



# Co-operative Bank Limited

Report and Accounts  
for the year ended 10th January 1981

SIGNED COPY

# **Co-operative Bank Limited**

## **Head Office and Registered Office**

1 Balloon Street Manchester M60 4EP.

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### **BOARD**

#### **Chairman**

P. J. Paxton

#### **Directors**

R. G. Aspray  
A. Bassford  
K. M. Cotterill  
F. E. Creed  
J. H. Currie  
E. J. Hewitt  
D. M. Landau  
L. Lee  
D. C. Maxey  
W. Q. Russell  
U. S. Todner  
T. E. Turvey

#### **Secretary**

G. J. Melmoth

### **MANAGEMENT**

#### **Chief General Manager**

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

#### **Joint General Managers**

*Domestic Banking*  
A. Bassford, F.I.B.

*Personnel Services*  
R. J. Gorvin, F.I.B.

*Financial Control*  
E. J. Hewitt, F.C.A.

*City & International*  
D. C. Maxey, F.I.B., F.C.I.S.

*Customer Services*  
T. J. Thomas, F.I.B.

#### **Assistant General Managers**

J. Cameron, F.I.B.  
B. D. Jones, F.I.B.  
M. Sutton, A.I.B.  
L. Wilkinson, F.I.B.

City Office  
80 Cornhill, London EC3V 3NJ

International Division  
9-14 Prescott Street, London E1 8BE



## Statement by the Chairman



P. J. Paxton, Chairman

### Participating in Co-operative Development

The first phase of my term as Chairman of the Co-operative Bank and its subsidiary finance house, F. C. Finance, has occurred during a most difficult economic period. We are faced with industrial activity spiralling down steadily towards what we are promised is the bottom of the trough, but it will be many years before the full effects of the past eighteen months are eradicated.

Yet, sitting in the unique position of Chairman of a major Clearing Bank and also of its parent organisation, the Co-operative Wholesale Society Limited, I am aware of areas of optimism which must hold considerable promise for the further development of the Co-operative Movement and hopefully for the spirit of recovery in the economy as a whole. In particular, the Co-operative Bank Group has continued with its strong commitment towards establishing a firm alternative approach in the provision of financial services.

In this respect the Bank has felt confident in investing further towards its future expansion during the year. The new Head Office and Manchester Branch, situated in the historically famous Balloon Street complex has now been occupied, reflecting the resolution to provide customers with the most modern and attractive banking facilities and the commitment to staff in providing them with the most desirable working environment. Also, the Customer Service Bureau at Skelmersdale has more than demonstrated its value, enabling staff to concentrate on developing customer relationships, through the alleviation of much of the day-to-day paperwork previously conducted in branches. Furthermore,

three new branches have been opened in Brighton, Exeter and Southampton, bringing the total of regional offices to 68 – well on the way towards our objective of 100 by the end of the decade.

At the same time, new business has continued to be attracted at a high rate. Despite economic difficulties our policy of continued investment in previous years has reaped high dividends with overall profitability remaining at an acceptable level.

### Retail Societies

With the ultimate ownership of Co-operative Bank being vested in the many millions of members of Co-operative Retail Societies throughout the United Kingdom, it is axiomatic that the development of the Bank has been in partnership with these Societies and the Bank's prime *raison d'être* continues to be servicing their developing needs.

In particularly difficult retail trading conditions over the past year, the Bank has concentrated a large proportion of its resources into developing its range of services to provide Societies with much greater choice and flexibility when considering their short and medium term financial requirements. Thus, in addition to considerable flexibility in overdraft and term lending arrangements, every opportunity has been taken to introduce finance through trade bills, leasing and the provision of a comprehensive consumer credit service. In total, during the year, over £6½m worth of leasing business was written for the Movement as an alternative to outright purchases of equipment, vehicles or shop fittings and, in addition, around one-third of the Bank's total lending by way of advance or overdraft is to Co-operative Retail Societies. "Handycard" and "Handyloan", the Movement's exclusive credit card operation has already been taken advantage of by some 75 Societies providing a major contribution towards their competitive position while maintaining the Bank's own position at the forefront of the banking industry in provision of services to today's discriminating customer. A considerable expansion of this programme from the £17m turnover achieved during 1980 is anticipated during 1981.

During the year the services provided by the Bank to Societies have expanded considerably with, for example, the establishment of the new company, Co-operative Investment Management Limited, a joint venture with S. G. Warburg & Co. Ltd., primarily to provide a pension fund management service for

Societies. Several Societies have already taken advantage of the scheme and many others are showing a positive interest in full participation in a professionally managed investment service.

In total then, the Bank Group has been providing and, indeed, anticipating the financial requirements of its most important group of customers. As a further indication of the close links and mutual interest between retailers and bankers within the Co-operative Movement, the Bank Board has been expanded in number to include CWS directors of major Co-operative Retail Societies, who bring with them a wealth of commercial experience.

### **Continuing Growth in the Personal Sector**

Increasing support for Retail Societies and others could only be possible because of a sustained inflow of deposits from personal customers who continue to join the Bank in large numbers. Attracted by the convenience and the inexpensive nature of banking services at the Co-operative Bank, many customers quickly discover the benefits accruing from operating, for example, a revolving credit account or taking advantage of attractive rates of return on the new Short-Term Deposit or contractual savings scheme "Savewise". A useful addition to the overall range of services was the acceptance of the Bank into the Visa International world-wide inter-bank co-operative as a principal member and the subsequent launch of the Co-op Visa option credit card, prominently using the Bank's name and the Movement's logo.

The Bank continues to increase steadily the number of Handybanks with the total now approaching the 1,000 mark. These handle much of the Co-operative Retail Societies' consumer credit business through the Handycard and Handyloan services and present the Bank with a further opportunity to come in contact with regular Co-op shoppers, many of whom have no banking connections. We have discovered that the simplicity and overall convenience of shopping and banking in the same location has considerable potential for further development. Much of the Bank's future growth is expected to derive from this aspect of activity, given the continued support of Retail Societies, many of whom like other competitive retailers appreciate the attraction of in-store banking for potential retail customers.

As mentioned earlier, considerable advan-

tages are now being felt at branch level from the operations of the Customer Service Bureau at Skelmersdale. Many branches are taking advantage of the extra time thus made available to deal with customers by employing the "Personal Banker" approach where groups of customers can refer consistently to an individual branch staff member for all their financial requirements. All the signs are that customers appreciate this highly individual approach.

