

**TAMWORTH CO-OPERATIVE SOCIETY LIMITED**

**ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 23 JANUARY 2010**

**Registered Number 2582R**

## **CO-OPERATIVE MISSION STATEMENT**

Our mission is to challenge conventional UK enterprise by building a commercially 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.

### **Contents**

The Board of Directors	1
Management Executive, advisers and notice of meeting	1-2
Five year comparative statement	3
Report of the Board of Directors	4-12
Statement of Directors' Responsibilities	13
Directors' Meeting Attendances	14
Independent Auditors' Report	15-16
Statement of Accounting Policies	17-20
Group Revenue Account	21
Group Balance Sheet	22
Group Cash Flow Statement	23
Statement of Total Recognised Gains & Losses	24
Notes of historical costs, profit and losses	24
Reconciliation of movement in Shareholder Funds	24
Notes to the Accounts	25 – 38
Group Value Added Statement	39
The Co-operative Difference	40

## Officials, Advisers & Notice of Meeting

### Board of Directors

Audrey A. Higginson <sup>\*+^o</sup>  
Chairman  
Kevin G. Wood <sup>+o\*</sup>  
Vice Chairman  
Graham W. Johnson <sup>\*+ox^</sup>  
Alan M. King <sup>\*o</sup>  
Alan V. King  
Audrey M. Poulten <sup>\*+ox</sup>  
David M. Rose  
Robert W. Read <sup>ox</sup>  
Diane Trout <sup>\*x^</sup>

\* Member of the Remuneration Committee  
+ Member of the Search Committee  
o Pension Fund Trustees  
x Member Relations Committee  
^ Member Health & Safety Committee  
(Mr. Read serves on the Health & Safety Committee as an Employee)

### Management Executive

Julian Coles FCCA, ACIS – Chief Executive Officer and Secretary  
Robert W. Read – Senior General Manager  
Andrew N. Richardson ACMA – Financial Controller  
Ronald C. Constable – General Manager - Non Food  
Amanda J. Woodward MBIE – General Manager – Funeral Services

### Auditors

KPMG LLP 1 Snowhill, Snow Hill Queensway, Birmingham. B4 6GH

### Bankers

NatWest,  
8 Market Street,  
Tamworth.  
B79 7LS.

### Architects

Haden Ritchie Bailey,  
The Manor House,  
Lichfield Street,  
Tamworth.  
B79 7QF

### Solicitors

Dewes Sketchley,  
10 Colehill, Tamworth. B79 7HE.

### Registered Office

5 Colehill, Tamworth. B79 7HA.

Registered Number 2582R

## **Annual General Meeting**

### **Notice of Meeting**

Notice is hereby given that the **Annual General Meeting (1)** of the Society will be held on:

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

Wednesday 21 April 2010  
at 7.15 p.m.

(1) Admission on presentation of  
a valid Pass Card.

By Order of the Board

Julian Coles  
Secretary  
9 March 2010.

### **Agenda**

1. To confirm the Minutes of the Annual General Meeting held on 22 April 2009.
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 23 January 2010 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.

## FIVE YEAR COMPARATIVE STATEMENT

### Key Performance Indicators

52 Weeks Ended 23 January 2010

	2006	2007	2008	2009	2010
Return on Capital employed.	4.8	5.0	2.3	0.0	0.8
Net Profit as a % of Sales.	1.0	(0.2)	0.9	(1.2)	3.0
Trade Profit after Depreciation as % of Sales.	1.6	0.4	1.9	0.0	0.6
Trade Profit before Depreciation as % of Sales.	4.4	3.5	5.2	3.4	3.8
Gearing %	6.1	9.2	11.0	3.2	2.2
Interest Cover (times)	50.4	1.4	7.6	0.3	4.5
Retention as % Sales.	0.2	(1.9)	(1.4)	(3.7)	0.0
Capital Expenditure as a % of Sales.	7.0	4.6	5.6	1.2	8.2
Total Net Assets	11,856	21,270	22,739	18,195	15,118
Represented by:					
Share Capital	2,675	2,576	2,511	2,297	2,302
Reserves	9,181	18,694	20,228	15,898	12,816

---

Note: All figures have been calculated in line with current Co-operatives<sup>UK</sup> Recommendations, and updated where applicable. Trading properties have been revalued annually with effect from 2007 by an external valuer.

## **REPORT OF THE BOARD OF DIRECTORS**

### **Financial Review:**

The Society's total turnover (excluding concession sales) for the year amounted to £22,799,000, an increase of £309,000 on the previous year. Adjusting for discontinued Non Food operations, on a like for like basis sales increased by £919,000 equal to 4.3%. In terms of turnover the food business represents 78.4%, non-food 9.6%, funeral 10.5% and garage/sundry 1.5%.

During the year two of our non-food branches were discontinued – the Homelectric branch at Swadlincote closed on 31 October 2009 with that building being sold, and the “Invite” fashion store at Burton ceased trading on 5 December 2009 with the lease terminating later in that month. In addition our Tamworth television servicing department closed on 11 December 2009. Overall the results include an expense of £40,000 in respect of redundancy costs. Trading conditions within non food have remained challenging but we feel that the actions taken in the course of this year will enable us to minimise the losses from the non food division in the future.

For our food business there has been an intensive capital investment programme with a total spend of £1,220,000. An entirely new store has been built at Rosliston next to the previous store. The Board determined it was appropriate to build the new store, due to the poor condition of the former store. In addition the Kingsbury store has been enlarged and extensively refitted. A further 7 convenience stores were re-branded to the Co-operative logo and underwent minor refit work, this included a new kiosk in the Tamworth department store. The new “Co-operative” brand has now been introduced at most convenience locations.

