

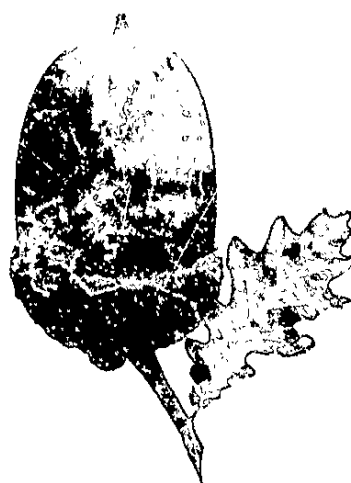
*The COOPERATIVE BANK*

ANNUAL REPORT  
AND FINANCIAL STATEMENTS

1993

201-201-914

Can a bank influence the future of the  
planet?



## **Our Ethical Policy**

THE BANK'S POSITION IS THAT

**It will not invest** in or supply financial services to any regime or organisation which oppresses the human spirit, takes away the rights of individuals or manufactures any instrument of torture.

**It will not finance** or in any way facilitate the manufacture or sale of weapons to any country which has an oppressive regime.

**It will not invest** in any business involved in animal experimentation for cosmetic purposes.

**It will not support** any person or company using exploitative factory farming methods.

**It will not engage** in business with any farm or other organisation engaged in the production of animal fur.

**It will not support** any organisation involved in blood sports, which it defines as sports which involve the training of animals to catch and destroy, or to fight and kill, other animals or birds.

**It will not provide** financial services to tobacco product manufacturers.

**It will try to ensure** its financial services are not exploited for the purposes of money laundering, drug trafficking or tax evasion by the continued application and development of its successful internal monitoring and control procedures.

**It will encourage** business customers to take a pro-active stance on the environmental impact of their own activities.

**It will actively** seek out individuals, commercial enterprises and non-commercial organisations which have a complementary ethical stance.

**It will continue** to extend and strengthen its Customer Charter, which has already established new standards of banking practice through adopting innovative procedures on status enquiries and customer confidentiality, ahead of any other British bank.

**It will regularly** re-appraise customers' views on these and other issues and develop its ethical stance accordingly.

**It will not speculate** against the pound using either its own money or that of its customers. It believes it is inappropriate for a British clearing bank to speculate against the British currency and the British economy using deposits provided by their British customers and at the expense of the British tax pay



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## **Contents**

Chairman's Overview	4-8
Annual Review	9-17
Board of Directors	20
Directors' Report	21-22
Consolidated Profit and Loss Account	23
Consolidated Balance Sheet	24-25
Balance Sheet	26-27
Consolidated Cash Flow Statement	28
Accounting Policies	29-30
Notes to the Financial Statements	31-40
Auditors' Report	41
Five Year Record	42
Branch Addresses	43

## Chairman's Overview



Chairman Tom Agar

THE CO-OPERATIVE BANK has reported a significant improvement in pre-tax profits whilst continuing its programme of investment spending on product innovation and enhanced customer service.

The fortunes of UK retail banks are, of course, inexorably linked to the state of the domestic economy. During 1992 the economy endured its third year in deep recession, characterised by escalating levels of unemployment and corporate failure, coupled with a depressed property market. As a result, consumer and corporate confidence has been severely damaged. The effective devaluation of Sterling and cuts in interest rates should hasten economic recovery but, as yet, there are no material signs of increased activity. The effect on the banking industry has been to suppress business volumes and create a persistently high level of bad debts.

Nevertheless, The Co-operative Bank Group has generated pre-tax profits of £10m in 1992, which are £16m higher than in 1991. The improvement in profitability arose from both higher operating profits (before bad debts) and lower bad debt provisions. Although bad debt provisions remained high, provisions in 1992 of £43m were £5m lower than for the prior year. Operating profits of £53m increased significantly by £11m, mainly due to higher revenues. This reflects a creditable performance in a universally depressed business climate.

Overall retail lending balances were reduced during 1992, reflecting lower customer demand and the application of more stringent credit criteria by the Bank. Nevertheless, net interest income increased, due to the change in business mix as the Bank focused on activities where it has specialised expertise and where its risk management skills would be most effective. Non interest income continued to exhibit solid growth, reflecting improved customer service, higher income from advisory services, insurance and Visa commission.

As a result revenues increased by 7% whereas expenses grew by 2% and profits before bad debts increased by 26%.

The Co-operative Bank  
 is a member of the  
 Co-operative Group  
 which has a long history  
 of providing services  
 to the community  
 and the environment.  
 The Co-operative Bank  
 is a member of the  
 Co-operative Group



The Bank has a diversified and well proportioned balance sheet. As a matter of prudence, it maintains a relatively high stock of liquid assets and securities which at year end totalled £1 billion representing 36% of balance sheet footings. The loan portfolio is well balanced between the corporate and personal sectors. Retail lending amounted to £1.5 billion with the corporate sector accounting for 60% and personal customers 40% of lending.

Customer deposits grew steadily throughout the year and are now at the same level as total customer lending. The Co-operative Bank is clearly respected as a safe haven for customer deposits. It is a long established bank with a Risk Asset Ratio exceeding 11% - one of the best among the clearing banks. As a UK domiciled institution, and one of only ten settlement banks that are at the core of the UK money markets, it is subject to extensive Bank of England regulation.



The Co-operative Bank has received a number of awards including the Fife Health Award for the Environment.

Throughout the recession, the Bank has increased its investment spending. In 1991, reorganisation costs of £6m were incurred and in 1992 there was significant expenditure to improve processing architecture, enhance customer service and develop innovative products. The Bank is carefully establishing a unique position in the market place and is clearly differentiating itself from its competitors.

Processing architecture was improved during 1992 by the consolidation of data centres, rationalisation of central London premises and the continuing programme of process re-engineering at the Account Management Centre following the transfer of account administration work from branches to the centre in 1991. The new telephone banking service, Armchair Banking, has just completed its first year of operation, providing services six days a week to personal customers. It handles 100,000 calls a week and is probably the largest in the UK.

Product innovation during 1992 was focused mainly on the development of Visa card products. The Delta payment card was introduced in September 1992. In December 1992 the "Robert Owen" credit card was announced to complement the successful Gold Card and the original Visa Classic card. Each card is designed to meet the spending and credit requirements of different customer segments. At present, the Bank has 1.4m cards on issue and is one of the largest issuers of gold cards in the UK.

With its roots in the Co-operative Movement it is not surprising that The Co-operative Bank was the first bank to launch a Customer Charter and to develop the quality of its customer service to embrace ethical principles. They arose from extensive research of customers' expectations of the conduct of their chosen bank and incorporate specific types of business in which the Bank will invest and specific areas it will positively avoid. The ethical statement was enhanced during the Sterling crisis in September 1992 when the Bank declared that it would not speculate against Sterling.

There is an increasing awareness of ethical issues in the UK and a broad

spectrum of customers and potential customers would prefer to bank with a financial institution which has developed its customer service to this level of awareness.

The Ethical Stance is consistent with customer perception of The Co-operative Bank and represents a clear point of differentiation from its competitors. In 1992 a medium-term communication plan was formulated and additional promotional expenditure was incurred, which included TV advertising.

#### **Board of Directors**

During the year, Sir Dennis Landau and Arthur Sykes retired from non executive positions on the Board. The Bank is grateful for their wise counsel over the years. Mick Firth, Gordon Younger and Michael Woodward were appointed executive directors, and David Skinner and Trevor Hughes joined the Board as non executive directors. The skills and experience of the new directors will make a valuable contribution to the Bank.

#### **Staff**

It has been a testing year for the staff. They have adjusted to and managed unprecedented changes as a result of new products, process re-engineering and new methods of customer service. They have also supported the particular needs of customers faced with difficulties as a result of the economic recession.

Three new Executive Directors were appointed during the year. They are (left to right) Michael Woodward, Mick Firth and Gordon Younger.






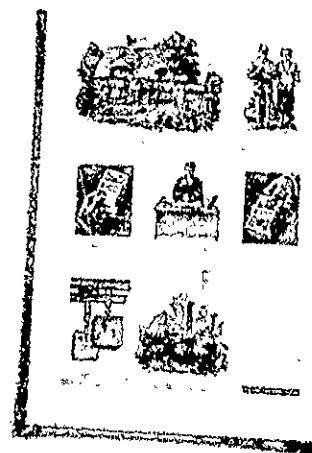
Their success has been reflected in the superior ratings awarded to the Bank in several surveys. The Board welcomes this opportunity to thank the staff for their loyalty and commitment.

**Conclusion**

The Co-operative Bank can doubtless implement change much faster than its larger competitors. The ability of the Bank and its sole equity shareholder, the Co-operative Wholesale Society Limited, to take a long-term view and to invest during this period of recession, will equip the Bank to pursue aggressively selective market share when economic revival commences.

