Donald Wardle and Son Limited

Directors' report and financial statements

Registered number 2914910

2 January 2010

Contents

Directors' report

The Directors present their report and financial statements for the period ended 2 January 2010

Principal activities

The principal activities of the Company during the period related to the wholesale distribution and retail of medical and surgical supplies

Business review

The results for the period are set out on page 6 of the financial statements During the period, the Company made a profit before taxation of £1,367,000 (*year ended 10 January 2009 profit of £2,031,000*) Two main factors account for the reduction in profit during the period The UK financial climate resulted in reduced margin achieved during the period by £330,000 compared to 2009 The Company released the provision made when the Care Home business was sold, which benefited the income statement by £400,000 in 2009 compared to £42,000 in 2010

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to trends in consumer spending and damage to our reputation or brand Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 26-29 of the group's annual report which does not form part of this report

Parent Key Performance Indicators

In addition to monitoring revenue and profitability of the Company, the Directors also monitor a number of key performance indicators of the Co-operative Group ("the group") These include financial performance, growth in and engagement of members of the group, growing customer loyalty and corporate reputation of the group Further details on these key measures can be found on pages 24-25 of the group's annual report

Dividend

The Directors do not recommend the payment of a dividend (2009 £nil)

Directors

The Directors who held office during the period were as follows

J B Nuttall

J D Brocklehurst (resigned on 10 March 2009)

GH Farquhar (resigned on 24 July 2009)

A J Smith (appointed on 10 March 2009)

P D Batty (appointed as Director on 24 July 2009 and resigned on 31 March 2010)

Employees

Employees are provided with business specific communication and these are supported by two corporate publications *Magma* magazine and *Us* magazine All managers are kept informed about the group's performance through annual, interim and social accountability reports, management bulletins and Newsline, the electronic weekly new service

The Company's policy is to recruit disabled workers for those vacancies they are able to fill All necessary assistance with initial training courses is given Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities

Creditor payment terms

The group Code on Business Conduct sets out the Society's and its subsidiaries' relationships with its suppliers and its undertaking to pay its suppliers on time and according to agreed terms of trade

Directors' Report *(continued)*

Corporate responsibility and the environment

The Company closely follows the group's corporate responsibility and environmental policies The Co-operative Group provides a sustainable development section in its annual report This can be found on pages 17-20 In addition, the group's Sustainability Report, which will be published towards the latter half 2010, describes how the group manages its social, ethical and environmental impact

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period (2009 £nil)

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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

C J Sellers
Secretary

June 2010

Registered Office
Ratton Street
Hanley
Stoke-on-Trent
ST1 2HH

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing 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 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 its 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

KPMG

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 2 January 2010 set out on pages 6 to 26 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 Directors' Responsibilities Statement 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

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 2 January 2010 and of its profit for the period 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

5 July 2010

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Manchester

Income statement
for the period ended 2 January 2010

	Notes	For period ended 2 January 2010 £000	For the year ended 10 January 2009 £000
Revenue		**36,650**	34,125
Cost of sales		**(27,486)**	(25,291)
Gross profit		**9,164**	8,834
Other operating income		**-**	31
Administrative expenses		**(4,891)**	(4,182)
Distribution costs		**(2,906)**	(2,652)
Operating profit		**1,367**	2,031
Profit before taxation	*2-3*	**1,367**	2,031
Taxation	*5*	**-**	-
Profit for the period		**1,367**	2,031

All amounts relate to continuing activities

Statement of comprehensive income

The Company has no other items of comprehensive income in the current period or prior year other than those included in the income statement shown above

Balance sheet
at 2 January 2010

	Notes	As at 2 January 2010 £000	As at 2 January 2010 £000	As at 10 January 2009 £000	As at 10 January 2009 £000
Non-current assets					
Property, plant and equipment	6	100		54	
Total non-current assets			100		54
Current assets					
Inventories	7	1,709		1,972	
Trade and other receivables	8	5,964		5,901	
Cash and cash equivalents		9,854		6,569	
Total current assets			17,527		14,442
Total assets			17,627		14,496
Non-current liabilities					
Provisions	10	(5)		(50)	
Total non-current liabilities			(5)		(50)
Current liabilities					
Trade and other payables	9	(11,630)		(9,821)	
Total current liabilities			(11,630)		(9,821)
Total liabilities			(11,635)		(9,871)
Equity					
Called up share capital	11		50		50
Retained earnings			5,942		4,575
Total equity			5,992		4,625

