

**CO-OPERATIVE COMMERCIAL LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**



**Registered office: 1 Balloon Street, Manchester, M60 4EP**  
**Registered number: 954488**

# **CO-OPERATIVE COMMERCIAL LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and financial statements for the 51 weeks ended 31 December 2009

### **BUSINESS REVIEW**

#### **TRADING AND PRINCIPAL ACTIVITIES:**

The principal activity of Co-operative Commercial Limited (the Company) is that of holding investments and the provision of finance through the leasing of capital equipment and assets

The profit for the period, after tax, amounted to £473,374 (52 weeks to 10 January 2009 £481,497) Net assets at the balance sheet date amounted to £3,390,688 (10 January 2009 £3,245,814)

#### **FUTURE OUTLOOK.**

The Company is expected to continue trading in the manner in which it does at present

#### **PRINCIPAL RISKS AND UNCERTAINTIES:**

The principal risks and uncertainties of the Company are integrated with the principal risks of the Co-operative Financial Services Limited group (CFS Group) and are not managed separately Further details are provided within the annual report of the CFS Group

Risks specific to the Company are disclosed in the risk management section on page 16

#### **KEY PERFORMANCE INDICATORS:**

The development, performance and position of the CFS Group, which includes this Company, are discussed in the group's annual report which does not form part of this report

#### **CHANGE IN ACCOUNTING REFERENCE DATE:**

Following the merger of CFS and Britannia Building Society on 1 August 2009 and in line with the ultimate parent company, Co-operative Group Limited, the Company has changed its accounting reference date to 31 December

The 2009 year reflects 355 days which has been stated as 51 weeks 2008 reflects a 52 week reporting period (365 days)

### **GOING CONCERN**

The directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance

Consequently, after making enquiries, the directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements

### **DIVIDEND**

The directors recommend the payment of a final dividend of £284,700 (52 weeks to 10 January 2009 £284,700)

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **DIRECTORS**

The directors of the Company during the period were

RT Goddard	chair
KM Blake	
PW Kerns	(resigned 31 December 2009)

No director received any emoluments directly from the Company during the period (52 weeks to 10 January 2009 £nil)

#### **FINANCIAL STATEMENTS**

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

A statement by the directors as to their responsibilities for preparing the financial statements is included in the statement of directors' responsibilities on page 3

#### **SUPPLIER PAYMENT POLICY AND PRACTICE**

All supplies and services are sourced through a group service company A management charge is payable to cover the costs of these services

#### **CHARITABLE AND POLITICAL DONATIONS**

The Company made no charitable or political donations during the period (52 weeks to 10 January 2009 £nil)

#### **SUBSEQUENT EVENTS**

No significant events have occurred since the conclusion of the financial period

#### **AUDITORS**

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board

MA Lees  
Secretary



12 MAY 2010

## **CO-OPERATIVE COMMERCIAL LIMITED**

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CO-OPERATIVE COMMERCIAL LIMITED**

We have audited the financial statements of Co-operative Commercial Limited (the Company) for the 51 weeks ended 31 December 2009, which comprise the income statement, the statement of comprehensive income, the balance sheet, the cashflow statement, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 Company and the Company'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 explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit 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 web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP)

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the 51 weeks then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

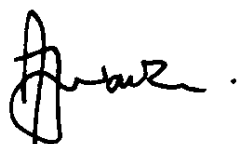
In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
CO-OPERATIVE COMMERCIAL LIMITED (continued)**

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Walker (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
St James' Square  
Manchester  
M2 6DS

15 MAY 2010

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **INCOME STATEMENT** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

		<b>31 December 2009</b>	<b>10 January 2009</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Finance lease income		<b>282,107</b>	301,519
Administrative expenses	. 1	<b>(2,162)</b>	(1,590)
Interest expense		<b>(76,846)</b>	(89,855)
Income from investments		<b>328,500</b>	328,500
<b>Profit before tax</b>		<b>531,599</b>	538,574
Income tax	2	<b>(58,225)</b>	(57,077)
<b>Profit for the financial period</b>		<b>473,374</b>	481,497

