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Co-operative Bank Limited

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Co-operative Bank Limited
13/1/77



ATTACHMENT TO ANNUAL RETURN FOR 1977
STATEMENT PURSUANT TO SECTION 432 OF THE COMPANIES ACT, 1948

CO-OPERATIVE BANK LIMITED

Head Office

MANCHESTER

New Century House, Manchester

061-834 8687

Branches

BARNSELY	12 Peel Square	0226-43434
BIRMINGHAM	85 Colmore Row	021-236 0131
BLACKWOOD	79 High Street	049-522 5249
BLAYDON	18 The Precinct	089-425 4729
BOLTON	19 Knowsley Street	0204-34591
BRADFORD	24 Cheapside	0274-33590
BRISTOL	16 St. Stephen's Street	0272-26441
CAERPHILLY	Hazel House, Cardiff Road	0222-884395
CARDIFF	The Hayes	0222-24851
CATHAYS PARK	37 Park Place	0222-395083
CHELMSFORD	11 Market Road	0245-54651
COVENTRY	6 Warwick Row	0203-58336
CROYDON	91 George Street	01-681 1666
CWMBRAN	40 Gwent Square	06333-66905
DERBY	10 The Wardwick	0332-363346
DONCASTER	31 St. Sepulchre Gate	0302-49804
DURHAM	5/6 Saddler Street	0385-69914
EALING	14 New Broadway	01-567 4742
EDINBURGH	26 Forrest Road	031-225 4689
GLASGOW	11 Laidlaw Street	041-429 2255
GLASGOW	147 Buchanan Street	041-221 6934
GRIMSBY	27 South St. Mary's Gate	0472-51251
HANLEY	4 Broad Street	0782-23879
HULL	66 King Edward Street	0482-26649
IPSWICH	11/13 Princes Street	0473-211626
LEEDS	41 Vicar Lane	0532-450171
LEICESTER	5/9 Hotel Street	0533-29778
LIVERPOOL	38 Castle Street	051-227 1137
LONDON		
CORNHILL	80 Cornhill, EC3	01-283 5691
LEMAN STREET	110 Leman Street, E1	01-480 5171
ROOD LANE	16 Rood Lane, EC3	01-623-2864
BETHNAL GREEN	Town Hall, E2	01-980 5330
SOUTHAMPTON ROW	10 Southampton Row	01-405 7263
WESTMINSTER	Transport House, Smith Square, SW1	01-834 1344
MANCHESTER	P.O. Box 101, New Century House	061-833 0299
MATLOCK	Smedley Street	0629-3886
MIDDLEBROUGH	Rode House, 69/71 Corporation Road	0642-249687
NEWCASTLE	Blandford Street	0632-611441
NEWPORT (GWENT)	8/9 Griffin Street	0633-66265
NORTHAMPTON	47/49 St. Giles Street	0604-21655
NORWICH	69 London Street	0603-611631
NOTTINGHAM	15 Friar Lane	0602-45951
PONTYPRIDD	4 Church Street	0443-404222
PORTSMOUTH	46/48 Arundel Street	0705-812651
PRESTON	147 Church Street	0772-21546
READING	34 St. Mary's Butts	0734-594884
ROMFORD	1 South Street	0708-25021
ROTHERHAM	1A Wellgate	0709-75164
SALFORD	Civic Centre, Chorley Road, Swinton	061-793 3056
SHEFFIELD	84/86 West Street	0742-77161
STAFFORD	Co-operative House, Princes Street	0785-56346
STOCKPORT	57 St. Petersgate	061-477 3838
STOKE-ON-TRENT	11/19 Liverpool Road	0782-411611
STRATFORD	134/8 The Grove, E15	01-534 2301
SWANSEA	34 The Kingsway	0792-55241
SWINDON	4/5 Regent Circus	0793-32533
WAKEFIELD	8 Providence Street	0924 62621
WATFORD	5/7 Market Street	0923-42237
WOLVERHAMPTON	33 Market Street	0902-29727

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
W. H. Farrow
E. J. Hewitt
L. Lee
W. J. Luxton
D. C. Maxey
W. O. Russell
H. A. Toogood

Secretary

G. J. Melmoth

MANAGEMENT

Chief General Manager

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

Joint General Managers

A. Bassford, F.I.B.
E. J. Hewitt, F.C.A.
W. J. Luxton, F.I.B.
D. C. Maxey, F.I.B., F.C.I.S.

Assistant General Managers

C. W. Blaxter, M.A.
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

International Division
16 Rood Lane
London, EC3M 8BH

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



Statement by the Chairman

Mr. A. SUGDEN

"A CHALLENGE FOR CO-OPERATIVE BANKING"

Activity within the financial sector in the past year has been dominated by the needs of the Public Sector and has, in consequence, been increasingly punctuated by guidance from the Authorities. As the year progressed and the domestic economic situation continued to deteriorate, firmer controls had to be exercised in most areas of traditional banking business. While some banks appear to have found the restraints a considerable hindrance in their day-to-day operations, our own Bank has taken the opportunity to concentrate a considerable proportion of its resources in activities in areas other than the traditional deposit gathering and lending procedures—namely in the strengthening and diversification of our customer base. The Co-operative Bank has had a highly successful year in attaining these objectives and in so doing has I believe brought a different and refreshing approach to the banking scene.



Along with the other divisions of our parent organisation, the Co-operative Wholesale Society, the Bank and its subsidiaries are recommending to the Co-operative Movement, which brings together about 10½ million members of over 200 Retail Co-operative Societies, that the time is ripe for a re-statement of—and a new emphasis to be placed upon—our basic co-operative principles. The philosophy has been encapsulated in the general theme of "caring and sharing" and is being applied with enthusiasm at a practical level throughout most areas of the Movement, not least the Co-operative Bank.

In sharp contrast to this optimistic tone, the increasingly difficult economic situation which the United Kingdom experienced in 1976 must, unfortunately, be seen as a further episode in the long-term relative decline of this country. It is sad, and somewhat bewildering, to note that, wherever we turn in the economy, we seem to be assailed by problem areas.

For example, as a major trading nation, how can we possibly justify a level of over-all output showing only a marginal growth over 1975 and an increase of only 2½% over the past six years? Unless we can produce goods in sufficient quantity, at an appropriate price and in line with agreed deadlines, we must expect a continually declining standard of living, and I seriously question whether the social fabric of our country can withstand a great deal more of this type of pressure on our way of life.