During 1993, economic recovery will be mixed and there is little evidence of a resurgence in corporate or consumer activity. The UK retail banking industry will doubtless face another difficult year with depressed market conditions and a high level of bad debts. Nevertheless, The Co-operative Bank was able to grasp opportunities and significantly improve its profitability in 1992 and faces the challenge of 1993 with confidence.

  
Tom Agar



# Annual Review

## Focusing on customers

IN THE HIGHLY SOPHISTICATED financial services industry, the relationship between a bank and its customers is paramount. The Co-operative Bank's customer base falls into two distinct sectors—namely personal and corporate—and during the past year the Bank's structure has been reorganised in order to focus more carefully on the needs of each sector.

The Bank's Personal and Corporate Divisions are supported by four others which supply the necessary expertise and facilities to ensure the smooth running of the organisation. Group Finance and Transmissions Divisions, as well as providing important services to internal customers, have a direct interface with the external customer for specific services, while Group Development and Group Resources act solely as internal suppliers.

## Ethical banking

The ethical stance advertising which appeared in the national press and specialist media was hard hitting and thought provoking.

Ever since The Co-operative Bank was established by the UK Co-operative Movement in 1872, its ethical approach to business has set it apart. In May 1992 this stance was codified through our widely publicised ethical policy, stating clearly with whom the Bank will and will not conduct business.

Based on very positive feedback from the Bank's largest ever research programme, an ethical code was published stating that the Bank would not invest in or provide financial services to oppressive regimes, companies involved in the manufacture or supply of armaments to such regimes, tobacco manufacture, animal experimentation for cosmetics, exploitative factory farming, certain blood sports, production of animal fur or environmental pollution.

The Bank's refusal to speculate against the pound when Sterling reached crisis point on 16 September highlighted the role of ethics in banking. Then and now the Bank undertook to deal solely on behalf of customers with genuine international trading requirements.

A S H

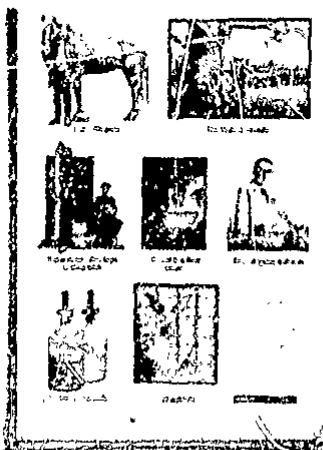


"ASH wholeheartedly welcomes the Bank's ethical stance on tobacco manufacture.

Hopefully this will encourage other companies to think a little more carefully

about their wider responsibilities."

Action on Smoking and Health





The Bank is dealing  
in green bonds.  
The Bank refused to  
speculate on part of the  
ground during the  
Floodgate crisis.



The Bank is using carbon  
credits to offset its  
own CO2 emissions. It is also  
using carbon credits to  
offset its own CO2 emissions.

The declaration of our ethical position was published as the second chapter of our Customer Charter, an initiative launched last year to hand back to our customers greater control over both their accounts and their money. The third chapter of the Charter was released in November 1992. It restated the Bank's commitment to providing customers with completely independent financial advice, unlike most financial institutions which are tied to a single insurance company.

An environmental audit was carried out by a team of specialist consultants in the early months of the year and following their report, an environmental policy and a plan for future action were drawn up. Environmental considerations are obviously taken into account when assessing potential business, as part of our ethical policy. The environmental policy will take this commitment further. Although the environmental impact of a bank's own operations is limited when compared to manufacturing or chemical industries, every effort is being made to promote the increased protection of the environment by all staff in our normal business activities.

Support for activities within the community continued with major contributions from staff throughout the Bank towards many local and national causes. Staff have run, abseiled, sung and parachuted their way to thousands of pounds of sponsorship money. Other staff initiatives have involved direct action, such as a campaign to release dolphins from captivity and one man's brave trip to deliver supplies to Croatia. A charity staff diary highlighting key charity events, and charity noticeboards in every branch to promote local activities, ensure continued community involvement.

The Co-operative Bank-sponsored Chair of Corporate Responsibility at Manchester Business School was filled in the autumn by Professor Brian Harvey. This is the first such appointment in the UK and one which it is hoped will continue to complement the Bank's own efforts in encouraging responsible corporate management.

**Personal**

**Sector**

Personal customers have benefited greatly from the removal last year of administrative tasks from branches to specialist centres which freed our branches for sales and service. This has been particularly important during a recessionary period when customers have especially needed the advice and support of our staff.

Our Armchair Banking service, launched in May 1991, is already the most widely used telephone banking operation in the UK, handling up to five million calls a year. The service is now available to more than one million personal customers and about half that figure use it regularly.

A team of 140 operators based at the Bank's Account Management Centre at Skelmersdale handles up to 20,000 calls a day, six days a week.

The Armchair Banking service allows customers to conduct almost all their banking from the comfort of their own home



THE BANK'S GOLD CARD, whose launch prompted a great response last year as the only free-for-life gold card, has also seen considerable growth. By the end of 1992 more than 165,000 Co-operative Bank Gold Cards had been issued, making the Bank possibly the number one gold card operator in the UK. The free-for-life offer, originally scheduled to cease in June 1992, was extended indefinitely, although the minimum salary requirement was raised from £20,000 to £30,000 in October.

Pathfinder, an innovative card-based savings account with highly competitive interest rates, has attracted many new customers and retail deposits—particularly from the newly acquired Gold Card base.

More than 70% of the Bank's current account customers were introduced to the ease of electronic current account banking when our Visa Delta Payment card was launched in August. The multi-function card is a debit card, ATM card and cheque guarantee card.

Openness and good communication with customers have always been important aspects of the Bank's philosophy. A newsletter for all personal customers, the first issue of which was published in November, will provide a vehicle for discussion of important changes in products and services. Particular emphasis was placed on information about savings accounts which alerted customers to the wide range of accounts available, enabling them to maximise the return on their funds.

For a large part of the year the Bank offered cheaper personal loans than elsewhere as two separate rate cut promotions brought interest rates to 3% and 4% below standard rates. New technology means that customers can arrange a loan over the telephone or at their branch in as little as 15 minutes.

Co-operative Bank Financial Advisers (CBFA) continued to expand, increasing its country-wide team of consultants to 90 with further expansion and substantially increasing earnings planned for 1993.



That's one of the ways in which the Bank is committed to providing a high level of service to its customers. The staff are friendly and helpful, and the facilities are modern and comfortable. The Bank is always looking for ways to improve its service to its customers.



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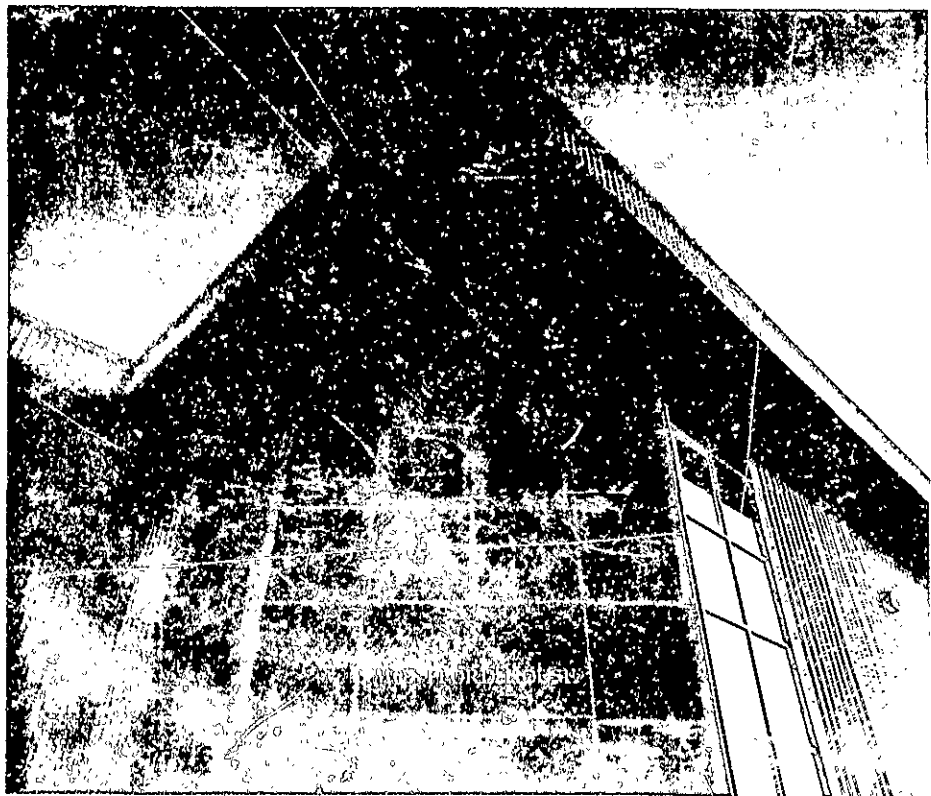
## Corporate

## Social

WHILST THE COUNTRY has not moved out of recession this year, the pleasing fact is that we have made significant strides in the way in which we look after our corporate and commercial business. This will give us an excellent base on which to build when the economy recovers.

