

Donald Wardle and Son Limited

**Directors' report and financial
statements**

50 weeks ended 12 January 2008

Registered number 2914910

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Directors' report

The directors present their annual report and the audited financial statements for the 50 weeks ended 12 January 2008.

Principal activities

The principal activity of the company is the wholesale distribution and retail of medical and surgical supplies.

Enhanced Business review

The results for the period are shown in the profit and loss account on page 6.

The Care Home supply operation ceased after the year end, during March 2008. The decision to close the operation was taken during the period under review, and a provision for the associated closure costs has been included in these financial statements.

Principal Risks and Uncertainties facing the company

The company's business activities, financial condition and results of operations could be affected by a number of risks and uncertainties. The key risks and mitigating factors are set out below:-

Increasing Consolidation in Key Markets

Increased consolidation within the key markets in which the company operates results in increased price competition.

The company is continually looking for measures to reduce its operating costs and drive business efficiencies, and for opportunities to develop the business through organic growth.

Cost Inflation

Inflation in certain cost areas, particularly energy costs, has been significantly higher than price inflation. As highlighted previously the company is continually looking for measures to reduce its costs and has introduced initiatives to ensure that costs are controlled and to obtain the best possible terms from its suppliers.

Regulatory and Political Environment

The company is subject to the rules and regulations of a number of authorities and regulatory bodies. The company considers these uncertainties in the external environment when developing its strategy and reviewing performance. As part of our day-to-day operations we engage with relevant organisations to ensure that we continue to trade under the current guidelines and to ensure that the views of our customers and employees are represented and try to contribute to important changes in policy.

Key Performance Indicators

The board evaluates the performance of the company by measuring a number of key financial and social performance indicators.

The company's key financial performance indicators are turnover growth and gross margin.

The company is a wholly owned subsidiary of Co-operative Group Limited and this parent undertaking reports annually on its performance against key social indicators such as environmental indicators, employee indicators and customer satisfaction indicators. Further details can be found in the Stakeholder Report 2007, which can be obtained from the address given in note 16.

Proposed dividend

No dividend (2007:£nil) was approved by the directors.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the period were as follows:

L Fairbrother	Resigned 7 December 2007
P R Jones	Resigned 31 January 2008
J D Brocklehurst	Appointed 25 October 2007
J B Nuttall	Appointed 25 October 2007
G H Farquhar	Appointed 25 October 2007

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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 company's auditors are unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



K E Eldridge
Secretary

Ratton Street
Hanley
Stoke on Trent
Staffordshire
ST1 2HH

Statement of directors' responsibilities in respect of 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 period. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 judgements 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 company 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 company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.



KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Donald Wardle and Son Limited

We have audited the financial statements of Donald Wardle and Son Limited for the period ended 12 January 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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.

Independent auditors' report to the members of Donald Wardle and Son Limited *(continued)*

Opinion

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 company's affairs as at 12 January 2008 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

26 November 2008

KPMG Audit Plc
Chartered Accountants
Registered Auditors

Profit and loss account
for the 50 weeks ended 12 January 2008

	<i>Note</i>	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
Turnover	<i>1</i>	34,062,148	32,803,980
Cost of sales		(24,482,288)	(23,613,784)
Gross profit		9,579,860	9,190,196
Distribution costs		(2,771,955)	(2,524,730)
Administrative expenses		(4,996,160)	(5,029,268)
Operating profit	<i>2-4</i>	1,811,745	1,636,198
Provision for loss on operations to be discontinued	<i>5</i>	(569,440)	-
Profit on ordinary activities before tax		1,242,305	1,636,198
Tax on profit on ordinary activities	<i>6</i>	(304,630)	(406,000)
Profit for the period	<i>12</i>	937,675	1,230,198

All amounts relate to continuing operations.

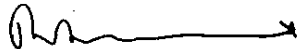
The company has no recognised gains or losses other than the profit for the current and prior period as reported above and, therefore, no Statement of Recognised Gains and Losses has been presented.

The notes on pages 8 – 14 form part of these financial statements.

