society with the world of finance by using financial tools and products for the common good
- to enable safe and easy charitable investment, as well as giving; creating a culture of charitable financing in parallel with fund raising
- to challenge each one of us to think about the way we use our money
- to challenge perceptions of charity as consumers rather than creators of social capital
- to demonstrate to charities that finance can help them become more effective more quickly.

Already, we have brought together the savings of individuals, banks, companies and other charities and, after thorough due diligence, agreed over £30million of facilities for more than 380 charities and enterprising community organisations, making your money work over and over again.

JUST INVESTMENT; JUST SAVINGS AND DEPOSITS; JUST CREDIT
Just finance for the common good

£ 1 3 5 , 0 0 0 F O R A R E C Y C L I N G E N T E R P R I S E

PEOPLE CAN BE RECYCLED TOO

Richie and Tracy both had difficult pasts, but have gone on now to achieve more than they ever thought possible, succeeding with the challenges of team leadership and scholastic achievement.



Energywise Recycling Ltd is a social enterprise which runs a waste collection service for recyclable goods turning waste plastics, paper and glass into useful products for industry and commerce.

It is also dedicated to recycling waste of another kind – the waste of potential talent and enterprise among long-term unemployed people by providing them with employment opportunities and training.

Energywise is a community-based social enterprise that works in partnership with Liverpool City Council. It provides kerbside recycling collections from 32,000 households, paper collections in the City Centre and commercial waste recycling collections for over 400 workplaces, including schools, businesses, community groups, public sector offices and licensed premises. The company also works with schools on classroom and assembly sessions about waste and recycling. The company has recently established a new enterprise called Energywise Recycled Glass that will be making new high-value glass products out of the glass collected.

Recycling is more than a waste management strategy; it is also an important strategy for reducing the environmental impacts of industrial production. Supplying industry with recycled materials, instead of virgin resources extracted from forests and mines, is preferable because it saves energy, reduces emissions of greenhouse gases, conserves scarce natural resources and can significantly reduce the quantity of pollutants from

entering the air and water. It also reduces the need for landfill and incineration which can cause air, ground and water-table pollution.

Equally, long-term unemployment is a social and economic disaster, with costs much higher than for those experiencing transitory periods of unemployment. It damages individuals because they lose their self-respect and employers lose interest in them. Those who have been unemployed for a short time have a good chance of leaving unemployment, while those who have been unemployed for a long time have a much lower chance. Psychological barriers, such as fear of failure, a negative self-image or fatalism, also discourage further participation in training. These barriers may also create a situation where only the most motivated enrol for training. In contrast, Energywise Recycling recognise that good training can promote a growth in self-esteem and self-confidence. The company now employs 30 people based on 4 sites, of which 29 were previously among the long-term unemployed in the local community.

How we helped
Three loans totalling £135,000 have been made to Energywise. These supported the organisation during a period of rapid growth, paid for the purchase of a vehicle and helped the company to improve their depot area.

Charity Bank has come a long way in a short time. 2004 was a challenging year. It was our second full year of trading. Although many people have yet to hear of this uncommon bank, we are no longer 'the new kid on the block' and must attract funding on our merits rather than

YOU'RE A SMALL BANK WITH AMBITIONS. WHAT MAKES YOU THINK YOU'LL SUCCEED?

as a novel experiment. This is a good discipline for us and in the year ahead we will be developing ways in which we can report on the impact that money invested in or deposited with Charity Bank achieves in communities throughout the United Kingdom and, occasionally, beyond.

In 2003 the Charity Commission gave its approval to the creation of a new class of non-charitable shareholder. We are delighted that Barclays responded, extending their growing support for community finance. They were joined as a shareholder by The Phillips Fund, demonstrating that Charity Bank is a place where large and small social investors can come together for the common good. This pattern has been continued in the current year. The introduction of new capital helps us to mitigate the impact of inevitable early years' losses upon our capital base and enables us to grow both our deposits and our loan portfolio. In so

doing, we offer investors unparalleled leverage and reach which makes their money work hard for the common good. Attracting more capital is key to Charity Bank's success.

So, who deposits money with you?

Individual citizens, companies, charities, former borrowers, institutions from every walk of life, who share a common concern for the common good.



The community investment tax relief has become an important way in which we can add to the return to depositors without adding to our cost base. Our first CITRA issue has now closed over-subscribed at £12.5 million, following our first foray into advertising in the broadsheets. We became the first community bank to receive a second accreditation so that we may increase our lending in under served communities. This private sector resource is being added to by deposits from charities and churches keen to earn money from

money by putting their mission and beliefs into practice. This mission focus complements the financial return focus of our cousin within the wider CAF family, CAF Bank.

And where does that money go?

We only seek deposits so that we may lend to charities and enterprising community organisations. There is a growing recognition that carrying out enterprising activity for the common good requires a tailor-made support mechanism. This is community development led. In the past, the charitable label caused funders and purchasers to think in terms of a hand out rather than a hand up: of grants rather than investment. This has often resulted in organisations being unable to build an asset base on which to lever financial support or a degree of independence, no matter how attuned they may be to local needs. Despite this, some have reached economic viability and now wish to extend their activities. Still others are constrained from reaching even the first level. They cannot grow because the staircase of funding is too narrow and has too many steps missing.

We ask these charities to tackle society's problems, to put an end to poverty, but many exhibit the symptoms of poverty themselves. Without the ability to save and to build assets, they move from one crisis to another. Some are often on the verge of liquidation with redundancy notices in the director's drawer in case the next grant does not come through. In the world of profit it is seen as prudent to build reserves but in the world of charity

Every penny deposited with Charity Bank is used solely to help charities and community enterprises achieve their vision. Projects we have helped cover the entire spectrum of community need, from the provision of early learning and youth re-training, to environmental projects and care for the elderly and infirm.



(or more than profit) it can be interpreted by some, particularly statutory funders, as a sign that they can reduce their support, quite possibly at the very moment when continuation funding could have greatest impact in developing a project into a sustainable organisation.

Alone, and in partnership, we desire to help social economy organisations

towards financial sustainability. Many will have to change the way they resource themselves and to begin to think strategically with emphasis on the long term as well as immediate need: on investment as well as consumption and expenditure. They will need help and training to become investment ready. They will need accessible, patient and affordable finance. The scale of the need is potentially such that capital alone will not address the problem. It will require



the deposit leverage that a bank dedicated solely to the common good can offer. Signposting will also be required to enable organisations to make best use of all available funding sources in which affordable loans are just one part. During the year, Charity Bank worked with the Social Enterprise Coalition to produce a guide to sources of finance. We continued our core support for NCVO's Sustainable Funding Project and we launched Tomorrow's Vision to enable depositors to donate interest to employment charity Tomorrow's People.

