

TAMWORTH CO-OPERATIVE SOCIETY LIMITED

**ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 22 JANUARY 2011**

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.

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Officials, Advisers & Notice of Meeting

Board of Directors

Kevin G. Wood ^{+o*} - Chairman
Alan M. King ^{*o} - Vice Chairman
Audrey A. Higginson ^{*+^o}
Graham W. Johnson ^{*+ox^}
Alan V. King ⁺
Audrey M. Poulten ^{*+ox}
David M. Rose ^{+x}
Robert W. Read ^{ox}
Diane Trout ^{*x^}

* 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

Bailey Design Limited and Ritchie & Ritchie,
The Manor House,
Lichfield Street,
Tamworth.
B79 7QF

Solicitors

Dewes LLP,
2 Bolebridge Street,
Tamworth.
B79 7PA.

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 13 April 2011
at 7.15 p.m.

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

By Order of the Board

Julian Coles
Secretary
8 March 2011

Agenda

1. To confirm the Minutes of the Annual General Meeting held on 21 April 2010.
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 22 January 2011 and the Balance Sheet together with the Auditor's 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 22 January 2011

	2007	2008	2009	2010	2011
Return on Capital employed.	5.0	2.3	0.0	0.8	5.0
Net Profit as a % of Sales.	(0.2)	0.9	(1.2)	3.0	0.4
Trade Profit after Depreciation as % of Sales.	0.4	1.9	0.0	0.6	3.7
Trade Profit before Depreciation as % of Sales.	3.5	5.2	3.4	3.8	7.1
Gearing %	9.2	11.0	3.2	2.2	2.6
Interest Cover (times)	1.4	7.6	0.3	4.5	29.2
Retention as % Sales.	(1.9)	(1.4)	(3.7)	0.0	(0.5)
Capital Expenditure as a % of Sales.	4.6	5.6	1.2	8.2	3.5
Total Net Assets	21,270	22,739	18,195	15,118	15,022
Represented by:					
Share Capital	2,576	2,511	2,297	2,302	2,416
Reserves	18,694	20,228	15,898	12,816	12,606

Note: All figures have been calculated in line with current Co-operatives^{UK} Recommendations, and updated where applicable.

REPORT OF THE BOARD OF DIRECTORS

Financial Review:

The Society's total turnover (excluding Concession sales) for the year amounted to £22,530,000, a reduction of £269,000 on the previous year. Excluding Branches that have closed the like for like position is an increase of £200,000 or 0.9%. In terms of gross takings the Food Business represents 76.0%, Non-Food 12.4%, Funeral 10.0% and all other 1.6%.

Significant investments in the Food operations have continued. During this year we have completed refurbishments at Stanton, Lichfield and Brownhills. All Convenience Store locations now carry the new "Co-operative" brand. The first year of trading from the newly built Rosliston location has been very successful. The Food Division has delivered increased profitability during the year. Overall sales in our Convenience Stores have continued to increase, but this has again been at a lower average rate than in the previous year. Whilst the Food Business has delivered a performance greater than we had budgeted, the plans for the new financial year will reflect our continuing concerns at the state of the economy.

During the year under review we have closed 2 small Funeral Offices at Atherstone and Cheadle. We have opened a new Bereavement Advice Centre adjacent to the Department Store in Tamworth. The number of Funerals carried out has been slightly lower than the previous year, and this has been reflected in a lower trading result from that part of our Business. The trading position has however been in line with our internal budgets. The new computerisation project for Funeral operations has now been successfully implemented. In February 2010 the Society was very pleased to take delivery of a new fleet of Funeral vehicles at a cost of £264,000.

Our Non-Food operations have continued to incur losses, but following the Branch closures and other changes last year these have been at a significantly lower level. In the same way as our other Business Units, the results achieved have been in line with our internal plans. Additional Concession Partners have been introduced during the year, and further Concession developments are still being planned.

