

A copy of this document, which comprises listing particulars relating to Co-operative Bank p.l.c. in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies for registration in accordance with section 149 of that Act.

Application has been made to the Council of The Stock Exchange for the new Preference Shares to be admitted to the Official List and it is expected that dealings will commence on 1st June, 1989. No such application is being made in respect of the Ordinary Shares of 5p each in the share capital of Co-operative Bank p.l.c.

The Directors of Co-operative Bank p.l.c., whose names are set out in full in paragraph 11 of Part VI of this document, accept responsibility for the information set out in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.



CO-OPERATIVE BANK P.L.C.

*(incorporated in England under the Companies Acts 1948 to 1980
with registered number 990937)*

PLACING BY

Chase Investment Bank Limited

of

20,000,000

9.25 per cent. Non-Cumulative Irredeemable
Preference Shares of £1 each
at a price of 100.027p per share

and

PROPOSALS FOR CONVERSION

of

the 8.48 per cent. Cumulative Redeemable
Preference Shares 2013 of £1 each

Share Capital

Present			Proposed	
Authorised	Issued and Fully Paid		Authorised	Issued and Fully Paid
£'000	£'000		£'000	£'000
30,000	30,000	Ordinary Shares of 5p each	30,000	30,000
40,000	40,000	8.48 per cent. Cumulative Redeemable Preference Shares 2013 of £1 each	—	—
35,000	—	9.25 per cent. Non-Cumulative Irredeemable Preference Shares of £1 each	75,000	60,000
<u>105,000</u>	<u>70,000</u>		<u>105,000</u>	<u>90,000</u>

LOAN CAPITAL

As at 19th May, 1989, apart from intra-group holdings, the outstanding loan capital of Co-operative Bank p.l.c. and its subsidiaries, all of which was unsecured, comprised:—

£75,000,000 Subordinated Floating Rate (minimum 5.5 per cent.) Notes 2000 of Co-operative Bank p.l.c.

£6,034,000 Convertible Subordinated Unsecured Floating Rate Loan Stock 2003 of Unity Trust Bank plc.

Timetable of Principal Events

The Placing

Dealings in new Preference Shares expected to commence	1st June, 1989
Definitive share certificates despatched	7th June, 1989
First dividend payment date	30th November, 1989

Class Meeting and Extraordinary General Meeting

Latest time for receipt of Forms of Proxy for:—	
Class Meeting	21st June, 1989
Extraordinary General Meeting	21st June, 1989
Class Meeting	23rd June, 1989
Extraordinary General Meeting	23rd June, 1989

DEFINITIONS

In this document the following words and expressions have the following meanings, unless the context requires otherwise:—

"the Bank"	Co-operative Bank Public Limited Company
"the Group"	the Bank and its subsidiaries
"the CWS"	Co-operative Wholesale Society Limited
"existing Preference Shares"	the 8.48 per cent. Cumulative Redeemable Preference Shares 2013 of £1 each in the share capital of the Bank
"new Preference Shares"	the 9.25 per cent. Non-Cumulative Irredeemable Preference Shares of £1 each in the share capital of the Bank now being issued
"Ordinary Shares"	the Ordinary Shares of 5p each in the Bank
"the Placing"	the placing of the 20,000,000 new Preference Shares described herein
"the Conversion"	the proposed modification of the rights attaching to the existing Preference Shares described herein
"Chase"	Chase Investment Bank Limited
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited.

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PART I

LETTER FROM THE CHAIRMAN



P.O. Box 101,
1 Balloon Street,
Manchester M60 4EP
31st May, 1989

To the holders of the 8.48% Cumulative Redeemable Preference Shares 2013

Dear Shareholder,

1. INTRODUCTION

It was announced yesterday that Co-operative Bank p.l.c. intends to issue £20 million of a new class of non-cumulative irredeemable Preference Share and seek the approval of the holders of the existing Preference Shares to the modification of the rights attaching to their shares so as to convert them into the same class of share as, and ranking *pari passu* with, the new Preference Shares.

2. REASONS FOR THE PLACING AND THE CONVERSION

The purpose of issuing the existing Preference Shares in April 1988 was to increase the capital base of the Bank, so as to enable the Bank to generate economies of scale through balance sheet expansion. The cash proceeds of the Placing will be used by the Bank for the same purpose.

Shareholders will be aware that it is the size of a bank's capital base which governs the amount of business which a bank can undertake and that for all institutions authorised under the Banking Act 1987 the Bank of England regulates the types of capital which qualify for inclusion in a bank's capital base and their classification. Under the capital adequacy rules which are currently in force and which were in force in April 1988, the existing Preference Shares, which are cumulative and redeemable, have a different classification from term subordinated debt. However, under the new capital adequacy rules (known as the convergence rules) expected to come into force at the end of this year, the existing Preference Shares would have the same classification as term subordinated debt and the effect of moving from the existing rules to the convergence rules, based on the Bank's audited balance sheet as at 14th January 1989, could be the exclusion of a material proportion of the Bank's existing qualifying capital base.

The Bank is accordingly taking the opportunity of issuing and placing 20,000,000 9.25% Non-Cumulative Irredeemable Preference Shares which would be classified as Tier 1 capital under the convergence rules. The new Preference Shares have been created at an Extraordinary General Meeting of the Bank held earlier today with the approval of the CWS and at which the opportunity was taken to sub-divide each Ordinary Share of 25p in the Bank's share capital into five Ordinary Shares of 5p each. A summary of the rights and conditions attached to the new Preference Shares is set out in Part IV of this document.

Discussions were held with the Bank of England at the time of the issue of the existing Preference Shares in April 1988 and more recently in relation to the status of the existing Preference Shares under the convergence rules. In the light of these discussions and the forthcoming introduction of the convergence rules, the Board believes that it would be to the Bank's advantage to amend the rights attaching to the existing Preference Shares so that they would become non-cumulative irredeemable Preference Shares and classified as Tier 1 capital under the convergence rules. As part of its proposals, the Board believes that it is appropriate to increase the dividend on the existing Preference Shares from 8.48% to 9.25% payable with effect from 31st May, 1989. The Bank's Preference Share capital would then consist solely of one class of non-cumulative irredeemable Preference Share.

The effect of the Placing and the Conversion would be to increase the Bank's Tier 1 capital and also to allow the Bank to augment its capital base further by the inclusion of additional Tier 2 capital. The result under the convergence rules would be a significant increase in the Bank's qualifying capital base.

3. DETAILS OF THE PLACING

Under a placing agreement dated 30th May, 1989 and made between the Bank and Chase, Chase has agreed, on the terms therein provided, to procure subscribers, or itself to subscribe, for the new Preference Shares conditional, *inter alia*, on the Council of The Stock Exchange admitting the new Preference Shares to the Official List. The new Preference Shares are to be issued at a price of 100p per share and have been placed by Chase at a price of 100.027p per share. Further details on the placing agreement are set out on page 25.

It is estimated that the cash proceeds accruing to the Bank from the Placing will amount to approximately £19.7 million net of expenses.

Definitive share certificates for the new Preference Shares are expected to be despatched by post at the risk of the persons entitled thereto by 7th June, 1989. Pending despatch of the certificates, transfers will be certified against the register. Following the Conversion share certificates in respect of the existing Preference Shares will remain valid and new share certificates will be issued only upon registration of transfers.

4. THE NEW PREFERENCE SHARES

On the basis of the Group's audited net assets at 14th January, 1989 of £140.8 million, the net asset cover for the new Preference Shares and the existing Preference Shares (taken together) will be 2.7 times. On the basis of the Group's audited profit after tax and minority interests (before extraordinary items) for the year ended 14th January, 1989 of £12.5 million, the annual net dividend on the Preference Shares following the Conversion will be covered 2.25 times and, if it is assumed that the proceeds of the Placing are invested by the Bank to produce a return of 12 per cent. per annum, 2.5 times.

There is a contingent possibility of capitalisation issues of new Preference Shares having to be made in favour of holders of the new Preference Shares in the circumstances described under the heading "Dividends" in Part IV in this document. Accordingly, the Bank has created 15,000,000 additional new Preference Shares. In the event that this amount of new Preference Shares is fully utilised in one or more capitalisation issues then a General Meeting of the Bank's shareholders will need to be convened for the purpose of increasing the authorised share capital to meet further capitalisation issues of this nature. The CWS, the Bank's sole Ordinary Shareholder, has confirmed to the Bank its intention of voting in favour of any proposed future increases in authorised share capital for this purpose.

5. CURRENT TRADING AND PROSPECTS

The first quarter's performance of the Bank was ahead of both the corresponding period in 1988 and the Bank's planned targets. The performance for the full year will be influenced by the competitive nature of the market and the yet undetermined cost to the Bank of increasing the attraction of its personal banking products, particularly the interest bearing current account. The Directors believe that the outcome for the year will be satisfactory.

6. CLASS MEETING AND EXTRAORDINARY GENERAL MEETING

The Conversion requires the approval of the holders of the existing Preference Shares at a separate class meeting and accordingly a notice convening such meeting is set out on page 28. In addition, an Extraordinary General Meeting of the Bank will be required and a notice convening such meeting is set out on pages 29 to 31. Both the CWS as the sole Ordinary Shareholder and the holders of the existing Preference Shares will be entitled to vote at the Extraordinary General Meeting. The CWS has confirmed that it will vote in favour of the resolution to be proposed at the Extraordinary General Meeting in respect of its beneficial holding of 600,000,000 Ordinary Shares, representing 93.75 per cent. of the votes capable of being cast on a poll.

You will find enclosed forms of proxy for use at the meetings (blue for the Class Meeting and pink for the Extraordinary General Meeting), which should be completed and returned to Co-operative Bank plc, 1 Balloon Street, Manchester M60 4EP so as to arrive as soon as possible but in any event not later than 48 hours before the time of the relevant meeting. The lodging of a form of proxy will not preclude you from attending and voting at the relevant meeting should you choose to do so.

7. RECOMMENDATION

The Board of the Bank and Chase consider the proposals to be fair and reasonable and in the best interests of the Bank and its shareholders and recommend you to vote in favour of the resolutions at the meetings on 23rd June, 1989.