How will you maintain the momentum?

We are building the infrastructure so that we can extend the reach of Charity Bank to many more communities. As we grow, it is important that we take responsibility for our own affairs. We began life housed anonymously on the ground floor of our founder's offices, without even our own phone line. During 2004, we brought in house management reporting and our back office system. In 2005 we will relocate to our own office in Tonbridge. As the tools of philanthropy become more complex, it is important that we build our relationships both within the CAF family and with others, so that, collaboratively, we may respond to the needs of donors, investors and social entrepreneurs.

This will enable us to continue to develop our three pillars of capital; deposits; and lending.

Malcolm Hayday

Chief Executive

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Traditionally, almshouses were intended to house a parish's most needy, enabling them to retain their independence and to continue to live in their local community. And traditionally, "need" meant the poor, the sick and the elderly without means. These needs still exist today, but at least one almshouse charity has fallen across a new need, brought about by our complex welfare and tax laws, and the rising cost of houses.



1,000 YEARS OF CHARITABLE HISTORY MEETS A MODERN WELFARE DILEMMA

In the twilight of their lives, some people find themselves without the resources to buy even a basic flat with the facilities they need, yet cannot qualify for local authority assistance because their assets – although modest – are too high. After a lifetime of careful living, and just at a time of their lives when they need to be free of worry and stress, the basic right of shelter becomes a major concern. Almshouses provided by Evans's Hospital for widows and spinsters in Town Cross, Shrewsbury, are filling that gap.

Almshouses have been in existence for over a thousand years. The earliest were founded by the Church or by monasteries, and were dependent on donations of land or money as a result of appeals made by these bodies. Later almshouses sprang directly from the charitable inclinations of the wealthy who provided for them in their wills. The first recorded almshouse was founded by King Athelstan in York in the 10th century AD. The oldest charity still in existence is thought to be the Hospital of St. Oswald in Worcester, founded circa 990.

The support and help they provide is just as important today, in the 21st century, as it was 1000 years ago. Each almshouse charity is independent and run by voluntary trustees with the purpose of providing needy people, mostly elderly, with a high standard of affordable housing in



their community in buildings ranging from Grade 1 listed to purpose-built new homes. There are almost 1800 separate almshouse charities in the UK providing accommodation for some 36,000 people. Their aims are to provide affordable good quality accommodation, often specially adapted and designed for older people, usually near friends and relatives, and with caring local trustees giving strong support to residents.

Now living in one of the Evans's Hospital almshouses, in 1958 Sitnah had a very large home and she rented rooms to young girls. Ultimately, she realized that it was too difficult to manage, and moved to a small bungalow. When she recently sold, there was not enough money to buy

an appropriate flat in the area and to pay service charges and maintenance. She could get no support from social services because she was not at the bottom of the poverty scale. "It was this location I wanted here because I have friends here who care about me and makes life easier for them, whereas over there it was more difficult. Access is easier, everything is on one floor, I can get out to the shops and the bus stop is right outside."

How we helped
A loan of £55,000 assisted Evans's Hospital to purchase an additional one bedroom bungalow.

WORKING THROUGHOUT OUR COMMUNITIES

CHARITY: ARE ALL YOUR EGGS IN ONE BASKET?

Charity Bank's heritage lies in over 80 years of charity. Our shareholders are charities predominantly. Most banks 'do' charity either through CSR programmes or as part of the business mix. We are delighted that our existence has caused some to explore the market further. But only one bank focuses entirely on charity: Charity Bank. And, as we hope you will find from just these few pages, charity is not an homogeneous entity. Charity means many things to many people.

Look about you at the activities that sustain your community. The community centre; the pre school; perhaps a community shop; the place of worship; an almshouse; an arts facility; the Friends of the GP practice; the sports club; as well as those organisations, often unseen, that care for the needs of the elderly or those with disabilities or with problems such as addiction; the welfare club; the W.I. Charity Bank lends to many of these. This only happens because people have a vision about their communities which people with money can invest in.

Charity also extends beyond our shores to offer aid and development where it is most needed around the world. From time to time UK charities find themselves short of cash to cover essential expenditure whilst the grant cheque works its way through bureaucracy. Charity Bank can bridge such gaps.

A more detailed picture of our lending can be found in Just Credit - a listing of our portfolio. We try to keep this up to date on our web site.

Many CDFIs (as community development financial institutions are known) are place or region specific. From the start, Charity Bank has sought not to restrict itself but to be able to respond to need and financial exclusion wherever it arises. We have lent in every region and nation that make up the United Kingdom and, occasionally beyond in areas where we believe we can manage risk effectively.

Over the past year, we have seen some filling in of the gaps around the country where loan finance had been less developed. There are still cultural barriers and beliefs to address but as funding regimes change and European funding, in particular, begins to head East so charities will have to adapt if they are to prosper in the new funding environment. London and the South East continue to be important centres of business for us but we are intending to develop our regional representation in order that we may be truly inclusive and accessible to all those who need access to finance.

A glance at the chart will show you where we work.

Geographical breakdown for borrowers

By number of loans

To nearest %	2003	2004
East Midlands	6%	8%
Eastern	4%	5%
London	10%	10%
North East	2%	1%
North West	6%	10%
Northern Ireland	1%	1%
Scotland	15%	12%
South East	15%	16%
South West	11%	17%
Wales	3%	3%
West Midlands	4%	3%
Yorks and Humber	5%	3%

Other areas

International	6%	3%
UK wide	12%	8%

Regional distribution of depositors

By amount deposited

	2003	2004
East Midlands	1%	1%
Eastern	5%	4%
London	25%	26%
North East	1%	1%
North West	9%	8%
Northern Ireland	-	<1%
Scotland	10%	9%
South East	44%	39%
South West	1%	1%
Wales	-	<1%
West Midlands	3%	10%
Yorks and Humber	1%	1%

International and Isle of Man depositors are relatively too small to feature on the chart.

**CHARITY BANK HAS NEVER BEEN JUST ABOUT LENDING MONEY.
TWO DEVELOPMENTS OVER THE LAST YEAR ILLUSTRATE THIS.**



Following the launch of the lawsuit by The Franklin Mint against the Diana, Princess of Wales Memorial Fund, the Fund was suddenly faced with a court decision to suspend its grants. This meant that it had £10.3 million of outstanding grants and 127 organisations expecting payments that it was now not able to deliver. Many of the projects were put at risk.

The Treasury Cross Cutting Review had concluded that voluntary and community organisations were being precluded from a greater role in public service delivery because of their lack of capacity and infrastructure. A lack that could be tackled in part by a £125 million investment programme.