Profit for the financial period is attributable to the equity holders of the Company

The notes on pages 11 to 23 form part of these financial statements

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **STATEMENT OF COMPREHENSIVE INCOME** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

	31 December 2009 £	10 January 2009 £
Profit for the period	473,374	481,497
Other comprehensive income for the financial period, net of income tax	-	-
<b>Total comprehensive income for the financial period</b>	<b>473,374</b>	<b>481,497</b>

Total comprehensive income is attributable to the equity holders of the Company

The notes on pages 11 to 23 form part of these financial statements



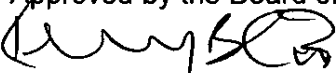
# **CO-OPERATIVE COMMERCIAL LIMITED**

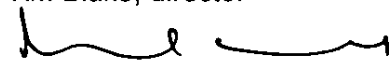
## **BALANCE SHEET** **AS AT 31 DECEMBER 2009**

	Notes	31 December 2009 £	10 January 2009 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	3	4,613,950	4,613,950
<b>Current assets</b>			
Cash and cash equivalents	4	2,192,798	1,923,737
Finance lease receivables	5	2,815,875	3,032,433
Other receivables	5	114,297	-
		<b>5,122,970</b>	<b>4,956,170</b>
<b>Total assets</b>		<b>9,736,920</b>	<b>9,570,120</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts due to parent undertaking	6	6,002,781	5,972,815
Income tax liability	2	53,621	55,165
Other payables	5	-	11,100
		<b>6,056,402</b>	<b>6,039,080</b>
<b>Non-current liabilities</b>			
Deferred tax liability	2	289,830	285,226
<b>Total liabilities</b>		<b>6,346,232</b>	<b>6,324,306</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	7	1,000,000	1,000,000
Retained earnings		2,390,688	2,245,814
<b>Total equity</b>		<b>3,390,688</b>	<b>3,245,814</b>
<b>Total liabilities and equity</b>		<b>9,736,920</b>	<b>9,570,120</b>

The notes on pages 11 to 23 form part of these financial statements

Approved by the Board of directors on 12 MAY 2010 and signed on its behalf by

  
KM Blake, director

  
RT Goddard, director

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **CASHFLOW STATEMENT** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

	Notes	31 December 2009 £	10 January 2009 £
<b>Cash flows from operating activities</b>			
Profit before tax		531,599	538,574
Adjustment for Interest expense		76,846	89,855
Decrease in finance lease receivables		216,558	171,989
Increase in other receivables		(114,297)	-
Increase in amounts due to parent undertaking		29,966	13,476
Decrease/(increase) in other payables		(11,100)	11,100
Income taxes paid	2	(55,165)	(53,576)
<b>Net cash flows from operating activities</b>		<b>674,407</b>	<b>771,418</b>
<b>Cash flows from financing activities</b>			
Interest expense		(76,846)	(89,855)
Dividends paid		(328,500)	(328,500)
<b>Net cash flows from financing activities</b>		<b>(405,346)</b>	<b>(418,355)</b>
<b>Net increase in cash and cash equivalents</b>		<b>269,061</b>	<b>353,063</b>
Cash and cash equivalents at the beginning of the period		1,923,737	1,570,674
<b>Cash and cash equivalents at the end of the period</b>	4	<b>2,192,798</b>	<b>1,923,737</b>

The notes on pages 11 to 23 form part of these financial statements

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **STATEMENT OF CHANGES IN EQUITY** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

	Notes	Share capital £	Retained earnings £	Total £
<b>At 12 January 2008</b>		1,000,000	2,092,817	3,092,817
Total comprehensive income for the financial period		-	481,497	481,497
Dividends paid	8	-	(328,500)	(328,500)
<b>At 10 January 2009</b>		<b>1,000,000</b>	<b>2,245,814</b>	<b>3,245,814</b>
Total comprehensive income for the financial period		-	473,374	473,374
Dividends paid	8	-	(328,500)	(328,500)
<b>At 31 December 2009</b>		<b>1,000,000</b>	<b>2,390,688</b>	<b>3,390,688</b>