The Society discontinued the sale of fuel during the year, but we continue to operate an MOT and Servicing facility. On Property Income external rents received are at a very similar level to the prior year. The Society has noted some greater stability in the annual valuation of investment properties, and has not had trading properties valued this year. An Actuarial Review is being finalised as at March 31st 2010 regarding the Final Salary Pension Scheme. The Pension financing cost this year has increased to £372,000, versus £304,000 in the prior year.

There is an exceptional charge of £241,000. This relates to our Society's share of costs levied by the National Co-operative Food Buying Organisation reference the acquisition and integration of Somerfield. The Society will continue to expect improved buying arrangements in future years, and has dealt with this one-off charge fully in the year.

Overall the future emphasis is to deliver continuing and sustainable improvements in the profitability of the Society. The Board believe reasonable progress has been made in the year, and are pleased to note that all Trading Divisions have achieved their budgets against a complicated economic setting.

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.

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

Dividend Certificates	£ 98,000
Waived Dividends to Charities	£ 10,000
Total	£108,000

Community Dividend 2010/2011:

Department Store	-	St. Edithas Church Roof Fund.	£ 250
Swadlincote The Delph	-	Springfield Junior School Balloon Room.	£ 250
Tamworth Supermarket	-	Girl Guiding Tamworth Division.	£1486
Amington	-	Amington Community Fete Committee.	£ 324
Bolehall	-	Friends of Warwickshire Moor.	£ 824
Brownhills	-	Watling Street Primary School.	£ 469
Burntwood	-	Burntwood Youth Centre.	£ 250
Dordon	-	Dordon Community Primary School.	£ 389
Glascote	-	The Sharon Fox Cancer Centre Fund.	£ 677
Kingsbury	-	1 st Kingsbury Scout Group.	£ 327
Lichfield	-	Willows Primary School.	£ 494
Polesworth	-	Polesworth Scout Group.	£1088
Rosliston	-	Coton-in-the-Elms Pre-School.	£ 766
Stanton	-	Stanton Village Hall.	£ 260
Stretton	-	William Shrewsbury Primary School.	£ 552
Whittington	-	Whittington First Responders.	£ 939
Wood End	-	Wood End Primary School.	£ 656

For Financial Year 2011/2012 the following Organisations have been selected:

Department Store	-	St. John Ambulance Wilnecote.
Swadlincote The Delph	-	Swadlincote Pre-School Methodist Church.
Tamworth Supermarket	-	1 st St. Edithas Brownies.
Amington	-	Amington Church.
Bolehall	-	Ankermoor Primary School.
Brownhills	-	Watling Street Primary School.
Burntwood	-	Chase Terrace Primary School P.T.A.
Dordon	-	North Warwickshire Retired Miners Leisure Club.
Glascote	-	Argyle Pre-School.
Kingsbury	-	Kingsbury 1 st Playgroup.
Lichfield	-	Boley Park Pre-School Playgroup.
Polesworth	-	Polesworth Pre-School.
Rosliston	-	Coton-in-the-Elms Widows/Widowers & Old Folks Association.
Stanton	-	Stapenhill Post 16 Centre.
Stretton	-	Mother & Toddler Group St. Mary's Church Stretton.
Whittington	-	Whittington Football Club.
Wood End	-	Wood End Village Hall.

Membership:

The Society is pleased to welcome a further 273 Members into the Society during the year.

During 2010 the Society introduced a new Membership System. The new system both improved the current functionality and reduced the risks associated with running a system for controlling Share Account balances. At the end of the financial year there were 37,860 Members on the system, during the year we welcomed 273 new Members, and deaths and removals accounted for the closure of 95 Accounts. During the year the Society have identified that 21,943 Members have not claimed Dividend during the last 10 years or whose Share Account has a balance of less than £100. These Members Accounts will be suspended and as a result net membership will be reduced to 15,917.

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 22 January 2011 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 five 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 32 and 33.

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.