THE DIANA FUND

It was a dire crisis and the Fund had to find replacement funds. However, the slow speed of decision-making in some grant giving bodies, and the fact that they had already allocated some of their funds to other charities, presented a double-edged problem.

More conventional banks felt unable to help within the context of litigation. At Charity Bank, which through recommendation had been invited to the initial briefing meeting, we now found the focus switched to us to see how we might help.

In the words of Fund Chief Executive, Andrew Purkis, "Charity Bank was very positive about helping and quickly offered a solution. Charity Bank was directly involved in supplying some £1.7 million to 39 projects and helped create the momentum in the voluntary sector, whereby a consortium of other grant giving organisations could underwrite loans to raise funds for the Diana Fund's beneficiaries, in the expectation that the Fund will repay them in due course."

These mechanisms were innovative and unique within a legal and regulatory context, but they were complex. Some charities felt unable to take part, preferring instead to give emergency funding directly to the Diana Fund projects. However, we successfully developed packages with Comic Relief, with Oxfam, the Welsh Assembly as well as with one of our investors, Northern Rock Foundation.

In the words, again, of Andrew Purkis, "Charity Bank's direct contribution (of raising funds) was very important, but equally important was the momentum it created to find a solution for us. This means a lot to many wonderful humanitarian projects which could otherwise have collapsed."

THE FUTUREBUILDERS PROGRAMME

It was clear to us that no single entity had the right mix of skills to deliver the Futurebuilders programme. Nor would it have the capacity to do

so without seriously impacting its existing work. Charity Bank could not take the task on single handed although its focus lay at the heart of our mission. So, we brought together a consortium embracing capacity building and financial education skills, grant making, lending, investment, with people who had experience of getting public programmes up and running to time. Paul Boateng, then Chief Secretary to the Treasury, said: *"In selecting this consortium, we are ensuring that the voluntary and community sector will continue to be in the driving seat in running the fund."*

While the Fund is run 'off balance sheet' from Charity Bank, it is providing us with significant learning about the spectrum of risk and risk appetite in the voluntary sector and the overall state of investment readiness. Money is being disbursed both as capacity grants and by way of investment in organisations that may make a significant impact on the ways we deliver public services in years to come.

Some voluntary organisations and purchasers have got the message that this can genuinely unlock new ways and new money. Grant makers and lenders are working together to facilitate this. The vision of a mixed funding economy to resource voluntary activity is becoming reality. It will be many years before we know whether this fragment of action research will lead to a fundamental change in the way we resource the development of capacity but a start has been made.

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A SHORTAGE OF RECRUITS CREATES A BEACON OF GOOD PRACTICE

SCA Community Care Services is a not-for-profit social business that delivers community care services in Hampshire and Dorset.



Jolanda, a recruit from the Czech Republic, now helps run Brownhill House in Maybush, which provides seven-days-a-week day care for high dependency clients.

Transport, Domiciliary Care and Day Care are their core activities, and they also provide a wide and growing

range of other innovative niche care services. Some of the services are staffed by people brought into the UK from the Czech Republic under a pilot trans-European Care Project. By drawing on resources outside the UK, they are protecting the existing pool of skilled care workers and the service they provide to local communities.

SCA began in the early 1990's as a new type of voluntary organisation. The organisation earns its money through contracts held with local government, not through grants, and it controls its own destiny guided by a board of social entrepreneurs, care professionals and business people. It now has a turnover of £6m, employs 600 part-time and full-time staff and is assisted by approximately 50 volunteers.

Through the training and personal development of all its staff, SCA has developed an excellent reputation for its personal care community services. The four main areas of provision are Day Care, Transport, Care in the Home and Support in the Community. It is expanding its activities and needs more care staff. SCA has a good reputation and it would not be difficult to draw new staff from the local area, but there are a limited number of people with the appropriate experience. If they were to advertise locally, they would be drawing key staff away from other care services, thereby seriously reducing the overall pool of care in the area.

Instead, they have turned to a European Care Project, which has linked SCA with agencies in the 'new entrant' Europe States, a move that acts as a beacon of good practice in international staff transfer within the EU. A group of Czech staff are currently working on domiciliary care schemes with SCA in Poole, Dorset

and plans are being laid to extend this scheme to Hampshire. In preparation for their employment, each will receive English language and cultural orientation, full care training to at least NVQ level 3 standards and accommodation. In the future, they may remain in this country as skilled and useful citizens, or return to their home country where their new and substantial experience will benefit their own communities.

How we helped
A loan of £145,000 contributed to the purchase a 3 double bedroom property in Poole to house the new recruits, an important component of this scheme.

Charity Bank is unique. It is a hybrid that is both a registered general charity and a regulated and authorised bank, providing a pathway between the worlds of banking, charity and community finance, with a Board reflecting the same cross section of our society.

Our uniqueness is reflected in many facets of the way we manage the business. For a start, Charity Bank is a charity with share capital, but nobody 'beneficially' owns the capital of the bank which is held in trust. CAF is the only current ordinary voting member, but with

HOW WE MANAGE OUR BUSINESS GOVERNANCE

powers so limited that Charity Bank is not consolidated in CAF's Accounts. Capital is subscribed by CAF and other charities and added to by donations to our Founder Reserve. Further on in this Review you will see just who supports us.

As a bank, Charity Bank is regulated by the Financial Services Authority. The FSA must also approve all director and senior management posts ('controlled functions') as well as key 'shareholders'. As a charity, Charity Bank is also regulated by the Charity Commission. It approves the Bank's Memorandum and Articles of Association and any material changes to them. The Board are wholly non-executive and are drawn from the worlds of finance, charity and academia. They meet at least quarterly and have responsibility for a sound system of governance and the strategic development of the Bank. They are simultaneously bank non-executive directors and charity trustees.

The Board have delegated certain responsibilities to Board committees, notably a Credit Committee; an Assets



Prince Charles meeting Chief Executive Malcolm Hayday and other funders at the opening of Brockweir and Hewelsfield village shop.

and Liabilities Committee; Audit Committee; and an Operational Risk Management Committee. These are covered in more detail in the statutory accounts. Each committee is chaired by a person who is not connected with any 'shareholder'. Board members serve for an initial three year term which can be renewed for two further terms of three years. Three Board members are also trustees of CAF. If their term of office with CAF expires earlier, they also retire from the Board of Charity Bank at the next AGM. As the Bank matures and trustees change at CAF, so we are beginning to see changes in our own Board composition. Trustees have embarked upon a programme to review the skills necessary to take the Bank forward in the next few years. This will help to inform the appointment of new Trustees. Senior management attend Board meetings. We also encourage staff to attend at least one meeting a year.