Yours sincerely,

Tom Agar

Chairman

PART II

ACTIVITIES OF THE BANK

The Bank is a Clearing Bank whose business is predominantly that of a provider of banking services to the United Kingdom retail market. For the purpose of identification, the Bank's principal activities in this market can be divided into four broad categories:—

- **private individuals:** it provides a full range of personal banking services and is a market leader in the creation of innovative products — it was the first to introduce "free banking", "high interest" cheque accounts, interest payments on credit card balances and a revolving credit or budget account paying interest on credit balances;
- **small to medium size corporate businesses:** a market in which it has pioneered the payment of interest on current accounts and in which it attracts business by offering charge-free periods for new accounts;
- **the Local Authority banking market:** where it is the second largest supplier of banking services;
- **the UK Co-operative Movement:** to which it is the main banker and which, taken as a whole, is one of the largest businesses in the UK.

At 14th January, 1989, the Bank had 104 branches and sub-branches, over 580 in-store banking facilities, known as "handybanks", at retail co-operative societies and over 2,700 "Cash-a-Cheque points".

In addition, the Bank provides clearing services to, amongst others, Girobank and Nationwide Anglia Building Society. The Bank is developing its fund management business.

The average number of people employed by the Group in 1986, 1987 and 1988 was 4,002, 4,383 and 4,427 respectively.

Whilst the CWS is the Bank's single largest customer, it accounts for marginally over 1 per cent. of the Bank's gross income. All dealings with the CWS are conducted on an arms' length basis.

The Directors consider that the Bank enjoys significant strengths relative to its principal competitors, which are the major London and Scottish clearing banks, notably its:—

- greater emphasis on UK retail banking
- smaller number of branches and staff
- higher degree of central processing, away from branches
- greater ability to locate branches only in those towns, and parts of towns, with significant potential for personal and corporate banking business
- longer opening hours
- connections with retail co-operative societies with the in-store banking facilities mentioned above

The CWS owns the whole of the Bank's issued Ordinary Share capital. In the year ended 14th January, 1989 consolidated sales of the CWS totalled £2,558.8 million and its consolidated balance sheet at that date showed share capital and reserves of £452.0 million. The figures for the Co-operative Insurance Society Limited, the whole of whose share capital is owned by the CWS, are not consolidated.

PART III

FINANCIAL INFORMATION ON THE GROUP

1. BASES OF INFORMATION

The financial information given below has been derived from the audited consolidated accounts of the Group. The accounts for the four years ended January 1988 are stated on the basis on which they were summarised in the listing particulars dated 27th April, 1988, and the accounts for the year ended 14th January, 1989 are extracted from the audited consolidated accounts of the Group.

The financial statements are made up to the second Saturday in January each year. Since the Group's accounting period is virtually co-terminous with the calendar year, the financial years' figures are referred to as follows:—

Year ended 12th January, 1985 – "1984"

Year ended 11th January, 1986 – "1985"

Year ended 10th January, 1987 – "1986"

Year ended 9th January, 1988 – "1987"

Year ended 14th January, 1989 – "1988"

2. GROUP PROFIT AND LOSS ACCOUNTS

The following is a summary of the audited consolidated Profit and Loss Accounts of the Group for each of the last five years ended 14th January, 1989

	Notes	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
Profit before bad debt provisions and taxation		25,260	28,622	28,980	31,525	41,691
Sovereign debt provisions		(795)	—	—	(1,384)	(1,655)
Other bad debt provisions		(12,243)	(15,681)	(14,709)	(15,850)	(18,094)
Profit after bad debt provisions		12,222	12,941	14,271	14,291	21,942
Exceptional item	19	—	—	—	—	969
Share of profit/(loss) of associated companies		813	(25)	(500)	9	295
Profit before taxation	1	13,035	12,916	13,771	14,300	23,206
Taxation	3	(4,616)	(5,078)	(5,411)	(5,981)	(9,075)
Profit after taxation		8,419	7,838	8,360	8,319	14,131
Minority interests		19	(42)	(151)	(159)	211
Preference Dividend	5	—	—	—	—	(1,815)
Extraordinary items	4	(17)	(607)	(30)	1,004	(50)
Profit attributable to ordinary shareholders		8,421	7,189	8,179	9,164	12,477
Proposed dividends on ordinary shares	5	(840)	(1,850)	(1,900)	(2,000)	(2,500)
Retained profit for the year		7,581	5,339	6,279	7,164	9,977
Profits retained						
by the Bank and subsidiaries		7,057	5,096	6,779	7,155	10,144
in associated companies		524	243	(500)	9	(167)
		7,581	5,339	6,279	7,164	9,977
Earnings per share	6	18.83p	7.80p	8.21p	7.90p	10.44p
Dividend per share	5	0.84p	1.85p	1.90p	1.67p	2.0833p

3. BALANCE SHEETS

The following is a summary of the audited Consolidated Balance Sheets of the Group and the Bank for the last five years ended 14th January, 1989.

	Notes	1984 £000	1985 £000	1986 £000	1987 £000	1988 £000
The Group						
Ordinary Share capital	7	25,000	25,000	25,000	30,000	30,000
Preference Share capital	7	—	—	—	—	40,000
Reserves	8	41,391	46,730	54,162	61,276	70,793
Shareholders' funds		66,391	71,730	79,162	91,276	140,793
Minority interests		2,059	2,161	7,070	7,229	7,018
Loan stock	9	48,910	95,725	75,000	75,000	81,034
Capital resources		117,360	169,616	161,232	173,505	228,845
Deferred taxation	10	17,864	18,742	18,177	19,840	21,998
Other liabilities						
Current taxation		—	—	4,658	4,359	7,099
Current, deposit and other accounts	11	992,239	979,787	1,319,465	1,405,690	1,919,619
Acceptances by finance house subsidiary		53,750	39,000	—	—	—
Creditors and accrued expenses		22,647	18,052	29,918	34,638	47,061
Proposed ordinary dividend		840	1,850	1,900	2,000	2,500
Accrued preference dividend		—	—	—	—	418
		1,204,700	1,227,047	1,535,350	1,640,032	2,227,540
Coin and bank notes		7,084	8,309	7,053	7,793	10,144
Balances with and amounts in the course of collection from other banks		56,665	69,489	62,463	73,054	68,925
Money at call and short notice		126,950	127,706	254,777	120,965	334,751
Certificates of deposit		11,834	10,058	8,492	71,048	43,556
Investments	12	73,638	59,705	72,708	113,206	123,447
Customer and other accounts	13	884,129	908,400	1,084,651	1,215,861	1,617,159
Associated companies	16	25,627	22,848	22,837	15,484	(71)
Fixed assets	17	18,773	20,532	22,369	22,621	29,629
		1,204,700	1,227,047	1,535,350	1,640,032	2,227,540
The Bank						
Ordinary Share capital	7	25,000	25,000	25,000	30,000	30,000
Preference Share capital	7	—	—	—	—	40,000
Reserves	8	40,260	45,170	52,542	56,581	65,932
Shareholders' funds		65,260	70,170	77,542	86,581	135,932
Loan stock	9	22,231	75,000	75,000	75,000	75,000
Capital resources		87,491	145,170	152,542	161,581	210,932
Deferred taxation	10	8,339	7,444	5,067	5,619	5,291
Other liabilities						
Current taxation		—	—	5,941	6,695	9,599
Current, deposit and other accounts	11	950,830	937,691	1,266,090	1,345,875	1,836,144
Creditors and accrued expenses		18,920	14,295	17,290	18,352	26,541
Proposed ordinary dividend		840	1,850	1,900	2,000	2,500
Accrued preference dividend		—	—	—	—	418
		1,066,420	1,106,450	1,448,830	1,540,122	2,091,425
Coin and bank notes		7,084	8,290	7,053	7,793	10,144
Balances with and amounts in the course of collection from other banks		56,605	69,269	59,835	72,759	68,335
Money at call and short notice		111,325	98,619	242,944	120,807	334,751
Certificates of deposit		11,834	8,417	3,466	70,048	43,556
Investments	12	73,638	59,538	62,372	97,576	107,446
Customer and other accounts	13	754,846	777,988	953,997	1,062,801	1,405,016
Subsidiaries	15	7,363	41,617	75,193	70,681	93,069
Associated companies	16	25,660	22,538	21,910	15,405	17
Fixed assets	17	18,065	20,174	22,060	22,252	29,091
		1,066,420	1,106,450	1,448,830	1,540,122	2,091,425

4. CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The following is a summary of the source and application of funds of the Group for the three years ended 14th January, 1989.

	1986 £000	1987 £000	1988 £000
Source of funds:			
Profit before dividends	8,179	9,164	14,292
Adjustments for items not involving the movement of funds:			
Depreciation of fixed assets	5,722	6,474	7,518
Increase/(decrease) in deferred taxation	(565)	1,663	2,158
Surplus on disposal of interest in associated company	—	—	(969)
Retentions by associated companies	500	(9)	167
Funds generated by operations	13,836	17,292	23,166
Funds from other sources:			
Sale of shares in associated companies	—	2,094	1,400
Movement in minority interests	4,909	159	(211)
Disposal of fixed assets	177	254	122
Issue of loan stock	—	—	6,034
Issue of share capital	—	5,000	40,024
	18,922	24,799	70,535
Application of funds:			
Purchase of fixed assets	(7,736)	(6,980)	(14,648)
Costs of share issues	—	(50)	(484)
Dividends paid	(1,850)	(1,900)	(3,397)
Repayment of loan stock	(20,725)	—	—
Increase/(decrease) in working capital	(11,389)	15,869	52,006
Movement in working capital:			
Increase in advances to customers and associated companies and other accounts	175,587	125,942	386,341
Increase/(decrease) in liquid assets and other banking assets	130,226	(19,427)	194,757
Increase in current, deposit and other accounts	(317,202)	(90,646)	(529,092)
	(11,389)	15,869	52,006

5. ACCOUNTING POLICIES

The significant accounting policies, which have been consistently applied, are as follows:—

(a) Convention

The Financial statements have been prepared under the historical cost convention and in accordance with Sections 258 and 259 of and Schedule 9 to the Companies Act 1985.