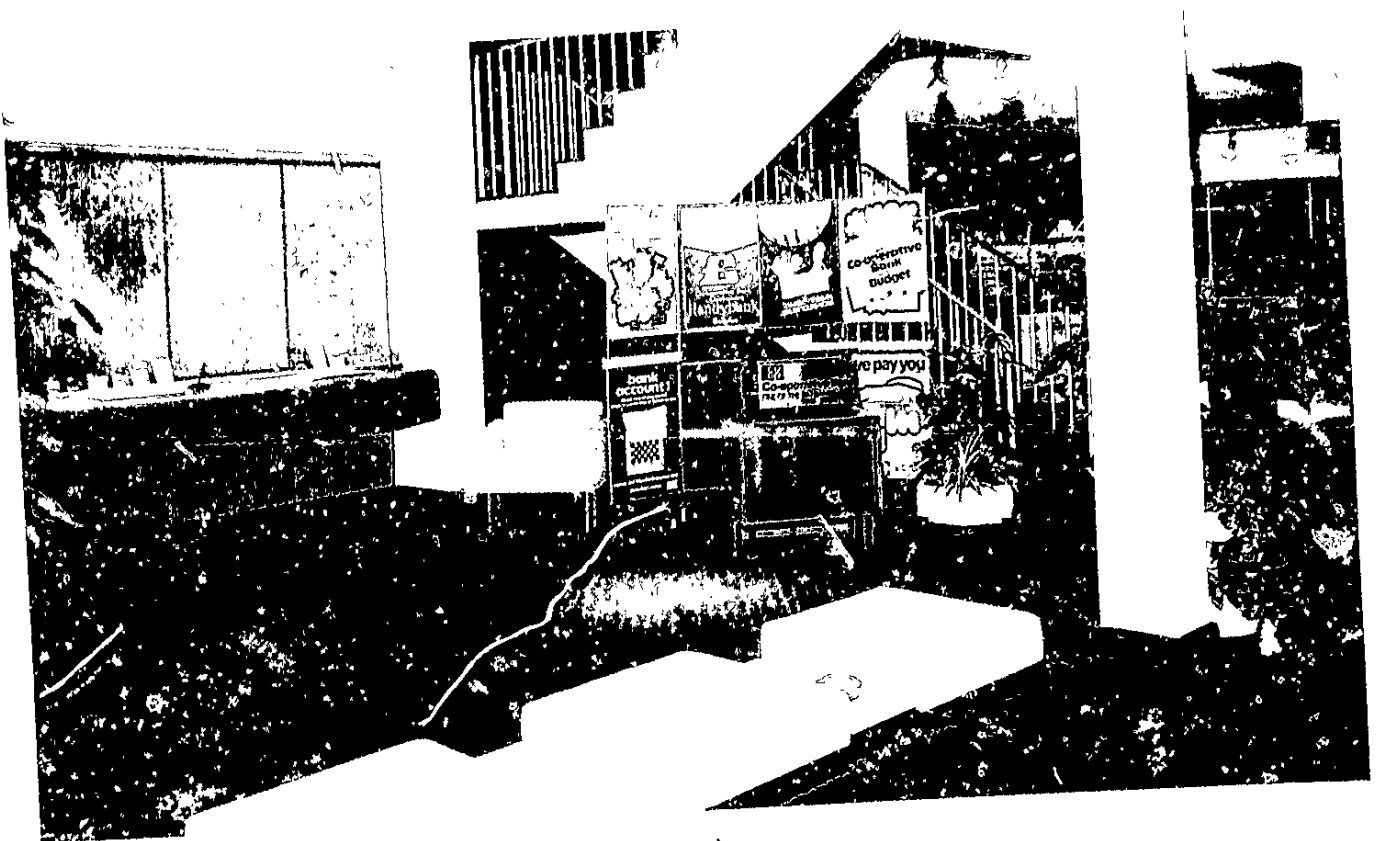
There were, in fact, some fairly encouraging, if somewhat fragile, signs of recovery within the British economy during the early part of the year, with business and consumer confidence beginning to pick up and the rate of inflation seeming to moderate slightly. However, unemployment remained at extremely high levels, and showed little signs of improvement. Abroad, the slowdown in the rate of expansion of the world economy as a whole—and particularly in the developed countries—was having an adverse effect on the satisfactory growth rate for exports which was being achieved up to that time. Imports, on the other hand, remained obstinately high, and increasingly expensive as the exchange value of the pound fell away from mid-year onwards. In consequence, the U.K.



A new store opened by North Eastern Society at Throckley with finance provided by the Co-operative Bank.



Major tunnelling work being undertaken by Bank customers, Amalgamated Construction Company Limited, on behalf of the National Coal Board.



During 1976 new branches opened at Swindon, Preston (seen above)
Wakefield and Norwich (seen below)



trading balance took a turn for the worse, a factor which further reinforced the steady devaluation of the pound, which was already under way, to its lowest level ever. The consequent escalation in the cost of imported raw materials quickly dissolved the previous spirit of optimism and, with sharp price increases at the retail level, the attributes of a crisis situation quickly became apparent and are, unfortunately, still with us. Massive support from the Authorities proved necessary from mid-year to maintain any semblance of credibility for the pound and, even then, it declined to unforeseen depths. It was inevitable, therefore, that assistance from the International Monetary Fund and the leading central banks would have to be sought.

In the event, the promised discipline in monetary expansion over the next few years, which was an essential pre-condition of the loans, could provide the basis for a fresh start. The way forward for Britain is clearly—as it always has been—through overseas trading activity. The devalued pound has created substantial selling price advantages for U.K. exporters—particularly where manufactured goods do not require a significant proportion of imported raw materials. The question now remains whether the production and overseas marketing expertise within industry is equal to the task.

Fortunately, there appears to be a genuine realisation throughout Government and both sides of industry that, in order to improve our situation, we must co-operate more together to reach a solution. The regular meetings of the National Economic Development Council appear to have been a major step forward in this respect and, despite all its faults, the "social contract" has also contributed towards greater understanding, although, unfortunately, it still does not incorporate the views of the employers.

During a period of severe economic difficulty such as we have experienced over the past year, there is a tendency to clutch at all available straws of optimism. One of these aspects about which we have been hearing a great deal recently relates to the supposedly endless benefits likely to accrue from the North Sea oil and gas deposits and how this stroke of good fortune will be our salvation. In fact, of course, the reserves are strictly limited and again only create the opportunity for an increase in over-all living standards. My concern at the moment is how the resources created by the oil in particular will be utilised to the benefit of the country as a whole after we have repaid our debts. This is where the banking industry has such a vital role to play in channelling funds into the most desirable—and, by that, I don't necessarily mean the most immediately profitable—areas. When I look around some of our major towns and cities and all the decaying remnants and derived social problems of our industrial upsurge during the nineteenth century, I feel that here is an area that could be treated as a priority by each financial institution whether it be based on capitalistic, co-operative, or any other set of principles.

