



ANNUAL REPORT 2005

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NOTICE OF 6TH ANNUAL GENERAL MEETING

NOTICE

Notice is hereby given that the Sixth (6th) Annual General Meeting of Tower Hamlets Community Credit Union Limited will be held at the Idea Store, Vesey Path, Poplar, London Borough of Tower Hamletson December 7, 2006 Registration and refreshment starts at 5:30 p.m. and the A.G.M. begins promptly at 6:00 p.m.

AGENDA

6.00p.m.

1. Reading of the notice convening the 6th A.G.M.
2. Credential (Quorum) Report
3. Adoption of Standing Orders
4. Minutes of the 5th Annual General Meeting
5. Matters Arising
6. Reports
7. Board of Directors
8. Credit Committee
9. Supervisory Committee
10. Auditor/Financial Statements
11. Nominating Committee Report
12. Election of Officers
13. Resolutions
14. Appointment of Auditors
15. Adjournment

STANDING ORDERS

1. A Member shall address all comments through the Chair. Speeches are to be clear and relevant to the subject before the Meeting.
2. A Member shall only address the Meeting when called upon by the Chair to do so.
4. A Member may not speak twice on the same subject except he/she:
 - (a) Is the Mover of a motion who has the right of reply.
 - (b) Wishes to object or to explain (with permission of the Chair).
5. The Mover of a "Procedural Mo-

tion" (Adjournment, Lay on the Table, Motion to postpone) shall have no right of reply.

6. No speeches are to be made after the "Question" has been put and carried or negated.

7. A Member speaking on a "Point of Order" is to state the point clearly and concisely. (A "Point of Order" must have relevance to the "Standing Order".)

8. (a) A Member shall not "Call another Member to order" but may draw the attention of the Chair to a "Breach of Order".

(b) In no event can a Member call the Chair to Order.

9. A question shall not be put to the vote if a Member desires to speak on it or move an amendment to it, except that a "Procedural Motion: The Previous Question" "Proceed to the Next Business" or the Closure:" That the Question be now Put" may be moved at any time.

10. Only one amendment should be before the meeting at one and the same time.

11. When a motion is withdrawn, any amendment to it fails

12. The Chair shall have the right to a "Casting Vote".

13. If there is equality of voting on an amendment and if the Chair does not exercise his Casting Vote, the amendment is lost.

14. Provision is to be made for protection of the Chair from vilification

15. No Member shall impute improper motives against another Member.

MINUTES OF THE 5TH ANNUAL GENERAL MEETING

Thursday 14th July, 2005, at the London Borough of Tower Hamlets, Chrisp Street Idea Store, 1 Vesey Path East India Dock Road London E14 6BT

COMMENCEMENT

The proceeding commenced at 06:09 pm with one minute silence in remembrance

of the victims of the 7 July London bombings.

NOTICE OF THE 5TH ANNUAL GENERAL MEETING

The secretary, Stefano Rizzetto, read the Official Notice and the Agenda of the 5th Annual General Meeting.

CREDENTIAL REPORT

Credential Report revealed that there were 26 persons present as follows:

Members 22
Guests 6

WELCOME

The Vice President, Ms Camilla Shittu greeted the attendees on behalf of the Board and of the Committees. Ms Shittu thanked the Idea Store for the hospitality.

STANDING ORDERS

The Standing Orders were unanimously adopted on a motion moved by the Chair, Mr Ian Moseley and seconded by Miss Eartha Eloi. There were non objections.

REVIEW OF THE MINUTES FROM THE 4TH ANNUAL GENERAL MEETING

The Chair asked to read the content of the minutes and eventually highlight mistakes or inaccuracies.

The minutes were adopted as read and accepted.

MATTER ARISING

There were no matters arising from last year's AGM

REPORTS

BOARD OF DIRECTORS REPORT – SEPT 30TH 2004

The report was read by Mr Moseley. No comments were collected from the floor.

CREDIT COMMITTEE REPORT – 30TH 2004

The report was read by Mr Colin Eddy. No comments were collected from the floor.

SUPERVISORY COMMITTEE REPORT – 30TH 2004

The report was read by Mr Colin Eddy. No comments were collected from the floor.

NOMINATING COMMITTEE REPORT

The report was read by Mr Moseley. There were no sufficient nominees. Mr Moseley stepped down from his role as President for the Credit Union and chair for the AGM. The chair role was taken by Mr Grenville Bingham.

ELECTION FOR BOARD AND COMMITTEES

BOARD

Mr Bingham proposed the motion to co-opt the necessary additional board members once the board was elected. The motion was seconded by Mr David Gachette. There were no objections.

Mr Bingham encourage those present to volunteer for the board.

Board members seeking re-election
Mr David Gachette introduced himself.
Mr Ian Moseley introduced himself
Ms Nethliee Scarborough introduced herself

Other messages from the floor.

Ms Camilla Shittu thanked the Board and all active members of the Credit Union. In

particular Ms Shittu thanked Mr Ian Moseley, Mr David Gachette and Mr Colin Eddy

Result of vote

Mr David Gachette: 12 Yes, 0 against
Mr Ian Moseley: 19 Yes, 0 against
Ms Nethliee Scarborough: 16 Yes, 0 against

CREDIT COMMITTEE

The Credit Committee requires the election of three nominees, however only one nominee is available.

