

Report 2000

Tamworth Co-operative Society Limited
Annual Report & Financial Statements
for the year ended 29th January 2000



WIMBORNE CO-OPERATIVE SOCIETY

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■ Directors, Officers and Advisers

Board of Directors

Mrs. A. M. Poulten (Chairman)
 Mrs. E. M. Johnson (Vice-Chairman)
 Mr. W. B. Atkins, J.P.
 Mr. P. Buckley
 Mr. T. J. Coton
 Mr. D. Johnson
 Mr. G. W. Johnson
 Mr. A. M. King
 Mr. R. W. Read

Chief Executive Officer & Secretary

Mr. R. A. Hughes

Deputy Chief Executive Officer

Mr. J. Coles F.C.C.A., A.C.I.S.

Auditors

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

Bankers

Co-operative Bank plc, 42 Greengate Street,
 Stafford, ST16 2BU.

Solicitors

Mark Matthews & Co., 16 – 21 Church Street,
 Tamworth, B79 7DH.
 Dewes Sketchley, 10 Colehill, Tamworth B79 7HE.

Registered Office

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

■ Notice of Meeting

Notice is hereby given that the Ordinary Annual General Meeting of the Society will be held on the Second Floor, Tamworth Department Store, Church Street, Tamworth on Thursday, 13th April 2000 at 7.15pm.

Agenda

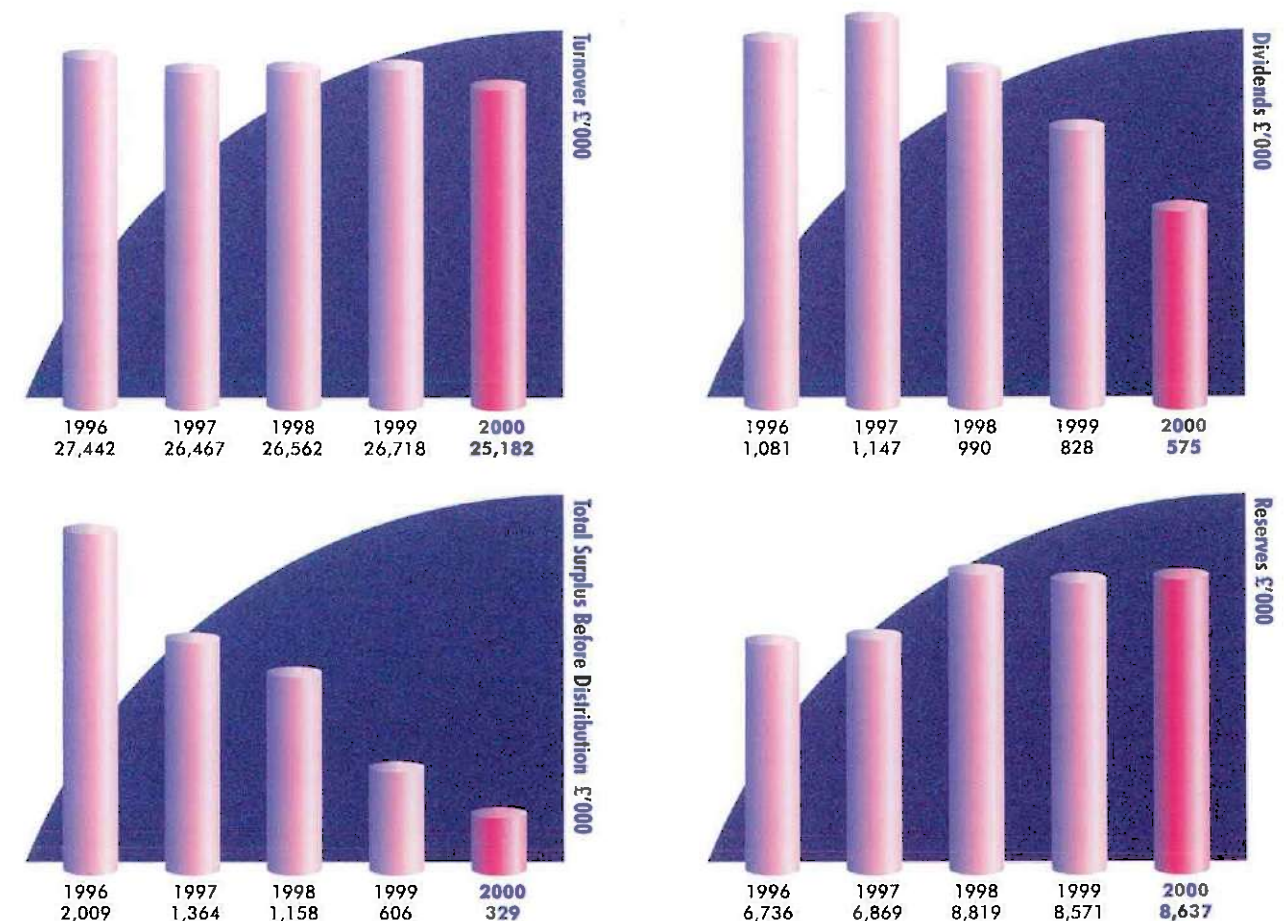
1. To confirm the Minutes of the Ordinary General Meeting held on 15th April 1999.
2. To receive the Report of the Board of Directors.
3. To consider and adopt the accounts of the Group for the 52 weeks ended 29th January 2000 and the Balance Sheet together with the Auditors' Report thereon.
4. To receive the Report and Accounts of the Member Relations Committee.
5. To confirm donations authorised by the Board of Directors.
6. To elect:
 - (a) A Delegate to the Meetings of the Shareholders of the CWS Limited.
 - (b) 4 Members to serve on the Member Relations Committee.
 - (c) Scrutineers
7. To declare the results of the election to the Board of Directors.
8. To appoint Auditors.
9. To receive a report upon the Annual General Meeting of the CWS Limited.
10. To receive a report upon the Co-operative Congress 1999.

■ Five Year Comparative Statement

year ended 29th January 2000

	1996	1997	1998	1999	2000
	£000's	£000's	£000's	£000's	£000's
Membership (000's)	46	48	50	52	38
Turnover	27,442	26,467	26,562	26,718	25,182
Trading surplus	965	831	670	266	214
Retained surplus/(deficit)	939	133	82	(315)	(215)
Capital expenditure	807	811	1,051	614	1,281
Depreciation	420	645	589	756	626
Members' dividend	1,081	1,147	990	828	575
Fixed assets	7,574	8,074	9,949	8,310	9,207
Intangible assets	107	67	24	–	–
Net current assets	739	615	870	2,400	1,612
Provisions for liabilities and charges	(222)	(260)	(260)	(260)	(183)
Loans	(383)	(461)	(564)	(619)	(724)
	7,815	8,035	10,019	9,831	9,912
Share capital	1,079	1,166	1,200	1,260	1,275
Reserves	6,736	6,869	8,819	8,571	8,637

It should be noted that the figures for 1999 are for a 53 week period whereas all other figures relate to a 52 week period.
 Comparative figures for 1997 only have been amended to reflect the reclassification of T.V. rental sets from current assets to fixed assets, effective from 1998.



