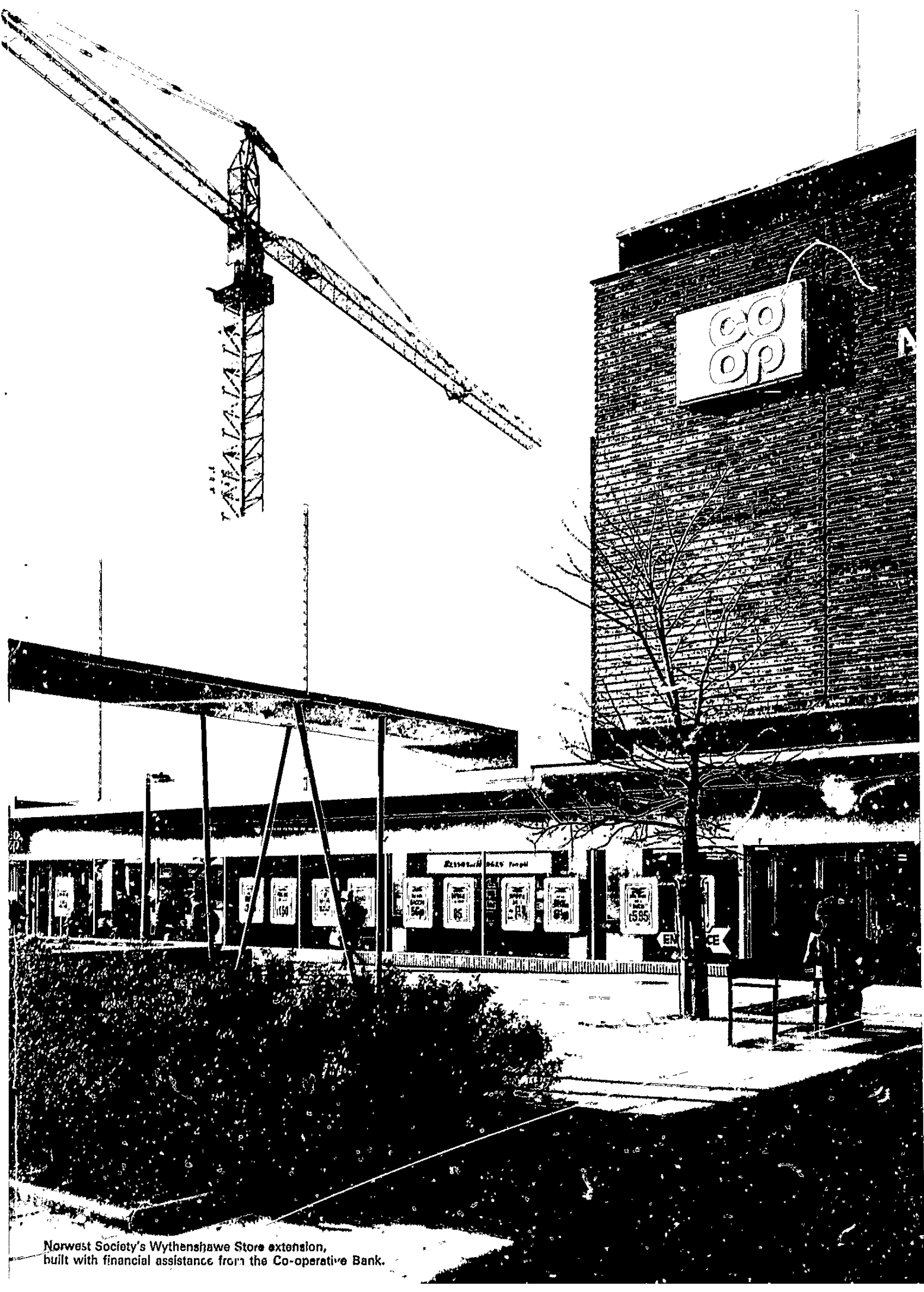


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Co-operative Bank Limited

Report and Accounts
for the year ended 11th January, 1975



Norwest Society's Wythenshawe Store extension,
built with financial assistance from the Co-operative Bank.



New Branches at Wolverhampton (above) and Middlesbrough were opened in 1974 as part of the Co-operative Bank's plans to increase its overall Branch coverage by 60 per cent in three years. In addition, new premises have been opened at Durham, Stockport, Pontypridd, and a further nine new Branches are to be opened shortly.



Co-operative Bank Limited
Head Office and Registered Office
New Century House, Manchester, M60 4EP.

BOARD

Chairman

A. Sugden

Directors

A. Bassford

G. E. Bradfield

L. Lee

W. J. Luxton

D. C. Maxey

W. O. Russell

Secretary

T. H. Taylor

MANAGEMENT

Chief General Manager

L. Lee, B.Com., F.I.B.

Joint General Managers

A. Bassford, F.I.B.

W. J. Luxton, A.I.B.

D. C. Maxey, F.I.B., F.C.I.S.

Assistant General Managers

A. J. Brunton, F.I.B.

B. D. Jones, F.I.B.

T. J. Weight, F.C.A.

L. Wilkinson, F.I.B.

City Office
76/80 Cornhill
London, EC3V 3NJ

Principal London Office
110 Leman Street
London, E1 8HQ

London Director
D. C. Maxey, F.I.B., F.C.I.S.

Manager
E. L. Merryman, F.I.B.

Statement by the Chairman

Mr. A. SUGDEN



Problems in the Financial Sector

For the economy as a whole, but particularly the financial sector, 1974 was a very difficult year indeed. The Stock Market, property field and "fringe" banking institutions, all suffered dramatically in the face of increasingly difficult conditions in the domestic economy, whilst the whole nature and balance of the international credit system was also transformed by the power of some commodity exporting countries to dictate fundamental changes in price levels. As a consequence, expansion in world trade was arrested and by the end of the year the prospects of world-wide depression on the scale of forty years ago appeared on the horizon as a distinct possibility.

