

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010
FOR
PENRITH CO-OPERATIVE SOCIETY LIMITED**

PENRITH CO-OPERATIVE SOCIETY LIMITED

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FOR THE YEAR ENDED 09 JANUARY 2010**

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PENRITH CO-OPERATIVE SOCIETY LIMITED

**ESTABLISHED 1890
ONE HUNDRED AND SEVENTEENTH ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

DIRECTORS, OFFICIALS AND ADVISORS

BOARD OF DIRECTORS:

With attendances at all meetings held during the year

	Actual	Possible
Ralph Beaumont BA (Hons) LL.B (Hons) MSc – President	17	18
David Robinson Pg Dip.FRSPH.MCMI – Vice President	18	18
Ivan Jones	14	18
Christine McDonald	17	18
Linda Foulds	16	18
Robert Good (appointed 28 September 2009)	4	4
Alan Little MBA BA(Hons) (appointed 28 September 2009)	4	4
Nicholas Lloyd (appointed 28 September 2009)	4	4
Mitchell Smith (appointed 14 December 2009)	1	1
Alan Cail (resigned 23 March 2009)	1	4
Eric Darling (resigned 6 April 2009)	3	5
George Holder (resigned 6 April 2009)	3	7

CHIEF EXECUTIVE OFFICERS:

John Mills (Chief Executive Officer and Acting Secretary)
John Tompkins (Secretary and Finance) Resigned August 2009

REGISTERED OFFICE:

19 Burrowgate
Penrith
Cumbria
CA11 7TD

REGISTERED NUMBER:

2854R (England and Wales)

AUDITORS:

O'Reilly
Chartered Accountants
Ullswater House
Duke Street
Penrith
Cumbria
CA11 7LY

BANKERS:

Co-operative Bank plc
53-59 Blandford Square
Newcastle upon Tyne
NE99 1AN

SOLICITORS:

Gaynham King & Mellor
1-2 Mason Court
Gillan Way
Penrith 40 Business Park
Penrith
Cumbria
CA11 7AJ

PENRITH CO-OPERATIVE SOCIETY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 9th JANUARY 2010

The directors have pleasure in submitting their report together with the financial statements of the Society for the 52 weeks ending January 9th 2010.

PRINCIPAL ACTIVITY

The principal activity of the Society during the year under review was that of retail sales of food and non-food. We have stores in County Durham and Cumbria with our head office in Penrith. The Departmental store in Penrith offers a wide range of goods and continues to build on its success and our extensive branch network offers the opportunity to trade co-operatively in many rural areas.

REVIEW OF BUSINESS

To understand our business it may help to understand what a co-operative is. The accepted definition of a co-operative is 'an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically owned enterprise'. In 1844, the Rochdale Pioneers set up their successful retail co-operative and gave us the basis for Co-operative Values and Principles that co-operatives follow today and sets us apart from other businesses.

The Co-operative Values that we subscribe to are:

- Democracy and equality
- Self-help and Self-Responsibility
- Equity and Solidarity

There are also the Co-operative Ethical Values that co-operators across the world believe in:

- Honesty
- Openness
- Social Responsibility
- Caring for others

The Co-operative Principles that have been adopted by this Society are:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation among co-operatives
- Concern for the community

We are delighted to be able to report that the Society has fared extremely well considering the financial turmoil that has beset the world economy and which did not leave the UK untouched.

Furthermore our stores, particularly those located in the country, have battled against the elements as well as the competition. Members may be confused by the competition from the national Co-operative group trading from the former Somerfield store in Penrith. We are and always have been a local society and look towards you as members to support your society. We wish to place on record especial thanks to our Home Delivery colleagues who went to extreme lengths, working long hours and walking through deep drifts, to ensure that during the snow and floods our customers received their goods: this when some competitors withdrew delivery services for up to three days at a time!

The Board would like to recognise the contributions made by Alan Cail, Eric Darling and George Holder who retired in the current period after many years of loyal service both to the Society and the wider Co-operative movement.

The Board was pleased to welcome four new members to its ranks: Robert Good, Alan Little, Nicholas Lloyd and Mitchell Smith who bring with them a wealth and large variety of experience in their respective fields that will be of immense benefit to the Society as it faces the future.

SENIOR MANAGEMENT

From the end of April 2009 the Society experienced a crisis at senior management level. However this enabled your Board to rationalise posts, responsibilities and duties for the senior staff team. This culminated in September with the Directors appointing John Mills as Chief Executive Officer (he reports to the Board of Directors); David Robinson was tasked with supervising the whole of the retailing arm including compliance and staff training (David reports to the CEO); Brian Hold was moved to the Penrith store as manager of the whole shop in addition to a particular responsibility for the retail food operation.