Ms Eartha Eloi introduced herself

Result of vote:

Eartha: 18 Yes, 0 against

There are other two positions to be filled in the future after interviewing possible candidates

SUPERVISORY COMMITTEE

No nominees available. Potential candidates will be identified after the AGM

KEYNOTE ADDRESS

Mr Brian Myroff described the history of Credit Unions and the benefits of being a member of a Credit Union

AUDITOR'S REPORT

The Auditor's report was read by an auditor. There were no comments from the floor.

RECOMMENDATIONS

DIVIDENDS

Mr Bingham presented the board recommendation and motion that the Credit Union pays a dividend of 1% to adult mem-

bers and 5% to junior member.
Mr David Gachette seconded the option Nobody was against

AGE FOR JUNIOR MEMBERSHIP

The Board proposed the resolution to increase the age of junior members to 18 years. In order to meet this requirement, rules 10 and 25 of the Credit Union need to be changed. If the resolution is approved the Credit Union will need to check with the FSA before going ahead with the changes.

Mr Ian Moseley proposed the motion to increase the age to qualify to Junior Member to the 18th birthday, subject to FSA approval
The motion was seconded by Grenville Bingham
Nobody was against

AUDITORS

Mr Grenville Bingham proposed the motion to reappoint the auditors.
The motion was seconded by Ms Camilla Shittu
There were no objections; however the board was invited to review the auditors' performance and price at the end of the financial year.

The AGM closed at 19:01

BOARD OF DIRECTORS REPORT FOR THE YEAR ENDING 30 SEPTEMBER 2005

GENERAL

Tower Hamlets Community Credit Union continues to grow at a rate approaching 1000 members per year.. We now have 3615 members including 271 junior members and a total of £ 1,733,456 in savings.

Although we are now making 2/3 rds of

our costs from our own trading we are still reliant on grant funding and welcome the continued support of Tower Hamlets Council and other organisations.

PARTNERSHIPS AND BIDS

We have engaged in a number of partnership activities over the last 18 months.:-

1 Chrisp Street office is used by Island Advice to provide money and basic debt advice sessions one day a week and also energy advice sessions on another day

2 We assisted in a bid by the Citizens Advice Bureau with regard to obtaining Government funding for money advice training sessions in Credit Union branches, operated by the CABx. Unfortunately the CABx were unsuccessful in their bid and funding has gone to other local organisations including Toynbee Hall.

3 We have also consulted with local schools and have begun the process of opening schools savings branches with the intention of promoting thrift from an early age.

4 We are currently in negotiation with Central Government concerning funding from the DWP Growth Fund. We cannot provide details as yet because of restrictions on the bidding process. We are in competition with a number of other bodies for this funding, but are optimistic that we will be one of the successful bidders.

5 We are also in discussion with the Health Authority about implementing a payroll deduction scheme, which makes use of the Credit Union easier for their employees. We hope to implement that shortly, when the Trust has addressed certain concerns about costs.

PAYMENT CARDS

The Board did investigate the possibility of joining an ABCUL sponsored project relating to the supply of payment/debit style cards. This scheme is being put into place in stages and CUs joining the first stage were required to obtain substantial funding to do so, with the possibility, but no guarantee, of having this repaid.

We decided that it would not be appropriate for us to take this risk at this time. We will be able to join the scheme later at a considerably lower, but non-recoverable cost.

BRANCHES

All three branches have been operating well throughout the year, although there has been minor flood damage at two of the branches, this has been dealt with by the owners at minimal cost to the Credit Union apart from a brief closure at Roman Road.

The Board considers that the three existing branches give adequate coverage of the area and that we could not economically justify opening any further branches at this time.

FINANCIAL

As mentioned although we are making great strides towards self-sufficiency we do rely on grant funding. In addition our future plans to expand the activities of the Credit Union, making it more effective for members require us to improve our reserves so as to obtain approval from the FSA.

Because of this requirement, the Board has recommended that there be no adult dividend paid this year. We would point out that Tower Hamlets Credit Union has paid dividends on shares since its inception, contrary to normal practice for new Credit Unions.

FINALLY

As usual, we would like to thank you for your support over the past years and ask you to support us by recruiting your friends and colleagues.

CREDIT COMMITTEE REPORT FOR THE YEAR ENDING 30 SEPTEMBER 2005

STRUCTURE OF THE COMMITTEE

The following persons currently sit on the Loan Committee.

Ms Enid Robinson
Ms Eartha Eloi
Ms Nethelie La Croix

During the course of the year, we have had to ask the Board to co-opt two further members onto the Credit Committee. Nethelie La Croix was co-opted onto the committee.

Yvonne Wood also resigned from the committee during the review period.

OVERVIEW

We conducted our duties with diligence in accordance with the standard rules and regulations of the Credit Union. This meant that a quorum of three was required to sign and discuss all loans applied for.

During the period from 1st October 2004 to September 2005, the committee found it necessary to interview three members to assist them in the consideration of the loan application.

LENDING

From 1st October 2004 to 30th September 2005 the Committee granted 1,104 loans

to the value of £893,052.65. A total of Twenty Eight (28) Loans were rescheduled. Loans were granted mainly in the area of home improvements/decorations, miscellaneous expenses, holidays, introductory loans offers to payroll companies, debt consolidation, urgent bills, furniture and appliances and car purchase. An analysis is shown in the table below and in the figure at the top of the next page..