For a number of different reasons the U.K. economy appears to have adapted less well than most other countries to the changed situation. The loss of confidence which has affected large sections of industry—though not, I might add, the Co-operative Movement—has had a drastic effect on levels of capital investment, particularly in plant and up-to-date machinery. In consequence, and doubtless influenced also by the fear of seemingly uncontrollable inflation, the considerable potential trading advantage provided by a floating pound appears to have been largely neutralised and we now face the prospect of a lower real level of production of goods and services, and sharply increasing unemployment, whilst our balance of payments remains in enormous deficit.

With two elections (one involving a change in Government) and three Budgets, overall economic policy in the year was confused and, on occasions, contradictory. The main objective of monetary policy throughout 1974 was stated to be the reduction in the rate of expansion of the monetary aggregates to achieve more acceptable levels. In some quarters the cut-back was obviously far too severe and the effects are still with us in 1975. The enormous public sector deficit was, of course, largely financed outside the banking system, and particularly by borrowing from overseas. As a consequence, domestic interest rates had to be maintained at relatively attractive levels compared to other markets for funds. This policy, however, required the maintenance of high bank base rates and acted as a further restraint on demand for funds from industry.

Short-term rates started the year at extremely high levels following the crisis measures of December 1973, but then eased. The year's low point was reached in October/November, and was followed by a further slight upward movement towards the end of the year. Base rates were reduced by one-half of one percentage point on two occasions in April and May.

Throughout the year the impact of inflation was particularly severe on the corporate sector. In his November Budget the Chancellor introduced measures designed particularly to alleviate company liquidity problems, and also set the scene for further medium-term financial assistance through Finance for Industry Limited. An extension of the existing control on the taking of deposits by banks—the "corset"—was introduced at the same time, and with a permitted rate of expansion during the first half of 1975 similar to that in the second half of 1974. Penalties for exceeding the imposed ceiling were also eased, and the voluntary undertaking by the major banks to forego the interest on a proportion of their Special Deposits was ended. In fact, interest-bearing eligible liabilities held by the banking sector as a whole at no time during the year approached the imposed ceiling, although a few smaller banks suffered the penalty for overstepping the mark. The "control" was subsequently allowed to lapse early in 1975. The Co-operative Bank's position remained within the overall limit throughout the year.

The Authorities maintained their request to the banks to exercise restraint in lending to individuals and for purely "financial" transactions. An exception was made in the case of the property sector, where restraint was only to be exercised as strongly as was compatible with avoiding further aggravation of severe difficulties being experienced in that sector.

The intervention of the Bank of England which organised a rescue operation for that part of the "fringe" banking sector particularly involved in the property market has been highly praised for an action which undoubtedly helped to maintain the good name of the British financial system. It is perhaps a reflection of the maturity of our banking system that, in spite of the enormity of the sums involved in the support programme, the overall damage has been minimal. All the major banks, including Co-operative Bank, have been involved in these operations whilst also having their own difficulties in what would, in more normal times, have been fruitful lending activities.

The trading results for the year in the financial sector reflect the impact of these problems with considerably increased provisions for bad and doubtful debts and other exceptional items which have had the effect of distorting profit levels.

The Co-operative Bank Group has also had its share of problems in the property-related and other sectors, with the Group's consolidated profit figures for 1974 carrying a considerable burden of suspended interest payments and other exceptional provisions. However, a significant allowance must also be made in considering the figures for resources which have been ploughed back into the Bank and the wider Movement as a whole in order to provide a better overall service to its customers.

Co-operative Bank Base Rate Changes

16th November, 1973	13%
11th April, 1974	12½%
23rd May, 1974	12%

GROUP ACTIVITIES

Co-operative Bank Limited

Despite the difficulties faced by the banking community in 1974, the Co-operative Bank Group adapted itself to the changing circumstances and achieved a considerable measure of progress. Much of the work during the year was related to laying the foundations for the historic move later in 1975 when the Bank will become the first institution for more than thirty years to join the Bankers Clearing House.

The parent Bank continued the next stage of its branch expansion policy during the year by opening key regional offices in Liverpool, Middlesbrough and Wolverhampton. It is intended to open at least ten further offices during 1975 and plans are already well advanced for further branch expansion throughout the United Kingdom in subsequent years.

To supplement these significant developments, further measures were taken during the year to improve and broaden the nature of the thousands of in-store banking points situated in Co-operative Society premises. In this way it should prove possible for Societies and the Bank to work much closer together in developing new business to mutual benefit. Further, and as an alternative to utilising other banks' branches for paying-in cash and cheques, the Bank has made arrangements with the National Giro to allow Societies to make use of Post Office facilities. I wholeheartedly welcome these moves towards greater interdependence between Retail Societies and the Bank, and am convinced they will help to maintain and further expand the influence of a thriving Co-operative sector in this country.

In December 1973 the Co-operative Bank was the first major bank in the United Kingdom to introduce genuine "free banking" terms for accounts operating effectively in credit. This major innovation was welcomed by the general public and a number of other banks adopted similar schemes in subsequent months. Our new terms have proved to be a complete success and for the year as a whole the Bank has been gaining new customers at an extremely encouraging rate.

Under the Local Government reorganisation in April 1974 the Bank obtained an important share of the available business including several of the new major authorities. Further growth has also taken place in other corporate sectors and it is particularly gratifying to note that our other traditional "group" customers—such as clubs and trade unions—are widening the scope of their involvement with the Bank Group.

The Bank's range of services is constantly under review. Perhaps the most significant change during the year from our personal customers' point of view was the Bank's entry into the Euro-cheque scheme. This allows holders of cheque guarantee cards to cash cheques at other banks' branches

both in Britain and most countries in Europe. Our customers, therefore, have roughly 17,000 possible encashment points in Britain alone with 4,000 of them in Co-operative stores and usually open during the range of shopping hours. On the corporate side we are pleased to mention that among other things we have broadened the nature and scope of our financial and investment advice service both for the Movement and our other traditional customer groups.