Our aim throughout the year has been to improve the quality of service in line with the Bank's Total Quality Management guidelines. This has involved a close examination of how we look after the needs of our business customers and establishing a style and standard of service that suits both them and their business. The corporate centres have continued to be responsible for handling the larger corporate and business relationships. We are proud of our flexibility and our ability to react to the needs of the marketplace and the creation of a new centre in Stafford will extend our special service to the important customer base in the north Midlands.

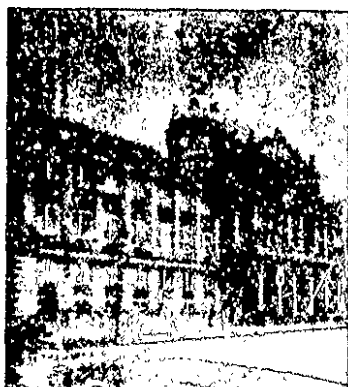
The Pannell Kerr  
Furber Business  
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contractors to the Bank  
were introduced  
to our new customer,  
the Federation of  
Experienced Victrolas



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Teenagers with learning difficulties from Cromwell School in Redditch aim to grow their own mini-business with the help of financial backing from The Co-operative Bank



Burns Premier at Hall  
The City Council has  
opened the new  
Burns Premier at Hall  
The City Council has  
opened the new  
Burns Premier at Hall

During the year, many banks have been stung by the criticisms coming from the general public particularly relating to how they have handled small business customers. We have done our utmost to be straightforward and fair and have embodied this approach in our Business Banking code which we published in April.

At the same time we have continued to develop new business, particularly in sectors where we are acknowledged as expert providers of finance and business banking services. This is especially true of the work we are doing in the education sector where we can offer a range of products and advice especially geared to each level, from primary schools through to university development funding. Thanks to the dedication, hard work and enthusiasm of the staff involved, we have made important business gains in the local authority sector; in addition we have retained eleven authorities through formal competitive tenders and we have been successful in persuading a further 18 authorities to renegotiate new longer term contracts with us.

The emphasis on specific target areas has proved successful and here we will continue to focus our efforts. It is pleasing to report that in addition to our traditional connection with the club sector, we have won the business of the influential Club and Institute Union.

Although business lending has essentially remained flat, central support and the tremendous efforts of our staff have resulted in far better than anticipated growth in business deposits which were up by some 60 per cent.

The 1990s are already proving to be a challenging period of immense change in the world of money transmissions. Major shifts in types of payment transactions, including the growing use of debit cards, are forecast to take place in future years.

#### NEW CONSUMER MAGAZINE



"We feel

The Co-operative Bank  
deserves full credit for  
recognising, in their  
ethical policy, a wider social  
dimension to financial  
services. We hope this will  
develop into a model  
for the whole sector and  
demonstrate that  
ethical concerns are not  
incompatible with  
a strong bottom line."



In particular, it is estimated that the volume of cheques issued will decrease by one third by the year 2000, which will have a major effect on the banking industry as a whole. Cash is still expected to retain a dominant role as the major payment medium, although electronic payments will become increasingly significant.

Against this ever changing background, the Bank established a network of 16 Regional Processing Centres (RPCs) during 1991. The main objectives were to take cash and cheque processing out of the branches, releasing branch staff to concentrate on customer service and sales; and to make costs savings through economies of scale.

We provide banking services to a significant number of third party customers and offer clearing agency services to building societies in particular.

Some of our very largest customers are serviced directly by our Transmissions Division, who can bring to bear specialist skills and products. This led to important new innovative ideas being brought to the market during 1992.

TIPA-net, a fast and efficient cross border payment service developed in conjunction with our fellow co-operative banks in Europe, was announced in April. Its formal launch in July brought great praise from the national press, corporate and commercial companies and organisations, and the general public. A formal letter of congratulations was also received from European Commissioner Sir Leon Brittan.

AXIS, an envelope, cheque and credit processing service for inward mail containing invoices and/or cheques, took advantage of our processing expertise and is proving popular with financial institutions, public utilities and charities in particular.

LEAGUE  
AGAINST CRUEL SPORTS



*"The League Against  
Cruel Sports welcomes  
and endorses The  
Co-operative Bank's  
Ethical Code. As a direct  
result, the League Against  
Cruel Sports will  
immediately transfer a  
significant amount of  
our banking business to  
The Co-operative Bank and  
will encourage our  
members to do likewise."*



coming

THEY ARE  
THEY ARE  
THEY ARE  
THEY ARE  
THEY ARE  
THEY ARE  
THEY ARE  
THEY ARE

### **Inner-City and Urban Regeneration**

North West Business and Industry Awards  
North West Business Leadership Team  
Agency for Economic Development  
East Manchester Partnership  
Manchester Business Venture  
Burnsley Business Innovation  
Common Purpose  
Manchester Olympic Bid  
Moss Side and Hulme Business Support Group  
Skelmersdale Initiatives  
Transpennine  
West Lancs Indef

**During 1992**

**the Bank**

**supported the  
following groups**

### **Environment**

The Environment Council  
Salford and Trafford Groundwork Trust  
Peterborough Environmental City Award  
CBI Environment Business Forum

### **Equal Opportunities**

Business in the Community Target Team  
Opportunity 2000

### **Charities**

Church Urban Fund  
Convoy of Hope to Croatia  
Laura Davies Appeal  
Little Sisters of the Poor  
Macmillan Nurse Appeal  
National Children's Home  
Parkinson's Disease Appeal  
Public Concern at Work  
Spastics Society

### **Community**

Business in the Community  
Greater Manchester Community Trust  
Community Development Foundation  
Elliott Durham School  
Friends of Citizens Advice Bureaux  
Royal School of Church Music  
Manchester Business School  
Money Advice Trust  
Relate  
Institute for Public Policy Research  
Confederation of British Industry  
Connect at Work  
National Federation of Consumer Groups  
Moss Side & Hulme Community Development Trust

### **Co-operatives**

UK Co-operative Council  
Association of British Credit Unions  
Industrial Common Ownership Finance  
Industrial Common Ownership Movement  
Woodcraft Folk  
Society for Co-operative Studies  
Creative Consumer Co-op  
International Co-operative Alliance  
Plunkett Foundation  
Wales Co-operative Development & Training Centre

**Financial  
Statements  
year ending  
January  
1993**

## **The Board**

### **Chairman**

T. Agar

### **Managing Director**

T. J. Thomas EC.I.B., Dip.I.A.

### **Non-Executive Directors**

A. Arlow	D. T. Hughes
G. R. Bennett*	G. J. Melmoth
G. L. Fyfe	W. A. Prescott*
D. Skinner	

\* Member of Audit Committee

### **Executive Directors**

M. A. Firth B.A.	W. J. Harper EC.A.
R. J. Gorvin EC.I.B.	M. J. Woodward A.C.I.B.
B. D. Jones EC.I.B.	G. Younger A.C.I.B.

### **Secretary**

R. K. Jones

### **The Co-operative Bank plc**

Registered in England No. 990937

#### **Head Office and Registered Office**

1 Balloon Street, Manchester M60 4EP.

Telephone: 061-832 3456. Telex: 667274. Fax: 061-829 4475.

#### **City Office**

9 Prescott Street, London E1 8SE.

Telephone: 071-480 5171. Telex: 884533. Fax: 071-522 9312

The Co-operative Bank plc is a member of IMRO.

## Directors' Report

The Directors submit their report, together with the audited financial statements for the year ended 9th January 1993.

### Results and Dividends

The Bank Group reported a profit before taxation of £9,845,000 (1991—loss £5,972,000), a significant improvement of £15,817,000 over 1991. After preference dividends of £5,535,000 (1991—£5,535,000) the group retained profit which has been transferred to reserves amounted to £622,000 (1991—loss £7,209,000) as set out in the consolidated profit and loss account on page 23. The Directors do not recommend the payment of a dividend on the ordinary shares.

### Activities and Business Review

The Bank and its subsidiary undertakings forming The Co-operative Bank Group provide an extensive range of banking and financial services in the United Kingdom. The total turnover of the Group is not shown, as it resulted mainly from the business of banking.

The statement by the Chairman reviews the business of the Group for the year ended 9th January 1993 and future developments.

### Branches

At 9th January 1993, the Bank had 106 branches and sub-branches, and had approximately 3,000 banking points at Co-operative retail societies.