PENRITH CO-OPERATIVE SOCIETY LIMITED

**REPORT OF THE DIRECTORS - Continued
FOR THE YEAR ENDED 09 JANUARY 2010**

INTERNAL CONTROLS

In the opinion of the directors, the Society's system of internal control is adequate to enable the directors to discharge their responsibilities with regard to the stewardship of the Society's assets and the control of its activities. Ongoing training for both staff and directors is playing an important part in ensuring the future stability and economic security of the Society's affairs and will continue.

MANAGEMENT AND STAFF

Once again, the Board would like to thank management and staff for their continued commitment and hard work during the year. Special thanks go to the staff at Hall Bank Gate for winning through to the finals of the best village store and Post office competition for the second time.

ON BEHALF OF THE BOARD OF DIRECTORS:

A.R. Beaumont - PRESIDENT

Date:

PENRITH CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year Ended 09 January 2010

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

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in business.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PENRITH CO-OPERATIVE SOCIETY LIMITED**

We have audited the financial statements of Penrith Co-operative Society Limited for the year ended 09 January 2010 on pages 8 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Society's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Society's members those matters which 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 Society, and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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 Industrial and Provident Societies Act 1965 to 2002. 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 Society has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law is not disclosed.

We read the Report of the Directors 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.

Qualified opinion arising from disagreement about accounting treatment of investment properties

The accounts do not comply with the requirements of SSAP19 for Investment Properties, in that non-trading properties have not been treated in the balance sheet as investment properties. The Standard requires that such properties are stated at open market value which we understand is significantly in excess of their book value of £88,240. Also investment properties should not have been depreciated. The depreciation charge for the year which related to investment properties amounted to £2,967.

With this exception, in our opinion:

- the financial statements give a true and fair view of the state of the affairs of the Society as at 9 January 2010 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of Matter – going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in note 1 of the financial statements regarding going concern. We consider that this matter should be brought to your attention, but our opinion is not qualified in this respect.

Mr Gary Ritzema (Senior Statutory Auditor)
For and on behalf of O'Reilly, Statutory Auditor
Chartered Accountants
Ullswater House
Duke Street
Penrith
Cumbria
CA11 7LY

Date:

PENRITH CO-OPERATIVE SOCIETY LIMITED

**REVENUE ACCOUNT
FOR THE YEAR ENDED 09 JANUARY 2010**

		2010		2009	
	Notes	£	£	£	as restated £
TURNOVER	1		15,619,636		14,539,905
Less: Value Added Tax			<u>914,244</u>		<u>1,014,527</u>
NET SALES			14,705,392		13,525,378
Cost of sales	2		<u>10,595,486</u>		<u>9,802,971</u>
GROSS PROFIT			4,109,906		3,722,407
Administrative expenses	3		<u>3,818,049</u>		<u>3,735,882</u>
TRADING SURPLUS/(DEFICIT)			291,857		(13,475)
Profit on sale of assets	27		<u>867,214</u>		<u>189,439</u>
			1,159,071		175,964
Income from fixed asset investments	5	1,137		5,800	
Interest receivable and similar income	6	6,912		2,983	
Non trading property – net surplus	7	<u>45,192</u>		<u>38,660</u>	
			<u>53,241</u>		<u>47,443</u>
			1,212,312		223,407
Interest payable and similar charges	8	117,349		245,394	
Other finance costs	28	<u>51,000</u>		<u>44,000</u>	
			<u>168,349</u>		<u>289,394</u>
PROFIT/(DEFICIT) FOR THE YEAR BEFORE PAYMENTS ON BEHALF OF MEMBERS			1,043,963		(65,987)
Share interest		9,060		21,229	
Members dividends		47,278		46,815	
Donations		1,501		(1,120)	
Death benefits		<u>2,727</u>		<u>2,917</u>	
			<u>60,566</u>		<u>69,841</u>
PROFIT/(DEFICIT) FOR THE YEAR AFTER PAYMENTS ON BEHALF OF MEMBERS			983,397		(135,828)
Taxation	9		<u>156,469</u>		<u>(23,942)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			<u>826,928</u>		<u>(111,886)</u>

CONTINUING OPERATIONS

None of the Society's activities were acquired or discontinued during the current year or previous year.

