



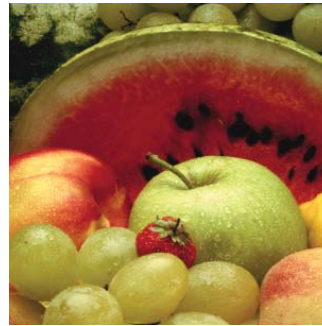
*It's your*



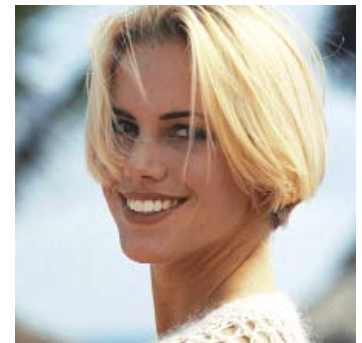
*Co-operative Society*



*It's your*



Excellent products and services plus a commitment to the communities we serve



Tamworth

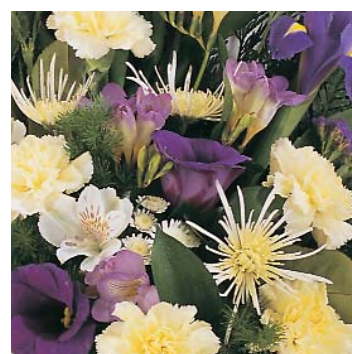
Tamworth Co-operative Society  
Annual Report & Accounts

27th January 2007

# CONTENTS



The Board of Directors and Notice of Meeting	2	Group Revenue Account	24
Management Executive and Advisers	3	Group Balance Sheet	25
Charts of Key Figures and Key Performance Indicators	4	Group Cash Flow Statement	26
Report of the Board of Directors	5 - 20	Statement of Total Recognised Gains & Losses	27
Statement of Directors' Responsibilities	21	Reconciliation of Movements in Shareholders' Funds	27
Independent Auditors' Report	22	Notes to the Accounts	28 - 38
Statement of Accounting Policies	23	Group Value Added Statement	39
		The Co-operative Difference & Society Outlets	40



## CO-OPERATIVE MISSION STATEMENT

OUR MISSION IS TO CHALLENGE CONVENTIONAL UK ENTERPRISE BY BUILDING A COMMERCIALY SUCCESSFUL FAMILY OF BUSINESSES THAT OFFERS A CLEAR CO-OPERATIVE ADVANTAGE, THE ADVANTAGE BEING THE PROVISION OF EXCELLENT PRODUCTS OR SERVICES WITH DISTINCT COMPETITIVE BENEFITS DERIVED FROM OUR VALUES AND PRINCIPLES, OUR REWARDS FOR MEMBERS AND OUR COMMITMENT TO THE COMMUNITIES WE SERVE.

# DIRECTORS



E. Margaret Johnson - Chairman (left) and Audrey Poulten - Vice Chairman (right)

## BOARD OF DIRECTORS

E. Margaret Johnson\*●★ - Chairman

Audrey M. Poulten\*†●★ - Vice Chairman

Philip A. Buckley\*●▲

Audrey A. Higginson†▲

Graham W. Johnson\*†●★▲

Alan M. King\*

Robert W. Read●★

Diane Trout★

Kevin G. Wood†●

# NOTICE OF MEETING

## ANNUAL GENERAL MEETING

Notice is hereby given that the **ANNUAL GENERAL MEETING**<sup>(1)</sup> of the Society will be held on:

The Second Floor,  
Tamworth Department Store,  
Church Street,  
Tamworth.

Wednesday 18th April 2007 at 7.15 p.m.

<sup>(1)</sup>Admission on presentation of a valid Pass Card.

## AGENDA

1. To confirm the Minutes of the Ordinary General Meeting held on 12th April 2006.
2. To elect Scrutineers.

3. To receive the Report of the Board of Directors.
4. To consider and adopt the accounts of the Group for the 52 weeks ended 27th January 2007 and the Balance Sheet together with the Auditors' Report thereon.
5. To confirm donations authorised by the Board of Directors.
6. To declare the results of the election to the Board of Directors.
7. To appoint Auditors.
8. Any other business as necessary.

By Order of the Board  
Richard A. Hughes, Secretary.  
13th March 2007.

\* Member of the Remuneration Committee.

† Member of the Search Committee.

● Pension Fund Trustees.

★ Member Relations Committee.

▲ Member Health & Safety Committee

# MANAGEMENT EXECUTIVE

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Richard A. Hughes  
Chief Executive Officer & Secretary



Robert W. Read  
General Manager - Food



Ronald C. Constable  
General Manager Non Food



Julian Coles FCCA, ACIS  
Deputy Chief Executive Officer



Sandra Park  
General Manager - Financial Services



Amanda J. Woodward M.B.I.E.  
General Manager - Funeral Services

# ADVISERS

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## AUDITORS

KPMG LLP, 2 Cornwall Street,  
Birmingham B3 2DL.

## BANKERS

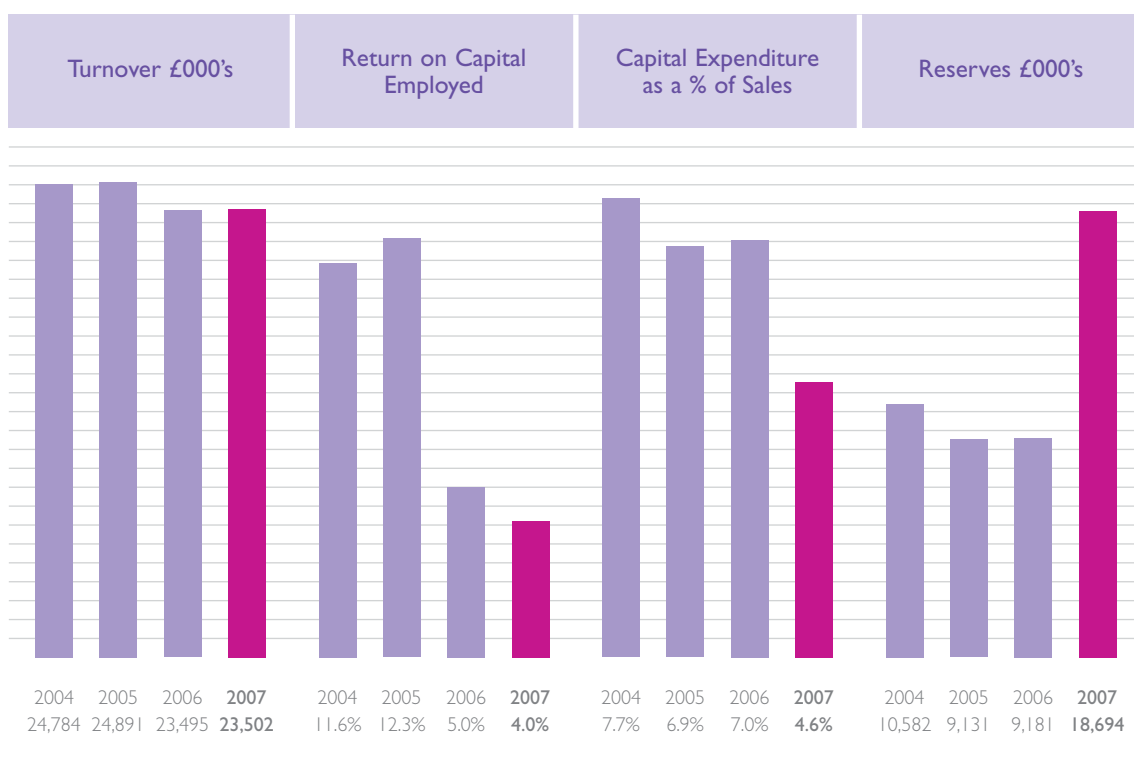
National Westminster Bank plc  
8, Market Street, Tamworth B79 7LS.

## SOLICITORS

Dewes Sketchley,  
10 Colehill, Tamworth B79 7HE.

## REGISTERED OFFICE

5 Colehill, Tamworth B79 7HA.  
Registered Number 2582R



## KEY PERFORMANCE INDICATORS

Year Ended 27th January 2007

	2003	2004	2005	2006	2007
Return on Capital employed as a %	3.3	11.6	12.3	5.0	4.0
Net Profit as a % of Sales	1.0	1.4	2.1	1.0	(0.2)
Trade Profit after Depreciation as a % of Sales	0.9	1.3	1.9	1.6	0.4
Trade Profit before Depreciation as a % of Sales	3.0	3.8	4.4	4.4	3.5
Gearing %	(7.3)	0.5	(0.9)	6.1	9.2
Interest Cover (times)	(6.3)	(33.2)	(19.5)	50.4	1.4
Retention as a % of Sales	0.1	0.2	1.1	0.2	(1.0)
Capital Expenditure as a % of Sales	5.4	7.7	6.9	7.0	4.6
Total Net Assets (£000's)	10,950	12,681	11,631	11,856	21,270
Represented by:					
Share Capital (£000's)	1,549	2,099	2,500	2,675	2,576
Reserves (£000's)	9,401	10,582	9,131	9,181	18,694

### NOTE:

All figures have been calculated in line with current Co-operatives<sup>UK</sup> Recommendations, and updated where applicable. The figures for 2005, 2006 and 2007 reflect a change in pensions accounting in accordance with FRS 17 rather than SSAP 24.

# REPORT 2007



## PRINCIPAL ACTIVITIES

Tamworth Co-operative Society Limited was formed in 1886 by the residents of Tamworth in order to provide a Co-operative alternative method of trading in a small range of commodities. In the period since then the society has substantially increased the variety of goods sold and will continue to do so wherever it is felt it would be in the Members' interests.

The society continues to maintain its strong belief in the philosophy of the Co-operative Movement as outlined in the Mission Statement on page one of this Report.

The society currently operates retail shops in both Food and Non-Food, has a comprehensive Funeral Division and provides Post Office Services for Members in various locations.