Our Funeral division has reported a small reduction in sales across the full year, but has recorded increased profitability. A new fleet of vehicles was delivered just after the end of the financial year reflecting a new investment of £264,000 in this business. During the financial year the Board approved a new computerisation project for the funeral side of the business using services supplied by East Midland Computers. Installation of this system commenced towards the end of the financial year in January 2010.

Property interests have been adversely affected by the current state of the economy. External rents received were down on the prior year by £68,000. Whilst the property sector generally has been depressed the Society were pleased to be able to complete the purchase of an additional investment property at 9 Colehill, as this consolidates our investments in that area. Impairment charges have been recognised during the year, particularly from the Rosliston Convenience Store. In total impairment charges of £120,000 have been recognised in the Group Revenue Account. In addition, balance sheet reserves have reduced by £956,000 across trading and investment properties, reversing potential gains shown in earlier years.

The Society has made significant changes to provide pension fund benefits in the year. Following a consultation process the final salary pension scheme was closed to future accrual on the 31 October 2009. Employees who were then members of that scheme were invited to join a new stakeholder or money purchase arrangement arranged with AVIVA. Under the final salary pension scheme employees that joined before a certain date had a right to retire at aged 60, although this was not provided for in the FRS 17 liability calculations after 2007. The change in the pension arrangements has therefore triggered a curtailment cost of £981,000 which is recognised in these accounts. The accounts also include an exceptional profit on asset sales of £1,830,000 in respect of gains on the Swadlincote property transaction.

Against current difficulties in the economy the Board is satisfied with progress made during the year and the emphasis in the future will be to continue to improve the profitability of the Society.

## **REPORT OF THE BOARD OF DIRECTORS (continued)**

### **Dividend:**

The Board of Directors remains mindful of the importance of dividends to our Members and the Board has again agreed to pay the same dividend at 2% on all qualifying purchases.

Significant charitable donations were made to the following organisations during the year:

County Air Ambulance  
Victim Support  
Austrey Village Hall, Atherstone  
Starfish Project, Tamworth  
Kingsbury Parish Council Play Area  
North Warwickshire Retired Miners Leisure Club  
Pathway Project  
Tamworth CAN

From 24<sup>th</sup> January 2010 the Society has introduced a new community dividend arrangement, and each retail branch now has a local community initiative to support, for the financial year 2010/11. These are listed below:

Department Store	-	St. Edithas Church Roof Fund.
Swadlincote The Delph	-	Springfield Junior School Balloon Room Autistic Provision.
Tamworth Supermarket	-	Girl Guiding Tamworth Division.
Amington	-	Amington Community Fete Committee.
Bolehall	-	Friends of Warwickshire Moor.
Brownhills	-	Watling Street Primary School.
Burntwood	-	Burntwood Youth Centre.
Dordon	-	Dordon Community Primary School.
Glascote	-	The Sharon Fox Cancer Centre Fund.
Kingsbury	-	1 <sup>st</sup> Kingsbury Scout Group.
Lichfield	-	Willows Primary School.
Polesworth	-	Polesworth Scout Group.
Rosliston	-	Coton-in-the-Elms Pre School.
Stanton	-	Stanton Village Hall.
Stretton	-	William Shrewsbury Primary School.
Whittington	-	Whittington First Responders.
Wood End	-	Wood End School.

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

Dividend Certificates	£102,000
Waived Dividends to Charities	£10,000
<b>Total</b>	<b>£112,000</b>

### **Membership:**

The Society is pleased to welcome a further 259 members into the Society during the year.

Deaths and removals have accounted for a closure of 135 accounts which leaves a total membership now amounting to 37,573

## **REPORT OF THE BOARD OF DIRECTORS (continued)**

### **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.

### **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, fully detailed on page 1, and this is responsible for the following duties:

- Formulate plans for succession for members of the Management 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.

The Search Committee has met on three occasions during the year.

Recommendations from the Search Committee are made to the full Board of Directors.

### **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 23 January 2010 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 Board 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 a 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.



## **REPORT OF THE BOARD OF DIRECTORS (continued)**

### **Remuneration Policy (continued)**

Further details concerning executive remuneration can be found on pages 33 and 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**

A Board Sub Committee concentrates on such matters and this Committee has met on six occasions during the year. Certain employees also take part in member relations meetings. In addition the Society has continued to contribute to the Co-operative Educational Fund and the West Midlands Educational Group and to play its part in both organisations. Two of its members attend the meetings of the WMCMEG.

### **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**

As a co-operative society we have been asked to measure ourselves against a number of 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. These are reported on as follows, unless they are separately covered elsewhere in this report.

### **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. For the 52 weeks ending 23 January 2010 members claimed dividend on 21.6% of society sales (as against 21.9% last year).

The Society recruited 259 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 had an election at the AGM in April 2009.

The number of members who attended the AGM in 2009 was 38 against 46 in 2008, 65 in 2007 and 41 in 2006.

### **Participation in training and education**

All employees are encouraged to actively undergo training and regular courses take place throughout the organisation each year.

### **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 131 accidents were reported across the Society of which 84 were employees of the Society. 10 employees had reportable accidents. The comparative figures for the previous year were 120 accidents including 91 to staff, 3 of these incidents were reportable.

The average number of days lost per employee through sickness and absenteeism was 8.2 days against 7.4 days the previous year.

## **SOCIAL AND CO-OPERATIVE PERFORMANCE (continued)**

### **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.

The Board is currently composed of six male and three female Directors. Senior management is made up of four men and one woman.