The notes on pages 11 to 23 form part of these financial statements

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **BASIS OF PREPARATION**

Co-operative Commercial Limited is a limited liability company, incorporated in Great Britain and registered in England and Wales

The financial statements have been prepared on the basis of recognition and measurement requirements of International Financial Reporting Standards (IFRSs) in issue that are endorsed by the European Union (EU) and effective at 31 December 2009

In preparing these financial statements, the Company has adopted IAS 1 *Presentation of Financial Statements (revised)* and amendments to IFRS 7 *Disclosures about Financial Instruments*. The adoption of the standards and amendments impacted the type and amount of disclosures made in these financial statements

#### **GOING CONCERN**

The directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance

Consequently, after making enquiries, the directors are satisfied that the Company has sufficient future resources to continue in the business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements

#### **CONSOLIDATION**

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group

The Company has elected not to present consolidated financial statements as it is itself a wholly owned subsidiary of The Co-operative Bank plc and its results are consolidated within that company

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The Company has not adopted the following standards

- Revised IFRS 3 *Business Combinations* (2008)

This standard incorporates the following changes

- The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations
- Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss
- Transaction costs, other than share and debt issue costs, will be expensed as incurred
- Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis

Revised IFRS 3 is effective prospectively for annual accounting years beginning on or after 1 July 2009

- In April 2009, the IASB issued Improvements to IFRSs 2009, which comprises 15 amendments to 12 standards. Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective from 1 January 2010. The amendments are unlikely to have a material impact on the Company's financial statements.

The following standards and interpretations which have been issued but not yet effective are not considered relevant to the Company's operations

- Amendment to IFRS 2 *Share-based Payment – Group cash-settled share-based payment transactions*,
- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008),
- Amendments to IAS 32 *Classification of Rights Issues*,
- Amended IAS 39 *Financial Instruments – Eligible Hedged Items* (2008),
- IFRIC 15 *Agreements for the Construction of Real Estate*,
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*,
- IFRIC 17 *Distributions of Non-cash Assets to Owners*, and
- IFRIC 18 *Transfer of Assets from Customers*

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **CHANGE IN ACCOUNTING REFERENCE DATE**

Following the merger of CFS and Britannia Building Society on 1 August 2009 and in line with the ultimate parent company, Co-operative Group Limited, the Company has changed its accounting reference date to 31 December

The 2009 year reflects 355 days which has been stated as 51 weeks 2008 reflects a 52 week reporting period (365 days)

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) FINANCE LEASES**

Leases where the Company transfers substantially all the risks and rewards of ownership are classified as finance leases and are within finance lease receivables. Assets leased to customers are deemed to be finance leases and are valued at an amount equal to the net investment in the lease, less any provisions for impairment.

Income from assets leased to customers and instalment credit agreements is credited to the income statement based on a pattern reflecting a periodic rate of the net investment in its lease.

Initial direct costs incurred in arranging the lease are included in the initial measurement of the finance receivable and is recognised over the lease term.

##### *Impairment*

Impairment is assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant.

Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired. This may be after a principal payment is missed.

The recoverable amount of finance lease receivables carried at amortised cost is calculated as the present value of future cash flows, discounted at the original effective interest rate in the lease.

If impaired the carrying value is adjusted and the difference charged to the income statement.

The reversal of an impairment loss for an asset is recognised immediately in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) INCOME FROM INVESTMENTS**

Income from investments includes dividend income which is recognised in the income statement when the right to receive payment is established

**(c) INCOME TAX**

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided, with no discounting, using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(d) INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

Investments in subsidiaries are initially measured at fair value, which equates to cost, and subsequently valued at cost less impairment.