Within the financial markets during the past year, the problem of financing the Government's enormous borrowing requirement by non-inflationary means has been the dominant theme. Interest rates policy has consequently played a particularly crucial role in attracting funds from the domestic non-bank sector or from overseas. When the money supply appeared to be getting out of control in the early autumn, as a result of a lack of non-bank finance, at the same time as the pound was coming under severe pressure, the Authorities quickly stepped in to raise interest rates sharply—the Bank of England's Minimum Lending Rate was forced up to 15%—and to dampen down banking activity by calls for Special Deposits and through the reintroduction of the supplementary special deposits scheme, often referred to as the "corset." It was only after these emergency measures that sufficient sales of Government securities were achieved, but this in turn starved the traditional financial markets of funds and, if anything, sustained the record high levels of interest rates.

Qualitative controls on lending by the banks have, of course, remained in force throughout the year and have concentrated the focus of much of the banks' activities.

Over the year as a whole, average bank base rates were only about a half-point higher than in 1975. Deposit rates also showed very little change.

Reactivation of the "corset" arrangement—whereby deposit taking activity of the banks is restricted in over-all amount—in a much sterner form than when it was in operation in 1974/5, provided further evidence—if that were needed—of the very firm control which the Authorities can, and frequently do, exercise over the major banking institutions. At the time of the reintroduction

of control, it appeared that many of the banks would have some difficulty in keeping within the ceiling on their interest bearing eligible liabilities, but the extent of reining back on both deposit taking and lending activity already carried out by the end of the year suggested that this would no longer be a serious problem. Sterling deposits of the domestic banks rose by 11 per cent over the year as a whole but only a small proportion of this expansion came in the final part of the year. The Co-operative Bank expanded its deposit base by 14 per cent to £307m. although, as I have indicated earlier, this was not one of our prime objectives during 1976.

High interest rates and a lack of demand for funds from industry and trade also had a severe influence on the extent of expansion in bank lending during the year, while the re-emphasis by the Bank of England of the need for strict restraint in lending other than to manufacturing, exports and import saving projects, meant that the banking sector was forced to act with caution. In the event, advances by the U.K. banks rose during the year by about one-fifth but most of this rise can be accounted for by the influence of inflation and the depreciating pound. Advances of the Co-operative Bank were also one-fifth higher, with good progress being made in the moves to diversify the Bank's lending base.

The Group's operating performance, measured in financial terms, proved satisfactory. Unit operating costs continued to escalate, in spite of the official restraint on employees' earnings. To a large extent, we were successful in keeping revenue from trading activity in line with the growth in costs and pre-tax profit was thus boosted for the year by 24 per cent to £2.7m. These results are, of course, arrived at after taking into account the application of our Co-operative principles throughout the year in all operations. Total assets of the Co-operative Bank Group expanded during the year by 11 per cent to £366m.

The question of demand for and supply of funds to industry is, of course, particularly relevant at the present time. I was particularly pleased, therefore, to accept the invitation to join the recently established Committee of Inquiry into the Role of Financial Institutions, being chaired by Sir Harold Wilson. I regard this invitation as an honour for the whole Co-operative Movement and an indication of the importance the Government places on the Movement's views in this matter. As I indicated in my statement last year, the Movement has developed over the years its own "capital-market" activity with the Co-operative Bank Group playing a leading role as a major intermediary. Evidence is to be submitted to the Wilson Committee on this activity.

We were pleased that the Government published its White Paper on "The Licensing and Supervision of Deposit-Taking Institutions." For more than a century, Retail Co-operative Societies, as well as the Co-operative Bank, have been accepting deposits from the public and we welcome the extra protection that supervision of this nature will bring to small depositors.

Through the Bank's direct links with co-operative banking institutions in Europe and elsewhere, we have been able to exchange views on the appropriateness of different methods of supervision and control and also to have a clear insight into the workings of existing deposit insurance, credit information exchange, and other procedures. Our views do not necessarily coincide with those of the other clearing banks in Britain and we regard this as of positive benefit to a healthy discussion of these and other related subjects.

Co-operative Bank Base Rate Changes

7th October, 1975	11%
13th January, 1976	10½%
2nd February, 1976	10%
9th February, 1976	9½%
25th May, 1976	10½%
14th September, 1976	12%
12th October, 1976	13½%
27th October, 1976	14%

GROUP ACTIVITIES

During the year, positive steps were taken to move towards an over-all Bank Group strategy. There was a ready acceptance on the part of the Group's management of the need to establish formal Group objectives and to develop strategic plans towards their attainment. Work is well in hand to integrate the marketing policies of the members of the Group.

Co-operative Bank Limited

The parent bank of the Group further consolidated its position during the year as a major financial institution, but with wide appeal as a "different" bank. The first full year of participation in the Bankers' Clearing House was accomplished without any serious difficulties and the introduction of new internal methods to deal with the additional work-load has been particularly successful.

With its traditional emphasis on consumer satisfaction, the Bank welcomed the introduction of the "Caring and Sharing" theme and swiftly adjusted its customer contact material to accommodate the message and philosophy.

Increasingly firm controls on traditional lending and borrowing activity towards the end of the year re-emphasised the correctness of the Bank's decision to concentrate on promoting its clear price advantage, by maintaining a "free-banking" service for personal current accounts maintained in credit. We shall keep to this policy just as long as it proves to be practicably and economically possible.

The results of this policy during 1976 have been outstanding. Thousands of good quality accounts have been gained from competitor institutions and the growth rate of the Bank's personal sector was more than doubled. Expansion in the number of all types of account was also substantial, at over 16 per cent compared with 8½ per cent in 1975.

It might be unrealistic to expect our future growth to continue quite at this level but we anticipate that an increasing share of the personal market will still be achieved by offering the public a convenient and inexpensive banking service. Expansion on this scale could not have been achieved without considerably broadening the scope of our operation. The expansion of our branch and regional office network was further consolidated by the opening of offices in Norwich, Swindon and Preston, and our Wakefield office was relocated in larger premises to cater for expanding activity. New business being attracted to recently opened offices of the Bank is particularly significant. Although there still remains a number of gaps to be filled in our United Kingdom-wide network of offices serving all major centres of population, probably the main vehicle for further developing new business lies in the convenient banking service which is offered on our behalf by Retail Co-operative Societies.