Report of the Board of Directors

Financial Review

Total turnover for the year amounted to £25,182,367 a decrease of 5.7% on the previous year.

Members should note however that the current year's figures were for 52 weeks whereas the previous year's figures were for 53 weeks. If allowance was made for this a decrease of 3.9% would be shown.

Most of the sales deficit has been within the Tamworth Town Centre where there has been a lessening of customer flow in recent years.



The Society is particularly concerned with regard to the future of the Town Centre and in particular with the Council's plans to further pedestrianise the area. The Board of Directors has therefore decided to fully oppose these plans because it believes that they are detrimental to the future of our own business and the Town in general.

Elsewhere, the Convenience Stores have increased their business overall and we have also seen an increase in turnover at our Homemaker Store at Ventura Park following the alterations earlier in the year.

Funeral turnover has been broadly in line with the previous year's record figures.

Trading margins have improved in both Food and Non Food despite the very competitive market, and there has been a further increase in income from property. Nevertheless, it has been very difficult to contain expenses in line with the reduction in turnover and total trading surplus again shows a decrease.

Interest received totals £125,000 against the £153,000 of the previous year, and the Society has also received a further £11,000 in connection with property matters.

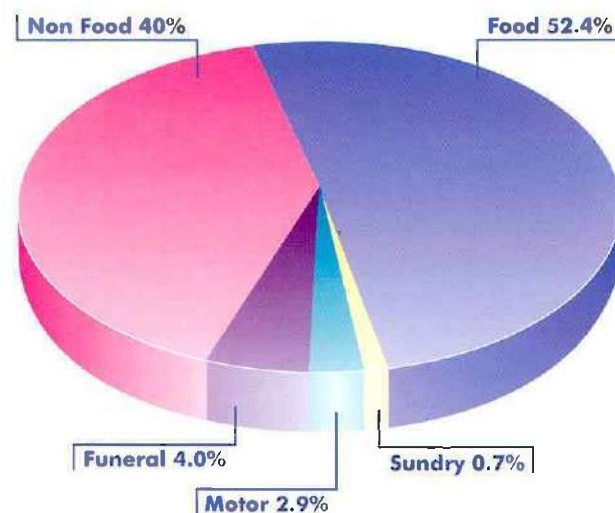
The total surplus for the year before distribution has benefited from an exceptional profit of £118,000 from the early surrender of a lease and therefore amounts to £329,000 against £606,000 last year.

In addition, in line with current accounting standards, the Society's Investment Properties have again been re-valued and that Valuation shows a surplus taken into the Revaluation Reserve of £281,000 against the Valuation taken in January 1999.

Following payment of Share Interest and Grants, the total amount of recognised Gains amounts to £541,000 which, with the addition of a tax credit of £100,000, produced an increase in total Reserves of £66,000 following the dividend allocation. Total Reserves now stand at £8,637,000.

The financial standing of the Society therefore remains strong and the Board of Directors will continue to look for further expansion opportunities.

Society Trade Balance



Dividend

The Board of Directors has been very aware that during difficult economic trading conditions the Society has been hampered by the manner in which it has distributed Dividend for the last Decade.

Members will recall that a tiered structure of Dividend payments was introduced at the beginning of the last financial year which has given the Board of Directors a little more control over this substantial amount of money.

The distribution of Dividend has nevertheless remained a matter of considerable concern to the Board, which has decided that the only fair method for all Members is to revert to the traditional system of declaring a Dividend at the end of the year according to profits made during that year.

This change in policy takes effect from 30th January 2000.

The Society has maintained its policy of supporting various local Charities during the year and major awards were made to:

Lincote Disabled Club
 League of Friends of Newhall Hostel
 The Anthony Nolan Bone Marrow Trust
 Vision Homes Association
 Tamworth Merchant Navy Association
 St. John Ambulance, Wilnecote
 Rosliston Village Hall
 Pathway Project
 Children Nationwide
 Tamworth Sons of Rest
 Mile Oak Munchkins Pre-School
 Tamworth Samaritans
 Victim Support
 ChildLine
 Wilnecote Darby & Joan Club
 Air Ambulance



In addition the Society has been able to donate smaller gifts to over 120 local Groups and Charities.

We have also been pleased to maintain our policy of giving Gift Tokens of £20 to those Members who got married or celebrated their Golden or Diamond Wedding Anniversaries during the year.



Membership

The Society was pleased to receive a further 1,182 Members into the Society during the year, whilst deaths and removals accounted for a closure of 175 accounts. In addition the Society has been endeavouring to clean up its Share Register and this has resulted in a further closure of 15,236 accounts. The money standing to the balance of these accounts remains within the total amount of Share Capital and is still available for distribution on demand.

Total Membership now amounts to 37,674.

The Board recommends a distribution of surplus as follows:

Interim Dividend Certificates	£230,943
Final Dividend Certificates	£344,057
Total	£575,000

Auditors

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

■ Food Division

Supermarket and Convenience Stores

Competition within the Food Trade has again been intensive as was anticipated at the start of the year.

Whilst there have been no further out of town developments in the last twelve months, nevertheless the Superstores have consolidated to a certain extent and sales in the Town Centre Supermarket are still being slowly eroded. In order to offset this the Society has been pleased to lease part of the Supermarket area to National Co-operative Chemists for an in-store Pharmacy. This has added to the attraction of the store and provided an extra service for our members.

Elsewhere, consumers are having to turn to Convenience Stores to top up their purchases and the Society has seen above inflation sales increases from several of its Units, particularly those at Glascote, Wood End, Rosliston and Whittington.

Stock ranges have been kept under constant review and widened to reflect the changing pattern of trade and the Society has been pleased with the performance of some of the new products such as Videos and Phone Cards.