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 22 January 2011 Members claimed Dividend on 21.2% of Society sales (as against 21.6% last year).

The Society recruited 273 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 2010 was 39 against 38 in 2009, 46 in 2008 and 65 in 2007.

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 91 accidents were reported across the Society of which 62 were Employees of the Society. 2 Employees had reportable accidents. The comparative figures for the previous year were 131 accidents including 84 to Staff, 10 of these incidents were reportable.

The average number of days lost per Employee through sickness and absenteeism was 6.3 days against 8.2 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.

82% of total Employees are women and 18% men. 35% of Employees are full-time and 65% 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. Insisting we are only supplied with pure green electricity will encourage greater investment in renewal energy generation projects, and in turn help towards reducing overall carbon emissions.

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^{UK}'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 Rule changes made in 2008 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 if necessary in the future.

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 the Directors continue to adopt the Going Concern basis in preparing the Society's Accounts. In particular, the Society has cash of £1,311,000 at 22 January 2011.

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 22 January 2011 the number of creditor days outstanding for the Society was 17.1 days (2010 - 17.2 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.

Kevin G. Wood, Chairman of the Board.

Julian Coles, Chief Executive Officer.

8 March 2011.

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 17 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.

Kevin G. Wood

Chairman of the Board.

Julian Coles

Chief Executive Officer.

8 March 2011

DIRECTORS' ATTENDANCES

Name	Appointment Expires	Possible Attendances	Actual Attendances
Mrs.A.A.Higginson	2013	42	39
Mr.K.G.Wood	2011	32	31
Mr.G.W.Johnson	2011	43	37
Mr.A.M.King	2012	29	28
Mr.A.V.King	2012	18	18
Mrs.A.M.Poulten	2013	39	31
Mr.R.W.Read	2011	28	28
Mr.D.M.Rose	2012	23	20
Mrs.D.Trout	2013	33	28

Independent Auditor's Report to the members of Tamworth Co-operative Society

We have audited the financial statements of Tamworth Co-operative Society for the 52 week period 22nd January 2011 set out on pages 17 to 37. The financial reporting framework that has been applied in their preparation is applicable Law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

As more fully explained in the Statement of Directors' Responsibilities set out on page 13 the Society's Directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable Law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Society's affairs as at 22nd January 2011 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969.

Matters on which we are required to report by exception

We have nothing to report in respect of the following.

Under the Industrial and Provident Societies Acts 1965 to 2003 we are required to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

In addition to our audit of the financial statements, the Directors have engaged us to review their Corporate Governance Statement on pages 10 to 12 as regards 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^{UK} Limited's Corporate Governance Code of Best Practice issued in May 2005 ('the Code'). Under the terms of our engagement, we are required to review whether the Corporate Governance Statement reflects the Society's compliance with the five provisions of the Code specified for our review.

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

13 April 2011

Statement of Accounting Policies

In respect of the Accounts for the period ended 22 January 2011

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 22 January 2011 with comparative figures for the 52 week period ended 23 January 2010.

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. Gross takings

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

5. Turnover

Turnover represents gross takings excluding VAT and sales made by Concessions but includes fees received from Concessionaires for sales made from the Society's premises. The turnover is attributable to the principal activity of the Society.

6. Investment Income

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

7. 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 estimate useful economic life.

8. 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:

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

Statement of accounting policies (continued)

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.

9. 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 to the end of the Lease term.

10. Taxation

Current:

The change for taxation is based on the taxable profit 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.

11. Stocks

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

12. Repairs

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

13. 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.

Statement of accounting policies (continued)

14. Pensions

The Society operates a Final Pay Pension Scheme covering service until 31 October 2009 at which point the Scheme was closed to future accrual. 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.