Balance sheet
at 12 January 2008

	<i>Note</i>	12 January 2008		27 January 2007	
		£	£	£	£
Fixed assets					
Tangible assets	7		78,481		36,463
Current assets					
Stocks	8	1,746,883		1,578,110	
Debtors	9	5,880,466		5,717,109	
Cash at bank and in hand		5,093,718		4,290,180	
		<u>12,721,067</u>		<u>11,585,399</u>	
Creditors: amounts falling due within one year	10	<u>(10,205,609)</u>		<u>(9,965,598)</u>	
Net current assets			<u>2,515,458</u>		<u>1,619,801</u>
Net assets			<u>2,593,939</u>		<u>1,656,264</u>
Capital and reserves					
Called up share capital	11	50,000		50,000	
Profit and loss account	12	2,543,939		1,606,264	
Shareholders' funds	13	<u>2,593,939</u>		<u>1,656,264</u>	

These financial statements were approved by the board of directors on 17/11/08 and were signed on its behalf by:



J D Brocklehurst
Director

The notes on pages 8 – 14 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement of FRS 1 to prepare a cashflow statement as it is a wholly owned subsidiary undertaking of the Co-operative Group Limited, and its cash flows are incorporated in the cashflow statement of that society.

As the company is a wholly owned subsidiary of the Co-operative Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of the Co-operative Group Limited, within which this company is included can be obtained from the address given in note 16.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings and office equipment	-	15% - 20% on cost
Computer equipment	-	25% - 40% on cost
Motor vehicles	-	25% - 40% on cost

No depreciation is provided on freehold land.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The company participates in the United Co-operative Limited pension scheme which provides benefits based on final pensionable pay. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The net deficit of the fund is £134,100,000 (Year ended 27th January 2007: £106,700,000) and is disclosed in the consolidated accounts of the company's ultimate parent society, Co-operative Group Limited. The accounts for Co-operative Group Limited can be obtained from the address given in note 16.

Stocks

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

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

Continuing Operations

As detailed in the Directors' report, the company closed its Care Home supply business after the year end. The analysis below provides additional information regarding the business disposed of prior to the approval of these financial statements.

	Turnover		Trading profit	
	2008	2007	2008	2007
	£	£	£	£
Continuing Operations	31,787	30,741	1,282	1,653
Discontinuing Operations	2,275	2,063	(40)	(17)
	<u>34,062</u>	<u>32,804</u>	<u>1,242</u>	<u>1,636</u>

2 Profit on ordinary activities before taxation

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation and other amounts written off tangible owned fixed assets	106,071	188,963
Profit on sale of tangible fixed assets	-	9,963
Staff costs (see note 4)	<u>1,824,801</u>	<u>1,757,546</u>
<i>Auditors' remuneration:</i>		
Audit of these financial statements	<u>10,945</u>	<u>11,100</u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information required is instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Co-operative Group Limited.

3 Remuneration of directors

	50 weeks ended 12 January 2008 £	52 Weeks ended 27 January 2007 £
Directors' emoluments	-	42,488
Pension contributions	-	6,161
	<u>-</u>	<u>48,649</u>

None of the directors has received remuneration from the Company during the period as they were remunerated by the Company's ultimate parent society.

Post retirement benefits are accruing in respect of nil (2007:1) directors.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period analysed by category, was as follows:

	2008	2007
Management and administrative	42	49
Warehouse	62	41
Sales	17	25
	<u>121</u>	<u>115</u>

The aggregate payroll costs of these persons were as follows:

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
Wages and salaries	1,638,844	1,557,224
Social security costs	115,582	122,659
Other pension costs	70,375	77,663
	<u>1,824,801</u>	<u>1,757,546</u>

5 Provision for loss on operations to be discontinued

The decision to close the Care Home supply section of the business was taken in October 2007. Trade ceased in February 2008.