To cater for this new phase of major change and expansion, it has proved necessary to introduce a further element of specialisation in the top management structure. An expanding Joint General Manager function has been introduced, and the four occupants who will have responsibility for all activities within the sphere of their particular Divisions, will be backed-up by a number of new Assistant General Managers and Head Office departments.

Continued recognition was given last year to the Bank's important role in international co-operative banking. Officials of the Bank played a prominent part in deliberations by the Brussels based Association of Co-operative Savings and Credit Institutions of the E.E.C., and in the newly-formed International Liaison Committee on Co-operative Thrift and Credit. Further opportunities presented themselves in connection with the Banking activities of the International Co-operative Alliance and the Bank's shareholding in the International Co-operative Bank based in Basle, Switzerland.

Co-operative Commercial Bank Limited

Co-operative Commercial Bank had a successful year during which it continued to consolidate and develop its position in the City of London. The Bank maintained its level of dealing operations in the London sterling inter-bank market, but international business and Euro-currency money market operations were based on a much reduced level of activity, particularly during the second half of the year.

In the field of domestic lending, emphasis is placed on the provision or arrangement of short and medium-term finance to Bank Group customers and to other established contacts in the corporate sector. In the present difficult economic climate a high degree of selectivity is being exercised in business transactions, but it is considered that the sound base already established provides an excellent foundation upon which to build a more extensive range of corporate financial services.

F. C. Finance Group

The abnormal and extreme pressures which prevailed throughout 1974 adversely affected all Banks and Finance Houses, and F. C. Finance Ltd. was no exception. The severe difficulties in the money market and the unprecedented level of money costs resulted in an increase in cost of money from £4.85 millions in 1973 to £6.65 millions in 1974. Group profits struck before exceptional provisions and taxation fell to £1,632,000 from £1,930,000 in 1973 but the Directors considered it necessary in view of the virtual collapse of the property market to make exceptional provisions of £1,512,000 against loans and land held for development. In addition the Company's share of exceptional provisions made by an Associated Company amounted to £247,000. As a consequence of these adjustments there is a net loss for the year of £127,000 as against a profit in the previous year of £1,468,000.

Since the year end there has been a steady return of confidence in residential property and the money market and the improved climate encourages the Company to anticipate a return to profitability and renewed expansion in the traditional fields of consumer credit.

Agricultural Finance Federation Limited

Agricultural Finance Federation Limited made steady progress during the year with a significant increase in turnover and pre-tax profits. It is pleasing to record that despite difficult economic circumstances the arrears and potential bad debt situation were kept at a satisfactory level.

For 1975 additional staff have been engaged and new markets are to be developed which should result in a further healthy increase in turnover.

Staff

The expansion of our business and continuing extension of the branch network has required us to augment our staff substantially. The growth of the Bank has created an unprecedented opportunity for promotion to our existing staff, and to supplement our own resources we have successfully recruited a number of qualified and experienced young bankers from other joint stock banks.

All have worked with enthusiasm and responded fully to the requirements of our expanding business. For this we offer our grateful thanks.

April, 1975

Report of the Directors

The Directors have pleasure in submitting their report, together with the audited accounts for the year ended 11th January, 1975.

Capital

The authorised and issued share capital is £8,000,000 in ordinary shares of £1 each.

Profits and Dividends

The consolidated net profit, after provision for taxation, attributable to the shareholders of Co-operative Bank Limited is £778,000, as set out in the consolidated profit and loss account on page 7.

Group Activities

The Bank and its subsidiaries forming the Co-operative Bank Group provide an extensive range of banking and financial services, both domestic and foreign. The total turnover of the Group is not shown, as it resulted mainly from the business of banking. From its other activities, turnover amounted to £26,766,000, and was the total of advances excluding finance charges, the net cost of equipment leased, and sales of developed property.

Business

The business of the Group is banking and other related financial activities.

Branches

At 11th January, 1975, the Bank had 51 branches and sub-branches (two of which are in Scotland) and had some 4,000 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 1.

On the 15th June, 1974, Mr. A. Wilson retired from the Board and was succeeded as Chairman by Mr. A. Sugden, who was appointed on the 17th June, 1974.

Mr. A. Lever retired on the 6th July, 1974.

Mr. E. N. Wilson resigned on 31st August, 1974.

Mr. A. Bassford and Mr. W. J. Luxton were appointed to the Board on 8th July, 1974, and 1st April, 1975 respectively, and in accordance with the Articles of Association retire, and being eligible, offer themselves for re-appointment.

Mr. G. E. Bradfield retires by rotation under the Articles of Association, and being eligible, offers himself for re-election.

Mr. A. Wilson was interested in 2,000 25p Ordinary Shares in F. C. Finance Limited at the commencement of the year, and held the same interest at his retirement.

Mr. A. Sugden was interested in 875 25p Ordinary Shares in F. C. Finance Limited throughout the year.

No other directors had a beneficial interest in any shares in the Group, or in Co-operative Wholesale Society Limited, or in any of the other companies controlled by Co-operative Wholesale Society Limited.

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

Staff

Mr. R. S. Weir has resigned from the office of Secretary and has been succeeded by Mr. T. H. Taylor. The weekly average number of persons employed by Co-operative Bank Limited and its subsidiaries was 1,983 and their aggregate remuneration for the year was £3,764,532.

Donations

During the year the Group made donations of £1,603 to United Kingdom charitable organisations.

Auditors

The auditors of Co-operative Bank Limited are Messrs. Thomson McLintock & Co., Chartered Accountants, who will continue in office under the provisions of Section 159(2) of the Companies' Act, 1948.