These financial statements were approved by the Board of Directors on 30.06.10 and were signed on its behalf by

A J Smith
Director

Statement of changes in equity

For the period ended 2 January 2010

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance at 10 January 2009	50	4,575	4,625
Profit for the period		1,367	1,367
Balance at 2 January 2010	**50**	**5,942**	**5,992**

All items are shown net of tax

For the year ended 10 January 2009

	Called up share capital £000	Retained earning £000	Total equity £000
Balance at 12 January 2008	50	2,544	2,594
Profit for the period		2,031	2,031
Balance at 10 January 2009	**50**	**4,575**	**4,625**

All items are shown net of tax

Cash flow statement

For the period ended 2 January 2010

	Notes	For the period ended 2 January 2010 £000	For the year ended 10 January 2009 £000
Profit before taxation		**1,367**	2,031
Adjustments for			
Depreciation		**45**	38
Profit on disposal of business		**-**	(31)
Changes in working capital		**1,964**	(592)
Cash generated from operations	*12*	**3,376**	1,446
Cash flows from investing activities			
Acquisition of property, plant and equipment	*6*	**(91)**	(14)
Proceeds from sale of business		**-**	43
Net cash from investing activities		**(91)**	29
Net increase in cash and cash equivalents		**3,285**	1,475
Cash and cash equivalents at 10 January 2009		**6,569**	5,094
Cash and cash equivalents at 2 January 2010		**9,854**	6,569

Notes
(forming part of the financial statements)

1 Accounting policies

Reporting entity

Donald Wardle and Son Limited (the Company) is a company domiciled in the United Kingdom The address of the Company's registered office is Ratton Street, Hanley, Stoke-on-Trent, ST1 2HH

Basis of preparation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it is a wholly owned subsidiary of Co-operative Group Limited, a society incorporated in England and Wales These financial statements present information about the company as an individual undertaking only The accounting policies set out below, have been applied consistently to all periods presented in these financial statements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

Accounting date

The financial statements for the Company are made up for the 51 weeks to 2 January 2010 This financial period's figures below are headed 2010 and the corresponding figures for the previous year (52 weeks ended 10 January 2009) are headed 2009 below The year end date was changed to create a more coherent reporting deadline structure for the Group Therefore, the comparative amounts are not entirely comparable as they are based on a longer period

Notes *(continued)*

1 Accounting policies *(continued)*

Standards, amendments and interpretations issued but not yet effective

The Company has not early adopted the following accounting standards

IFRS 3 Business Combinations (2008)

The most significant amendments relate to

- Acquiring a controlling interest, but a majority stake only,
- Accounting for changes in stake, and
- Accounting for the price paid

The scope of IFRS 3 has widened to bring certain transactions that were not within the scope of IFRS 3 (2004) into scope The Company will apply the revised IFRS 3 from 3 January 2010 This will impact on the accounting for all future business combinations The new standard is effective for accounting periods beginning on 1 July 2009

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

This standard requires accounting for changes in ownership interests in a subsidiary that occurs without loss of control, to be recognised as an equity transaction When control of a subsidiary is lost, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement The amendment is effective for accounting periods beginning on 1 July 2009

Other standards and interpretations issued but not yet effective

In November 2008, the IASB issued IFRIC 17 *Distribution of non-cash Assets to Owners*, with an effective date for all periods beginning on or after 1 July 2009 This will not have an effect on the Company's financial statements

In March 2009, the IASB amended IAS *39 Financial Instruments Recognition and Measurement* with effective date for all periods beginning on or after 1 July 2009 The Company will apply this amendment from 3 January 2010 The amendments are unlikely to have a material impact on the Company's financial statements