The society also provides Vehicle Services for the society's Internal Fleet and provides our Members with full MOT Services as well as having a Petrol Station from which Members can buy petrol and ancillary products on which they can claim dividend in the usual manner.

During the last few years, the society has built up a significant Property Portfolio for investment purposes.

The society currently operates in the areas of South and East Staffordshire, Warwickshire and South Derbyshire.

The Directors consider that the society should endeavour at all times to take a totally non-political stance.



## FINANCIAL REVIEW

Last year we reported that trading had become considerably more difficult during the year and the position had worsened as the year progressed. This continued into the beginning of the financial period upon which we are reporting but eased slightly after a reasonably successful Christmas period continued into January.

Total Turnover for the year amounted to £23,502,055 providing a very slight increase on the previous year.



The figures however are distorted with the inclusion of a new Convenience Store purchased early in the year at Brownhills, continued rationalisation within the Non Food and the ending of the Management agreement for the Heritage View Cafeteria in the Tamworth Department Store. The latter is now managed in a different way and the sales are not included within

the society's turnover. It is not possible to quantify these changes exactly due to the Non Food alterations, but the effect of the removal of the Heritage View and Brownhills figures would amend the turnover to a decrease of 1.8%.

We are again able to report that the Board of Directors has authorised capital expenditure of approximately £1,000,000 during the year and this has primarily been invested in the new Brownhills Convenience Store mentioned previously together with a new fleet of funeral vehicles which will provide the same level of facilities for the funeral operation in the Heath Hayes/Cannock area as that provided in Tamworth. In addition the society refitted the Brownhills Store before re-opening under the Co-op logo and the Store was also incorporated into the society's EPOS system.

The Burton Homelectric Store has been converted into a Ladies Fashion operation under the 'Invite' logo, whilst clearly still demonstrating that this is a Co-op Store.

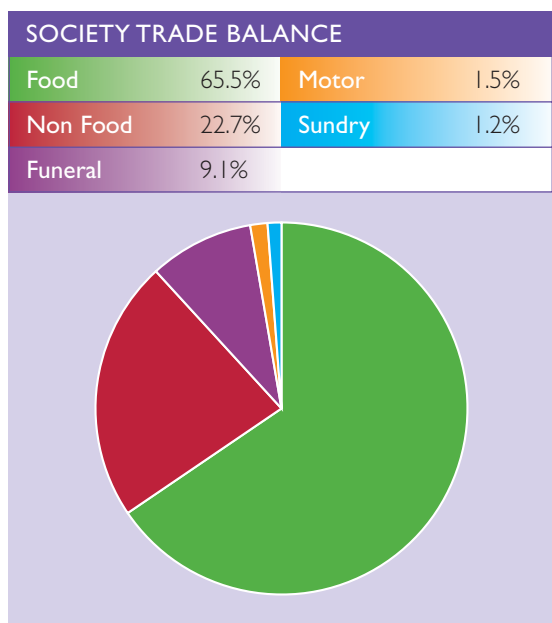
Work has commenced on the re-building of new funeral premises at Heath Hayes and a Planning Application has been submitted unsuccessfully for residential housing and a car park at the rear of our Dordon Convenience Store. Plans are currently in hand for a refurbishment of our Wood End Convenience Store and we have continued to strengthen our security across the whole range of

our premises. Whilst turnover has been broadly in line with the previous year, there has been a substantial rise in expenses which has reduced trading surplus to £113,000.

We have taken the decision to write off from the Accounts, the old building at Heath Hayes although there is an outstanding Insurance Claim for the cost of the work in that location. This has the effect of an exceptional operating cost of £77,000. A full review of all our trading properties in the year has meant certain other impairment charges, taking the total impairment charge to £161,000.

Our Investment Property Portfolio has produced a surplus re-valuation of £766,000 which is a pleasing performance, but the Pension Fund Actuary has advised that we should increase mortality rates further in our Pension Fund calculations and as a consequence the net deficiency has been increased by £1.1m in that regard, offset by a good performance on the Stock Market and the net effect is an actuarial loss of £750,000, before related deferred taxation.

For some time the society has been advised that it should re-value its Trading Properties and include the new re-valuation within the Balance Sheet. As a consequence a Valuation of the Trading Properties has been undertaken this year and this has produced a surplus of £9,755,000, which means that the total amount shown in the Balance Sheet more closely reflects the true value of Members' Funds.



*Pictured above left: Georgina Angel, Manager of the Tamworth Department Store*



## DIVIDEND

The Board of Directors is mindful of the importance of Dividend to our Members and therefore despite the disappointing trading performance, decided to maintain the level of Dividend at 2% on all qualifying purchases.

We would point out to Members that this is very much a ‘one off’ decision and should not be taken to mean that a Dividend would be paid under similar circumstances in the future, but more to reward our Members for their continued loyalty on this occasion.

**Major donations were made to the following organisations during the year:**

KINGSBURY OVER 60's CLUB
NORTH WARWICKSHIRE MINERS LEISURE CLUB
SOROPTIMIST INTERNATIONAL CLUB OF TAMWORTH
ST ANDREWS METHODIST CHURCH, TAMWORTH
TAMWORTH BOWLS CLUB
VICTIM SUPPORT, SOUTH EAST STAFFORDSHIRE

**The Board recommends a distribution of surplus for the forthcoming year as follows:**

	£
Dividend Certificates	114,000
Waived Dividends to Charities	5,000
<b>Total</b>	<b>119,000</b>

## MEMBERSHIP

The society is pleased to welcome a further 144 Members into the society during the year and hopes that they will fully utilise the facilities on offer and in time will involve themselves in the democratic processes.

Deaths and removals have accounted for a closure of 60 accounts which leaves a total Membership now amounting to 37,057.

## AUDITORS

In accordance with the Industrial & Provident Societies Act 1968 a Resolution for the re-appointment of KPMG LLP as Auditors to the society is to be proposed at the forthcoming Annual General Meeting.

# FOOD DIVISION

## SUPERMARKET & CONVENIENCE STORES

We are pleased to report that the Food trade showed a 5.1% increase on the previous year, although this equates to a 1.7% increase on a strictly like for like basis following the acquisition of a new Convenience Store at Brownhills as referred to in our previous Report.

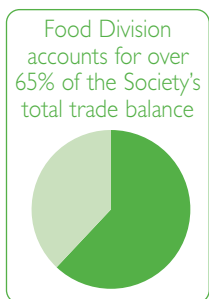


This new store is a useful addition to the Food Division whilst not performing quite as well as originally anticipated to date. Nevertheless we strongly believe that sales will build up as customers in the locality begin to appreciate the high levels of service given by the society.

## Over 20% increase in sales at Lichfield

In last year's Report we advised Members that the new store purchased that year in Lichfield had settled in reasonably well whilst being hampered by building work being carried out in front of the premises. We are therefore delighted to report that this branch produced sales showing an increase of over 20% this year and we look forward to further increases in the future.

Overall the Division had a fairly slow start to the trading year but sales grew in momentum with a strong Christmas and January. Early signs are that this momentum is continuing into the new trading year: Other branches which outperformed the Retail Price Index during the year were Stanton, Rosliston and Whittington.



Unfortunately we have still not been able to convince the Authorities that our plans for a new store at Rosliston are acceptable.

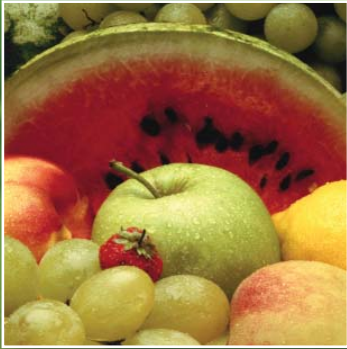
This is most unfortunate as a new store is absolutely necessary for long term commitment to the area and it would be extremely disappointing if the lack of vision by the Local Authority resulted in the loss of the facilities currently being provided including the only Village Post Office in the immediate locality.

## Care needed

Whilst the increase in turnover could be deemed to be satisfactory, increased costs in this Division have substantially reduced the net profit provided. Some of these additional costs can be attributed to an extra branch but not all of them. Total staff costs were up by 6.3% whilst electricity bills increased by a huge 47% which has particular implications for this Division with the high usage of the refrigeration and other electrical items. Additionally the new EPOS system installed in the previous year obviously created a substantial increase in depreciation charges. Great care will need to be taken by management to endeavour to make cost savings where appropriate.

We now operate from 14 Food stores and are actively seeking further premises to strengthen our food presence in the locality.





The Food Division continues to purchase its products through the national Co-operative Retail Trading Group which is of considerable benefit to the Society



# NON-FOOD DIVISION

In our Report last year we highlighted the very many changes which were taking place within our Non-Food Division following the appointment of the new General Manager - Non-Food in January 2005.



We are very pleased to report now that these changes have resulted in an improved performance from this Division with losses reduced by nearly 30%. There is however still a substantial way to go before this Division returns to profitability.

## Significant improvements

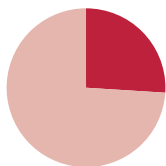
A significant improvement has been made in this regard to the Homelectric department in the Tamworth Department Store with further improvements in most other areas within those premises.

The Swadlincote town centre store has however deteriorated further and additional action will need to be taken. A small improvement has resulted following the changes made at Burton where we have installed an 'Invite' fashion store to replace the electrical shop previously operating from the same premises.

## Overcoming problems

The Non-Food Division has been working extremely hard to overcome the problems that have occurred following the Co-operative Group's decision to withdraw from Department Stores. Supplier contracts have had to be negotiated and new sources of supply found where merchandise has previously been sourced via the Co-operative Group.

Non-Food Division accounts for almost 25% of the Society's total trade balance



We appreciate that we have not been able to overcome all the problems which have occurred as a result of this decision but will continue our endeavours to provide the best range of merchandise at the best possible prices for our Members and so maintain the reputation which we have enjoyed for decades.