(b) Basis of consolidation

The consolidated financial statements include the results, assets and liabilities of the Bank and its subsidiaries. The following companies have year-ends which are not co-terminous with that of the Bank to enable competitive leasing quotations to be offered throughout the year:—

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

The financial statements of the above companies are consolidated on the basis of audited accounts made up to their respective year ends and unaudited management accounts for the periods between their year ends and the Bank's balance sheet date.

In the consolidated balance sheets, associated companies are shown at cost, including loans, and the Group's share of reserves from the date of acquisition, less amounts written off.

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.

(c) Investments

(i) Investment Income

Income from investments includes amortisation of premiums and discounts on dated stocks, which is taken in equal annual instalments from the date of acquisition to maturity.

(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.

(d) 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 those provisions.

(e) Depreciation

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

Freehold and long leasehold buildings	2.5 per cent. per annum
Short leasehold buildings	life of lease
Equipment	10 to 20 per cent. per annum
Vehicles	25 per cent. per annum

(f) Leasing

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

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

Future obligations of the Group under 'back to back' leases have been included in Current, Deposit and Other Accounts in the audited balance sheets, and rentals receivable from sub-leases have been included in Customer and Other Accounts in the audited balance sheets, both net of future finance charges.

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

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

(g) Deferred taxation

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

(h) Exchange rates

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

(i) Money at call and short notice

This includes market placings under 30 days.

6. NOTES ON THE FINANCIAL STATEMENTS

1. Profit Before Taxation

	1987	1988
	£000	£000
The profit for the year is stated after charging:—		
Interest payable	102,350	128,620
Interest payable on loan stock	7,665	7,908
Loss/(profit) on sale of investments	(1,673)	402
Depreciation of fixed assets	6,474	7,518
Hire of plant, machinery and vehicles	1,369	1,309
Other operating lease rentals	5,198	6,137
Auditors' remuneration	165	197
Directors' emoluments	469	555
Decrease in the value of dated securities included in quoted investment income in accordance with accounting policy note (c)(i)	1,606	1,255
and after crediting —		
Investment income:		
Quoted	8,824	12,265
Unquoted	1	191
Aggregate rentals receivable from finance leases	26,206	33,104
Release from lease earnings equalisation plus notional tax thereon	1,134	728

Employees of the Bank, other than Directors, whose total emoluments exceeded £30,000 were as follows:

	1987	1988
£		
30,001—35,000	17	25
35,001—40,000	10	12
40,001—45,000	6	8
45,001—50,000	—	4
50,001—55,000	—	1
55,001—60,000	—	1

At 14th January, 1989, loans to twenty-six officers (including credit transactions) amounted in aggregate to £1,170,000.

This information is only in respect of those officers within the meaning of the Banking Act 1987.

2. Directors' Emoluments and Loans

	1987 £	1988 £
Emoluments of the Chairman	—	—
Emoluments of the highest paid director	79,419	86,075

The following table sets out the number of other Directors and the range of their emoluments:—

	1987	1988
£		
Nil	8	8
5,001—10,000	—	—
15,001—20,000	—	—
25,001—30,000	1	—
35,001—40,000	—	—
45,001—50,000	—	—
50,001—55,000	1	1
55,001—60,000	4	1
60,001—65,000	—	2
65,001—70,000	—	2

	1987	1988
Aggregate value of loans to Directors at the year end	£284,000	£385,000
Number of Directors with loans	14	14

3. Taxation

The taxation charge for the year comprises:

	1987 £000	1988 £000
Corporation Tax	3,446	6,165
Tax on franked investment income	—	108
Deferred taxation	2,651	2,417
Tax suffered by associated companies	—	56
	6,097	8,746
Adjustments to prior years:		
Deferred taxation	(116)	329
	5,981	9,075

General bad debt provision charges against profits have been considered to be a permanent timing difference and accordingly no deferred taxation benefit has been recognised.

When the changes to capital allowances and the progressive reduction in Corporation Tax rates were enacted by the Finance Act 1984, the Directors concluded that further provisions for deferred taxation were required for such timing differences. Accordingly, an extraordinary charge of £13,000,000 relating to prior years was made in the financial statements for 1984, and was offset by a transfer of the same amount from reserves. This charge also reflected the estimated reduction in future lease rentals receivable (net of tax relief) because of tax variation clauses in lease agreements. For the purpose of this report, the extraordinary items and transfer from reserves shown in the audited financial statements of the Group for 1984 have been adjusted in order to reflect this.

4. Extraordinary Items

	1987 £000	1988 £000
Profit on disposal of premises	197	—
Costs of share and loan capital issues	—	(50)
Surplus on disposal of subsidiary	807	—
	<u>1,004</u>	<u>(50)</u>

Issue costs were incurred in 1988 on the issue of loan stock by Unity Trust Bank plc.

5. Proposed Dividends

All dividends on ordinary shares paid by the Bank have been paid under a group election with no Advance Corporation Tax payable.

	1986	1987	1988
Rate of dividend per equivalent 25p Ordinary Share	1.90p	1.67p	2.0833p
Number of equivalent 25p Ordinary Shares in issue at balance sheet date	100,000,000	120,000,000	120,000,000
Ordinary dividend	<u>£1,900,000</u>	<u>£2,000,000</u>	<u>£2,500,000</u>
Preference dividend on 40,000,000 8.48 per cent. cumulative redeemable preference shares 2013 of £1 each (paid and accrued)	—	—	<u>£1,815,000</u>

6. Earnings Per Share

Earnings per share are calculated on the profit attributable to ordinary shareholders before extraordinary items using the following weighted average numbers of shares in issue during the year:—

	1986	1987	1988
Weighted average number of equivalent 25p Ordinary Shares in issue	100,000,000	103,333,333	120,000,000

7. Share Capital

	1987	1988
Authorised Shares	£30,000,000	£70,000,000
Issued and fully paid Ordinary Shares	£30,000,000	£30,000,000
Issued and fully paid 8.48 per cent. cumulative redeemable preference shares	—	£40,000,000

Prior to 1987 the Ordinary Share capital was denominated in shares of £1 each. On 14th July, 1987, the 25,000,000 Ordinary Shares of £1 each were sub-divided into 100,000,000 Ordinary Shares of 25p each. On 3rd November, 1987 the authorised capital was increased to £30,000,000 by the creation of 20,000,000 Ordinary Shares of 25p each which were issued, fully paid, for a cash consideration on 4th November, 1987.

Dividends and earnings per share shown in Notes 5 and 6 have therefore been restated for 1986 on the basis of equivalent values expressed in relation to 25p Ordinary Shares.

On 27th April, 1988, the authorised capital was increased to £70,000,000 by the creation of 40,000,000 8.48 per cent. cumulative redeemable preference shares 2013 of £1 each. These shares were issued for cash on the 28th April, 1988 at a price of 100.06p per share, payable as to 35.06p on application and as to 65p on 4th August, 1988.

These shares are redeemable at par by the Bank no later than 31st May, 2013.

8. Reserves

Movements on the reserves of the Group have been:

	1987 £000	1988 £000
Opening balance brought forward	54,162	61,276
Retained profits	7,164	9,977
Cost of share issues	(50)	(484)
Premium on issue of preference shares	—	24
Closing balance carried forward	<u>61,276</u>	<u>70,793</u>

Movements on the reserves of the Bank have been:

	1987 £000	1988 £000
Opening balance brought forward	52,542	56,581
Retained profits	4,089	9,811
Cost of share issues	(50)	(484)
Premium on issue of preference shares	—	24
Closing balance carried forward	<u>56,581</u>	<u>65,932</u>

	1987 £000	1988 £000
The reserves of the Bank include a share premium account of	<u>9,636</u>	<u>9,176</u>

With the exception of the share premium account, all other reserves of the Bank are distributable.

9. Loan Stock

	1987 £000	1988 £000
£75 million Subordinated Floating Rate (minimum 5½ per cent.) Notes redeemable not later than July 2000	<u>75,000</u>	<u>75,000</u>
Loan capital of the Bank	75,000	75,000
£6,034,000 Convertible Subordinated Unsecured Floating Rate Loan Stock 2003	—	6,034
Loan capital of the Group	<u>75,000</u>	<u>81,034</u>

10. Deferred Taxation

	1987 £000	1988 £000
The Group		
Provisions for taxation deferred by:		
Short term timing differences	272	329
Other timing differences	913	802
Capital allowances on fixed assets	2,354	2,189
Capital allowances on assets leased to customers	16,301	18,678
	<u>19,840</u>	<u>21,998</u>

The potential amount of deferred taxation not provided for in the financial statements amounts to:

	1987 £000	1988 £000
Taxation deferred by:		
Capital allowances	<u>2,103</u>	<u>2,318</u>

	1987 £000	1988 £000
The Bank		
Provisions for taxation deferred by:		
Short term timing differences	307	384
Other timing differences	913	802
Capital allowances on fixed assets	2,315	2,139
Capital allowances on assets leased to customers	2,084	1,966
	<u>5,619</u>	<u>5,291</u>

The potential amount of deferred taxation not provided for in the financial statements amounts to:

	1987 £000	1988 £000
Taxation deferred by:		
Capital allowances	<u>523</u>	<u>456</u>

The potential liability on rolled over gains amounted to £700,000 as at 14th January, 1989 (1987: £704,000).

11. Current, Deposit and other Accounts

This heading includes balances deposited by the parent organisation, the CWS, and by fellow subsidiaries.