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits 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 statement of cash flows

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant, and equipment and depreciation

(i) Owned assets

Cost includes expenditure that is directly attributable to the acquisition of the asset Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment

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

Vehicles	-	33% per annum
Fixtures and fittings	-	10 – 12 5% per annum

The residual value, if not insignificant, is reassessed annually

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Impairment

The carrying amount of the Company's assets, other than inventories, is reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the assets' 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

The recoverable amount of the Company's assets is the greater of their 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

In respect of these assets, an impairment loss is reversed if there has been a change in the estimates based on an event subsequent to the initial impairment used to determine the recoverable amount

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 An impairment loss recognised for goodwill shall not be reversed in a subsequent period

Pensions and other post-retirement benefits

The Company's employees are members of a group wide pension scheme, the United Norwest Co-operatives Employees' Pension Fund The Company contributes to the United Norwest Co-operatives Employees' Pension Fund in respect of its employees who are members of the Fund The Fund is a defined benefit scheme but the Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme are accounted for as if it were a defined contribution scheme There is no contracted agreement or stated group policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual group entities, therefore Donald Wardle and Son Limited, in its individual financial statements, cannot recognize the net defined cost so charged Refer to disclosure of information relevant to the scheme on note 4

Notes *(continued)*

1 Accounting policies *(continued)*

Inventories

Inventories and work in progress are stated at the lower of cost, including attributable overheads, and net realisable value

Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

Taxation

Provision for corporation and deferred taxation is not made because the ultimate parent organisation has indicated that it will meet any taxation liabilities

Revenue

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

All revenue is derived from the company's principal activity of the wholesale distribution and retail of medical and surgical supplies in the United Kingdom

Operating segments

The Company's chief operating decision makers are the Board of Directors The Company does not have any different components of its business which would need to be disclosed separately under IFRS 8 *Operating Segments*

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease

Lease incentives received are recognised in the income statement as an integral part of the total lease expense

Notes *(continued)*

2 Profit before taxation

	2010	2009
	£000	£000
Profit before taxation is stated after charging / (crediting):		
Depreciation	45	38
Operating leases	70	84
Profit on disposal of business	-	(31)

The auditor's remuneration of £5,000 (2009 £5,000) is borne by the ultimate parent undertaking

3 Staff numbers and costs

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

	Number of employees	
	2010	2009
Full-time	87	80
Part-time	18	20
	105	100

The aggregate payroll costs of these persons were as follows

	2010	2009
	£000	£000
Wages and salaries	1,382	1,534
Social security costs	112	112
Other pension costs (see note 5)	47	52
	1,541	1,698

Directors' remuneration in respect of services provided to the Company was £nil (for the year ended 10 January 2009 £nil)

Notes *(continued)*

4 Pension scheme

The Company is a wholly owned subsidiary of Co-operative Group Limited which operates a defined benefit pension scheme - the United Norwest Co-operatives Employees' Pension Fund, the assets of which are held in a separate trust fund

The pension costs are assessed in accordance with actuarial advice using the projected unit method

The most recent valuation of the United Norwest Scheme was carried out by a qualified actuary in January 2008 The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice

The actuarial valuation of the United Norwest Co-operatives Employees' Pension Fund as noted above has been updated to 2 January 2010

The principal assumptions used by the actuary to determine the liabilities of the scheme were

	2010	2009
Discount rate	**5.60%**	5 70%
Rate of increase in salaries	**5.30%**	4 75%
Future pension increases where capped at 5% pa	**3.80%**	3 25%
Future pension increases where capped at 2 5% pa	**2.50%**	2 50%

Assumptions used to determine the net pension cost for the scheme are

	2010	2009
Discount rate	**5 70%**	5 65%
Expected long-term return on scheme assets	**6 50%**	6 50%
Rate of increase in salaries	**4 75%**	5 15%

The average life expectancy (in years) for mortality tables used to determine the scheme liabilities for the United Norwest Co-operatives Employees' Pension Fund at 2 January 2010 are