The Society has completely replaced its EPOS systems throughout the Food Division during the financial year and this has enabled the Society to increase its marketing

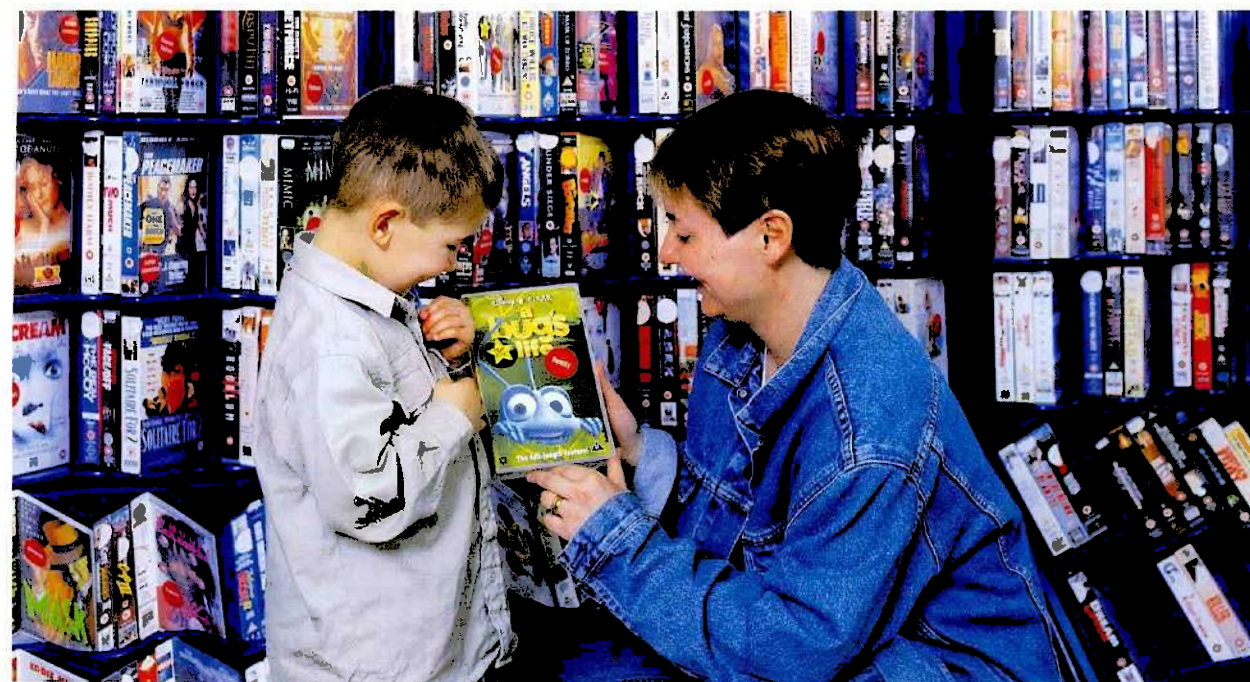


opportunities and offer a greater variety of Promotions to its Members.

The Board of Directors is mindful that the future of Food Retailing so far as the Society is concerned is likely to be concentrated within the Convenience sector, and during the year it has purchased some land in the Stretton district of Burton upon Trent. Architects are currently drawing plans to build a Convenience Store on this site.

The Board of Directors will continue to seek further opportunities within the area.

The popular Grocery Delivery Service has been maintained as has the Order Book Service for the Housebound. Telephone and facsimile orders are also increasing and the Society is currently looking at opportunities to extend this service through the Internet.



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■ Non Food

Trading difficulties have continued both nationally and locally within Non-Food Trades where poor results have been announced in all areas other than where heavy discounting has taken place.

Competitive trading has resulted in substantially reduced prices and negative inflation has resulted. The Society has continued its aim to keep stock-holdings down to a minimum with some success.

At the beginning of the year the Society invested additional monies in its Homemaker Store at Ventura Park and thereby increased considerably the range of merchandise held there. In addition a Coffee Bar was installed for the convenience of Members. This has resulted in increased sales at Homemaker, against the trend in other Units. Overall, average weekly Non Food sales are down by approximately 7%.

The Board of Directors is of course disappointed by these figures and closely monitoring the situation at various premises. The Non Food Division has again produced a trading loss and considerable endeavours must be made to correct this situation.



The Pedestrianisation proposals mentioned earlier in the Report will affect this trading division much more than elsewhere, and this too could impact on future statistics. Nevertheless the financial control procedures now in place enable the Board of Directors to react to changes much quicker than previously. Strategies have been put in place, and have been successful in some areas, and further changes will be made as and when it is

considered to be in Members' interests. Included in the recent changes have been a change in merchandise content at the Swadlincote Shops and a change in location of the Burton Homelectric Store. We believe that both of these moves will be beneficial in the long term.



Property

The importance of the Property Division to the Society's profits has been stressed on a number of occasions. This year is no exception and property income has reached record levels.

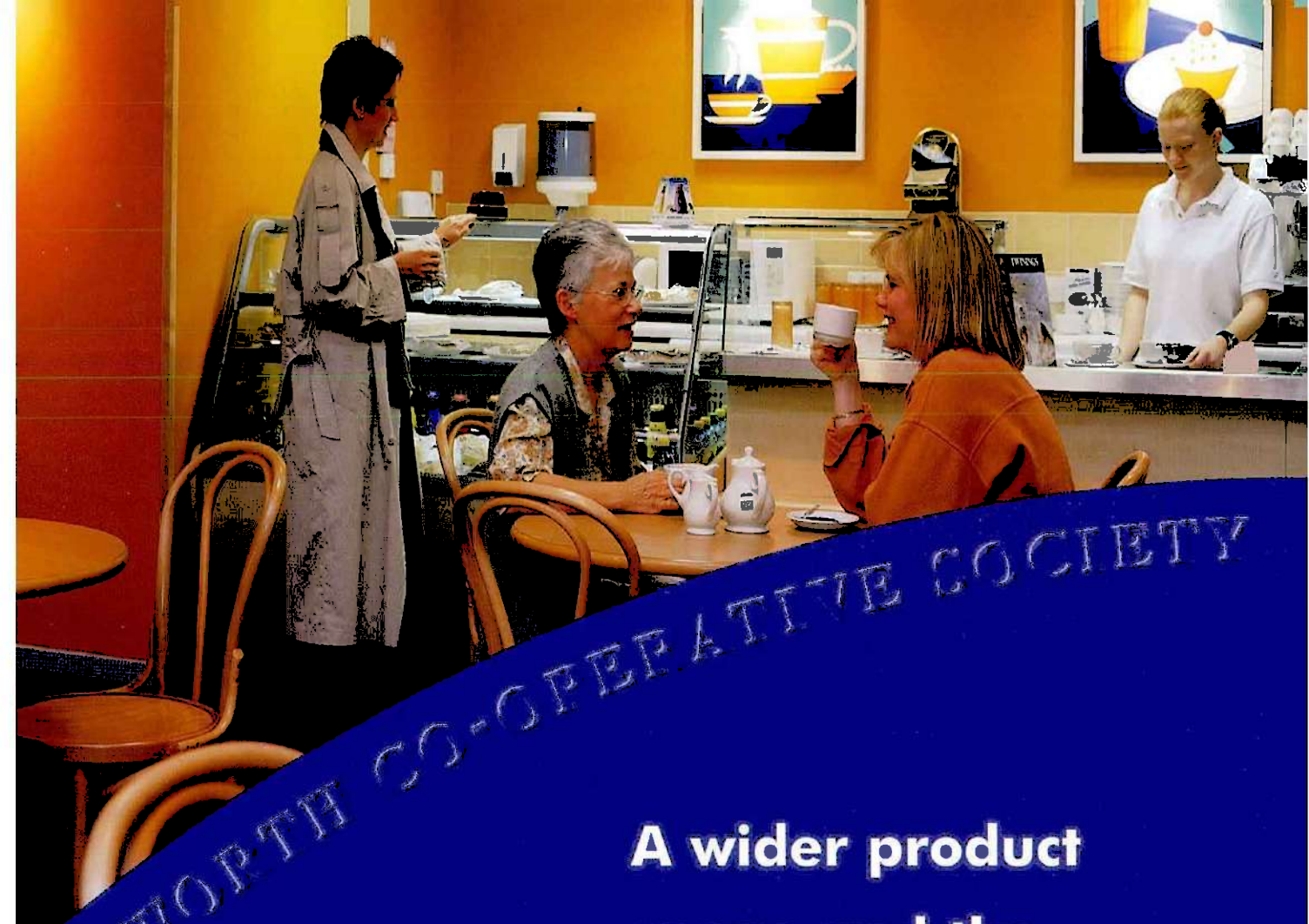
During the year the Society was pleased to purchase a further investment opportunity at 1 - 2 George Street, Tamworth and this has further strengthened the Property Portfolio.

