

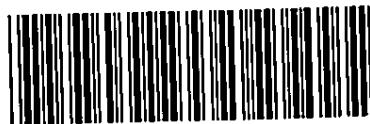
CO-OPERATIVE COMMERCIAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

13 JANUARY 2007

Reg. No. 954488

TUESDAY



A30 *AHXP1U19* 529
23/10/2007
COMPANIES HOUSE

Register Number 954488
CO-OPERATIVE COMMERCIAL LIMITED
REPORT OF THE DIRECTORS

The directors present their report and financial statements for the year ended 13 January 2007

Business Review

Trading and Principal Activities

The principal activity of the company is that of holding investments.

The profit for the year, after taxation, amounted to £491,000 (2005 £493,000)

Net assets at year end amounted to £2,935,000 (2005 £2,774,000).

Future Outlook

The company is expected to continue trading in the manner in which it does at present, in so far as is consistent with plans of The Co-operative Bank p l c

Principal Risks and Uncertainties

The principal risks and uncertainties of the company are integrated with the principal risks of the group and are not managed separately Refer to discussion within the annual report of The Co-operative Bank p l c

Key Performance Indicators

The directors manage the business on a group basis and for this reason believe that analysis using key performance indicators for the company is not necessary

Dividend

The directors recommend the payment of a final dividend of £284,700 (2005 £284,700)

This had not been declared by the year end (2005 £NIL)

Subsequent Events

No significant events have occurred since the conclusion of the financial year

Directors

The directors of the company during the year were

RT Goddard

JS Harvey (Resigned 29 January 2007)

PW Kerns and KM Blake were appointed as directors on 29 January 2007

No director received any emoluments during the year

None of the directors had a beneficial interest in the company

CO-OPERATIVE COMMERCIAL LIMITED
REPORT OF THE DIRECTORS (continued)

Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

CO-OPERATIVE COMMERCIAL LIMITED
REPORT OF THE DIRECTORS (continued)

Elective Regime

The company has passed Elective Resolutions in accordance with the Companies Act 1985 (as amended by the Companies Act 1989) These have the effect of dispensing with the holding of Annual General Meetings, the laying of accounts at such meetings and the annual re-appointment of Auditors
On behalf of the Board

MA Lees

MA Lees
Secretary

Registered Office
PO Box 101
1 Balloon Street
Manchester
M60 4EP

20 August 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CO-OPERATIVE COMMERCIAL LIMITED

We have audited the financial statements of Co-operative Commercial Limited for the year ended 13 January 2007, which comprise the primary financial statements such as the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities set out on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any further information outside the report and financial statements.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement,

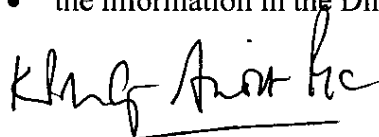
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CO-OPERATIVE
COMMERCIAL LIMITED (continued)**

whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 13 January 2007 and of its result for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985
- the information in the Directors' Report is consistent with the financial statements.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Manchester

15 August 2007

CO-OPERATIVE COMMERCIAL LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 13 JANUARY 2007

	Notes	2006 £'000	2005 £'000
Income from investments		331	332
Finance lease income		321	353
Interest payable and similar charges		(116)	(132)
Gross profit		<hr/> 536	<hr/> 553
Administrative expenses		(2)	(2)
Profit before taxation	3	<hr/> 534	<hr/> 551
Income tax expense	4	(43)	(58)
Profit for the financial year attributable to equity holders of the parent		<hr/> 491	<hr/> 493

The notes on pages 10 to 19 form part of these financial statements.