## Concessions doing well

The concession operators have by and large been successful but naturally there have been some which have been less successful than others and changes will continue to occur, particularly within the Ladies Fashion area where some ranges prove to be less successful and are replaced by more suitable brands.

## New management team

A new management team is now in place within this Division and we wish them well for the future and are sure that they will continue to build upon improved results this year.





Tamworth Department Store has been dramatically updated and a strong emphasis placed on catering for our lady members



# FUNERAL SERVICES

Last year we were delighted to report that Funeral Services had again produced a record number of funerals undertaken by the society and that profits had increased substantially.



## Another record year

We are able to advise Members that the total number of funerals undertaken has again been a record and we are particularly pleased that the number of funerals in our subsidiary based in the Heath Hayes/Cannock area has been the main reason for that increase.

## New premises at Heath Hayes

In our Report last year, we commented that we had encountered problems with collapsed drains under the Heath Hayes Funeral Office and during the year we have been operating from the adjacent residence, which is not ideal. We are pleased to report that we obtained Planning Permission for a new Funeral Office on the previous site and that office has now been completely demolished and work is underway on the

construction of the new premises. This has been done with a minimum disruption to the business. Additional facilities have been in place in the Pelsall Funeral Office in order to assist with these changes.

## Our Tamworth office

The inconvenience to our main Tamworth office has continued with the major work being carried out to the bridge site by Network Rail. This has caused our employees in that office considerable extra work and the Board of Directors is particularly appreciative of the manner in which this has been overcome.



The Division has however suffered from a drop in gross margin of over 1% this year coupled with increased costs particularly in relation to wages, transport and the significant increases in utility costs. As a result the net profit is lower and action will need to be taken to restore the figures to their previous levels.



Nevertheless the business is extremely sound from the nine offices operated by the society and we continue to look for further opportunities which may become available in the future.





Funeral Services has once again produced a record number of funerals undertaken by the society



# PEOPLE & PROPERTY

## PROPERTY

The only change to the Property Division during the year has been the purchase of a small piece of land at Dordon which is immediately adjacent to the land behind our Dordon Convenience Store.

A Planning Application has been submitted for housing on this land together with a car park for customers. Unfortunately it has been rejected, but the society is continuing to pursue this objective with the Local Authority.

The Board and Management have been working conscientiously with the new owners of the Gungate Precinct in Tamworth on a potential new development in the Tamworth Town Centre which would include the land the society owns at the rear of Lower Gungate and Colehill. The Board expects this matter to come to fruition during the first half of the new financial year; the results of which should be of considerable benefit to our Members and provide the society with a substantial realised profit on the original investment.

Property income is in line with that achieved in the previous year and the market valuation of the society's Portfolio of Investment Properties has increased to £9,130,000, an improvement of around 10% on the previous year's figures.

The Board of Directors believes that the Portfolio still contains a number of interesting opportunities for the long term future and the society will continue to look for ways and means of further strengthening the value of the Portfolio by both development and acquisition.

## FINANCIAL SERVICES

Despite the closure of the society's Financial Services counters during the previous year following the decision taken by the Co-operative Bank to close all of its agencies across the country, the society has continued to provide Post Office operations in Swadlincote, Tamworth, Rosliston and Wood End. Whilst these Post Offices are of no financial benefit to the society, the Board has

continued to authorise these operations due to the very valuable service which they provide to Members and the community at large in the area. With the closure of so many Post Offices around the country it would appear unlikely that we will see an expansion of this type of activity within the society in the foreseeable future.

During the year we have been delighted to co-operate with Tamworth Credit Union Ltd and the Royal Bank of Scotland to install A.T.M. facilities in our Amington and Glascote Convenience Stores. These are both 'free to use' machines which are already proving invaluable to our Members in these areas.

## HUMAN RESOURCES

We are in business to meet both our Co-operative and Social goals ensuring that we respond to the needs of Employees, Customers, Members and the Community at large. Our policy of promoting an environment free from discrimination, harassment and victimisation where everyone receives equal treatment regardless of their gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion must be maintained, and all decisions based solely upon work criteria and individual merit.

In recent years we have been pleased to support the Union of Shop, Distributive and Allied Workers and the movement generally in highlighting the problems incurred by our employees with regards to the activities of the criminal fraternity in the area. The society has also spent a great deal of time and money on improving security equipment across its trading units.

We are pleased to report that it appears to have had a beneficial effect and the number of reported incidents has dropped substantially during the last 12 months. We hope this will continue in the future for the benefit of all concerned.

The society continues to provide Internal Training Courses for many of the staff and has maintained its Policy of paying for external courses for staff where appropriate. In addition many of our staff have participated in in-house training provided with the co-operation of external trainers.





THE BOARD OF DIRECTORS RECOGNISES THE SUBSTANTIAL EFFORTS MADE BY STAFF DURING THE YEAR AND PLACES ON RECORD ITS SINCERE GRATITUDE TO ALL CONCERNED...

The Board itself is currently composed of 5 male and 4 female Directors, whilst Executive Management comprises 4 men and 2 women.

The society aims to fill future Management vacancies from within whenever possible and continues to endeavour to ensure that employees are readily trained to take up more senior positions when presented with the opportunity.

The Board of Directors has recently set up a Search Committee, one of its functions being to consider both Management and Board succession.

The Board of Directors recognises the substantial efforts made by staff during the year and places on record its sincere gratitude to all concerned.

The Board is particularly mindful of the loyalty given by many of the society's employees and continues to fund the Co-operative Employees' Long Service Association.

In addition the society has now supported the Employees' Superannuation Fund for more than 70 years, and whilst nothing can be guaranteed, our current employees enjoy the benefit of being able to benefit from a Final Salary Pension Scheme which is becoming a much rarer occurrence within the national workforce.

## SEARCH COMMITTEE

In accordance with the recommended practice advised by the Corporate Governance Code of Best Practice dated May 2005 the society has established a Search Committee comprising 4 Members of the Board of Directors and this is responsible for the following duties:

- Formulate plans for succession for Members of the Management Executive in particular for the key role of the Chief Executive.
- Regularly evaluate the balance of skills, knowledge and experience on the Board.
- Inform the Chief Executive of any skills deficiencies on the Board and ensure that the necessary training be provided.
- Manage the Search programme for professional external directors should that be necessary and providing Members agree to such a policy.

The Search Committee has met on three occasions during the year and has commenced work on evaluating the balance of skills, knowledge and experience on the Board. As a result it has arranged for the Share Register to be updated to include details of professions of Members in order that, should there be found to be skills shortages when vacancies occur on the Board of Directors, the Board would be enabled to encourage appropriate Members to show an interest in standing for election.

In addition, the Committee has arranged additional Board training for all directors during the year, to enable them to receive adequate knowledge in order to carry out their duties in as professional manner as possible. The Committee has also considered the current structure of the Management Executive and will continue to review this as need arises when forthcoming vacancies become apparent. In order to ensure that wherever possible vacancies can be filled from within, the Committee receives reports of Personnel Training within the society at all levels and makes appropriate recommendations.

## REMUNERATION POLICY

The Remuneration Policy set by the Board and individual Remuneration Packages for Executive Management are determined by the Remuneration Committee within the framework of its Policy.

Details of Directors who are Members of the Remuneration Committee during the period ended 27th January 2007 can be found on page 1 of the Report.

The Remuneration Committee has access to independent advice where it considers it appropriate. Formal terms of reference have been agreed by the Board of Directors and the Committee has met on two occasions since the last Annual General Meeting. Minutes of the Committee Meetings are provided to the Board of Directors at the Meeting following the Meeting of this Committee and the Board considers any recommendations made to it.

The duties of the Committee are to determine and agree with the Board the remuneration and contractual position of the Society's Chief Executive and other Members of the Executive Management. They also recommend to the Board of Directors where they consider changes should be made to Director remuneration.

In determining such policy, they take into account all factors which they deem necessary. The objective of such policy is to ensure that Members of the Management Executive of the society are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the society. They approve the design of, and determine targets, for any performance related Pay Schemes and approve the total annual payments made under such Schemes. In determining such packages and arrangements, they give due regard to any relevant legal requirements and review and note annually the remuneration trends across the society.

Further details concerning Executive Remuneration can be found on page 34.

The Remuneration of Directors is linked to the Retail Price Index except when other proposals are placed before Members at an Annual General Meeting.

## MEMBER RELATIONS

Following the decision taken at the Special General Meeting of Members on 7th April 2004, the Board of Directors has assumed responsibility for Member

Relation matters. At the beginning of the financial year, the Board of Directors determined that a Sub-Committee should be formed to concentrate on such matters.

The society has continued its sponsorship of the Woodcraft Folk and the Co-op Centenary Cup Bowling Competition which was again played in the Castle grounds on Spring Bank Holiday Monday. However, the Woodcraft Folk have now taken the decision to disband following the lack of response to an appeal for new leaders and this is sincerely regretted while understandable.



During the year two Rambles were organised for Members and whilst numbers were disappointing, the Rambles were found to be most enjoyable.

The society continues to contribute to the Co-operative Educational Fund and the West Midlands Educational Group and to play its part in both organisations. An educational/social outing was made available to Members through this group to Oxford.

During the year, outings were organised to the theatre to see the musical 'Guys & Dolls' and to the pantomime, 'Snow White and the Seven Dwarfs'. Additionally a trip was arranged to West Midlands Safari & Leisure Park. It is very encouraging to see the numbers of Members participating in all these events which were highly successful as well as being enjoyable.

Two further theatre trips have been organised for the coming year and the Committee is considering more rambles and coach trips.

It is hoped that a growing number of Members avail themselves of this opportunity which is organised and part funded by the Society.

## RETIREMENTS

The society remembers employees who have retired during the year and extends its very grateful and sincere thanks for the dedicated service provided over many years, wishing them a long, happy and healthy retirement.

## OBITUARIES

The Board very much regrets the death of former employees and their families and remembers them all with much affection and gratitude.