An Executive Management Committee, chaired by the Chief Executive, carries out Board policy and strategy, overseeing the

day-to-day management of the Bank within agreed parameters. The Committee has a monthly cycle of meetings.

Out of necessity, the Board's skills are more rooted in finance and banking than wider charity. To complement their skills and to give us a wider view of charity and community development both in the UK and internationally, the Board intends to establish Advisory Councils in various areas to complement its skill base. They will also act to ensure that Charity Bank remains true to its mission.

We seek to develop best practice in all of our activities. We are members of the British Bankers' Association (BBA); the Community Development Finance Association (CDFA); International Association of Investors in the Social Economy (INAISE); and the Federation of European Ethical and Alternative Banks (FEBEA). We are also a member of the National Council for Voluntary Organisations and the Social Enterprise Coalition. The Bank is also a supporter of the Development Trusts Association.

In developing a theme for its new programmes, the Friends Provident Charitable Foundation coined the phrase, *the right use of money*. We believe that those words can be applied equally to the way we are developing our business. Prior to the launch of Charity Bank there were extensive discussions with the Regulators. Very properly the Inland Revenue observed that banking per se was not a charitable activity and, by implication, the classic risk-priced business model was not charitable either. This was reaffirmed in the Bank's Memorandum and Articles of Association which require us to take deposits on beneficial (to charity) terms and to lend on affordable terms. **We needed to develop something new.**

THE BUSINESS MODEL

Research had also shown us that many of our borrowers would be small to medium sized charities or community groups operating at the margins of our society. Where they earned income, this was either determined by a third, often public sector body, e.g housing benefit or hourly care payments which were relatively inflexible, or they were selling goods or services into communities with relatively inelastic capacity to absorb price swings. Many potential borrowers also lived on narrow margins of surplus or deficit, so their ability to absorb changes in interest rates was limited.

Yet, we also knew that because many of our borrowers would be unfamiliar with loan terms, we would have to invest heavily in pre lending advice and assistance, to develop investment readiness, and with ongoing post commitment support. This is largely unremunerated and labour intensive, for which read, costly. We knew that our depositors wanted their money to be safe but could share part of the cost of this due diligence with us through a lower financial return on their deposits.

So, we developed a philanthropic banking model. At its very heart, this allows us to raise philanthropic capital from charities, trusts and foundations that may get a dividend at some date in the future. They forego income now to further their charitable aims and to help develop a new financial intermediary for charity. We can also take capital from non charities but the only possible financial return to them is the community investment tax relief from Government.

For every £1 of capital we raise we can raise a multiple of beneficial deposits. The

return payable by Charity Bank on these deposits is relatively low. We invite depositors to choose an interest rate from zero to 2% per annum, an approximate hedge against inflation. Alternatively, a depositor can nominally take the 2% pa but then donate it to charity with the benefit of gift aid. While 2% may not sound much, how much money is sat in current or other accounts earning a pittance, or lost down the back of the proverbial sofa? In 2003, this model received a significant boost when the Government introduced the community investment tax relief. This enables us to improve the real return to depositors considerably at no cost to Charity Bank nor our borrowers. Through the tax system UK income and corporation tax payers, willing to deposit money for 5 years, receive a 5% pa tax relief of the sum deposited. Overnight, it seemed, the barefoot banking approach became the deal of the week in the Sterling deposit market. In essence, the Government has recognised the high cost of investing in underserved communities such as those reached by Charity Bank and has agreed to contribute part of this cost to encourage new investment.

So, with Government helping to remunerate depositors, we have a relatively low cost of funds. This enables us to honour the other side of our charitable purpose, to make loans on affordable terms at relatively stable rates. It is not unusual for new financial institutions to take 7-8 years to achieve financial sustainability. Our principal cost is people and because our work is intensive, we have relatively little room for manoeuvre in wage costs. We could have sought to take a short cut and lend at high rates but this would have run counter to our mission and probably left us with few borrowers. So, we developed a number of scenarios for the loan portfolio which led us to the conclusion that we would need to earn

around 4% per annum from a steady state loan portfolio to be sustainable. Very simply $4 + 2$ (cost of deposits) equalled 6%. Hence, our core lending rate, irrespective of where base rate heads. This affords our borrowers greater certainty in determining their financial affairs.

To get to that steady state, we have three key criteria to manage. Anyone who has ever sailed a boat will know the tension needed in the sail to travel at peak performance. So it is with Charity Bank. We need enough capital to underpin deposit growth, to absorb early years' losses (and movements in the Sterling: Euro exchange rate as capital is defined in Euro equivalent amounts), and to enable us to grow. We need deposits to leverage this growth and then enough borrowers to sustain the level of deposits. Rarely do all three run at the same speed. Yet, we are convinced that with increased capital support from trusts and foundations, and others interested in a thriving community finance sector, we can demonstrate that a philanthropic approach to banking can be highly effective.

Then, we also need people to manage the business. In developing Charity Bank, we went for experienced bankers, wise in the ways of the world. A senior management team in age as well as in responsibility has served us well but we are alive to the need to plan for succession over the next few years. We also have a small central team with only 15 FTE employees. This has required multi-skilling and has been well responded to by our team. We manage the need to have people working with our borrowers throughout the UK by adapting a classic charitable resource: volunteering. We have a growing number of freelance assessors and advisors around the country who give of their time as they can for the common good.

BOARD AND EXECUTIVE MANAGEMENT

The following were members of the Board and Trustees of the charity as at 31 December 2004:

David Clark*

Chairman, until recently a senior advisor to the FSA, a non-executive director of Collins Stewart Tullett plc. He is a non-executive Director of CAFBank Limited.

Peter Berry* CMG

is Deputy Chairman of CAF and Executive Chairman of The Crown Agents for Overseas Governments. He is a founder member of the international council of Transparency International.

Sir Patrick Brown* KCB

is a CAF Trustee. He is also Chairman of Trustees of Mobility Choice.

The Lord Cairns* CVO, CBE

is chairman of CAF. He is also chairman of Look Ahead Housing and Care Ltd, a member of the Business Advisory Council of UNOPS and a Trustee of The Diana, Princess of Wales Memorial Fund."

Peter Clarke

Chairman of Credit Committee, was most recently Deputy General Manager of Daiwa Bank Limited, London. He was a member of the Investors in Society Credit Committee from inception and became its Chairman in June 2001.

Humayon Dar, PhD

is a member of the teaching faculty at Loughborough University where he is Lecturer and Joint Director of the Masters Course in Islamic Economics, Banking and Finance.

Morag Fenwick

is Community Banking Director, Bank of Scotland.

Paul Harbard

is Managing Director, Pocket Living Ltd.

Matthew Maunder

is a senior manager at Barclays Bank with responsibility for delivering customer service within the business banking division.