The Board of Directors will continue to closely observe its Portfolio to ensure that all opportunities for growth are taken.

The Annual Valuation of the Society's Investment Portfolio has again provided a surplus, which this year amounts to £281,000. This amount can be found in the Statement of Total Recognised Gains and Losses and has been added to the Revaluation Reserves on the Balance Sheet.

Financial Services

We have again been pleased to provide Financial Services to Members at Burton, Dordon, Kingsbury, Polesworth, Stanton and Swadlincote in addition to the main Counter in Tamworth.



TAMWORTH CO-OPERATIVE SOCIETY

A wider product range and the addition of a Customer Coffee Shop both helped increase sales at the Ventura Park Homemaker store



In addition Post Office facilities have been available in Tamworth, Swadlincote and Rosliston.

There has however been a move away from traditional Bank Counter operations by the public with the growth of IT and as a result income from Banking operations is decreasing.

The Society has considered the provision of these facilities to be an important part of the services that it has provided to our Members for many years, but Members should remember that, if they wish the Society to continue to provide such facilities, it is important that full use is made of them.

Funeral Services

The Society's Funeral Department has maintained its record turnover figures of last year and average weekly sales are slightly increased.

The Society currently operates from four Offices, in Tamworth, Atherstone, Woodville and Uttoxeter and it is expected that a further Unit will shortly be opening in Cheadle.

Obviously the opening of these new Offices does impact on profits initially, but as turnover develops the Department will benefit in the future.

The Board of Directors has for some time considered that it is in the Society's interests to further develop this part of the business and our Agents are continually on the lookout for new sites from which we can extend our services to Members.

Human Resources

Staff

The total number of Staff employed within the business has been broadly maintained during the year with a larger number of part-time employees and a small decrease in full-time workers.

The Board of Directors again recognises the efforts which the Staff have made during the year and wishes to record its thanks to all concerned for their loyalty and hard work.

It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment are objective, free from bias and based solely upon work criteria and individual merit.

The Society seeks to be responsive to the needs of its employees, customers, and the community at large, and is an organisation that wishes to use everyone's talents and abilities to the full.

Equal Opportunities

The Society believes firmly in a policy of equal opportunity and welcomes the career advancement of both men and women. The Board itself is currently composed of 7 male and 2 female Directors. Senior Management comprises 4 men and 2 women. Middle Management currently totals 13 men and 9 women.

Wherever possible the Society aims to fill future vacancies from within and is currently employing Trainee Managers in both Food and Non Food Departments.

It is the Society's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities should be based on a realistic assessment of their aptitudes and abilities.

Wherever possible, the Society will seek to continue the employment of persons who become disabled during the course of their employment with the Society through retraining, the acquisition of special aids and equipment or the provision of suitable alternative employment.



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■ Corporate Governance

The Co-operative Union Limited issued the Code of Best Practice on Corporate Governance in July 1995. This was amended in April 1998 and further updated in June 1999.

The objective of the Board is to comply with the Code of Best Practice as far as it is practicable in the Society's particular circumstances. Most of the Code's 41 Recommendations have already been implemented by the Society as appropriate and all relevant Disclosure Recommendations are incorporated within this Annual Report and Financial Statements.

In accordance with our obligations under the Code of Best Practice, Members are advised that to date the Society has not adopted Recommendation 7: Service Contracts or Recommendation 34: Code of Business Ethics and does not comply with Recommendation 33: Reporting of Large Transactions, which it believes is inappropriate.

The Society encourages its Directors to attend the Co-operative College to achieve the Institute of Co-operative Directors Certificates (ICD), and currently 6 Directors have received this Certificate.

The entire Board sits as the Audit Committee, and it has been agreed that the Vice Chairman should act as Chairman of this Committee.

Members may contact the Chief Executive Officer for further information on the Code of Best Practice.

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

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Combined Code introduced a requirement that the Directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including: financial, operational, compliance and risk management.

Guidance for Directors "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance) was published in September 1999. However, the Directors have taken advantage of the transitional rules and have continued to review and report upon internal financial controls in accordance with the guidance issued by the Co-operative Accounting Standards Committee in March 1996.

Key procedures that have been established and are designed to provide effective internal financial control are:

Control environment

The Directors have put in place an organisational structure with clearly designed lines of responsibility and delegation of authority. These are set out in the Group's Management Policies.

Risk management

Operating Society/Company management have a clear responsibility for identifying risks facing each of the businesses, and for putting in place procedures to mitigate and monitor risks. Risks are formally assessed during the annual business planning process which is monitored by the Board.

Information systems

The Group has a comprehensive system of financial reporting. The annual budget and rolling five year plan of each operating Society is approved by the Directors, and the Board approves the overall Group budget and plan. Monthly actual results are reported against budget and any significant adverse variances are examined by the Board and remedial action taken. There is weekly cash reporting and revised forecasts for the year are prepared regularly. A number of functions report to the Board annually. These include Treasury Operations and Corporate Taxation.

Control procedures

Policies and Procedures Manuals are maintained by all business units. In particular, there are clearly defined

policies for capital expenditure including appropriate authorisation levels. Larger capital projects and Society acquisitions require Board approval. Projects are also subject to a post-investment appraisal after an appropriate period.

The Audit Committee has reviewed the effectiveness of the Group's internal financial control system for the period from 31st January 1999 to 29th January 2000 in relation to the guidance issued by the Co-operative Accounting Standards Committee.

As might be expected in a Group of this size and complexity, a small number of financial control weaknesses occurred during the period under review. These were identified on a timely basis and appropriate actions taken. None of these weaknesses in internal financial control have resulted in any material losses, contingencies or uncertainties which would require disclosure.

Payment of Creditors

The Society normally agrees payment terms with its Suppliers when it enters into binding Purchase Contracts. We seek to abide by the payment terms agreed with Suppliers whenever possible and we are satisfied that the Supplier has provided the goods or services in accordance with agreed terms Terms and Conditions.