## SOCIAL AND CO-OPERATIVE PERFORMANCE

We are pleased to report for the second occasion on our performance as a socially responsible Co-operative, in addition to our usual financial results. We have been asked to measure ourselves against 10 Indicators of Social, Co-operative and Environmental Performance but because of the size and the nature of the Society we are unable to report in the depth that larger societies can do because of their levels of resources.

### THE INDICATORS ARE:

1. Member economic involvement.
2. Member democratic participation.
3. Participation of Employees and Members in Training and Education.
4. Staff injury and absentee rates.
5. Staff profile - gender and ethnicity.
6. Customer satisfaction.
7. Consideration of ethical issues in procurement and investment decisions.
8. Investment in Community and Co-operative Initiatives.
9. Net carbon dioxide emissions arising from operations.
10. Proportion of waste recycled/reused.

We are able to report on our findings as follows:

### MEMBER ECONOMIC INVOLVEMENT

Member economic involvement indicates how well we are meeting our Members' needs and whether we are successful in recruiting new Members from our customer base. It is therefore appropriate to report that for the Year Ending 27th January 2007 Members claimed dividend on 24% of Society sales (as against 26% last year). Historically this percentage appears to fluctuate to an extent according to the level of dividend being paid. The society recruited 144 new Members during the year.

### MEMBER DEMOCRATIC PARTICIPATION

The society is democratically controlled by its Members. It is therefore important to measure the number of Members who become actively involved in the decision making and to encourage Members to participate to a greater extent. The society has recently appointed a Search Committee in order to promote

this aspect of the society's work. The society has not had a recent election and therefore it is not possible to quantify how many Members would have voted in this regard. However, it is pleasing to note that all seats on the Board of Directors are currently filled. The number of Members who attended the Annual Meeting in 2006 was 41 as against 39 in 2005 and 29 in 2004.

All employees are encouraged to actively participate in training and the majority have attended either internal or external courses, a number of which have been held during this year: training sessions have also been provided for Trustees of the Employees' Superannuation Fund and the Board of Directors.

### STAFF INJURY AND ABSENTEE RATES

Staff injury and absentee rates provide the society with an indication of how well we control the risks to the health, safety and well being of our employees. Staff are encouraged to report all accidents, no matter how minor, and these are recorded to ensure that safety standards are maintained and continuously improved. The Health & Safety Committee on which the Board and the Trade Union are represented, reviews these accidents at every Meeting.

This year 108 accidents were reported across the society of which 73 were employees of the society. 3 employees had reportable accidents.

The comparative figures for the previous year were 130 accidents including 73 to staff, 4 of which were reportable.

The average number of days lost per employee through sickness and absenteeism was 6.75 days against 5.98 days the previous year, and 7.4 days in 2005.

### STAFF PROFILE

The society has a policy of promoting an environment free from discrimination, harassment and victimisation where everyone receives equal treatment regardless of their gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions are based solely upon work criteria and individual merit.

Because of the nature of the retail business most of our employees are female whereas the Board is currently composed of 5 male and 4 female Directors. Senior Management comprise 4 men and 2 women. 76% of total employees are women against 24% of men. 36% of Employees are Full-Time and 64% Part-Time.

So far as ethnicity is concerned, the society does not currently record these details due to the very small percentage of ethnic minorities living within the society's area. It is our belief that the balance of ethnic minorities within the society is commensurate with the level within the local community.

### CUSTOMER SATISFACTION

Customer satisfaction is probably the most important core feature for the society as we strive to offer the best possible service. One way of checking this is by customer survey and during the year we have mailed out questionnaires to our Members on a random basis to gauge their opinions based on their experience of shopping in our Non Food Stores particularly in relation to customer complaints.

Of 222 letters sent out, 138 replied (62.1%). Of these 90% were totally satisfied with the service received, 9% were partially satisfied and 1% dissatisfied.

We believe that this survey indicates the level of service provided across the society by our particularly loyal staff, approximately 12% of whom have served the society for more than 20 years.

### ETHICAL ISSUES

As indicated within the staff profile paragraph above, the society has a clear ethical policy in relation to employee matters.

So far as procurement is concerned the society operates a similar policy and procurement is made through whatever sources are best for the society's business. The society purchases all of its food through the Co-operative Retail Trading Group and follows the ethical practices conducted by that Group.

The society has made no investments outside those offered by our bankers during recent periods.

### COMMUNITY & CO-OPERATIVE INITIATIVES

The society believes in full integration within the community in the area in which it trades.

In that regard it supports local communities to the full through its charitable donations. Members of both staff and executive are represented on local charitable organisations.

In particular the society has supported bids from local schools for Specialist School status and we are pleased to report that two of the schools supported have recently achieved this milestone. The society will be doing all



it can to ensure that Co-operative values are included within the schools' syllabus.

The society has also supported Tamworth Credit Union Limited with both practical and financial assistance during the year, following its approval by the Financial Services Authority (FSA) in 2004. Indeed the main office of the Tamworth Credit Union is located in the society's Tamworth Department Store on a rent free basis.

A sum of money is allocated by the society Board of Directors every year to make grants and donations to local charities. In 2006 over 100 charities and local organisations were assisted in this way.

### THE ENVIRONMENT



Carbon dioxide (CO<sub>2</sub>) emissions are produced as a direct result of burning fossil fuels. Whilst we are not in a position to record the tonnage of CO<sub>2</sub> from our on-site operations, nevertheless we are always looking into ways to reduce our impact on the environment by the introduction of more energy efficient lighting and the reduction in size of our transport vehicles.

The society purchases its electricity and gas via the National Co-operative Agreement and therefore benefits from the environmentally friendly policies of that group.

### PROPORTION OF WASTE RECYCLED/REUSED

We actively encourage the recycling of waste. Cardboard in particular is collected from all of our retail outlets, compacted in some cases, before being sent off for recycling. Unfortunately we do not have the means for producing figures indicating the tonnage of cardboard recycled.

We also have a policy of recycling redundant printer cartridges and mobile phones and these are collected and forwarded to a registered national charity.

Within our central offices we also collect used postage stamps and these too are forwarded to a registered charity for onward sale.

## CORPORATE GOVERNANCE

The Board of Directors is ultimately responsible for the society's system of internal control and reviewing its effectiveness. The position of a director within the society carries many demanding and important responsibilities which include statutory, fiduciary and operational responsibilities and others provided for under the Rules. A system of internal control has to be designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurances against material misstatement or loss.

The Co-operatives<sup>UK</sup>'s Corporate Governance Code of Best Practice was amended in May 2005 and has a requirement that the directors review the effectiveness of the society's system of internal controls. This has considerably extended the requirements for directors to maintain controls over financial, operational, compliance and risk management. It continues to be the objective of the Board to comply with the Code of Best Practice as far as is practicable in the society's particular circumstances.

The Board recognises that a Code of this significance requires a great deal of thought and work for the whole of the new Code to be adopted, but a significant start has been made and appropriate decisions and actions have been taken wherever possible.

Within the new Code, recommendations include formation of Sub-Committees and Reports of these Committees can be found elsewhere in this document. The Board does not agree that a separate Audit Committee should be established but has decided that the entire Board should stand as the Audit Committee with the Vice Chairman chairing those Meetings. This enables all directors to directly question the Auditor where appropriate.

The society does not currently utilise Internal Auditors due to its size and allied costs. Instead the society has internal procedures in place to satisfy the Board of Directors and the Management Executive that sufficient resources are maintained to ensure control effectiveness and thereby reduce key business risks.

The new Code recommends that procedures should be in place to ensure the regular renewal of the Board and includes the option of an Age Rule or the imposition of a mandatory break in service for directors. The Board considers that this is not practical at this time due to the lack of Members coming forward for nomination to the Board.

The directors do not consider that it is in the society's interests to comply with Clause B2.5 regarding the co-option of Professional Non Executive Directors at this time but will reconsider if they believe it should become appropriate.

The Board agrees that we should encourage diversity on the Board and as a consequence the Board holds its meetings on days and at times that will be conducive to those directors that work full-time and all meetings are made as accessible as is practical. The society has a policy for reimbursement of loss of earnings to directors although this has not been necessary to date. All expenses are reimbursed.

No director holds any external directorship at present although the Chief Executive Officer is a director of Tamworth Credit Union Limited, an organisation with a similar ethos which is part of the Co-operative Movement.

The Recommendation that the Board should adopt a Code of Conduct for directors has been approved but that Code has not yet been compiled.

The society has not had the need to comply with Code A2.4 on the disposal of significant assets but will consider it at the appropriate time.

The directors consider that the Board is supplied with sufficient information to carry out its duties and that this is received in a timely manner in order for them to fully discharge their responsibilities as directors.

The Board has undertaken one Skills and Performance Evaluation and identified gaps in training which has been most useful. It is now the intention of the Board to consider how future Skills and Performance Evaluations should continue. The Board intends to comply Paragraph 7.2, 7.3 and 7.4 on Board Appraisals but this has not yet been put into practise.

It is the Policy of the Board of Directors that all directors should receive appropriate training and this should be undertaken wherever possible through the Co-operative College. The Board does not comply with Paragraph 6.5 of Management Executive Training but this is currently a matter of consideration by the Search Committee.

## GOING CONCERN

After making all appropriate enquiries, the directors have a reasonable expectation that the society has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the Going Concern basis in preparing the society's accounts.

## INTERNAL CONTROL

As previously mentioned, the entire Board sits as the Audit Committee, and as such meets the Auditor to have a full and frank discussion. In addition the Management letter from the Auditors is also presented to the full Board.

It has been agreed that the Vice Chairman should act as Chairman of this Committee.

By so doing, all directors have the opportunity to meet with and question the society's External Auditor to ensure that they are satisfied that the society has followed appropriate Accounting Standards.

The Board of Directors has continued to review and report upon Internal Financial Controls.