Life expectancy at age 65	**Male**	**Female**
Member currently aged 65 (current life expectancy)	20 4	23 2
Member currently aged 45 (life expectancy at age 65)	21 3	24 1

Notes *(continued)*

4 Pension scheme *(continued)*

The fair value of the United Norwest Co-operatives Employees' Pension Fund's assets, which are intended to be realised in the future, may be subject to significant change before they are realised

	2010	2009
	£m	£m
The amounts recognised in the balance sheet are as follows		
Present value of funded obligations	(425 2)	(355 1)
Fair value of scheme assets	316 3	251 1
Net retirement benefit deficit	**(108 9)**	(104 0)
Reconciliation of fair value of scheme liabilities		
Fair value of scheme liabilities at the beginning of the year	355.1	384 8
Current service cost	8.4	10 2
Interest on liabilities	19 8	21 8
Contributions by members	3 9	4 4
Actuarial losses/(gains) recognised in equity	50 9	(44 9)
Gains on settlements and curtailments	-	(9 0)
Benefits paid	(12 9)	(12 2)
Closing defined benefit liabilities	**425.2**	355 1

	2010	2009
	£m	£m
Reconciliation of fair value of scheme assets		
Fair value of scheme assets at the beginning of the year	251.1	285 2
Expected return on scheme assets	16 6	18 7
Actuarial gains/(losses) recognised in equity	29.2	(57 1)
Contributions by the employer	28.4	12 1
Contributions by members	3.9	4 4
Benefits paid	(12.9)	(12 2)
Closing fair value of scheme assets	**316.3**	251 1
The weighted-average asset allocations at the year-end were as follows:		
Equities	48%	43%
Diversified growth	22%	15%
Bonds	23%	32%
Property	5%	7%
Cash	2%	3%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio This resulted in the selection of the 6 5% assumption for the period ended 2 January 2010

The Group expects to contribute £26 5m to the United Norwest pension scheme in 2010

Notes *(continued)*

4 Pension scheme *(continued)*

There is no contractual agreement or stated Group policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual group entities, therefore Donald Wardle and Son Limited, in its individual financial statements, cannot recognise the net defined cost so charged The net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Co-operative Group Limited

The Company contributes towards the same pension scheme as the ultimate parent Society, Co-operative Group Limited The scheme is a defined benefit scheme but the Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme are accounted for as if it were a defined contribution The Company then recognises a cost equal to its contribution payable for the period, which was £47,000 (2009 £52,000) Based on advice from a qualified actuary, the contributions payable by the participating entities were 14 5% of pensionable salaries

5 Taxation

The tax charge arising on the profit for the period of £1,367,000 (at the current tax rate of 28%), has been surrendered as group relief, for which no payment will be required

6 Property, plant and equipment

For the period ended 2 January 2010

	Fixtures and fittings £000	Motor Vehicles £000	Total £000
Cost			
At 10 January 2009	647	90	737
Additions	91	-	91
At 2 January 2010	**738**	**90**	**828**
Depreciation			
At 10 January 2009	603	80	683
Charge for the period	43	2	45
At 2 January 2010	**646**	**82**	**728**
Net book value			
At 2 January 2010	**92**	**8**	**100**
At 10 January 2009	44	10	54

Notes *(continued)*

6 Property, plant and equipment *(continued)*

For the year ended 10 January 2009

	Fixtures and fittings £000	Motor Vehicles £000	Total £000
Cost			
At 12 January 2008	645	78	723
Additions	2	12	14
At 10 January 2009	**647**	**90**	**737**
Depreciation			
At 12 January 2008	567	78	645
Charge for year	36	2	38
At 10 January 2009	**603**	**80**	**683**
Net book value			
At 10 January 2009	**44**	**10**	**54**
At 12 January 2008	78	-	78

7 Inventories

	2010 £000	2009 £000
Finished goods and consumables	**1,709**	1,972
	1,709	1,972

Notes *(continued)*

8 Trade and other receivables

	2010	2009
	£000	£000
Current assets		
Trade receivables	5,374	4,635
Amounts owed by group undertakings	582	1,243
Prepayments and accrued income	8	23
	5,964	5,901