The Bank is now well-placed to make a significant impact among the large numbers of people who have no existing banking relationship. Discussions are being held with Trade Unions, the majority of which are customers of the Bank, and with employers on the best methods of approaching their members and employees to point out the advantages of Co-operative banking. The Bank is also a party to the overall discussions which the major banks are holding on the subject. With its considerable advantages over competitor organisations when it comes down to the questions of price and convenience, the Bank confidently expects to make further inroads in the future into this large potential market.

### **Other Corporate Sector Developments**

While concentrating its prime effort on servicing the needs of the Co-operative Retail Movement, the Bank has also steadily developed connections with a significant number of other corporate customers. Traditionally, most Trade Unions, many local authorities, working mens' clubs and a wide variety of mutual organisations have turned to the Bank for its service and understanding. In recent years, the Bank has also been successful in recruiting a substantial number of small businesses which value the type of personal service we are able to offer.

We are conscious in the present economic climate of the difficulties of operating any kind of business and particularly the dire problems facing small businessmen. Many of these enterprises desperately need medium term finance but understandably do not wish to part with equity or place all the assets of their family at risk. For this reason, therefore, we were pleased to see the Government announcing in the recent Budget the possibility of offering guarantees for bank loans to small firms as are already available in those countries, including the USA, which are our major competitors. We feel this move will help to bridge that financing gap and contribute to the

economic resurgence for which we all hope.

The Bank is keen to support the development of the whole Co-operative Movement and, in recent years, has provided considerable financial and staff resources in support particularly of producer co-operatives and of local groupings of co-operative interests. Most centres of population now have their own co-operative development groups, usually with a Co-operative Bank representative providing the necessary financing viewpoint in any discussions. Considerable numbers of new co-operatives are still being created. Useful initiatives in this respect have been taken by the Government-financed Co-operative Development Agency, with which the Bank has an excellent working relationship, in the provision of model rules for neighbourhood and employee participation co-operatives. So successful has been the Bank's involvement in the producer co-operatives area that a market share of no less than 40% has already been developed.

### **Operating Performance**

While seriously concerned to assist all customers to the best of its ability in the present difficult circumstances, the Bank has to keep well to the fore considerations regarding its own continuing profitability. Great reliance is placed by the Bank on its capital base as a means of generating future expansion; to maintain the real value of the base from retained earnings is, therefore, one of the Bank's prime financial objectives.

We have therefore been very concerned with the proposal, made by the Chancellor of the Exchequer in his recent Budget, to impose a Special Tax on Bank Profits.

During periods of high interest rates, the "endowment" element relating to the increased "margin" between cost and selling price of money can be considerable if cheap deposits are readily available. In present circumstances, however, competition for funds is increasing sharply and the buying price is often no longer a non-interest paying current account balance but is frequently as found in the London Money Markets.

In addition to this, the benefits of cheap deposits are to a large extent offset by the cost of continuing with our long-standing policy of providing the highest level of service in the form of free current account banking.

With high rates of price inflation having an increasingly severe impact on person-

nel and occupancy costs, the parent Bank did well in 1980 to achieve an operating profit comparable with that of the previous year. In 1980, the average base rate was 16.2 per cent and deposit rate 14.2 per cent, compared with 13.8 per cent and 11.4 per cent respectively for 1979. The Group operating profit of £5.4m compared with £6.2m in 1979, incorporates a solid performance from the Bank itself, while the Group's other main company, F. C. Finance Limited, recorded an overall operating loss of £0.2m largely because of the high cost of the money resources with which it had to operate.

With interest rates forecast to fall during 1981, the F. C. Finance results are expected to improve steadily while the Co-operative Bank itself should benefit from the high level of capital investment and automation introduced over the past few years.

### **Staff**

The smooth and highly successful physical transfer of Head Office and Manchester Branch into new premises in the late summer is eloquent testimony to the dedication and loyalty of all sections of Co-operative Bank staff. In my short experience so far as Chairman, I have become very much aware of the expertise and enthusiasm available; my thanks are sincerely due to all concerned who have contributed to the continuing success of the Bank in 1980.

## 1 BALLOON STREET

The construction of a new head office and Manchester branch premises at Number 1 Balloon Street marks a return by the Bank to its birthplace, after a 50 year stay two blocks away in Corporation Street. The pioneers who established the Bank in 1872 would find the building a far cry from the original premises.

The new block comprises head office accommodation, a public banking hall at ground level, offices for the Manchester branch of the Bank and an executive suite on the fourth floor. The seven-storey building has a total floor area of around 12,500 square metres.

Included in the banking hall are a counter for six cashiers, incorporating bullet-resistant glass, a foreign exchange section and an inquiries desk, together with four interview rooms. A special feature of the banking hall is a double storey "height well" extending over the central area which forms a balustrade around the customer area at first floor level. Glazed screens, a wall of special mirrors producing an unusual mural effect, marble facing on columns, carpeting and a luxuriant array of hanging and trailing plants complete the decor.

The executive suite, which accommodates the Bank's senior management offices and the boardroom, has walls faced with "olive ash" veneered panels to match the boardroom finishings, while general office areas are carpeted throughout and are formed with demountable partitions.

Externally the building is faced with smooth red brickwork and tiles from ground level to the third floor, with the upper three storeys covered with GRP mansard cladding panels, which are among the largest ever manufactured in this country. A service area is provided with access from Balloon Street and the building has its own car park to the rear.

Managing and executive architects for the £4m building were the Architecture and Interior Design Group of the Co-operative Wholesale Society and the main contractor was Henry Boot Construction Ltd.



## THE EVENTS OF THE 70's

Entering the 1970's the Co-operative Bank had some 40 branches and operated the accounts of some 200,000 customers with a large proportion of business generated from within the Co-operative Movement. However, the 70's marked the beginning of a decade of unparalleled growth for the Bank which has seen the total number of customer accounts more than quadruple to over 850,000 and the number of full branches increase to 68.

### F. C. Finance Limited

The acquisition in 1969 of a majority shareholding in F. C. Finance Limited, a publicly-quoted finance company, represented yet another stage in the wider growth of the Co-operative Bank Group.