**(e) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash balances and balances with a maturity date of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cashflow statement.

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) IMPAIRMENT**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

*Calculation of recoverable amount*

The recoverable amount is the higher of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which it belongs.

*Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent of the asset's carrying amount, which would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised for the asset in prior periods.

**(g) OTHER FINANCIAL ASSETS AND LIABILITIES**

Other financial assets and liabilities are recognised on an amortised cost basis.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

The Company makes estimates and assumptions that affect the reported assets and liabilities. Estimates and judgments are continually assessed and reviewed and are based on historical experience and reasonable expectations of future events.

**IMPAIRMENT**

The leasing portfolio is reviewed on a continuous basis to assess impairment. In determining whether impairment provisions should be recorded, judgments are made as to whether there is objective evidence that a financial asset or portfolio of financial assets is impaired as a result of loss events that occurred after recognition of the asset and prior to the balance sheet date.



## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **RISK MANAGEMENT**

##### **CREDIT RISK POLICY**

Credit risk assessments on the provision of leasing facilities follow the basic canons of lending, i.e. consideration must be given to

- the integrity and reliability of the lessee,
- the duration and amount of the transaction,
- the lessee's ability to repay, and
- the security

The maximum exposure to credit risk equates to the carrying value of financial assets

##### *Security of asset*

In most cases the security for the expenditure on the asset purchase is the asset itself. It is not a prerequisite that security is limited to the asset only, other security may frequently be taken, particularly guarantees and/or bank securities. All security documents are referred to and approved by external solicitors where applicable and a record kept of all lease contracts approved by them.

##### **INTEREST RATE RISK AND LIQUIDITY**

Margins are preserved for long-term fixed-rate business by obtaining fixed-rate funding from the parent undertaking. This also applies to variable-rate leases where short-term variable-rate funding is also obtained from the parent undertaking. Profit sensitivity to interest rate movements is therefore mitigated.

#### **CAPITAL MANAGEMENT**

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and in the future to support the risks in the business.

The Company is not subject to externally imposed capital requirements in either the current period or the prior period, other than the minimum share capital required by the Companies Act with which it complies. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

#### **FAIR VALUES**

No fair value assumptions are made in the valuation of assets and liabilities in the financial statements. All financial assets and liabilities are held at amortised cost. Fair value equates to carrying value.

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **1. ADMINISTRATIVE EXPENSES**

The Company has no employees. Administrative expenses include a management charge for the services of its parent undertaking. Auditors' remuneration is borne by the parent company. No directors' remuneration was paid directly by the entity during the period (52 weeks to 10 January 2009: £nil).

#### **2. INCOME TAX**

<b>INCOME STATEMENT</b>	<b>31 December 2009 £</b>	<b>10 January 2009 £</b>
<b>Current tax</b>		
Current period charge	<b>(53,621)</b>	<b>(55,165)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(4,604)</b>	<b>(1,912)</b>
Income tax expense	<b><u>(58,225)</u></b>	<b><u>(57,077)</u></b>
<b>Reconciliation of effective tax rate</b>		
Profit before tax	<b><u>531,599</u></b>	<b><u>538,574</u></b>
UK corporation tax at 28% (52 weeks to 10 January 2009: 28.44%)	<b>(148,848)</b>	<b>(153,170)</b>
Depreciation on expenditure not qualifying for capital allowances	<b>(1,357)</b>	<b>2,668</b>
UK dividend received	<b>91,980</b>	<b>93,425</b>
Income tax expense	<b><u>(58,225)</u></b>	<b><u>(57,077)</u></b>

The 2008 Company's tax rate of 28.44% is a weighted average rate of the UK corporation tax rate for the financial period. The rate decreased from 30% to 28% on 1 April 2008.