It is with great pleasure that we can announce since we opened in December 2000 to 30th September 2005 a total of 2,901 loans to the value of £2,698,635.72 have been granted. Of those 55 loans were rescheduled. The most popular areas of granting loans were Home Improvement/Decoration, Miscellaneous Expenses, Holidays, Debt Consolidation, Car Purchase, Introductory Loans, Furniture and Appliances and Urgent Bills were well in excess of £100,000. See table at the top of the next page.

A total of 53 loans (£332,329) were granted in excess of £5000. while 2,848 loans (£2,366,306) were approved for amounts under £5,000.

DELINQUENCY MANAGEMENT

Efforts by the officers to reduce delinquencies continued unabated in the form of letters to delinquent members, phone calls, application for order that debtor attend court for questioning and as a last resort, bailiffs.

RESCHEDULING OF LOANS

From 1st October 2004 to 30th September 2005 28 loans were rescheduled.

CONCLUSION

During the review period the Credit Committee revised the Loan Policy of the organisation to reflect changes in legislation. The main changes were as follows:

1. Extension of the loan repayment term for 36 months to 60 months for unsecured loans
2. Extension of the repayment term for secured loans from 84 months to 120 months
3. Increase in the value of loan which could be approved for any member from £5,000 above the members savings to £7,500 above the members savings
4. Removal of restriction of borrowing based on savings

All members of the committee gain and continue to gain tremendous experience while serving on the Credit Committee.

It has been a challenging year for Tower Hamlets Credit Union as the environment in which it operates, continues to respond to the forces set in motion by monetary policies of central Government. Our Credit Union must also continue to re-

spond to the changes in the market, if it is to remain competitive and relevant to its membership and stakeholders.

In this regard greater emphasis must be placed on market intelligence and our responsiveness to the financial market. We must seek to capitulate on the expected growth in the economy and the benefits it would bring to our Credit Union.

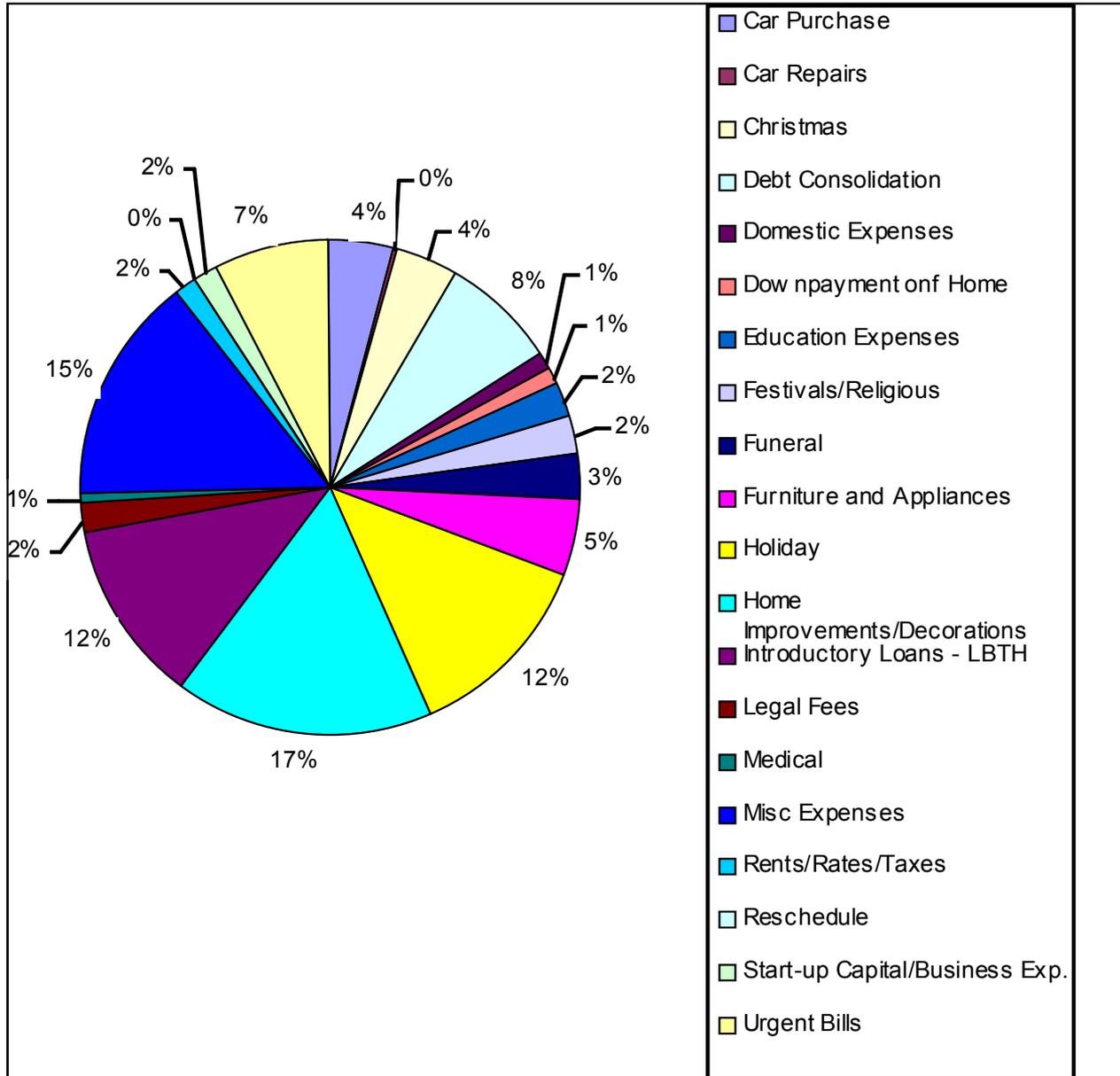
The committee has developed a very good working relation with the Credit Union staff and wishes to thank Management and Staff for their support and co-operation in managing the challenges of the last year, which has helped to develop higher standards not only for the committee but also for the Credit Union.