### The significant milestones during the 70's were:

- 1971** Co-operative Bank is set up as an independent but wholly owned subsidiary of the CWS by Act of Parliament – the Co-operative Bank Act.
- 1972** The Bank celebrates the centenary of its foundation as the Loan and Deposit Department of the CWS.
- 1973** A free banking service for personal customers who stay in credit announced – a tariff still in force in 1981.
- 1974** Extensive branch expansion programme is launched with new premises opening in Liverpool, Wolverhampton and Middlesbrough.
- 1975** Rapid growth recognised as Bank attains clearing status.  
Cornhill office opens in the City of London as a base for the Bank's City and International activities.
- 1976** Relaunch of traditional in-store banking facilities as Handybanks and Cash-a-Cheque points in Co-op stores providing basic customer service during shopping hours.
- 1977** Plans announced for Customer Service Bureau at Delf House, Skelmersdale. Personal account customers continue to increase rapidly.
- 1978** £1 for a £1 start-up cash plan for co-operatives announced underlining the Bank's strong position in the co-op sector of the economy.
- 1979** Handycard, a new shopping card for Co-op shoppers launched.  
Customer Service Bureau start operations at Skelmersdale.  
Personal Banker scheme introduced in selected branches.

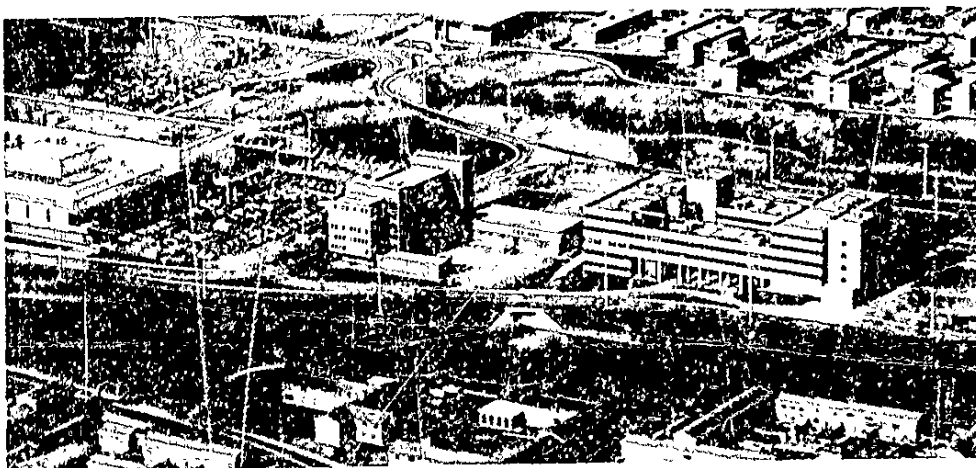




F. C. Finance Ltd.



Tamworth Superstore  
Handybank



Customer Service  
Bureau, Skelmersdale



## THE EMERGING BANK OF THE 80's

The Bank has gone from strength to strength during the 70's principally because it has always tried to see things from the customer's point of view. It is no accident that during the decade the Bank developed the enviable reputation for being the "consumers" bank. Ignore what the customer wants and the customer ignores you. Our sustained high growth rate testifies to the fact that we have certainly not been ignoring what our customers want.

### Foundations

This is the foundation on which we intend to build during the 80's, and the approach we shall continue to take, despite the inevitable pressures this will bring.

### Determination

Inflation and unemployment seem to be the scourge of our society at the start of this decade, and the Bank is affected just like any other major organisation. If anything, this constant inflationary pressure has brought with it an even greater determination within the Bank to examine very carefully how we operate, and how we can improve upon our performance and our already high standards. This attitude permeates right through the Bank's structure, and already we have seen many examples of forward thinking put into practice.

### Automation—The Customer Service Bureau

The opening in 1979 of the Customer Service Bureau at Skelmersdale paved the way towards a rapid and vigorous transfer of "back-office" routine paperwork away from branches to probably the most advanced automated bank processing network in the country. The Customer Service Bureau already opens accounts centrally, sends out cheque books, cheque guarantee cards, customer statements, a comprehensive range of customer letters and processes the vast and growing numbers of cheques and credits handled by the in-store banking network of Handybanks and Cash-a-Cheque points in Co-op stores throughout the country.

### The New London Clearing Centre

To cope with the ever-growing stream of cheques and credits drawn every day by our customers, the Bank recently opened its new Clearing Centre in London.

### Consumer Credit Department

Automation, too, is essential to the efficient operation of the Bank's Consumer Credit Department, looking after the 100,000 Handycard customers and

the growing number of Co-operative Bank Visa cardholders.

As more and more Retail Societies join the Handycard scheme, the Department handles rapidly growing numbers of Handycard applications from Co-op shoppers everyday. Already the most widely-accepted in-store budget card in the country, growth during 1981 is likely to be even more rapid.

To handle the accounts of so many customers, the Consumer Credit Department utilises a range of highly sophisticated processing equipment, incorporating visual display units, word processors and micro-recording equipment.

### Computers

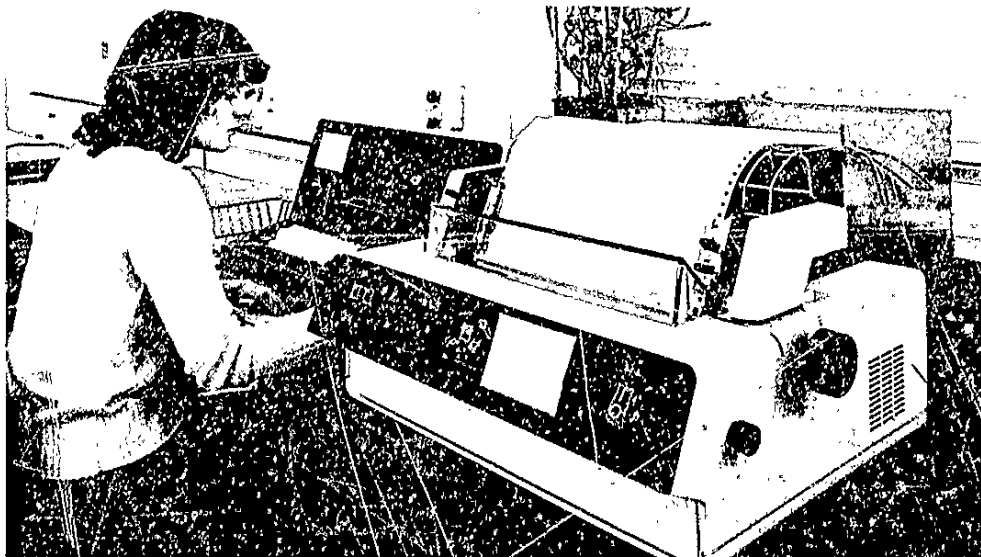
The Bank's main computer complex at Skelmersdale is continually being updated to ensure that it can cope with our anticipated growth-rate during the 80's. Probably the most significant development in this area — a development which in turn allows our branches to process their work more effectively and more rapidly — is the installation of new IBM 3600 terminals in all branches. Designed to allow instant access to the main computer, these new terminals have transformed much of the branches' workload and introduced a virtually instantaneous communications system.