At 29th January 2000 the number of Creditor days outstanding for the Society was 39 days (1999: 41 days).

Retirements

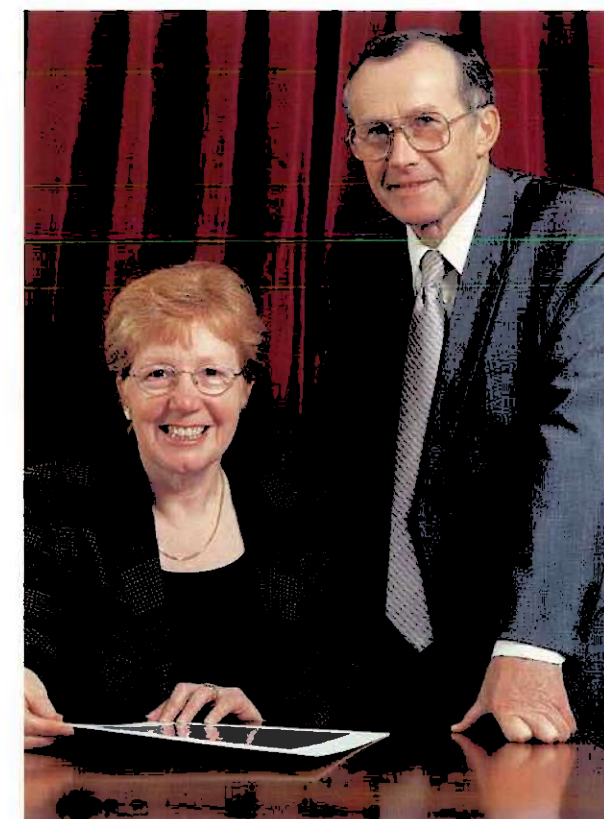
The Society remembers employees who have retired during the year and extends its grateful thanks for their dedicated service wishing them all a long and happy retirement.

Mr. P. Buckley who has been a Director with the Society since April 1994, has decided to stand down at the Annual General Meeting in April.

The Board of Directors places on record the Society's appreciation for his period of service to the Society.

Obituaries

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



For and on behalf of the Directors

A. M. Poulten
A. M. Poulten

Audrey M. Poulten

Chairman of the Board

[Signature] *[Signature]*

Richard A. Hughes

Chief Executive Officer

7th March 2000

■ Results at a glance

year ended 29th January 2000

	2000		1999	
	£'000	£'000	£'000	£'000
We received from:				
Selling goods and services		25,182		26,718
Interest on investments		125		153
Renting property		362		333
Other property income		129		–
Surplus on sale of fixed asset investments		–		210
Taxation credit		100		–
Total received		25,898		27,414
We paid for:				
Goods and services	16,183		17,432	
Cost of staff	4,103		4,006	
Rates, heating, lighting and other operating costs	2,059		1,969	
Depreciation – money retained to cover cost of wear and tear of equipment	626		756	
Interest due to investors and Bank	50		59	
Grants	40		57	
Value Added Tax	2,477		2,622	
Dividends to Society members	575		828	
		26,113		27,729
Deficit for year		(215)		(315)

■ Statement of Accounting Policies

1. Basis of Accounts

The accounts have been prepared under the Historical Cost Convention as modified by the revaluation of investment properties and in accordance with applicable accounting standards.

2. Accounting Date

The accounts are in respect of the 52 week period ended 29th January 2000 with comparative figures for the 53 week period ended 30th January 1999.

The Group Accounts consolidate the accounts of the Tamworth Co-operative Society Limited and the wholly owned subsidiaries, TCS Estates Services Limited and McGregor Co-operative Society Limited.

3. Net Sales

Net sales include cash and credit sales and TV rental payments.

4. Stocks

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

5. Depreciation

Depreciation is not 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 instalments based on cost over the following periods:

Freehold buildings – 40 years.

Leasehold buildings – over the unexpired period of the lease.

Fixtures, fittings and machinery – over expected working life or 10 years, whichever is the least.

Transport – 4 years.

Television rental sets – 3 years.

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. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

6. Taxation

The charge for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

7. Debtors

Accounts are included at gross value less a suitable provision for bad and doubtful debts.

8. Pension Fund

The Society operates a defined benefit pension scheme covering full time and part time employees which is funded by payment of contributions to a separately administered fund. Contributions to the Fund are charged to the revenue account so as to spread the cost of providing pensions over the employees' working lives within the Society.

9. Goodwill and Intangible Assets

Purchased Goodwill arising on consolidation in respect of acquisitions since 1st January 1998 is capitalised as recommended by Accounting Standard FRS 10. Positive Goodwill is amortised by equal annual instalments over its estimated useful life.

Amounts paid in respect of Franchise fees are included in Intangible Assets and amortised over 5 years.

10. Funeral Prepayment Plan

The Society operates a funeral prepayment plan, the liability for which is included in loans in the Group Balance Sheet.

Based on the Group's experience of funerals handled under its prepayment plan, the liability has been divided between the current liability for those plans which may be completed within one year, and the remainder, where the liability is classified as an amount falling due after one year.

■ Group Revenue Account

year ended 29th January 2000

	NOTES	2000		1999	
		£'000	£'000	£'000	£'000
Turnover			25,182		26,718
Value Added Tax			2,477		2,622
Net sales			22,705		24,096
Cost of sales			16,287		17,580
Gross profit			6,418		6,516
Expenses less income from property	1		6,204		6,250
Trading surplus			214		266
Interest received	4		125		153
Interest paid	3		339		419
			21		23
Surplus on sale of Fixed Assets			318		396
			11		210
Surplus for year before distribution			329		606
Share interest		29		36	
Dividend	17	575		828	
Grants	2	40	644	57	921
Deficit for year before taxation			(315)		(315)
Taxation Credit	12		100		—
Deficit for year	15		(215)		(315)

■ Statement of total recognised Gains and Losses

year ended 29th January 2000

	NOTES	2000	1999
		£'000	£'000
Deficit		(215)	(315)
Unrealised surplus on revaluation	16	281	67
Total recognised gains/(losses)		66	(248)

■ Group Balance Sheet

year ended 29th January 2000

	NOTES	2000		1999	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	5		9,103		8,206
Investments	6		104		104
			9,207		8,310
Current Assets					
Stocks	7	2,380		2,353	
Debtors and prepayments	8	690		809	
Investments	9	1,075		2,169	
Cash in hand and at bank		705		756	
		4,850		6,087	
Current Liabilities					
Amounts falling due within one year					
Creditors – Trade	10	2,674		3,013	
Dividend		432		553	
Other		4		5	
Loans	11	3,110		3,571	
		128		116	
		3,238		3,687	
Net current assets			1,612		2,400
Total assets			10,819		10,710
Provision for deferred taxation	20		183		260
Funeral prepayment plans			724		619
Net assets			9,912		9,831
Financed by:					
Share capital	14		1,275		1,260
Revaluation reserves	15		2,216		1,935
Revenue reserves	15		6,421		6,636
			9,912		9,831

