

Co-operative Commercial Limited
Directors' report and financial statements
for the year ended 31 December 2015

Registered Number: 00954488



Co-operative Commercial Limited

Content

| | |
|--|----|
| Directors and advisors | 1 |
| Strategic Report for the year ended 31 December 2015 | 2 |
| Directors' report for the year ended 31 December 2015 | 3 |
| Independent auditor's report to the members of Co-operative Commercial Limited | 5 |
| Statement of comprehensive income for the year ended 31 December 2015 | 7 |
| Statement of financial position as at 31 December 2015 | 8 |
| Statement of changes in equity for the year ended 31 December 2015 | 9 |
| Statement of cash flows for the year ended 31 December 2015 | 10 |
| Statement of accounting policies for the year ended 31 December 2015 | 11 |
| Notes to the financial statements for the year ended 31 December 2015 | 15 |

Co-operative Commercial Limited

Directors and advisors

Directors

D Mundy

C L Gosling (resigned 20 July 2015)

A J W Lillie (appointed 31 March 2015)

R J Adnett (appointed 20 August 2015)

I Chadwick (appointed 20 August 2015)

Secretary

B McKeown (resigned 30 March 2015)

D C Whitehead (appointed 30 March 2015)

Independent auditor

Ernst & Young LLP

25 Churchill Place

Canary Wharf

London

E14 5EY

Registered office

PO Box 101

1 Balloon Street

Manchester

United Kingdom

M60 4EP

Registered number

00954488

Co-operative Commercial Limited

Strategic report for the year ended 31 December 2015

Principal Activities

The principal activity of Co-operative Commercial Limited (the Company) is that of holding investments and the provision of finance through the leasing of buildings and capital equipment to private companies and public sector organisations for periods up to 25 years. The Company is a wholly owned subsidiary of The Co-operative Bank plc (the 'Bank').

Business Review

The Company continues to earn finance lease interest from leasing of buildings and capital equipment. There were no leases entered into or disposed of during the year (2014: nil).

The Company earns interest based on the net of cash and cash equivalents and on amounts due to its parent undertaking.

During the year the Company disposed of 20% of its investment in Unity Trust Bank plc. The Company continues to hold a 6.75% investment. See further detail in note 7 investments in group undertakings.

Business Environment

As set out more fully in the statement of accounting policies, these financial statements have been prepared under the current International Financial Reporting Standards (IFRS) framework, as endorsed by the European Union (EU). All financial information given in this report is taken solely from the statutory results prepared on the above basis.

Strategy and Future Outlook

The directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance.

Consequently, after making enquiries, the directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements. See further detail in the Basis of preparation and Going concern paragraphs on page 11.

Principal Risks and Uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Bank and are not managed separately. Accordingly, the principal risks and uncertainties of the Bank, which include those of the Company, are discussed within the Bank's annual report which does not form part of this report.

Key performance indicators (KPIs)

The directors of the Bank manage the operations of the group as a whole. The key performance indicators of the Bank, which includes this Company, are discussed within the Bank's annual report, which does not form part of this report.

Approved by the Board of Directors on

Signed on behalf of the Board

Signed:



Director D MUNDY

Date: 30 SEPTEMBER 2016

Co-operative Commercial Limited

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of Co-operative Commercial Limited (Registered Company No. 00954488) for the year ended 31 December 2015.

Results

The profit for the financial year, after tax, amounted to £3,603,193 (2014: £267,214). Net assets at the balance sheet date amounted to £7,899,566 (2014: £4,296,373).

Dividends

No dividend was paid during the current year (2014: £nil). An interim dividend was announced by Unity Trust Bank Plc of which £11,070 is due to be paid to the Company (2014: £81,154).

Likely future developments

The future developments of the Company are dealt with in the Strategic Report on page 2 of the financial statements.

Employees

The Company no employees during the year (2014: nil).

Directors' details

The directors of the Company during the year were:

D Mundy

C L Gosling (resigned 20 July 2015)

A J W Lillie (appointed 31 March 2015)

R J Adnett (appointed 20 August 2015)

I Chadwick (appointed 20 August 2015)

No director had any beneficial interest in the share capital of the Company or any other company of the group at any time during the period under review.