We would hope that our working relationship with the Board of Directors and other elected Committees is and continues to

An analysis of loans granted from 01/10/04 to 30/09/05:

PURPOSE OF LOAN	NO. OF LOAN GRANTED	VALUE OF LOANS	% OF TOTAL LOANS
		£	%
Car Purchase	18	38,714.59	4
Car Repairs	4	2,751.28	0
Christmas	60	38,331.18	4
Debt Consolidation	32	71,071.77	8
Domestic Expenses	24	11,245.00	1
Down payment on Home	3	9,985.00	1
Education Expenses	19	20,666.76	2
Festivals/Religious	16	23,057.75	2
Funeral	28	26,119.79	3
Furniture and Appliances	61	46,451.42	5
Holiday	165	116,547.52	12
Home Improvements/Decorations	107	155,388.89	17
Introductory Loans	177	113,000.00	12
Legal Fees	10	18,160.00	2
Medical	8	5,350.00	1
Misc Expenses	191	138,835.01	15
Rents/Rates/Taxes	16	14,942.72	2
Reschedule	28	0.00	0
Start-up Capital/Business Exp.	7	15,506.21	2
Urgent Bills	130	69,015.68	7
TOTAL	1,104	£935,140.57	100

Loans by Type and Percentage



be one of harmony and a shared vision.

To all our members, we would like to say special thanks for giving us the opportunity to serve you and with your help to position your Credit Union to grow from strength to strength in the current and forthcoming years.

Finally, as Chairperson and on behalf of all members of the Credit Committee, I wish to thank you all for your support.

SUPERVISORY COMMITTEE REPORT

INTRODUCTION

The Supervisory Committee is responsible for monitoring, the board of Directors, employees, loans and credit committee as well as to ascertain whether or not all the actions and decisions of the Officers relating to the affairs of the Credit Union are in accordance with Law and the Rules and at random any Credit Union

TOTAL OF LOANS GRANTED OVER £100,000 FROM 2001 TO 2005

PURPOSE OF LOAN	NO. OF LOANS GRANTED	VALUE OF LOANS (£)
Home Improvement/Decoration	287	463,749.51
Misc Expenses	604	402,697.27
Holiday	472	379,208.13
Debt Consolidation	117	219,627.21
Car Purchase	83	187,332.78
Introductory Loan	221	168,231.21
Furniture and Appliances	160	149,773.19
Urgent Bills	309	145,424.18

activity.

OVERVIEW

During the period under review the Credit Union has been experiencing moderate growth. Capital represents all earnings the Credit Union has accumulated since its organization. It is comprised of regular reserve, reserve for contingencies, and undivided earnings.

During the financial year ending September 2005, total assets have increased, loans increased- representing a loan to share ratio change as conveyed in the Auditors report; also investments decreased and members' shares increased.

FINANCIAL AND ACCOUNTING

The supervisory committee audit scope included testing the accuracy of the Credit Union's financial data and compliance with FSA. Also to review the accounting system for its overall integrity and efficiency procedures and tests included reviewing the quality of the subsidiary accounting records and supporting schedules.

We reviewed the balance sheet and other financial statements for the period ended 30 September 2005 and found that in respect to that period there were no exceptions to be added to the report of the Auditors.

We note that to conform with the Financial Services requirements, the allowance for loan losses account should be large enough to cover all potential losses within

the Credit Union's loan portfolio. This includes identified losses in the delinquent loan portfolio as well as an estimate of losses in the non-delinquent loan portfolio.

LOANS

The supervisory committee audit encompassed a review of the Credit Union's loan policies, procedures, and operations. The Credit Union's delinquency rate improved the delinquent ratio as portrayed in the Auditors report for the period under review. While maintaining the current quality of the loan portfolio the Credit Union still needs to increase the demand for loan.

Based on reports received during the period under review, the Credit Union appears to be adequately monitoring and documenting loans granted to officials and employees and committee members, in compliance with the Credit Union's written loan policy requirements and limitations. There has also been improved effort to collect from members.

INTERNAL CONTROLS

Internal controls comprise the plan of organization, operating procedures, and measures with the Credit Union to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to managerial policies.

From direct observation of operations,

discussions with offers and staff or from written material, there is no indication that the procedure of operations in accordance with the Financial services requirements are not being followed.

The committee during attendance at Board meetings can state that the meeting were quorate and conducted in accordance with Credit Union rules and regulations and with membership's interest at the centre.

THE FUTURE

The committee will continue to be responsible for random checks and internal controls of Credit union activities. It is noted that the retention of committee members is an issues, and a special appeal is being made to redress this matter. Further taking into account that constant changes in the financial and business industries overall, the committee will endeavour to undertake further training for continuous improvement of the skills of its members.