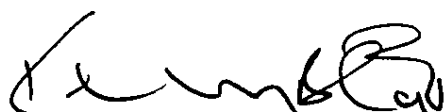
CO-OPERATIVE COMMERCIAL LIMITED
BALANCE SHEET
AS AT 13 JANUARY 2007

	Notes	2006 £'000	2005 £'000
ASSETS			
Non-current assets			
Investments	6	4,614	4,665
Current assets			
Receivables	7	3,361	3,507
Total assets		7,975	8,172
LIABILITIES AND EQUITY			
Non-current liabilities			
Deferred taxation	8	289	297
Current liabilities			
Payables	9	4,751	5,101
Total liabilities		5,040	5,398
Equity attributable to equity holders of the parent			
Share capital	10	1,000	1,000
Retained earnings	11	1,935	1,773
Other reserves	11	-	1
Total equity		2,935	2,774
Total liabilities and equity		7,975	8,172

The notes on pages 10 to 19 form part of these financial statements

These Financial Statements were approved by the Board of Directors on 15 08 . 2007,
and were signed on its behalf by

K M Blake



Director

R T Goddard



Director

CO-OPERATIVE COMMERCIAL LIMITED
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 13 JANUARY 2007

	2006 £'000	2005 £'000
Net losses from changes in fair value of gilts, net of tax	(1)	(1)
Net income recognised directly in equity	<u>(1)</u>	<u>(1)</u>
Profit for the financial year attributable to equity holders of the parent	491	493
Total recognised income and expense	<u>490</u>	<u>492</u>

The notes on pages 10 to 19 form part of these financial statements

CO-OPERATIVE COMMERCIAL LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 13 JANUARY 2007

	Notes	2006 £'000	2005 £'000
Cash flows from operating activities			
Profit before taxation		534	551
Interest expense		116	132
Decrease in receivables		147	140
Decrease in payables		(56)	(142)
Cash generated from operations		741	681
UK Corporation tax paid		(43)	(28)
Interest paid		(132)	(177)
Net cash flow from operating activities		566	476
Cash flows from investing activities			
Proceeds from maturing fixed asset investments		50	-
Net cash flow from investing activities		50	-
Cash flows from financing activities			
Dividends paid		(329)	(329)
Net cash flow from financing activities		(329)	(329)
NET INCREASE IN CASH AND CASH EQUIVALENTS		287	147
Cash and cash equivalents at the beginning of the year		944	797
Cash and cash equivalents at the end of the year	13	1,231	944

The notes on pages 10 to 19 form part of these financial statements

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 13 JANUARY 2007

1. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared on the basis of recognition and measurement requirements of International Financial Reporting Standards (IFRSs) in issue that are endorsed by the European Union (EU) and effective at 13 January 2007.

Since the financial year is virtually co-terminous with the calendar year, the figures in respect of the current year are referred to as 2006, whilst those of the preceding year are shown as 2005

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group

(b) Revenue recognition

Finance leases

Assets leased to customers are included within 'Receivables' and are valued at an amount equal to the net investment in the lease, less any provisions for impairment. Income from assets leased to customers is credited to the income statement based on a pattern reflecting a constant periodic rate of return on the net investment in the lease

Initial direct costs incurred in arranging the lease are included in the initial measurement of the finance receivable and reduce income over the lease term

Gilt Interest

Gilt interest is recognised on an effective interest rate basis

Dividend Income

Dividend income is credited to the income statement as it is declared or paid

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

(c) Income tax expense

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(d) Deferred taxation

Deferred tax is provided, with no discounting, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred taxes are determined using rates enacted or substantially enacted at the balance sheet date.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and balances with an original maturity of three months or less.

(f) Impairment

The company assesses its receivables at the balance sheet date for objective evidence that an impairment loss has been incurred.

The amount of the loss is the difference between.

- The asset's carrying amount, and
- The present value of estimated future cash flows (discounted at the asset's original or variable effective interest rate)

The amount of the impairment loss is recognised immediately through the income statement and a corresponding reduction in the value of the financial assets is recognised through the use of an allowance account.

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

1. Significant accounting policies (continued)

(g) Critical judgements

The company makes estimates and assumptions that affect the reported assets and liabilities. Estimates and judgements are continually assessed and reviewed and are based on historical experience and reasonable expectations of future events.

The loan portfolio is reviewed on a continuous basis to assess impairment. In determining whether a bad debt should be recorded, judgements are made as to whether there is objective evidence that a financial asset or portfolio of financial assets is impaired as a result of loss of events that occurred after recognition of the asset and prior to the balance sheet date.