29th April, 1975

By Order of the Board,
T. H. TAYLOR, Secretary.

Auditors' Report

We have audited the books and records of Co-operative Bank Limited for the year ended 11th January, 1975. Certain of the subsidiaries and associated companies have been audited by other firms of accountants.

Note 5 refers to certain loans made by a subsidiary, mainly secured on development properties, and to land held by that company for development. The note records the fact that the directors of the subsidiary recognise that in the present abnormal condition of the property market and in the current economic situation, there can be no certainty about the value of assets of this kind, but nevertheless are of the opinion that their book value is fair and realistic. On this basis, the accounts and notes on pages 7 to 17, in our opinion, give a true and fair view of the state of affairs of the company and of the state of affairs and profit of the group and comply with the provisions of the Companies Acts 1948 and 1967.

Manchester.
30th April, 1975.

THOMSON McLINTOCK & Co.
Chartered Accountants.

Co-operative Bank Limited

Consolidated Profit and Loss Account

for the year ended 11th January, 1975

	Notes	1974 £'000	1973 £'000
Operating Profit	1 & 3	4,763	5,652
Exceptional Items	5		
Additional provision		2,650	785
Special contribution to Pension Fund		146	—
		2,796	785
		1,967	4,867
Share of Losses of Associated Companies		(714)	(113)
Profit before Taxation and Extraordinary Item		1,253	4,754
Taxation	6		
The Bank and its Subsidiaries		683	2,313
Associated Companies		(7)	(44)
		676	2,269
		577	2,485
Minority Interest		(15)	187
		592	2,298
Extraordinary Item	7	186	—
Retained Earnings		778	2,298
Profits Retained			
By The Bank		1,508	1,904
By subsidiaries		(60)	450
		1,448	2,354
In associated companies		(670)	(56)
		778	2,298

The notes on pages 12 to 17 form part of these accounts

Co-operative Bank Limited

Consolidated Balance Sheet

as at 11th January, 1975

	Notes	1974 £'000	1973 £'000
Share Capital and Reserves			
Ordinary share capital	8	8,000	8,000
Reserves	9	16,795	15,932
		<u>24,795</u>	<u>23,932</u>
Minority Shareholders' Interest in Subsidiaries			
		1,951	2,103
Deferred Taxation			
	10	1,355	1,175
Current Liabilities			
Deposits by trustees of C.W.S. employees' pension scheme (secured)		18,000	19,784
Current, deposit and other accounts	11	234,622	266,186
Acceptances by finance house subsidiary		4,500	6,550
Due to banks by finance house subsidiary		4,450	3,684
Creditors		1,893	1,939
Taxation		196	239
		<u>263,661</u>	<u>298,382</u>
		<u>291,762</u>	<u>325,592</u>

	Notes	1974 £'000	1973 £'000
Liquid Assets			
Coin and bank notes		3,562	3,144
Balances with and amounts in course of collection from other banks		26,171	23,231
Money at call and short notice		45,937	49,655
		<u>75,670</u>	<u>76,030</u>
Certificates of Deposit		17,536	22,464
Special Deposits with the Bank of England		3,855	8,561
Investments	12	43,958	46,819
Customer and Other Accounts			
Advances, less provisions		96,576	124,281
Balances outstanding on instalment credit agreements, less unearned charges		28,377	24,918
Development land and work in progress		11,111	9,609
Debtors		1,217	950
		<u>137,281</u>	<u>159,758</u>
Associated Companies	14	8,693	8,103
Fixed Assets	15	3,414	2,502
Premium on Acquisition of Shares in Subsidiaries		1,355	1,355
		<u>291,762</u>	<u>325,592</u>

The notes on pages 12 to 17 form part of these accounts

A. Sugden, Chairman
L. Lee, Director
G. E. Bradfield, Director
T. H. Taylor, Secretary

Co-operative Bank Limited

Balance Sheet

as at 11th January, 1975

	Notes	1974 £'000	1973 £'000
Share Capital and Reserves			
Ordinary share capital	8	8,000	8,000
Reserves	9	15,754	14,650
		<u>23,754</u>	<u>22,650</u>
Deferred Taxation		25	—
Current Liabilities			
Deposits by trustees of C.W.S. employees' pension scheme (secured)		18,000	19,784
Current, deposit, and other accounts	11	196,561	178,667
Creditors		956	558
Taxation		—	262
		<u>215,517</u>	<u>199,271</u>
		<u>239,296</u>	<u>221,921</u>

	<i>Notes</i>	<i>1974</i> £'000	<i>1973</i> £'000
Liquid Assets			
Coin and bank notes		3,562	3,142
Balances with and amounts in course of collection from other banks		25,940	21,822
Money at call and short notice		44,090	44,955
		<u>73,592</u>	<u>69,919</u>
Certificates of Deposit		3,541	9,320
Special Deposits with the Bank of England		3,385	6,331
Investments	12	42,362	45,892
Customer and Other Accounts			
Advances less provisions		66,621	73,430
Debtors		762	107
		<u>67,383</u>	<u>73,537</u>
Associated Companies		3,248	2,434
Subsidiaries	13	43,800	13,354
Fixed Assets	15	1,985	1,134
		<u>239,296</u>	<u>221,921</u>

The notes on pages 12 to 17 form part of these accounts

A. Sugden, Chairman
L. Lee, Director
G. E. Bradfield, Director
T. H. Taylor, Secretary

Co-operative Bank Limited

Notes to the Accounts

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

1. Bases of Accounting

(a) As a result of the commitments entered into by Scottish Co-operative Society Limited ("S.C.S.") whose banking department was acquired by Co-operative Bank Limited on 29th June, 1973, Co-operative Bank Limited held sterling certificates of deposit amounting to £173m. at 11th January, 1975. The purchase of these sterling certificates of deposit has been financed by loans from a syndicate comprising the London and Scottish Clearing Banks and outstanding commitments will be financed in a similar way. Neither the sterling certificates of deposit, nor the loans, are included in the balance sheets. As Co-operative Bank Limited is indemnified against any losses which might arise from these transactions by Co-operative Wholesale Society Limited ("C.W.S.") and the syndicate of London and Scottish Clearing Banks, no provision for losses has been made.