15. Property income

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

GROUP REVENUE ACCOUNT

52 Weeks Ended 22 January 2011

		2011		2010	
	NOTES	£'000	£'000	£'000	£'000
Gross Takings		24,016		24,599	
Less Concession Sales		(1,486)		(1,800)	
Net takings			22,530		22,799
Value Added Tax			(1,823)		(1,766)
Turnover			20,707		21,033
Cost of sales			(13,249)		(13,702)
Gross profit			7,458		7,331
Expenses less income from property	1		(6,700)		(7,214)
Trading surplus			758		117
Surplus before Interest, Pension & Asset Sales			758		117
(Loss)/profit on disposal of fixed assets			(16)		1,802
Pension Scheme curtailment costs			-		(981)
Co-operative Group – Buying Recharge			(241)		-
Interest receivable	2		28		26
Interest payable	3		(26)		(26)
Other finance costs	20		(372)		(304)
Surplus for period before distribution and impairment charges			131		634
Impairment of land and buildings			(55)		(120)
Surplus for period before distribution			76		514
Dividend	4	(111)		(113)	
Grants	5	(46)	(157)	(36)	(149)
(Deficit)/Surplus for period before taxation			(81)		365
Taxation Charge	6		(26)		(410)
Retained Deficit for period			(107)		(45)

GROUP BALANCE SHEET
52 Weeks Ended 22 January 2011

		2011		2010	
	NOTES	£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	7		370		396
Tangible assets	8		12,233		12,371
Investment Properties	9		6,435		6,369
Fixed Asset Investments	10		2,598		2,168
			21,636		21,304
Current Assets					
Stocks	11	1,122		1,234	
Debtors and prepayments	12	975		928	
Cash at Bank and in hand		1,311		1,998	
		3,408		4,160	
Current Liabilities					
Amounts falling due within one year					
Creditors – Trade	13	(1,802)		(2,354)	
Dividend		(58)		(57)	
Other		(3)		(2)	
		(1,863)		(2,413)	
Loans	14	(405)		(345)	
		(2,268)		(2,758)	
Net current assets			1,140		1,402
Total assets less current liabilities			22,776		22,706
Provision for deferred taxation	16		(553)		(697)
Funeral prepayment plans			(2,837)		(2,387)
Net assets before pension			19,386		19,622
Pension liability	20		(4,364)		(4,504)
Net assets			15,022		15,118
Financed by:					
Share capital	17		2,416		2,302
Revaluation reserves	18		8,406		8,455
Revenue reserves	18		4,200		4,361
Members Funds			15,022		15,118

Company Registration Number 2582R

GROUP CASHFLOW STATEMENT

52 Weeks Ended 22 January 2011

	NOTES	2011 £'000	2010 £'000
Cash inflow from Operating Activities	21(a)	639	1,044
Returns on Investments and Servicing of Finance	21(b)	27	19
Benefits paid to Members		(111)	(113)
Grants and Donations		(46)	(36)
Taxation paid		(146)	(31)
Capital expenditure and financial investment	21(c)	(1,125)	1,433
<hr/>			
Cash inflow before use of liquid resources and financing		(762)	2,316
Management of liquid resources	21(d)	-	-
Financing	21(e)	75	(30)
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(Decrease)/increase in cash in the period		(687)	2,286

RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

52 Weeks Ended 22 January 2011

	NOTES	2011 £'000	2010 £'000
(Decrease)/Increase in cash in the period		(687)	2,286
Cashflow from management of liquid resources		-	-
<hr/>			
Change in net debt resulting from cash flows	21(f)	(687)	2,286
Net cash/(debt) at the start of the period	21(f)	1,998	(288)
<hr/>			
Net cash at the end of the period	21(f)	1,311	1,998

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

52 Weeks Ended 22 January 2011

	NOTES	2011 £'000	2010 £'000
Deficit for period		(107)	(45)
Unrealised deficit on revaluation of investment properties	18	(9)	(164)
Unrealised deficit on revaluation of trading properties	18	-	(792)
Actuarial loss on Pension Fund (net of deferred tax)		(55)	(2,046)
Total recognised losses relating to the period		(171)	(3,047)