	£
Stock write-off	231,324
Debtors write-off	288,116
Dilapidation Costs	50,000
Total Provision for Loss on Operations to be Discontinued	<u>569,440</u>

6 Taxation

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
<i>Analysis of charge in period</i>		
<i>UK Corporation tax</i>		
Current tax on income for the period	308,784	436,000
Deferred tax – current period items	7,741	(30,000)
Deferred tax – change in rate to 28%	(5,853)	-
Deferred tax – prior year items	(6,042)	-
Tax on profit on ordinary activities	<u>304,630</u>	<u>406,000</u>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2006: lower) than the standard rate of corporation tax in the UK (30% 2006: 30%). The differences are explained below:

	50 weeks ended 12 January 2008 £	52 weeks ended 27 January 2007 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,332,248	1,636,198
Current tax at 30% (2006: 30%)	399,674	490,859
<i>Effects of:</i>		
Depreciation in excess of capital allowances	(5,210)	26,000
Permanent timing differences	(85,680)	(80,859)
Total current tax charge (see above)	308,784	436,000

7 Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>			
At beginning of period	526,574	142,963	669,537
Additions	238,033	-	238,033
Disposals	(119,262)	(64,728)	(183,990)
At end of period	645,345	78,235	723,580
<i>Depreciation</i>			
At beginning of period	524,832	108,242	633,074
Charge for period	94,305	11,766	106,071
Disposals	(52,273)	(41,773)	(94,046)
At end of period	566,864	78,235	645,099
<i>Net book value</i>			
At 12 January 2008	78,481	-	78,481
At 28 January 2007	1,742	34,721	36,463

8 Stocks

	2008 £	2007 £
Finished goods and goods for resale	1,746,883	1,578,110

Notes (continued)

9 Debtors

	2008 £	2007 £
Trade debtors	5,339,646	5,625,920
Deferred tax	81,846	86,000
Amounts owed by Group undertakings	436,502	-
Prepayments and accrued income	22,472	5,189
	<u>5,880,466</u>	<u>5,717,109</u>

The deferred tax asset is as a result of accelerated capital allowances and short term timing differences.

	2008 £	2007 £
Difference between accumulated depreciation and amortisation of capital allowances	81,846	86,000
Deferred tax assets	<u>81,846</u>	<u>86,000</u>
At start of period	86,000	56,000
Charge for period	(4,154)	30,000
At end of period	<u>81,846</u>	<u>86,000</u>

10 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	3,584,184	5,069,032
Amounts owed to group undertakings	5,938,082	4,744,553
Accruals and deferred income	113,903	152,013
Provision for losses on operations to be discontinued	569,440	-
	<u>10,205,609</u>	<u>9,965,598</u>

The amounts owed to group undertakings are repayable on demand and are non-interest bearing.

Notes (continued)

11 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
50,000 ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
Shares classified in shareholders' funds	50,000	50,000
	<hr/>	<hr/>

12 Reserves

	Profit and loss account £
At start of period	1,606,264
Profit for financial period	937,675
	<hr/>
At end of period	2,543,939
	<hr/>

13 Reconciliation of movements in shareholders' funds

	50 Weeks ended 12 January 2008 £	52 Weeks ended 27 January 2007 £
Profit for the financial period	937,675	1,230,198
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	937,675	1,230,198
Opening shareholders' funds	1,656,264	426,066
	<hr/>	<hr/>
Closing shareholders' funds	2,593,939	1,656,264
	<hr/>	<hr/>

14 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2008 Land & buildings £	2007 Land & Buildings £
Operating leases which expire:		
Over five years	42,000	42,000
	<hr/>	<hr/>
	42,000	42,000
	<hr/>	<hr/>

Notes *(continued)*

15 Cross Guarantees

The Company is involved in a Group set-off scheme whereby the bank accounts within the Trading Group are netted off against each other and any interest payable or receivable is settled or received by the parent company, Co-operative Group Limited.

16 Ultimate parent company and parent undertaking

The company is a subsidiary undertaking of Independent Medical Holdings Limited a company registered in England & Wales. The company's ultimate parent society is Co-operative Group Limited, an Industrial and Provident Society incorporated in England and Wales. The consolidated accounts of this Society are available to the public and may be obtained from the Secretary, Co-operative Group Limited, PO Box 53, New Century House, Manchester, M60 4ES..