Pushpa Raguvaran

is Chairman of the Audit and Compliance Committee. Pushpa is Director of Finance and Deputy Chief Executive of Housing 21. She is also a member of the Private Finance Advisory Panel for the National Housing Federation.

Susan Rice CBE

Chairman of ORMCO. Susan is Chief Executive of Lloyds TSB Scotland.

Donovan Norris and Malcolm Lynch are Charity Bank's joint Company Secretaries.

THE STAFF TEAM IS:

Business Development and Relationship Management

Peter Borgers
Robert Dyke
Mark Howland
Mary Locke
Roger Ong
David Parr
Robert Simons

Credit and Loans Administration

Andrew Aspital
Michael Hicks

Operations

Robert Blythe
Doug Burt
Jessica Elliott
Gill Matthews

General Management

Malcolm Hayday
Emma Ivory
Jolyon Larkman
Suri Ramanathan

HR Advisor

Brian Knott

** indicates a shareholder connected trustee.*

So, if we do not pursue a traditional risk-priced business model,
how do we manage risk?



MANAGING RISK

There is a chain of trust that underpins the way we work. Our depositors and investors trust us to manage their money safely, but for the common good. In turn, we must trust our borrowers to manage their affairs sufficiently well to repay us. In that way, our depositors can reach charities across the UK that need access to finance, and the thousands of people who depend on them.

Many enterprising charities seeking a loan need guidance and reassurance in the early stages, but we have found that a rigorous assessment process can help put trustees' minds at rest. An initial phone call may help, but many trustees will need to be convinced that they are not increasing their own future risk, so we try to explore with them the strengths and weaknesses that may impact their ability to achieve their objectives. As part of our due diligence process, we are developing a credit grading system to help us see a holistic picture of the organisation today and we hope, over time, that picture will change as our loan delivers services and strength.

Borrowing is still a new concept for most charities, especially those that have traditionally relied on grants or donations. For these organisations, the big risk in borrowing is whether they feel confident in their ability to repay the loan. This is why good research on the viability of the project is essential. Like the Charity Commission, we do get concerned that some charities seem to work in an information vacuum. Regular information, sufficient to the purpose of

the organisation, can be a highly effective tool in planning the way forward.

Some of our loans will be secured on physical assets; others will be unsecured. We do not ask for trustee or staff guarantees unless there are very exceptional circumstances, but all of our loans will have conditions that borrowers must comply with before they receive funds. Once the money is disbursed to the borrower, we maintain regular contact to monitor progress and minimise the risk of unhelpful surprises. Such contact also provides an impartial ear to listen to ideas or plans.

The service we provide today is uncommon in the world of retail banking, but it is the manifestation of that chain of trust. The Acorn Centre, a multi-purpose community centre in West Yorkshire, carefully weighed up the financial risks when it was considering borrowing to help it with cash flow in the early years. "The risk was well worth taking", stresses Manager, Andy Mews: "We would have had enormous cash flow problems in the first two years of the centre without the loan."

Valleys Kids, a charity working with disadvantaged children in south Wales, borrowed over £200,000 to buy a property they had been leasing. Finance Director, Richard Morgan says: "Taking a loan was a major step, but the financial risk was manageable, especially as we'd already had lease payments for the property built into our budget."

At Liverpool's community arts project, Yellow House, the risk was not so much

whether to borrow but the dangers of not plugging a short-term cash flow gap with a loan. "Founder George McKane says: "If we hadn't been able to get an £8,000 short-term loan from Charity Bank things would have been very bleak, so for us the bigger risk would have been to do nothing."

Christine Goldschmidt, Director of the Hastings Trust, praises the fact that Charity Bank, unlike high-street lenders, does not require personal guarantees from trustees. "That removed a whole element of personal risk for our trustees when we considered Charity Bank," she says.

For Charity Bank Chairman, David Clark, who comes from an investment banking background, the challenge facing Charity Bank is to steer a course through different areas of risk. He says: "The great advantage of Charity Bank is that it is bringing financial risk techniques developed in the commercial sector to the voluntary sector. Charity Bank must be run professionally like any other bank, and having strong governance means we can take more risks."

Humayon Dar, a fellow Trustee, stresses that Charity Bank's default rate is low not because of "credit rationing", but because of the Bank's active involvement in the charity sector and the advice they provide to make the actual functioning of borrowers more efficient, so improving their financial health. He adds that the Trustees are very clear that Charity Bank is not competing with high street banks and other mainstream lenders: "On the contrary, we help charities with no or little credit history to build one and so move on up the funding staircase."

A young man with short brown hair, wearing a dark blue and black striped t-shirt, is smiling and playing a red electric guitar. He is in the foreground, slightly to the left. In the background, two other young men are visible, also smiling. The setting appears to be a community center or a rehearsal space with large windows and a wooden floor.

£ 8 0 , 0 0 0 F O R A C O M M U N I T Y C E N T R E

The village of Croy was once a thriving mining community, but like surrounding areas the mines have gone and so have most of the employment opportunities.

In this economically-disadvantaged area of Scotland a local association, once dedicated to the living conditions of miners and their families, is providing community centre facilities that will also cater for young people's needs and help them achieve and excel.

THE STRENGTH OF COMMUNITY SPIRIT GIVES INSPIRATION FOR YOUTH

Founded in 1932, the primary objective of the Croy Miners' Welfare Charitable Society (CMWCS) is to contribute to the improvement of the living conditions of the people of Croy and the surrounding areas. Now re-born, this project will provide a structured programme of social,



To get their voices heard, the Croy youth have organised a youth committee - and a band.

recreational, educational and volunteering activities through a "one-stop shop". This will bring a range of new services to individuals and communities including money advice, employment, learning and development, health and heritage.

Today Croy is still a pretty little village on the main rail line between Glasgow and Edinburgh and, like much of Scotland, past identities are slowly being overtaken by a high tech world. During the wars the village contributed to the defence of the United Kingdom and like other nearby villages, Croy has never lost the hard edges that characterise mining communities. The determination of the people has produced many sporting accolades, providing players for Glasgow Celtic and First Division teams, both in Scotland and England. It has also provided two world boxing champions and one of the world's finest accordion players, Will Starr. Even today he is remembered in the north of Scotland with an element of reverence afforded to many of the great entertainers of the Scottish music hall.

But The 21st Century belongs to the young generation, and in a world where young people have to battle against social stereotypes strengthened by media campaigns such as binge drinking and CCTV footage of young offenders, every effort has to be made to provide the facilities they need for both social and vocational success. To help meet these aims, CMWCS's new one-stop-shop, which is expected to be used by 30,000 people, is hosting a range of facilities dedicated both to the

local youth and the larger community.