### Our Customers

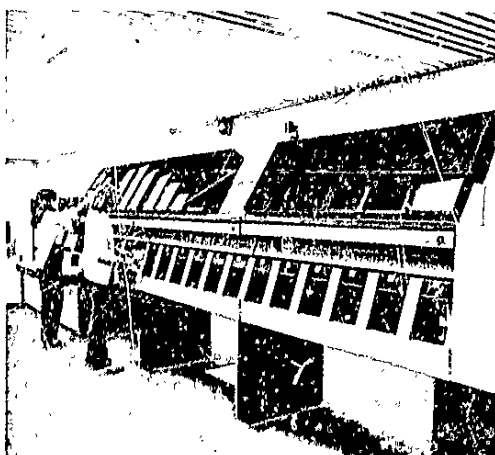
More and more of our customers are being introduced to their own Personal Banker at their branch. Started on a pilot basis in several branches in 1979, the scheme has proved an overwhelming success and is being phased into all branches this year. This will help to ensure that our customers' interests are always looked after. The Personal Bankers provide a friendly and human point of contact for their own group of customers. They are the people our customers can turn to when they need any kind of financial advice and help.

### Commitment to the Movement

Looking after the banking needs of the Co-operative Movement has always been of paramount importance to the Bank, and no more so than during the past few years of particularly strong competitive pressure experienced by Retail Societies. To help Societies win through these troubled times the Bank has offered help and support in terms of flexible methods of finance. The taking over of many Societies' consumer credit operations, by means of our Handycard and Handyloan services, has given Societies a welcome



IBM 3600  
terminal in branch



London Clearing Centre



Leicester Branch  
Personal Banker



50,000th Handycard

boost by releasing their tied-up working capital; our leasing service has gone from strength to strength, with more and more Societies enjoying the particular benefits of this flexible method of finance; and, of course, the Bank's Board has been broadened to re-emphasise the partnership between the Bank and the Societies.

### **Our Staff**

To provide staff with the necessary support, advice and training the Bank has this year moved into its own purpose-built training centre at Stanford Hall, near Loughborough. More than 800 staff will attend training courses during the year, where they will use a wide range of modern training techniques to help them help the customer.

### **Working Environment**

A good working environment is essential for staff, and the Bank is making every effort to ensure that all its premises provide a comfortable area in which to work, whilst offering our customers pleasant surroundings in which to conduct their banking business. Our new Head Office building which incorporates our Manchester Branch, sets the example. The Customer Service Bureau at Skelmersdale also offers very comfortable working conditions for its 500 staff; and our three new branches which opened during the year – in Brighton, Southampton and Exeter – show what can be done to improve upon the old traditional image of banks, an image we completely outgrew many years ago.

### **Our Services**

Developing new services to meet the demand of the market is an essential element in the Bank's approach to the 80's. This year we have introduced our new Short-Term Deposit service, and its allied regular savings plan, Savewise, both of which have already proved very popular with customers.

Since becoming a principal member of Visa in 1979, the Bank has launched its own Co-operative Bank Visa Card, in the distinctive blue, white and gold livery, to offer customers and non-customers the use of an "option account" card. Handy-card, the Bank's own budget card, has gone from strength to strength, with nearly 100,000 cardholders enjoying the benefits of Co-op shopping up and down the country.

### **Service Development Managers**

To make sure we can respond quickly to our customers' needs we have appointed service development managers in most of the key service areas. It is their responsibility to guide the Bank's activities in their own particular fields, to assess the needs of an ever-changing market, to

monitor competitive activity and to ensure that the Bank is always in the forefront of developments.

### **Co-operation**

Of particular importance to the Bank is the appointment of a business development manager to look after the interests of the small business and co-operative sectors.

Encouraged by the activities of the Co-operative Development Agency, the co-operative sector has been flourishing. Already the number of these accounts maintained by the Bank is sufficient to constitute a distinct sector of our activities, with the Bank now looking after the banking requirements of over 40% of the co-operatives registered in the Autumn 1980 CDA Directory of Industrial and Service Co-operatives.

The Bank also actively supported the small business lobby in its call to the Government for a major loan guarantee scheme, a scheme which must, in the Bank's view, be available to workers co-operatives as well as the small business sector in general.

### **Direct Wages Payment**

The Bank has taken an active part in the Payment of Wages Working Group of the Committee of London Clearing Bankers in their efforts to inform the public of the benefits of a bank account. On its own account the Bank has been promoting its services to the working population by means of personal talks at individual factories, a custom-built audio-visual programme, and the inclusion of authoritative articles in company and trade union publications.

### **Growing International Involvement**

With our growing involvement in the business sector, particularly with more and more smaller businesses opting for our style of speedy personal service, we can match our expertise in international finance to many of our customers' needs for help in entering the import and export market for the first time. With an increasing number of domestic firms turning their attention to overseas markets, we are very well placed to offer the help and guidance they will need to operate effectively on an international scale.

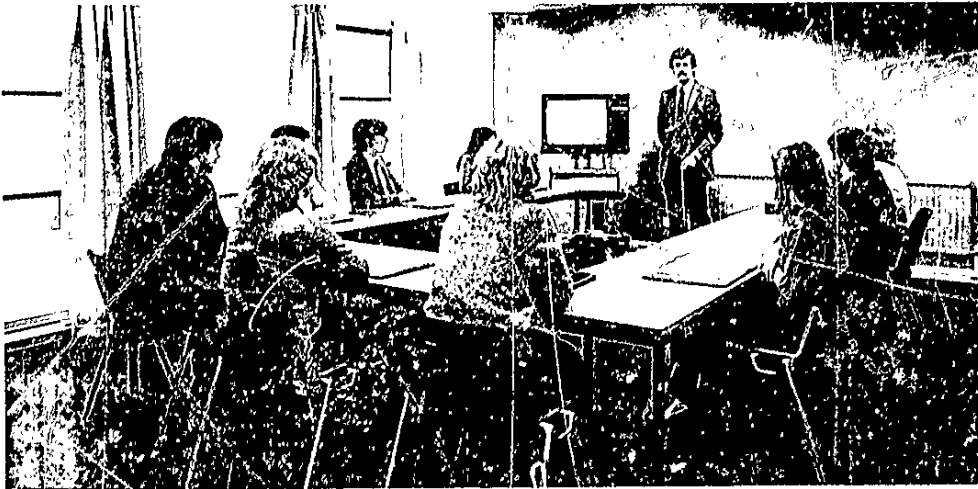
### **The Challenge Before Us**

With foundations like those described earlier – and with many more developments to come – the Co-operative Bank Group has openly declared its intention to be in the forefront of future financial developments.