NOTES OF HISTORICAL COSTS, PROFITS AND LOSSES

52 Weeks Ended 22 January 2011

	2011 £'000	2010 £'000
(Deficit)/surplus on ordinary activities before taxation	(81)	365
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	40	32
Realisation of property revaluation gains of previous periods	-	1,220
Historical cost (deficit)/surplus on ordinary activities before taxation	(41)	1,617
Historical cost (deficit)/surplus for the period retained after taxation and distribution	(224)	1,058

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

52 Weeks Ended 22 January 2011

	2011 £'000	2010 £'000
Surplus before distribution and taxation	76	514
Distributions and taxation	(183)	(559)
(Deficit) after distributions and taxation	(107)	(45)
Revaluation deficit arising in the period on investment properties	(9)	(164)
Revaluation (deficit) arising in the period on trading properties	-	(792)
Contributions and interest less withdrawals during the period	114	5
Actuarial loss (net of deferred tax)	(55)	(2,046)
Share Interest	(39)	(35)
Movement in period	(96)	(3,077)
Opening Shareholders' Funds	15,118	18,195
Closing Shareholders' Funds	15,022	15,118

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

1 Expenses	2011	2010
	£'000	£'000
Personnel costs	4,431	4,622
Occupancy costs	994	1,203
Depreciation	687	657
Audit fees paid to KPMG LLP	35	28
Taxation Advice fees paid to KPMG LLP	20	17
Other fees paid to KPMG LLP	-	43
Directors' fees	21	22
Other Expenses	985	1,098
Income from property	(499)	(503)
Amortisation of goodwill on acquisition	26	27

	6,700	7,214
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2 Interest Receivable	2011	2010
	£'000	£'000
Co-operative Group	6	10
Bank and Other Interest received	22	16

	28	26
--	----	----

3 Interest Payable	2011	2010
	£'000	£'000
Bank	1	7
Funeral Prepayment plans	25	19

	26	26
--	----	----

4 Dividend	2011	2010
	£'000	£'000
Dividend to Shareholders	101	110
Waived Dividends given to Charity	10	3

	111	113
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5 Grants and Donations	2011	2010
	£'000	£'000
Member Relations	1	2
Employee related	45	34

	46	36
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NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

6(a) Taxation Charge	2010 £'000	2009 £'000
UK Corporation Tax:		
Current tax on deficit for the period	(98)	(64)
Adjustment in respect of prior periods	-	(56)
Deferred Tax:		
Origination (reversal of timing differences)	63	(429)
Adjustments in respect of FRS 17	(73)	113
Adjustment in respect of prior period	82	26
	(26)	(410)

6(b) Factors affecting tax charge for period

	2011 £'000	2010 £'000
(Loss)/Profit on ordinary activities before tax.	(81)	365
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%.	(22)	102
Effects of:		
Expenses not deductible for tax purposes	36	242
Capital gains in excess of profit on disposal of fixed assets	-	260
Short term timing differences	136	(265)
Capital allowance in excess of depreciation	29	(63)
Adjustment in respect of prior years	-	56
Losses utilised	(6)	(192)
Difference between small companies rate (21%) and standard rate (28%)	-	(20)
FRS17 Adjustments	(75)	-
Current tax charge for period	98	120

6(c) Deferred taxation

	2011 £'000	2010 £'000
Accelerated Capital Allowance	32	134
Other timing differences	521	563
	553	697

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

6(c) Deferred taxation (continued)

Factors affecting the future tax charge.

The Budget on 23 March 2011 announced that the UK corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 26% was substantively enacted on 29th March 2011 and will be effective from 1 April 2011.

This will reduce the Society's future current tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the further 3% rate reduction, although this will further reduce the Society's future current tax charge and reduce the Society's deferred tax liabilities/assets accordingly.

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 (2010: £670,000).