■ Group Cashflow Statement

year ended 29th January 2000

	NOTES	2000 £'000	1999 £'000
Cash inflow from Operating Activities	21(a)	565	2,129
Returns on Investments and Servicing of Finance	21(b)	120	177
Benefits paid to Members		(696)	(982)
Taxation recovered		151	29
Capital expenditure and financial investment	21(c)	(1,267)	1,106
Cash (outflow)/inflow before use of liquid resources and financing		(1,127)	2,459
Management of liquid resources	21(d)	1,094	(2,040)
Financing	21(e)	(18)	(27)
(Decrease)/increase in cash in the year		(51)	392

■ Reconciliation of net cash flow to movement in net funds

year ended 29th January 2000

	NOTES	2000 £'000	1999 £'000
(Decrease)/increase in cash in the year		(51)	392
Cash (inflow)/outflow from management of liquid resources		(1,094)	2,040
Change in net funds resulting from cash flows	21(f)	(1,145)	2,432
Net funds at 30th January 1999	21(f)	2,925	493
Net funds at 29th January 2000	21(f)	1,780	2,925

■ Notes to the Accounts

year ended 29th January 2000

1 Expenses	2000 £'000	1999 £'000
Personnel costs	4,103	4,006
Occupancy costs	1,319	1,295
Depreciation †	522	558
Audit fees	18	16
Other fees paid to KPMG	29	28
Directors' fees	4	5
Other expenses	690	675
Income from property	(363)	(333)
Income from early surrender of lease	(118)	–
	6,204	6,250

† Depreciation charged to cost of sales amounts to £104,000 (1999 : £198,000)

No Director's remuneration exceeded £1,000

2 Grants and Donations	2000 £'000	1999 £'000
Member Relations Committee	2	3
Employee related	38	54
	40	57

3 Interest paid	2000 £'000	1999 £'000
Ordinary loans	–	1
Sales Club	4	4
Other	1	–
Prepayment plans	16	18
	21	23

4 Interest Received	2000 £'000	1999 £'000
CWS Limited	7	7
Other I & P Societies: Shares and Loans	44	6
Securities	–	62
	51	75
Short term deposits/other	74	78
	125	153

■ Notes to the Accounts

year ended 29th January 2000

5 Tangible Assets	Freehold Land & Buildings £'000	Leasehold Buildings £'000	Fixtures & Fittings, Plant £'000	Transport £'000	TV & Video Rental sets £'000	Freehold Investment Property £'000	Total £'000
Cost or valuation at start of year	4,338	494	3,734	599	547	2,799	12,511
Additions	162	-	594	26	62	437	1,281
Disposals	-	(13)	(184)	(38)	(170)	-	(405)
Revaluation Surplus	-	-	-	-	-	281	281
Cost or valuation at end of year	4,500	481	4,144	587	439	3,517	13,668
Accumulated Depreciation							
At start of year	891	111	2,550	389	364	-	4,305
Charge for year	97	33	305	87	104	-	626
Disposals	-	(13)	(184)	(35)	(134)	-	(366)
At end of year	988	131	2,671	441	334	-	4,565
Net book value at 29th January 2000	3,512	350	1,473	146	105	3,517	9,103
Net book value at 30th January 1999	3,447	383	1,184	210	183	2,799	8,206

The original cost of land included in the above figures which is not depreciated is £617,000.

The Society has reviewed its property portfolio and considers that certain properties are held solely for their investment potential. Such assets are now held separately above. Freehold investment properties are stated at valuation by Peter J. Hicks & Co., Chartered Surveyors on the basis of open market value as at 29th January 2000. All other fixed assets are stated at cost. The historic cost of investment properties included at valuation is as follows:

	£'000
Cost	1,397
Accumulated Depreciation	(96)
Net Book Value	1,301

■ Notes to the Accounts (continued)

year ended 29th January 2000

6 Fixed Asset Investments	2000 £'000	1999 £'000
CWS Limited: Shares	100	100
Other I & P Societies: Shares	4	4
Securities quoted	-	-
	104	104
7 Stocks	2000 £'000	1999 £'000
Goods held for resale	2,380	2,353
8 Debtors	2000 £'000	1999 £'000
Customer accounts	453	422
Prepayments	237	259
Corporation Tax Recoverable	-	100
Income Tax Recoverable	-	28
	690	809
9 Current Asset Investments	2000 £'000	1999 £'000
Other I & P Societies: Loans	1,031	530
Securities quoted	15	10
Deposit Protection Scheme	29	29
Short term deposit	-	1,600
	1,075	2,169
10 Creditors Falling Due Within 1 Year	2000 £'000	1999 £'000
Trade creditors	2,065	2,256
Accrued charges	207	353
Value Added Tax	122	104
Holiday pay reserve	280	300
	2,674	3,013

■ Notes to the Accounts (continued)

year ended 29th January 2000

11 Loans Falling Due Within 1 Year	2000 £'000	1999 £'000
Funeral prepayment plan	103	88
Sales Club	24	28
Other I & P Society	1	—
	128	116

The above amounts, none of which are secured, are repayable on demand.

12 Taxation Credit	2000 £'000	1999 £'000
Corporation Tax at 31%	—	—
Deferred tax	33	—
Prior year adjustment:		
Corporation Tax	23	—
Deferred Tax	44	—
	100	—

	2000		1999	
	Provided £'000	Not Provided £'000	Provided £'000	Not Provided £'000
Accelerated capital allowances	99	—	30	—
Other timing differences	84	—	230	108
	183	—	260	108

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 £0.6 million.

13 Capital Commitments

Future capital expenditure authorised and contracted for £59,000 (1999 £221,655).

■ Notes to the Accounts (continued)

year ended 29th January 2000

14 Share Capital	2000 £'000	1999 £'000
Balance to commence	1,260	1,200
Contributions	452	528
Interest	29	36
	1,741	1,764
Withdrawals	466	504
Balance to end	1,275	1,260

Share Capital is Non Equity Share Capital comprising 1,275,503 shares of £1 each, attracting interest currently of 2.5% per annum. The Share Capital is withdrawable upon giving the following notice to the Society:

Where the amount to be repaid upon withdrawal does not exceed £100: five weeks, and for every additional sum of £25 or fraction thereof, an additional week's notice.

Each member is entitled to one vote.