NOMINATING COMMITTEE REPORT

In accordance with the Rules of the Credit Union, the Nominating Committee invited nominations for the following vacant positions:

BOARD OF DIRECTORS

1. Stefano Rizzetto – Outgoing / not seeking re-election
2. Anne Smith - Outgoing / not seeking re-election to Board
3. David Campbell – Outgoing / seeking re-election
4. James Quartey – Outgoing
5. Agnes Bain - Outgoing
6. Vacant Position

SUPERVISORY COMMITTEE

1. Lena Pamphile – Outgoing / seeking re-election
2. Vacant Position

CREDIT COMMITTEE

1. Eartha Eloi - Outgoing / not seeking re-election
2. Yvonne Wood - Resigned
3. Vacant Position

The Committee received 36 applications for the vacant posts as follows:

	NAME
1	STANLEY WILSONHAM B
2	MICHAEL ABIODUN C
3	SWAPAN MIAHC
4	ABDIAZIZ MOHASHMED
5	ABDULLAHI KHADCAR
6	OJO KILA B C S
7	NIGEL HUXTED B C S
8	STEPHEN SMITH S
9	FLORENCE OKONTA S
10	CHARMAINE DIXON B S
11	ALEXANDER ORAKWUE B
12	OGWU ASHIEDU S
13	JOSHUA ANAMAN C
14	ABUL KHURSHED B C
15	JACK MADDEN C
16	M YUNIS B
17	ALI ABDALLA B
18	DAVID CAMPBELL B
19	SAMUEL ADDEH B
20	ROUF AHMED C
21	SEGARAJASINGHAM NAGARAJAH B S
22	GLENDA ALEXANDER B S
23	JAMIR CHOWDHURY B S
24	LENA PAMPHILE S
25	JOHN COLLINS B
26	JEAN WASSO C
27	MOYNA MIAH C
28	JAMA JAMA S
29	SALHA AHMED C
30	JOSHUA DADZIE
31	VERONICA OGWU
32	KEHINDE OJRONBE
33	S RAHMAN
34	OGWY ASTEDU
35	PATRICK TEMPLE C
36	SUZETTE BARRY

Applicants were invited to a briefing session and provided with information detail-

ing the duties and responsibilities, time commitment, expertise and attributes required for the various Management Committees. A total of 15 attended the briefing sessions.

The Committee conducted personal interviews with the 15 candidates to determine each applicant's suitability for elected office given the increasing burden, which would be placed on elected officials to give of their time, expertise and goodwill.

The Committee is therefore pleased to recommend the following persons as fit and proper to be proposed to the Membership at the 6th Annual General Meeting of the Credit Union.

BOARD OF DIRECTORS

1. Glenda Alexander
2. David Campbell
3. Mohamed Yunis
4. Jamir Chowdhury
5. Samuel Addeh

SUPERVISORY COMMITTEE

1. Segarajasingham Nagarajah
2. Lena Pamphile

CREDIT COMMITTEE

1. Rouf Ahmed
2. John Collins

BOARD OF DIRECTORS

Glenda Alexander
Glenda has been a local government officer since 1994. She manages a local one-stop shop and has effective community links with service providers. Glenda is confident, has excellent communication, presentation, administration and IT skills.

David Campbell
David is a clerk of works and is attached to

the Walker Management Company. David has served on the Board since 2004 and is currently the Treasurer of the Credit Union.

Mohamed Yunis

Mohammed has been a youth social worker for over eleven years. Initially working as a Care Manager, he later worked with the asylum social work team. Yunis currently works with vulnerable young adults, assessing needs, recommending support requirements and providing support to assist them into independent living.

Jamir Chowdhury

Jamir works as a civil servant with DWP. He is a vacancy-filing executive and manages a team of three front line staff. He is responsible for managing the recruitment process within a local jobcentre

Samuel Addeh

He is a qualified computer engineer. Worked in colleges, universities and corporate environments with people from various backgrounds. Experience of managing people. His interests include reading and photography.

SUPERVISORY COMMITTEE

Segarajasingham Nagarajah

He is a Senior Accountant (Housing) at LBTH. Previously served as a member of the initial steering group of the Credit union and later on the Supervisory Committee.

Lean Pamphile

Student and free lance administration worker and has been on the Supervisory Committee for two years

CREDIT COMMITTEE

Rouf Ahmed

Local community worker. He has worked with the Linc, Wentworth and St Hilda's Community Centres.

John Collins

Served in army for nine years and left as an RSM. He later went into Warehouse Management and in 1982 became a public house manager and owner of two pubs.

It is also proposed that some of the other candidates will be asked to mirror committees or serve as volunteers at the Credit Union to increase their awareness and skills, which will enable them to be incorporated into the Management Committee at the next Annual General Meeting. In addition some of the candidates may wish to consider if they would wish to stand for positions on committees other than the one they originally indicated on their application form. This could be done at the Annual General Meeting.

RECOMMENDATIONS AND RESOLUTIONS

PAYMENT OF DIVIDEND

The Board has discussed the financial status of the Credit Union and it recommends that a dividend of 0% for adult members and 1.5% for junior members be paid for the year in question.

The board would like to remind members that they receive, at no cost, a life insurance benefit that is related to their share value.