Insurance and Indemnities

During 2015 the Company maintained appropriate Directors' liability insurance in respect of legal action against its Directors. In addition, qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in operation during the 2015 financial year and are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur in connection with their appointment. The cost has been borne by the Bank.

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the strategic report, 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 IFRS as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with IFRS 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.

Co-operative Commercial Limited

Directors' report for the year ended 31 December 2015 (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Statement on disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The auditors, Ernst & Young LLP are deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

On behalf of the Board

Signed:



Director D MUNDY

Date: 30 SEPTEMBER 2016

Co-operative Commercial Limited

Independent auditor's report to the members of Co-operative Commercial Limited

We have audited the financial statements of Co-operative Commercial Limited for the year ended 31 December 2015 set out on pages 7 to 21 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, Statement of Cash Flows, Accounting Policies and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and the strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Co-operative Commercial Limited

Independent auditor's report to the members of Co-operative Commercial Limited (continued)

Emphasis of Matter

In forming our opinion on the financial statements, which is unmodified, we have considered the adequacy of the disclosures made in the Basis of preparation note of the financial statements on page 11 concerning the Company's ability to continue as a Going Concern. In that section the Directors set out the risks associated with the successful execution of the 2016–2020 updated Strategic Plan (the Bank's Updated Plan) of the parent undertaking, The Co-operative Bank plc. These matters represent a material uncertainty which may cast significant doubt upon the Company's ability to continue as a Going Concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a Going Concern.

Signed: Ernst & Young LLP

Date: 30 SEPTEMBER 2016

Steven Robb (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Co-operative Commercial Limited

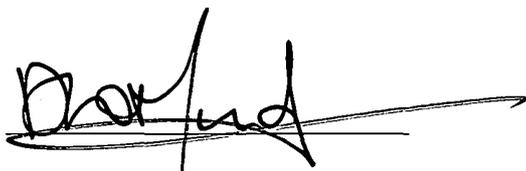
Statement of financial position as at 31 December 2015

| | Notes | 2015 £ | 2014 £ |
|-------------------------------------|-------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Investments in group undertakings | 7 | 2,177,661 | 4,613,950 |
| Finance lease receivables | 8 | 894,520 | 1,052,186 |
| Current assets | | | |
| Cash and cash equivalents | 6 | 11,287,673 | 4,896,299 |
| Finance lease receivables | 8 | 50,541 | 145,942 |
| Other receivables | 9 | 11,070 | - |
| Total assets | | 14,421,465 | 10,708,377 |
| Liabilities | | | |
| Current liabilities | | | |
| Amounts due to group undertakings | 10 | 5,962,296 | 5,956,372 |
| Group relief payable | | 303,196 | 214,936 |
| Non-current liabilities | | | |
| Deferred tax | 5 | 256,407 | 240,696 |
| Total liabilities | | 6,521,899 | 6,412,004 |
| Equity | | | |
| Called-up share capital | 11 | 1,000,000 | 1,000,000 |
| Retained earnings | | 6,899,566 | 3,296,373 |
| Total equity and liabilities | | 14,421,465 | 10,708,377 |

The accounting policies and notes on pages 11 to 21 form part of these financial statements.

Approved by the Board of Directors on 30 SEPTEMBER 2016 and signed on its behalf by:

Signed:



Director D MUNDY

Registered Company Number 00954488

Co-operative Commercial Limited

Statement of comprehensive income for the year ended 31 December 2015

| | Notes | 2015 £ | 2014 £ |
|---|-------|------------------|----------------|
| Gain on sale of shares held in Unity Trust Bank plc | | 3,404,751 | - |
| Finance lease income | 3 | 221,045 | 183,102 |
| Interest income | 4 | 100,682 | 73,544 |
| Investment income | 12 | 11,070 | 81,154 |
| Operating income | | 3,737,548 | 337,800 |
| Administrative expenses | 1 | (30,384) | (6,280) |
| Profit before taxation | | 3,707,164 | 331,520 |
| Taxation | 5 | (103,971) | (64,306) |
| Profit attributable to equity holders | | 3,603,193 | 267,214 |

Profit is derived from continuing operations and all activities are in the UK.