	1987 £000	1988 £000
The Group and the Bank		
Deposits by:		
Parent organisation	4,736	16,598
Fellow subsidiaries	5,112	4,363
	<u>9,848</u>	<u>20,961</u>

It also includes obligations under finance leases as follows:

	1987 £000	1988 £000
The Group and the Bank		
Gross obligations payable within one year	460	147
Gross obligations payable in two to five years	162	6
	<u>622</u>	<u>153</u>
less future finance charges	(86)	(30)
	<u>536</u>	<u>123</u>

12. Investments

	1987 £000	1988 £000
The Group		
Investments at cost or amortised value		
Quoted:		
Securities of, or guaranteed by, the UK Government	112,761	77,452
Other securities quoted in the UK	—	41,277
	<u>112,761</u>	<u>118,729</u>
Unquoted	445	4,718
	<u>113,206</u>	<u>123,447</u>
Market value of the quoted securities at the year end	<u>107,227</u>	<u>111,624</u>
	1987 £000	1988 £000
The Bank		
Investments at cost or amortised value		
Quoted:		
Securities of, or guaranteed by, the UK Government	97,385	62,386
Other securities quoted in the UK	—	41,277
	<u>97,385</u>	<u>103,663</u>
Unquoted	191	3,783
	<u>97,576</u>	<u>107,446</u>
Market value of the quoted securities at the year end	<u>91,920</u>	<u>94,451</u>

As at 14th January, 1989 the large majority by value of these investments mature within eight years.

13. Customer and other accounts

	1987 £000	1988 £000
The Group		
Advances to customers, less provisions	1,091,530	1,481,125
Assets leased to customers, less provisions	109,381	127,414
Development land and work in progress	90	78
	<u>1,201,001</u>	<u>1,608,617</u>
Debtors and prepaid expenses	14,860	8,542
	<u>1,215,861</u>	<u>1,617,159</u>
Cost of assets acquired during the year for the purpose of letting under finance leases	<u>50,610</u>	<u>44,793</u>

	1987 £000	1988 £000
The Bank		
Advances to customers, less provisions	1,039,930	1,389,145
Assets leased to customers, less provisions	12,635	9,054
	<u>1,052,565</u>	<u>1,398,199</u>
Debtors and prepaid expenses	10,236	6,817
	<u>1,062,801</u>	<u>1,405,016</u>
Cost of assets acquired during the year for the purpose of letting under finance leases	212	353

14. Provisions for Bad and Doubtful Debts

At the balance sheet dates, provisions were maintained totalling:

	1987 £000	1988 £000
The Group		
Specific provisions	40,672	38,603
General provision	4,197	5,171
	<u>44,869</u>	<u>43,774</u>
The Bank		
Specific provisions	40,432	38,370
General provision	4,022	4,826
	<u>44,454</u>	<u>43,196</u>

These provisions have been deducted in arriving at the balance sheet values shown in Note 13.

15. Subsidiaries

The Bank's investment in subsidiary companies comprised:

	1987 £000	1988 £000
Shares at cost	1,621	1,552
Amounts due by subsidiaries	69,060	91,517
	<u>70,681</u>	<u>93,069</u>

The Bank's principal subsidiaries at 14th January, 1989 and its interests in their issued share capital are shown below. All of the principal subsidiaries are incorporated in England.

	Nature of business	% Ownership
Unity Trust Bank plc	Banking	36
First Roodhill Leasing Limited	Leasing	100
Second Roodhill Leasing Limited	Leasing	100
Third Roodhill Leasing Limited	Leasing	100
Fourth Roodhill Leasing Limited	Leasing	100
Co-operative Bank Financial Advisers Limited	Insurance brokers	100
Co-operative Investment Management Limited	Investment managers	100
Roodhill Nominees Limited	Nominees	100

Unity Trust Bank plc is considered to be a subsidiary of the Bank as the Bank has the right to elect a majority of its Board of Directors.

16. Associated Companies

The investment by the Group in associated companies comprised:

	1987 £000	1988 £000
Cost of shares and advances, less amounts written off	15,405	17
Share of reserves	79	(88)
	<u>15,484</u>	<u>(71)</u>
The Bank's investment in associated companies comprised cost of shares and advances less amounts written off	15,405	17

The associated companies are all unquoted and are incorporated in England. The associated companies at 14th January, 1989 were:—

Company	Nature of business	Total issued share and loan capital at 14th January, 1989	Group % Ownership
* Co-operative City Investments Limited	Investment managers	100,000 Ordinary Shares of £1 each	33
Unity Pension Services Limited (held by Unity Trust Bank plc)	Pension services	200 Ordinary Shares of £1 each	18

* The ultimate holding company of Co-operative City Investments Limited is the Co-operative Wholesale Society Limited.

The Bank's interest in The London Industrial Park Limited was disposed of in 1988.

17. Fixed Assets

The Group's fixed assets, comprising land and buildings, equipment and fittings, were as follows:—

	1987 Freehold & Leasehold Premises £000	1987 Equipment & Fittings £000	1988 Freehold & Leasehold Premises £000	1988 Equipment & Fittings £000
Cost:				
At beginning of year	1,880	47,494	1,884	53,095
Additions	4	6,976	14	14,634
Disposals	—	(1,375)	—	(2,134)
At end of year	<u>1,884</u>	<u>53,095</u>	<u>1,898</u>	<u>65,595</u>
Accumulated depreciation:				
At beginning of year	568	26,437	632	31,726
Charge for year	64	6,410	52	7,466
Applied to disposals	—	(1,121)	—	(2,012)
At end of year	<u>632</u>	<u>31,726</u>	<u>684</u>	<u>37,180</u>
Net book value at end of year	<u>1,252</u>	<u>21,369</u>	<u>1,214</u>	<u>28,415</u>
Combined net book value at end of year		<u>22,621</u>		<u>29,629</u>

The Bank's fixed assets, comprising land and buildings, equipment and fittings, were as follows:—

	1987 Freehold & Leasehold Premises £000	1987 Equipment & Fittings £000	1988 Freehold & Leasehold Premises £000	1988 Equipment & Fittings £000
Cost:				
At beginning of year	1,880	46,775	1,884	52,651
Additions	4	7,238	14	14,348
Disposals	—	(1,362)	—	(2,096)
At end of year	<u>1,884</u>	<u>52,651</u>	<u>1,898</u>	<u>64,903</u>
Accumulated depreciation:				
At beginning of year	568	26,027	632	31,651
Charge for year	64	6,343	52	7,368
Applied to disposals	—	(719)	—	(1,993)
At end of year	<u>632</u>	<u>31,651</u>	<u>684</u>	<u>37,026</u>
Net book value at end of year	<u>1,252</u>	<u>21,000</u>	<u>1,214</u>	<u>27,877</u>
Combined net book value at end of year		<u>22,252</u>		<u>29,091</u>

Capital expenditure authorised at balance sheet dates, for the Group and the Bank, was:

	1987 £000	1988 £000
Not contracted for	2,728	3,101
Contracted for	4,918	251
	<u>7,646</u>	<u>3,352</u>

18. Commitments and Contingent Liabilities

(a) There are outstanding contracts at balance sheet dates for the purchase and sale of foreign currencies. In general, forward transactions for the purchase and sale of foreign currencies are matched and any open positions are not of a material amount.

(b) Engagements entered into on behalf of customers of the Group and the Bank, and in respect of which there are corresponding obligations by customers, are not included in the balance sheets. At balance sheet dates these amounted to:

	1987 £000	1988 £000
	<u>102,325</u>	<u>127,516</u>

(c) The Group had the following non-cancellable annual commitments under operating leases at balance sheet dates, these leases expiring:

	1987		1988	
	Leasehold Premises £000	Other £000	Leasehold Premises £000	Other £000
Within one year	1,948	354	67	515
Within two to five years	330	557	748	779
In over five years	2,549	—	4,364	—
	<u>4,827</u>	<u>911</u>	<u>5,179</u>	<u>1,294</u>

(d) The Bank had the following non-cancellable annual commitments under operating leases at balance sheet dates, these leases expiring:

	1987		1988	
	Leasehold Premises £000	Other £000	Leasehold Premises £000	Other £000
Within one year	1,933	354	51	515
Within two to five years	330	543	748	765
In over five years	2,457	—	4,272	—
	<u>4,720</u>	<u>897</u>	<u>5,071</u>	<u>1,280</u>

19. Exceptional Item

	1987 £000	1988 £000
Surplus on disposal of loans to and investment in an associated company	<u>—</u>	<u>969</u>

PART IV

SUMMARY OF THE RIGHTS AND CONDITIONS ATTACHING TO THE NEW PREFERENCE SHARES

(i) Dividends

The new Preference Shares carry the right to a fixed non-cumulative preferential dividend, on the capital for the time being paid up thereon, at the rate of 9.25 per cent. per annum exclusive of any associated tax credit. Such dividend shall be payable half-yearly on 31st May and 30th November in each year. The first dividend payment will be payable on 30th November, 1989 and will amount to 4.625p per share.

Such dividend shall be payable out of the profits of the Bank available for distribution and resolved to be distributed which shall firstly be applied in payment of dividend on the existing Preference Shares. Subject thereto, the holders of the new Preference Shares shall be entitled to payment of dividend in priority to any payment of dividend to the holders of any other class of shares in the capital of the Bank. Payments of preferential dividends shall be made to holders on the register at a date selected by the Bank up to 42 days prior to the relevant fixed dividend date.

If an instalment of the preferential dividend is not paid, holders of the new Preference Shares will be entitled (subject to the rights attaching to the existing Preference Shares) to receive a capitalisation issue of additional new Preference Shares to a nominal amount equal to four-thirds of the amount that would have been payable in cash by way of the relevant instalment of dividend (subject to rounding the resulting sum down to the nearest integral multiple of £1), provided that sufficient reserves (whether distributable or non-distributable) are available to pay up such additional new Preference Shares. Application will be made to The Stock Exchange for any capitalisation issues of additional new Preference Shares to be admitted to the Official List.

(ii) Capital

On a return of capital on a winding-up or other return of capital (other than on redemption) the assets of the Bank shall be applied in priority to any payments to the holders of any other class of shares in the capital of the Bank firstly to the holders of the existing Preference Shares and thereafter in repaying to the holders of the new Preference Shares a sum equal to (A) the greater of (1) the capital paid up or credited as paid up thereon and (2) a sum equal to the average of the middle market quotations (as derived from the Daily Official List of The Stock Exchange) during the three months immediately preceding the date of the notice convening the meeting to consider the resolution to approve the winding-up or other return of capital and (B) the amount that would have been properly payable by way of dividend within paragraph (i) calculated at the annual rate thereof and multiplied by a fraction of which the numerator is the actual number of days elapsed on and from whichever of 1st June or 1st December shall have last occurred up to and including the date of the commencement of such winding-up or other return of capital and the denominator is 365 or, in a leap year, 366.