This service—now available through about 4,000 outlet points in a wide variety of stores and in existence for about half a century—was given a further boost during the year by the introduction of a centralised merchandising and promotion exercise to launch the "Handybank" and "Cash-a-Cheque" concepts. Operating on a regional basis, with the programme due for completion during 1977, selected major agencies are being converted into "Handybanks," providing ready access during shopping hours to the majority of the Bank's range of services, or "Cash-a-Cheque" points, situated at check-out points in a wide variety of stores. By end-1977, it is envisaged that around 700 Handybanks and well over 3,000 Cash-a-Cheque points will be in operation.

The range of services offered to the personal sector was also broadened during the year. The introduction of a re-styled Budget Account service enabled personal expenditure to be spread to meet the repayment ability of the account holder. This facility is the most competitive in the market because no commission is charged even though the account may be operating in debit. Not surprisingly, the service has proved particularly popular among householders struggling to pay fuel bills and rate demands.

A new subsidiary company—Co-operative Bank (Insurance Services) Limited—was also created during the year to provide an independent and objective insurance broking service. The main product launched so far—"Money Master"—a comprehensive personal financial advisory service, has met with a positive response.

With the considerable growth in the personal sector markets, there is, perhaps, a tendency to overlook the continued successful involvement of the Bank in a variety of corporate sector areas, where the provision of term finance for periods up to ten years has helped the development plans of Retail Co-operative Societies and other organisations.

Within the "Clubs" sector, the Bank continues to be identified as the financial institution with the right sort of appreciation of solutions to financial problems. Our Stand was again welcomed at the National Clubs Exhibition and at a number of regional gatherings.

In addition to the large number of Trade Union Conferences, including the TUC Conference itself and that of the Labour Party, at which the Bank provided facilities, we also mounted a colourful and memorable exhibition at the display given by the TUC to commemorate fifty years after the 1926 General Strike. The Bank's vital role in providing access to union funds at that time was spotlighted.

The Bank continues to remain one of the leading bankers in the Local Authority sector. Resources employed in other corporate sector areas have proved profitable and areas of trade and industry for further involvement are currently being identified.

To suit the growing international needs of its customers, the Bank has extended the scope of its international activities, through recruitment of specialist staff and development of new areas of operation.

International links have also been extended in a number of other ways. Many overseas visitors and members of staff of foreign co-operative sector financial institutions have spent time with the Bank during the year and our own staff have benefited from reciprocal exchange.

The Bank played an increasingly significant role in the various international co-operative banking institutions of which we are members. In recognition of the importance of this work, Mr. Lewis Lee, our Chief General Manager, was invited to become a Vice-President of the Brussels-based Association of Co-operative Thrift and Credit Institutions of the E.E.C., an organisation which has an important influence on such Community financial matters as the harmonisation of banking legislation.

F. C. Finance Limited

Within the difficult economic circumstances, F. C. Finance Limited completed a successful year and further consolidated its profits position. Handling the company's still considerable involvement in the property and construction sectors took up a fair proportion of available resources but significant progress has been made in this area. Profitable activity in the more traditional instalment credit areas rose sharply, with personal and industrial credit and leasing up by 60 per cent on the previous year. Operating profit on the year was down but, with no exceptional provisions to be made, profit before tax increased by one-fifth to £647,000. As in 1975, a dividend of six per cent is to be paid.

Co-operative Commercial Bank Limited

The year was comparatively uneventful and the Bank continued to steadily develop its specialised activities.

Agricultural Finance Federation Limited

The Bank's 50 per cent stake in Agricultural Finance Federation—a hire purchase and leasing company—was sold during the year to the agricultural co-operatives which held the remaining equity.

Staff

In a year in which there has been a record expansion of business, our staff have responded significantly to the consequential increase in the pressure of work. Productivity has risen very substantially and I would like to take this opportunity to place on record my thanks to all members of staff for their industry and fine achievement.

Report of the Directors

The Directors have pleasure in submitting their report, together with the audited accounts for the year ended 8th January, 1977.

Capital

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

Profits

The consolidated net profit, after provision for taxation, attributable to the shareholders of Co-operative Bank Limited is £1,123,000, as set out in the consolidated profit and loss account on page 9.

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 £33,100,000, 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 8th January, 1977, the Bank had 60 branches and sub-branches (three 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.

Mr. L. A. Harrison resigned on 12th June, 1976, Mr. W. H. Farrow was appointed to the Board on 28th June, 1976, and in accordance with the Articles of Association retires and, being eligible, offers himself for reappointment.

Mr. W. Q. Russell retires by rotation under the Articles of Association and, being eligible, offers himself for re-election.

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

The weekly average number of persons employed by Co-operative Bank Limited and its subsidiaries was 2,366 and their aggregate remuneration for the year was £6,547,701.

Donations

During the year the Group made donations of £1,642 to United Kingdom charitable organisations.

Auditors

The auditors of Co-operative Bank Limited are Messrs. Thomson McIntock & Co., Chartered Accountants, and the Board recommend their reappointment until the conclusion of the next General Meeting at which accounts are laid.

21st March, 1977

By order of the Board,
G. J. MELMOTH, Secretary.

Auditors' Report

We have audited the books and records of Co-operative Bank Limited for the year ended 8th January, 1977, and have examined the reports of the auditors of the associated companies which are not audited by us. The accounts and notes on pages 9 to 21, which are stated using the historical cost convention modified by the revaluation of certain properties, have been properly prepared in accordance with the provisions of the Companies Acts 1948 and 1967.

Note 5 refers to provisions made against certain loans made by a subsidiary, mainly secured on development properties, and against land held by that company for development. 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, and accordingly we are unable to judge whether the provisions are inadequate or excessive. Subject to the foregoing reservation, in our opinion these accounts give, under the accounting convention stated above, a true and fair view of the state of affairs of the company and of the state of affairs and profit of the group.

Manchester.
12th April, 1977.

THOMSON McLINTOCK & Co.
Chartered Accountants.

