



2019/20  
Annual Report  
and Accounts

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# Who we are

Midcounties is a consumer co-operative owned and controlled by its members. We are part of the global co-operative movement and subscribe to co-operative values and principles that govern all co-operatives around the world. Our Purpose is simple but ambitious with co-operative values at its heart:

“To be a successful consumer co-operative working towards creating a better, fairer world and to enhance the lives of our colleagues, members, customers, and the communities we serve.”

We have four core values that underpin our Purpose and guide the way we work. We live these values every day, every week, every month, every year.



## DEMOCRACY

Ensuring the views of our members are reflected in the way the Society is run



## OPENNESS

Being open, honest and fair in our dealings with everyone we come into contact with



## EQUALITY

Recognising the contribution that everyone can make to develop the Society



## SOCIAL RESPONSIBILITY

Reflecting our responsibilities to the wider community in the way we conduct our business

To bring our Purpose to life we have created an Imagined Future to inspire all our activity and all that we strive to achieve:

# OUR IMAGINED FUTURE

The Midcounties Co-operative is part of a thriving global co-operative movement, a leader, role model and powerful influencer recognised around the world.

We put membership at the heart of all we do which is reflected in how we engage with members via a range of interactions.

We are an inclusive employer where colleagues are fully engaged and are our biggest champions.

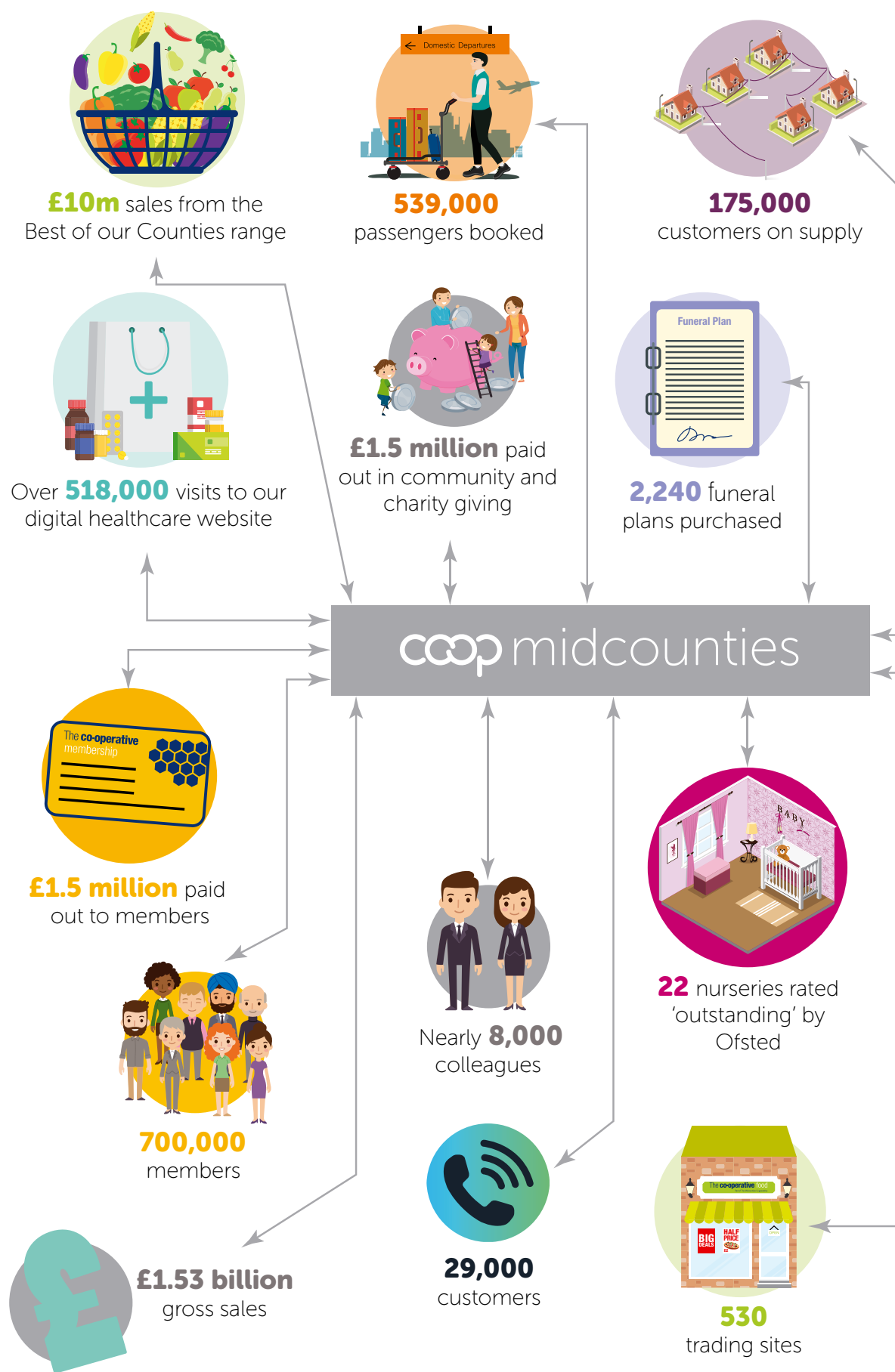
We are an organisation proud of our heritage, our independence and our local roots.