(b) Investments

(i) Income from investments includes amortization of premiums and discounts on dated stocks in equal annual instalments from the date of acquisition to maturity. The premiums and discounts on investments acquired from C.W.S. are based on the market value of these investments at 10th July, 1971, at which date the banking activities of C.W.S. were transferred to and vested in Co-operative Bank Limited.

(ii) Realised profits and losses on sales of investments are taken to investment suspense account, and are subsequently transferred to profit and loss account in five equal annual instalments, commencing with the year of realisation.

(c) Losses on advances

The amount charged against operating profit for losses on advances in Co-operative Bank Limited is based on the average experience of the current and four preceding years and the present volume of lending. Part of this experience derives from the banking department of C.W.S. up to the date of transfer to Co-operative Bank Limited. If at any balance sheet date the provision is not adequate to meet anticipated losses on advances, or is excessive to a material extent, the appropriate shortfall or excess is charged or credited to profit and loss account. In the subsidiary companies anticipated losses on advances are charged against profits in the year in which they arise.

(d) Depreciation

Depreciation of land is provided in Co-operative Bank Limited at 1½% and of buildings at 2½% of the original purchase price. Depreciation of freehold land and buildings in the other group companies is not provided for. Depreciation of equipment and fittings is provided in equal annual instalments over the estimated working lives of the assets. The cost and aggregate depreciation on those assets transferred from C.W.S. at 10th July, 1971, are those relating to the original acquisition of the assets by C.W.S.

(e) Instalment credit agreements

Credit is taken in the profit and loss account for finance charges on instalment credit agreements, net of dealers' commission, as instalments are received, in equal amounts for each instalment.

(f) Deferred Taxation

Provision is made at the current rate of corporation tax for taxation deferred by reason of timing differences in the accounting and taxation treatment of certain items, mainly those referred to above. Provision is also made for potential taxation on surpluses arising from revaluation of properties, but not on realised profits which have been "rolled over" for tax purposes.

(g) Development land and work in progress

Development land and work in progress is valued at the lower of cost, including normal finance charges, and net value realisable in the ordinary course of business. Receipts in respect of part disposals are deducted from cost. Credit is taken for 80% of the estimated profit included in receipts on developments which are substantially complete.

(h) Extraordinary items

All items which are not within the normal activities of the Bank and its subsidiaries are dealt with in the profit and loss account as extraordinary items. These include profits and losses on the disposal of the companies' premises.

(i) Associated companies

In the consolidated profit and loss account the group's share of the loss of the associated companies includes the appropriate portion of provisions made by the banking group companies on advances to the associated

companies; the balance of these provisions is regarded as a loss of the banking group. In the consolidated balance sheet associated companies are shown at cost, including advances, less amounts written off, and the group's share of the retained profits and losses from the date of acquisition.

(j) Exchange rates

Balances in foreign currencies are converted into sterling at the rate ruling at the balance sheet date.

(k) Premium on acquisition of shares in subsidiaries

The premium paid on the acquisition of shares in subsidiaries, being the excess of the amount paid over the net tangible assets at the date of acquisition, is shown in the consolidated balance sheet at the full amount as it is considered that the value of these subsidiaries to the group is not less than the original cost.

(l) Comparative figures

Certain adjustments have been made to the published figures for the year to 12th January, 1974, because of the disclosure of exceptional items and other changes in the form of the accounts.

(m) Accounting date

The accounts of the group are made up for the 52 weeks to 11th January, 1975. Since the financial year is virtually coterminous with the calendar year 1974, the financial year's figures are headed 1974 and the corresponding figures for the previous year are headed 1973.

2. Turnover

The turnover of the group is not shown as it resulted mainly from the business of banking. The turnover from its other activities amounted to £26,766,000 (1973 — £38,728,000) and was the total of advances, excluding finance charges, the net cost of equipment leased and sales of developed property.

3. Profit for the Year

The profit for the year is stated:

	1974	1973
After charging—		
Interest payable	22,226	20,672
Depreciation of fixed assets	608	505
Hire of computers and associated equipment	40	91
Auditors' remuneration—Parent company, £9,000 (1973 - £7,260)	22	14
Directors' emoluments	33	33
And after crediting—		
Investment income:		
Quoted	3,341	3,571
Unquoted	259	223

The quoted investment income includes £315,000 (1973 — £212,000) in respect of the increase in the value of dated securities in accordance with the basis of accounting set out in Note 1 (b).

4. Directors' and Employees' Emoluments

The chairman received no emoluments in the current or previous period, the emoluments of the highest paid director were £12,000 (1973 — £11,038). The following table sets out the number of other directors and the range of their emoluments:

£	1974	1973
0 — 2,500	3	3
2,501 — 5,000	2	—
5,001 — 7,500	1	1
7,501 — 10,000	1	2

The other employees of the Group whose total emoluments exceeded £10,000 were as follows:

£	1974	1973
17,501 — 20,000	1	—
20,001 — 22,500	—	1

Co-operative Bank Limited

Notes to the Accounts

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

5. Exceptional Items

In accordance with the basis of accounting set out in Note 1 (c), the directors have deemed it prudent, in the present financial climate, to make a special provision to cover the increased risk of losses on advances by the Bank.