A gain on sale of £3.4m as stated in the statement of comprehensive income above was recognised in 2015 as a result of the sale of 20% of the company's shareholding in Unity Trust Bank Plc. Proceeds of £5.9m were received in relation to the disposal of the shareholding.

The accounting policies and notes on pages 11 to 21 form part of these financial statements.

Co-operative Commercial Limited

Statement of changes in equity for the year ended 31 December 2015

| Year ended 31 December 2015 | Notes | Share capital £ | Retained earnings £ | Total £ |
|---------------------------------------|--------------|---------------------------|-------------------------------|-------------------|
| Balance at the beginning of the year | | 1,000,000 | 3,296,373 | 4,296,373 |
| Profit for the year | | - | 3,603,193 | 3,603,193 |
| Dividends | | - | - | - |
| Balance at the end of the year | | 1,000,000 | 6,899,566 | 7,899,566 |

| Year ended 31 December 2014 | | Share capital £ | Retained earnings £ | Total £ |
|---------------------------------------|--|---------------------------|-------------------------------|-------------------|
| Balance at the beginning of the year | | 1,000,000 | 3,110,313 | 4,110,313 |
| Profit for the year | | - | 267,214 | 267,214 |
| Dividends | | - | (81,154) | (81,154) |
| Balance at the end of the year | | 1,000,000 | 3,296,373 | 4,296,373 |

The accounting policies and notes on pages 11 to 21 form part of these financial statements.

Co-operative Commercial Limited

Statement of cash flows for the year ended 31 December 2015

| | Notes | 2015 £ | 2014 £ |
|---|-------|-------------------|-----------|
| Net cash flows from operating activities | 13 | 438,581 | 536,797 |
| Net cash flows from investing activities | | | |
| Dividend income | | 11,070 | 81,154 |
| Investments in group undertakings | | 2,436,290 | - |
| Proceeds from sale of investment | | 3,404,751 | - |
| Net cash flows from financing activities | | | |
| Interest income | | 100,682 | 73,544 |
| Dividends paid | | - | (81,154) |
| Net increase in cash and cash equivalents | | 6,391,374 | 610,341 |
| Cash and cash equivalents at the beginning of the year | | 4,896,299 | 4,285,958 |
| Cash and cash equivalents at the end of the year | 6 | 11,287,673 | 4,896,299 |

The accounting policies and notes on pages 11 to 21 form part of these financial statements

Co-operative Commercial Limited

Statement of accounting policies for the year ended 31 December 2015

Basis of preparation

Co-operative Commercial Limited is a limited liability company, incorporated and domiciled in England.

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

The Company is required to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and implemented in the UK, interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and with those parts of the Companies Act 2006 applicable to organisations reporting under IFRS.

Going concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2015, the Company had intercompany funding of £6.0m (2014: £6.0m) from its ultimate parent undertaking, the Bank and fellow subsidiaries. The Bank also holds a cash balance of £11.3m (2014: £4.9m) on behalf of the Company. The Basis of preparation note to the Bank's financial statements sets out the risks associated with the successful execution of the Bank's Updated plan. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern. In the event the Bank does not continue as a going concern, the Bank is likely to seek to accelerate the recovery of the intercompany funding, which would affect the Company's ability to continue as a going concern. Relevant extracts from the Bank's financial statements regarding this matter are described in the paragraphs that follow.

In line with provision C1.3 of the 2014 UK Corporate Governance Code, the Directors consider it appropriate to adopt the Going Concern basis of preparing the financial statements but note that material uncertainties exist and thus have looked to identify and disclose those material uncertainties and any other necessary disclosures to give a true and fair view. The Directors have a reasonable expectation that the Bank will continue to have the necessary resources to continue in business for the foreseeable future, taking into account the matters referred to below.

When considering the Going Concern status of the Bank, the Directors have referenced appendix A of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014, which explicitly covers the going concern basis of accounting and material uncertainties.

The assessment of the appropriateness of the Going Concern basis of accounting for the Bank's Annual Report and Accounts has been subject to a thorough process involving analysis and discussion by management, Executive and Board Committees and the Board, in line with our governance process and discussions with the Bank regulators. This analysis included a particular focus on the 12 month period following the date of publication of the financial statements.