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **2. INCOME TAX (continued)**

<b>BALANCE SHEET</b>	<b>31 December 2009 £</b>	<b>10 January 2009 £</b>
<b>Income tax liability</b>		
At the beginning of the period	<b>(55,165)</b>	(53,576)
Charged to income statement	<b>(53,621)</b>	(55,165)
Tax paid	<b>55,165</b>	53,576
At the end of the period	<b><u>(53,621)</u></b>	<u>(55,165)</u>
<b>Deferred tax liability</b>		
At the beginning of the period	<b>(285,226)</b>	(283,314)
Charged to income statement	<b>(4,604)</b>	(1,912)
At the end of the period	<b><u>(289,830)</u></b>	<u>(285,226)</u>

Deferred taxes comprise capital allowances on assets leased to customers and are calculated under the liability method using an effective tax rate of 28% (52 weeks to 10 January 2009 28.44%)

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **3. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	<b>31 December 2009 £</b>	<b>10 January 2009 £</b>
Investments in subsidiary undertakings	<b>4,613,950</b>	4,613,950

The Company's investments in subsidiary undertakings comprise the following at cost less any permanent diminution in value

	<b>31 December 2009 £</b>	<b>10 January 2009 £</b>
<b>Unity Trust Bank plc</b>		
2,405,000 "B" £1 shares	<b>2,405,000</b>	2,405,000
1,975,000 "C" £1 shares	<b>2,000,000</b>	2,000,000
	<b>4,405,000</b>	4,405,000
 <b>Haydn Evans Construction (South Wales) Limited</b>		
100 £1 ordinary shares	<b>100</b>	100
 <b>Cambrian Care Limited</b>		
510,000 £1 ordinary shares	<b>510,000</b>	510,000
Permanent diminution in value	<b>(301,150)</b>	(301,150)
	<b>208,850</b>	208,850
 <b>Total investment in subsidiary undertakings</b>	<b>4,613,950</b>	4,613,950

All the subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. At the balance sheet date, Co-operative Commercial Limited held 27% (10 January 2009 27%) of the issued share capital of Unity Trust Bank plc, 100% (10 January 2009 100%) of the issued share capital of Haydn Evans Construction (South Wales) Limited and 100% (10 January 2009 100%) of the issued share capital of Cambrian Care Limited.

Unity Trust Bank plc is considered to be a subsidiary of Co-operative Commercial Limited, on the basis that the latter is in a position to exert control over the undertaking.

A provision exists against the value of the investment in Cambrian Care Limited to reflect the net asset value of that Company.

In the opinion of the directors, the aggregate value of the shares in the group undertakings is not less than the amount at which the aggregate investment is stated in the balance sheet.

# **CO-OPERATIVE COMMERCIAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

### **4. CASH AND CASH EQUIVALENTS**

	31 December 2009 £	10 January 2009 £
Cash equivalents	2,192,798	1,923,737

Cash equivalents consists of an amount held on behalf of the Company by The Co-operative Bank plc

### **5. FINANCE LEASE RECEIVABLES**

	Amounts falling due no later than 1 year £	Amounts falling due later than 1 year and no later than 5 years £	Amounts falling due later than 5 years £	Total £
<b>31 December 2009</b>				
Gross investment in finance lease receivables	464,198	2,012,637	3,492,252	5,969,087
Unearned future finance income on finance leases	(432,621)	(1,674,457)	(1,046,134)	(3,153,212)
Net investment in finance leases	31,577	338,180	2,446,118	2,815,875
Other receivables	114,297	-	-	114,297
<b>Total</b>	<b>145,874</b>	<b>338,180</b>	<b>2,446,118</b>	<b>2,930,172</b>
<b>10 January 2009</b>				
Gross investment in finance lease receivables	449,627	1,949,463	4,210,677	6,609,767
Unearned future finance income on finance leases	(434,868)	(1,700,698)	(1,441,768)	(3,577,334)
Net investment in finance leases	14,759	248,765	2,768,909	3,032,433
Other receivables	(11,100)	-	-	(11,100)
<b>Total</b>	<b>3,659</b>	<b>248,765</b>	<b>2,768,909</b>	<b>3,021,333</b>