73% of total employees are women and 27% men. 33% of employees are full-time and 67% part-time

### **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.

### **The Environment**

The Society currently purchases all of its energy via the Co-operative Group Energy Management Consortium. This is a collection of Co-operative Societies working together to ensure the best possible approach to the utility markets. The Consortium and therefore the Society has two electricity contracts, one administered by Scottish Power and the other by Scottish and Southern Energy. All of the electricity that is bought through the Consortium is 100% Type 1 green power. This can be defined as 'electricity that is only sourced from wind farms and small scale hydro plants.' The green credentials of this type 1 power make it exempt from the climate change levy tax (CCL), which is a standard tax all UK businesses are obliged to pay on every unit of standard energy they consume. The premium that is paid for receiving type 1 green electricity is cost neutral to the charge for the CCL so the privilege and benefit of having green energy does not cost the Society anything extra. This is very unique and many businesses have to pay a large premium to secure green electricity making the decision to use it too expensive and non commercial. Alongside this, the Consortium has a very large proportion of the green electricity available in the country, again, making it very difficult for other retailers to secure sufficient green electricity for their requirements.

### **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.

## **CORPORATE GOVERNANCE**

### **Responsibilities of the Board of Directors**

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 does not agree with these recommendations.

The recent rule changes now make it possible for the Society to appoint co-opted directors – the position is fully detailed in the Rules but co-opted directors must always be in a minority, are appointed for a fixed period, and must seek election at the next Annual General Meeting following co-option.

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 the present time.

A Code of Conduct for directors has been introduced with effect from February 2009.

## **CORPORATE GOVERNANCE (continued)**

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.

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.

### **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. This contains a list of recommendations which are being actioned.

It has been agreed that the Vice Chairman acts 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.

## **CORPORATE GOVERNANCE (continued)**

### **(A) CONTROL ENVIRONMENT (continued)**

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 Limited.

At 23 January 2010 the number of creditor days outstanding for the Society was 17.2 days (2009- 20.9 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.

Audrey A. Higginson, Chairman of the Board.

Julian Coles, Chief Executive Officer.

9 March 2010.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the Group 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 or loss of the Group for that period.

In preparing the Group 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 Group 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 Group and to prevent and detect fraud and other irregularities.

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.

## **DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who held Office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's Auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

## **BOARD CERTIFICATION**

The financial statements on pages 21 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.

**Audrey A. Higginson**  
Chairman of the Board.

**Julian Coles**  
Chief Executive Officer.  
9 March 2010

## DIRECTORS' ATTENDANCES

Name	Appointment Expires	Possible Attendances	Actual Attendances
Mrs.A.A.Higginson	2010	34	33
Mr.K.G.Wood	2011	29	24
Mr.G.W.Johnson	2011	40	38
Mr.A.M.King	2012	27	26
Mr.A.V.King	2012	13	13
Mrs.A.M.Poulten	2010	34	28
Mr.R.W.Read	2011	30	30
Mr.D.M.Rose	2012	13	12
Mrs.D.Trout	2010	30	27



## **Independent Auditors' Report to the members of Tamworth Co-operative Society**

We have audited the financial statements of Tamworth Co-operative Society for the 52 weeks ended 23 January 2010 which comprise the Group Revenue Account, the Group Balance Sheet, the Group Cashflow Statement, the Group Statement of Total Recognised Gains and Losses, the Notes of Historical Costs, Profits and Losses, 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 are set out in the Statement of Directors' Responsibilities on page 13.

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 2003.

In addition we 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 review whether the statement on pages 10 to 12 reflects the Society's compliance with paragraphs D1.1 (paragraph 5), D2.1, D2.4, D3.1 (paragraph 3) and D3.2 of the Co-operatives<sup>UK</sup> Limited's Corporate Governance Code of Best Practice issued in May 2005, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Society's corporate governance procedures or its risk and control procedures.

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 affairs as at 23 January 2010 and of the Group's loss for the 52 week period then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003.

J D Leech  
Senior Statutory Auditor  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Registered Auditor  
1 Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

21 April 2010

## **Statement of Accounting Policies**

### **In respect of the Accounts for the period ended 23 January 2010**

#### **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 under the historical cost accounting rules, modified to include the revaluation of land and buildings.

#### **2. Accounting Date**

The Accounts are in respect of the 52 week period ended 23 January 2010 with comparative figures for the 52 week period ended 24 January 2009.

#### **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. Prior year adjustment**

In order to provide greater clarity as to revenue recognition, the Society has restated its disclosures for turnover.

FRS 5 requires that in calculating turnover, a distinction is made between transactions where the seller is deemed to act as principal and those where it is agent. In determining whether the seller assumes an agency or principal role, consideration is given to which party has exposure to all the significant risks associated with establishing the selling price and holding stock. The Society has concluded that it acts as agent with respect to some in-store concessions.

Turnover last year included gross revenue earned by these concessions and restated in these accounts such that only the net commission earned by the Society is shown as turnover. To help users of these financial statements to understand the gross sales made by the Society including its concessions a new disclosure of Gross Takings has been included for the first time in these financial statements.

There has been no impact on the reported profit in either the period ended 24 January 2009 or 23 January 2010 as a result of the above.

The comparative figures have been restated to reflect with this change. The table below sets out of the impact on the revenue account:

## Statement of accounting policies (continued)

### 4 Prior year adjustment (continued) 2009 £'000

#### Restatement

Society turnover (as previously stated)	23,996
Gross takings less net commissions earned from concessions	(1,506)
<b>Turnover - restated</b>	<b>22,490</b>

Concession Sales of £1,800,000 (2009 £2,228,000) are identified separately in the Revenue Account and are deducted from the Gross Takings to calculate Turnover. An amount of £722,000 in 2009 has been included within concession sales and represents concession income that previously was accounted for as net commission

### Cost of sales 2009 £'000

Society cost of sales (as previously stated)	14,536
Gross takings less net commissions earned from concessions	(1,506)
<b>Cost of sales - restated</b>	<b>13,030</b>

### 5. Gross takings

Gross Takings includes cash sales, goods sold on credit, concessionaire sales and television/video rental income, inclusive of Value Added Tax.