All of the above financial assets are classified as loans and receivables

Trade receivables are stated net of a bad debt provision of £86,000 (year ended 10 January 2009 £20,000) The adjustment to the level of provision is recognised within the income statement in operating profit

Trade debtors include amounts totalling £241,000 (year ended 10 January 2009 £68,000), which are overdue but not considered to be impaired, age analysed as follows

	2010	2009
	£000	£000
Amounts overdue:		
Less than 3 months	-	65
3 to 6 months	241	3
More than 6 months	-	-
	241	68

Amounts overdue but not impaired typically comprise high volume/low value balances for which the individual trading businesses do not seek collateral but continue to work with counterparties to secure settlement No other debtors are overdue

Amounts owed by group undertakings are repayable on demand

9 Trade and other payables

	2010	2009
	£000	£000
Current liabilities		
Trade creditors	4,636	3,581
Accruals and deferred income	277	66
Amounts owed to group undertakings	6,717	6,174
	11,630	9,821

Notes *(continued)*

10 Provisions

	2010 £000	2009 £000
At the beginning of the period	**50**	569
Charge to income statement	**-**	-
Credit to income statement	**(42)**	(418)
Payments	**(3)**	(101)
At the end of the period	**5**	50
Non-current	**-**	-
Current	**5**	50
	5	50

The decision to close the Care Home supply operation was taken during the period ended 12 January 2008, and a provision for the associated closure costs was included in the financial statements for that period The operation ceased during March 2008, resulting in the release of £400,000 of the provision after the successful sale of stock and collection of trade receivables A small provision was brought forward into the period ended 2 January 2010 to allow for the dilapidation costs of the warehouse There were only a small number of invoices received which resulted in the provision being reduced by a further £42,000 at the period end A small provision remains to allow for the final invoices to be paid It is expected that the provision will be utilised fully during 2010

11 Called up share capital

	2010 £000	2009 £000
Authorised		
50,000 Ordinary shares of £1 each	**50**	50
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	**50**	50

IFRIC 2 determines the features, which allow shares to be classified as equity capital

Notes *(continued)*

12 Cash flows from operating activities

	2010 £000	2009 £000
Cash flows from operating activities		
Profit before tax	1,367	2,031
Adjustments for		
Depreciation	45	38
Profit on disposal of business	-	(31)
Operating profit before changes in working capital and provisions	1,412	2,038
Decrease/(Increase) in inventories	263	(236)
(Increase) in trade and other receivables	(63)	(22)
Increase in trade and other payables	1,809	185
(Decrease) in provisions	(45)	(519)
Cash generated from the operations	3,376	1,446

13 Commitments and contingent liabilities

(i) There are no capital commitments at the end of the current period and preceding financial year

(ii) The future minimum lease payments under non-cancellable operating leases are as follows

	2010 Land and buildings £000	2009 Land and buildings £000
Operating leases which expire		
Within one year	1	-
In the second to fifth years inclusive	62	-
Over five years	-	1,190
	63	1,190

14 Group entities

Control of the group

The Company is a wholly owned subsidiary of The Co-operative Group Limited, an Industrial and Provident Society registered in England and Wales This is the smallest and largest group of which the Company is a member and for which consolidated accounts are prepared A copy of the group accounts can be obtained from the Secretary, The Co-operative Group Limited, PO Box 53, New Century House, Manchester, M60 4ES

Notes *(continued)*

15 Related parties

Identity of related parties

The group has a related party relationship with its subsidiaries, associates, and with its Directors and key management.