The Directors have assessed the Going Concern status using a framework focusing on the Bank's capital, liquidity and regulatory position, as outlined in detail within the Bank's 2016-2020 Strategic Plan (the Bank's Updated Plan), which has been approved by the Bank's Board and has been accepted by the Bank's regulators.

The directors of the Company have concluded that risks set out above in connection with the Bank's plan, and the consequential risks associated with the intercompany funding from the Bank, represent a material uncertainty which may cast doubt upon the Company's ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the current forecasts of the Bank, and taking into account the material uncertainty described above, the directors have a reasonable expectation that the Company will have adequate resources to continue in business over this period. For these reasons, they continue to adopt the going concern basis in preparing these financial statements. These financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Co-operative Commercial Limited

Statement of accounting policies for the year ended 31 December 2015 (continued)

Standards and interpretation in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, not yet adopted by the EU.

- IFRS 9 (Financial Instruments (2014))

This standard was issued in July 2014 and supersedes IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. The standard also supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). The standard is mandatory for years beginning on or after 1 January 2018 but is available for early adoption subject to EU endorsement.

- IFRS 15 (Revenue from Contracts with Customers (2014))

This standard was issued in May 2014 and is a converged standard from the IASB and FASB on revenue recognition. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. This standard supersedes IAS 18 (Revenue) and a number of revenue interpretations.

The standard will be effective for annual reporting years beginning on or after 1 January 2018 subject to EU endorsement. The impact to the Bank of the amendments is likely to be immaterial as income from IAS 39 financial instruments is outside the scope of IFRS 15. However, the Company has not yet finalised its estimation of the financial effects.

- Amendments to IAS 1 (Presentation of Financial Statements)

The narrow-focus amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1. The impact to the Company of the amendments is likely to be immaterial.

Other standards and interpretations have been issued but these are not considered to be relevant to the Company's operations.

The Company intends complying with the standards from the date they become effective.

Co-operative Commercial Limited

Statement of accounting policies for the year ended 31 December 2015 (continued)

Significant accounting policies

Consolidation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company has elected not to present consolidated financial statements as it is itself a wholly owned subsidiary of The Co-operative Bank plc and its results are consolidated within that company.

Functional and presentational currencies

The financial statements are presented in Sterling, which is the Company's functional currency (i.e. the primary currency in which it transacts business) and its presentational currency.

Finance leases

Leases where the Company transfers substantially all the risks and rewards of ownership are classified as finance leases and are included within finance lease receivables. Assets leased to customers are deemed to be finance leases 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 and instalment credit agreements is credited to the income statement based on a pattern reflecting a constant periodic rate of the net investment in the lease. Initial direct costs incurred in arranging the lease are included in the initial measurement of the finance lease receivable and are recognised over the lease term.

Impairment

Impairment is assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant.

Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired. This may be after a principal payment is missed.

The recoverable amount of finance lease receivables carried at amortised cost is calculated as the present value of future cash flows, discounted at the original effective interest rate in the lease.

If impaired, the carrying value is adjusted and the difference charged to the Statement of comprehensive income.

The reversal of an impairment loss for an asset is recognised immediately in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Income from Investments

Income from investments includes dividend income which is recognised in the statement of comprehensive income when the right to receive payment is established.

Income Tax

Tax on the profit for the year comprises current tax and movements in deferred tax.

Current tax

The expected tax payable on the results for the year is called current tax. It is calculated using the tax rates in force during the reporting period. The current tax charge includes adjustments to tax payable in prior periods.

Co-operative Commercial Limited

Statement of accounting policies for the year ended 31 December 2015 (continued)

Deferred tax

Deferred tax is provided in full using the liability method where there are temporary differences between the carrying value of assets and liabilities for accounting and for tax purposes.

Deferred tax is calculated using the tax rates that are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. Deferred tax assets are only recognised as an asset where it is probable that there will be future taxable profits against which to offset them.

Movements in deferred tax are recognised in the Statement of comprehensive income.

Investments in group undertakings

Investments in group undertakings are initially measured at fair value, which equates to cost, and subsequently valued at cost less impairment.

Cash and cash equivalents

Cash equivalents consist of cash held on behalf of the Company, by the Bank.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of comprehensive income.

Other financial assets and liabilities

Other financial assets and liabilities are recognised on an amortised cost basis.

Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment

The most significant area of estimation uncertainty is the assessment of impairment. The Company assesses its leasing portfolio at the balance sheet date for evidence of impairment. In determining whether impairment provisions should be recorded, judgements are made as to whether there is objective evidence that the financial asset is impaired as a result of loss events that occurred after recognition of the asset and prior to the balance sheet date. No impairment provisions were recorded in the year (2014: £nil).

Risk Management

Credit risk

Credit risk is the risk of financial loss from counterparty's failure to settle financial obligations as they fall due. Credit exposures arise on cash and cash equivalents, which are held with the ultimate parent undertaking, The Co-operative Bank plc. These amounts are repayable on demand. As disclosed in the Bank's Annual Report, there is a material uncertainty around the going concern status of that entity. The directors have taken this into consideration when assessing credit risk and are satisfied that this asset remains recoverable at year end.

Interest rate risk and liquidity

Margins are preserved for long term fixed rate business by obtaining fixed rate funding from the parent undertaking. This also applies to variable rate leases where short term variable rate funding is also obtained from the parent undertaking. Profit sensitivity to interest rate movements is therefore mitigated.

Fair values

No fair value assumptions are made in the valuation of assets and liabilities in the financial statements. All financial assets and liabilities are held at amortised cost and their fair value equates to carrying value.

Co-operative Commercial Limited

Notes to the financial statements for the year ended 31 December 2015

1 Profit before taxation

Profit on ordinary activities before taxation is stated after charging:

| | 2015 | 2014 |
|-------------------------|--------|-------|
| | £ | £ |
| Administrative expenses | 30,384 | 6,280 |

Administrative expenses include a management charge for the services provided by the Company's parent undertaking. Auditor's remuneration of £10,000 (2014: £4,806) for the audit of these financial statements was borne by the parent undertaking.

During the year, the Bank's management reassessed the method in which the management expenses were apportioned to its subsidiary companies. This amendment constituted a change in accounting estimate which was applied in the year.

2 Directors' emoluments

The directors received emoluments from The Co-operative Bank plc for services rendered to all companies in the Group. However, these are not apportioned to the individual companies.

At 31 December 2015, four directors of Co-operative Commercial Limited had benefits accruing under The Co-operative Group pension schemes (2014: two). Particulars of the latest actuarial valuation of the Group pension scheme are disclosed in the accounts of the Bank.

The Company had no employees during the year (2014: nil).

3 Finance lease income

| | 2015 | 2014 |
|-------------------------------|---------|---------|
| | £ | £ |
| Finance lease interest income | 221,045 | 183,102 |

4 Interest income and similar charges

| | 2015 | 2014 |
|-------------------------------|---------|--------|
| | £ | £ |
| Interest income from the Bank | 100,682 | 73,544 |

Co-operative Commercial Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

5 Taxation

| | 2015 £ | 2014 £ |
|---|----------------|---------------|
| UK tax at 20.25% (2014: 21.49%) | | |
| Current tax | | |
| Current year charge | 88,260 | 53,866 |
| Total corporation tax | 88,260 | 53,866 |
| Deferred tax | | |
| Current year | 15,711 | 16,640 |
| Adjustments in respect of prior periods | - | (6,200) |
| | 103,971 | 64,306 |

Factors affecting tax charge for the year

The average effective rate of corporation tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

| | 2015 £ | 2014 £ |
|---|----------------|---------------|
| Profit on ordinary activities before tax | 3,707,164 | 331,520 |
| Profit before tax multiplied by standard rate of tax | 750,574 | 71,254 |
| Effects of: | | |
| Depreciation on expenditure not qualifying for capital allowances | 48,462 | 17,937 |
| Impact of effective rate on deferred tax movements | (3,479) | (1,242) |
| Adjustments in respect of prior periods | - | (6,200) |
| UK Dividend received | (2,241) | (17,443) |
| Non-taxable profit on disposal of shares in Unity Trust Bank Plc | (689,345) | - |
| | 103,971 | 64,306 |

The recognised deferred tax includes the following amounts:

| | 2015 £ | 2014 £ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 256,407 | 240,696 |

The reconciliation of opening and closing deferred tax liability is shown below:

| | 2015 £ | 2014 £ |
|--|----------------|----------------|
| At 1 January | 240,696 | 230,256 |
| Deferred tax credit to the statement of comprehensive income | 15,711 | 10,440 |
| At 31 December | 256,407 | 240,696 |

Co-operative Commercial Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

Effective from 1 April 2015, the standard rate of UK corporation tax ("the tax rate") will reduce from 21% to 20%. Further reductions in the tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 18 November 2015. However, on 16 March 2016, the Chancellor of the Exchequer announced that the tax rate effective from 1 April 2020 would now be 17%.