Co-operative Bank Limited

Consolidated Profit and Loss Account

for the year ended 8th January, 1977

	Notes	1976 £'000	1975 £'000
Operating Profit	3	3,018	3,569
Exceptional Item	5		
Additional provision		—	1,400
Pension Fund provision		350	—
		350	1,400
		<u>2,668</u>	<u>2,169</u>
Share of Profits/(Losses) of Associated Companies		2	(11)
		<u>2,670</u>	<u>2,158</u>
Profit before Taxation			
Taxation	6	1,457	1,047
		<u>1,213</u>	<u>1,111</u>
Minority Interest		90	85
Retained Earnings		1,123	1,026
Profits Retained			
By The Bank		1,804	1,507
By subsidiaries		(683)	(470)
		<u>1,121</u>	<u>1,037</u>
In associated companies		2	(11)
		<u>1,123</u>	<u>1,026</u>

The notes on pages 14 to 21 form part of these accounts

Co-operative Bank Limited

Consolidated Balance Sheet

as at 8th January, 1977

	Notes	1976 £'000	1975 £'000
Share Capital and Reserves			
Ordinary share capital	7	8,000	8,000
Reserves	8	19,413	17,892
		<u>27,413</u>	<u>25,892</u>
Minority Shareholders' Interest in Subsidiaries			
		1,911	1,995
Deferred Taxation			
	9	2,188	2,156
Current Liabilities			
Deposits by trustees of CWS employees' pension scheme (secured)		15,565	16,676
Current, deposit and other accounts	10	306,902	270,405
Acceptances by finance house subsidiary		7,350	4,850
Due to banks by finance house subsidiary		1,349	5,507
Creditors		3,200	2,999
Taxation		525	280
		<u>334,891</u>	<u>300,717</u>
		<u>366,403</u>	<u>330,760</u>

	<i>Notes</i>	<i>1976</i> £'000	<i>1975</i> £'000
Liquid Assets			
Coin and bank notes		4,602	4,535
Balances with and amounts in course of collection from other banks		33,309	29,480
Money at call and short notice		46,958	36,857
		84,869	70,872
Certificates of Deposit		22,902	42,409
Special Deposits with the Bank of England		12,015	5,842
Investments	11	74,249	60,455
Customer and Other Accounts			
Advances, less provisions		121,739	100,980
Balances outstanding on instalment credit agreements, less unearned charges		26,910	25,150
Development land and work in progress		11,872	13,029
Debtors		1,394	2,690
		161,915	141,849
Associated Companies	13	4,664	3,829
Fixed Assets	14	4,434	4,149
Premium on Acquisition of Shares in Subsidiaries		1,355	1,355
		366,403	330,760

The notes on pages 14 to 21 form part of these accounts

A. Sugden, Chairman
L. Lee, Director
E. J. Hewitt, Director
G. J. Melmoth, Secretary

Co-operative Bank Limited

Balance Sheet

as at 8th January, 1977

	Notes	1976 £'000	1975 £'000
Share Capital and Reserves			
Ordinary share capital	7	8,000	8,000
Reserves	8	18,110	16,712
		<u>26,110</u>	<u>24,712</u>
Deferred Taxation			
	9	593	560
Current Liabilities			
Deposits by trustees of CWS employees' pension scheme (secured)		15,565	16,676
Current, deposit, and other accounts	10	255,689	218,312
Creditors		1,957	1,727
		<u>273,211</u>	<u>236,715</u>
		<u><u>299,914</u></u>	<u><u>261,987</u></u>

	<i>Notes</i>	<i>1976</i> £'000	<i>1975</i> £'000
Liquid Assets			
Coin and bank notes		4,602	4,531
Balances with and amounts in course of collection from other banks		32,678	28,895
Money at call and short notice		38,717	33,718
		<u>75,997</u>	<u>67,144</u>
Certificates of Deposit		17,232	36,982
Special Deposits with the Bank of England		9,778	4,677
Investments	11	65,635	57,552
Customer and Other Accounts			
Advances less provisions		97,869	68,045
Debtors		1,044	1,401
		<u>98,913</u>	<u>69,446</u>
Associated Companies	13	360	402
Subsidiaries	12	28,978	23,012
Fixed Assets	14	3,021	2,772
		<u>299,914</u>	<u>261,987</u>

The notes on pages 14 to 21 form part of these accounts

A. Sugden, Chairman
L. Lee, Director
E. J. Hewitt, Director
G. J. Melmoth, 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 £61m. at 8th January, 1977. 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 ("CWS") 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 CWS are based on the market value of these investments at 10th July, 1971, at which date the banking activities of CWS 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. 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 CWS at 10th July, 1971, are those relating to the original acquisition of the assets by CWS.

(e) Hire purchase and instalment credit agreements

Credit is taken in the profit and loss account for finance charges on hire purchase and instalment credit agreements, net of dealers' commission, using the "rule of 78," with the exception of agreements having a duration of five years and over where finance charges are allocated on an actuarial basis.

(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 expressed in 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) Accounting date

The accounts of the group which are made up for the 52 weeks to 8th January, 1977, incorporate the accounts of F. C. Finance Limited and its subsidiaries which are made up for the year ended 31st December, 1976. Since the group accounting date is virtually coterminous with the calendar year 1976, the financial year's figures are headed 1976 and the corresponding figures for the previous year are headed 1975.

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 £33,100,000 (1975 — £21,965,000) and was the total of advances, excluding finance charges, the net cost of equipment leased and sales of developed and undeveloped property.

Co-operative Bank Limited

Notes to the Accounts

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

3. Profit for the Year

The profit for the year is stated:

	1976	1975
After charging—		
Interest payable	19,042	17,182
Depreciation of fixed assets	715	645
Hire of computers and associated equipment	90	64
Auditors' remuneration—Parent company, £20,000 (1975 — £13,000)	45	44
Directors' emoluments	59	47
And after crediting—		
Investment income:		
Quoted	4,626	3,862
Unquoted	1,557	308

The quoted investment income includes £404,000 (1975 — £294,000) 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 £14,700 (1975 — £13,462). The following table sets out the number of other directors and the range of their emoluments:

£	1976	1975
0 — 2,500	4	4
2,501 — 5,000	—	1
7,501 — 10,000	2	2
10,001 — 12,500	2	1

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

£	1976	1975
17,501 — 20,000	1	1

5. Exceptional Items

No material additional provisions against advances have been made this year.

The book value in a subsidiary company of land held for development purposes and loans mainly secured on development properties amounted to £31,297,000 at the year end, against which provisions had been made of £2,798,000 at the end of the previous year. Although the directors have not thought it necessary to make additional provisions this year they recognise that in the continuing abnormal conditions of the property market there can be no certainty about the value of assets of this kind.

The pension fund provision shown separately in the profit and loss account is against the additional liabilities incurred consequent upon the high rate of inflation.