To meet all young people's needs and allow them to achieve and excel, communities need to provide facilities such as these that give access for them to engage in sports and other activities that excite their intellect. No young person should feel that they were unable to take part in a particular activity, because it was either unavailable in their area or too expensive.

How we helped
Escalating building costs had meant that the charity was facing a shortfall of £80,000 towards the end of the building programme, and Charity Bank was able to help when local banks declined.

THE DEVELOPING MARKET IN SOCIAL FINANCE

One way or another we have been at the coalface of a developing social finance market for the last 12 years. In recent times we have seen a number of new entrants to the market place. The 'chart' below is developed along two spectrums: the borrower profile from wholly grant

dependent to profit maximising, and the investment profile from grant to commercial loans. A separate risk map can be developed although the range of risk may be read into the flow from grants (100% risk) to commercial loans.

The chart shows that, as a charitable social lender, we operate in the borrower range from some trading income through to those generating surpluses, but where these are retained for community benefit.



Betel of Britain works to rehabilitate marginalised people suffering from the effects of drug, alcohol or substance abuse.

THE FUNDING SPECTRUM

	No trading revenue or other income generation	Some trading revenue, grants and fundraising revenue	Potentially sustainable 75% + trading income	Breakeven all revenue from trading	Profitable surplus not distributed	Profit distributing socially driven	Profit-maximising
Grants	Foundations, Government				R & D and Other	Government Grants	
Grants plus	Foundations Adventure	Futurebuilders Capital Fund Impetus Trust					
Loans to grants	Venturesome Trusts, eg	Futurebuilders Tudor, EF, NRF					
Quasi equity	Futurebuilders Adventure Capital Fund			Bridges Community Ventures and Angels,	Foursome,	Other CDVC Funds Venture Capital	
Loans		CHARITY BANK and other CDFI's					
Commercial loans				Commercial Banks and Building Societies			

THE COMPANY WE KEEP

We draw our support from an increasingly wide area. Every time that we learn a trust or other entity wishes to invest in the capital of the Bank, and every day that we open a letter with a deposit cheque, brings encouragement that we can do more for the common good.

Many of our personal depositors place money with us because they wish to support charity quietly but safely. We respect their wishes to receive no public accolade. To each one of them we say simply, Thank you.



Rotary Residential Care Centre provides accommodation and support for Cerebral Palsy sufferers. Thank you.



Disability Times Trust provides training, information and counselling for disabled and disadvantaged people. Thank you.

We would also like to thank those charities, companies and other institutions that are depositors with Charity Bank.

Thank you to Auction House Services; AW60 Trust; Bank of Scotland; Barclays Bank; CDFA; Caledonia Centre for Social Development; Chelwood 2000 Charitable Settlement; Chester Diocesan Board of Finance; The Co-operative Bank; Dawe Trust; Deutsche Bank; Ecology Building Society; Fife Council; HACT, the Housing Associations Charitable Trust; Hawkins Trust; Liverpool Diocesan Board of Finance; NatWest Community Finance Fund SE; Northern Rock Foundation; Northmoor Trust; Peabody Trust; Serve All Trust; Share Centre; Tenbury Trust; Unity Trust Bank; Vincent Housing Association; Wates Foundation; and Zimbabwe Rural Schools.

Each one of our depositors and investors is important to us and to our borrowers, but without our shareholders, we do not have the capital to underpin our work.

Thank you to CAF; to Baring Foundation; Esmee Fairbairn Foundation; MB Trust; NCVO; Northern Rock Foundation; Nuffield Foundation; Phillips Fund; Prairie Trust; Serve All Trust; the Trust for Education; Tudor Trust; Vodafone UK Foundation; and to Barclays Bank.



By the Seaside provides a nursery school and holiday clubs for children, including provision for children with special needs. Thank you.

We have also received funding for areas of our work from Beatrice Laing Trust (for work with churches on our Inspire programme); from Monument Trust (to develop our loans advisory work); and from the Arts Council (to develop financing solutions for small and community arts organisations).

Thank you all for enriching finance for the common good.



£ 6 0 , 0 0 0 F O R A P R E - S C H O O L

Queensway Chapel Pre School is constructing a new permanent school building that will more than double the number of places available and provide a high-quality learning environment.

The project will directly benefit families in the most deprived area in Wiltshire where the local authority, which is providing the land at a peppercorn rent, has been looking to improve the status of the ward by expanding pre-school provision.

A special thank you to the parents and children of Melksham for allowing the use of these photographs to illustrate the importance of pre-school education for children from all social backgrounds.

A BETTER START IN LIFE FOR CHILDREN IN A DISADVANTAGED COMMUNITY

Queensway Chapel Pre School was established in 1982 and provides child care in the highest ranked child-poverty ward in Wiltshire, and which has been the worst overall in the Index of Multiple Deprivation in the county.

Participation in high quality early-years group settings from the age of two can

help children from disadvantaged backgrounds make up ground with their more fortunate peers. For example, evaluation from the Early Head Start programme from the USA, which targets young disadvantaged children, found significant positive effects of high quality childcare for both child development and parental well being. The Effective Provision of Pre-School Education (EPPE) Project here in the UK also shows the relative gain for disadvantaged children is greater because they are starting from a lower base.



While not wholly eliminating the impact of disadvantage, quality pre-school education can provide children from lower income households with a better start at school. EPPE data suggest that while one in three children were 'at risk' of having special educational needs at the start of pre-school, that proportion fell to one in

five by the time they started primary school, suggesting that pre-school can be an effective intervention for the reduction of special needs.

There is also increased recognition of the importance of each stage of a child's development from all social backgrounds. In particular, there is a greater understanding that, from the earliest months of life, a child's experiences can have a profound long-term impact on his or her future life-chances.

Early childhood is a time of vital importance in children's development. The quality of care that children receive in their early years makes a real difference to their development and later outcomes. There is also evidence that childcare for school-age children can produce improved outcomes for pupils and the wider community. Evidence from the evaluation of extended schools indicates that wrap-around childcare and services have the potential to improve educational attainment and behaviour and increase parental involvement.

According to the Early Learning Goals, the Foundation Stage to be provided at pre-schools is about developing the key skills of speaking, listening, collaborating, concentrating and persisting. It is also about developing the literacy and numeracy skills that will prepare young children for life.

The goal is for all parents to have access to good quality, early education and childcare for their children and for childcare provision to be flexible, good quality, affordable and accessible, fitting with the lives of families.

Meeting the vision will mean creating more choice for fathers and mothers within all communities, and making sure that money is available where the need is greatest.

How we helped
Funding totalling £546,000 had been secured, but £60,000 working capital was required to fund the initial years and provide a cash buffer, which Charity Bank has provided in the form of a loan.