The provision of £2,650,000 includes £1,512,000 in respect of a subsidiary company in whose balance sheet loans (mainly secured on development properties) and land held for development are stated at £31,986,000. As this sum represents a significant proportion of the subsidiaries' total assets, a note dealing with the valuation of these particular items appears in its accounts and is referred to in the auditors' report which is in the following terms:

"We have examined the Accounts set out on pages — to —. It is explained in Note —, page —, with which we agree, that in the present abnormal condition of the property market and economic situation there can be no certainty about the value of land held for development and loans secured on such land. We have, however, no reason to dissent materially from the opinion of the directors that the value placed upon them is fair and realistic. Subject, thereto, in our opinion the said accounts give, so far as concerns members of F.C. Finance Limited, a true and fair view of the state of affairs at 31st December, 1974, and of the loss for the year ended on that date and comply with the Companies Acts, 1948 and 1967, and the Protection of Depositors (Accounts) Regulations, 1963."

A special contribution of £146,000 has been made to fund the back service liability arising from improvements in widows and other pension benefits.

6. Taxation

The charge for the year comprises:

Corporation tax at 52% (1973—49%)
Deferred taxation at 52% (1973—52%)
Over provision in previous year
Tax credit on franked investment income
Advance corporation tax irrecoverable

Associated companies

1974	1973
496	1,603
169	739
—	(50)
12	10
6	11
<u>683</u>	<u>2,313</u>
(7)	(44)
<u>676</u>	<u>2,269</u>

7. Extraordinary Item

This represents a profit on the disposal of leasehold property. Capital gains tax of approximately £56,000 has not been provided as the gain has been "rolled over" against the cost of other premises acquired.

8. Share Capital

The authorised and issued share capital is £8,000,000 in ordinary shares of £1 each.

9. Reserves

At 13th January, 1974
Retained earnings

Investment suspense account—
At 13th January, 1974
Net loss on realisation of investments
Debit to profit and loss account

Totals as at 11th January, 1975

Group	Co-operative Bank Limited
16,471	15,189
778	1,019
<u>17,249</u>	<u>16,208</u>
(539)	(539)
(50)	(50)
135	135
<u>(454)</u>	<u>(454)</u>
<u>16,795</u>	<u>15,754</u>

Of the total reserves at 11th January, 1975, £9,856,000 is not available for distribution to shareholders. The investment suspense account records the result of the accounting basis set out in Note 1 (b).

10. Deferred Taxation

Taxation deferred by timing differences in accordance with the accounting policies set out in Note 1(f)

Balance at 13th January, 1974.	1,162
Profit and Loss Account—charge for the year	169
	<u>1,331</u>
Provision for potential capital gains tax on revalued properties	95
A.C.T. recoverable	(71)
	<u>1,355</u>

11. Current, Deposit and Other Accounts

This includes balances deposited by the parent organisation and fellow subsidiaries, as follows:

	<i>Group</i>		<i>Co-operative Bank Limited</i>	
	1974	1973	1974	1973
Parent organisation	25,130	32,830	25,130	28,280
Fellow subsidiaries	3,084	3,243	3,084	2,493
	<u>28,214</u>	<u>36,073</u>	<u>28,214</u>	<u>30,773</u>

12. Investments

	<i>Group</i>		<i>Co-operative Bank Limited</i>	
	1974	1973	1974	1973
Investments at cost or amortized value comprise—				
Quoted:				
Securities of, or guaranteed by the British Government	38,816	41,737	38,816	41,737
British municipalities and public boards stocks, etc.	1,031	987	1,031	987
Commonwealth Government stocks and foreign securities	394	407	394	407
Other securities quoted in Great Britain	1,628	1,667	1,616	1,617
	<u>41,869</u>	<u>44,798</u>	<u>41,857</u>	<u>44,748</u>
Unquoted:				
Principally local authority mortgages at cost	2,089	2,021	505	1,144
	<u>43,958</u>	<u>46,819</u>	<u>42,362</u>	<u>45,892</u>

The market value of the quoted securities at 11th January, 1975, was £33,352,000 (1973 — £37,878,000). The large majority of these investments mature within 10 years, the average period to redemption being six years. The redemption values in total exceed the book value.

Investments with a book value of £23,236,000 (1973 — £23,300,000) and a market value of £19,036,000 (1973 — £19,920,000) are held on behalf of the trustees of the C.W.S. Employees' Pension Scheme as securities for deposits.

Co-operative Bank Limited

Notes to the Accounts

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

13. Ultimate Holding Company and Subsidiaries

The ultimate holding company is Co-operative Wholesale Society Limited, which is incorporated in England and which is registered under the Industrial and Provident Societies Acts 1965 to 1968. The principal subsidiaries of the Co-operative Bank Limited are:

	1974 <i>Holding</i>	1973 <i>Holding</i>
Co-operative Commercial Bank Limited (registered in England)	100%	100%
Centenary Finance (Glasgow) Limited (registered in Scotland)	100%	100%
Newhart Developments (North Wales) Limited (registered in England)	100%	—
F. C. Finance Limited (registered in England)	81%	81%
Cleveland Guaranty Limited (registered in England)	81%	81%
Cleveland Finance Limited (registered in England)	81%	81%
Agricultural Finance Federation Limited (registered in England)	50%	50%
Cost of investment in subsidiaries	6,576	6,576
Amounts due by subsidiaries	37,224	6,778
	<u>43,800</u>	<u>13,354</u>

14. Investments in Associated Companies

The investments in associated companies (all incorporated in England), none of which are quoted, are as follows:

<i>Name of Company</i>	1974 <i>Group Interest</i>	1973 <i>Group Interest</i>
Marc Gregory (Surrey) Limited	50%	50%
Haydn Evans (South Wales) Limited	50%	50%
Davison Construction (North West) Ltd.	50%	50%
Leslie Bilsby Developments Limited (held by F. C. Finance Limited)	41%	41%
Suregrade Developments Limited (held by F. C. Finance Limited)	41%	41%

The investment in associated companies is made up as follows:

Cost of Shares and Advances, less amounts written off	9,361	8,064
Share of Retained Profits/(Losses)	(668)	39
	<u>8,693</u>	<u>8,103</u>

No dividends were received by F. C. Finance Limited during the year. (1973 - £20,000).