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

15 Reserves	Revaluation reserves £'000	Revenue reserves £'000	Total 2000 £'000	1999 £'000
Balance to commence	1,935	6,636	8,571	8,819
Revaluation surplus arising in the year	281	—	281	67
Deficit for the year	—	(215)	(215)	(315)
Balance to end	2,216	6,421	8,637	8,571

16 Reconciliation of Movements in Shareholders' Funds	2000 £'000	1999 £'000
Surplus before distribution and tax	329	606
Distributions and tax	(544)	(921)
Deficit after distributions and tax	(215)	(315)
Revaluation surplus arising in the year	281	67
Contributions and interest less withdrawals during the year	15	60
Movement in Year	81	(188)
Opening Shareholders' Funds	9,831	10,019
Closing Shareholders' Funds	9,912	9,831

■ Notes to the Accounts (continued)

year ended 29th January 2000

17 Dividend	2000	1999
	£'000	£'000
Dividend to Shareholders	567	818
Waived dividends given to charity	8	10
	575	828

18 Staff	2000	1999
Full time	175	178
Part time	340	332
	515	510

The total employment costs of the Society for the year were:	£'000	£'000
Salaries and wages	3,718	3,607
National Insurance	225	239
Pension Fund contributions	144	139
Other	16	21
	4,103	4,006

The remuneration of the Chief Executive Officer (who is also the highest paid employee) included above was as follows:	2000	1999
	£	£
Salary	69,447	66,413
Taxable Benefits	5,816	6,937
	75,263	73,350
Pension Contributions	6,099	6,087
	81,362	79,437

The following number of employees received remuneration (including taxable benefits) falling within the following ranges:	2000	1999
	No.	No.
£20,001 - £25,000	5	3
£25,001 - £30,000	1	2
£30,001 - £40,000	2	1
£40,001 - £50,000	-	2
£50,001 - £60,000	2	-
£70,001 - £80,000	1	1

■ Notes to the Accounts (continued)

year ended 29th January 2000

19 Pensions

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

The last valuation of the Fund was carried out as at 1st April 1998 by a qualified actuary employed by Co-operative Insurance Society Limited. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in wages, pensions and equity dividends. For the purpose of the valuation, it was assumed that the investment return would average 8.5% per annum, that wage increases would average 6.5% per annum, that present and future pensions would increase at the rate of 4.5% per annum and that equity dividends would increase at an average rate of 5.0% per annum.

The contributions charged in the profit and loss account were assessed using the attained age method.

At the date of the valuation, the market value of the Fund's assets was £8,862,000 and the actuarial value was £6,687,000. The actuarial value of the assets represented 107% of the actuarial value of all benefits accrued to members and pensioners at that date, after allowing for the assumed future increases in wages and pensions. The surplus is being amortised in the Society's accounts over the remaining expected service lives of the current members.

During the year, the Society made contributions to the Fund amounting to approximately £144,000. The pension costs charged in the revenue account did not differ materially from this.

20 Provision for Liabilities and Charges	2000	1999
	Deferred Tax	Deferred Tax
	£'000	£'000
Balance to commence	260	260
Transfer to Revenue Account	(77)	-
Balance to end	183	260

21 Cashflow	2000	1999
(a) Reconciliation of operating profit to operating cash flow	£'000	£'000
Operating profit	214	266
Depreciation charge	626	756
Intangible asset amortisation	-	24
Grants and donations	(40)	(57)
Decrease in stock	9	335
(Increase)/decrease in debtors	(9)	205
(Decrease)/increase in creditors	(339)	538
Increase in funeral prepayments	104	62
Net cash inflow from operating activities	565	2,129

21(b) Returns on investment and servicing of finance	2000	1999
	£'000	£'000
Interest received	125	182
Interest paid	(5)	(5)
Net cash inflow from returns on investment and servicing of finance	120	177

■ Notes to the Accounts (continued)

year ended 29th January 2000

(c) Capital expenditure and financial investment			
	2000		1999
	£'000		£'000
Purchase of tangible fixed assets	(1,281)		(614)
Purchase of fixed asset investments	-		(458)
Sale of fixed asset investments	-		2,178
Sale of fixed assets	14		-
Net cash (outflow)/inflow from capital expenditure and financial investment	(1,267)		1,106
(d) Management of liquid resources			
	2000		1999
	£'000		£'000
Purchase of current asset investments	(506)		(2,040)
Disposal of current asset investments	1,600		-
Net cash inflow/(outflow) from management of liquid resources	1,094		(2,040)
(e) Financing			
	2000		1999
	£'000		£'000
Contributions to share capital	452		528
Withdrawals of share capital	(466)		(504)
Loans due within a year - net repayment	(4)		(51)
Net cash outflow from financing	(18)		(27)
(f) Analysis of net funds			
	At beginning of year	Cash flow	At end of year
	£'000	£'000	£'000
Cash in hand and at bank	756	(51)	705
Current asset investments	2,169	(1,094)	1,075
Total	2,925	(1,145)	1,780

22 Contingent Liabilities

During the year the Society was a member of the Co-operative Deposit Protection Scheme which existed to give security to investors in co-operative societies, including investors in withdrawable share capital. The Society has guaranteed to support the scheme, along with other members, in the event of a call by trustees of the scheme arising from the insolvency of another member society. No calls under the scheme have been notified to the Society up to the date that these accounts were approved by the Board.

The scheme terminates at the end of March 2000 and as a consequence investors in withdrawable share capital will no longer have this security available. The administrator of the scheme, the Co-operative Union Limited and HM Treasury are developing a Code of Practice for co-operative societies which in the future will apply to investments in withdrawable share capital.

■ Board Certification

The accounts and notes on pages 15 to 26 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.

A.M. Poulten
A.M. Poulten

Audrey M. Poulten
Chairman.

E.M. Johnson
E.M. Johnson

E. Margaret Johnson
Vice Chairman.

Richard A. Hughes
Richard A. Hughes

Richard A. Hughes
Chief Executive Officer.

7th March, 2000

■ Auditors' Report

TO THE MEMBERS OF TAMWORTH CO-OPERATIVE SOCIETY LIMITED

We have audited the financial statements set out on pages 15 to 26.

Respective Responsibilities for Directors & Auditors

The Directors are responsible for preparing the Annual Report. As described on page 28 this includes responsibility for preparing financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent Auditors, are established by statute, the Auditing Practices Board, the Co-operative Union Limited's Code of Best Practice ("The Code") and by our profession's ethical guidance.

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 1978 and the Industrial and Provident Societies (Group Accounts) Regulations 1969. We also report to you if, in our opinion, the Society has not kept proper accounting records and if we have not received all the information and explanations we require for our Audit.

We review whether the statement on pages 12 and 13 reflects the Society's compliance with paragraphs 31 and 32 of the Code, and we report if it does not. We are not required to form an opinion on the effectiveness of the

Society's Corporate Governance procedures or its internal financial controls.

We read the other information contained in the Annual Report, including the statement on paragraphs 31 and 32 of the Code, 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.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 financial statements give a true and fair view of the state of affairs of the Group and Society as at 29th January 2000 and of the income and expenditure of the Group for the year then ended, and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978 and the Industrial and Provident Societies (Group Accounts) Regulations 1969.

KPMG KPMG

KPMG

Chartered Accountants, Registered Auditors,
2 Cornwall Street, Birmingham, B3 2DL.

7th March, 2000.