PENRITH CO-OPERATIVE SOCIETY LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 09 JANUARY 2010**

	2010	2009
	£	as restated £
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR	826,928	(111,886)
Actuarial gain / (loss) Note 28	224,000	(72,000)
Prior year adjustment	<u>(100,916)</u>	<u>-</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>950,012</u>	<u>(183,886)</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED
BALANCE SHEET
09 JANUARY 2010

		2010		2009
	Notes		£	as restated £
FIXED ASSETS				
Intangible assets	10	85,615		103,535
Tangible assets	11	4,461,414		4,638,947
Investments	12	87,578		87,578
Investment property	13	<u>88,240</u>		<u>164,081</u>
		4,722,847		4,994,141
CURRENT ASSETS				
Stocks		741,051	742,346	
Debtors	14	375,091	414,267	
Investments	15	137,194	51,772	
Cash in hand		<u>43,178</u>	<u>50,785</u>	
		1,296,514	1,259,170	
CREDITORS				
Bank loans and overdraft	19	2,092,795	3,309,649	
Creditors – trade & expenses		737,083	777,476	
Stamp club creditor	16	4,351	3,573	
Sundry creditors	17	167,427	164,357	
Social security and other tax		211,173	151,776	
Corporation tax		115,705	-	
Proposed share interest		<u>2,311</u>	<u>10,257</u>	
		3,330,845	4,417,088	
NET CURRENT LIABILITIES		<u>(2,034,331)</u>		<u>(3,157,918)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,688,516		1,836,223
ACCRUALS & DEFERRED INCOME	21	(55,218)		(56,803)
NET PENSION LIABILITY	28	<u>(706,260)</u>		<u>(913,600)</u>
NET ASSETS		<u>1,927,038</u>		<u>865,820</u>
CAPITAL AND RESERVES				
Called up share capital	22	819,024		808,734
Profit and loss account	23	<u>1,108,014</u>		<u>57,086</u>
	26	<u>1,927,038</u>		<u>865,820</u>

ON BEHALF OF THE COMMITTEE:

A.R. Beaumont – PRESIDENT

D. Robinson – VICE PRESIDENT

J. Mills – ACTING SECRETARY

Approved by the Board on

PENRITH CO-OPERATIVE SOCIETY LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 09 JANUARY 2010**

	Notes	2010		2009	
		£	£	£	£
Net cash inflow from operating activities	1		392,505		67,130
Taxation			10,272		(45)
Capital expenditure and financial investment	2		<u>796,180</u>		<u>(592,525)</u>
			1,198,957		(525,440)
Financing	2		<u>(852,670)</u>		<u>736,613</u>
Increase/(Decrease) in cash in the period			<u>346,287</u>		<u>211,173</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
Increase in cash in the period			346,287		211,173
Cash inflow/(outflow) from increase in liquid resources			85,422		(29,350)
Cash inflow/(outflow) from decrease in debt and lease financing			<u>862,960</u>		<u>(722,190)</u>
Change in net debt resulting from cash flows			<u>1,294,669</u>		<u>(540,367)</u>
Movement in net debt in the period			1,294,669		(540,367)
Net debt at 10 January 2009			<u>(3,207,092)</u>		<u>(2,666,725)</u>
Net debt at 9 January 2010			<u>(1,912,423)</u>		<u>(3,207,092)</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 09 JANUARY 2010**

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010	2009 as restated
	£	£
Profit/(deficit) after payments on behalf of members	983,397	(135,828)
Depreciation charges	302,128	326,878
Amortisation	17,920	17,920
Government grants	(1,585)	(1,585)
Decrease / (Increase) in investments	(85,422)	29,350
Decrease / (Increase) in stocks	1,295	(74,209)
Decrease / (Increase) in debtors	28,800	81,048
Increase / (Decrease) in creditors	38,386	16,995
Current service cost	38,000	49,000
Contributions	(113,000)	(97,000)
Other finance income / (costs)	51,000	44,000
Profit on disposal of fixed assets	(1,200)	-
Profit on disposal of investment property	<u>(867,214)</u>	<u>(189,439)</u>
Net cash inflow from operating activities	<u>392,505</u>	<u>67,130</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2010	2009
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(145,109)	(793,558)
Purchase of investment property	(6,911)	(16,967)
Sale of tangible fixed assets	1,200	-
Sale of investment property	<u>947,000</u>	<u>218,000</u>
Net cash inflow/(outflow) for capital expenditure and financial investment	<u>796,180</u>	<u>(592,525)</u>
Financing		
Loans redeemed in year	(862,960)	748,672
Capital repayments in year	-	(17,982)
Share issue	<u>10,290</u>	<u>5,923</u>
Net cash (outflow)/inflow from financing	<u>(852,670)</u>	<u>736,613</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 09 JANUARY 2010**