The society has continued with its work on establishing procedures necessary to comply with legislation and the Corporate Governance Code of Best Practice and wherever possible additional Reports are made and controls implemented as is considered appropriate for a society of this size.

**The key elements of the society's system of Internal Financial Controls are as follows:**

### (A) CONTROL ENVIRONMENT

The society is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations.

The society has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve society objectives. Lines of responsibility and delegations of authority are documented and reviewed at least annually at strategy meetings.

The annual budget and long term plan of the Group and of each Division are reviewed and approved.

A full society strategy is in place and is reviewed at least on an annual basis and separate Board Meetings are convened for that purpose.

The society has spent considerable time and energy in updating its contracts with suppliers, particularly since the closure of Non-Food Operations at the Co-operative Group CWS Limited.

At 27th January 2007 the number of creditor days outstanding for the society was 22.7 days.

### (B) RISK IDENTIFICATION

Society Management continue to be responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on

a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe, and regulatory requirements.

### (C) INFORMATION AND COMMUNICATION

The society's businesses participate in periodic strategic reviews which include consideration of long term financial projections and the evaluation of business alternatives with an in-depth analysis of past performance. Operating units prepare annual budgets and strategic plans. Performance against plan is actively monitored at the Board and executive levels supported by regular forecasts and meetings between senior management and the Board of Directors as considered appropriate. Forecasts and results are consolidated and presented to the Board on a regular basis.

Through these mechanisms, society performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

### (D) CONTROL PROCEDURES

The society and its operating units have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud.

### (E) MONITORING AND CORRECTIVE ACTION

There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Board of Directors meets regularly to review the effectiveness of the society's system of financial controls. Monthly management accounts are considered in great detail and any appropriate action is taken whenever necessary.

For and on behalf of the Directors.



**E. Margaret Johnson**  
Chairman of the Board



**Richard A. Hughes**  
Chief Executive Officer

13th March 2007

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT & THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Society financial statements in accordance with applicable Law and Regulations.

Industrial and Provident Society Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The Group financial statements are required by Law to give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group for that period. In preparing each of the Group and Society financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Industrial and Provident Society Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and any other irregularities.

Under applicable Law the Directors are also responsible for preparing a Directors' Report that complies with those Acts.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### BOARD CERTIFICATION

The financial statements on pages 24 to 39 are hereby signed on behalf of the Board of Directors pursuant to Section 3(5)(c) of the Friendly and Industrial and Provident Societies Act 1968.



**E. Margaret Johnson** - Chairman of the Board



**Richard A. Hughes** - Secretary

13th March 2007

## DIRECTORS' ATTENDANCES

Name	Appointment Expires	Possible Attendances	Actual Attendances
Mr. P.A. Buckley	2007	22	17
Mrs. A.A. Higginson	2007	21	19
Mrs. E. M. Johnson	2008	20	19
Mr. G.W. Johnson	2009	28	25
Mr. A. M. King	2009	15	12
Mrs. A. M. Poulten	2007	23	19
Mr. R.W. Read	2008	19	18
Mrs. D. Trout	2009	13	12
Mr. K. G. Wood	2008	19	17

*Mrs. D. Trout was elected in April 2006.*

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAMWORTH CO-OPERATIVE SOCIETY

We have audited the financial statements of Tamworth Co-operative Society for the year ended 27th January 2007 which comprise the Group Revenue Account, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Notes of Historical Costs, Profits and Losses and the Reconciliation of Movement in Shareholders Funds and the related Notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Society's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by Law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Society's Directors' Responsibility for the preparation of the Annual Report and the financial statements in accordance with applicable Law and UK Accounting Standards (UK Generally Accepted Accounting Practice) is set out in the Statement of Directors' Responsibilities on page 21.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002 and the Industrial and Provident Societies (Group Accounts) Regulations 1969. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Society has not kept proper accounting records or if we have not received all the information and explanations we require for our Audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An Audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### OPINION

In our opinion the Group financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the Society's affairs as at 27th January 2007 and of the Group's deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 (and Industrial and Provident Societies (Group Accounts) Regulations 1969).



KPMG LLP  
Chartered Accountants  
Registered Auditor  
2 Cornwall Street  
Birmingham  
B3 2DL

13th March 2007

**(1) BASIS OF ACCOUNTING**

The Accounts are prepared in compliance with all current Accounting Standards using the Historical Cost Accounting Convention modified to include the revaluation of investment properties and the revaluation of land and buildings.

**(2) ACCOUNTING DATE**

The Accounts are in respect of the 52 week period ended 27th January 2007 with comparative figures for the 52 week period ended 28th January 2006.

**(3) BASIS OF CONSOLIDATION**

The Group Accounts consolidate the Accounts of the Tamworth Co-operative Society Limited and the wholly owned Subsidiaries, TCS Estates Services Limited, McGregor Co-operative Society Limited and Lilywalk Limited. The results of Businesses which may have been acquired or sold during the year are included in the Group Accounts from or to their respective dates of acquisition or disposal.

**(4) GROUP TURNOVER**

Turnover includes Cash Sales, Goods sold on Credit and Television/Video Rental Income, inclusive of Value Added Tax. Turnover includes the gross sales made by certain concession operators where the directors believe the society is exposed to the majority of the risks and rewards of concession sales amounting to £1,307,000 (2006: £668,000).

**(5) INVESTMENT INCOME**

Interest receivable is accounted for on an accruals basis. Dividends are accounted for when received.

**(6) GOODWILL**

Goodwill arising on consolidation (representing the excess and the fair value of the consideration given over the fair value of the net assets acquired) is capitalised and amortised over a period of 20 years being an estimated useful economic life.

**(7) TANGIBLE FIXED ASSETS & DEPRECIATION**

No Depreciation is provided on Freehold Land. The cost of Tangible Fixed Assets used for trading purposes less their estimated residual value, is depreciated over their expected working lives by equal annual instalments at the following minimum rates:

- Freehold Buildings - 2.5% per annum
- Leasehold Buildings - over the unexpired period of the lease
- Fixtures & Fittings and Plant - over the expected working life or 10 years, whichever is the least
- Transport - over the expected working life or 4 years
- Rental Assets - 33.3% per annum

Investment Properties are included in the Accounts at professional valuation in accordance with Statement of Standard Accounting Practice No.19 and the aggregate surplus or deficit is transferred to a Revaluation Reserve.

No Depreciation is provided in respect of Freehold Investment Properties. The Directors consider that this Accounting Policy results in the Accounts giving a true and fair view. These Properties are not held for consumption but for Investment and the Directors consider that systematic annual depreciation would be inappropriate.

**(8) ASSETS LEASED TO THE GROUP**

Rentals due under Operating Leases are charged to the Revenue Account in the year that the cost accrues. The future commitment relating to Operating Leases is based on the minimum amounts payable.

**(9) TAXATION**

*Current:*

The charge for taxation is based on the result for the year.

*Deferred:*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

**(10) STOCKS**

Stocks are valued at the lower of cost and net realisable value.

**(11) REPAIRS**

Repair expenditure is charged against profits in the year that the cost is incurred.

**(12) FUNERAL PLAN**

Liabilities under the Funeral Plan are based on the total commitment at the Balance Sheet date.

Based on the Group's experience of funerals handled under its Pre-Payment Plan, the liability has been divided between the current liability for those Plans which may be completed within 1 year, and the remainder, where the liability is classified as an amount falling due after 1 year. For Funeral Plans sold after 1st January 2002 amounts paid by Customers have been applied towards Contracts of Whole Life Insurance on the life of the Customer. The Life Insurance Contracts have been arranged by the Co-operative Insurance Society Ltd. For Lilywalk Limited Plans arranged by Golden Charter have been sold.

**(13) PENSIONS**

The Society operates a Pension Scheme covering the majority of its Employees based on final pensionable pay. The Funding for past service is invested externally through the Scheme's Trustees. Pension Scheme assets are measured using market values. Pension Scheme liabilities are measured using a projected unit method and are discounted at the rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Pension Scheme deficit is recognised in full. The movement in the deficit is split between operating charges, finance items, and in the statement of total recognised gains and losses.

## GROUP REVENUE ACCOUNT

For the year ended 27th January 2007

	NOTES	2007		2006	
		£'000	£'000	£'000	£'000
<b>Turnover</b>			23,502		23,495
Value Added Tax			2,076		2,068
Net sales			21,426		21,427
Cost of sales			14,300		14,170
Gross profit			7,126		7,257
Expenses less income from property	1		7,013		6,873
<b>Trading surplus</b>			113		384
<b>Surplus before interest</b>			113		384
Interest receivable	2		9		12
Interest payable	3		(69)		(36)
Other finance costs	21		(100)		(136)
<b>(Deficit)/Surplus for year before distribution and exceptional operating cost</b>			(47)		224
Impairment of Fixed Assets			(161)		–
<b>(Deficit)/Surplus for year before distribution</b>			(208)		224
Dividend	4	126		198	
Grants	5	26	152	28	226
<b>Deficit for year before taxation</b>			(360)		(2)
Taxation Charge	6		(53)		(44)
<b>Retained deficit for year</b>			(413)		(46)

## GROUP BALANCE SHEET

For the year ended 27th January 2007

	NOTES	2007		2006	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	7		477		437
Tangible assets	8		16,556		6,698
Investment properties	9		9,130		8,320
Fixed asset investments	10		1,245		966
			27,408		16,421
<b>Current assets</b>					
Stocks	11	1,658		1,755	
Debtors and prepayments	12	1,104		1,000	
Investments	13	13		12	
		2,775		2,767	
<b>Current liabilities</b>					
Amounts falling due within one year					
Bank overdraft		1,063		720	
Creditors - Trade	14	2,094		1,713	
Dividend		42		42	
Other		3		3	
		3,202		2,478	
Loans	15	243		214	
		3,445		2,692	
<b>Net current (liabilities)/assets</b>			(670)		75
Total assets less current liabilities			26,738		16,496
Provision for deferred taxation	17		92		23
Funeral prepayment plans			1,672		1,465
<b>Net assets before pension</b>			24,974		15,008
Pension liability	21		3,704		3,152
<b>Net assets</b>			21,270		11,856
Financed by:					
Share capital	18		2,576		2,675
Revaluation reserves	19		15,536		5,015
Revenue reserves	19		3,158		4,166
<b>Members' funds</b>			21,270		11,856