### Directors and their Interests

The names of the present members of the Board are set out on page 20.

The following directors retired from the Board during the year:

Director	Date of Retirement
T.A. Sykes	17th May 1992
Sir Dennis Landau	19th June 1992

The following directors were appointed to the Board during the year:

Director	Date of Appointment
M.A. Firth	4th February 1992
G. Younger	4th February 1992
D.T. Hughes	16th June 1992
D. Skinner	14th July 1992
M.J. Woodward	8th December 1992

In accordance with the Articles of Association, Messrs. Hughes, Skinner and Woodward, having been appointed since the date of the last Annual General Meeting, offer themselves for re-election.

Messrs. Bennett, Gorvin and Jones retire by rotation and, being eligible, offer themselves for re-election.

No director offering himself for re-election has a service contract with the Bank or any of its subsidiary undertakings which has a duration of more than one year.

As nominees of the parent organisation, Messrs. T. Agar and T.J. Thomas each held 40 ordinary shares of 5p each throughout the year.

The directors' interests in the Bank's 9.25% £1 preference shares were as follows:

	No. of Shares	
	1992	1991
Mr. T.J. Thomas	11,500	11,500
Mr. W.J. Harper	11,042	11,042
Mr. R.J. Gorvin	50,000	—

No other directors had a beneficial interest in any shares in the Group or in Co-operative Wholesale Society Limited which is the ultimate holding organisation, or in any other companies controlled by Co-operative Wholesale Society Limited, apart from the following interests in Unity Trust Bank plc which have not changed throughout the year:

	'C' Shares	
	of £1 each	Loan Stock
T.J. Thomas	500	£300
G.J. Melmoth	150	£90

The holdings in loan stock refer to convertible subordinated unsecured floating rate loan stock 2003. There have been no changes in the directors' shareholdings between the end of the financial year and 16th March, 1993.

## Directors' Report

None of the Directors had an interest at any time during the year in contracts which were material in relation to the Bank's business.

### Name

Since 1985, Co-operative Bank public limited company presented itself as The Co-operative Bank as part of a policy to communicate the responsive nature of the Bank towards customer requirements. This approach was warmly received by the public and, as a natural extension of this policy, the Bank changed its registered name to The Co-operative Bank p.l.c. with effect from 10th January, 1993.

### Directors' and Officers' Liability Insurance Policy

During the year the Bank has maintained cover for its directors and officers and those of a number of its subsidiary undertakings, under a directors' and officers' liability insurance policy, as permitted by section 137 of the Companies Act 1989.

### The Cadbury Committee Recommendations on Corporate Governance

The Bank welcomes the Cadbury report on Corporate Governance and complies with the spirit and substance of its recommendations, except in the following aspects of detail:

A majority of the Board are non-executive directors, who represent customers of the Bank and in this respect are not strictly independent, as defined by the Cadbury report. However, they do not partake in Board decisions relating to any organisation with which they have a relationship.

The Audit Committee consists of two non-executive directors rather than three as recommended by the Cadbury report.

### Staff

The Bank and its subsidiary undertakings employed 3,792 persons at 9th January 1993 (1991—3,684). The weekly average number of persons was 3,763 (1991—4,134) and their aggregate remuneration for the year was £59,845,000 (1991—£60,182,000).

The Bank has an established programme for regular communication and consultation with its staff. Training programmes have been enhanced by the introduction of bankwide Management Development programmes designed to improve individual performance and hence contribution to profitability.

### Disabled Persons

The Bank's policy is to give careful consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities when related to opportunities available. The Bank recognises its responsibility to the training and career development of disabled persons and persons who become disabled whilst in the Bank's employment.

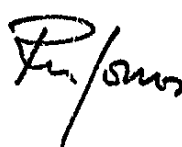
### Donations

During the year, the Group made donations of £180,345 (1991—£62,970) to United Kingdom charitable organisations. The Bank is a member of The Per Cent Club, the members of which commit a minimum percentage of their earnings to the community each year. No donation for political purposes was made.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the Bank is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board  
R.K. Jones, Secretary  
16th March 1993.



T H E C O O P E R A T I V E B A N K P L C

# Consolidated Profit and Loss Account

for the year ended 30th January 1993

	Notes	1992 £'000	1991 £'000
<b>Operating Profit/(Loss)</b>			
The Bank and its subsidiary undertakings		9,663	(5,899)
Associated undertakings		182	(73)
<b>Profit/(Loss) before Taxation</b>	2	9,845	(5,972)
<b>Taxation</b>	5	(3,575)	3,343
<b>Profit/(Loss) after Taxation</b>		6,270	(2,629)
<b>Minority Interest</b>		(113)	955
<b>Dividend</b>	6	(5,535)	(5,535)
<b>Profit/(Loss) Retained</b>		622	(7,209)

<b>Profit/(Loss) Retained</b>	622	(7,209)
By The Bank	472	(6,630)
By subsidiary undertakings	12	(458)
In associated undertakings	484	(7,088)
	138	(121)

A statement of movement of reserves can be found in note 8.

THE NOTES ON PAGES 29 TO 40 FORM PART OF THESE FINANCIAL STATEMENTS

F I R S T F I N A N C I A L B A N K P L C



# Consolidated Balance Sheet

at 31 March 1993

	Notes	1992 £'000	1991 £'000
<b>Share Capital and Reserves</b>		<b>147,338</b>	<b>146,422</b>
Ordinary share capital	7	30,000	30,000
Preference share capital	7	60,000	60,000
Reserves	8	57,338	56,422
<b>Minority Shareholders' Interest in Subsidiary Undertakings</b>		<b>6,458</b>	<b>6,381</b>
<b>Loan Stock</b>	9	<b>81,034</b>	<b>81,034</b>
<b>Deferred Taxation</b>	10	<b>10,423</b>	<b>9,243</b>
<b>Current Liabilities</b>		<b>2,836,147</b>	<b>2,515,186</b>
Current deposit and other accounts	11	2,789,499	2,460,113
Creditors and accrued expenses		46,040	54,340
Accrued preference dividend		608	623
		<b>3,081,400</b>	<b>2,758,186</b>

APPROVED BY THE BOARD 16th MARCH 1994

THE DIRECTOR GENERAL

# Consolidated Balance Sheet

(in £'000) - Balance Sheet - 31/12/13

	Notes	1992 £'000	1991 £'000
<b>Liquids Assets</b>		<b>876,270</b>	<b>538,557</b>
Colu and bank notes		18,850	18,001
Balances with, and amounts in course of collection from other banks		85,882	99,654
Money at call and short notice		771,538	420,902
<b>Certificates of Deposit</b>		<b>121,579</b>	<b>59,731</b>
<b>Investments</b>	12	<b>114,287</b>	<b>102,272</b>
<b>Customer and Other Accounts</b>	13	<b>1,935,933</b>	<b>2,024,631</b>
<b>Associated Undertakings</b>	15	<b>401</b>	<b>492</b>
<b>Fixed Assets</b>	16	<b>32,930</b>	<b>32,503</b>
		<b>3,081,400</b>	<b>2,758,186</b>

T. Agar, Chairman

E. J. Thomas, Managing Director

*E. J. Thomas*

THE NOTES ON PAGES 29 TO 40 FORM PART OF THESE FINANCIAL STATEMENTS

RELATIVE TO THE COMPANY'S FINANCIAL STATEMENTS

# Balance Sheet

at 31st January 1993

	Notes	1992 £'000	1991 £'000
<b>Share Capital and Reserves</b>			
Ordinary share capital		142,061	141,589
Preference share capital	7	30,000	30,000
Reserves	7	60,000	60,000
	8	52,061	51,589
Loan Stock	9	75,000	75,000
Deferred Taxation	10	2,553	1,111
<b>Current Liabilities</b>			
Current deposit and other accounts		2,696,809	2,354,930
Creditors and accrued expenses	11	2,669,968	2,324,577
Accrued preference dividend		26,233	29,730
		608	623

2,916,423

2,572,630

APPROVED BY THE BOARD 16th MARCH 1993

F I C O O P E R A T I V E B A N K P L C

# Balance Sheet

AT 31.12.2018

	Notes	1992 £'000	1991 £'000
<b>Liquid Assets</b>		<b>872,302</b>	<b>504,364</b>
Coin and bank notes		18,850	18,001
Balances with, and amounts in course of collection from other banks		87,037	99,019
Money at call and short notice		766,415	387,344
<b>Certificates of Deposit</b>		<b>111,579</b>	<b>59,731</b>
<b>Investments</b>	12	<b>103,089</b>	<b>88,544</b>
<b>Customer and Other Accounts</b>	13	<b>1,640,089</b>	<b>1,711,911</b>
<b>Subsidiary Undertakings</b>	14	<b>156,862</b>	<b>176,016</b>
<b>Associated Undertakings</b>	15	<b>17</b>	<b>17</b>
<b>Fixed Assets</b>	16	<b>32,485</b>	<b>32,047</b>
		<b>2,916,423</b>	<b>2,572,630</b>