### 6. Turnover

Turnover represents sales excluding VAT. The turnover is attributable to the principal activity of the Society.

### 7. Investment Income

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

### 8. 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.

## **9. Tangible Fixed Assets and 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:

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

## **10. Assets Leased to the Group**

Rentals due under Operating Leases are charged to Revenue Account in the year that the cost accrues.

The future commitment relating to Operating Leases is based on the minimum amounts payable.

## **11. Taxation**

Current:

The change 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 FRS 19.

## **12. Stocks**

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

## **13. Repairs**

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

#### **14. 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 1 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 were previously sold.

#### **15. Pensions**

The Society operated a Final Pay Pension Scheme covering service until 31 October 2009. 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. From 1 November 2009 a new Stakeholder or "Money Purchase" Scheme has been made available to former Members of the Final Salary Pension Scheme.

#### **16. Property income**

Income received from property is accounted for at the time of receipt.

**GROUP REVENUE ACCOUNT**

52 Weeks Ended 23 January 2010

		<b>2010</b>		2009	
	NOTES	£'000	£'000	Restated £'000	£'000
<b>Gross Takings</b>		<b>24,599</b>		24,718	
Less Concession Sales		<b>(1,800)</b>		(2,228)	
<b>Turnover</b>			<b>22,799</b>		22,490
Value Added Tax			<b>(1,766)</b>		(1,984)
<hr/>					
Net sales			<b>21,033</b>		20,506
Cost of sales			<b>(13,702)</b>		(13,030)
<hr/>					
Gross profit			<b>7,331</b>		7,476
Expenses less income from property	1		<b>(7,214)</b>		(7,474)
<hr/>					
<b>Trading surplus</b>			<b>117</b>		2
<hr/>					
<b>Surplus before Interest, Pension &amp; Asset Sales</b>			<b>117</b>		2
Profit on disposal of fixed assets			<b>1,802</b>		-
Pension Scheme curtailment costs			<b>(981)</b>		-
Interest receivable	2		<b>26</b>		7
Interest payable	3		<b>(26)</b>		(74)
Other finance costs	20		<b>(304)</b>		(182)
<hr/>					
<b>Surplus/(Deficit) for period before distribution and impairment charges</b>			<b>634</b>		(247)
Impairment of land and buildings			<b>(120)</b>		(286)
<hr/>					
Surplus/(Deficit) for period before distribution			<b>514</b>		(533)
Dividend	4	<b>(113)</b>		(110)	
Grants	5	<b>(36)</b>	<b>(149)</b>	(47)	(157)
<hr/>					
Surplus/(Deficit) for period before taxation			<b>365</b>		(690)
Taxation Charge	6		<b>(410)</b>		(73)
<hr/>					
<b>Retained Deficit for period</b>			<b>(45)</b>		(763)

**GROUP BALANCE SHEET**

52 Weeks Ended 23 January 2010

		2010		2009	
	NOTES	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Intangible assets	7		396		423
Tangible assets	8		12,371		14,433
Investment Properties	9		6,369		6,015
Fixed Asset Investments	10		2,168		1,824
			<b>21,304</b>		<b>22,695</b>
<b>Current Assets</b>					
Stocks	11	1,234		1,521	
Debtors and prepayments	12	928		1,258	
Cash at Bank and in hand		1,998		-	
		<b>4,160</b>		<b>2,779</b>	
<b>Current Liabilities</b>					
Amounts falling due within one year					
Bank Overdraft		-		(288)	
Creditors – Trade	13	(2,354)		(2,045)	
Dividend		(57)		(43)	
Other		(2)		(3)	
		<b>(2,413)</b>		<b>(2,379)</b>	
Loans	14	(345)		(309)	
		<b>(2,758)</b>		<b>(2,688)</b>	
<b>Net current assets</b>			<b>1,402</b>		<b>91</b>
<b>Total assets less current liabilities</b>					
Provision for deferred taxation	16		(697)		(294)
Funeral prepayment plans			(2,387)		(2,129)
<b>Net assets before pension</b>			<b>19,622</b>		<b>20,363</b>
<b>Pension liability</b>					
	20		(4,504)		(2,168)
<b>Net assets</b>			<b>15,118</b>		<b>18,195</b>
<b>Financed by:</b>					
Share capital	17		2,302		2,297
Revaluation reserves	18		8,455		10,663
Revenue reserves	18		4,361		5,235
<b>Members Funds</b>			<b>15,118</b>		<b>18,195</b>

Company Registration Number 2582R



**GROUP CASHFLOW STATEMENT**

52 Weeks Ended 23 January 2010

	NOTES	2010 £'000	2009 £'000
<b>Cash inflow from Operating Activities</b>	21(a)	<b>1,044</b>	531
<b>Returns on Investments and Servicing of Finance</b>	21(b)	<b>19</b>	(36)
<b>Benefits paid to Members</b>		<b>(113)</b>	(110)
<b>Grants and Donations</b>		<b>(36)</b>	(47)
<b>Taxation paid</b>		<b>(31)</b>	(28)
<b>Capital expenditure and financial investment</b>	21(c)	<b>1,433</b>	1,168
<hr/>			
<b>Cash inflow before use of liquid resources and financing</b>		<b>2,316</b>	1,478
<b>Management of liquid resources</b>	21(d)	-	16
<b>Financing</b>	21(e)	<b>(30)</b>	(292)
<hr/>			
<b>Increase in cash in the period</b>		<b>2,286</b>	1,202

**RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS**

52 Weeks Ended 23 January 2010

	NOTES	2010 £'000	2009 £'000
<b>Increase in cash in the period</b>		<b>2,286</b>	1,202
Cash inflow/(outflow) from management of liquid resources		-	(16)
<hr/>			
<b>Change in net debt resulting from cash flows</b>	21(f)	<b>2,286</b>	1,186
Net debt at the start of the period	21(f)	<b>(288)</b>	(1,474)
<hr/>			
<b>Net cash/debt at the end of the period</b>	21(f)	<b>1,998</b>	(288)

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

52 Weeks Ended 23 January 2010

	NOTES	2010 £'000	2009 £'000
Deficit for period		(45)	(763)
Unrealised deficit on revaluation of investment properties	18	(164)	(1,380)
Unrealised deficit on revaluation of trading properties	18	(792)	(2,018)
Actuarial loss on Pension Fund (net of deferred tax)		(2,046)	(91)
<hr/>			
Total recognised losses relating to the period		(3,047)	(4,252)
Total losses since last Annual Report		(3,047)	(4,252)

## NOTES OF HISTORICAL COSTS, PROFITS AND LOSSES

52 Weeks Ended 23 January 2010

	2010 £'000	2009 £'000
Surplus/(deficit) on ordinary activities before taxation	365	(690)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	32	40
Realisation of property revaluation gains of previous periods	1,220	1,721
<hr/>		
Historical cost surplus on ordinary activities before taxation	1,617	1,017
<hr/>		
Historical cost surplus for the period retained after taxation and distribution	1,058	841

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

52 Weeks Ended 23 January 2010

	2010 £'000	2009 £'000
Surplus/(deficit) before distribution and taxation	514	(533)
Distributions and taxation	(559)	(230)
<hr/>		
Deficit after distributions and taxation	(45)	(763)
Revaluation deficit arising in the period on investment properties	(164)	(1,380)
Revaluation deficit arising in the period on trading properties	(792)	(2,018)
Contributions and interest less withdrawals during the period	5	(214)
Actuarial loss (net of deferred tax)	(2,046)	(91)
Share Interest	(35)	(78)
<hr/>		
Movement in period	(3,077)	(4,544)
Opening Shareholders' Funds	18,195	22,739
<hr/>		
Closing Shareholders' Funds	15,118	18,195

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

<b>1</b>	<b>Expenses</b>	<b>2010</b>	2009
		<b>£'000</b>	£'000
	Personnel costs	4,622	4,772
	Occupancy costs	1,203	1,513
	Depreciation	657	677
	Audit fees paid to KPMG LLP	28	26
	Taxation Advice fees paid to KPMG LLP	17	21
	Other fees paid to KPMG LLP	43	20
	Directors' fees	22	11
	Other Expenses	1,094	978
	Income from property	(503)	(571)
	Amortisation of goodwill on acquisition	27	27
		<b>7,214</b>	<b>7,474</b>
<b>2</b>	<b>Interest Receivable</b>	<b>2010</b>	2009
		<b>£'000</b>	£'000
	Co-operative Group	10	4
	Other I & P Societies: Shares and Loans	-	3
	Bank and Other Interest received	16	-
		<b>26</b>	<b>7</b>
<b>3</b>	<b>Interest Payable</b>	<b>2010</b>	2009
		<b>£'000</b>	£'000
	Bank	7	42
	Funeral Prepayment plans	19	32
		<b>26</b>	<b>74</b>
<b>4</b>	<b>Dividend</b>	<b>2010</b>	2009
		<b>£'000</b>	£'000
	Dividend to Shareholders	110	105
	Waived Dividends given to Charity	3	5
		<b>113</b>	<b>110</b>
<b>5</b>	<b>Grants and Donations</b>	<b>2010</b>	2009
		<b>£'000</b>	£'000
	Member Relations	2	2
	Employee related	34	45
		<b>36</b>	<b>47</b>

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

<b>6(a) Taxation Charge</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
UK Corporation Tax:		
Current tax on profit/loss for the period	<b>(64)</b>	-
Adjustment in respect of prior periods	<b>(56)</b>	-
Deferred Tax:		
Origination (reversal of timing differences)	<b>(429)</b>	(73)
Adjustments in respect of FRS 17	<b>113</b>	
Adjustment in respect of prior period	<b>26</b>	-
	<b>(410)</b>	(73)

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

The tax charge for the period is higher (2009: credit is lower) than the standard rate of corporation tax in the UK of 28% (2009 standard rate of 28%). The differences are explained below:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(Loss) on ordinary activities before tax.	<b>365</b>	(690)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2009 28.5%)	<b>102</b>	(197)
Effects of:		
Expenses not deductible for tax purposes	<b>242</b>	141
Capital gains in excess of profit on disposal of fixed assets	<b>260</b>	-
Short term timing differences	<b>(265)</b>	(72)
Capital allowance in excess of depreciation	<b>(63)</b>	(5)
Adjustment in respect of prior years	<b>56</b>	133
Losses utilised	<b>(192)</b>	-
Difference between small companies rate (21%) and standard rate (28%)	<b>(20)</b>	-
Current tax charge/(credit) for period	<b>120</b>	Nil

**6(c) Deferred taxation**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated Capital Allowance	<b>134</b>	112
Other timing differences	<b>563</b>	182
	<b>697</b>	294

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 £670,000 (2009: £700,000).

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

**7 Intangible Assets- Goodwill**

£'000

**Cost**

At start of period 536

Additions -

At end of period 536

**Amortisation**

At start of period 113

Charged in period 27

At end of period 140

**Net book value at 23 January 2010 396**

Net book value at 24 January 2009 423

Goodwill is being amortised over a period of 20 years.