MISCELLANEOUS

For the board to co-opt officers to vacant positions on Board, Credit and Supervisory Committee

APPOINTMENT OF AUDITORS

The board has agreed to recommend the following resolution to members:

-Be it resolved that the firm of Appleby &

Wood are retained as Auditors to Tower Hamlets Community Credit Union.

MEMBER SURVEY REPORT

BACKGROUND

During the first half of 2006 QCL Market Research carried a postal survey of members of Tower Hamlets Community Credit Union (THCCU) focusing on their use of and satisfaction with the services provided by THCCU and the likely take up of services that could be offered in the future. Completed questionnaires were received from 250 members whose views are set out below.

SAMPLE PROFILE

There is a wide range of ethnic minorities represented amongst members of the Credit Union including more than 10% Bangladeshi and African and 9% Caribbean. Overall Responses were relatively balanced between White (51%) and Ethnic minority (46%) respondents.

Half identify themselves as Christian, one fifth as having no religion and just under a fifth as Muslim.

MEMBERSHIP AND BRANCH USE

Initial awareness of the Credit Union arises primarily from being told about it by friends or relatives. With workplaces and Newspapers also being of significance.

Two reasons were particularly important in deciding to become a member, an easy way to save and low rate loans mentioned by 30% and 25% respectively.

Just less than a third visit a branch at least once a week. Bethnal Green is the branch visited most often, mentioned by just less than a half, with around a quarter visiting the other two branches most often.

THE SERVICES OFFERED

The staff are rated particularly highly in terms of friendliness, helpfulness and their telephone manner. Although still low, dissatisfaction was higher with the quality and clarity of leaflets and forms. Satisfaction with the website was high but only around half had visited it. In terms of the way their account was managed 93% are satisfied.

These high levels of satisfaction with individual aspects of the service is reinforced by 98% being satisfied with THCCU overall.

Awareness and use of the two core services offered, a savings account and a budget account, is high.

However awareness of the other services offered is much lower with actual use being even lower.

More than 40% have used the loan service and 98% of these have been satisfied with this service.

FINANCIAL ATTITUDES AND BEHAVIOUR

Respondents were asked to indicate how important a number of factors were when choosing a bank. Five factors were rated as Very important by at least 75% i.e.

- Ease of access to money
- Fast service
- Convenient opening hours
- Convenient location
- Friendliness of staff

When asked where they would be most likely to place money a Credit Union was the first choice with 85% mentioning it and 53% making it their first choice. A Bank or Building Society was mentioned by more than 30%. A significant minority (19%) mentioned keeping it at home.

In terms of the most likely source to be

approached for a loan a credit union is by far the most popular, as might be expected, amongst this group of credit union members. Banks, Building Societies along with Friends or relatives are the next most important. A small number would approach or use other more expensive sources, in particular 11% mentioned 'door to door' lenders and 5% Pawnbrokers although these lenders would not be a first choice.

Amongst members the Credit Union is clearly the first choice to provide financial services and a third would be interested in becoming more involved as a volunteer.

OTHER SERVICES THAT MIGHT BE PROVIDED

Amongst a range of other services that might be provided the most popular was a long term savings account offering higher dividends, selected by 57%. Half would like access to larger loans and 44% a Direct Debit service.

In particular respondents were asked about the possible introduction of a Visa debit Card with a monthly fee.

At a monthly fee of £3 some 26% would be likely to apply while at 50p take up increases to 47%.

ONLINE BANKING

Nearly 60% currently have access to the internet and just over a fifth already use the internet for online banking. Nearly all those with internet access would be interested in accessing their Credit Union account online, a half of all respondents.

GENERAL QUESTIONS

Nearly everyone (97%) believe that the Credit Union offers a valuable service to the community and a similar proportion would be likely to recommend the Credit Union to others.

AUDITORS' REPORT

REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2005

We attach our report of the significant matters, which came to our attention during the course of our audit.

RESPECTIVE RESPONSIBILITIES

The Committee has a primary responsibility for the Credit Union's timely publication of statutory financial statements and the establishment and ongoing maintenance of an adequate system of custodial and management control over the Credit Union's assets and transactions.

Our audit examination is designed to enable us to express an opinion on your financial statements as a whole and their compliance with relevant statutory reporting requirements. It must therefore be recognised that this post audit report cannot be relied upon as an exhaustive catalogue of all the actual or potential weaknesses which may exist in the systems you have devised to discharge your responsibilities.

This report is designed to highlight those material weaknesses in your financial systems and controls, which came to our attention during the audit. It is also intended to suggest ways in which management effectiveness can be improved.

We would like to comment on these accounts and matters found during the course of our audit as follows:

1. BOW PEOPLE'S TRUST

Could you please confirm that the amount outstanding on the above Trust as at 30 September 2005 was £2,500.

2. DIVIDEND AND FINANCIAL POSITION

Due to the loss there is no dividend available this year. The Credit Union's reserves are now down to £12,426 which are very low for a credit union of this size. Please inform us of remedial action to be taken and projections for the next two financial years.

3. CORPORATION TAX

Corporation tax for previous years has not been paid. We will suggest you contact the Inland Revenue to register in order for you to settle the liability.

4. SHARE & LOAN BALANCES

There was a difference between the Shares & Loan balances shown on the detailed print and the nominal ledger of £2,547.77. We have included a provision for this amount under creditors. Please can you investigate this amount and inform us of your findings.