T. Agar, Chairman

T. J. Thomas, Managing Director

THE NOTES ON PAGES 29 TO 40 FORM PART OF THESE FINANCIAL STATEMENTS

T H E F O R D C O P E H A T I V E B A N K P L C

# Consolidated Cash Flow Statement

For the year ended 31st March 1992

	Notes	1992 £'000	1991 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	20	<u>77,408</u>	<u>(66,052)</u>
<b>Returns on investments and servicing of finance</b>			
Investment interest received		10,340	9,276
Loan stock interest paid		(8,617)	(10,350)
Preference dividends paid		(5,550)	(5,550)
<b>Net cash outflows from returns on investments and servicing of finance</b>		<u>(3,827)</u>	<u>(6,624)</u>
<b>Taxation</b>			
United Kingdom corporation tax paid		<u>(1,878)</u>	<u>(2,756)</u>
<b>Investing activities</b>			
Purchase of investments		(145,244)	(17,393)
Sale of investments		137,552	21,184
Purchase of tangible fixed assets		(9,820)	(9,652)
Sale of tangible fixed assets		528	26
<b>Net cash outflow from investing activities</b>		<u>(16,984)</u>	<u>(5,835)</u>
<b>Net cash inflow/(outflow) before financing</b>	20	<u>54,719</u>	<u>(81,267)</u>
<b>Financing</b>			
<b>Increase/(decrease) in cash and cash equivalents</b>	20	<u>54,719</u>	<u>(81,267)</u>
		<u>54,719</u>	<u>(81,267)</u>

THE NOTES ON PAGES 29 TO 30 FORM PART OF THESE FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

## Accounting Policies

### (a) **Basics of consolidation and accounting date**

(i) The financial statements of the group relate to the 52 weeks to 9th January, 1993. Since the group accounting date is virtually co-terminous with the calendar year 1992 the financial year's figures are headed 1992 and the corresponding figures for the previous year are headed 1991. The financial statements are prepared in accordance with applicable accounting standards and with the special provisions of Part VII Chapter II of the Companies Act 1985 relating to Banking Groups. The profit and loss account has been prepared on a consolidated basis, advantage being taken of Section 230 of the Act.

### (ii) **Associated undertakings**

In the consolidated balance sheet associated undertakings are shown at cost, including advances and the group's share of reserves from the date of acquisition, less amounts written off.

### (iii) **Premium on acquisition of shares**

The premium paid on the acquisition of shares in subsidiary undertakings, being the excess of the amount paid over the net tangible assets at the date of acquisition, has been written off against reserves.

### (b) **Long term investments**

Investments are valued at cost, adjusted for the amortization of premiums and discounts in the purchase price.

The amortization of premiums and discounts of all investments is included in interest income and is calculated to maintain a level yield from the date of acquisition to maturity.

Realised profits and losses on the sale of investments are taken to the profit and loss account on a straight line basis over the maturity profile of the remaining assets.

### (c) **Losses on advances**

The amount charged against operating profit for losses on advances comprises specific provisions against identifiable losses and a general provision to cover latent but unidentifiable losses due to doubtful debts. Both provisions are based on a year end appraisal of advances. Advances are shown on the balance sheet after deducting those provisions.

### (d) **Depreciation**

Depreciation is provided on a straight line basis at the following rates which are estimated to write down the assets to realisable values at the end of their useful lives:

Freehold and long leasehold buildings	2.5 per cent per annum
Short leasehold buildings	life of lease
Equipment	10 to 33½ per cent per annum
Vehicles	25 per cent per annum

### (e) **Assets leased to customers**

Assets leased to customers are valued at original cost less depreciation, which is calculated to write off that cost over the primary period of the lease. Depreciation for the period represents the full amount of leasing payments due in the period, less the amounts credited to the profit and loss account.

Income from assets leased to customers is credited to the profit and loss account in proportion to the funds invested and includes amounts in respect of both regional development grants and tax credits which arise from falling corporation tax rates, grossed up at the average rate of corporation tax applicable to the period.

In the case of back to back leases, obligations of the Group under finance leases are included in current, deposit and other accounts, and rentals receivable from leases are included in assets leased to customers, both net of future finance charges.

## Accounting Policies

**(f) Leased assets**

Assets acquired under finance leases are capitalised, based on the purchase price of the assets. Depreciation is provided on the same basis as for owned assets. The interest element of the lease payment is charged to the profit and loss account on the basis of the actuarial method over the primary period of the lease. The capital value of the lease is included in the balance sheet as a liability reduced by the capital element of the lease payments.

Operating lease rentals are charged to the profit and loss account as they accrue.

**(g) Deferred taxation**

Provision is made for taxation on timing differences between profits stated in the financial statements and profits computed for taxation purposes where there is a reasonable probability that such taxation will become payable in the foreseeable future.

**(h) Pension costs**

In accordance with actuarial advice pension costs are charged to the profit and loss account to ensure that the regular cost is a substantially level percentage of the current and anticipated pensionable earnings. Variations from the regular cost are allocated over the average remaining working lives of current employees.

**(i) Exchange rates**

Balances in foreign currencies are expressed in sterling at the rate ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

**(j) Money at call and short notice**

This includes market placings under 30 days.

**(k) Off balance sheet instruments**

Forward foreign exchange contracts and other off balance sheet instruments used in trading activities are valued at market prices. Profits and losses arising on instruments which are being used in specifically designated hedging transactions are taken to the profit and loss account in a manner that reflects the accounting treatment of the items being hedged.

## Notes to the Financial Statements

(All amounts in £ unless stated otherwise)

### 1. Turnover

The turnover of the group is not shown as it resulted mainly from the business of banking and related activities in the U.K.

### 2. Profit for the Year

The profit/loss for the year is stated:

	1992	1991
After charging—		
Interest payable	185,113	241,227
Interest payable on loan stock	8,139	9,770
Depreciation of fixed assets	10,132	9,662
Hire of plant, machinery and vehicles	2,825	2,649
Other operating lease rentals	9,707	8,322
Interest payments on finance leases	317	178
Interest payments on hire purchase agreements	200	—
Auditors' remuneration—Parent company, £145,000 (1991—£150,000)	225	230
Directors' emoluments (including pension contributions)	707	489

And after crediting—

Investment income		
Quoted	10,711	9,024
Unquoted	195	423
Aggregate rentals receivable from finance leases	44,830	23,147

Notes:

- (1) The operating loss for 1991 of £5,899,000 in respect of the Bank and its subsidiary undertakings is stated after charging as an exceptional item £6,328,000 for restructuring costs.
- (2) The amortization of realised profits and losses on the sale of securities in the Bank's long term investment portfolio has produced a net surplus of £3,845,000 which will be released to profit in future years in accordance with accounting policy note (b).
- (3) Auditors' remuneration for non-audit work in the year was £126,000.

### 3. Directors' Emoluments

The Chairman received no emoluments in the current or previous period. The emoluments of the highest paid Director excluding pension contributions were £158,579 (1991—£149,225). The numbers of all Directors, whose emoluments, excluding pension contributions, fell into the following categories, were:

	1992	1991
NIL	10	10
£5,001—£10,000	1	—
£10,001—£15,000	1	1
£15,001—£20,000	2	—
£20,001—£25,000	—	1
£25,001—£30,000	1	—
£30,001—£35,000	—	1
£35,001—£40,000	1	—
£40,001—£45,000	—	1
£45,001—£50,000	—	1
£50,001—£55,000	1	—

### 4. Transactions with Directors and Officers

At 9th January 1993 the aggregate amounts outstanding under transactions made by the Group with directors, persons connected with directors, and officers were:

	Number of Directors and connected persons	Amount	Number of Officers	Amount
Loans	10	£331,406	32	£1,851,869
Quasi Loans	13	£14,976	30	£42,317

The above information concerning officers is presented only in respect of those officers within the meaning of the Banking Act 1987.

S H E L L C O M M E R C I A L B A N K L T D



## Notes to the Financial Statements

(All amounts are stated in £ 000 unless otherwise indicated)

5. Taxation	1992	1991
The charge for the year comprises:		
Corporation tax on profits for the year at 33% (1991-33.25%)	2,113	—
Tax on franked investment income	167	215
Notional tax on lease earnings equalisation	115	472
Associated undertakings	44	48
Deferred taxation	1,180	(4,424)
Over provision in previous years	(162)	—
Release of deferred taxation due to change in tax rates	—	(848)
Creation of lease earnings equalisation	118	1,194
	<u>3,575</u>	<u>(3,343)</u>

The corporation tax charge for the year has been reduced due to a transfer from deferred taxation of £2,979,000.