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

<b>8 Tangible Assets</b>	Freehold Land & Buildings	Leasehold Buildings	Fixtures & Fittings, Plant	Transport	TV & Video Rental Sets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at start of period	12,043	380	7,327	985	68	20,803
Additions	304	-	889	13	-	1,206
Disposals	(1,670)	-	(668)	-	(9)	(2,347)
Revaluations	(1,040)	-	-	-	-	(1,040)
Cost or valuation at end of period	9,637	380	7,548	998	59	18,622
Accumulated Depreciation:						
At start of period	-	36	5,542	724	68	6,370
Charge for period	128	10	426	93	-	657
Impairment charge	120	-	-	-	-	120
Disposals	-	-	(639)	-	(9)	(648)
Revaluation	(248)	-	-	-	-	(248)
At end of period	-	46	5,329	817	59	6,251
<b>Net book value</b>						
<b>At 23 January 2010</b>	<b>9,637</b>	<b>334</b>	<b>2,219</b>	<b>181</b>	<b>-</b>	<b>12,371</b>
Net book value						
At 24 January 2009	12,043	344	1,785	261	-	14,433

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

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

**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**

	<b>2010</b> <b>£'000</b>	2009 £'000
At existing use value:	<b>9,637</b>	12,043
<hr/>		
Net book value	<b>9,637</b>	12,043

	<b>2010</b> <b>£'000</b>	2009 £'000
Historical cost of revalued assets	<b>6,439</b>	6,660
Aggregate depreciation thereon	<b>(2,325)</b>	(2,327)
<hr/>		
Historical cost net book value	<b>4,114</b>	4,333

At the end of the year a full valuation was performed and all of the Society's Freehold Land and Buildings were revalued to existing use value as at 23 January 2010.

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

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

**9 Investment Properties**

Freehold Investment Property

	£'000
Valuation at start of period	6,015
Additions	518
Disposals	-
Revaluation Deficit	(164)

---

**Valuation at end of period** **6,369**

---

**10 Fixed Asset Investments**

**2010** 2009  
**£'000** £'000

Co-operative Group: Shares	<b>100</b>	100
CIS Investment re: Funeral Plans	<b>2,061</b>	1,720
Other I & P Societies: Shares	7	4

---

**2,168** 1,824

---

**11 Stocks**

**2010** 2009  
**£'000** £'000

Goods held for resale	<b>1,234</b>	1,521
-----------------------	--------------	-------

**12 Debtors**

**2010** 2009  
**£'000** £'000

Customer accounts	<b>789</b>	1,108
Prepayments	<b>139</b>	150
Tax recoverable	-	-

---

**928** 1,258

---



**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

<b>13 Creditors Falling Due Within 1 Year</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	975	1,197
Accrued charges	605	412
Customer deposits	83	-
Holiday pay reserve	-	8
Corporation Tax	89	-
Other Taxation and Social Security	602	428
	<b>2,354</b>	<b>2,045</b>

<b>14 Loans Falling Due Within One Year</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Funeral prepayment plan	341	304
Sales Club	4	5
	<b>345</b>	<b>309</b>

**15 Capital Commitments**

Further capital expenditure authorised and contracted for £264,000 (2009 Nil).

<b>16 Provisions for deferred taxation</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Balance to commence	294	221
Transfer from Revenue Account	403	73
Balance to end	<b>697</b>	<b>294</b>

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

<b>17 Share Capital</b>	<b>2010</b>	2009
	<b>£'000</b>	£'000
Balance to commence	2,297	2,511
Contributions	488	460
Interest	35	78
	<b>2,820</b>	3,049
Withdrawals	<b>(518)</b>	(752)
Balance to end	<b>2,302</b>	2,297

Share Capital is Non Equity Share Capital comprising 2,301,761 shares of £1 each, attracting interest currently between Nil and 2.75% per annum depending on the balance held.

Shares are withdrawable on periods of notice varying according to the amount involved, however this requirement can be waived by the Directors under Rule 7.9(b).

Each member is entitled to one vote.

The Society Rules provide that any surplus assets remaining on winding-up of the Society shall be distributed to local charitable organisations as determined by the members at an ordinary or special members meeting.

<b>18 Reserves</b>	<b>Revaluation</b>	<b>Revenue</b>
	<b>reserves</b>	<b>reserves</b>
	<b>£'000</b>	<b>£'000</b>
At 24 January 2009	<b>10,663</b>	5,235
Retained deficit for the period	-	(45)
Share Interest	-	(35)
Unrealised deficit on revaluation of investment properties	<b>(164)</b>	-
Unrealised deficit on revaluation of trading properties	<b>(792)</b>	-
Actuarial loss on pension scheme (net of deferred tax)	-	(2,046)
Transfer between reserves on sale of property	<b>(1,220)</b>	1,220
Transfer of historical cost	<b>(32)</b>	32
<b>At 23 January 2010</b>	<b>8,455</b>	<b>4,361</b>

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

<b>19 Staff</b>	<b>2010</b>	<b>2009</b>
Full time	<b>127</b>	113
Part time	<b>258</b>	267
	<b>385</b>	380

The total employment costs of the Society for the period were:	<b>2010</b>	2009
	<b>£'000</b>	£'000
Salaries and wages	<b>4,217</b>	4,239
National Insurance	<b>282</b>	308
Pension Fund contributions	<b>79</b>	211
Other (inc. Training)	<b>44</b>	14
	<b>4,622</b>	4,772

During the prior period under review the Society has paid out to employees any accrued holiday pay that relates to the former 'prior period' accrual basis for service pre 1999. The amounts paid have been taken from the accrual established for this purpose. The remaining holiday pay accrual is Nil at January 2010, compared to £8,000 at January 2009.