7 Intangible Assets- Goodwill

	£'000
Cost	
At start of period	536

At end of period	536
	=====
Amortisation	
At start of period	140
Charged in period	26

At end of period	166
	=====
Net book value at 22 January 2011	370
	=====
Net book value at 23 January 2010	396
	=====

Goodwill is being amortised over a period of 20 years.

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

8 Tangible Assets	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	9,637	380	7,548	998	59	18,622
Prior yr adj	(11)	-	-	-	-	(11)
Additions	9	-	366	284	-	659
Disposals	-	-	(223)	(262)	(4)	(489)
Reclassification	76	-	(82)	-	-	(6)
Cost or valuation at end of period	9,711	380	7,609	1,020	55	18,775
Accumulated Depreciation:						
At start of period	-	46	5,329	817	59	6,251
Charge for period	122	9	457	99	-	687
Impairment charge	-	-	55	-	-	55
Disposals	-	-	(185)	(262)	(4)	(451)
At end of period	122	55	5,656	654	55	6,542
Net book value						
At 22 January 2011	9,589	325	1,953	366	-	12,233
Net book value						
At 23 January 2010	9,637	334	2,219	181	-	12,371

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

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

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

	2011 £'000	2010 £'000
At existing use value:	9,711	9,637
<hr/>		
Net book value	9,711	9,637
<hr/>		
	2011 £'000	2010 £'000
Historical cost of revalued assets	6,513	6,439
Aggregate depreciation thereon	(2,407)	(2,325)
<hr/>		
Historical cost net book value	4,106	4,114
<hr/>		

The last Valuations of the Society's Freehold Land and Buildings in relation to Trading Properties at existing use value was 23 January 2010.

The Valuations were performed by P.J. Hicks & Co., Chartered Surveyors.

The Directors are not aware of any material change in value and therefore the valuation set out above has not been updated.

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

9 Investment Properties

Freehold Investment Property

	£'000
Valuation at start of period	6,369
Additions	69
Reclassification from Tangible Assets	6
Revaluation Deficit	(9)
<hr/>	
Valuation at end of period	6,435

10 Fixed Asset Investments

	2011	2010
	£'000	£'000
Co-operative Group: Shares	100	100
CIS Investment re: Funeral Plans	2,495	2,061
Other I & P Societies: Shares	3	7
<hr/>		
	2,598	2,168

11 Stocks

	2011	2010
	£'000	£'000
Goods held for resale	1,122	1,234

12 Debtors

	2011	2010
	£'000	£'000
Customer accounts	824	789
Prepayments	151	139
<hr/>		
	975	928

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

13 Creditors Falling Due Within 1 Year	2011 £'000	2010 £'000
Trade creditors	964	975
Accrued charges	564	605
Customer deposits	71	83
Corporation Tax	98	89
Other Taxation and Social Security	105	602
	<hr/>	
	1,802	2,354
	<hr/>	

14 Loans Falling Due Within One Year	2011 £'000	2010 £'000
Funeral prepayment plan	405	341
Sales Club	-	4
	<hr/>	
	405	345
	<hr/>	

15 Capital Commitments

Further capital expenditure authorised and contracted for £130,000 (2010 £264,000).

16 Provisions for deferred taxation	2011 £'000	2010 £'000
Balance to commence	697	294
Transfer to/from Revenue Account	(144)	403
Balance to end	<hr/>	<hr/>
	553	697
	<hr/>	

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

17 Share Capital	2011 £'000	2010 £'000
Balance to commence	2,302	2,297
Contributions	530	488
Interest	39	35
	2,871	2,820
Withdrawals	(455)	(518)
	2,416	2,302

Share Capital is Non Equity Share Capital comprising 2,415,804 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.