6. Dividends	1992	1991
Preference dividend on 60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each (paid and accrued)	<u>5,535</u>	<u>5,535</u>

7. Share Capital	1992	1991
Authorised	<u>105,000</u>	<u>105,000</u>
600,000,000 ordinary shares of 5p each	<u>30,000</u>	<u>30,000</u>
75,000,000 9.25% non-cumulative irredeemable preference shares of £1 each	<u>75,000</u>	<u>75,000</u>
	<u>105,000</u>	<u>105,000</u>
Issued	<u>30,000</u>	<u>30,000</u>
600,000,000 ordinary shares of 5p each	<u>30,000</u>	<u>30,000</u>
60,000,000 9.25% non-cumulative irredeemable preference shares of £1 each	<u>60,000</u>	<u>60,000</u>

All the Issued Share Capital has been allotted, called up and fully paid.

8. Reserves	The Group	The Bank
At 11th January 1992	56,422	51,589
Retained profit	622	472
Goodwill written off	(64)	—
Revaluation surplus	358	—
At 9th January 1993	<u>57,338</u>	<u>52,061</u>

The revaluation surplus in the year relates to the Investment Property shown in note 13.

The goodwill written off relates to the Group's share of pre-acquisition losses of Unity Security Balloting Services Limited which became a Subsidiary Undertaking at the beginning of the year.

The cumulative amount of goodwill written off through reserves at the year end is £231,000 (1991-£167,000).

The Group's share of accumulated losses in Associated Undertakings at the year end is £854,000 (1991-£975,000).

The Group's share of the investment property revaluation reserve at the year end is £569,000 (1991- £211,000).

	<b>The Bank</b>	
	<b>1992</b>	<b>1991</b>
Distributable Reserves	43,247	42,775
Share Premium	8,814	8,814
	<u>52,061</u>	<u>51,589</u>

## Notes to the Financial Statements

(all amounts are stated in £ 000 unless otherwise indicated)

### 9. Loan Stock

	The Group		The Bank	
	1992	1991	1992	1991
£75,000,000 Subordinated Floating Rate (minimum 5½%) Notes redeemable not later than July 2000	75,000	75,000	75,000	75,000
£6,034,000 Convertible Subordinated Unsecured Floating Rate Loan Stock 2003	6,034	6,034	—	—
	<u>81,034</u>	<u>81,034</u>	<u>75,000</u>	<u>75,000</u>

### 10. Deferred Taxation

	The Group		The Bank	
	1992	1991	1992	1991
Taxation deferred by timing differences in accordance with the basis of accounting set out in Accounting Policy (g).				
Short term timing differences	37	340	301	679
Losses and other timing differences	(9,960)	(11,155)	(1,948)	(3,511)
Capital allowances on fixed assets	1,975	2,026	1,975	2,026
Capital allowances on assets leased to customers	18,371	18,032	2,225	1,917
	<u>10,423</u>	<u>9,243</u>	<u>2,553</u>	<u>1,111</u>
The movement in the deferred taxation balance has all taken place through the Profit and Loss Account	1,180	(5,272)	1,442	(1,919)
The potential amount of deferred taxation not provided in the financial statements (all in respect of accelerated capital allowances) is	<u>7,873</u>	<u>7,728</u>	<u>953</u>	<u>822</u>

The potential liability on rolled over gains amounts to £922,000 (1991—£929,000).

There is a potential liability on an Investment Property revaluation surplus amounting to £188,000 (1991—£70,000).

### 11. Current, Deposit and Other Accounts

This heading includes balances deposited by the parent organisation and fellow subsidiary undertakings, as follows:

	The Group and the Bank	
	1992	1991
Parent organisation	27,603	7,491
Fellow subsidiary undertakings	19,788	13,021
	<u>47,391</u>	<u>20,512</u>

Also included are external obligations under finance leases as follows:

	The Group and the Bank	
	1992	1991
Gross obligations payable within one year	3,749	2,369
Gross obligations payable in two to five years	6,739	4,692
Gross obligations payable in over five years	148	143
	<u>10,636</u>	<u>7,204</u>
Less future finance charges	1,664	1,421
	<u>8,972</u>	<u>5,783</u>

## Notes to the Financial Statements

(all amounts are stated in £'000 unless otherwise indicated)

### 11. Current, Deposit and Other Accounts (continued)

	The Group and the Bank	
	1992	1991
External obligations under hire purchase agreements:		
Gross obligations payable within one year	1,180	—
Gross obligations payable in two to five years	825	—
	<u>2,005</u>	<u>—</u>
Less future finance charges	395	—
	<u>1,610</u>	<u>—</u>

### 12. Investments

	The Group		The Bank	
	1992	1991	1992	1991
Investments at cost or amortized value comprise:				
<b>Quoted:</b>				
Securities of, or guaranteed by the British Government	68,688	45,410	57,844	32,035
Other securities listed in Great Britain	40,429	52,640	40,429	52,640
	<u>109,117</u>	<u>98,050</u>	<u>98,273</u>	<u>84,675</u>
<b>Unquoted:</b>	5,170	4,222	4,816	3,869
	<u>114,287</u>	<u>102,272</u>	<u>103,089</u>	<u>88,544</u>
The market value of the quoted securities was	111,468	96,237	100,104	83,210

The average period to redemption (by value) of the investments is 9.2 years.

Unquoted investments include the following trade investments:

	The Group and the Bank	
	1992	1991
BAC'S Ltd.		
79,583 (1991—72,298) ordinary shares of £1 each	527	326
Link Interchange Network Ltd.		
£100,000 variable rate subordinated loan stock	100	100

### 13. Customer and Other Accounts

	The Group		The Bank	
	1992	1991	1992	1991
Advances to customers, less provisions	1,720,198	1,776,812	1,608,264	1,674,951
Assets leased to customers, less provisions	174,690	195,298	24,534	21,408
Investment property	6,500	6,000	—	—
Amounts due under contracts	25,733	23,940	—	—
Development land	444	1,195	444	1,195
	<u>1,927,565</u>	<u>2,003,245</u>	<u>1,633,242</u>	<u>1,697,554</u>
Debtors and prepaid expenses	4,658	17,390	2,996	7,317
Taxation and A.C.T. recoverable	3,710	3,996	3,851	7,040
	<u>1,935,933</u>	<u>2,024,631</u>	<u>1,640,089</u>	<u>1,711,911</u>
The cost of assets acquired this year for the purpose of letting under finance leases	20,028	72,062	4,987	4,916

The investment property has been valued by the Directors which has led to a revaluation surplus.

## Notes to the Financial Statements

(all amounts are stated in £ 000 unless otherwise indicated)

### 13. Customer and Other Accounts (continued)

The provisions for bad and doubtful debts of the Group, together with the movements during the year, are:

	1992		1991	
	Specific	General	Specific	General
Balance at 11th January 1992	92,347	6,011	73,795	6,017
Amounts written off	(19,168)	—	(33,070)	—
Recovery of debts previously written off	248	—	1,074	—
Charge to profit and loss account	43,376	(570)	47,713	(6)
Suspended interest	6,736	—	2,865	—
*Acquired portfolio	2,506	—	—	—
Balance at 9th January 1993	126,045	5,441	92,347	6,011
	131,486		98,358	

The provisions for bad and doubtful debts of the Bank, together with the movements during the year, are:

	1992		1991	
	Specific	General	Specific	General
Balance at 11th January 1992	86,028	5,682	68,216	5,682
Amounts written off	(17,855)	—	(30,902)	—
Recovery of debts previously written off	248	—	1,074	—
Charge to profit and loss account	40,785	(450)	44,775	—
Suspended interest	6,236	—	2,865	—
*Acquired portfolio	2,506	—	—	—
Balance at 9th January 1993	117,948	5,232	86,028	5,682
	123,180		91,710	

\* During the year an active credit card portfolio was purchased along with a provision for bad debts as shown above.

### 14. Ultimate Holding Organisation and Subsidiary Undertakings

The Co-operative Wholesale Society Limited owns the whole of the issued ordinary share capital of the Bank and is also the ultimate holding organisation. The Co-operative Wholesale Society Limited is incorporated in England and is registered under the Industrial and Provident Societies Acts 1965 to 1968. The principal operating subsidiaries of The Co-operative Bank plc, all of which are registered and operate in England, are:

Operating Subsidiaries	Nature of Business	Holding 1992	Holding 1991
* Unity Trust Bank plc	Banking	36%	36%
Roodhill Leasing Limited	Leasing	100%	—
First Roodhill Leasing Limited	Leasing	100%	100%
Second Roodhill Leasing Limited	Leasing	100%	100%
Third Roodhill Leasing Limited	Leasing	100%	100%
Fourth Roodhill Leasing Limited	Leasing	100%	100%
Co-operative Bank Financial Advisers Limited	Insurance Brokers	100%	100%
† Co-operative Investment Management Limited	Investment Managers	100%	100%
Larchvale Limited	Building Contractor	100%	100%
* Unity Investment Management Limited	Investment Managers	36%	36%
* Unity Security Balloting Services Limited	Balloting Services	29%	—
Cost of investment in subsidiary undertakings		1,552	1,552
Amount due by subsidiary undertakings		155,310	174,464
		156,862	176,016

\* Held through subsidiary undertakings.