IT MAY SEEM ODD THAT A BANK WHOSE BUSINESS IS CHARITY WOULD ALSO WISH TO DO MORE.

**MAKING
OUR
MARK**

Every day we talk to charities, we assess their projects and we review their financial information. But everyday, we also come to work in an office that can sometimes seem a million miles from the needs we seek to address.

Generally, start-ups don't make philanthropy a priority. Charity Bank has done so from the beginning and we have just included community activity as a core competence alongside key business skills. If you don't get out there and experience it, you can't appreciate it and if we don't practice it, we can't talk to companies about developing CSR.

Since the year end our approach has been recognised nationally, with Charity Bank winning the Corporate Responsibility category at the National Ethnic Minority Social Enterprise Excellence Awards 2005.

In the early days of industrial Britain, when many companies were family-owned, philanthropy seemed to be a natural component of the corporate mission. Yes, it may have been rooted in a self interested desire to improve the health and welfare of the labour force, or in guilt about certain working practices. But, it also recognised that people who ran the company had grown up in the community and wanted to give something back, whether it was a cottage hospital, a memorial hall or a football club. Then, as ownership shifted away from family management, that sense of obligation also diminished. What was community any more? Many



An £80,000 loan helped Vineyard Christian Fellowship Manchester to create a new recording studio within their building.



High Peak CVS provides information and resources to voluntary and community groups in the local area. A £93,000 loan helped them buy a permanent base.

embraced economist, Milton Friedman's notion that "the one and only business of business is maximising profit, playing within the rules of the game." Today, corporations ignore communities at their peril. They may face protests for changes they bring to communities world wide, for the consequences of labour or purchasing policies decided many thousands of miles away. Consequences that may feed straight to the bottom line.

The enlightened company now recognises that to do nothing is an operational risk and that the company



£3,500 for urgent repairs brought Kingston Reading Room, Devon, back into the heart of the community.

that offers community opportunities attracts engaged employees. This is not about cheque book philanthropy, but about a philosophy that sees the needs of business and community closely aligned. The highest form of charity is a hand up not a hand out. We are a service company and a charity. We are seeking to embed giving, not just of money but also time and our skills into the fabric of Charity Bank.

We encourage staff to contribute to charity tax effectively through payroll giving. We donate money raised each year from our Dress down Friday 'tax'. We offer time for volunteering both individually and, through a time bank, collectively. Some of us act as charity trustees, others volunteer their time and skills, still others run local clubs and societies, reminding each one of us what being a part of a community is all about.

Our trustees are all volunteers and give of their precious time not just to us but also to others.

In this way we make our mark for the common good in more than just our business activity.

**GROWN FROM MORE THAN 80 YEARS OF EXPERIENCE
OF WORKING FOR CHARITY**



CAF

- 1924 Charities Department set up by the National Council for Social Service (now NCVO). Renamed the Charities Aid Fund in 1959
- 1974 Charities Aid Foundation created as an independent foundation
- 1986 Bank of England authorised the CafCash Charities' Deposit Fund as a licensed deposit taker
- 1992 CAF Trustees commission research into the concept of a bank for charity, drawing upon evidence from, particularly, the USA and Europe. First overtures to regulators.
- 1993 CAF Loans Services Unit established to explore the market and to broker charity loans into the commercial market.

INVESTORS IN SOCIETY

- 1995 Investors in Society set up as a special trust within CAF as a pilot loan and guarantee fund with £500,000 of funding from CAF
 - 1996 First guarantee issued to the European Commission on behalf of the Social Economy Consortium
- First loan to the Planning Exchange, Glasgow
- Almshouse loan scheme established with the Almshouse Association

- 1997 Regulatory discussions begin to develop and lead to commencement of detailed modelling of a bank for charity
- 2000 Maturing loan fund, Scottish Community Enterprise Investment Fund, SCEIF plc, links with Investors in Society to offer exit reinvestment strategy

CHARITY BANK

- 2001 Charity Bank incorporated in November and business plan and application submitted to regulators
- 2002 Charity Bank registered as a charity by Charity Commission and authorised as a bank by the Financial Services Authority. Inland Revenue consent also obtained.

Investors in Society portfolio transferred to Charity Bank and first loans made

Opening balance sheet of £6.4 million Charity Bank launched by Chancellor of the Exchequer at 11 Downing Street, 17 October

- 2003 Charter member of the Community Development Finance Association. Also member of BBA, INAISE, and FEBEA
- First bank CDFI accredited by SBS to deliver the community investment tax credit. Launch of the Charity Bank CITRA, the first tax effective community investment deposit account
- Liquidity facilities provided to beneficiaries of the Diana Fund, following the temporary freezing of the Fund's assets
- 2004 Charity Bank led consortium awarded mandate to manage £125 million Futurebuilders investment fund on behalf of Home Office
- Launch of Just Interest deposit accounts, the first community investment deposit accounts to offer the community investment tax relief and gift aid
- Launch of *Unlocking the Potential*, a guide to finance for social enterprises
- 2005 First CITR investment limit fully subscribed at £12.5 million. First bank to receive accreditation for a second tranche

£ 1 0 0 , 0 0 0 F O R A N E W V I L L A G E S H O P



In Brockweir and Hewelsfield at Lydney, Gloucestershire, a rural community with few facilities, a group of local inhabitants have created a community shop.

It has been praised by both HRH The Prince of Wales and by the Deputy Prime Minister in his Awards for Sustainable Communities 2004, for its social impact and environmental efficiency.

IN AN ERA OF DECLINE, A MODEL OF RENEWAL

First, the school. Then both the local post offices. After that, the one and only shop. All closed within a decade of gradual decline in social activity. It is a pattern common in scattered rural communities throughout Great Britain and with the shop now gone, it seemed to mark the end of community life in the village.

For the decline of such communities, we might put all the blame on the competitive pressure of commercial globalisation. But residents of Brockweir and Hewelsfield looked a little further and realised that the shop may have died because it was no longer providing what the community needed. It did not have a car park. The retail area was too small, and inefficient. Its overheads were too high. It was in the wrong place. The range and choice of goods was insufficient. It had no delivery service, save perhaps for the morning newspaper. A long time ago it might have been modern, but the values of a modern outlet today are very, very different from the mid 1900's. They decided to face the challenge of creating a new shop, but one more suited to our time.