**Management Executive remuneration**

The total remuneration of the management executive was as follows:

	<b>2010</b>	2009
	<b>£000</b>	£000
Salaries	<b>322</b>	430
Taxable benefits	<b>7</b>	9
	<b>329</b>	439
Pension contributions	<b>27</b>	55
	<b>356</b>	494

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

	<b>2010</b>	2009
	<b>£000</b>	£000
Salary	<b>91</b>	122
Taxable Benefits	<b>3</b>	-
Pension Contributions	<b>8</b>	14
	<b>102</b>	136

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

**19 Staff (continued)**

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

	<b>2010</b>	2009
	<b>No.</b>	No.
Under £20,000	-	1
£20,000 - £ 30,000	-	1
£40,001 - £ 50,000	<b>1</b>	-
£50,001 - £ 60,000	<b>1</b>	1
£60,001 - £ 70,000	<b>2</b>	2
£ 80,001 - £ 90,000	-	1
£ 90,001 - £100,000	<b>1</b>	-
£120,001 - £130,000	-	1

The above includes leavers and joiners – Mrs.Park (retired September 2008), Mr.Hughes (retired January 2009) and Mr.Richardson (started October 2008).

**20 Pensions**

The Society operates a defined benefit pension scheme for its employees (“Tamworth Co-operative Society Limited Employees Superannuation Fund”). The fund closed to future accrual with effect from 31 October 2009, resulting in a curtailment cost of £981,000. The current practice of increasing pensions in line with inflation is included in the measurement of the defined benefit obligation.

**Amounts recognised in the Group Balance Sheet**

	<b>2010</b>	<b>2009</b>
	<b>£’000</b>	<b>£’000</b>
Present value of funded obligations	<b>(16,099)</b>	(11,543)
Fair value of plan assets	<b>9,845</b>	8,532
(Deficit)	<b>(6,254)</b>	(3,011)
Related deferred tax asset	<b>1,750</b>	843
Net pension liability	<b>(4,504)</b>	(2,168)

**Amounts recognised in the Group Revenue Account**

	<b>2010</b>	2009
	<b>£’000</b>	£’000
Current service costs	<b>63</b>	151
Pension Scheme curtailment costs	<b>981</b>	-
Interests on obligations	<b>801</b>	770
Past service costs	-	60
Expected return on plan assets	<b>(497)</b>	(588)
Total	<b>1,348</b>	393

The expense is recognised in the following line items in the Group Revenue Account.

Expenses less income from property	<b>63</b>	211
Pension Scheme curtailment costs	<b>981</b>	-
Other finance costs	<b>304</b>	182
	<b>1,348</b>	393

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

**20 Pensions** (continued)

**Amounts recognised in the Group Statement  
of Total Recognised Gains and Losses**

	<b>2010</b> <b>£'000</b>	2009 £'000
Cumulative amount at beginning of period	(2,199)	(2,108)
Recognised during the period	(2,841)	(91)

Cumulative amount at end of period	<b>(5,040)</b>	(2,199)
------------------------------------	----------------	---------

**Changes in the present value of scheme obligations**

	<b>2010</b> <b>£'000</b>	2009 £'000
Opening obligations	<b>11,543</b>	12,984
Service costs	<b>63</b>	151
Past service cost	-	60
Pension Scheme curtailment costs	<b>981</b>	-
Interest costs	<b>801</b>	770
Employee contributions	<b>98</b>	145
Actuarial losses/(gains)	<b>3,599</b>	(1,980)
Benefits paid	<b>(986)</b>	(587)

Closing obligations	<b>16,099</b>	11,543
---------------------	---------------	--------

**Changes in the fair value of plan assets**

	<b>2010</b> <b>£'000</b>	2009 £'000
Opening fair value of scheme assets	<b>8,532</b>	9,969
Expected return	<b>497</b>	588
Actuarial (losses)/gains	<b>758</b>	(2,071)
Contributions by employer	<b>946</b>	488
Contributions by members	<b>98</b>	145
Benefits paid	<b>(986)</b>	(587)

	<b>9,845</b>	8,532
--	--------------	-------

Actual return on scheme assets	<b>1,255</b>	(1,483)
--------------------------------	--------------	---------

**Assets in the plan as a percentage of total plan assets**

	<b>2010</b>	2009
Equities	<b>34.0%</b>	14.8%
Bonds	<b>50.0%</b>	44.5%
Cash	<b>16.0%</b>	35.0%
Other	-	5.7%

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

**20 Pensions** (continued)

To develop the expected long-term rate of return on assets assumption, the Society considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. As indicated above, as at 23 January 2009 a large proportion of the assets were invested in cash. However, shortly after that date, a large proportion of this was re-invested in other assets. To develop the expected long term rate of return on assets, the expected return for each asset class was weighted, based on the revised asset allocation. This result in the selection of the 5.8% assumption.

<b>Principal actuarial assumptions to determine benefit obligations</b>	<b>23/1/2010</b>	<b>24/1/2009</b>
Discount rate	<b>5.60%</b>	7.20%
Rate of compensation increase	<b>N.A.</b>	4.30%
Rate of increase in pensions in payment	<b>3.80%</b>	3.80%
Rate of increase in pensions in deferment	<b>3.80%</b>	3.80%
Inflation	<b>3.80%</b>	3.80%

**Contributions**

The Society expects to contribute at least £182,000 to the fund in 2010.

**Life expectancy**

Weighted average life expectancy for mortality tables used to determine benefit obligations.