Other related party transactions

Transactions with other Trading Group subsidiaries

Company	2010 Sales	2010 Period-end balance	2009 Sales	2009 Period-end balance
	£000	£000	£000	£000
Co-operative Healthcare Limited	10,236	574	8,936	247
National Co-operative Chemists Limited	5,875	23	4,510	670

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 ultimate parent Society Co-operative Group Limited

16 Financial instruments and financial risk management

(a) Financial risk management

The principal financial risk of the Company relates to the generation and availability of sufficient funds to meet business needs, including payments to members The Company has exposure to commodity prices, which can impact on financial performance

The Board is responsible for approving the Company's strategy, its principal markets and the level of acceptable risks The Company operates a risk management process that identifies the key risks to the business Each operation has a risk register that identifies the likelihood and impact of those risks occurring and the actions being taken to manage those risks

(b) Determination of fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

Notes *(continued)*

16 Financial instruments and financial risk management *(continued)*

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows

	Carrying amount 2010 £000	**Fair value 2010 £000**	Carrying amount 2009 £000	Fair value 2009 £000
Trade and other receivables	**5,964**	**5,964**	5,901	5,901
Total financial assets	**5,964**	**5,964**	5,901	5,901
Trade and other payables	**11,630**	**11,630**	9,821	9,821
Total financial liabilities	**11,630**	**11,630**	9,821	9,821

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows

Notes *(continued)*

16 Financial instruments and financial risk management *(continued)*

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers

Trade Receivables
The Company is exposed to trade receivable credit risk through normal on-going business trade to a small number of customers The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer The demographics of the Company's customer base, including the default risk and the industry and country in which customers operate, has less of an influence on credit risk Around 45% of the Company's sales are to other Trading Group subsidiaries, reducing the Company's exposure to credit risk These customers accounted for £600,000 of trade receivables at year end Geographically, there is no concentration of credit risk

Credit risk is managed as follows

- aged analysis is performed on trade receivable balances and reviewed on a monthly basis,
- credit limits are set for customers, and,
- customers considered "high risk" are placed on a restricted customer list, monitored and future sales are only made on a prepaid basis

Credit quality of financial assets and impairment losses

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred, but not yet identified

The Company does not hold any collateral against the above debtors *(2009 £nil)*

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

The policy on overall liquidity is to ensure that the Company has sufficient funds to facilitate all on-going operations As part of the annual budgeting and long term planning process, the Company's cash flow forecast is reviewed and approved by the Board The cash flow forecast is amended for any material changes identified during the year e g material acquisitions and disposals

Where funding requirements are identified from the cash flow forecast, appropriate measures are taken to ensure these requirements can be satisfied

Cash held at 2 January 2010 amounted to £9,854,000 *(2009 £6,569,000)*

Notes *(continued)*

16 Financial instruments and financial risk management *(continued)*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements

2010

	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**
Non-derivative financial liabilities						
Trade and other payables	**11,630**	**-**	**11,630**	**-**	**-**	**-**

2009

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities						
Trade and other payables	9,821	-	9,821	-	-	-

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return

(i) Currency risk

The Company is exposed to currency risk on purchases and investments that are denominated in a currency other than the respective functional currency, primarily the Euro

In respect of all other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances

The following significant exchange rates applied in the period

	Average rate 2010 £000	**Reporting date spot rate 2010 £000**	Average rate 2009 £000	Reporting date spot rate 2009 £000
GBP				
EUR	**1.124**	**1.126**	1 258	1 118

Notes *(continued)*

16 Financial instruments and financial risk management *(continued)*

Sensitivity analysis

A 10% strengthening of GBP at 2 January 2010 against the following currencies would have increased/ (decreased) equity and profit or loss by the amounts shown below This analysis assumes that all other variables, in particular interest rates, remain constant The analysis is performed on the same basis in 2009

	Equity 2010 £000	**Profit or loss 2010 £000**	Equity 2009 £000	Profit or loss 2009 £000
EUR	-	-	-	65

A 10% weakening would have had the equal and opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant

17 Capital Management

The Company's objectives when managing capital are

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefit for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Company sets the amount of capital in proportion to the risk The Company manages the capital structures and makes adjustment to it in light of changes in economic conditions and the risk characteristic of the underlying assets In assessing the level of capital, all components of equity are taken into account

There were no changes to the Company's approach to capital management in the period