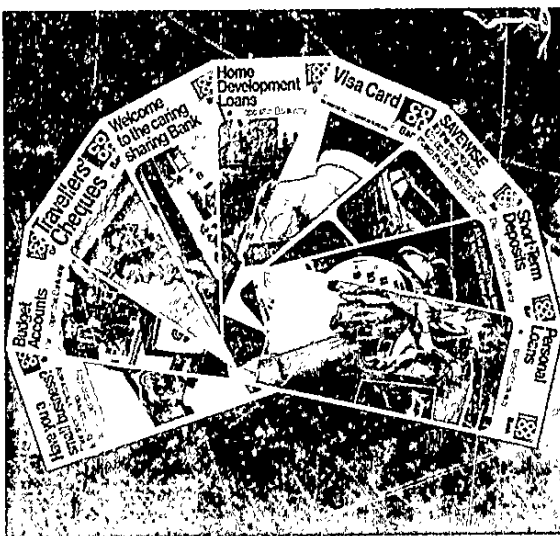
We were the Bank of the 70's and we have every intention of becoming the Banking Group of the 80's.



Exeter Branch



Stanford Hall Training Centre



## REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report, together with the audited accounts for the year ended 10th January, 1981.

### Profits and Dividends

The consolidated net profit, after provision for taxation, attributable to the shareholders of Co-operative Bank Limited is £5,744,000, as set out in the consolidated profit and loss account on page 13. No provision has been made in the accounts for the proposed special tax on banking deposits referred to in Note 16(e). The amount payable is not expected to exceed £4.95 million.

The directors recommend a dividend of 5p per £1 share amounting to £400,000.

### Banking Act 1979

The Company was granted full recognition as a Bank on 25th April, 1980.

### 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 £74,891,000 and was the total of advances, excluding finance charges, the net cost of equipment leased, and sales of developed property.

### Branches

At 10th January, 1981, the Bank had 68 branches and sub-branches (three of which are in Scotland) and had some 4,500 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 one.

Sir Arthur Sugden also served as a director until his resignation on 12th September, 1980.

On 15th September, 1980, the Board was extended by the appointment of Messrs. R. G. Aspray, F. E. Creed, K. M. Cotterill, J. H. Currie, D. M. Landau and U. S. Todner and, in accordance with the Articles of Association, all the new appointees together with Mr. P. J. Paxton (retiring by rotation) are eligible for re-election.

Sir Arthur Sugden held an interest in 875 25p Ordinary Shares in F. C. Finance Limited until his resignation on 12th September, 1980.

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 3,382 and their aggregate remuneration for the year was £18,041,798.

### Donations

During the year the Group made donations of £1,649 to United Kingdom charitable organisations.

### Auditors

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

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

31st March, 1981.

# Co-operative Bank Limited

## Consolidated Profit and Loss Account

for the year ended 10th January, 1981

	Notes	1980 £'000	1979 £'000
<b>Operating Profit</b>	2	5,422	6,244
<b>Taxation</b>	4	(347)	216
		<u>5,769</u>	<u>6,028</u>
<b>Minority Interest</b>		25	87
<b>Profit after Taxation and Minority Interest</b>		<u>5,744</u>	<u>5,941</u>
<b>Proposed Dividend</b>	5	400	—
<b>Retained Earnings</b>		<u>5,344</u>	<u>5,941</u>
<b>Profits Retained</b>			
By The Bank		5,032	5,911
By subsidiaries		179	(44)
		<u>5,211</u>	<u>5,867</u>
In associated companies		133	74
		<u>5,344</u>	<u>5,941</u>

The notes on pages 18 to 25 and page 28 form part of these accounts

# Co-operative Bank Limited

## Consolidated Balance Sheet

as at 10th January, 1981


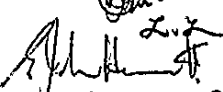

	Notes	1980 £'000	1979 £'000
<b>Share Capital and Reserves</b>			
Ordinary share capital	6	8,000	8,000
Reserves	7	38,604	33,260
		<u>46,604</u>	<u>41,260</u>
<b>Minority Shareholders' Interest in Subsidiaries</b>		2,395	2,622
<b>Subordinated Loans</b>	8	10,426	11,074
<b>Deferred Taxation</b>	9	260	447
<b>Current Liabilities</b>			
Deposits by trustees of CWS employees' pension scheme (secured)		8,149	9,954
Current, deposit and other accounts	10	581,537	508,652
Acceptances by finance house subsidiary		25,150	15,300
Creditors		11,316	8,789
Proposed Dividend	5	400	—
		<u>626,552</u>	<u>542,695</u>
		<u>686,237</u>	<u>598,098</u>

Approved 31st March, 1981



	Notes	1980 £'000	1979 £'000
<b>Liquid Assets</b>			
Coin and bank notes		4,515	4,777
Balances with and amounts in course of collection from other banks		45,153	42,582
Money at call and short notice		135,259	87,782
		<u>184,927</u>	<u>135,141</u>
<b>Certificates of Deposit</b>		2,980	3,225
<b>Special Deposits with the Bank of England</b>		—	6,648
<b>Investments</b>	11	75,662	89,351
<b>Customer and Other Accounts</b>	12	401,462	346,429
<b>Associated Companies</b>	14	8,542	7,650
<b>Fixed Assets</b>	15	12,664	9,654
		<u>686,237</u>	<u>598,098</u>