3. ANALYSIS OF CHANGES IN NET DEBT

	At 10.01.09 £	Cash flow £	At 09.01.10 £
Net cash:			
Cash at bank and in hand	50,785	(7,607)	43,178
Bank overdraft	<u>(687,930)</u>	<u>353,894</u>	<u>(334,036)</u>
	<u>(637,145)</u>	<u>346,287</u>	<u>(290,858)</u>
Liquid resources:			
Current asset investments	<u>51,772</u>	<u>85,422</u>	<u>137,194</u>
	<u>51,772</u>	<u>85,422</u>	<u>137,194</u>
Debt:			
Debts falling due within one year	<u>(2,621,719)</u>	<u>862,960</u>	<u>(1,758,759)</u>
	<u>(2,621,719)</u>	<u>862,960</u>	<u>(1,758,759)</u>
Total	<u>(3,207,092)</u>	<u>1,294,669</u>	<u>(1,912,423)</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 09 JANUARY 2010

1. ACCOUNTING POLICIES

Going concern

The Society is in the process of selling some of their investment properties to repay a bank loan which stood at £1,758,759 at 9 January 2010. The bank loan, which financed the refurbishment of the Burrowgate store, is due to be repaid on 12 June 2010, and the Society is dependent on the support of the bank for both the loan and the overdraft, however the Directors are confident that these facilities will be extended.

An actuarial review was performed at 11 January 2010 which revealed a Pension Scheme deficit of £894,000. It is proposed that the Society will make additional special contributions of £100,000 per annum to address this deficit. The Directors believe that the Society will generate sufficient funds to meet this commitment.

Accounting date

The accounts are for a fifty two week period ended 09 January 2010 compared with a period of 52 weeks ended 10 January 2009.

Accounting convention

The financial statements have been prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and applicable accounting standards using the historical cost accounting convention.

Members' payments

Proposed member dividends are not accrued as they do not represent a liability of the company at the balance sheet date. Only member dividends declared before the balance sheet date are included as a finance cost in the revenue account. Share interest payments represent an obligation at the year end and are therefore accrued at the balance sheet date.

Trading results

The results for the year have been computed after allowing for all known charges.

Goodwill

Goodwill is being written off evenly over its estimated useful life of ten years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Land and buildings	- 2.5% on cost
Plant and machinery	- 10% on cost and 20% on cost
Fixtures and fittings	- 10% on cost
Motor vehicles	- 25% on cost

Investment income

Investment income is accounted for on an accruals basis. Dividends are accounted for when received.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined on a first in first out basis. Net realisable value is based on estimated selling price.

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

1. **ACCOUNTING POLICIES - continued**

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investments

Investments are carried in the balance sheet at the lower of cost and net realisable value.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period using the sum of digits method. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account in the year that the cost accrues. The future commitment relating to operating leases is based upon the minimum amounts payable.

Pensions

The company operates a defined benefit pension scheme. The regular pension cost is charged to the profit and loss account and is based on the expected pension costs over the service life of the employees. The current pension deficit is spread in the profit and loss account over the remaining service lives of current employees.

Government grants

Revenue grants are credited in the year in which they accrue. Capital grants are treated as deferred income released to the revenue account over the anticipated working life of the relevant asset.

Turnover

Turnover represents cash sales, goods sold on credit and value added tax. All turnover arose from trading in the UK.

Investment properties

Investment properties are those which are rented (or available to rent) to third parties. Investment properties are carried at cost and depreciated over 40 year on a straight line basis.

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

2. COST OF SALES

Cost of goods sold is stated after deducting trade dividends of £82,741 and trade commissions of £750,196.

3. EXPENSES

Expenses comprised:	2010	2009
	£	£
Personnel costs (note 4)	2,441,500	2,364,465
Occupancy costs	613,744	609,376
Depreciation – owned assets	299,161	308,241
Depreciation – assets held under finance leases or hire purchase contracts	-	12,888
Amortisation	17,920	17,920
Auditors' remuneration – statutory audit	7,500	8,762
- other	4,500	4,319
Directors' fees	1,718	2,645
Amortisation written off investments	2,235	(1,210)
Other expenses (net)	430,971	408,476
Profit on disposal of assets	(1,200)	-
	<hr/>	<hr/>
	<u>3,818,049</u>	<u>3,735,882</u>

4. EMPLOYEES

The average number of employees was:	2010	2009
Full-time	117	137
Part-time	<u>134</u>	<u>117</u>
	<u>251</u>	<u>254</u>

The costs in respect of these employees were:

	£	£
Salaries and wages	2,250,610	2,175,112
Social security costs	140,520	137,563
Pension costs	49,220	49,230
Staff training	<u>1,150</u>	<u>2,560</u>
	<u>2,441,500</u>	<u>2,364,465</u>