The unguaranteed residual value is £nil (10 January 2009 £nil) No new equipment was leased in the period under finance leases (52 weeks to 10 January 2009 £nil) At the balance sheet date, there were impaired assets of £nil (10 January 2009 £nil) with associated provisions of £nil (10 January 2009 £nil)

Fair value of finance lease receivables is deemed to be equal to book value

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **6. AMOUNTS DUE TO PARENT UNDERTAKING**

	<b>31 December 2009 £</b>	<b>10 January 2009 £</b>
Amounts due to parent undertaking	<b>6,002,781</b>	<b>5,972,815</b>
Cash and cash equivalents	<b>(2,192,798)</b>	<b>(1,923,737)</b>
	<b><u>3,809,983</u></b>	<b><u>4,049,078</u></b>

The Co-operative Bank plc, the immediate parent undertaking, requires that the loan be repayable on demand. Further analysis of transactions between the Company and The Co-operative Bank plc is provided in note 10.

#### **7. SHARE CAPITAL**

	<b>31 December 2009 £</b>	<b>10 January 2009 £</b>
<b>Authorised</b>		
1,000,000 ordinary shares of £1	<b>1,000,000</b>	<b>1,000,000</b>
<b>Allotted, called up and fully paid</b>		
1,000,000 ordinary shares of £1	<b>1,000,000</b>	<b>1,000,000</b>

Each shareholder has one vote per share

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **8. DIVIDENDS**

	<b>31 December 2009 £</b>	<b>10 January 2009 £</b>
Dividend on ordinary shares of 32 85p per share (52 weeks to 10 January 2009 32 85p)	<b>328,500</b>	328,500
Dividends in 2009 were paid as follows		
Final 2008 dividend of 28 47p per ordinary share (52 weeks to 10 January 2009 Final 2007 dividend of 28 47p)	<b>284,700</b>	284,700
Interim 2009 dividend of 4 38p per ordinary share (52 weeks to 10 January 2009 Interim 2008 dividend of 4 38p)	<b>43,800</b>	43,800
Total dividends	<b>328,500</b>	328,500

No income tax consequences exist on dividend payments

#### **9. PARENT UNDERTAKING**

The Company is a wholly owned subsidiary of The Co-operative Bank plc, which is incorporated in Great Britain and registered in England and Wales Their financial statements are available from 1 Balloon Street, Manchester, M60 4EP

The ultimate parent undertaking is Co-operative Group Limited, which is incorporated in Great Britain and registered in England and Wales under the Industrial and Provident Societies Acts 1965 to 2002 Their financial statements are available from New Century House, Corporation Street, Manchester, M60 4ES

## **CO-OPERATIVE COMMERCIAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE 51 WEEKS ENDED 31 DECEMBER 2009**

#### **10. RELATED PARTY TRANSACTIONS**

The Company has not entered into any transactions with directors of the Company or their immediate relatives. No remuneration has been paid to any of the directors who served during the financial period.

A number of banking transactions are entered into with The Co-operative Bank plc in the normal course of business. The volumes of related party transactions, balances receivable at the period-end, and related income and expense for the period are as follows:

	<b>31 December 2009 £</b>	<b>10 January 2009 £</b>
<b>TRANSACTIONS TAKING PLACE IN THE PERIOD WITH RELATED PARTIES</b>		
Parent undertaking		
- Interest expense	<b>(76,846)</b>	(89,855)
- Administrative expenses	<b>(2,162)</b>	(1,590)
Subsidiary undertaking		
- Dividend income	<b>328,500</b>	328,500
<b>AT THE BALANCE SHEET DATE, RELATED PARTY BALANCES</b>		
Parent undertaking		
- Cash and cash equivalents	<b>2,192,798</b>	1,923,737
- Trade and other payables	<b>(6,002,781)</b>	(5,972,815)

All transactions are conducted on an arm's length basis and under standard commercial terms.