■ Statement of Directors' Responsibilities

The Directors are required by Industrial and Provident Society Law to ensure the preparation of financial statements which give a true and fair view of the state of the affairs of the Society and the Group at the end of each financial year, and of the income and expenditure for that period. In preparing those financial statements, the Directors are required to:

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

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

■ Directors' Attendances

Name	Appointment Expires	Possible Attendances	Actual Attendances
Mr. W. B. Atkins	2002	31	31
Mr. P. Buckley	2000	27	21
Mr. T. J. Cotton†	2001	19	18
Mr. D. Johnson	2001	28	25
Mrs. E. M. Johnson	2002	28	27
Mr. G. W. Johnson	2000	31	28
Mrs. K. M. Johnson*	–	7	7
Mr. A. M. King	2000	26	24
Mrs. A. M. Poulten	2001	28	22
Mr. R. W. Read†	2002	19	19

Directors attended all meetings, except when illness or other commitments prevented them from so doing.

* Retired from office April 1999.

† Appointed April 1999.

■ The Co-operative Difference

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

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

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

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

On 26th March 1887 payment of the Society's first Dividend was arranged. Whilst Members waived their right to this Dividend on that occasion, nevertheless the Society has fully committed itself to the Dividend

principle and still shares its profits to its Members consistently every year, and in the last 5 years almost £5,000,000 has been shared by local people.

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. In the last 5 years nearly £50,000 has been allocated for these purposes.

- 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.

■ Society Outlets

Food Supermarket

Church Street, Tamworth.

Convenience Stores

70 New Street, Dordon.

264 Main Road, Amington.

251 Main Road, Glascoate.

High Street, Polesworth.

129 Stanton Road, Stanton.

Tamworth Road, Wood End.

109 Tamworth Road, Kingsbury.

107 Amington Road, Bolehall.

Main Street, Rosliston.

Main Road, Whittington.

Non Food Stores

Department Store, Church Street, Tamworth.

Homemaker, Ventura Retail Park, Tamworth.

The Delph, Swadlincote.

Gift Shop, West Street, Swadlincote.

Homelectric, Civic Way, Swadlincote.

Homelectric, The Octagon Centre,

Burton-upon-Trent.

Post Offices

Church Street, Tamworth.

The Delph, Swadlincote.

Main Street, Rosliston.

Funeral Services

Upper Gungate, Tamworth.

Station Street, Atherstone.

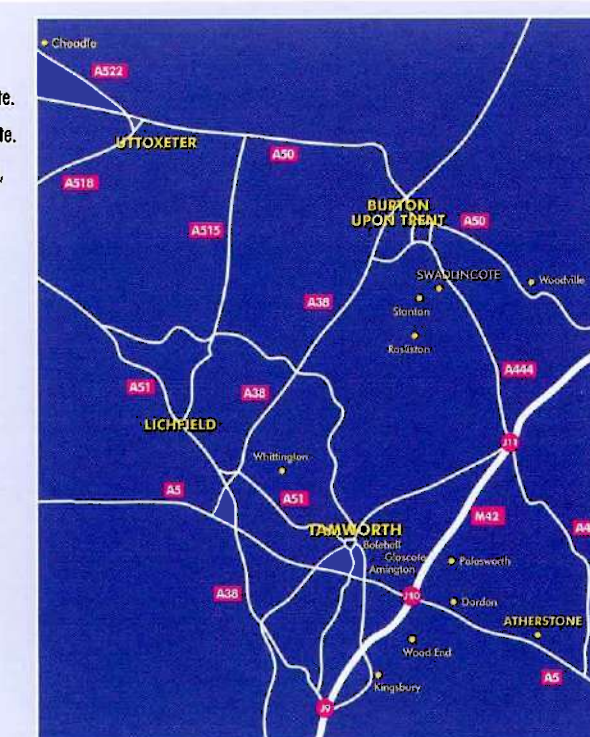
Granville Street, Woodville.

High Street, Uttoxeter

Petrol Stations

Bonehill Road, Tamworth.

Main Street, Rosliston.



Member Relations Report

Community Activities

The Member Relations Committee continues its work on behalf of the Society in developing the relationship which the Society enjoys with the Community. This enables Members to meet together in a less formal manner to learn more about the Co-operative Movement and the activities of their Organisation.

The Committee is formed from a number of Delegates appointed by the Society's Board of Directors, together with those elected directly by Members at the Society's Annual General Meeting. This gives the Committee a unique position from which it can assist the running of this Democratic Organisation and further increase Member participation in its affairs.



During the year the Committee organised two Rambles, the first in Long Mynd and the second in the Goyt Valley. Both of these were thoroughly enjoyed by the participants.

In addition, outings were also arranged to Ryton Gardens and to a Steam Train Excursion on the Severn Valley Railway from Bewdley to Bridgnorth. The latter being organised in conjunction with the West Midlands Education Group.

All Society Members and their families are exceedingly welcome to take part in these social activities and information can usually be found on the Notice Board which is located adjacent to the passenger lift in the main entrance of the Tamworth Department Store. In addition Notices are usually posted conspicuously in various of our trading premises.

Education

The Committee has continued its support of the Kingsbury Woodcraft Folk which helps to provide a Co-operative background to young people who meet regularly to develop their social and cultural background.

Your Committee has been particularly involved this year in a Design Competition to commemorate the Millennium, when local Schools were invited to submit designs for a Badge.

The winning Badge design was then utilised to form the basis of a supply of Badges to local schools.

The Committee also arranged, in conjunction with the West Midlands Group, an Education Day in Tamworth, when participants were given talks and demonstrations on various aspects of Co-operation and how mutual groups are organised.

Obituary

The Committee has noted with great regret the death, during the year, of Mrs. Hazel Fowler who was Secretary to the Group for many years, and without whose support many of its activities would have floundered.

Graham W. Johnson

Graham W. Johnson - Chairman

E. M. Johnson

E. Margaret Johnson - Secretary

7th March, 2000



Far left: Enjoying a ride on the Severn Valley Railway at Bewdley
Left: Taking a 'breather' on the Goyt Valley walk
Above: Rucksacks and Rhododendrons in the Goyt Valley
Below: Sunshine, fresh air and smile after mile of walking in the Goyt Valley



■ Member Relations Statement of Accounts

year ended 29th January 2000

	2000		1999	
	£	£	£	£
Balance to Commence	2,567		2,199	
Grant from Society	2,595		2,509	
Grant from West Midlands Group	200		184	
		5,362		4,892
LESS Secretary's Salary	150		150	
Grants / Donations	385		690	
Woodcraft Folk	450		410	
Conference	-		140	
Affiliations and Subscriptions	298		297	
Social Events	529		297	
Sundry Expenses	318		341	
Badge Competition	834	2,964	-	2,325
Balance to End		2,398		2,567



TAMWORTH CO-OPERATIVE SOCIETY



**Tamworth Co-operative
Society Limited**

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Fax: 01827 62999

Registered No: 2582R