5. INCOME FROM FIXED ASSET INVESTMENTS

	2010	2009
	£	£
Unlisted	<u>1,137</u>	<u>5,800</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

6. INTEREST RECEIVABLE AND SIMILAR INCOME	2010	2009
	£	£
Income from current asset investments		
- listed	594	801
- unlisted	4,816	1,249
Entrance fees	916	933
Other Interest	<u>586</u>	<u>-</u>
	<u>6,912</u>	<u>2,983</u>
 7. NON-TRADING PROPERTY SURPLUS	 2010	 2009
	£	£
Rents receivable	55,739	60,985
Depreciation	(2,967)	(5,749)
Other expenses	<u>(7,580)</u>	<u>(16,576)</u>
	<u>45,192</u>	<u>38,660</u>
 8. INTEREST PAYABLE AND SIMILAR CHARGES	 2010	 2009
	£	£
Bank overdraft interest	20,310	67,045
Hire purchase interest	-	775
Loan interest	80,039	167,574
Loan arrangement fee	<u>17,000</u>	<u>10,000</u>
	<u>117,349</u>	<u>245,394</u>
 9. TAXATION		
The tax (credit)/charge on the profit on ordinary activities for the period was as follows:		
	2010	2009
	£	£
Corporation tax – current year	115,809	-
– prior years	-	(10,342)
Deferred tax:		
Pension scheme related deferred tax (assets)/liabilities	<u>40,660</u>	<u>(13,600)</u>
	<u>156,469</u>	<u>(23,942)</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS*
FOR THE YEAR ENDED 09 JANUARY 2010**

9. TAXATION - continued

Factors affecting the tax charge/(credit)

The tax charge assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2010	2009
	£	as restated £
Profit/(loss) on ordinary activities before tax	<u>983,397</u>	<u>(135,828)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007 – 30%)	275,351	(38,032)
Effects of:		
Expenses not deductible for tax purposes	(6556)	(15,337)
Benefit of small company rate	(17,819)	3,563
Capital allowances in advance of depreciation	(38,301)	(14,623)
Franked investment income	(38)	(23)
Chargeable gain	(96,828)	25,696
Effect of losses carried back at 19%	-	1,000
Tax relief from loss carryback to below nil rate band	-	(842)
Tax on unrelieved trading losses carried forward	<u>-</u>	<u>28,256</u>
Current tax charge/(credit)	<u>115,809</u>	<u>(10,342)</u>

10. INTANGIBLE FIXED ASSETS

Goodwill
£

COST

At 10 January 2009
at 09 January 2010

179,200

AMORTISATION

At 10 January 2009
Amortisation for year

75,665
17,920

At 09 January 2010

93,585

NET BOOK VALUE

At 09 January 2010

85,615

At 10 January 2009

103,535

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

11. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Fixtures and fittings £
COST			
At 10 January 2009	4,944,302	1,089,137	1,151,610
Additions	<u>96,310</u>	<u>15,405</u>	<u>9,913</u>
At 09 January 2010	<u>5,040,612</u>	<u>1,104,542</u>	<u>1,161,523</u>
DEPRECIATION			
At 10 January 2009	1,055,752	742,535	757,783
Charge for year	<u>125,506</u>	<u>88,239</u>	<u>81,062</u>
At 09 January 2010	<u>1,181,258</u>	<u>830,774</u>	<u>838,845</u>
NET BOOK VALUE			
At 09 January 2010	<u>3,859,354</u>	<u>273,768</u>	<u>322,678</u>
At 10 January 2009	<u>3,888,550</u>	<u>346,602</u>	<u>393,827</u>
	Motor vehicles £	TV rentals £	Totals £
COST			
At 10 January 2009	104,625	20,357	7,310,031
Additions	-	-	121,628
Disposals	<u>11,180</u>	<u>20,357</u>	<u>31,537</u>
At 09 January 2010	<u>93,445</u>	<u>-</u>	<u>7,400,122</u>
DEPRECIATION			
At 10 January 2009	94,657	20,357	2,671,084
Eliminated on disposal	11,180	20,357	31,537
Charge for year	<u>4,354</u>	<u>-</u>	<u>299,161</u>
At 09 January 2010	<u>87,831</u>	<u>-</u>	<u>2,938,708</u>
NET BOOK VALUE			
At 09 January 2010	<u>5,614</u>	<u>-</u>	<u>4,461,414</u>
At 10 January 2009	<u>9,968</u>	<u>-</u>	<u>4,638,947</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

