Co-operative Brands Limited
(Formerly Orderwall Limited)

Directors' report and financial statements

Registered number 5279000

60 weeks ended 31 January 2006

Contents

Directors' report

The directors present their report and financial statements for the 60 week period ended 31 January 2006.

Principal activities

The company was incorporated on 5th November 2004 and began trading on 11 March 2005. The principal activity of the company is the holding of certain intangible assets for licence to other group companies.

Business review

The results for the period are set out on page 6 of the financial statements. During the period the company made a loss before taxation of £990,000.

Dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

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

Z Morgan	(appointed 9 March 2005)
C C Whitfield	(appointed 9 March 2005)
CWS (No.1) Limited	(resigned 13 June 2005)
P A Hemingway	(appointed 16 February 2005 and resigned 13 June 2005)
M A Hulme	(appointed 16 February 2005 and resigned 13 June 2005)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Change of name

As at 8 June 2005 the company changed its name from Orderwall Limited to Co-operative Brands Limited.

Employees

Employees are provided with business specific communication and these are supported by two corporate publications: *Agenda* magazine, targeted at managers, and *Scheme*, the staff magazine. All managers are kept informed about the Co-operative 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 Co-operative 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.

Elective regime

The company has passed Elective Resolutions in accordance with the Companies Act 1985 (as amended by tbe Companies Act 1989). These have the effect of dispensing with the holding of Annual General Meetings; the laying of accounts at such meetings; and the annual reappointment of directors.

Directors' report (cont'd)

By order of the board

CJ Sellers
Secretary

Registered Office:
New Century House
Corporation Street
Manchester
M60 4ES

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 IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 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 prevent and detect fraud and other irregularities.

KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of Co-operative Brands Limited

We have audited the financial statements of Co-operative Brands Limited for the period ended 31 January 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 described in the Statement of Directors' Responsibilities set out on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 judgments 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.

Report of the independent auditors to the members of Co-operative Brands Limited (cont'd)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 January 2006 and of its loss for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

1/12/06

KPMG Audit Plc
Chartered Accountants
Registered Auditor

[Date]

Income statement
for the 60 week period ended 31 January 2006

	Note	**2006** **£000**
Revenue		**21,724**
Cost of sales		**(1,382)**
Gross profit		**20,342**
Administrative expenses		**(11,082)**
Operating profit		**9,260**
Financial income	*6*	***362***
Financial expenses	7	**(10,612)**
Loss before taxation		**(990)**
Income tax expense	*8*	**-**
Loss after taxation		**(990)**
Loss for the period		**(990)**

All revenue relates to continuing activities.

Statement of recognised income and expense

The company has no recognised gains or losses in the current period other than those included in the income statement shown above.

Balance sheet
at 31 January 2006

	Notes	**2006** **£000**
Non-current assets		
Intangible assets	*9*	185,767
Total non-current assets		185,767
Current assets		
Trade and other receivables	*10*	7,705
Total current assets		7,705
Total assets		193,472
Current liabilities		
Trade and other payables	*11*	(194,462)
Total current liabilities		(194,462)
Total liabilities		(194,462)
Net liabilities		(990)
Equity		
Called up share capital	*12*	-
Retained earnings	*13*	(990)
Total equity	*14*	(990)

These financial statements were approved by the board of directors on 1/12/06 and were signed on its behalf by:

C C Whitfield

Director

Cash flow statement
at 31 January 2006

	2006
	£000
Cash flows from operating activities	
Loss for the period	(990)
Adjustments for:	
Amortisation	8,680
Interest receivable	(362)
Interest payable	10,612
Cash generated from operations	17,940
Cash flows from investing activities	
Acquisition of intangible asset	(266,588)
Disposal of intangible asset	72,141
Interest received	302
Net cash from investing activities	(194,145)
Cash flows from financing activities	
Interest paid	(8,931)
Payment of loan from group undertakings	(7,645)
Receipt of loan from group undertakings	192,781
Net cash from financing activities	176,205
Net increase/(decrease) in cash and cash equivalents	-
Cash and cash equivalents at 14 January 2006	-

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared for the period ended 31 January 2006 in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and under the historical cost accounting rules.

These are the company's first financial statements prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (IASB).

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.

Standards and interpretations issued but not yet effective

The following standards, amendments and interpretations have been issued, but are not effective in the EU. The impact of these amendments on the Company financial statements has not yet been quantified but is expected to be immaterial.

Compliance with the following standard is voluntary for 2005 and mandatory for 2007; the EU had not endorsed this standard by 14 January 2006:

- IAS 1 'Presentation of Financial Statements – Capital Disclosures': Disclosures amendment to IAS 1 issued by the IASB in August 2005 and effective for periods beginning on or after 1 January 2006.

This standard relates to disclosure only, and adoption of this would have no impact on the income statement, balance sheet or cashflow statement.

Intangible assets and amortisation

(i) Intangible Assets
Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Amounts paid in respect of acquiring licences are capitalised and stated at cost less accumulated amortisation and impairment losses.

(ii) Amortisation
Amortisation is charged to the income statement on a straight-line basis over 20 years, this being the estimated useful life of the intangible asset.

(iii) Disposals
Where the company grants a sub licence to fellow subsidiary undertakings, the sub licence is treated as a disposal.