2. Segmental reporting

Profit before taxation is attributable to two activities within the United Kingdom:

- the holding of investments, representing dividend income and interest receivable
- income from Finance lease activity

3. Profit before taxation

Auditors' remuneration and other expenses are paid by The Co-operative Bank plc, the immediate parent undertaking.

No directors' remuneration was paid during the year (2005: £NIL).

The company has no employees.

4. Income tax expense

a. Analysis of charge in period

	2006 £'000	2005 £'000
UK Corporation Tax on profits for the year	51	53
Total current tax	<u>51</u>	<u>53</u>
Origination and reversal of timing differences (note 8)	(8)	5
Total deferred tax	<u>(8)</u>	<u>5</u>
Income tax expense	<u>43</u>	<u>58</u>

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

4. Income tax expense (continued)

b. Factors affecting tax charge for period

The actual tax charge for the year differs from that calculated using the standard rate of corporate tax in the UK. The differences are explained below

	2006 £'000	2005 £'000
Profit before tax	534	551
Tax calculated at tax rate of 30% (2005 30%)	160	165
Effects of		
Depreciation of expenditure not qualifying for capital allowances	(18)	(8)
UK dividend received	(99)	(99)
Income tax expense for the year	43	58

5. Dividends

	2006 £'000	2005 £'000
Dividend on ordinary shares of 32.85p per share (2005 32.85p per share)	329	329

Dividends were payable as follows

	2006 £'000	2005 £'000
Final 2005 dividend proposed by directors after Balance Sheet date		
28.47p per ordinary share (2004 28.47p)	285	285
Interim 2006 dividend paid		
4.38p per ordinary share (2005 4.38p)	44	44
Total dividends	329	329

No income tax consequences exist on dividend payments

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

6. Investments

	2006 £'000	2005 £'000
Gilts	-	51
Investment in subsidiary undertakings	4,614	4,614
	<u>4,614</u>	<u>4,665</u>

The fair value of gilts at 13 January 2007 was £NIL (2005: £52,680)

The company's investment in subsidiary undertakings comprises the following at cost less any permanent diminution in value

	2006 £	2005 £
<u>Unity Trust Bank plc</u>		
2,405,000 "B" £1 shares	2,405,000	2,405,000
1,975,000 "C" £1 shares	2,000,000	2,000,000
	<u>4,405,000</u>	<u>4,405,000</u>
 <u>Haydn Evans Construction (South Wales) Ltd</u>		
100 £1 ordinary shares	100	100
 <u>Cambrian Care Limited</u>		
510,000 £1 ordinary shares	510,000	510,000
Permanent diminution in value	(301,150)	(301,150)
	<u>208,850</u>	<u>208,850</u>
 Total investment in subsidiaries	<u>4,613,950</u>	<u>4,613,950</u>

All the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales

At 13 January 2007, Co-operative Commercial Limited held 27% (2005 27%) of the total issued equity of Unity Trust Bank plc, 100% of the issued capital of Haydn Evans Construction (South Wales) Ltd (2005 100%) and 100% of the issued capital of Cambrian Care Ltd (2005 100%)

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

6. Investments (continued)

Unity Trust Bank plc is considered to be a subsidiary of Co-operative Commercial Limited, on the basis that the latter controls the composition of its board. The financial year end of Unity Trust Bank plc is 31 December.

A provision exists against the value of the investment in Cambrian Care Limited to reflect the net asset value of that company.

In the opinion of the directors, the aggregate value of the shares in the subsidiary undertakings is not less than the amount at which the aggregate investment is stated in the balance sheet.