† This company changed its name to CIM Fund Managers Limited on 18th February 1993.

## Notes to the Financial Statements

(all amounts are stated in £ 000 unless otherwise indicated)

### 14. Ultimate Holding Organisation and Subsidiary Undertakings (continued)

Unity Trust Bank plc and its subsidiaries, Unity Investment Management Limited and Unity Security Balloting Services Limited, are considered to be subsidiary undertakings of The Co-operative Bank plc as The Co-operative Bank plc elects a majority of the Directors and appoints the Chairman and Managing Director of Unity Trust Bank plc.

The financial statements of the above undertakings are consolidated into the group financial statements.

The following undertakings have year ends which are not co-terminous with that of The Co-operative Bank plc to enable competitive leasing quotations to be offered throughout the year:

First Roodhill Leasing Limited	31st March
Second Roodhill Leasing Limited	30th June
Third Roodhill Leasing Limited	30th September

The financial statements of these undertakings are consolidated into the group financial statements on the basis of unaudited management accounts made up to the parent undertaking's balance sheet date.

The financial statements of the ultimate holding organisation are available from Co-operative Wholesale Society Limited, New Century House, Manchester M60 4ES.

### 15. Investments in Associated Undertakings

The investments in associated undertakings, all of which are incorporated and operate in England and none of which are quoted, are:

Associated Undertakings	Nature of Business	Total Issued Share and Loan Capital at 9th January 1993	Group Interest 1992	Group Interest 1991
* Co-operative Pension Funds Unit Trust Managers Limited	Investment Managers	165,000 Ordinary Shares of £1 each	33%	33%
† Unity Pension Services Limited	Pension Services	400,000 Ordinary Shares of £1 each	18%	18%
† Unity Financial Services Limited	Insurance and Financial Services	1,000,000 Ordinary Shares of £1 each	18%	18%
† Unity Security Balloting Services Limited	Balloting Services	40,000 Ordinary Shares of £1 each	—	18%

\*The ultimate holding organisation of these undertakings is Co-operative Wholesale Society Limited.

†Held by Unity Trust Bank plc

Unity Security Balloting Services Limited became a subsidiary of Unity Trust Bank plc at the beginning of the year.

The investment in associated undertakings is made up as follows:

	The Group		The Bank	
	1992	1991	1992	1991
Cost of Shares and Advances,				
less amounts written off	1,255	1,467	17	17
Share of Reserves	(854)	(975)	—	—
	<u>401</u>	<u>492</u>	<u>17</u>	<u>17</u>

## Notes to the Financial Statements

(all amounts are stated in £'000 unless otherwise indicated)

### 16. Fixed Assets

	The Group		The Bank	
	Freehold and leasehold premises	Equipment and fittings	Freehold and leasehold premises	Equipment and fittings
Cost:				
At 11th January 1992	2,456	85,880	2,456	84,942
Capital expenditure	—	12,692	—	12,552
Sales and disposals	—	(6,304)	—	(6,266)
At 9th January 1993	2,456	92,268	2,456	91,228
Accumulated depreciation:				
At 11th January 1992	784	55,049	784	54,567
Depreciation for year	62	10,070	62	9,933
Sales and disposals	—	(4,171)	—	(4,147)
At 9th January 1993	846	60,948	846	60,353
Net book value at 9th January 1993	1,610	31,320	1,610	30,875
Combined net book value:				
at 9th January 1993	32,930		32,485	
at 11th January 1992	32,503		32,047	
The net book value of land and buildings comprises:				
Freehold	1,484		1,484	
Long leasehold	23		23	
Short leasehold	103		103	
	1,610		1,610	
	1992	1991	1992	1991
Assets held under finance leases and included above:				
Cost	3,727	3,156	3,727	3,156
Accumulated depreciation	1,074	170	1,074	170
Depreciation for year	1,058	904	1,058	904
	1,595	2,082	1,595	2,082
	1992	1991	1992	1991
Assets held under hire purchase agreements and included above:				
Cost	1,727	—	1,727	—
Accumulated depreciation	—	—	—	—
Depreciation for year	287	—	287	—
	1,440	—	1,440	—

## Notes to the Financial Statements

(all amounts are stated in £ 000 unless otherwise indicated)

### 17. Pensions

The Bank operates a pension scheme of the defined benefit type. This provides benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee administered fund.

The total pension charge was £7,299,782 (1991-£7,562,319). The pension charge is assessed in accordance with the advice of a qualified actuary using the attained age method. The latest actuarial assessment of the scheme was at 30th March 1991. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8½% per annum, that salary increases would average 6½% per annum and that present and future pensions would increase at the rate of 4½% per annum.

At the date of the latest actuarial valuation the market value of the assets of the scheme was £87,419,000 and the actuarial value of the assets was sufficient to cover 121% of the benefits that had accrued to members, after allowing for future increases in earnings.

The amount paid into the fund exceeds the amount charged in the profit and loss account by £477,737 (1991-£462,220) resulting in a prepayment of £7,999 (1991-£469,738 creditor).

The actuaries to the scheme are employed by Co-operative Insurance Society Limited, a fellow subsidiary undertaking of Co-operative Wholesale Society Limited.

### 18. Commitments and Contingent Liabilities

- (a) Capital expenditure committed and authorised at 9th January 1993 was:

	The Group and the Bank	
	1992	1991
Contracted but not provided in the financial statements	266	285
Authorised by the directors but not contracted	880	1,177

- (b) Engagements entered into on behalf of customers by the Bank which amount to £122,934,000 (1991-£174,547,000), and in respect of which there are corresponding obligations by customers, are not included in the balance sheets.

- (c) Unity Trust Bank plc had contingent liabilities of £392,000 (1991-£269,000).

- (d) There are outstanding contracts for the purchase and sale of foreign currencies, interest rates swaps, interest rate floors and financial future contracts. In general, forward transactions for the purchase and sale of foreign currencies are matched and any open position is not of a material amount.

- (e) Annual commitments of the Group under operating leases expiring:

	1992		1991	
	Leasehold premises	Other	Leasehold premises	Other
Within one year	1,056	310	1,379	487
In two to five years	562	978	1,205	1,175
In over five years	6,883	—	6,859	—
	8,501	1,288	9,443	1,662

- (f) Annual commitments of the Bank under operating leases expiring:

	1992		1991	
	Leasehold premises	Other	Leasehold premises	Other
Within one year	1,056	292	1,379	481
In two to five years	562	856	1,205	1,067
In over five years	6,673	—	6,649	—
	8,291	1,148	9,233	1,548

## Notes to the Financial Statements

(all amounts are stated in £ 000 unless otherwise indicated)

### 19. Segmental Analysis

The Group's activities have been segmented between branch banking, other financial services (mainly leasing, advisory services, correspondent banking and fund management) and Unity Trust group. No segmental analysis of net assets has been provided as it is more meaningful to analyse total assets.

Segmental Reporting	1992	1991
Profit before taxation:		
Branch banking	54,889	42,397
Other financial services	8,718	8,235
	<u>63,607</u>	<u>50,632</u>
Shared costs:		
Centralised service and processing	(38,956)	(35,309)
Management services and marketing	(14,805)	(13,186)
	<u>9,846</u>	<u>2,137</u>
Profit before restructuring costs	676	(1,781)
Unity Trust group and associates	(677)	(6,328)
Restructuring costs		
	<u>9,845</u>	<u>(5,972)</u>
Profit/(loss) before taxation		
Gross assets:		
Branch banking	2,618,940	2,239,254
Other financial services	173,193	200,132
Unity Trust group	137,820	159,868
Group central assets	151,447	158,932
	<u>3,081,400</u>	<u>2,758,186</u>
Total		