The notes on pages 18 to 25 and page 28 form part of these accounts

  
P. J. Paxton, Chairman  
  
L. Lee, Director  
  
E. J. Hewitt, Director  
G. J. Melmoth, Secretary

# Co-operative Bank Limited

## Balance Sheet

as at 10th January, 1981

	<i>Notes</i>	<i>1980</i> £'000	<i>1979</i> £'000
<b>Share Capital and Reserves</b>			
Ordinary share capital	6	8,000	8,000
Reserves	7	33,583	28,594
		<u>41,583</u>	<u>36,594</u>
<b>Subordinated Loans</b>	8	<b>10,426</b>	<b>11,074</b>
<b>Deferred Taxation</b>	9	<b>260</b>	<b>447</b>
<b>Current Liabilities</b>			
Deposits by trustees of CWS employees' pension scheme (secured)		8,149	9,954
Current, deposit and other accounts	10	508,468	436,645
Creditors		8,540	6,218
Proposed Dividend	5	400	—
		<u>525,557</u>	<u>452,817</u>
		<u><u>577,826</u></u>	<u><u>500,932</u></u>

Approved 31st March, 1981

	Notes	1980 £'000	1979 £'000
<b>Liquid Assets</b>			
Coin and bank notes		4,515	4,777
Balances with and amounts in course of collection from other banks		46,716	42,643
Money at call and short notice		114,888	84,620
		<u>166,119</u>	<u>132,040</u>
<b>Certificates of Deposit</b>		2,980	2,697
<b>Special Deposits with the Bank of England</b>		—	5,737
<b>Investments</b>	11	47,151	63,565
<b>Customer and Other Accounts</b>	12	318,334	252,929
<b>Subsidiaries</b>	13	31,911	35,640
<b>Associated Companies</b>	14	183	96
<b>Fixed Assets</b>	15	11,148	8,228
		<u>577,826</u>	<u>500,932</u>

The notes on pages 18 to 25 and page 28 form part of these accounts

P. J. Paxton, Chairman

L. Lee, Director

E. J. Hewitt, Director

G. J. Melmoth, Secretary

# Co-operative Bank Limited

## Accounting Policies

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### (a) Basis of consolidation and accounting date

The accounts of the group which are made up for the 52 weeks to 10th January, 1981, incorporate the accounts of F. C. Finance Limited and its subsidiaries which are made up for the year ended 31st December, 1980. Since the group accounting date is virtually coterminous with the calendar year 1980 the financial year's figures are headed 1980 and the corresponding figures for the previous year are headed 1979.

### (b) (i) Investment Income

Income from investments includes amortization of premiums and discounts on dated stocks, credit for which is taken 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) Sale of Investments

Realised profits and losses on sales of investments are taken to profit and loss account in the year in which they arise.

### (c) Losses on Advances

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

### (d) Depreciation

Depreciation of freehold buildings is provided at 2½% of the original purchase price or professional valuation. Depreciation of leasehold land and buildings is provided at 2½% or in equal annual instalments over the life of the lease if it is less than 40 years. Depreciation of equipment and fittings is provided in equal annual instalments over the estimated working lives of the assets.

### (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.

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(f) Deferred Taxation

Deferred taxation on the liability method is only provided on short-term timing differences as it is thought that taxation deferred by other timing differences will not become payable in the foreseeable future. No provision is made in respect of capital allowances on fixed assets or leased plant and equipment.

(g) Leasing

Income is credited to the profit and loss account under the 'Rule of 78' except where the credit rating of the lessee warrants the application of the 'Investment Period Method'.

Leased equipment is valued at original cost less depreciation, which writes off that cost over the primary period of the lease. Depreciation for the period represents the full amount of leasing payments due in the period less the amounts credited to the profit and loss account.

(h) 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.

(i) Extraordinary items

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

(j) Associated companies

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.

(k) Exchange rates

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

(l) Premium on acquisition of shares

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, has been written off against reserves.

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# Co-operative Bank Limited

## Notes to the Accounts

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

### 1. 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 £74,891,000 (1979—£63,670,000) and was the total of advances, excluding finance charges, the net cost of equipment leased and sales of developed and undeveloped property.

### 2. Profit for the Year

The profit for the year is stated:

	1980	1979
After charging—	52,101	33,778
Interest payable	1,658	278
Interest payable on subordinated loans	2,170	1,448
Depreciation of fixed assets	564	267
Hire of computers and associated equipment	—	281
Cost of issuing subordinated loans	79	69
Auditors' remuneration—Parent company, £42,000 (1979—£36,000)	120	89
Directors' emoluments		
And after crediting—	175	149
Share of profits of associated companies		
Investment income:	6,993	9,231
Quoted	3,576	2,180
Unquoted		

The quoted investment income includes a credit of £320,710 (1979—£226,000) in respect of the increase in the value of dated securities in accordance with the basis of accounting set out in Accounting Policy (b) (i).

Employees of the Group, other than directors, whose total emoluments exceeded £20,000 were as follows:

£	1980	1979
20,001 — 25,000	6	—

### 3. Directors' Emoluments and Loans

The chairmen received no emoluments in the current or previous period. The emoluments of the highest paid director were £34,608 (1979—£26,281). The following table sets out the number of other directors and the range of their emoluments:

£	1980	1979
NIL	8	3
15,001 — 20,000	—	2
20,001 — 25,000	1	1
25,001 — 30,000	2	—

At 10th January, 1981, loans to eight directors (including credit transactions) amounted in aggregate to £32,752

#### 4. Taxation

The charge for the year comprises:

	1980	1979
Corporation tax at 52%	118	—
Deferred tax at 52%	(187)	334
Prior year adjustments—Corporation tax	(315)	(225)
Tax on franked investment income	5	5
A.C.T. written off	15	27
	<u>(364)</u>	<u>141</u>
Taxation suffered by associated companies	17	75
	<u>(347)</u>	<u>216</u>

As a result of accelerated capital allowances for taxation in respect of equipment used in the business and assets leased to customers and other timing differences the charge for taxation for the year has been reduced by £2,300,000 (1979—£3,632,000) for the Bank and its subsidiaries.

No provision has been made for the proposed special tax on banking deposits (see Note 16(e)).

#### 5. Dividend

Dividend of 5p per share on 8,000,000 ordinary shares of £1 each

1980	1979
400,000	—

The dividend is paid under group election and no advance corporation tax is payable.

#### 6. Share Capital

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

#### 7. Reserves

At 12th January, 1980  
Retained Profits

At 10th January, 1981

Group	Co-operative Bank Limited
33,260	28,594
5,344	4,989
<u>38,604</u>	<u>33,583</u>

Of the total reserves at 10th January, 1981, £11,304,000 is not available for distribution to shareholders.