7. Receivables

	Amounts falling due no later than 1 year £'000	Amounts falling due later than 1 year and no later than 5 years £'000	Amounts falling due later than 5 years £'000	Total £'000
2006				
Gross investment in finance leases receivable	470	1,803	7,305	9,578
Unearned future finance income on finance leases	(435)	(1,733)	(4,049)	(6,217)
Net investment in finance leases	35	70	3,256	3,361
Other receivables	-	-	-	-
Total	35	70	3,256	3,361
2005				
Gross investment in finance leases receivable	356	1,356	8,276	9,988
Unearned future finance income on finance leases	(434)	(1,307)	(4,741)	(6,482)
Net investment in finance leases	(78)	49	3,535	3,506
Other receivables	1	-	-	1
Total	(77)	49	3,535	3,507

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

8. Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2005 30%) The movement on the deferred tax account is as follows

	2006 £'000	2005 £'000
At the beginning of the year	297	292
Income statement net movement (note 4)	(8)	5
At the end of the year	<u>289</u>	<u>297</u>

Deferred tax comprises capital allowances on assets leased to customers

9. Payables: Amounts falling due in under one year

	2006 £'000	2005 £'000
Due to immediate holding company	4,700	5,058
Corporation tax creditor	51	43
	<u>4,751</u>	<u>5,101</u>

The amounts due to immediate holding company are comprised of

	2006 £'000	2005 £'000
Payable	5,931	6,002
Cash	(1,231)	(944)
	<u>4,700</u>	<u>5,058</u>

Further analysis of transactions between the company and The Co-operative Bank plc is provided in note 14

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

10. Share capital

	2006 £'000	2005 £'000
<u>Authorised, Allotted and Fully Paid</u>		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

11. Reserves and retained earnings

	Retained Earnings £'000	Other £'000	Total £'000
At the beginning of the year	1,773	1	1,774
Net profit for year	491	-	491
Net losses from changes in fair value of gilts, net of tax	-	(1)	(1)
Dividends (see note 5)	(329)	-	(329)
At 13 January 2007	<u>1,935</u>	<u>-</u>	<u>1,935</u>

12. Statement of changes in equity

	2006 £'000	2005 £'000
At the beginning of the year	2,774	2,611
Total recognised income and expense for the year	490	492
Dividends (see note 5)	(329)	(329)
At the end of the year	<u>2,935</u>	<u>2,774</u>

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

13. Cash and cash equivalents

	2006 £'000	2005 £'000
Cash	<u>1,231</u>	<u>944</u>

14. Related party transactions

The company is a wholly owned subsidiary of The Co-operative Bank p l c , a company incorporated in Great Britain. Its financial statements are available from 1 Balloon Street, Manchester, M60 4EP

The ultimate holding organisation is Co-operative Group (CWS) Limited, which is incorporated in Great Britain and under The Industrial and Provident Societies Acts 1965 to 1978 Its financial statements are available from New Century House, Manchester, M60 4ES

A number of banking transactions are entered into with The Co-operative Bank p l c in the normal course of business The volumes of related party transactions, outstanding balances at the year-end, and relating income and expense for the year are as follows

	2006 £'000	2005 £'000
Loans outstanding at the beginning of the year	5,058	5,385
Interest expense	116	132
Management charges	2	2
Net payments made during the year	<u>(476)</u>	<u>(461)</u>
Loans outstanding at the end of the year	<u>4,700</u>	<u>5,058</u>

CO-OPERATIVE COMMERCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 13 JANUARY 2007

15. Risk Management

Credit Risk and Bank Policy

Credit risk assessments on the provision of leasing facilities follow the basic canons of lending, i.e. consideration must be given to

- a) The integrity and reliability of the lessee
- b) The duration and amount of the transaction
- c) The lessee's ability to repay
- d) The security

Security of Assets

In most cases the security for the expenditure on the asset purchase is the asset itself. It is not a prerequisite that security is limited to the asset only, other security may frequently be taken particularly guarantees and/or bank securities. All security documents are referred to and approved by external solicitors where applicable and a record kept of all lease contracts approved by them.

Interest Rate Risk and Liquidity

Margins are preserved for long term fixed rate business by obtaining fixed rate funding from the parent company. This also applies to variable rate leases where short term variable rate funding is also obtained from the parent company.

Fair Values of Financial Assets and Liabilities

Any fair value gain or loss is matched by a gain or loss in the parent company.