12. FIXED ASSET INVESTMENTS

	2010	2009
	£	£
Shares (Industrial and Provident Societies)	67,240	67,240
Shares (Other bodies)	338	338
Debenture stock (Other bodies)	<u>20,000</u>	<u>20,000</u>
	<u>87,578</u>	<u>87,578</u>

13. INVESTMENT PROPERTY

	Total
	£
COST	
At 10 January 2009	240,025
Additions	6,911
Disposals	<u>125,590</u>
At 09 January 2010	<u>121,346</u>
DEPRECIATION	
At 10 January 2009	75,944
Charge for year	2,967
Eliminated on disposal	<u>45,805</u>
At 09 January 2010	<u>33,106</u>
NET BOOK VALUE	
At 09 January 2010	<u>88,240</u>
At 10 January 2009	<u>164,081</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Member and other debts	316,125	340,034
Hire purchase	<u>19,174</u>	<u>27,046</u>
	335,299	367,080
Provision for unearned surplus and doubtful debts	<u>(17,501)</u>	<u>(20,263)</u>
	317,798	346,817
Expenses prepaid and other debtors	46,816	46,597
Corporation tax recoverable	<u>10,477</u>	<u>20,853</u>
	<u>375,091</u>	<u>414,267</u>

15. CURRENT ASSET INVESTMENTS

	2010	2009
	£	£
Corporate Investor Shares	122,540	34,883
Government Securities	12,036	14,271
Building Society Deposits	<u>2,618</u>	<u>2,618</u>
	<u>137,194</u>	<u>51,772</u>

The market value of the Government Securities at the year end was £12,036 (2009: £14,271).

16. LOAN CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Beginning Of Year £	Contributions £	Withdrawn £	End Of Year £
Stamp Club Creditor	<u>3,573</u>	<u>5,566</u>	<u>(4,788)</u>	<u>4,351</u>

17. SUNDRY CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Accrued charges and other creditors	<u>167,427</u>	<u>164,357</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

18. LOANS

An analysis of the maturity of loans is given below:

	2010	2009
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	334,036	687,930
Bank loans	<u>1,758,759</u>	<u>2,621,719</u>
	<u>2,092,795</u>	<u>3,309,649</u>

The bank loan is due for renewal on 12 June 2010.

Interest on the bank loan is charged at 3% per annum over the bank's published base rate.

19. SECURED DEBTS

The following secured debts are included within creditors:

	2010	2009
	£	£
Bank overdrafts	334,036	687,930
Bank loans	1,758,759	2,621,719
Hire purchase contracts	<u>-</u>	<u>-</u>
	<u>2,092,795</u>	<u>3,309,649</u>

The bank loan is secured by the following:

- i) 1st legal charge over 12 to 33 Burrowgate, Penrith, CA11 7TD dated 24 January 2008 and
- ii) Solicitors Undertaking to remit sales proceeds of properties at:
 - 23 Front Street, Wearhead
 - Pennine Road, Halton Lea Gate
 - Albion House, 49 Front Street, Stanhope
 - 1-2 Dodding House, Hunter Lane
 - South View, Lazonby
 - Store House, Pennine Road, Halton Lea Gate
 - Flat above store, Pennine Road, Halton Lea Gate
 - Store House, Store Terrace, Hallbankgate
 - 1 Store Terrace, Hallbankgate

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

20. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax for which provision has been made in the financial statements is as follows:

	Provided		Not provided	
	2010	2009	2010	2009
	£	£	£	£
Accelerated Capital Allowances	-	-	30,792	4,833
Losses	<u>-</u>	<u>-</u>	<u>(145,415)</u>	<u>(118,452)</u>
	<u>-</u>	<u>-</u>	<u>(114,623)</u>	<u>(113,619)</u>

The pension scheme related deferred tax asset has been provided as it is assumed that the tax benefit of the scheme deficit will be received before that of the brought forward tax losses.

21. ACCRUALS AND DEFERRED INCOME

	2010	2009
	£	£
Deferred government grants:		
Brought forward	56,803	58,387
Received in year	-	
Released in year	<u>(1,585)</u>	<u>(1,584)</u>
Carried forward	<u>55,218</u>	<u>56,803</u>

22. SHARE CAPITAL

	2010	2009
	£	£
The movement in share capital during the year was as follows:		
At beginning of year	808,734	802,811
Contributions	43,904	22,907
Members dividend	47,278	46,815
Interest	<u>17,007</u>	<u>20,782</u>
	916,923	893,315
Withdrawals	<u>(97,899)</u>	<u>(84,581)</u>
At end of year	<u>819,024</u>	<u>808,734</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

23. RESERVES

	Profit and loss account £
At 10 January 2009 as previously reported	158,002
Prior Year Adjustment	(100,916)
	57,086
Balance at 10 January 2009 as restated	826,928
Profit for the year	224,000
Actuarial gain on pension scheme assets	224,000
At 9 January 2010	1,108,014

The prior year adjustment relates to output VAT on rebates received which was not accounted for in the 2009 accounts.