6 Cash and cash equivalents

| | 2015 £ | 2014 £ |
|---------------------------|------------|-----------|
| Cash and cash equivalents | 11,287,673 | 4,896,299 |

Cash and cash equivalents consist of cash held by the Bank on behalf of the Company.

7 Investments in group undertakings

| | 2015 £ | 2014 £ |
|-----------------------------------|-----------|-----------|
| Investments in group undertakings | 2,177,661 | 4,613,948 |

The Company's investments in group undertakings comprise the following at cost less any permanent diminution in value:

| | 2015 £ | 2014 £ |
|--|-----------|-----------|
| Unity Trust Bank plc | | |
| 2,405,000 £1 'B' shares | - | 2,405,000 |
| 1,975,000 £1 'C' shares | - | 2,000,000 |
| Ordinary shares | 1,959,751 | - |
| | 1,959,751 | 4,405,000 |
| Haydn Evans Construction (South Wales) Limited | | |
| 100 £1 ordinary shares | 100 | 100 |
| | 100 | 100 |
| Cambrian Care Limited | | |
| 509,999 £1 ordinary shares | 509,999 | 509,999 |
| Permanent diminution in value | (292,189) | (301,151) |
| | 217,810 | 208,848 |
| Total investment in group undertakings | 2,177,661 | 4,613,948 |

At General Meetings on the 14 December 2015, resolutions were passed to re-designate the Unity Trust Bank share capital from 'B' and 'C' share classes to a single class of ordinary shares. Value of the remaining 6.75% shareholding has been calculated on a proportionate basis of the sales proceeds.

Co-operative Commercial Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

All the group undertakings are incorporated in Great Britain and registered in England and Wales. At the balance sheet date, Co-operative Commercial Limited held 6.75% (2014: 26.75%) of the issued share capital of Unity Trust Bank plc, 100% (2014: 100%) of the issued share capital of Haydn Evans Construction (South Wales) Limited and 100% (2014: 100%) of the issued share capital of Cambrian Care Limited.

Cambrian Care Limited is considered to be a subsidiary of Co-operative Commercial Limited, on the basis that the latter owns 509,999 shares of the 510,000 shares in issue. The Bank owns the remaining 1 share of the 510,000 shares in issue.

The value of the investment in Cambrian Care Limited has been impaired to reflect the net asset value of that Company.

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

8 Finance lease and other receivables

| For the year ended 31 December 2015 | Amounts falling due no later than 1 year £ | Amounts falling due later than 1 year and no later than 5 years £ | Amounts falling due after 5 years £ | Total £ |
|--|---|---|--|----------------|
| Gross investments in finance lease receivables | 428,069 | 1,166,905 | - | 1,594,974 |
| Unearned future finance income on finance leases | (377,528) | (272,385) | - | (649,913) |
| Net investment in finance leases | 50,541 | 894,520 | - | 945,061 |

| For the year ended 31 December 2014 | Amounts falling due no later than 1 year £ | Amounts falling due later than 1 year and no later than 5 years £ | Amounts falling due after 5 years £ | Total £ |
|--|---|---|--|------------------|
| Gross investments in finance lease receivables | 537,648 | 1,703,188 | - | 2,240,836 |
| Unearned future finance income on finance leases | (391,706) | (651,002) | - | (1,042,708) |
| Net investment in finance leases | 145,942 | 1,052,186 | - | 1,198,128 |

The unguaranteed residual value is £nil (2014: £nil). No new equipment was leased in the period (2014: nil). At the balance sheet date, there were impaired assets of £nil (2014: £nil) with associated provisions of £nil (2014: £nil).