	<b>Male</b>	<b>Female</b>
Member age 65 (current life expectancy)	<b>20.3</b>	<b>23.2</b>
Member age 45 (life expectancy at age 65)	<b>21.3</b>	<b>24.1</b>

<b>History of experience gains and losses</b>	<b>2010</b>	2009	2008	2007	2006
	<b>£'000</b>	£'000	£'000	£'000	£'000
Benefit obligations at end of period	<b>(16,099)</b>	(11,543)	(12,984)	(15,526)	(14,120)
Fair value of plan assets at end of period	<b>9,845</b>	8,532	9,969	10,235	9,617
Deficit	<b>(6,254)</b>	(3,011)	(3,015)	(5,291)	(4,503)

**Difference between actual and expected return on scheme assets**

Amount (£ thousands)	<b>758</b>	(2,071)	(819)	(116)	1,162
Percentage of scheme assets	<b>8%</b>	24%	8%	1%	12%

**Experience gains and (losses) on scheme liabilities**

Amount (£ thousands)	<b>-</b>	-	304	(58)	(35)
Percentage of scheme liabilities	<b>0%</b>	0%	2%	0%	0%

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

<b>21 Cashflow</b>	<b>2010</b>	<b>2009</b>
<b>(a) Reconciliation of operating profit to operating cash flow</b>	<b>£'000</b>	<b>£'000</b>
Trading surplus	117	2
Amortisation of goodwill	27	27
Depreciation charge	657	677
Decrease in stock	287	55
Decrease/(increase) in debtors	330	(153)
Increase/(decrease) in creditors	220	(90)
Increase in other liabilities	13	3
Increase in funeral prepayments	275	288
Cash funding in excess of pension charge	(882)	(278)
<hr/>		
Net cash inflow from operating activities	<b>1,044</b>	531
<hr/>		
<b>(b) Returns on investment and servicing of finance</b>	<b>£'000</b>	<b>£'000</b>
Interest received	26	7
Interest paid	(7)	(43)
<hr/>		
Net cash inflow/(outflow) from returns on investment and servicing of finance	<b>19</b>	(36)
<hr/>		
<b>(c) Capital expenditure and financial investment</b>	<b>£'000</b>	<b>£'000</b>
Purchase of tangible fixed assets and investment properties	(1,724)	(248)
Sale of fixed assets	3,501	1,757
Purchase of fixed asset investments	(487)	(462)
Disposal of fixed asset investments	143	121
<hr/>		
Net cash inflow from capital expenditure and financial investment	<b>1,433</b>	1,168
<hr/>		
<b>(d) Management of liquid resources</b>	<b>£'000</b>	<b>£'000</b>
Disposal of current asset investments	-	16
<hr/>		
Net cash inflow from management of liquid resources	-	16
<hr/>		

**NOTES TO THE ACCOUNTS**  
52 Weeks Ended 23 January 2010

**21 Cash Flow** (continued)

<b>(e) Financing</b>	<b>2010</b> <b>£'000</b>	2009 £'000
Contributions to share capital	488	460
Withdrawals of share capital	(518)	(752)
<hr/>		
Net cash outflow from financing	<b>(30)</b>	(292)

<b>(f) Analysis of net debt</b>	<b>At beginning of period</b> <b>£'000</b>	<b>Cash flow</b> <b>£'000</b>	<b>At end of period</b> <b>£'000</b>
Net cash position	(288)	2,286	1,998
<hr/>			
Total	(288)	2,286	1,998

**22 Subsidiary Societies and Companies**

As at 23 January 2010 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.

**TCS Estates Services Limited**                      Principal activity – Property holding.

The following were dormant throughout the period:

**Homelectric (Midlands) Limited.**

**Lilywalk Limited\***

**McGregor Co-operative Society Limited.**

\*The Business and trading assets of Lilywalk Ltd were transferred to the parent Society, Tamworth Co-operative Society Ltd, effective 28 October 2006.

**23 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 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**

52 Weeks Ended 23 January 2010

	<b>2010</b>		2009	
	<b>£'000</b>	<b>%</b>	Restated £'000	<b>%</b>
<b>Net Takings</b>	<b>22,799</b>		22,490	
Less Value Added Tax	(1,766)		(1,984)	
Sales	<b>21,033</b>		20,506	
Less brought-in materials and services	(14,715)		(15,489)	
<b>Value added by group</b>	<b>6,318</b>	<b>100</b>	5,017	100
Applied as follows:				
To employees:				
Net pay, Income Tax, National Insurance & Pension Fund deduction	<b>4,217</b>		4,239	
Group contributions for National Insurance	<b>282</b>		308	
Group contributions for Pension Fund	<b>79</b>		211	
Employee related distribution	<b>44</b>		14	
Interest re: Pension Fund	<b>304</b>		182	
Deferred Tax re: Pension Fund	<b>113</b>		-	
	<b>5,039</b>	<b>79.8</b>	4,954	98.7
To members and other providers of capital:				
Share interest	<b>35</b>		79	
Interest on other financing	<b>26</b>		74	
Rent	<b>98</b>		93	
	<b>159</b>		246	
Less investment income and rents received	(539)		(578)	
	<b>(380)</b>	<b>(6.0)</b>	(332)	(6.6)
To members, customers and community:				
Dividend	<b>110</b>		105	
Charity dividend	<b>3</b>		5	
Education	<b>2</b>		2	
	<b>115</b>	<b>1.8</b>	112	2.2
Taxation charge (deferred and corporate)	<b>410</b>	<b>6.5</b>	73	1.5
For the replacement of assets and expansion of the group:				
Depreciation/amortisation	<b>804</b>		979	
Retained surplus/deficit	<b>365</b>		(690)	
Reserve movement in share interest	(35)		(79)	
	<b>1,134</b>	<b>17.9</b>	210	4.2
	<b>6,318</b>	<b>100.0</b>	5,017	100.0

## **The Co-operative Difference & Society Outlets**

On the 13 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 a Member Relations Committee works hard to improve Members' knowledge of Co-operation.

On 26 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.