Where there is indication of impairment an impairment review will be performed.

Revenue

Revenue represents licence fees due from other group undertakings. Revenue is recognised as the licence income becomes due.

All revenue is derived from the company's principal activity.

Notes *(Continued)*

1 Accounting Policies (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Taxation

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

2 Accounting date

The financial statements for the company are made up for the 60 weeks to 31 January 2006. The company did not trade in the previous period therefore no comparative period results are reported.

3 Loss on ordinary activities before taxation

	2006
	£000
Loss on ordinary activities before taxation is stated after charging	
Amortisation	**8,680**
	8,680

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:

	Number of employees
Full-time	**14**

The aggregate payroll costs of these persons were as follows:

	2006
	£000
Wages and salaries	**732**
Social security costs	**68**
Other pension costs	**108**
	908

Directors' remuneration is respect of services provided to the Company were £nil.

Notes *(continued)*

5 Pension scheme

The company is a wholly owned subsidiary of Co-operative Group (CWS) Limited which operates a defined benefit pension scheme, the assets of which are held in a separate trustee administered fund. In the principal scheme to which the company contributes, the pension costs are assessed in accordance with actuarial advice using the attained age method.

The company contributes towards the same pension scheme as the ultimate parent Society, Co-operative Group (CWS) 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 scheme (IAS 19 Employee Benefits).

The total pension cost for the period was £108,000.

There is no contractual agreement or stated 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 Co-operative Brands Limited, in its individual financial statements, cannot recognise the net defined cost so charged.

The contribution paid by the entity is equivalent to that payable by the Co-operative Group (CWS) Limited, and is as recommended by the most recent actuarial valuation, this being April 2004.

6 Financial income

	2006
	£000
Interest receivable	**362**

7 Financial expenses

	2006
	£000
Interest payable	**10,612**

8 Taxation

The current year tax credit based on the loss for the period of £990,000 has been offset by group relief for which no payment will be required.

Notes *(continued)*

9 Intangible asset

	2006 £000
Cost	
At 5 November 2004	-
Additions	266,588
Disposals	(72,141)
At 31 January 2006	**194,447**
Amortisation	
At 5 November 2004	-
Charge for the period	(8,680)
At 31 January 2006	**(8,680)**
Net book value	
At 31 January 2006	**185,767**
At 5 November 2004	-

10 Trade and other receivables

	2006 £000
Due within one year:	
Interest receivable	60
Loans to group undertakings	7,645
	7,705

11 Trade and other payables

	2006 £000
Amounts falling due within one year:	
Interest payable	1,681
Loans from group undertakings	192,781
	194,462

12 Called up share capital

	2006 £
Authorised	
1,000 Ordinary shares of £1 each	1,000
Allotted, called up and fully paid	
1 Ordinary share of £1 each	1

Notes *(continued)*

13 Retained earnings

	Profit and loss account £000
Retained earnings at 5 November 2004	-
Loss for the period	(990)
Retained earnings at 31 January 2006	**(990)**

14 Statement of movement in net assets

	2006 £000
At beginning of period	-
Total recognised income and expense for the period	(990)
At end of period	**(990)**

15 Related parties

Transactions with other Group undertakings

	2006 £000
Interest receivable	
Northern Ireland Co-operative Society Limited	230
Devon and Cornwall Convenience Stores Limited	47
Plymouth and Cornwall Convenience Stores Limited	45
Somerset and Bristol Convenience Stores Limited	40
	362
Interest payable	
Co-operative Group (CWS) Limited	10,589
Magic Breaks Limited	5
Medinland Limited	18
	10,612
Granting of options	
Northern Ireland Co-operative Society Limited	4,520
Devon and Cornwall Convenience Stores Limited	928
Plymouth and Cornwall Convenience Stores Limited	903
Somerset and Bristol Convenience Stores Limited	799
CMTG Limited	84
Co-operative Marketing and Trading Limited	110
Alldays Stores Limited	31,568
National Co-operative Chemists Limited	28,251
Balfour Convenience Stores Limited	4,356
Belfast Co-operative Chemists Limited	622
	72,141

Notes *(continued)*

15 Related parties (cont'd)

	2006 £000
Acquisition of licence	
Co-operative Group (CWS) Limited	266,126
Magic Breaks Limited	114
Medinland Limited	348
	266,588
Year end net debtor position	
Northern Ireland Co-operative Society Limited	4,711
Devon and Cornwall Convenience Stores Limited	967
Plymouth and Cornwall Convenience Stores Limited	941
Somerset and Bristol Convenience Stores Limited	832
CMTG Limited	84
Co-operative Marketing and Trading Limited	110
	7,645
Year end net creditor position	
Co-operative Group (CWS) Limited	192,535
Magic Breaks Limited	42
Medinland Limited	204
	192,781

16 Group entities

Control of the Group

The company is a wholly owned subsidiary of Co-operative Group (CWS) 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, Co-operative Group (CWS) Limited, PO Box 53, New Century House, Manchester, M60 4ES.

17 Continuing support

The company's parent undertaking, Co-operative Group (CWS) Limited, has indicated its intention to provide sufficient finance to the company to allow it to meets its liabilities for a period of at least one year from the date of signature of these financial statement, or until leaving the group, if earlier.