## GROUP CASHFLOW STATEMENT

For the year ended 27th January 2007

	NOTES	2007 £'000	2006 £'000
Cash inflow from Operating Activities	22(a)	1,364	1,099
Returns on Investments and Servicing of Finance	22(b)	(31)	7
Benefits paid to Members		(126)	(197)
Grants and Donations		(26)	(28)
Taxation paid		(26)	–
Capital expenditure and financial investment	22(c)	(1,317)	(1,526)
Acquisitions	22(d)	–	(261)
Cash outflow before use of liquid resources and financing		(162)	(906)
Management of liquid resources	22(e)	(1)	7
Financing	22(f)	(180)	84
Decrease in cash in the year		(343)	(815)

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

For the year ended 27th January 2007

	NOTES	2007 £'000	2006 £'000
Decrease in cash in the year		(343)	(815)
Cash inflow/(outflow)from management of liquid resources		1	(7)
Change in net debt resulting from cash flows	22(g)	(342)	(822)
Net debt at 27th January 2007	22(g)	(708)	114
Net debt at the end of the year	22(g)	(1,050)	(708)

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 27th January 2007

	NOTES	2007 £'000	2006 £'000
Deficit for year		(413)	(46)
Unrealised surplus on revaluation of investment properties	19	766	412
Unrealised surplus on revaluation of trading properties		9,755	–
Actuarial loss on pension fund (net of deferred tax)		(514)	(226)
<b>Total recognised gains relating to the year</b>		<b>9,594</b>	<b>140</b>

## NOTES OF HISTORICAL COSTS, PROFITS AND LOSSES

For the year ended 27th January 2007

	2007 £'000	2006 £'000
Reported deficit on ordinary activities before taxation	(360)	(2)
Realisation of property revaluation gains of previous years	–	–
<b>Historical cost deficit on ordinary activities before taxation</b>	<b>(360)</b>	<b>(2)</b>
<b>Historical cost deficit for the year retained after taxation and dividend</b>	<b>(413)</b>	<b>(46)</b>

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 27th January 2007

	2007 £'000	2006 £'000
(Deficit)/Surplus before distribution and tax	(208)	224
Distributions and tax	(205)	(270)
<b>Deficit after distributions and tax</b>	<b>(413)</b>	<b>(46)</b>
Revaluation surplus arising in the year on investment properties	766	412
Revaluation surplus arising in the year on trading properties	9,755	–
Contributions and interest less withdrawals during the year	(99)	175
Actuarial loss (net of deferred tax)	(514)	(226)
Share interest	(81)	(90)
<b>Movement in year</b>	<b>9,414</b>	<b>225</b>
<b>Opening shareholders' funds</b>	<b>11,856</b>	<b>11,631</b>
<b>Closing shareholders' funds</b>	<b>21,270</b>	<b>11,856</b>

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

1. Expenses	2007 £'000	2006 £'000
Personnel costs	4,591	4,561
Occupancy costs	1,310	1,194
Depreciation*	649	589
Audit fees paid to KPMG LLP	33	25
Taxation Advice fees paid to KPMG LLP	26	5
Other fees paid to KPMG LLP	–	8
Directors' fees	9	8
Other expenses	921	1,012
Income from property	(552)	(553)
Amortisation of goodwill on acquisition	26	24
	7,013	6,873

\*Depreciation charged to cost of sales amounts to £10,988 (2006: £24,011).

No Director's remuneration exceeded £1,500.

2. Interest receivable	2007 £'000	2006 £'000
Co-operative Group	7	7
Other I & P Societies: Shares and Loans	2	1
	9	8
Short term deposits/other	–	4
	9	12

3. Interest payable	2007 £'000	2006 £'000
Bank	40	5
Funeral prepayment plans	29	31
	69	36

4. Dividend	2007 £'000	2006 £'000
Dividend to Shareholders	118	212
Waived dividends given to charity	8	8
Reversal of over provision in earlier years	–	(22)
	126	198

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

5. Grants and Donations	2007 £'000	2006 £'000
Member Relations	2	2
Employee related	24	26
	26	28

6(a) Taxation (charge)/credit	2007 £'000	2006 £'000
UK Corporation Tax:		
Current tax on income for the period	–	(14)
Adjustment in respect of prior years	16	(17)
Deferred Tax:		
Origination (reversal of timing differences)	(17)	(6)
Adjustment in respect of prior years	(52)	(7)
	(53)	(44)

### 6(b) Factors affecting tax charge for period

The tax credit for the year is lower (2006: higher) than the standard rate of corporation tax in the UK of 30% (2006 standard rate of 30%).

The differences are explained below:

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(360)	(2)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(108)	–
Effects of:		
Expenses not deductible for tax purposes	107	11
Short term timing differences	(7)	(44)
Capital allowance (in excess of)/less than depreciation	(21)	55
Adjustment in respect of prior years	(23)	17
Utilisation of tax losses	–	–
Difference between small companies rate (19%) and standard rate (30%)	36	(8)
Current tax (credit)/charge for period	(16)	31

6(c) Deferred taxation	2007 Provided £'000	2006 Provided £'000
Accelerated capital allowance	111	113
Other timing differences	(19)	(90)
	92	23

The potential taxation liability, if all the Society's investment properties were disposed of at their revalued amount, has not been quantified because there is no intention to dispose of them. The maximum liability is estimated to be approximately £600,000.

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

7. Intangible Assets	Goodwill £'000
<b>Cost</b>	
At start of year	470
Additions	66
<b>At end of year</b>	<b>536</b>
<b>Amortisation</b>	
At start of year	33
Charged in year	26
<b>At end of year</b>	<b>59</b>
<b>Net book value at 27th January 2007</b>	<b>477</b>
Net book value at 28th January 2006	437

Goodwill is being amortised over a period of 20 years.

The addition to goodwill in the year relates to the Convenience Store purchased at Brownhills at a total acquisition price of £435,619.

8. Tangible Assets	Freehold Land & Buildings £'000	Leasehold Buildings £'000	Fixtures & Fittings, Plant £'000	Transport £'000	TV & Video Rental sets £'000	Total £'000
Cost or valuation at start of year	5,792	10	6,557	790	152	13,301
Additions	96	364	195	294	–	949
Disposals	–	–	–	(113)	(44)	(157)
Revaluation	7,872	–	–	–	–	7,872
<b>Cost or valuation at end of year</b>	<b>13,760</b>	<b>374</b>	<b>6,752</b>	<b>971</b>	<b>108</b>	<b>21,965</b>
Accumulated Depreciation:						
At start of year	1,591	6	4,330	543	133	6,603
Charge for year	131	10	405	103	11	660
Impairment charge	161	–	–	–	–	161
Disposals	–	–	–	(92)	(40)	(132)
Revaluation	(1,883)	–	–	–	–	(1,883)
<b>At end of year</b>	<b>–</b>	<b>16</b>	<b>4,735</b>	<b>554</b>	<b>104</b>	<b>5,409</b>
<b>Net book value at 27th January 2007</b>	<b>13,760</b>	<b>358</b>	<b>2,017</b>	<b>417</b>	<b>4</b>	<b>16,556</b>
Net book value at 28th January 2006	4,201	4	2,227	247	19	6,698

The original cost of land included in the above figures which is not depreciated is £500,000.

The impairment charge relates to the write off of the Heath Hayes funeral premises together with the write downs for properties affected adversely by the full review and revaluation carried out this year.

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

### 8. Tangible Assets (continued)

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 Tangible fixed assets.

Freehold Land and Buildings	2007 £'000	
At existing use value:	13,760	
Aggregate depreciation thereon	–	
<b>Net book value</b>	<b>13,760</b>	
	2007 £'000	2006 £'000
Historical cost of revalued assets	5,888	5,792
Aggregate depreciation thereon	1,883	1,591
<b>Historical cost net book value</b>	<b>4,005</b>	<b>4,201</b>

At the end of the year a full valuation was performed and all of the Society's Freehold Land and Buildings were revalued to market value as at 27th January 2007.

The full valuations were performed by Peter J. Hicks & Co. Chartered Surveyors.

### 9. Investment Properties

	Freehold Investment Property £'000
Valuation at start of year	8,320
Additions	44
Disposals	–
Revaluation Surplus	766
<b>Valuation at end of year</b>	<b>9,130</b>

Freehold investment properties are stated at valuation by Peter J. Hicks & Co., Chartered Surveyors on the basis of open market value as at 27th January 2007. The historic cost of investment properties included at valuation is as follows:

Cost	£'000 3,473
Accumulated Depreciation	(124)
<b>Net Book Value</b>	<b>3,349</b>

### 10. Fixed Asset Investments

	2007 £'000	2006 £'000
Co-operative Group: Shares	100	100
CIS Investment re: Funeral Plans	1,142	862
Other I & P Societies: Shares	3	4
	<b>1,245</b>	<b>966</b>

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

11. Stocks	2007 £'000	2006 £'000
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Goods held for resale	1,658	1,755
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12. Debtors	2006 £'000	2005 £'000
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Customer accounts	876	746
Prepayments	223	254
Tax recoverable	5	–

	1,104	1,000
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13. Current Asset Investments	2007 £'000	2006 £'000
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Other I & P Societies: Loans	4	4
Shares	9	8

	13	12
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14. Creditors Falling Due Within One Year	2007 £'000	2006 £'000
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Trade creditors	1,523	1,284
Accrued charges	450	262
Holiday pay reserve	121	130
Corporation Tax	–	37

	2,094	1,713
--	-------	-------

15. Loans Falling Due Within One Year	2007 £'000	2006 £'000
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Funeral prepayment plan	238	209
Sales Club	5	5

	243	214
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### 16. Capital Commitments

Further capital expenditure authorised and contracted for amounted to £353,632 (2006: £254,850).