(iii) Voting and General Meetings

(a) The holders of the new Preference Shares shall be entitled to receive notice of and to attend (either in person or by proxy) all General Meetings of the Bank. They shall have the right to speak and vote at a General Meeting of the Bank only if and when, at the date of the notice convening such meeting, the fixed preferential dividend payable on the new Preference Shares has not been paid in cash for six months or more after any date fixed for payment thereof, or if a resolution is to be proposed at such meeting abrogating or varying any of the rights or privileges attaching to the new Preference Shares or for the winding up or other return of capital of the Bank and then on such resolution only.

(b) Whenever holders of the new Preference Shares are entitled to vote at a General Meeting of the Bank upon any resolution proposed at such meeting, on a show of hands every holder who (being an individual) is present in person or by proxy or (being a corporation) by a representative or by proxy shall have one vote and on a poll shall have one vote in respect of each new Preference Share registered in the name of such holder.

(iv) Modification of Rights

The rights attaching to the new Preference Shares shall be deemed to be varied by, and accordingly the consent of the holders of three-fourths of the new Preference Shares, who are present in person or by proxy, shall be required in accordance with Article 6 of the Articles of Association of the Bank for:—

(a) the issue by the Bank of any share capital or the grant by the Bank of any rights to subscribe for or to convert shares or other securities into share capital ranking in priority to or (other than as provided for within these rights and conditions) *pari passu* with the new Preference Shares as regards participation in the profits or assets of the Bank or being capable of being redeemed whilst any of the new Preference Shares are in issue or the variation of the rights of any class of shares so as to fall within the foregoing;

(b) the reduction or repayment of all or any part of the capital paid up on any shares in the capital of the Bank for the time being in issue (other than a repayment in the course of a winding-up of the Bank and other than on redemption or purchase of the existing Preference Shares) including share premium account and capital redemption reserve fund or the acquisition by the Bank or any of its subsidiaries of any share capital of the Bank; and

(c) subject to the rights attaching to the existing Preference Shares, the capitalisation for appropriation to the holders of the Ordinary Shares of any part of the sums standing to the credit of the profit and loss account or to the credit of any of the reserve accounts of the Bank available for distribution if after such capitalisation the aggregate of the sums standing to the credit of the profit and loss account and to the credit of the Bank's reserves available for distribution would be a sum less than five times the aggregate amount of the annual preferential dividend (exclusive of any associated tax credit) payable on the new Preference Shares;

Provided nevertheless that the conversion of the existing Preference Shares into the same class of shares as, and ranking *pari passu* with, the new Preference Shares shall not be deemed to be a modification of the rights of the new Preference Shares.

PART V

SUMMARY OF THE RIGHTS AND CONDITIONS ATTACHING TO THE EXISTING PREFERENCE SHARES

(i) Dividends

The existing Preference Shares carry the right to a fixed cumulative preferential dividend, on the capital for the time being paid up thereon, at the rate of 8.48 per cent. per annum exclusive of any associated tax credit. Such dividend shall be payable half-yearly on 31st May and 30th November in each year.

Such dividend shall be payable out of the profits of the Bank available for distribution and resolved to be distributed. The holders of the existing Preference Shares shall be entitled to payment of such dividend in priority to any payment of dividend to the holders of any other class of shares in the capital of the Bank. Payments of preferential dividends shall be made to holders on the register at a date selected by the Bank up to 42 days prior to the relevant fixed dividend date.

(ii) Capital

On a return of capital on a winding-up or other return of capital (other than on redemption), the assets of the Bank shall be applied in priority to any payments to the holders of any other class of shares in the capital of the Bank in repaying to the holders of the existing Preference Shares a sum equal to all arrears and accruals (if any) of the fixed preferential dividend, whether or not such dividend has been earned or declared, calculated down to the date of such return of capital plus a sum per share equal to the greater of (a) the capital paid up or credited as paid up thereon and (b) a sum equal to the average of the means of the daily quotations for the existing Preference Shares in the Daily Official List of The Stock Exchange during the three months immediately preceding the date of the notice convening the meeting to consider the resolution to approve the winding-up or other return of capital after first deducting from the relevant daily mean an amount equal to all arrears and accruals of the fixed preferential dividend (if any) up to that day, whether or not earned or declared.

(iii) Voting and General Meetings

(a) The holders of the existing Preference Shares shall be entitled to receive notice of and to attend (either in person or by proxy) all General Meetings of the Bank. They shall have the right to speak and vote at a General Meeting of the Bank only if and when, at the date of the notice convening such meeting, the fixed preferential dividend payable on the existing Preference Shares has been in arrears for six months or more after any date fixed for payment thereof, or if a resolution is to be proposed at such meeting abrogating or varying any of the rights or privileges attaching to the existing Preference Shares or for the winding up of the Bank and then on such resolution only.

(b) Whenever holders of the existing Preference Shares are entitled to vote at a General Meeting of the Bank upon any resolution proposed at such meeting, on a show of hands every holder who (being an individual) is present in person or (being a corporation) is present by a representative or by proxy shall have one vote and on a poll shall have one vote in respect of each existing Preference Share, whether fully paid or not, registered in the name of such holder.

(iv) Redemption

(a) The Bank shall redeem on 31st May, 2013 all of the existing Preference Shares outstanding on that date. In such case, there shall be paid on each existing Preference Share so redeemed the capital paid up or credited as paid up thereon, together with all arrears and accruals (if any) of the fixed preferential dividend, whether or not such dividend has been earned or declared, calculated down to and including the date of redemption.

(b) The fixed preferential dividend payable on the existing Preference Shares shall cease to accrue from the date of redemption except on any existing Preference Shares in respect of which, upon due presentation of the certificates relating thereto, payment of the sum due shall improperly be refused.

(c) The receipt of the registered holder for the time being of any existing Preference Shares or, in the case of joint registered holders, the receipt of any of them for the sum payable on redemption shall constitute an absolute discharge to the Bank in respect thereof.

(d) Upon the redemption of any existing Preference Shares, the Directors may convert and sub-divide the authorised share capital created as a consequence of such redemption into shares of any other class of share capital authorised at that time of a like nominal amount (as nearly as may be) as the shares of such class or into unclassified shares of the same nominal amount as the existing Preference Shares.

(v) Purchase

Subject to the Articles of Association and provided that the fixed preferential dividend shall have been paid in full up to and including the last half-yearly date fixed for payment, the Bank may redeem at any time by purchase any of the existing Preference Shares (i) in the market or (ii) by tender to all holders of existing Preference Shares alike or (iii) by private treaty, in each case at a price exclusive of all costs of purchase which, if the existing Preference Shares are then listed on The Stock Exchange, shall not exceed the average of the middle market quotations therefor (derived from The Stock Exchange Daily Official List) during the period of ten business days immediately prior to the date of such purchase or, in the case of a purchase on The Stock Exchange, at the market price thereof provided that such market price is not more than five per cent. above such average and, if not then so listed, shall not exceed 110 per cent. of the nominal amount of an existing Preference Share, but not otherwise, and upon such other terms and conditions as it may think fit. All existing Preference Shares so purchased shall be redeemed.

(vi) **Modification of Rights**

The rights attaching to the existing Preference Shares shall be deemed to be varied by, and accordingly the consent of the holders of three-fourths of the existing Preference Shares, who are present in person or by proxy, shall be required in accordance with Article 6 of the Articles of Association of the Bank for:—

(a) the issue by the Bank of any share capital or the grant by the Bank of any rights to subscribe for or to convert shares or other securities into share capital ranking in priority to or *pari passu* with the existing Preference Shares as regards participation in the profits or assets of the Bank or being capable of being redeemed whilst any of the existing Preference Shares are in issue or the variation of the rights of any class of shares so as to fall within the foregoing;

(b) the reduction or repayment of all or any part of the capital paid up on any shares in the capital of the Bank for the time being in issue (other than a repayment in the course of a winding-up of the Bank and other than on redemption or purchase of the existing Preference Shares) including share premium account and capital redemption reserve fund or the acquisition by the Bank or any of its subsidiaries of any share capital of the Bank; and

(c) the application by way of capitalisation of any profits or reserves of the Bank of any sum in or towards paying up any share capital (whether issued or unissued) or purchasing or redeeming any debenture or debenture stock (whether secured or unsecured) except for the application by way of capitalisation of any sum standing to the credit of the share premium account or capital redemption reserve fund in the payment of unissued shares to be allotted to members of the Bank as fully paid bonus shares.

PART VI

ADDITIONAL INFORMATION

1. The Bank

On 5th October, 1970, prior to the passing of the Co-operative Bank Act 1971, the Bank was incorporated and registered in England under the Companies Acts 1948 to 1967 as a private limited company with number 990937. The Bank was re-registered as a public limited company under the name Co-operative Bank Public Limited Company on 21st May, 1981 under the Companies Act 1980. The Bank's registered office, which is also its Head Office, is situated at 1 Balloon Street, Manchester M60 4EP.

2. Share Capital

(a) On 31st May, 1986, the authorised, issued and fully paid share capital of the Bank was £25,000,000, divided into 25,000,000 Ordinary Shares of £1 each.

(b) Changes in the authorised and issued share capital of the Bank since 31st May, 1986 are as follows:—

- (i) on 14th July, 1987 the Directors subdivided each Ordinary Share of £1 each into four Ordinary Shares of 25p each;
- (ii) on 3rd November, 1987, the authorised share capital was increased to £30,000,000 by the creation of 20,000,000 Ordinary Shares of 25p each;
- (iii) on 4th November, 1987, the Directors allotted 20,000,000 Ordinary Shares of 25p each to the CWS at par for cash;
- (iv) on 27th April, 1988, the authorised share capital was increased to £70,000,000 by the creation of 40,000,000 Preference Shares of £1 each;
- (v) on 4th May, 1988 the Directors allotted 40,000,000 8.48 per cent. cumulative redeemable Preference Shares 2013 of £1 each; and
- (vi) on 31st May, 1989 the authorised share capital was increased to £105,000,000 by the creation of 35,000,000 9.25 per cent. non-cumulative irredeemable Preference Shares of £1 each and each Ordinary Share of 25p was subdivided into five Ordinary Shares of 5p each.