18 Reserves	Revaluation reserves £'000	Revenue reserves £'000
At 23 January 2010	8,455	4,361
Retained deficit for the period	-	(107)
Share Interest	-	(39)
Unrealised deficit on revaluation of investment properties	(9)	-
Current year actuarial gain on pension scheme (net of deferred tax)	-	(55)
Transfer of historical cost	(40)	40
At 22 January 2011	8,406	4,200

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

19 Staff	2011	2010
Full time	126	127
Part time	238	258
	<hr/>	<hr/>
	364	385

The total employment costs of the Society for the period were:	2011	2010
	£'000	£'000
Salaries and wages	4,042	4,217
National Insurance	272	282
Pension Fund contributions	68	79
Other (inc. Training)	49	44
	<hr/>	<hr/>
	4,431	4,622

Management Executive remuneration

The total remuneration of the management executive was as follows:	2011	2010
	£000	£000
Salaries	341	322
Taxable benefits	4	7
	<hr/>	<hr/>
	345	329
Pension contributions	18	27
	<hr/>	<hr/>
	363	356

The remuneration of the Chief Executive Officer (who is also the highest paid Employee) included above was as follows:	2011	2010
	£000	£000
Salary	98	91
Taxable Benefits	-	3
Pension Contributions	5	8
	<hr/>	<hr/>
	103	102

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

19 Staff (continued)

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

	2011	2010
	No.	No.
£ 40,001 - £ 50,000	1	1
£ 50,001 - £ 60,000	1	1
£ 60,001 - £ 70,000	1	2
£ 70,001 - £ 80,000	1	-
£100,001 - £110,000	1	1

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.

Amounts recognised in the Group Balance Sheet

	2011	2010
	£’000	£’000
Present value of funded obligations	(16,267)	(16,099)
Fair value of plan assets	10,290	9,845
(Deficit)	(5,977)	(6,254)
Related deferred tax asset (2011 – 27% 2010-28%)	1,613	1,750
Net pension liability	(4,364)	(4,504)

Amounts recognised in the Group Revenue Account

	2011	2010
	£’000	£’000
Current service costs	-	63
Pension Scheme curtailment costs	-	981
Interests on obligations	875	801
Expected return on plan assets	(503)	(497)
Total	372	1,348

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

Expenses less income from property	-	63
Pension Scheme curtailment costs	-	981
Other finance costs	372	304
	372	1,348

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

20 Pensions (continued)

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

	2011 £'000	2010 £'000
Cumulative amount at beginning of period	(5,040)	(2,199)
Recognised during the period	8	(2,841)

Cumulative amount at end of period	(5,032)	(5,040)
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Changes in the present value of scheme obligations

	2011 £'000	2010 £'000
Opening obligations	16,099	11,543
Service costs	-	63
Pension Scheme curtailment costs	-	981
Interest costs	875	801
Employee contributions	-	98
Actuarial losses	246	3,599
Benefits paid	(953)	(986)

Closing obligations	16,267	16,099
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Changes in the fair value of plan assets

	2011 £'000	2010 £'000
Opening fair value of scheme assets	9,845	8,532
Expected return	503	497
Actuarial gains	254	758
Contributions by employer	641	946
Contributions by members	-	98
Benefits paid	(953)	(986)

	10,290	9,845
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Actual return on scheme assets	757	1,255
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Assets in the plan as a percentage of total plan assets

	2011	2010
Equities	61.0%	34.0%
Bonds	38.4%	50.0%
Cash	0.6%	16.0%

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

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. The expected return for each asset class was then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.2% assumption.

Principal actuarial assumptions to determine benefit obligations	22/1/2011	23/1/2010
Discount rate	5.5%	5.60%
Rate of increase in pensions in payment	3.6%	3.80%
Rate of increase in pensions in deferment	-	3.80%
Inflation	3.7%	3.80%

Contributions

The Society expects to contribute at least £365,000 to the fund in 2011/12.