6. Taxation

	1976	1975
The charge for the year comprises:		
Corporation tax at 52%	1,424	228
Deferred tax at 52%	26	877
Prior year adjustments—Corporation tax	(10)	(22)
Deferred tax	—	(52)
Tax on franked investment income	17	16
	<u>1,457</u>	<u>1,047</u>

7. Share Capital

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

8. Reserves

	<i>Group</i>	<i>Co-operative Bank Limited</i>
At 11th January, 1976	18,275	17,095
Retained earnings	1,123	1,000
	<u>19,398</u>	<u>18,095</u>
Investment suspense account—		
At 11th January, 1976	(383)	(383)
Net profit on realisation of investments	263	263
Debit to profit and loss account	135	135
	<u>15</u>	<u>15</u>
Totals as at 8th January, 1977	<u>19,413</u>	<u>18,110</u>

Of the total reserves at 8th January, 1977, £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).

Co-operative Bank Limited

Notes to the Accounts

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

9. Deferred Taxation

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

	<i>Group</i>	<i>Co-operative Bank Limited</i>
Balance at 11th January, 1976.	2,156	560
Less provision of subsidiary company sold	(89)	—
Profit and Loss Account	26	33
	<u>2,093</u>	<u>593</u>
	95	—
Provision for potential capital gains tax on revalued properties	<u>2,188</u>	<u>593</u>

10. 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>	
	1976	1975	1976	1975
Parent organisation	38,175	36,835	38,175	36,835
Fellow subsidiaries	3,403	2,440	3,403	2,440
	<u>41,578</u>	<u>39,275</u>	<u>41,578</u>	<u>39,275</u>

11. Investments

	<i>Group</i>		<i>Co-operative Bank Limited</i>	
	1976	1975	1976	1975
Investments at cost or amortized value comprise—				
Quoted:				
Securities of, or guaranteed by the British Government	55,180	54,945	55,180	54,945
British municipalities and public boards stocks, etc.	1,721	813	1,721	813
Commonwealth Government stocks and foreign securities	85	357	85	357
Other securities quoted in Great Britain	1,277	1,277	1,269	1,269
	<u>58,263</u>	<u>57,392</u>	<u>58,255</u>	<u>57,384</u>
Unquoted:				
Principally local authority mortgages at cost	15,986	3,063	7,380	168
	<u>74,249</u>	<u>60,455</u>	<u>65,635</u>	<u>57,552</u>

The market value of the quoted securities at 8th January, 1977, was £51,571,000 (1975 — £52,294,000). The large majority of these investments mature within 6 years, the average period to redemption being five years. The redemption values in total exceed the book value.

The deposits by the trustees of the CWS Employees' Pension Scheme, amounting to £15,565,000 (1975 — £16,676,000), are secured by investments with a book value of £16,617,000 (1975 — £20,029,000) and a market value of £16,270,000 (1975 — £17,914,000).

12. 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 Co-operative Bank Limited are:

	1976 <i>Holding</i>	1975 <i>Holding</i>
Co-operative Commercial Bank Limited (registered in England)	100%	100%
Centenary Finance (Glasgow) Limited (registered in Scotland)	100%	100%
Roodhill (North Wales) Limited—(registered in England)	100%	100%
Roodhill (Surrey) Limited—(registered in England)	100%	100%
Co-operative Bank (Insurance Services) Limited—(registered in England)	100%	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%
Cost of investment in subsidiaries	6,537	6,583
Amount due by subsidiaries	22,441	16,429
	<u>28,978</u>	<u>23,012</u>

The 50% investment in Agricultural Finance Federation Limited was sold during the past year for approximately its book value.

13. 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>	1976 <i>Group Interest</i>	1975 <i>Group Interest</i>
Haydn Evans (South Wales) Limited	50%	50%
Davison Construction (North West) Limited	50%	50%
Suregrade Developments Limited (held by F. C. Finance Limited)	41%	41%
Crowngap Limited (held by F. C. Finance Limited)	24%	—

The investment in associated companies is made up as follows:

	<i>Group</i>		<i>Co-operative Bank Limited</i>	
	1976	1975	1976	1975
Cost of Shares and Advances, less amounts written off	4,675	3,842	360	402
Share of Retained Losses	(11)	(13)	—	—
	<u>4,664</u>	<u>3,829</u>	<u>360</u>	<u>402</u>

Co-operative Bank Limited

Notes to the Accounts

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

14. 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 11th January, 1976	2,015	4,948	783	4,595
Capital expenditure	43	1,008	34	869
Sales and disposals	—	(256)	—	(87)
At 8th January, 1977	<u>2,058</u>	<u>5,700</u>	<u>817</u>	<u>5,377</u>
Accumulated depreciation:				
At 11th January, 1976	53	2,761	51	2,555
Depreciation for year	24	691	22	630
Sales and disposals	—	(205)	—	(85)
At 8th January, 1977	<u>77</u>	<u>3,247</u>	<u>73</u>	<u>3,100</u>
Net book value at 8th January, 1977	<u>1,981</u>	<u>2,453</u>	<u>744</u>	<u>2,277</u>
Combined net book value at 8th January, 1977		<u>4,434</u>		<u>3,021</u>
The net book value of land and buildings comprises:				
Freehold	1,719		523	
Long Leasehold	149		112	
Short Leasehold	113		109	
	<u>1,981</u>		<u>744</u>	
Freehold and leasehold land and buildings:				
At Cost	1,002		817	
At valuation at March, 1973	1,056		—	
	<u>2,058</u>		<u>817</u>	

15. Commitments and Contingent Liabilities

(a) Capital expenditure committed and authorised at 8th January, 1977 was:

	<i>Group</i>		<i>Co-operative Bank Limited</i>	
	1976	1975	1976	1975
Contracted for but not spent	970	314	955	314
Authorised but not contracted for	1,014	319	1,014	319

(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, £1,078,000 (1975—£892,000).

(c) F. C. Finance Limited has given guarantees of overdrafts and other liabilities of certain of its subsidiaries: maximum liability, £208,000 (1975 — £122, 000).

(d) Engagements entered into on behalf of customers which amount to £14,056,000 (1975 — £11,132,000) and in respect of which there are corresponding obligations by customers, are not included in the balance sheets.