17. Provisions for Deferred Taxation	Deferred Tax 2007 £'000	2006 £'000
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Balance to commence	23	10
Transfer from Revenue Account	69	13

Balance to end	92	23
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## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

18. Share Capital	2007 £'000	2006 £'000
Balance to commence	2,675	2,500
Contributions	583	846
Interest	81	90
	3,339	3,436
Withdrawals	763	761
Balance to end	2,576	2,675

Share Capital is Non Equity Share Capital comprising 2,575,706 shares of £1 each, attracting interest currently between Nil and 5.25% per annum depending on the amounts.

Shares are withdrawable on periods of notice varying according to the amount involved, however this requirement can be waived by the Directors under Rule 21(c).

Each member is entitled to one vote.

The Society Rules do not provide for the distribution of the surplus in the event of winding up but such dissolution would take place according to case law and the relevant Acts of Parliament applicable at that time.

19. Reserves	Revaluation reserves £'000	Revenue reserves £'000
At 28th January 2006	5,015	4,166
Retained deficit for the year	–	(413)
Share interest	–	(81)
Unrealised surplus on revaluation of investment properties	766	–
Unrealised surplus on revaluation of trading properties	9,755	–
Actuarial loss on pension scheme (net of deferred tax)	–	(514)
<b>At 27th January 2007</b>	<b>15,536</b>	<b>3,158</b>

20. Staff	2007	2006
Full time	134	151
Part time	241	247
	375	398

The total employment costs of the Society for the year were:	2007 £'000	2006 £'000
Salaries and wages	3,948	3,972
National Insurance	278	282
Pension Fund contributions	341	288
Other	24	19
	4,591	4,561

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

### 20. Staff (continued)

#### Management Executive remuneration

The total remuneration of the management executive was as follows:

	2007 £'000	2006 £'000
Salaries	368,880	355,417
Taxable benefits	11,736	11,364
	<b>380,616</b>	366,781
Pension contributions	82,257	73,123
	<b>462,873</b>	439,904

The remuneration of the Chief Executive Officer (who is also the highest paid employee) included above was as follows:

	2007 £	2006 £
Salary	102,338	97,744
Pension Contributions	22,106	19,579
	<b>124,444</b>	117,323

The following number of executive management received remuneration (including taxable benefits) falling within the following ranges:

	2007 No.	2006 No.
£30,001 - £40,000	1	1
£40,001 - £50,000	1	1
£50,001 - £60,000	1	1
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
£80,001 - £90,000	–	–
£90,001 - £100,000	–	1
£100,001 - £110,000	1	–

### 21. Pensions

The Tamworth Co-operative Society Limited Employees' Superannuation Fund is a defined benefit pension scheme, the assets of which are held in a separate fund administered by trustees.

The last valuation of the Fund was carried out as at 31st March 2004 by a qualified actuary employed by the Co-operative Insurance Society Limited. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries, pensions and equity dividends. For the purpose of the valuation as at 31st March 2004, it was assumed that the investment return would average 6.4% per annum, that earnings inflation would average 4.4% per annum, that present and future pensions would increase at an average rate of 2.9% per annum and that equity dividends would increase at an average rate of 7.0% per annum.

The contributions charged in the profit and loss account were assessed using the projected unit method.

At the date of the valuation, the market value of the Fund's assets was £6.99 million and the actuarial value was £6.99 million. The actuarial value of the assets represented 71.1% of the actuarial value of all benefits accrued to members and pensioners at that date, after allowing for the assumed future increases in wages and pensions.

During the year, the Society made contributions to the Fund amounting to approximately £402,710. The pension costs charged in the Revenue account amounted to £441,000.

For the purposes of FRS 17, the full actuarial valuation was updated to 27th January 2007, by a qualified actuary employed by Mercer Human Resources.

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

### 21. Pensions (continued)

The main assumptions used by the actuary were:

	At 27.1.07	At 28.1.06	At 29.1.05
Rate of increase in salaries	4.50%	4.30%	4.20%
Rate of increase of pensions in payment	3.00%	2.80%	2.70%
Rate of increase of pensions in deferment	3.00%	2.80%	2.70%
Discount rate	5.10%	4.70%	5.20%
Inflation assumption	3.00%	2.80%	2.70%

With effect from 1st April 2005, the Society has been contributing at the rate of 24% of the Normal Component of members' pensionable salaries, and without any special contributions.

The assets in the Fund and the expected rate of return\* were:

	At year end 27.1.07		At year end 28.1.06		At year end 29.1.05	
	£000's		£000's		£000's	
Equities	7.10%	6,774	6.70%	6,266	7.10%	4,827
Bonds	4.20%	3,461	4.20%	3,351	4.60%	2,761
Total market value of assets		10,235		9,617		7,588
Actuarial value of liability		(15,526)		(14,120)		(11,757)
Total deficit in the scheme		(5,291)		(4,503)		(4,169)
Related deferred tax asset		1,587		1,351		1,251
Net pension liability		(3,704)		(3,152)		(2,918)

\* The rates quoted above are the expected net rates of return after allowance for expenses.

### Analysis of amount charged to trading surplus

	2007 £'000	2006 £'000
Current service cost	341	288
Past service cost	–	–
Total operating charge	341	288

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

### 21. Pensions (continued)

Analysis of net return on Fund	2007 £'000				2006 £'000
Expected return on Fund assets	564				480
Interest on pension liabilities	(664)				(616)
Net return	(100)				(136)
Refund on unrecognised surplus	–				–
Other finance costs	(100)				(136)
<b>Analysis of amount recognised in statement of total recognised gains and losses (STRGL)</b>	<b>2007 £'000</b>				<b>2006 £'000</b>
Actual return less expected return on assets	(116)				1,162
Experience (loss)/gain on liabilities	(58)				(35)
Changes in assumptions	(576)				(1,453)
Actuarial loss	(750)				(326)
Deferred tax	236				100
Net loss recognised in STRGL	514				(226)
<b>Movement in surplus during the year</b>	<b>2007 £'000</b>				<b>2006 £'000</b>
Deficit in Fund at beginning of the year	(4,503)				(4,169)
Movement in year:					
Current service cost	(341)				(288)
Contributions	403				416
Net return on assets/(interest cost)	(100)				(136)
Actuarial loss	(750)				(326)
Deficit in Fund at end of year	(5,291)				(4,503)
<b>History of experience gains and losses</b>	<b>2007 £'000</b>	2006 £'000	2005 £'000	2004 £'000	
<b>Difference between expected and actual return on Fund assets:</b>					
Amount (£'000)	(116)	1,162	(1)	636	
Percentage of Fund assets	1%	12%	0%	9%	
<b>Experience (loss)/gain on Fund liabilities:</b>					
Amount (£'000)	(58)	(35)	6	(86)	
Percentage of Fund liabilities	0%	0%	0%	1%	
<b>Total amount recognised in statement of total recognised gains and losses:</b>					
Amount (£'000)	(750)	(326)	(65)	(630)	
Percentage of Fund liabilities	5%	2%	1%	6%	

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

### 22. Cash Flow

(a) Reconciliation of operating profit to operating cash flow	2007 £'000	2006 £'000
Operating profit	113	384
Amortisation of goodwill	26	24
Depreciation charge	660	613
Decrease in stock	101	368
Increase in debtors	(99)	(20)
Increase/(decrease) in creditors	418	(365)
Increase in other liabilities	–	1
Increase in funeral prepayments	207	222
Cash funding in excess of pension charge	(62)	(128)
<b>Net cash inflow from operating activities</b>	<b>1,364</b>	<b>1,099</b>
<b>(b) Returns on investment and servicing of finance</b>	<b>£'000</b>	<b>£'000</b>
Interest received	9	12
Interest paid	(40)	(5)
<b>Net cash (outflow)/inflow from returns on investment and servicing of finance</b>	<b>(31)</b>	<b>7</b>
<b>(c) Capital expenditure and financial investment</b>	<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets	(972)	(1,242)
Sale of fixed assets	–	1
Purchase of fixed asset investments	(350)	(347)
Disposal of fixed asset investments	71	62
Purchase of intangible assets	(66)	–
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(1,317)</b>	<b>(1,526)</b>
<b>(d) Acquisitions</b>	<b>£'000</b>	<b>£'000</b>
Purchase of convenience store	–	(261)
	–	(261)
In 2007 a new Convenience Store at Brownhills was purchased in the year and the purchase consideration of £435,619 has been included within capital expenditure.		
<b>(e) Management of liquid resources</b>	<b>£'000</b>	<b>£'000</b>
Purchase of current asset investments	(13)	(12)
Disposal of current asset investments	12	5
<b>Net cash outflow from management of liquid resources</b>	<b>(1)</b>	<b>(7)</b>

## NOTES TO THE ACCOUNTS

For the year ended 27th January 2007

### 22. Cash Flow (continued)

(f) Financing	2007 £'000	2006 £'000
Contributions to share capital	583	846
Withdrawals of share capital	(763)	(761)
Loans due within a year - net repayment	–	(1)
Net cash (outflow)/inflow from financing	(180)	84

(g) Analysis of net funds	At beginning of year £'000	Cash flow £'000	At end of year £'000
Cash in hand and at bank	(720)	(343)	(1,063)
Current asset investments	12	1	13
<b>Total</b>	<b>(708)</b>	<b>(342)</b>	<b>(1,050)</b>

### 23. Subsidiary Societies and Companies

As at 27th January 2007 the Group consisted of Tamworth Co-operative Society Limited and the Subsidiary Societies and Companies listed below. All of the Subsidiary Societies and Companies are wholly owned.