The new shop is indeed a new model. The project has now become a beacon for green thinkers, with a structure built around a green oak frame with oak cladding, all from renewable local resources. It may look like an oak barn, but the shop contains cutting-edge technology with photovoltaic roof shingles producing

electricity, the excess from which will be exported back to the national grid. This will save three metric tonnes of carbon emissions every year and the building also boasts a state-of-the-art geothermal heating system drawing energy from the ground under the village playing field. The enterprise is also intended to be an outlet for rural food producers, allowing the parish to return to the days when food was made "up the road" and sold "down the road", not transported half way around the world. Some of the local produce available includes honey from local bees at St Briavels, ice cream made from cream produced by local cows, cakes from Coleford and meat, apple juice and cider from Brockweir.

It has been re-sited next to the village playing field with a good sized car park, and has a larger retail area and a better range of goods. But the true value in making it a sustainable community facility can be judged from all the additional uses and activities the shop will provide: it is staffed by local volunteers and the community delivery van serves local elderly people; it has a café offering a lunch venue for workers from the many small local businesses; a county library outlet; there's an IT training facility, a small commercially-let office suite, and space for local art.

How we helped
During the construction phase, we provided a loan of £100,000 to bridge grant receipts and to provide initial cash flow.

THE FINANCIAL PICTURE

Summary statement of financial activities for the year ended 31 December 2004



INCOME	£000's		EXPENDITURE	£000's	
	2004	2003		2004	2003
Net Interest Income	607	409	Staff costs	602	485
Net fees and commissions	149	113	Premises, IT and		
Donations	124	77	finance services from CAF	200	200
Net Total Income	880	599	Other Administrative costs	764	583
			Depreciation	30	6
Loss for the year	817	734	Provision for bad and doubtful debts	101	59
	1,697	1,333		1,697	1,333

BALANCE SHEET

Assets

Cash balances	635	611
Loans to Charities	7,821	6,105
Loans to Banks	8,780	8,241
UK Government Gilt	1,147	1,163
Other assets	258	114
Total Assets	18,641	16,234

Liabilities

Deposits by Banks	4,170	3,680
Customer Accounts	10,204	8,134
Other liabilities	140	44
	14,514	11,858
Called up share capital	4,407	3,902
Profit and loss account	(2,306)	(1,489)
Total Liabilities	16,615	14,271
Founder Reserve	2,026	1,963
Total Liabilities and Charity funds	18,641	16,234

Memorandum items

Commitments	667	939
Guarantees	89	119
	756	1,058

A full set of The Charity Bank Limited's Annual Report and Financial Statements is available on the web site at www.charitybank.org or from the Bank's registered office.

OUR BORROWERS - LOANS APPROVED AND REPAYED IN 2004

Repaid or Cancelled

Acorn Under Fives
Airborne Initiative
ART Share Ltd
Artists Studio Company
Baby Lifeline
Bright Red Dot Foundation Ltd (CAN)
Caxton Trust (Catch Up Project)
Charity Projects (Comic Relief)
Charles Darwin Trust
Cheek by Jowl
Christ Church (Pant) South Wales
Clean Break Theatre Company
Cornwall Arts Centre Trust (Truro) Ltd
Derbyshire Coalition for Inclusive Living
Epilepsy Action Scotland
Harrogate Community House Trust
HMD International Response
Kinmel Bay Evangelical Church
Lavington Pre School
Little Oak Pre School
Morpeth Society Housing Association
National Assembly for Wales
Nehemiah Project
Northamptonshire Association of Youth Clubs
Northumberland Aged Mineworkers
One Parent Families
Oxfam
Praxis Community Projects
Radio City
Real World Trust
Refugee Lifeline
Refugee Therapy Centre
Repetitive Strain Injury Association - RSI Association
Ross of Mull Historical Centre
Same Sky Ltd
SCEDU E-Zone
Speedwell Girl's Club
Training for Life
UK Youth
Wrington Memorial Hall and Recreation Field Committee

New Facilities Approved

Addaction
Age Concern South Lakeland
Amman Valley Enterprises
Andros Fund
Beetley and District Pre-School
Bodywise
Bolton Nursery Ltd
Brent Knoll Parish Hall
Bright Red Dot Foundation Ltd (CAN)
Broadlands/Minehead WWH for Aged Persons
Buckmaster Memorial Home
Buxton For Youth
Centre for Accessible Environments
Charity Technology Trust
Charmouth Heritage Coast Centre
Cheek by Jowl
Chestnuts Pre-School (Nursery)
Christ Church Deal
Community First
Community Self Build Scotland
Cornwall Arts Centre Trust (Truro) Limited
Cropwell Bishop Pre School Playgroup
Crosby Community Cinema
Croy Miners' Welfare Charitable Society
Earthworks Trust
East Sussex Disability Association
ECPAT UK
Energywise Recycling Limited
Enstone PCC - St Kenelm's Church
Evans's Hospital Trust
First Stop Pre-School
Fivehead Village Hall
Four Acres Charitable Trust
Friends of Tylers Green Middle School
Glasgow Building Preservation Trust
Greenhouse Trust
Hailsham Trust
Helmsley Walled Garden
Hilltop Community Centre
Hope Nature Centre Ltd
Housetop Care Limited
Icknield Childcare Consortium
International Guitar Foundation & Festivals
Isle of Wedmore Bowls Club
Jubilee Waterside Centre Trust
Kilbarchan Company Trust Property Management Committee
Kingfisher Montessori Nursery School
Kingfisher Pre-School
Lavenham Community Council
Lighthouse Outreach
Liverpool Arts Property Trust
Lodge Co-operative Housing Association Ltd
Loganlea Miners Welfare Charitable Society
Manchester International Churches of Christ Estate
Maria Grey Nursery School
Martha Trust

Mossley Old School Trust
Mull Butchers Ltd
Nadair Trust
National Assembly for Wales
New Connection
Old Post Regeneration Association
PCC of the Church of the Holy Sepulchre Cambridge
Praxis Community Projects
Queensway Chapel Pre-School
Radio City
Real World Trust
Ross of Mull Historical Centre
Salisbury Arts Centre
Same Sky Ltd
SCA Community Care Services
Sherborne St John Village Hall
South Clifton and District Sports Association
Speedwell Girl's Club
St Andrews Church - Connecting the Community to Christ
St Endellion Festival Trust
Strathfillan Community Development Trust
Thomley Hall Centre Ltd
UK Youth
ValePlus
Vineyard Christian Fellowship Manchester
Voluntary Action Calderdale

The Charity Bank Limited
194 High Street
Tonbridge
Kent TN9 1BE

E-mail: enquiries@charitybank.org

Web site: www.charitybank.org

Deutsche Bank

Charity Bank thanks Deutsche Bank for their generous support in the printing of this publication

All photography is of organisations and people in whom we have invested and we happily acknowledge their kind co-operation

Design and direction: Rod Davis

Main photography: Anthony Epes

Printed by Ultimate Image Ltd

All printing material used by Charity Bank is on renewable resources or recycled material