5. OTHER ISSUES

Please make available the minutes for the Board and other committees meetings, contract of employment for the employees, supporting documents for all grants receivable.

6. REPRESENTATION LETTER

Also enclosed are the representation letter, which if you are in agreement with, please sign it and return to us for our records.

We would like to take this opportunity to thank Colin Eddy, Jean-Paul and all staff at the Credit Union for their assistance during the course of the audit .

Yours faithfully,

APPLEBY & WOOD
Registered Auditors
3 The Office Village

TOWER HAMLETS COMMUNITY CREDIT UNION LIMITED
FINANCIAL STATEMENTS
YEAR END: SEPTEMBER 30TH 2005.

TOWER HAMLETS COMMUNITY CREDIT UNION LIMITED
REVENUE ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2005

	Note	2005		2004	
		£	£	£	£
Income					
Loan Interest			93,672		73,202
Bank Interest			24,143		12,055
Management Fee			-		37,750
Insurance Claim			-		1,351
Sundry Income			4,713		2,835
			<u>122,528</u>		<u>127,193</u>
Grants Receivable			<u>126,892</u>		<u>106,537</u>
			249,420		233,730
Less Expenses					
Staff Salaries		122,373		113,164	
Other Staff Costs		2,767		1,319	
Cleaning		285		796	
Printing & stationery		7,084		1,756	
Travel costs		1,332		738	
Professional Fees		-		739	
Repairs & Maintenance		3,643		4,430	
Telephone		7,317		4,435	
Computer Development		940		823	
Advertising & Publicity		2,385		1,073	
Depreciation		17,276		15,855	
Fidelity Bond		1,473		1,071	
ABCUL fees		2,560		2,233	
CUNA Insurance		11,369		8,743	
Insurance		638		2,134	
Committee Expenses		428		301	
Bank charges		2,316		626	
Office Expenses		2,544		2,284	
Sundry Expenses		1,913		3,268	
Audit		2,400		3,079	
Training		120		1,390	
Rent, Heat and Light		30,552		23,489	
Provision for delinquent loans		35,151		8,631	
Lease of equipment		776		575	
Regulatory fees		2,056		-	
			<u>(259,698)</u>		<u>(202,952)</u>
(Deficit)/Surplus for the year before taxation			(10,278)		30,778
Corporation Tax			(3,359)		(488)
(Deficit)/Surplus for the year after taxation			(13,637)		30,290
Transfer to statutory reserves			-		(10,000)
			(13,637)		20,290
Proposed Dividends			-		(6,081)
(Deficit)/Surplus from/to Reserve			<u>(13,637)</u>		<u>14,209</u>

All amounts relate to continuing operations.

TOWER HAMLETS COMMUNITY CREDIT UNION LIMITED
BALANCE SHEET FOR THE YEAR ENDED 30TH SEPTEMBER 2005

	Notes	2005		2004	
		£	£	£	£
Fixed Assets	5		49,094		44,783
Investments	9		369,604		453,826
Loans Due from Members		984,133		729,134	
Less Provision for Bad Debts		<u>(57,399)</u>		<u>(22,248)</u>	
			<u>926,734</u>		<u>706,886</u>
			1,345,432		1,205,495
Current Assets					
Other Debtors	6	119,406		76,625	
Cash and Bank	7	<u>296,886</u>		<u>143,077</u>	
			<u>416,292</u>		<u>219,702</u>
Current Liabilities					
Sundry Creditors	8	11,475		41,261	
Proposed Dividend	11	-		6,081	
Corporation Tax		<u>4,367</u>		<u>1,008</u>	
			<u>15,842</u>		<u>48,350</u>
Net Current Assets			<u>400,450</u>		<u>171,352</u>
			<u>1,745,882</u>		<u>1,376,847</u>
Represented by:					
Share Capital	10		1,733,456		1,350,784
General Reserve	4		<u>12,426</u>		<u>26,063</u>
			<u>1,745,882</u>		<u>1,376,847</u>

Director

Director

Director

TOWER HAMLETS COMMUNITY CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005

1. Accounting Policies

a) Accounting Policies

The financial statements have been prepared under the historical cost convention.

b) Interest

Interest receivable from loans to members is accounted for on receipts basis. All other interest payable and receivable is accounted for on an accrued basis.

c) Corporation Tax

The provision of UK Corporation Tax is based on bank deposit account interest received on the rate of 19%.

d) Fixed Assets

Depreciation has been provided on fixed assets at rates considered sufficient to write them of over their useful lives:

Computers	25%
Fixtures, fittings & equipment	15%
Refurbishment of Bethnal Green Office	6 years

2. Statement of Total Recognised Gains and Losses

The surplus for the year was the only recognised gain or loss in the year.

3. Historical Cost Profit and Loss

All assets are stated in the financial statements at historical cost. Therefore, no adjustments are required to the reported deficit which is stated on an unmodified historical cost basis.