Co-operative Commercial Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

9 Other receivables

| | 2015 | 2014 |
|-------------------|--------|------|
| | £ | £ |
| Other receivables | 11,070 | - |

Other receivables relates to a dividend income receivable relating to the Company's investment in Unity Trust Bank Plc.

10 Amounts due to group undertakings

| | 2015 | 2014 |
|----------------------------------|-----------|-----------|
| | £ | £ |
| Corporation tax creditor | - | 2,555,167 |
| Intercompany loan payable | 5,962,296 | 3,401,205 |
| Amount due to group undertakings | 5,962,296 | 5,956,372 |

The parent undertaking, the Bank, requires that the loan be repayable on demand. The Company receives interest based on the net of cash and cash equivalents and amounts due to parent undertaking. Of the intercompany balance stated above £217k relates to Cambrian Care Limited.

11 Called-up share capital

| | 2015 | 2014 |
|---------------------------------|-----------|-----------|
| | £ | £ |
| Issued and fully paid | | |
| 1,000,000 ordinary shares of £1 | 1,000,000 | 1,000,000 |

Each shareholder has one vote per share.

12 Investment income

| | 2015 | 2014 |
|---------------------------------------|--------|--------|
| | £ | £ |
| Dividend income on ordinary £1 shares | 11,070 | 81,154 |

The investment income relates to dividends declared from the Company's investment in Unity Trust Bank plc.

Co-operative Commercial Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

13 Reconciliation of operating profit to net cash flows from operating activities

| | 2015 £ | 2014 £ |
|--|----------------|----------------|
| Profit before tax | 3,707,164 | 331,520 |
| Cash flows from operating activities before changes in operating assets and liabilities: | | |
| Adjustment for: | | |
| Interest income | (100,682) | (73,544) |
| Dividend income | (11,070) | (81,154) |
| Proceeds from the disposal of investments | (3,404,751) | - |
| Net decrease in finance lease receivables | 253,067 | 396,701 |
| Net increase/(decrease) in amounts due to group undertakings | 5,923 | (36,726) |
| Net increase in other receivables | (11,070) | - |
| Net cash flows from operating activities | 438,581 | 536,797 |

14 Ultimate parent undertaking and controlling entity

The Company is a wholly owned subsidiary of the Bank, which is incorporated in Great Britain and registered in England and Wales.

As at 31 December 2015, the directors regard the Bank as the ultimate parent Company. The largest group in which the results of the Company are consolidated is The Co-operative Bank plc, which is incorporated in England. The financial statements of this group are available from <http://www.co-operativebank.co.uk/investorrelations/financialresults> and from its registered office at 1 Balloon Street, Manchester, M60 4EP.

Co-operative Commercial Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

15 Related party transactions

The directors of the Company consider the Bank and its subsidiaries to be related parties of the Company. Transactions with the Bank and its subsidiaries are disclosed below:

Year Ended 31 December 2015

| | Interest income | Management charge | Dividends paid | Investment income | Group tax relief payable | Cash and cash equivalents | Amounts due to group undertakings |
|---------------------------|-----------------|-------------------|----------------|-------------------|--------------------------|---------------------------|-----------------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| The Co-Operative Bank Plc | 100,682 | (30,384) | - | 11,070 | 303,196 | 11,272,173 | (5,744,486) |
| Cambrian Care Limited | - | - | - | - | - | - | 217,810 |
| Total | 100,682 | (30,384) | - | 11,070 | 303,196 | 11,272,173 | (5,962,296) |

Year Ended 31 December 2014

| | | | | | | | |
|---------------------------|---------------|----------------|-----------------|---------------|----------------|------------------|--------------------|
| The Co-Operative Bank Plc | 73,544 | (6,280) | (81,154) | - | 214,936 | 4,869,299 | (5,956,372) |
| Unity Trust Bank plc | - | - | - | 81,154 | - | - | - |
| Total | 73,544 | (6,280) | (81,154) | 81,154 | 161,070 | 4,869,299 | (5,956,372) |

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

As discussed in note 7, as a result of the restructuring of the Company's shareholding in Unity Trust Bank, this entity is no longer a related party and recognised as an equity investment only.

16 Post balance sheet events

On 10 June 2016 a £999,999 share capital reduction was undertaken in addition to a dividend payment to the Bank, the ultimate parent company, of £7,850,000 on 29 June 2016.