(c) Following the Placing and the Conversion, the share capital of the Bank will be :

	Authorised		Issued	
	No.	£	No.	£
Ordinary Shares of 5p each	600,000,000	30,000,000	600,000,000	30,000,000
9.25 per cent. Non-Cumulative Irredeemable Preference Shares of £1 each	75,000,000	75,000,000	60,000,000	60,000,000

(d) The new Preference Shares were created by a resolution passed at an Extraordinary General Meeting of the Bank on 31st May, 1989 and will be issued pursuant to a resolution of a duly constituted Committee of the Directors of the Bank dated 31st May, 1989.

(e) Save as disclosed herein

- (i) no share or loan capital of the Bank or of its principal subsidiaries (other than Unity Trust Bank plc, as detailed in paragraph (g) below) has been issued within the three years immediately preceding the date of this document or is proposed to be issued, fully or partly paid, for cash or for a consideration other than cash; and
- (ii) no unissued share or loan capital of the Bank or of any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(f) On 17th July, 1985, the Bank issued £75,000,000 in aggregate principal amount of subordinated floating rate notes 2000 at an issue price of 100 per cent. thereof, less a selling commission of 0.25 per cent. thereof and with management and underwriting commissions aggregating 0.25 per cent. thereof. Save as disclosed above, no commissions, discounts, brokerages or other special terms have been granted by the Bank or by any of its subsidiaries within the three years immediately preceding the date of this document in connection with the issue or sale of any share or loan capital of such company.

(g) The share capital of Unity Trust Bank plc at 31st May, 1986 was:

	Authorised	Issued
(i) 'A' ordinary shares of £1 each	2,500,000	2,000,000
'B' ordinary shares of £1 each	2,500,000	2,000,000
'C' ordinary shares of £1 each	10,000,000	137,573

- (ii) All 'A' shares were held by trades unions
All 'B' shares were held by the Group
The 'C' shares were held as to 130,998 shares by trades unions and as to 6,575 shares by individuals

- (iii) On the 29th August 1986, 4,389,883 'C' ordinary shares were issued at par for cash pursuant to a rights issue to existing shareholders and on 12th December, 1986 405,000 'A' ordinary shares, 405,000 'B' ordinary shares and 52,000 'C' ordinary shares were issued at par for cash pursuant to an offer to non-founder trades unions and the Group.

- (iv) On 30th September 1987, 500,000 'C' ordinary shares were issued at par for cash to the Group.
- (v) On 31st December 1987, 1,000,000 'C' ordinary shares were issued at par for cash to the Group.
- (vi) On 22nd April, 1988, the Board of Unity Trust Bank plc resolved to increase the authorised 'C' share capital to 15,000,000 and to offer to its 'A', 'B' and 'C' shareholders the right to subscribe for £60 nominal of convertible subordinate unsecured floating rate loan stock 2003 (the "Stock") for every £100 ordinary shares held. The Stock is convertible from 1993 into 'C' ordinary shares on the basis of 85 ordinary shares for every £100 nominal of stock held.
- (vii) On 15th July, 1988, £6,533,673 Convertible Subordinated Unsecured Floating Rate Loan Stock 2003 was issued to trades unions, the Group and individuals.

The share capital of Unity Trust Bank plc at 31st May, 1989 was:

	Authorised	Issued
'A' ordinary shares of £1 each	2,500,000	2,405,000
'B' ordinary shares of £1 each	2,500,000	2,405,000
'C' ordinary shares of £1 each	15,000,000	6,079,456

All 'A' shares are held by trades unions

All 'B' shares are held by the Group

The 'C' shares are held as to 4,567,806 shares by trades unions, as to 11,650 shares by individuals and as to 1,500,000 by the Group.

3. Memorandum and Articles of Association

The Bank's principal object, as set out in Clause 4 of its Memorandum of Association, is to carry on in any part of the world the business of banking in all its branches and to transact and do all matters and things incidental thereto.

The Articles of Association of the Bank contain provisions, *inter alia*, to the following effect:—

Rights Attaching to the Ordinary Shares

(a) Voting

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member, who (being an individual) is present in person or (being a corporation) is present by a representative or proxy not being himself a member, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every 25p in nominal amount of ordinary capital of which he is the holder.

(b) Dividends

The profits of the Bank available for dividend and resolved to be distributed shall be applied in payment of dividends to the members in accordance with their respective rights and priorities. The Bank in general meeting may declare dividends accordingly. No dividend shall be payable except out of profits and no dividend shall exceed the amount recommended by the Directors.

Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid up on the share in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Bank until claimed and all dividends unclaimed for twelve years from the date of declaration thereof shall be forfeited and revert to the Bank absolutely.

(c) Capital

On a winding up, the liquidator may, with the authority of an Extraordinary Resolution, divide the whole or any part of the assets of the Bank as between the members or different classes of members.

Variation of rights and changes in capital

(a) The rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the shares of that class. The quorum for the purposes of any such separate meeting shall be two persons at least holding or representing by proxy one-third in nominal amount of the issued shares of that class but so that, if at any adjourned meeting of such holders a quorum as defined above is not present, those holders who are present in person or by proxy shall be a quorum.

(b) The Bank may by ordinary resolution increase its share capital, consolidate and sub-divide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.

(c) The Bank may by special resolution reduce its share capital and any capital redemption reserve fund and any share premium account in any manner subject to the provisions of the Companies Act.

Share Transfers

The Ordinary Shares are in registered form. All transfers of fully-paid shares shall be effected by transfer in writing in the usual common form, or in such other form as the Directors may approve. The Directors may, in their absolute discretion, and without assigning any reason therefor, refuse to register any transfer of shares (not being of the fully paid existing Preference Shares). The Directors may also decline to register any instrument of transfer unless :—

- (i) the duly stamped transfer is deposited at the registered office or other place appointed by the Directors, accompanied by the share certificate and by such other evidence as the Directors may reasonably require evidencing the right of the transferor to make the transfer; and
- (ii) the instrument of transfer is in respect of only one class of share.

Directors

(a) The Directors shall be entitled to remuneration at such rates as the Bank by ordinary resolution may from time to time determine provided that, unless otherwise agreed by the Directors, no such remuneration shall be payable to a Director for the time being employed by or holding executive office with the Bank or CWS or any company which would be a subsidiary of CWS (other than the Bank) were CWS a company. The Bank may also by ordinary resolution vote extra remuneration to the Directors which shall, in default of agreement to the contrary, be divided between the Directors equally. The Directors shall also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or general meetings of the Bank or in connection with the business of the Bank. Any Director who performs special services, which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.

(b) A Director may hold any other office or place of profit with the Bank (except that of Auditor) in conjunction with his office of Director on such terms as to tenure of office, remuneration and otherwise as the Directors may determine.

(c) The Directors may establish, maintain, participate in or contribute to any fund or scheme and give or procure the giving of donations, gratuities, pensions, allowances, benefits and emoluments to any person (including Directors and any other officers, whether of the Bank or any subsidiary or allied or associated company of the Bank) who holds or has held an executive position or agreement for service with the Bank or any allied or associated company of the Bank) and the wives, widows, families or dependants of any such person.

(d) Subject to his declaring his interest, no Director shall be disqualified by his office from contracting with the Bank. No such contract or arrangement in which any Director is in any way interested shall be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Bank for any profit realised by any such contract or arrangement.

(e) Without prejudice to the requirements of the Companies Act 1985, a Director shall declare to the Board of Directors the nature of his interest in any contract or proposed contract with the Bank. A Director, notwithstanding his interest, may be counted in the quorum at any meeting whereat he or any other Director is appointed to hold any office or place of profit at the Bank or whereat the Directors resolve to exercise any rights of the Bank to appoint a Director to hold any office or place of profit with any other company and he may vote thereon (other than his own appointment or the terms thereof). A Director shall not vote (nor be counted in the quorum) on any resolution of the Board of Directors in respect of any contract or arrangement in which he is interested, and if he shall do so his vote shall not be counted. This prohibition shall not apply to:—

- (i) any contract or arrangement giving the Director any security or indemnity in respect of money lent by him to, or obligations undertaken by him for, the benefit of the Bank or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security to a third party in respect of a debt or obligation of the Bank or any of its subsidiaries which the Director has himself guaranteed or secured in whole or in part;
- (iii) any contract or arrangement by a Director to subscribe for or underwrite shares, debentures or other securities or rights of the Bank or of any other company which it may promote or be interested in;
- (iv) any contract or dealing with any other company in which the Director is interested solely as officer, creditor, employee, shareholder or otherwise;
- (v) any matter concerning any existing or proposed pension, superannuation, life assurance or insurance fund, scheme or arrangement in which a Director may be or be about to become a member or have an interest;

and the Bank may by ordinary resolution at any time suspend or relax the above provisions to any extent and either generally or in any particular case.

(g) The provisions of section 293 of the Companies Act 1985 (relating to the appointment of persons as Directors and the retirement of Directors who are aged 70 or more) do not apply to Directors of the Bank.

(h) A Director shall not be required to hold any shares of the Bank by way of qualification.

Borrowing Powers

The Directors may exercise all powers of the Bank to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Bank or any third party.

4. Subsidiaries and Associated Companies

The Bank has the following principal subsidiaries, all of which, with the exception of Unity Trust Bank plc (36 per cent. owned)*, are wholly-owned private companies limited by shares and incorporated in England.

Subsidiary	Business	Issued Share Capital £
Unity Trust Bank plc*	Banking	10,889,456
First Roodhill Leasing Limited	Leasing	100
Second Roodhill Leasing Limited	Leasing	100
Third Roodhill Leasing Limited	Leasing	100
Fourth Roodhill Leasing Limited	Leasing	100
Co-operative Bank Financial Advisers Limited	Insurance Brokers	100,000
Co-operative Investment Management Limited	Investment Management	10,000
Roodhill Nominees Limited	Nominees	100

The registered offices of the above are 1 Balloon Street, Manchester M60 4EP, except for Unity Trust Bank plc, which is 1 Carlisle Avenue, London EC3N 2ES, and for Co-operative Investment Management Limited and Roodhill Nominees Limited, which are 78/80 Cornhill, London EC3V 3NJ.