15. Fixed Assets

	<i>Group</i>		<i>Co-operative Bank Limited</i>	
	<i>Freehold and leasehold land and buildings</i>	<i>Equipment and fittings</i>	<i>Freehold and leasehold land and buildings</i>	<i>Equipment and fittings</i>
Cost or valuation:				
At 13th January, 1974	1,291	2,932	96	2,633
Capital expenditure	621	835	577	726
Sales and disposals	(7)	(73)	—	(9)
At 11th January, 1975	<u>1,905</u>	<u>3,694</u>	<u>673</u>	<u>3,350</u>
Accumulated depreciation:				
At 13th January, 1974	10	1,711	10	1,585
Depreciation for year	20	488	19	429
Sales and disposals	—	(44)	—	(5)
At 11th January, 1975	<u>30</u>	<u>2,155</u>	<u>29</u>	<u>2,009</u>
Net book value at 11th January, 1975	<u>1,875</u>	<u>1,539</u>	<u>644</u>	<u>1,341</u>
Combined net book value at 11th January, 1975		<u>3,414</u>		<u>1,985</u>
The net book value of land and buildings comprises:				
Freehold	1,738		551	
Long Leasehold	37		—	
Short Leasehold	100		93	
	<u>1,875</u>		<u>644</u>	
Freehold and leasehold land and buildings:				
At cost	849		673	
At valuation at March, 1973	1,056		—	
	<u>1,905</u>		<u>673</u>	

16. Commitments and Contingent Liabilities

(a) Capital expenditure committed and authorised at 11th January, 1975 was:

	<i>Group</i>		<i>Co-operative Bank Limited</i>	
	1974	1973	1974	1973
Contracted for but not spent	1,055	614	1,040	576
Authorised but not contracted for	120	51	120	31

(b) F. C. Finance Limited has given guarantees in respect of building contracts and public works to be undertaken by an associated company and other customers maximum liability, £852,000 (1973 - £440,000).

(c) F. C. Finance Limited has given guarantees of overdrafts and other liabilities of certain of its subsidiaries: maximum liability, £223,000 (1973 - £831,000)

(d) Engagements entered into on behalf of customers which amount to £11,754,000 (1973 - £12,642,000) and in respect of which there are corresponding obligations by customers, are not included in the balance sheets.

The Expanding Co-operative Bank

The Lord Mayor of Liverpool, Councillor Francis Burke, and the Lord Lieutenant of Merseyside, Brigadier Sir Douglas Crawford, were welcomed by Mr. Lewis Lee, Chief General Manager of the Co-operative Bank, at an official reception held to mark the opening of the Bank's Liverpool Branch (pictured top of opposite page). A framed line drawing of the attractive Victorian building which houses the Branch was presented to the City of Liverpool.

Modern furnishings and decor greet customers at the Co-operative Bank's new Bristol Branch which opened last year (central picture). This now replaces the original Bristol Branch—opened in 1922—which was one of the first three Branches to be opened by the Bank outside Manchester.

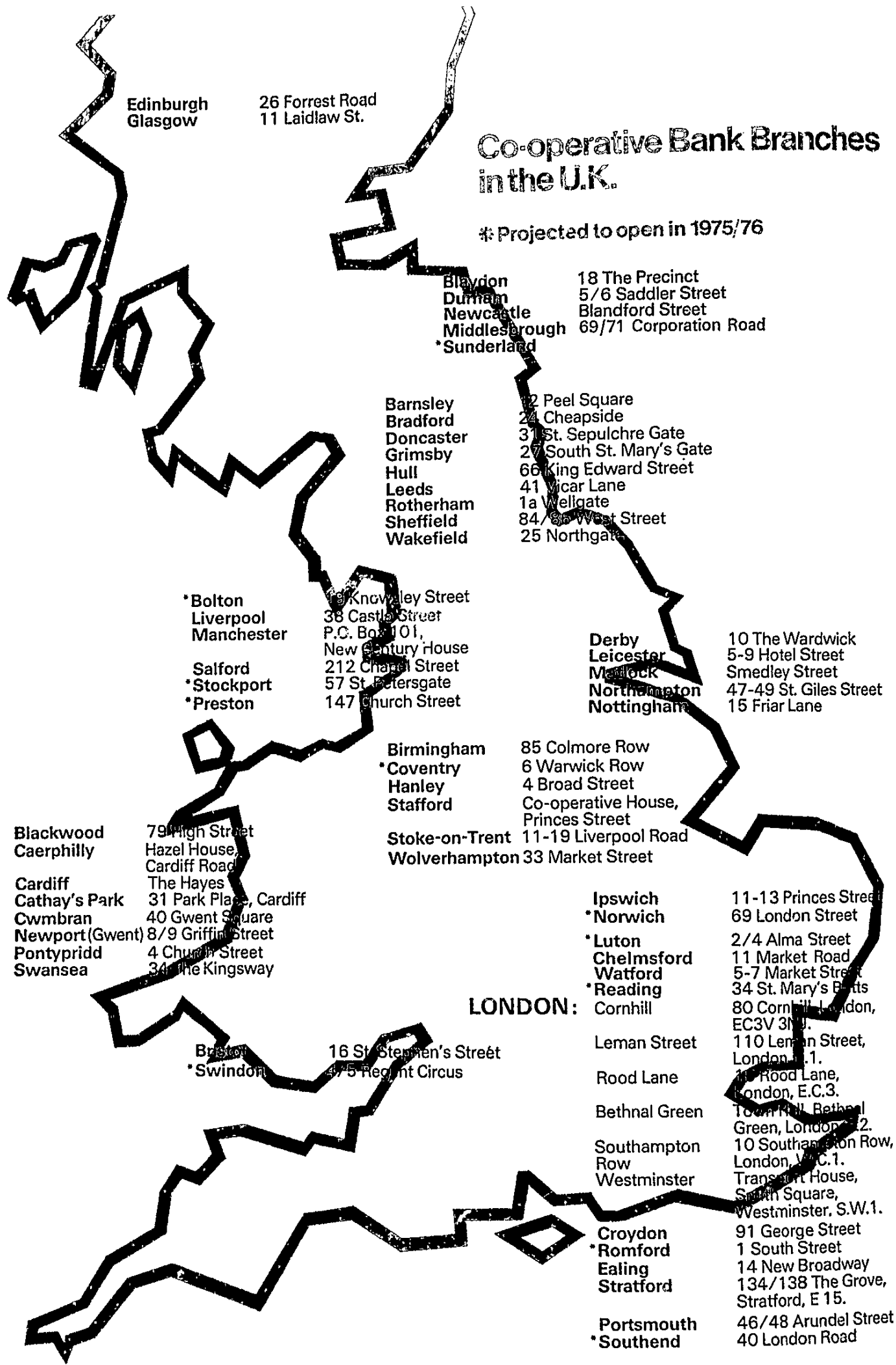
The Bank recently announced that it was embarking upon a major development programme for the in-store banking service operated for the Bank by Retail Co-operative Societies. This move followed a comprehensive study of the service from the point of view of Societies, Bank customers, and the development of the Bank. The 4,000 banking points in main Co-op stores are open to customers of the Bank's 50 main Branches for drawing and depositing money, often during normal shopping hours, including Saturdays. In-store banking points have an important role to play in the future development of the Bank. They appeal to a wide cross-section of the public and attract new business to the Movement. Our picture on opposite page shows customers at an in-store banking point operated by Blackburn Society.