24. CAPITAL COMMITMENTS

	2010	2009
	£	£
Approved but not contracted for	-	28,500

25. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

26. RECONCILIATION OF MOVEMENTS IN RESERVES

	2010	2009 as restated
	£	£
Profit/(Loss) for the financial year	826,928	(111,886)
Other recognised gains and (losses) relating to the year (net)	224,000	(72,000)
Movement in share capital	<u>10,290</u>	<u>5,923</u>
	1,061,218	(177,963)
Net increase/(reduction) of reserves		
Opening reserves	<u>865,820</u>	<u>1,043,783</u>
Closing reserves	<u>1,927,038</u>	<u>865,820</u>

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010**

27. EXCEPTIONAL ITEM

Profit on sale of assets	2010	2009
	£	£
Profit on sale of investment property	867,214	189,439
	<hr/>	<hr/>
	<u>867,214</u>	<u>189,439</u>

28. PENSION COMMITMENTS

The company operates a defined benefit fund in the UK (the Penrith Co-operative Society Limited Employees' Superannuation Fund), the assets of which are held in a separate fund administered by trustees. A full actuarial valuation of the scheme was carried out at 31 March 2008, and updated to 11 January 2010, by a qualified independent actuary. The service cost has been calculated using the Projected Unit method.

	At 11/01/10	At 10/01/09
	£'000	£'000
Change in benefit obligation		
Benefit obligation at beginning of year	3,003	3,260
Current service cost	38	49
Interest cost	173	185
Plan participants' contributions	43	43
Past service costs	-	-
Actuarial (gains)/losses	127	(398)
Benefits paid	<u>(129)</u>	<u>(136)</u>
Benefit obligation at end of year	3,255	3,003
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	3,255	3,003
Plans that are wholly unfunded	<u>-</u>	<u>-</u>
Total	3,255	3,003
Change in plan assets		
Fair value of plan assets at beginning of year	1,861	2,186
Expected return on plan assets	122	141
Actuarial gains/(losses)	351	(470)
Employer contribution	113	97
Member contributions	43	43
Benefits paid	<u>(129)</u>	<u>(136)</u>
Fair value of plan assets at end of year	2,361	1,861

PENRITH CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 09 JANUARY 2010

28. PENSION COMMITMENTS - continued

	At 11/01/10 £000	At 10/01/09 £000
Funded status	(894)	(1,142)
Unrecognised past service cost (benefit)	-	-
Total amount recognised (before deferred tax)	(894)	(1,142)
Deferred tax @ 21% (20%)	188	228
Net amount recognised	(706)	(914)
Components of pension cost	Year to 11/01/10 £000	Year to 10/01/09 £000
Current service cost	38	49
Interest cost	173	185
Expected return on plan assets	(122)	(141)
Past service cost	-	-
Total pension cost recognised in the profit and loss account	89	93
Actuarial (gains)/losses immediately recognised	(224)	72
Effect of surplus cap	-	-
Total pension cost recognised in the STRGL	(224)	72
Cumulative amount of actuarial (gains)/losses immediately recognised	800	1,024
Plan assets		
The weighted-average asset allocation at the year-end were as follows:		
<u>Asset category</u>	Plan assets at 11/01/10	Plan assets at 10/01/09
Equities	71%	71%
Bonds (incl. cash)	29%	29%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the company 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.

PENRITH CO-OPERATIVE SOCIETY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 10 JANUARY 2009**

28. PENSION COMMITMENTS - continued

	Year to	Year to
	11/01/10	10/01/09
	£000	£000
Actual return on plan assets	473	(329)

Weighted average assumptions used to determine benefit obligations at:

	11/01/10	10/01/09	12/01/08
Discount rate	5.50%	5.80%	5.70%
Rate of compensation increase	3.80%	4.20%	5.00%
Rate of increase of pensions in payment (5% LPI)	3.30%	3.20%	3.50%
Rate of increase of pensions in payment (2.5% LPI)	2.40%	2.40%	2.50%
Rate of increase of pensions in deferment	3.30%	3.20%	3.50%
Inflation	3.30%	3.20%	3.50%

Weighted average assumptions used to net pension cost for year ended:

	11/01/10	10/01/09
Discount rate	5.80%	5.70%
Expected long-term return on plan assets	6.50%	6.50%
Rate of compensation increase	4.20%	5.00%
Rate of increase of pensions in payment (5% LPI)	3.20%	3.50%
Rate of increase of pensions in payment (2.5% LPI)	2.40%	2.40%
Inflation	3.20%	3.50%

Weighted average life expectancy for mortality tables used to determine benefit obligations at 11 January 2010:

	Male	Female
Member age 65 (current life expectancy)	20.4	23.2
Member age 45 (life expectancy at age 65)	21.3	24.1

Five year history

	Financial year ending in				
	2010	2009	2008	2007	2006
Benefit obligation at end of year	3,255	3,003	3,260	3,165	2,843
Fair value of plan assets at end of year	2,361	1,861	2,186	2,095	1,913
Surplus / (deficit)	(894)	(1,142)	(1,074)	(1,070)	(930)
Difference between actual and expected return on scheme assets:					
amount (£000)	351	(470)	(83)	31	232
percentage of scheme assets	15%	-25%	-4%	1%	12%
Experience gains and (losses) on scheme liabilities:					
amount (£000)	-	-	5	5	(163)
percentage of scheme liabilities	0%	0%	0%	0%	-6%

Contributions

The Society expects to contribute £100,000 in special contributions to its pension plan in 2010.

PENRITH CO-OPERATIVE SOCIETY LIMITED

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 09 JANUARY 2010**

	2010		2009	
	£	£	£	£
Sales		14,705,392		13,525,378
Cost of sales:				
Purchases		<u>10,595,486</u>		<u>9,802,971</u>
GROSS PROFIT		4,109,906		3,722,407
Other income:				
Rents received	55,739		60,985	
Capital grant released	1,585		1,585	
Unlisted investment income	5,953		7,049	
Listed investment income	594		801	
Other income	10,418		-	
Other interest received	586		-	
Entrance fees	<u>916</u>		<u>933</u>	
		<u>75,791</u>		<u>71,353</u>
		4,185,697		3,793,760
Expenditure:				
Administrative salaries	2,250,610		2,175,112	
Social security costs	140,520		137,563	
Superannuation	49,220		49,230	
Staff training	1,150		2,560	
Telephone & fax	23,085		24,303	
Printing, postage & stationery	47,367		61,357	
Advertising	59,405		71,178	
Point of sale expenses	18,078		16,307	
Motor running expenses	60,872		47,555	
Licences & insurance	50,656		51,321	
Trade subscriptions	11,394		14,394	
Repairs & renewals	128,157		110,860	
Rental expenses	18,023		16,576	
Cleaning & sundries	96,096		105,795	
Auditors' remuneration	12,000		13,081	
Committee fees	1,718		2,645	
Legal & professional fees	90,291		43,070	
Depreciation	299,161		321,129	
Depreciation: Investment Property	2,967		5,749	
Amortisation	17,920		17,920	
Work wear	8,898		32,550	
Rates	98,269		96,514	
Light & heat	242,984		244,886	
Donations	1,501		(1,120)	
Death benefits	2,727		2,917	
Management charge	15,678		19,362	
(Profit)/loss on sale of tangible fixed assets	<u>(1,200)</u>		<u> </u>	
		<u>3,747,547</u>		<u>3,682,814</u>
Carried forward		438,150		110,946

PENRITH CO-OPERATIVE SOCIETY LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT

Year Ended 09 January 2010

	2010		2009	
	£	£	£	£
Brought forward		438,150		110,946
Finance costs:				
Bank overdraft interest	20,310		67,045	
Finance lease interest	-		775	
Share interest	9,060		21,229	
Bank charges	32,133		31,733	
Credit card charges	58,278		48,251	
Bad debts	4,634		-	
Dividends	47,278		46,815	
Loan interest	80,039		167,575	
Loan arrangement fee	17,000		10,000	
		<u>268,732</u>		<u>393,423</u>
NET PROFIT/(LOSS)		169,418		(282,477)
Other finance income/costs:				
Expected retained pension scheme assets	(122,000)		(141,000)	
Interest on pension scheme liabilities	<u>173,000</u>		<u>185,000</u>	
		<u>51,000</u>		<u>44,000</u>
		118,418		(326,477)
Amounts written off investments				
Amounts written off investments		<u>(2,235)</u>		<u>1,210</u>
		116,183		(325,267)
Exceptional items				
Profit on sale of assets		<u>867,214</u>		<u>189,439</u>
NET PROFIT/(LOSS)		<u>983,397</u>		<u>(135,828)</u>