* Unity Trust Bank plc is considered to be a subsidiary of the Bank as the Bank has the right to elect a majority of its Board of Directors.

The Bank has the following associated companies, all of which are private companies limited by shares and incorporated in England.

	Nature of business	Total issued share and loan capital	Group % Ownership
*Co-operative City Investments Limited	Investment Managers	100,000 Ordinary Shares of £1 each	33
Unity Pension Services Ltd. (held by Unity Trust Bank plc)	Pension Services	200 Ordinary Shares of £1 each	18

* The ultimate holding company of Co-operative City Investments Limited is the CWS.

The registered office of Co-operative City Investments Limited is New Century House, Manchester M60 4ES and for Unity Pension Services Ltd. it is 1 Carlisle Avenue, London EC3N 2ES.

5. Directors' Interests

(a) T. Agar and T.J. Thomas each hold 40 Ordinary Shares in the share capital of the Bank as nominees for the CWS. None of the Directors has any interest in the existing Preference Shares of the Bank.

(b) At 14th January, 1989, loans outstanding from the Bank to fourteen of its Directors mainly in connection with house purchases, amounted to £385,000, and there has been no material change subsequently. Subject as aforesaid, there are no outstanding loans granted by any member of the Group to any of the Directors or any guarantees provided by any member of the Group for the benefit of any of the Directors.

(c) Save as referred to in (b) above and as to any contract of employment, there are no contracts in which any of the Directors has a material interest.

(d) None of the Directors has any interest in any transaction which is of an unusual nature, contains unusual terms or which is significant to the business of the Group and which was effected by the Group during the current or immediately preceding financial year or which was effected in an earlier financial year and which remains in any respect outstanding or unperformed.

6. Directors' Remuneration

(a) The aggregate remuneration (including pension contributions) and benefits in kind granted to the Directors during the year ended 14th January, 1989 amounted to £555,000 and it is estimated that these will increase in the year ending 13th January, 1990 to approximately £641,000 under current arrangements. These arrangements are under review.

(b) All Directors' service agreements are determinable by the employing company within one year without payment of compensation (other than statutory compensation).

7. Properties

Details of the Group's principal properties are as follows:—

Address	Description	Tenure	Date of next rent review	Square footage	Annual rental £'000
1 Balloon St, Manchester	Head Office	Leasehold* 35 years from 1st May, 1980	1st May, 1990	120,000	530
Delf House, Skelmersdale	Computer Centre	Leasehold 35 years from 28th September, 1978	28th September, 1990	100,000	255
78/80 Cornhill, London EC3	City Office and Treasury	Leasehold 20 years from 25th March, 1973	25th March, 1993	18,600	650
Prescot St, London E1	Clearing Centre	Leasehold* 25 years from 25th December, 1979	25th December, 1989	105,800	1,300

* Freehold owned by the CWS and leased on open market terms.

8. Material Contracts

The following contracts have been entered into by the Bank or by its subsidiaries in the two years immediately preceding the date of this document and which are, or may be, material:—

- (a) an Agreement made on 4th November, 1987 between the Bank and the CWS whereby the CWS agreed to subscribe for 20,000,000 Ordinary Shares of 25p each in the capital of the Bank for a consideration of £5,000,000;
- (b) an Agreement dated 12th November, 1987 between the Bank and the CIS whereby the CIS agreed to purchase the share capital of the Bank's wholly-owned subsidiary company, Credit Services Limited for a consideration of £11,093,000;
- (c) Board Resolutions of the Bank dated 9th February, 1988 and of the CWS dated 10th February, 1988 evidencing an Agreement for the sale by the Bank to the CWS, as at 9th January, 1988, of the Bank's 33 per cent. interest, comprising 275,552 Ordinary Shares of 25p each, in Crowngap Limited for a consideration of £2,093,000;
- (d) an Agreement dated 15th November, 1988 between the Bank and Tela Properties Limited ("Tela") whereby Tela agreed to purchase the Bank's 50 per cent. shareholding in London Industrial Park Limited for a consideration of £1.7 million. The Bank funded the sale by a £1.7 million loan to Tela at nil interest to 30th April, 1989;
- (e) an Agreement dated 27th April, 1988 between the Bank and Chase relating to the placing by Chase of the existing Preference Shares at a price of 100.06p per share and under which Chase was entitled to receive £375,000 by way of remuneration for its services; and
- (f) the Placing Agreement described in paragraph 9 of this Part VI below.

9. Placing Agreement

By an agreement dated 30th May, 1989 and made between the Bank and Chase, Chase has agreed, conditionally, inter alia, on the Council of The Stock Exchange admitting the new Preference Shares to the Official List to procure subscribers, or itself to subscribe, for the new Preference Shares to provide proceeds to the Bank of 100p per share. The Placing Agreement contains certain warranties given by the Bank to Chase, which is entitled in certain circumstances to terminate the Placing at any time prior to the commencement of dealings in the new Preference Shares.

The Bank has agreed to pay all costs, charges and expenses of or incidental to the Placing and the application for listing, solicitors' fees, the fees of The Stock Exchange and the costs of printing, advertising and circulating this document and any other document in connection therewith. Chase is entitled to receive £250,000 by way of commission for their services with regard to the Placing. In the event that the placing price is above or below 100p per share, Chase will retain any excess or make up any shortfall to the Bank. The total of such costs, charges, expenses, fees and commission payable by the Bank is expected to be approximately £310,000 (excluding VAT).

10. Taxation

(a) The Bank is not, and since incorporation has not been, a close company as defined in the Income and Corporation Taxes Act 1988.

(b) The Directors have been advised by Peat Marwick McLintock that:—

- (i) no taxation clearances are required in respect of the Placing and accordingly none have been sought;
- (ii) the Bank is not required to withhold tax at source but, when paying a dividend, the Bank has to remit to the Inland Revenue an amount of Advance Corporation Tax ("ACT") at a rate which is related to the basic rate of Income Tax and is currently 25/75ths of the amount of the dividend paid;

- (iii) for individual shareholders resident in the UK, the ACT paid on any dividend is available as a tax credit. The credit will be equal to such proportion of the dividend as corresponds to the rate of ACT payable in respect of that dividend. The tax credit is set off against the shareholder's overall income tax liability and, to the extent that his total tax credits exceed his overall income tax liability, the shareholder may claim to have the excess paid to him by the Inland Revenue;
- (iv) a UK resident corporate shareholder will not be chargeable to UK taxation on any dividend received from the Bank; and
- (v) whether holders of shares who are resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax agreements which exist between such countries and the UK. Persons who are not resident in the UK should consult their own tax advisers as to whether they are entitled to reclaim any part of the tax credit, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are subject to taxation.

The statements above are intended as a general guide to the current position. Any person who is in doubt as to his position should consult his professional advisers.

11. The Directors

Tom Agar
Chief Executive Officer and Secretary,
Lincoln Co-operative Society Ltd.
13/14 Silver Street,
Lincoln, LN2 1JU.

Chairman

Sir Dennis Marcus Landau
Chief Executive,
Co-operative Wholesale Society Ltd.
New Century House,
Manchester, M60 4ES.

Deputy Chairman

Terence James Thomas
Co-operative Bank p.l.c.
P.O. Box 101,
1 Balloon Street,
Manchester, M60 4EP.

Managing Director

James Barge
Co-operative Bank p.l.c.
78-80 Cornhill,
London, EC3V 3NJ.

Director – Group Subsidiaries and Treasury

Roger John Gorvin
Co-operative Bank p.l.c.
P.O. Box 101,
1 Balloon Street,
Manchester, M60 4EP.

Director – EFT and Consumer Credit

Brian Dolby Jones,
Co-operative Bank p.l.c.
P.O. Box 101,
1 Balloon Street,
Manchester, M60 4EP.

Director – Audit and Control

Lewis Wilkinson
Co-operative Bank p.l.c.
P.O. Box 101,
1 Balloon Street,
Manchester, M60 4EP.

Director – Transmissions

Frank Edward Creed
Chief Executive Officer and Secretary,
Brighton Co-operative Society Limited.
94-101 London Road,
Brighton, BN1 4LB.

Non-Executive

Frank Edgar Doherty
Chief Executive Officer and Secretary,
Greater Nottingham Co-operative
Society Ltd.
243 Derby Road,
Lenton,
Nottingham, NG7 1QP.

Non-Executive

George Lennox Fyfe
Chief Executive Officer,
Leicestershire Co-operative Society Ltd.
4 Union Street,
Leicester, LE1 4HA.

Non-Executive

William Alan Prescott
Financial Controller,
Co-operative Wholesale Society Ltd.
New Century House,
Manchester, M60 4ES.

Non-Executive

Urias Scoble Todner
Secretary and Chief Official,
East Mercia Co-operative Society Ltd.
22 Abbey Street,
Nuneaton,
Warwickshire, CV11 5BU.

Non-Executive

12. General

(a) Neither the Bank nor any of its subsidiaries is engaged in any legal or arbitration proceedings which may have or have had, during the twelve months preceding the date of this document, a significant effect on the Group's financial position, and no such proceedings are known to the Directors to be pending or threatened.

(b) There has been no significant change in the financial or trading position of the Group since 14th January 1989, being the date of its latest audited consolidated accounts.

(c) Peat Marwick McLintock have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their name in the form and context in which it appears.

(d) Chase has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it appears.

(e) Chase is registered in England No. 248609 and has its registered office at Woolgate House, Coleman Street, London, EC2P 2HD.

(f) The financial information set out in this document does not comprise full accounts as defined by section 254 of the Companies Act 1985. Full audited consolidated accounts of the Group for each of the five financial years up to 14th January, 1989, which were prepared in the manner authorised for banking companies under the Companies Act 1985 or, as the case may be, the Companies Acts 1948 to 1981, have been delivered to the Registrar of Companies. The Group financial statements for the year ended 12th January, 1985 were audited by Thomson McLintock & Co. The Group financial statements for the year ended 11th January, 1986 were audited by KMG Thomson McLintock and those for the years ended 10th January, 1987, 9th January, 1988 and 14th January, 1989 by Peat Marwick McLintock. All the audit reports were unqualified.

13. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Clifford Chance, Royex House, Aldermanbury Square, London EC2, during usual business hours on any weekdays (Saturdays excluded) for a period of 21 days following the date of publication of this document:—

- (a) the Memorandum and Articles of Association of the Bank;
- (b) the audited consolidated accounts of the Group for the years ended 9th January, 1988 and 14th January, 1989;
- (c) the audited consolidated accounts of the CWS for the years ended 9th January, 1988 and 14th January, 1989;
- (d) the material contracts referred to in Part VI, 8;
- (e) the Placing Agreement referred to in Part VI, 9; and
- (f) the written consents referred to in Part VI, 12 (c) and (d).

Dated 31st May, 1989

CO-OPERATIVE BANK P.L.C.

NOTICE OF CLASS MEETING

NOTICE IS HEREBY GIVEN that a Separate Meeting of the holders of the 8.48 per cent. Cumulative Redeemable Preference Shares 2013 of £1 each of the Company will be held at 1 Balloon Street, Manchester M60 4EP on Friday, the 23rd June, 1989 at 2.15 p.m. for the purpose of considering and, if thought fit, passing the following Resolution, which will be proposed as an EXTRAORDINARY RESOLUTION:—

RESOLUTION

THAT this Meeting pursuant to the provisions of Article 4(c) of the Articles of Association of the Company hereby sanctions every variation, alteration, modification or abrogation of the special rights attached to the 8.48 per cent. Cumulative Redeemable Preference Shares 2013 of £1 each in the capital of the Company involved in or proposed to be effected by the passing as a Special Resolution of the Resolution set out in the notice convening an Extraordinary General Meeting of the Company for Friday, 23rd June, 1989, a print of which notice has been laid before this Meeting and subscribed by the Chairman thereof for the purposes of identification, and declares that if the said Resolution shall be passed as aforesaid the same shall be binding on all the holders of the 8.48 per cent. Cumulative Redeemable Preference Shares 2013 of £1 each.

By Order of the Board
G.J. Melmoth
Secretary.

31st May, 1989

N.B. A Preference shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder.

CO-OPERATIVE BANK P.L.C.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 1 Balloon Street, Manchester M60 4EP at 2.20 p.m. (or so soon thereafter as the Class Meeting convened for the same day and place shall have concluded or adjourned) on Friday, the 23rd June, 1989 for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

That:

- (A) each of the 40,000,000 8.48 per cent. Cumulative Redeemable Preference Shares 2013 of £1 each in the capital of the Company be and is hereby converted into a 9.25 per cent. Non-Cumulative Irredeemable Preference Share of £1 each as from 31st May, 1989, having the rights, restrictions and privileges set out in the Articles of Association of the Company as altered by this Resolution, and so as to rank *pari passu* and form a single class of share capital with each of the existing 20,000,000 9.25 per cent. Non-Cumulative Irredeemable Preference Shares of £1 each in the capital of the Company;
- (B) the Articles of Association of the Company be altered by deleting Article 4 and substituting therefor the following new Article:
 - " 4. (A) The Share Capital of the Company is £105,000,000 divided into 75,000,000 9.25 per cent. Non-Cumulative Irredeemable Preference Shares of £1 each (the "Preference Shares") and 600,000,000 Ordinary Shares of 5p each (the "Ordinary Shares").
 - (B) The Preference Shares
 - (a) Dividends
 - (aa) (i) The Preference Shares carry the right to a fixed, non-cumulative preferential dividend on the capital for the time being paid up thereon at the rate of 9.25 per cent. per annum, exclusive of any associated tax credit. Such dividends shall be payable half-yearly on 31st May and 30th November in each year.
 - (ii) Such dividends shall be payable out of the profits of the Company available for distribution and resolved to be distributed. The holders of the Preference Shares shall be entitled to payment of such dividend in priority to any payment of dividend to the holders of any other class of shares in the capital of the Company. Payments of preferential dividend shall be made to holders on the register at a date selected by the Company up to 42 days prior to the relevant fixed dividend date.
 - (iii) If, on any date on which an instalment of the dividend in respect of the Preference Shares would fall to be paid, the distributable profits and reserves of the Company are insufficient to enable payment in full to be made thereof, then no such instalments shall be paid. If it shall subsequently appear that any instalment of dividend in respect of the Preference Shares which has been paid should not, in accordance herewith, have been so paid, then provided the Directors shall have acted in good faith, they shall not incur any liability for any loss which any shareholder may suffer in consequence of such payment having been made.
 - (iv) Where any instalment of the dividend in respect of the Preference Shares is payable in terms of the foregoing provisions of this paragraph, the Directors shall resolve to make payment of such instalment, provided however that such instalment shall not be payable if in the judgement of the Directors the payment of such instalment would breach or cause a breach of the Bank of England's capital adequacy requirements from time to time applicable to the Company.
 - (bb) (i) The provisions of this sub-paragraph shall apply where any instalment of the dividend in respect of the Preference Shares is, for the reasons specified in sub-paragraph (aa) (iii) or sub-paragraph (aa) (iv) above, not to be payable and the amount (if any) standing to the credit of the profit and loss account, reserves, share premium account or capital redemption reserve fund of the Company are sufficient to enable the allotments of additional preference stock referred to in the further provisions of this sub-paragraph to be made in full.

- (ii) Each holder of Preference Shares shall, on the date for payment of the preference dividend had such instalment been paid in cash, be allotted, credited as fully paid, such additional nominal amount of further Preference Shares as is equal to an amount determined by multiplying the cash amount of the Preference dividend that would have been payable to him, had such instalment been payable in cash, by four-thirds and rounding the resulting sum down to the nearest integral multiple of £1. A shareholder receiving an allotment of additional Preference Shares in terms of this sub-paragraph shall not be entitled to receive any part of the preference dividend.
- (iii) For the purpose of paying up Preference Shares to be allotted on any occasion pursuant to this sub-paragraph, the Directors shall capitalise out of the sums standing to the credit of the profit and loss account of the Company and/or to the credit of the Company's reserve accounts (including share premium account) and capital redemption reserve fund available for the purpose, as the Directors may determine, a sum equal to the aggregate nominal amount of the additional Preference Shares then to be allotted and apply the same in paying up in full the appropriate amount of unissued Preference Shares.
- (iv) The additional Preference Shares so allotted shall rank *pari passu* in all respects with the fully paid Preference Shares then in issue save only as regards participation in the Preference dividend payable by reference to any dividend payment date prior to their allotment.
- (v) The Directors may undertake and do such acts and things as they may consider necessary or expedient for the purpose of giving effect to the provisions of this paragraph.

(b) Capital

On a return of capital on a winding-up or other return of capital (other than on redemption of any class of redeemable share capital), the assets of the Company shall be applied in priority to any payments to the holders of any other class of shares in the capital of the Company in repaying to the holders of the Preference Shares a sum equal to (A) the greater of (1) the capital paid up or credited as paid up on the Preference Shares and (2) a sum equal to the average of the middle market quotations (as derived from the Daily Official List of The Stock Exchange) during the three months immediately preceding the date of the notice convening the meeting to consider the resolution to approve the winding-up or other return of capital and (B) the amount that would have been properly payable by way of dividend within sub-paragraph (aa) (i) calculated at the annual rate thereof and multiplied by a fraction of which the numerator is the actual number of days elapsed on and from whichever of 1st June or 1st December shall have last occurred up to and including the date of the commencement of such winding-up or other return of capital and of which the denominator is 365 or, in a leap year, 366.

(c) Voting and General Meetings

- (i) The holders of the Preference Shares shall be entitled to receive notice of and to attend (either in person or by proxy) all General Meetings of the Company. The holders of the Preference Shares shall have the right to speak and vote at a General Meeting of the Company only if and when, at the date of the notice convening such meeting, the fixed preferential dividend payable to them respectively has been in arrears for six months or more after any date fixed for payment thereof, or if a resolution is to be proposed at such meeting abrogating or varying any of the respective rights or privileges attaching to their shareholding or for the winding-up of the Company or other return of capital and then on such resolution only.
- (ii) Whenever the holders of the Preference Shares are entitled to vote at a General Meeting of the Company upon any resolution proposed at such meeting, on a show of hands every holder who (being an individual) is present in person or (being a corporation) is present by a representative or by proxy shall have one vote and, on a poll, shall have one vote in respect of each Preference Share registered in the name of such holder.

(d) Modification of Rights

The rights attaching to the Preference Shares shall be deemed to be varied by, and accordingly the consent of the holders of three-fourths of the Preference Shares, who are present or by proxy, shall be required in accordance with Article 6 of the Articles of Association of the Company for:

- (i) the issue by the Company of any share capital or the grant by the Company of any rights to subscribe for or to convert shares or other securities into share capital ranking in priority to or *pari passu* with the Preference Shares as regards participation in the profits or assets of the Company or being capable of being redeemed whilst any of the Preference Shares are in issue or the variation of the rights of any class of shares so as to fall within the foregoing;

- (ii) the repayment or (otherwise than in accordance with these rights and conditions) the reduction of all or any part of the capital paid up on any shares in the capital of the Company for the time being in issue (other than a repayment in the course of a winding-up of the Company) including share premium account and capital redemption reserve fund or the acquisition by the Company or any of its subsidiaries of any share capital of the Company;
- (iii) the capitalisation for appropriation to the holders of the Ordinary Shares of any part of the sums standing to the credit of the profit and loss account or to the credit of any reserve accounts of the Bank available for distribution if after such capitalisation the aggregate of the sums standing to the credit of the profit and loss account and to the credit of the Bank's reserves available for distribution would be a sum less than five times the aggregate amount of the annual preferential dividend (exclusive of any associated tax credit) payable on the new Preference Shares."

31st May, 1989

By Order of the Board
G.J. Melmoth
Secretary

N.B. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member.