The Co-operative Bank is rapidly expanding its personal account sector and five-year-old Rachel Anne Towers (inset) provides firm evidence that you are never too young to open a Bank Account! Rachel, of Scawsby, Doncaster,

received a Co-operative Bank account with an initial investment of £5 as a prize when she was elected "Miss Miners' Lamp" in a "Toddlers' Charm Contest" at the Yorkshire Miners' Gala at Doncaster. The Bank has arranged to open an account for Rachel at its Doncaster Branch.







Edinburgh
Glasgow

26 Forrest Road
11 Laidlaw St.

Co-operative Bank Branches in the U.K.

* Projected to open in 1975/76

Blaydon
Durham
Newcastle
Middlesbrough
*Sunderland

18 The Precinct
5/6 Saddler Street
Blandford Street
69/71 Corporation Road

Barnsley
Bradford
Doncaster
Grimsby
Hull
Leeds
Rotherham
Sheffield
Wakefield

12 Peel Square
24 Cheapside
31 St. Sepulchre Gate
27 South St. Mary's Gate
66 King Edward Street
41 Vicar Lane
1a Wellgate
84/86 West Street
25 Northgate

*Bolton
Liverpool
Manchester

Salford
*Stockport
*Preston

19 Knowlley Street
38 Castle Street
P.O. Box 101,
New Century House
212 Chapel Street
57 St. Petersgate
147 Church Street

Derby
Leicester
*Macclesfield
*Northampton
Nottingham

10 The Wardwick
5-9 Hotel Street
Smedley Street
47-49 St. Giles Street
15 Friar Lane

Birmingham
*Coventry
Hanley
Stafford

85 Colmore Row
6 Warwick Row
4 Broad Street
Co-operative House,
Princes Street

Stoke-on-Trent 11-19 Liverpool Road
Wolverhampton 33 Market Street

Blackwood
Caerphilly

79 High Street
Hazel House,
Cardiff Road
The Hayes

Cardiff
Cathay's Park
Cwmbran
Newport (Gwent)
Pontypridd
Swansea

31 Park Place, Cardiff
40 Gwent Square
8/9 Griffin Street
4 Church Street
34 The Kingsway

LONDON:

Ipswich
*Norwich

11-13 Princes Street
69 London Street

*Luton
Chelmsford
Watford
*Reading
Cornhill

2/4 Alma Street
11 Market Road
5-7 Market Street
34 St. Mary's Bells
80 Cornhill, London,
EC3V 3NP.

Leman Street

110 Leman Street,
London, E.C.1.

Rood Lane

11 Rood Lane,
London, E.C.3.

Bethnal Green

Town Hall, Bethnal
Green, London, E.C.2.
10 Southampton Row,
London, W.C.1.
Transit House,
South Square,
Westminster, S.W.1.

Southampton
Row
Westminster

Croydon
*Romford
Ealing
Stratford

91 George Street
1 South Street
14 New Broadway
134/138 The Grove,
Stratford, E 15.

Portsmouth
*Southend

46/48 Arundel Street
40 London Road

Bristol
*Swindon

16 St. Stephen's Street
4/5 Regent Circus



The North Midlands Co-operative Society's new superstore at Tunstall (above) opened in September, 1974. The Society's account is maintained at the Co-operative Bank's Stoke-on-Trent Branch which assisted in the finance required for the building of the store. Pictured (below) is an artist's impression of the new £2m superstore planned by Oldham Industrial Co-operative Society. Again, the Co-operative Bank will be actively involved in the finance required for this project.





New Co-op developments at Blaydon, Broadmarsh, and Wigan illustrate the Co-operative Bank's role in providing finance for the Movement. Associated Co-operative Creameries Dairy complex under construction at Blaydon (top) and Greater Nottingham Society's development at Broadmarsh (centre) are two more of the many projects where there was Bank participation. Capital outlay for interior fittings for Bolton and Wigan Regional Society's new centre store at Wigan (bottom of page) was provided by F. C. Finance Ltd.