<b>TCS Estates Services Limited</b>	Principal activity - Property holding.
<b>Lilywalk Limited</b>	Principal activity - Funeral services.

The following were dormant throughout the year:

**McGregor Co-operative Society Limited.**

**Homelectric (Midlands) Limited.**

### 24. Related Parties

As a Retail Co-operative Society, the Society has many transactions with other Co-operative Societies. These are all commercial and at arms length. The most significant of these relates to the Society's membership of the Co-operative Retail Trading Group (CRTG) by which purchases of stock for resale are made through the Co-operative Group (CWS) Limited on terms negotiated with Third Party Suppliers by CRTG on behalf of its members. It is not considered that there are any related parties within the definition of FRS8 Related Party Disclosures.

## GROUP VALUE ADDED STATEMENT

For the year ended 27th January 2007

	2007		2006	
	£'000	%	£'000	%
<b>Turnover</b>	<b>23,502</b>		<b>23,495</b>	
Less Value Added Tax	2,076		2,068	
Sales	21,426		21,427	
Less bought-in materials and services	16,675		16,345	
<b>Value added by group</b>	<b>4,751</b>	<b>100</b>	<b>5,082</b>	<b>100</b>
Applied as follows:				
To employees:				
Net pay, Income Tax, National Insurance and Pension Fund deduction	3,948		3,972	
Group contributions for National Insurance	278		268	
Group contributions for Pension Fund	341		288	
Employee related distribution	24		26	
Interest re: Pension Fund	100		136	
	<b>4,691</b>	<b>98.7</b>	<b>4,690</b>	<b>92.3</b>
To members and other providers of capital:				
Share interest	81		90	
Interest on other financing	69		36	
Rent	85		86	
	<b>235</b>		<b>212</b>	
Less investment income and rents received	561		565	
	<b>(326)</b>	<b>(6.8)</b>	<b>(353)</b>	<b>(6.9)</b>
To members, customers and community:				
Dividend	118		190	
Charity dividend	8		8	
Education	2		2	
	<b>128</b>	<b>2.7</b>	<b>200</b>	<b>3.9</b>
Taxation charge (deferred and corporate)	53	1.1	44	0.8
For the replacement of assets and expansion of the group:				
Depreciation/amortisation	699		637	
Retained deficit	(413)		(46)	
Reserve movement in share interest	(81)		(90)	
	<b>205</b>	<b>4.3</b>	<b>501</b>	<b>9.9</b>
	<b>4,751</b>	<b>100</b>	<b>5,082</b>	<b>100</b>

## THE CO-OPERATIVE DIFFERENCE & SOCIETY OUTLETS

On the 13th November 1886 a meeting arranged in Tamworth and attended by just over 80 people decided to form what is now known as Tamworth Co-operative Society Limited. By the end of that month the first stock had been delivered and trading had commenced.

The Society was controlled by a democratically elected Committee, all local people and totalling 12 in number. Today's Society still has a Board of Directors now comprised of 9 Members who are still elected democratically by Members to serve for 3 years on rotation.

Members are actively encouraged to apply for Directorship and any training required will be provided.

In 1887 the Committee decided to allocate part of its turnover for education purposes. Nowadays the Society still allocates money in the same way and the management and Board work hard to improve Members' knowledge of Co-operation.

On 26th March 1887 payment of the Society's first Dividend was arranged. Whilst Members waived their right to this Dividend on that occasion, nevertheless the Society has fully committed itself to the Dividend principle and still shares its profits to its Members consistently every year, according to the level of profits earned, and this is declared at the society's Annual General Meeting.

In 1889 the first Charitable Grants were allocated by the Committee. Since that date the Society has continued to play its part within the Community by making Grants to local Charities. Every year, local organisations are encouraged to apply for grants from the Chief Executive's office.

- Your Society continues to be owned and controlled in a democratic way through its local Membership.
- We aim to achieve the highest standards of service and to provide a variety and choice within a range of trading outlets together with courteous and personal attention.
- It is our continued belief that Members should be entitled to share in the profits of the Society whilst ensuring that there are sufficient Reserves for the Society to be able to ensure a Co-operative trading future for Members in the years to come.
- The Society plays an important part in the local Community and is proud of its strong associations with the areas from which it trades.

Further details of how Members can play a full part in the Society can be obtained from the Chief Executive Officer.

### FOOD SUPERMARKET

Church Street, Tamworth.

### CONVENIENCE STORES

70 New Street, Dordon.

264 Main Road, Amington.

251 Main Road, Glascote.

High Street, Polesworth.

129 Stanton Road, Stanton.

Tamworth Road, Wood End.

109 Tamworth Road, Kingsbury.

107 Amington Road, Bolehall.

Main Street, Rosliston.

Main Road, Whittington.

James Brindley Way, Stretton,  
Burton upon Trent.

75A Mark's Walk, Lichfield.

5-9 Howdles Lane, Brownhills, Walsall.

### NON FOOD STORES

Department Store, Church Street,  
Tamworth.

The Delph, Swadlincote.

Homelectric, Civic Way, Swadlincote.

Invite, The Octagon Centre,  
Burton upon Trent.

### POST OFFICES

Church Street, Tamworth.

The Delph, Swadlincote.

Main Street, Rosliston.

Tamworth Road, Wood End.

### FUNERAL SERVICES

Upper Gungate, Tamworth.

Station Street, Atherstone.

Granville Street, Woodville.

High Street, Uttoxeter.

Queen Street, Cheadle.

Hednesford Road, Heath Hayes.

Norton Road, Pelsall.

Walsall Road, Great Wyrley.

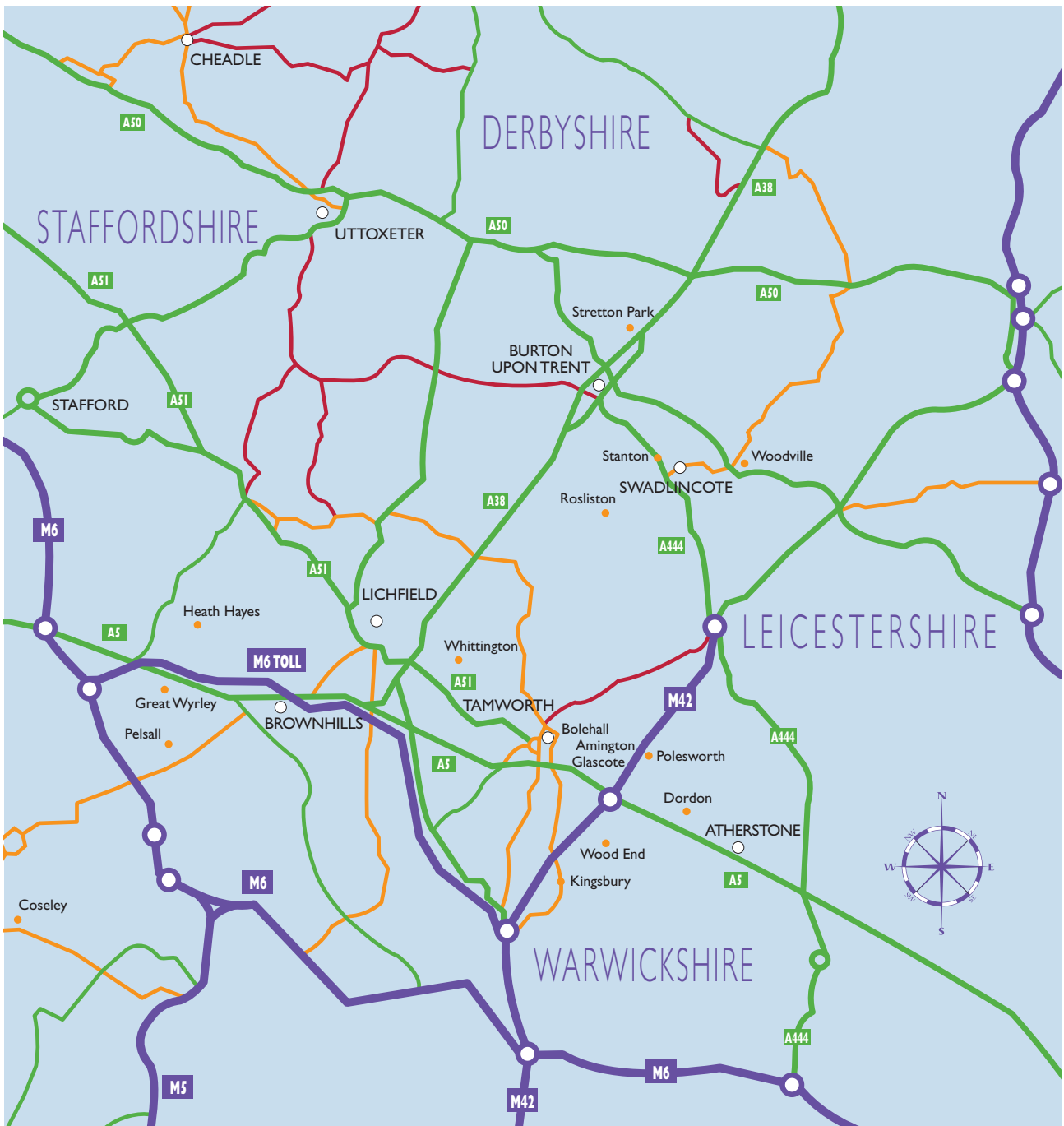
Castle Street, Coseley.

### PETROL STATIONS

Bonehill Road,  
Tamworth.



# TAMWORTH CO-OPERATIVE SOCIETY TRADING AREA



Tamworth Co-operative Society's trading area currently extends from Cheadle in the north to Coseley in the West Midlands and east as far as Woodville.



Tamworth Co-operative Society Limited

*Registered Office:*

5 Colehill, Tamworth,  
Staffordshire B79 7HA

*Telephone:* 01827 637111

*Fax:* 01827 62999

*Website:* [www.tamworth.coop](http://www.tamworth.coop)

*Registered number:* 2582R