Co-operative Bank Group

Statement of Source and Application of Funds

for the year ended 8th January, 1977

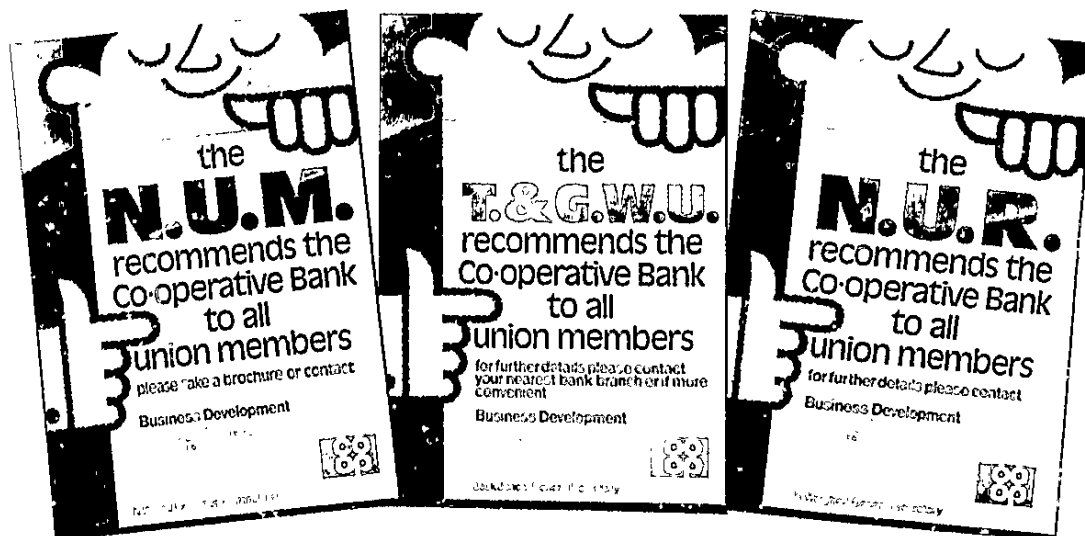
	1976 £'000	1975 £'000
Source of Funds		
Profit after taxation	1,123	1,026
Adjustments for items not involving the movement of funds:		
Depreciation of fixed assets	715	645
Increase in deferred taxation	32	801
Retentions by associated companies	2	(11)
Movement in minority interest	(84)	44
	<hr/>	<hr/>
Funds generated by operations	1,788	2,505
Funds from other sources:		
Disposal of fixed assets	51	14
Movement in investment suspense account	398	71
	<hr/>	<hr/>
	<u>2,237</u>	<u>2,590</u>
 Application of Funds		
Purchase of fixed assets	1,051	1,394
Increase in working capital	1,186	1,196
	<hr/>	<hr/>
	<u>2,237</u>	<u>2,590</u>
 Analysis of increase in working capital:		
Increase in advances to customers and associated companies and other accounts	20,903	(307)
Increase in liquid assets and other banking assets	14,457	38,559
	<hr/>	<hr/>
	35,360	38,252
Increase in current deposit and other accounts	(34,174)	(37,056)
	<hr/>	<hr/>
	<u>1,186</u>	<u>1,196</u>

A comparatively recent and socially responsive banking development has been the growing acceptance by people engaged in all types of work that payment of wages through a bank account offers a number of advantages to all concerned not the least improved security. The Co-operative Bank, which enjoys a close working relationship with the British Trade Union Movement, has been closely involved in developing this type of facility for hourly and weekly paid workers, and with some encouraging success.



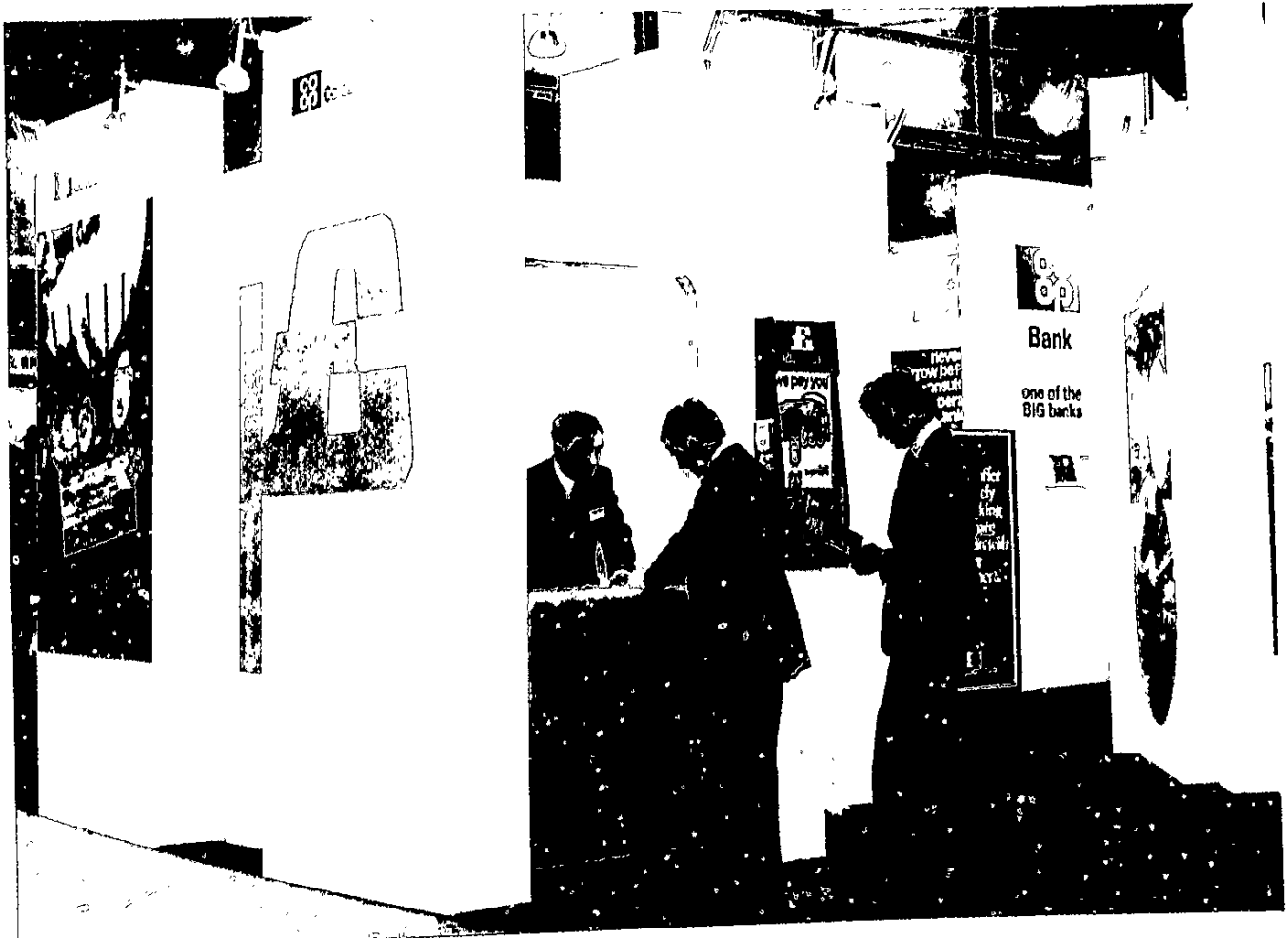
For many years, the Co-operative Bank has provided exclusively a basic facility to thousands of trade unionists at their national conferences through its mobile mini-bank service stand, and this has given an introduction to the range of bank facilities available.