#### 8. Subordinated Loans

U.S. \$25,000,000 Floating Rate (minimum 6%) Capital Notes redeemable not later than November 1986

1980	1979
10,426	11,074



# 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 basis of accounting set out in Accounting Policy (f)

Balance at 12th January, 1980.  
Profit and Loss Account

Group	Co-operative Bank Limited
447	447
(187)	(187)
<u>260</u>	<u>260</u>

Balance at 10th January, 1981

The potential amount of deferred taxation not provided for in the accounts in respect of capital allowances and other timing differences is as follows:

	1980	1979	1980	1979
Fixed assets	4,578	3,165	4,530	3,107
Leased equipment	6,761	5,985	2,694	1,288
Other timing differences	—	(134)	—	—
	<u>11,339</u>	<u>9,016</u>	<u>7,224</u>	<u>4,395</u>

### 10. Current, Deposit and Other Accounts

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

	Group and Co-operative Bank Limited	
	1980	1979
Parent organisation	44,152	30,128
Fellow subsidiaries	1,243	1,294
	<u>45,395</u>	<u>31,422</u>

### 11. Investments

Investments at cost or amortized value comprise—

#### Quoted:

Securities of, or guaranteed by the British Government  
British municipalities and public boards stocks, etc.  
Commonwealth Government stocks and foreign securities  
Other securities quoted in Great Britain

<i>Group</i>		<i>Co-operative Bank Limited</i>	
<i>1980</i>	<i>1979</i>	<i>1980</i>	<i>1979</i>
25,957	42,234	25,431	41,740
23,628	22,865	19,725	19,014
41	41	41	41
588	1,602	588	1,602
<hr/>	<hr/>	<hr/>	<hr/>
50,214	66,742	45,785	62,397
25,448	22,609	1,366	1,168
<hr/>	<hr/>	<hr/>	<hr/>
75,662	89,351	47,151	63,565

#### Unquoted:

Principally local authority mortgages at cost

25,448	22,609	1,366	1,168
<u>75,662</u>	<u>89,351</u>	<u>47,151</u>	<u>63,565</u>

The market value of the quoted securities at 10th January, 1981, was £48,918,000 (1979 — £62,798,000). The large majority of these investments mature within four years, the average period to redemption being under two and one half years.

The deposits by the trustees of the CWS Employees' Pension Scheme, amounting to £8,149,000 (1979 — £9,954,000), are secured by investments with a book value of £9,246,000 (1979 — £10,961,000) and a market value of £9,426,000 (1979 — £10,976,000).

## 12. Customer and other Accounts

	<i>Group</i>		<i>Co-operative Bank Limited</i>	
	1980	1979	1980	1979
Advances to customers, less provisions	322,176	275,825	309,392	245,998
Assets leased to customers	13,477	11,262	5,186	2,477
Balances outstanding under hire purchase and other instalment credit agreements, less provisions	54,937	47,799	—	—
Development land and work in progress	4,648	4,048	—	—
	<u>395,238</u>	<u>338,934</u>	<u>314,578</u>	<u>248,475</u>
Debtors	6,224	7,495	3,756	4,454
	<u>401,462</u>	<u>346,429</u>	<u>318,334</u>	<u>252,929</u>

Group provision for bad and doubtful debts, together with the movements during the year, are:

	<i>1980</i>		<i>1979</i>	
	<i>Specific</i>	<i>General</i>	<i>Specific</i>	<i>General</i>
Balance at 12th January, 1980	4,845	1,615	3,824	1,250
Amounts written off	(982)	—	(926)	—
Recovery of debts previously written off	360	—	131	—
Charge to profit and loss account	3,135	416	1,816	365
	<u>7,358</u>	<u>2,031</u>	<u>4,845</u>	<u>1,615</u>
Balance at 10th January, 1981	<u>9,389</u>		<u>6,460</u>	

## 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 Co-operative Bank Limited which are registered in England unless otherwise stated are:

	<i>Holding</i>	<i>Holding</i>
	1980	1979
Co-operative Commercial Bank Limited	100%	100%
Roodhill (North Wales) Limited	100%	100%
Co-operative Investment Management Limited	50%	50%
Co-operative Bank (Insurance Services) Limited	100%	100%
F. C. Finance Limited	81%	81%
Cleveland Guaranty Limited	81%	81%
Cleveland Finance Limited	81%	81%
	<u>6,656</u>	<u>6,542</u>
Cost of investment in subsidiaries	25,255	29,098
Amount due by subsidiaries	<u>31,911</u>	<u>35,640</u>

# Co-operative Bank Limited

## Notes to the Accounts

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

### 14. Investments in Associated Companies

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

	1980 Group Interest	1979 Group Interest
Haydn Evans Construction (South Wales) Limited	50%	50%
Holyoake Insurance Brokers Limited	20%	20%
County and Suburban Properties Limited (held by F. C. Finance Limited)	41%	41%
Crowngap Limited (held by F. C. Finance Limited)	24%	24%

The investment in associated companies is made up as follows:

	Group		Co-operative Bank Limited	
	1980	1979	1980	1979
Cost of Shares and Advances, less amounts written off	8,321	7,562	183	96
Share of Retained Profit	221	88	—	—
	<u>8,542</u>	<u>7,650</u>	<u>183</u>	<u>96</u>

### 15. Fixed Assets

	Group		Co-operative Bank Limited	
	Freehold and leasehold land and buildings	Equipment and fittings	Freehold and leasehold land and buildings	Equipment and fittings
Cost or valuation:				
At 12th January, 1980	2,387	13,787	1,106	13,232
Capital expenditure	100	5,264	40	4,981
Sales and disposals	(4)	(424)	(4)	(265)
At 10th January, 1981	<u>2,483</u>	<u>18,627</u>	<u>1,142</u>	<u>17,948</u>
Accumulated depreciation:				
At 12th January, 1980	330	6,190	170	5,940
Depreciation for year	74	2,096	49	1,950
Sales and disposals	(1)	(243)	(1)	(166)
At 10th January, 1981	<u>403</u>	<u>8,043</u>	<u>218</u>	<u>7,724</u>
Net book value at 10th January, 1981	<u>2,080</u>	<u>10,584</u>	<u>924</u>	<u>10,224</u>
Combined net book value at 10th January, 1981	<u>12,664</u>		<u>11,148</u>	
The net book value of land and buildings comprises:				
Freehold	1,812		681	
Long Leasehold	123		99	
Short Leasehold	145		144	
	<u>2,080</u>		<u>924</u>	
Freehold and leasehold land and buildings:				
At Cost	1,427		1,142	
At valuation at March, 1973	1,056		—	
	<u>2,483</u>		<u>1,142</u>	

## 16. Commitments and Contingent Liabilities

(a) Capital expenditure committed and authorised at 10th January, 1981 was:

	Group		Co-operative Bank Limited	
	1980	1979	1980	1979
Contracted for but not spent	2,988	2,955	2,939	2,945
Authorised but not contracted for	136	478	136	464

(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, £581,000 (1979—£687,000).