Life expectancy

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

	Male	Female
Member age 65 (current life expectancy)	22.5	24.1
Member age 45 (life expectancy at age 65)	24.7	25.0

History of experience gains and losses	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Benefit obligations at end of period	(16,267)	(16,099)	(11,543)	(12,984)	(15,526)
Fair value of plan assets at end of period	10,290	9,845	8,532	9,969	10,235
Deficit	(5,977)	(6,254)	(3,011)	(3,015)	(5,291)

Difference between actual and expected return on scheme assets

Amount (£ thousands)	254	758	(2,071)	(819)	(116)
Percentage of scheme assets	2%	8%	24%	8%	1%

Experience gains and (losses) on scheme liabilities

Amount (£ thousands)	517	-	-	304	(58)
Percentage of scheme liabilities	3%	0%	0%	2%	0%

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

21 Cashflow	2011	2010
(a) Reconciliation of operating profit to operating cash flow	£'000	£'000
Trading surplus	758	117
Amortisation of goodwill	26	27
Depreciation charge	687	657
Decrease in stock	112	287
(Increase)/decrease in debtors	(47)	330
(Decrease)/increase in creditors	(628)	220
Increase in other liabilities	2	13
Increase in funeral prepayments	485	275
Cash funding in excess of pension charge	(515)	(882)
Co-op Group Buying re-charge	(241)	-
Net cash inflow from operating activities	639	1,044
(b) Returns on investment and servicing of finance	£'000	£'000
Interest received	28	26
Interest paid	(1)	(7)
Net cash inflow from returns on investment and servicing of finance	27	19
(c) Capital expenditure and financial investment	£'000	£'000
Purchase of tangible fixed assets and investment properties	(717)	(1,724)
Sale of fixed assets	22	3,501
Purchase of fixed asset investments	(576)	(487)
Disposal of fixed asset investments	146	143
Net cash (outflow)/inflow from capital expenditure and financial investment	(1,125)	1,433
(d) Management of liquid resources	£'000	£'000
Disposal of current asset investments	-	-
Net cash inflow from management of liquid resources	-	-

NOTES TO THE ACCOUNTS
52 Weeks Ended 22 January 2011

21 Cash Flow (continued)

(e) Financing	2011 £'000	2010 £'000
Contributions to share capital	530	488
Withdrawals of share capital	(455)	(518)

Net cash outflow from financing	75	(30)
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(f) Analysis of net debt	At beginning of period £'000	Cash flow £'000	At end of period £'000
Net cash position	1,998	(687)	1,311
Total	1,998	(687)	1,311

22 Subsidiary Societies and Companies

As at 22 January 2011 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 22 January 2011

	2011		2010	
	£'000	%	£'000	%
Net Takings	22,530		22,799	
Less Value Added Tax	(1,823)		(1,766)	
Sales	20,707		21,033	
Less brought-in materials and services	(15,616)		(14,715)	
Value added by group	5,091	100.0	6,318	100.0
Applied as follows:				
To employees:				
Net pay, Income Tax, National Insurance & Pension Fund deduction	4,042		4,217	
Group contributions for National Insurance	272		282	
Group contributions for Pension Fund	68		79	
Employee related distribution	49		44	
Interest re: Pension Fund	372		304	
Deferred Tax re: Pension Fund	(73)		113	
	4,730	92.9	5,039	79.8
To members and other providers of capital:				
Share interest	39		35	
Interest on other financing	26		26	
Rent	37		98	
	102		159	
Less investment income and rents received	(527)		(539)	
	(425)	(8.3)	(380)	(6.0)
To members, customers and community:				
Dividend	101		110	
Charity dividend	10		3	
Education	1		2	
	112	2.2	115	1.8
Taxation charge (deferred and corporate)	26	0.5	410	6.5
For the replacement of assets and expansion of the group:				
Depreciation/amortisation (inc. impairment)	768		804	
Retained deficit/surplus	(81)		365	
Reserve movement in share interest	(39)		(35)	
	648	12.7	1,134	17.9
	5,091	100.0	6,318	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.