At the same time, many employers and their workforce have come to appreciate the advantages of paying by cheque as being both more convenient and secure. Many companies, their employees and trade union representatives are together making arrangements for a Co-op Bank credit transfer scheme to be introduced. Of particular interest, is the way Trade Union leaders have personally endorsed the development and circulated information in the form of posters, leaflets and articles in union publications, recommending the Co-operative Bank to their membership.





During 1976 the Bank engaged upon promotional activities at several outside events including the National Club Show (seen above) and the Birmingham International Ideal Homes Exhibition at the new National Exhibition Centre.





Sella



Solihull



Oldham



Tamworth

The Co-operative Bank -- Your Caring Sharing Bank

A little over a year ago the bank embarked upon a major development programme for the 4,000 agency points in Co-operative Stores which provided banking facilities for Co-operative Bank customers.

The Handybank and Cash-a-Cheque concept is now firmly established in stores throughout the Midlands, North West England and South Wales.

At the end of 1977 when the launch of the service is expected to be completed on a national scale Co-operative Bank customers will be served by nearly 750 in-store Handybank service points and 3,500 shops where they can cash a cheque during normal shopping hours. The campaign will be supported by extensive television and newspaper advertising.

Seen opposite are a selection of Handybank service points and the vintage bus used in each promotion.

W banking facility for Co-op shoppers

Co-op shoppers bank plan extended to 80 stores

Evening Mail Reporter

The shoppers' bank in the new North-West bank plan, which will be extended to 80 stores, has been extended to 80 stores. The plan, which was first announced in the North-West, will now be extended to 80 stores in the Midlands, North West England and South Wales. The plan, which was first announced in the North-West, will now be extended to 80 stores in the Midlands, North West England and South Wales.

Vintage bus launches new banking service

The new Handybank service, which will be launched in 1978, will be launched in 1978. The new Handybank service, which will be launched in 1978, will be launched in 1978. The new Handybank service, which will be launched in 1978, will be launched in 1978.

Vintage start to Co-op's new bank service

The arrival of the Co-operative Bank's new Handybank service, which will be launched in 1978, will be launched in 1978. The arrival of the Co-operative Bank's new Handybank service, which will be launched in 1978, will be launched in 1978.

Handybank opens in Lichfield Street

The new Handybank service, which will be launched in 1978, will be launched in 1978. The new Handybank service, which will be launched in 1978, will be launched in 1978. The new Handybank service, which will be launched in 1978, will be launched in 1978.

Head Office

MANCHESTER

New Century House, Manchester

051-834 8687

Branches

BARNLEY	12 Peel Square	0226-43434
BIRMINGHAM	85 Colmore Row	021-236 0131
BLACKWOOD	79 High Street	049-522 5249
BLAYDON	18 The Precinct	089-425 4729
BOLTON	19 Greenley Street	0204-34591
BRADFORD	24 Cheapside	0274-33590
BRISTOL	16 St. Stephen's Street	0272-26441
CAERPHILLY	Hazel House, Cardiff Road	0222-884395
CARDIFF	The Hayes	0222-24851
CATHAYS PARK	37 Park Place	0222-395083
CHELMSFORD	11 Market Road	0245-54651
COVENTRY	6 Warwick Row	0203-58336
CROYDON	91 George Street	01-681 1666
CWMBRAN	40 Gwent Square	06333-66905
DERBY	10 The Wardwick	0332-363346
DONCASTER	31 St. Sepulchre Gate	0302-49804
DURHAM	5/6 Saddler Street	0385-69914
EALING	14 New Broadway	01-567 4742
EDINBURGH	26 Forrest Road	031-225 4689
GLASGOW	11 Laidlaw Street	041-429 2255
GLASGOW	147 Buchanan Street	041-221 6934
GRIMSBY	27 South St. Mary's Gate	0472-51251
HANLEY	4 Broad Street	0782-23879
HULL	66 King Edward Street	0482-26649
IPSWICH	11/13 Princes Street	0473-211626
LEEDS	41 Vicar Lane	0532-450171
LEICESTER	5/9 Hotel Street	0533-29778
LIVERPOOL	38 Castle Street	051-227 1137
LONDON		
CORNHILL	80 Cornhill, EC3	01-283 5691
LEMAN STREET	110 Leman Street, E1	01-480 5171
ROOD LANE	16 Rood Lane, EC3	01-623-2864
BETHNAL GREEN	Town Hall, E2	01-980 5330
SOUTHAMPTON ROW	10 Southampton Row	01-405 7263
WESTMINSTER	Transport House, Smith Square, SW1	01-834 1344
MANCHESTER	P.O. Box 101, New Century House	061-833 0299
MATLOCK	Smedley Street	0629-3886
MIDDLEBROUGH	Rede House, 69/71 Corporation Road	0642-249687
NEWCASTLE	Blandford Street	0632-611441
NEWPORT (GWENT)	8/9 Griffin Street	0633-66265
NORTHAMPTON	47/49 St. Giles Street	0604-21655
NORWICH	69 London Street	0603-611631
NOTTINGHAM	15 Friar Lane	0602-45951
PONTYPRIDD	4 Church Street	0443-404222
PORTSMOUTH	46/48 Arundel Street	0705-812651
PRESTON	147 Church Street	0772-21546
READING	34 St. Mary's Butts	0734-594884
ROMFORD	1 South Street	0708-25021
ROTHERHAM	1A Wellgate	0709-75164
SALFORD	Civic Centre, Chorley Road, Swinton	061-793 3056
SHEFFIELD	84/86 West Street	0742-77161
STAFFORD	Co-operative House, Princes Street	0785-56346
STOCKPORT	57 St. Petersgate	061-477 3838
STOKE-ON-TRENT	11/19 Liverpool Road	0782-411611
STRATFORD	134/8 The Grove, E15	01-534 2301
SWANSEA	34 The Kingsway	0792-55241
SWINDON	4/5 Regent Circus	0793-32533
WAKEFIELD	8 Providence Street	0924 62621
WATFORD	5/7 Market Street	0923-42237
WOLVERHAMPTON	33 Market Street	0902-29727