4. Reconciliation of Movements in the General Reserves

	Reserves		Total
	Others	Statutory	
	£	£	£
Balance as at 01 October 2004	14,209	11,854	26,063
(Deficit)/Surplus for the year	(13,637)		(13,637)
Transferred to Appropriation Account	-	-	-
Transferred to Statutory Reserve	-	-	-
Balance as at 30th September 2005	<u>572</u>	<u>11,854</u>	<u>12,426</u>

TOWER HAMLETS COMMUNITY CREDIT UNION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30TH SEPTEMBER 2005

5 Fixed Assets	Office	Computers	Fixtures/ Equipment	Total
	£	£	£	£
Costs				
As at 01 October 2004	48,610	24,319	16,306	89,235
Additions	-	12,813	8,774	21,587
As at 30 September 2005	<u>48,610</u>	<u>37,132</u>	<u>25,080</u>	<u>110,822</u>
Depreciation				
As at 01 October 2004	17,165	20,954	6,333	44,452
Charge for the year	8,101	5,413	3,762	17,276
As at 30 September 2005	<u>25,266</u>	<u>26,367</u>	<u>10,095</u>	<u>61,728</u>
Net Book Value @ 30 September 05	23,344	10,765	14,985	49,094
Net Book Value @ 30 September 04	31,445	3,365	9,973	44,783
		2005		2004
		£		£
6 Debtors				
Insurance recoverable/cash shortages		-		2,563
Grants and Fees Receivables		115,500		32,000
General Expenses		<u>3,906</u>		<u>42,062</u>
		<u>119,406</u>		<u>76,625</u>
		2004		2004
		£		£
7 Cash and Bank				
Bank Current Account		155,211		118,458
Paypoint Bank Account		104,398		1,148
Petty Cash		825		525
Cash Float		<u>36,452</u>		<u>22,946</u>
		<u>296,886</u>		<u>143,077</u>

TOWER HAMLETS COMMUNITY CREDIT UNION LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30TH SEPTEMBER 2005

8 Other Creditors	2005	2004
	£	£
Audit fees	2,400	2,400
Bow People's Trust	2,500	5,000
PAYE/NIC	3,039	2,391
HSCU	-	770
Expenses	3,536	30,700
	<u>11,475</u>	<u>41,261</u>
	<u><u>11,475</u></u>	<u><u>41,261</u></u>
9 Investments	2005	2004
	£	£
Main Investments	369,570	453,792
Junior Investments	34	34
	<u>369,604</u>	<u>453,826</u>
	<u><u>369,604</u></u>	<u><u>453,826</u></u>
10 Share Capital	2005	2004
	£	£
Adult Shares	1,689,744	1,325,521
Junior Savers	43,712	25,263
	<u>1,733,456</u>	<u>1,350,784</u>
	<u><u>1,733,456</u></u>	<u><u>1,350,784</u></u>
11 Proposed Dividends	2005	2004
	£	£
Adult dividend	-	5,824
Junior dividend	-	257
	<u>-</u>	<u>6,081</u>
	<u><u>-</u></u>	<u><u>6,081</u></u>

TOWER HAMLETS COMMUNITY CREDIT UNION LIMITED
 CASH FLOW STATEMENT AND NOTES
 FOR THE YEAR ENDED 30TH SEPTEMBER 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Net Cash(Outflow) Inflow	1		(89,712)		25,109
Interest Received			<u>24,143</u>		<u>12,055</u>
Net cash inflow before investments & financing			(65,569)		37,164
Investment activities					
Fixed Deposit Investment		84,222		(258,803)	
Fixed Assets		<u>(21,587)</u>	62,635	<u>(15,677)</u>	<u>(274,480)</u>
Net cash inflow before financing			(2,934)		(237,316)
Dividend Paid			(6,081)		-
Financing					
Increase in Shares		382,672		432,388	
Increase in Loans Granted		<u>(219,848)</u>		<u>(198,815)</u>	
Net Cash Inflow from Financing			<u>162,824</u>		<u>233,573</u>
Increase(Decrease) in Cash	2		<u>153,809</u>		<u>(3,743)</u>

NOTES TO THE CASH FLOW STATEMENT

**1. Reconciliation of deficit
 Before tax to net cash inflow/(outflow)**

Deficit before Taxation		(10,278)		30,778
Add: (Increase)/Decrease in debtors		(42,781)		(33,916)
Depreciation		17,276		15,855
Bank Interest		(24,143)		(12,055)
Increase in Creditors		<u>(29,786)</u>		<u>24,447</u>
			<u>(79,434)</u>	<u>(5,669)</u>
Net Cash Inflow			<u><u>(89,712)</u></u>	<u><u>25,109</u></u>

2. Analysis of Changes in Net Funds

	As at 01.10.04 £	Change	As at 30.09.05 £
Cash at Bank and in Hand	143,077	153,809	296,886

ACKNOWLEDGEMENTS

We would like to thank all those individuals and groups who have worked in various ways and enabled us to achieve our targets.

Our special thanks go to our members, as they are the pillars of the Credit Union. Without them there would be no Credit Union.

All our staff especially our Manager, Colin Eddy, without whose dedication, it would not be possible to achieve such concerted progress.

ABCUL, The National Credit Union body, CUNA Mutual Insurance, The Credit Union Movements Insurance Company, The Financial Services Authority (FSA) and our Partners.

Our Board Members, The Credit Committee, The Supervisory Committee, and all other sub-committees for their contributions, continued support and expert advice.

All our Sponsors and Funders:
London Borough of Tower Hamlets
Abbey National and Mapeley Columbus
Old Ford Housing Association
Tower Hamlets Housing Action Trust
Connecting Communities (formerly City-side Regeneration)
Unity Trust Bank
East London Business Alliance

Gren. Bingham of ContactPoint.com for producing this Annual Report of 2004/2005.