### 20. Consolidated Cash Flow Statement

(1) Reconciliation of Group profit/(loss) on ordinary activities before taxation to net cash inflow/(outflow) from operating activities:	1992	1991
Group profit/(loss) on ordinary activities before taxation	9,845	(5,972)
Share of (profit)/loss of associated undertakings	(182)	73
Investment income	(11,014)	(9,391)
Decrease/(increase) in prepayments and accrued income	13,760	(2,175)
(Decrease)/increase in accruals and deferred income	(14,876)	(14,252)
Loan stock interest payable	8,139	9,770
Effect of exchange rate movements	(1,916)	(1,294)
Provision for bad and doubtful debts	42,806	47,707
Notional tax on lease earnings equalisation	(115)	(472)
Depreciation	10,132	9,662
Amortization of investments	108	(56)
Provision for losses on investments	—	755
(Profit)/loss on sale of investments	(14)	300
Loss on sale of fixed assets	1,605	30
	<u>58,278</u>	<u>34,685</u>
Net cash flow from trading activities		
Net decrease in customer accounts	(133,394)	(183,744)
Net decrease in loans and advances to customers	139,452	78,288
Net decrease in items in course of collection	13,072	4,719
	<u>77,408</u>	<u>(66,052)</u>



## Notes to the Financial Statements

(all amounts are stated in £ 000 unless otherwise indicated)

### 20. Consolidated Cash Flow Statement (continued)

	1992	1991	
(II) Analysis of changes in cash and cash equivalents during the year:			
At 11th January 1992	380,163	460,136	
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	54,710	(81,267)	
Effect of foreign exchange rate changes	1,916	1,294	
At 9th January 1993	<u>436,798</u>	<u>380,163</u>	
	1992	1991	Change in year
(III) Analysis of the balances of cash and cash equivalents:			
Coin and bank notes and amounts with central banks	19,003	18,961	42
* Money at call and short notice	995,554	534,943	460,611
Certificates of deposit	90,050	30,993	59,057
Advances from banks	(667,809)	(204,734)	(463,075)
	<u>436,798</u>	<u>380,163</u>	<u>56,635</u>

\* Includes elements from Money at call and short notice and Customer and other accounts on the consolidated balance sheet.

The Group is required to maintain balances with the Bank of England which, at 9th January 1993, amounted to £7,100,000 (1991—£8,300,000).

## Auditors' Report

**Report of the Auditors, KPMG Peat Marwick,  
to the members of The Co-operative Bank plc**

We have audited the financial statements on pages 23 to 40 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Bank and the Group at 9th January 1993, and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Peat Marwick*

KPMG PLAT MARWICK  
Chartered Accountants  
Registered Auditors  
Manchester

16th March 1993

## Five Year Record

	1992	1991	1990	1989	1988
<b>Balance Sheet</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Share Capital	90,000	90,000	90,000	90,000	70,000
Reserves	57,338	56,422	63,420	73,807	70,793
Shareholders' Funds	147,338	146,422	153,420	163,807	140,793
Minority Interests	6,458	6,381	7,287	7,636	7,018
Loan Stock	81,034	81,034	81,034	81,034	81,034
Deferred Taxation	10,423	9,243	14,515	21,354	21,998
Current Liabilities	2,836,147	2,515,106	2,706,446	2,431,017	1,976,697
Total	3,081,400	2,758,186	2,962,702	2,704,848	2,227,540
Fixed Assets	32,930	32,503	32,071	31,500	29,629
Associated Undertakings	401	492	410	654	(71)
Customer and Other Accounts	1,935,933	2,024,631	2,209,344	1,954,460	1,617,159
Investments and Certificates of Deposit	235,866	162,003	185,138	174,923	167,003
Liquid Assets	876,270	538,557	535,739	543,311	413,820
Total	3,081,400	2,758,186	2,962,702	2,704,848	2,227,540
<b>Profitability</b>					
Profit/(Loss) Before Taxation	9,845	(5,972)	(14,872)	18,543	23,206
Profit/(Loss) After Taxation	6,270	(2,629)	(5,128)	10,899	14,131
Dividends	5,535	5,535	5,535	7,211	4,315
Retentions	622	(7,209)	(10,387)	3,376	9,977
<b>Returns</b>					
Profit/(Loss) Before Taxation/Average Shareholders' Funds	6.70%	(3.98%)	(9.38%)	11.70%	17.79%
Earnings Per Ordinary Share (5p equivalent)	0.10p	(1.20p)	(1.73p)	0.98p	2.09p

## Branch Addresses

ABERDARE	19 Duke Street	LINCOLN	16 Saltergate
BARNLEY	11 Peel Square	LIVERPOOL	38 Castle Street
BASINGSTOKE	2 Chelsea House, Putters Walk	LONDON	
BELFORD	Tamsin House, 4/14 Dame Alice Street	CITY OFFICE	9 Prescott Street, E1 8SE
BETHNAL GREEN*	Town Hall, E2	HOLBORN	62-64 Southampton Row, WC1
BIRMINGHAM	118/120 Colmore Row	WESTMINSTER*	Transport House, Smith Square, SW1
BLACKBURN	35 Church Street	LUTON	2/6 Alma Street
BLACKWOOD*	79 High Street	MANCHESTER	1 Balloon Street
BLAYDON*	18 The Precinct	MANCHESTER AIRPORT*	
BOLTON	19 Knowsley Street	MANSFIELD	Co-operative House, Queen Street
BRADFORD	6 Tyrrel Street	MIDDLESBROUGH	69/71 Corporation Road
BRIDGLAND	48a Norton Street	NEWCASTLE UNDER LYME	
BRIGHTON	35 Ship Street	NEWCASTLE	31 High Street
BRISTOL	16 St. Stephen's Street	NEWCASTLE	53/59 Blandford Square
BURTON-ON-TRENT	1 Station Street	NEWCASTLE	84/86 Grey Street
CAERPHILLY*	Hazel House, Cardiff Road	NEWPORT	28/29 John Frost Square
CAMBRIDGE	75 Burleigh Street	NORTHAMPTON	47/49 St. Giles Street
CARDIFF	The Hayes	NORWICH	69 London Street
CHATHAM	26 Military Road	NOTTINGHAM	15 Friar Lane
CHELMSFORD	11 Market Road	NUNEATON	5 New Century Way
CHELTENHAM	22/24 Clarence Street	OXFORD	13 New Road
CHEPSTOW*	Albion House, Albion Square	PETERBOROUGH	33 Westgate
CHESTERFIELD	15 Elderway	PLYMOUTH	160 Armada Way
COLCHESTER	Albert Hall Building, High Street	PONTARDAWE*	Unit 3, High Street
COVENTRY	6 Warwick Row	PONTYPRIDD*	4 Church Street
CREWE	38 Victoria Street	PORTSMOUTH	46/48 Arundel Street
CROYDON	91 George Street	PRESTON	147 Church Street
CWMBRAN*	48 Gwent Square	READING	34 St. Mary's Butts
DARLINGTON	2b Duke Street	ROCHDALE	110 Yorkshire Street
DARTFORD	14 Hythe Street	ROMFORD	1 South Street
DEPTFORD*	5 Giffin Street, SE8	ROTHERHAM	27 Bridgegate
DERBY	10 The Wardwick	SHEFFIELD	84/86 West Street
DONCASTER	31 St. Sepulchre Gate	SOUTHAMPTON	149 High Street
DUDLEY	Beaufort Court, Wolverhampton Street	SOUTHEND	40 London Road
DURHAM	5/6 Saddler Street	ST. HELENS	9a Barrow Street
EALING	14 New Broadway, W5	STAFFORD	42 Greengate Street
EXETER	242 High Street	STOCKPORT	1 St. Peter's Square
GLASGOW	47 St. Vincent Street	STOKE ON TRENT*	11/19 Liverpool Road
GLOUCESTER	23a St. Aldate Street	STRATFORD	134/138 The Grove, E15
GRIMSBY	27 South St Mary's Gate	SUNDERLAND	5 Lawcett Street
GUILDFORD	Rectory House, Market Street, St. Peter Port	SUNDERLAND*	81 The Bridges
GUILDFORD	12c North Street	SWANSEA	34 The Kingway
HANLEY	5 Market Square	SWINDON	4/5 Regent Circus
HARTLEPOOL	Jubilee House, York Road	SWINTON*	Civic Centre, Chorley Road
HEATHROW AIRPORT*		TONYPANDY*	10b Llwynypia Road
HULL	22 Alfred Gelder Street	WAKEFIELD	8 Providence Street
IPSWICH	11/13 Princes Street	WALTHAMSTOW	151/155 Hoe Street, E17
ISLINGTON	1 Islington High Street, N1	WARRINGTON	78 Bridge Street
KINGSTON UPON THAMES		WATFORD	5/7 Market Street
KINGS	17 High Street	WEST BROMWICH	262 High Street
LIDS	41 Vicar Lane	WYLMOUTH*	Caroline Place
LIVERPOOL	5/9 Hotel Street	WIGAN	10 Market Street
LIVESHAM	151 Lewisham High Street, SE11	WOLVERHAMPTON	33 Market Street
		WOOD GREEN	195 High Road, N22
		YSTRAD MYNACH*	Arcade Buildings

\* Denotes sub-branch