(c) F. C. Finance Limited has given guarantees of overdrafts and other liabilities of certain of its subsidiaries: maximum liability, £194,000 (1979—£192,000).

(d) Engagements entered into on behalf of customers which amount to £39,382,000 (1979—£29,939,000) and in respect of which there are corresponding obligations by customers, are not included in the balance sheets.

(e) The Chancellor of the Exchequer announced in his budget speech on 10th March, 1981, a proposed special tax on banking deposits which is to apply for one year only. The extent of the liability cannot be precisely ascertained until the 1981 Finance Bill is enacted. Based on the information available, the amount payable by Co-operative Bank Limited is not expected to exceed £4.95 million. The tax is not expected to affect any of the other companies in the group.

(f) An offer to acquire the minority ordinary shareholdings in F. C. Finance Limited at 110p per share was made on 20th January, 1981. The offer became fully unconditional on 5th March, 1981. The cost of acquisition of the shares, other than fees associated with the offer, will be £1,432,422.

## Auditors' Report

We have audited the accounts on pages 13 to 25 and page 28 in accordance with approved Auditing Standards.

In our opinion the accounts which have been prepared under the historical cost convention as modified by the revaluation of certain properties, give a true and fair view of the state of affairs of the company and the group at 10th January, 1981, and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1980.

In our opinion the abridged supplementary current cost accounts set out on pages 26 and 27 have been properly prepared, in accordance with the policies and methods described in notes 1 to 3, to give the information required by Statement of Standard Accounting Practice No. 16.

Manchester  
1st April, 1981.

*Thomson McLintock & Co.*  
THOMSON McLINTOCK & CO.  
Chartered Accountants

# Co-operative Bank Limited

## Current Cost Accounts Consolidated Profit and Loss Account for the year ended 10th January, 1981

	Notes	1980 £'000	1979 £'000
Operating Profit as in historical cost accounts before subordinated loan interest		7,080	6,522
Adjustment for inflation			
Monetary working capital	2a	5,832	5,823
Additional depreciation	2b	439	686
		<u>6,271</u>	<u>6,509</u>
Current Cost Operating Profit		809	13
Gearing Adjustment	2c	1,156	305
Less: interest on subordinated loans		<u>(1,658)</u>	<u>(278)</u>
Current Cost Profit before taxation		307	40
Taxation as in historical cost accounts		<u>(347)</u>	<u>216</u>
		654	(176)
Minority Interest		<u>(208)</u>	<u>(242)</u>
		862	66
Proposed Dividend		<u>400</u>	<u>—</u>
Current Cost Profit retained		<u>462</u>	<u>66</u>

### Notes:

#### 1. Basis of calculation.

The current cost accounts have been prepared on the basis of Statement of Standard Accounting Practice No. 16.

#### 2. Adjustment for inflation.

##### (a) Monetary working capital

The monetary working capital adjustment allows for the effect of price changes on the net monetary working capital by applying the change in Retail Price Index to the average monetary working capital during the year. For this purpose monetary working capital includes all assets other than fixed assets less liabilities arising from operating activities.

##### (b) Depreciation adjustment

The depreciation adjustment is the difference between depreciation based on the current replacement cost of fixed assets and the depreciation charge in the historical cost accounts. In estimating the value to the business the following bases have been adopted:

- (i) Freehold and leasehold premises have been professionally valued.
- (ii) Computer hardware and other electronic equipment, together with any related capital expenditure on software, have been valued at current replacement cost.
- (iii) Other fixed assets have been valued at historical cost adjusted to current cost by the use of relevant indices.

# Co-operative Bank Limited

## Current Cost Accounts Consolidated Balance Sheet

as at 10th January, 1981

	Notes	1980 £'000	1979 £'000
Net Assets employed			
Advances and other monetary assets		673,573	588,444
Fixed Assets	2b	16,905	12,473
		<u>690,478</u>	<u>600,917</u>
Less Current, deposit and other accounts		626,552	542,695
		<u>63,926</u>	<u>58,222</u>
Financed by			
Share Capital		8,000	8,000
Reserves		24,979	24,517
Current Cost Reserve	3	18,592	12,055
Minority Interest		1,669	2,129
Subordinated Loans		10,426	11,074
Deferred Taxation		260	447
		<u>63,926</u>	<u>58,222</u>

### Notes continued:

- (c) Gearing adjustment  
The gearing adjustment reduces the monetary working capital and depreciation adjustment by the proportion of capital provided other than by shareholders' funds.
- (d) Corresponding amounts  
The corresponding amounts for the previous period are shown in values relating to last year, without further adjustment.
- (e) Except as set out above the policies used in the current cost accounts are the same as those used in the historical cost accounts.

3. Current Cost Reserve	1980 £'000	1979 £'000
At 12th January, 1980	12,055	4,858
Monetary working capital adjustment	5,832	5,823
Revaluation of fixed assets	1,861	1,679
Gearing adjustment	(1,156)	(305)
	<u>18,592</u>	<u>12,055</u>
At 10th January, 1981		

# Co-operative Bank Group

## Statement of Source and Application of Funds

for the year ended 10th January, 1981

	1980 £'000	1979 £'000
<b>Source of Funds</b>		
Profit after taxation	5,744	5,941
Adjustments for items not involving the movement of funds:		
Depreciation of fixed assets	2,170	1,448
Increase (Decrease) in deferred taxation	(187)	334
Revaluation of subordinated loans	(648)	—
Retentions by associated companies	(133)	(74)
Movement in minority interest	(227)	(21)
Funds generated by operations	6,719	7,628
Funds from other sources:		
Disposal of fixed assets	184	78
Issue of subordinated loans	—	11,074
	6,903	18,780
<b>Application of Funds</b>		
Dividends payable	400	—
Purchase of fixed assets	5,364	5,155
Increase in working capital	1,139	13,625
	6,903	18,780
Analysis of increase in working capital:		
Increase in advances to customers and associated companies and other accounts	55,792	114,969
Increase in liquid assets and other banking assets	29,204	20,919
	84,996	135,888
Increase in current, deposit and other accounts	83,857	122,263
	1,139	13,625