We are a commercially successful, sustainable, values driven business which is trusted by the public, loved by its members and supportive of its suppliers.

We are creating a 'better, fairer world' by building strong local communities.

# What we do

We operate a range of businesses in Food, Travel, Healthcare, Funeral, Childcare, Energy, Post Offices, Flexible Benefits and Telecoms. Our heartlands are in Oxfordshire, Gloucestershire, Buckinghamshire, Shropshire, Staffordshire, the West Midlands, Wiltshire and Worcestershire. However, we also trade in the surrounding counties and our businesses in Energy, Childcare, Travel, Flexible Benefits and Telecoms trade across the UK. Here is a snapshot of our activity from the past year:



# President's introduction

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Reflecting back over the year, the most significant milestone from a business perspective has been our partnership with Octopus Energy.

Helen Wiseman

At the Half Year I opened my report with what seem like prophetic words: "In my time on our Board this has been one of the most significant and challenging periods I can recall". Those comments were focused on the internal issues we had faced with our Energy business. While those issues have now been resolved, the words continue to resonate given the Covid-19 pandemic and its impact on all our lives.

Reflecting back over the year, the most significant milestone from a business perspective has been our partnership with Octopus Energy. This resolves the very serious issues the Society was facing with the increasing levels of risk and liabilities posed by our Energy business. We are encouraged by the initial progress made with our new partnership with Octopus Energy and look forward to a successful long-term future together. The impact on our accounts from the actions we have taken in relation to Energy is very substantial, but, as noted in the Group Chief Executive's report, the Society is now in a much better position to move forward, able to devote resource and investment to its core businesses, so for the long term, a positive outcome.

In our core businesses, pleasingly, we have seen a very solid financial performance despite difficult trading conditions amid the Brexit uncertainty that played throughout last year. The Group Chief Executive's report and the business trading reviews carry the detail, but I would particularly like to highlight the strong performance of our convenience stores, the growth in Childcare and Travel, and a return to profitability for The Phone Co-op.

The pandemic which has taken hold since the year end is having a significant impact. The management team has taken action quickly to address issues as they have arisen and with the right approach – looking to ensure our colleagues and customers are protected as a first priority and that we can continue to serve our communities. However, it is appropriate to note that the consequences of the pandemic on the Society's financial performance will be adverse for the year ahead given, in particular, the heavy impact on our Travel and Childcare businesses which is more than offsetting exceptional growth in Food and Healthcare.

More positively, we have been able to deliver fantastic support for our local communities during the crisis, thanks to putting co-operative values at the forefront of our thinking. We have harnessed the power of our existing network of community organisations, with newly created volunteer groups, active members and colleagues to provide a home food delivery service to vulnerable individuals in truly staggering volumes. This, coupled with the generosity of our members in supporting our Food Bank appeal and our Frontline Hero Childcare fund, really demonstrates the power of co-operative values in action.

Putting our values into action is as much a part of what we do as a co-operative as our trading activity, and you will find further examples in our Co-operative Social Responsibility Report, which we have brought into the Annual report this year so all our activity is reported in one place.

We have begun to use technology more to help engage with our members – through our largest ever online member survey which had over 9,000 responses, through the livestream link to our AGM, and through two member webinars in October; and as I write this foreword we are preparing for our first ever fully online AGM given the lockdown restrictions in place. Elsewhere, I would highlight progress with our new Young Co-operators Network and the continued development of our Regional Communities programme, bringing colleagues, active members and community groups together to enhance the lives of the communities where we live and trade.

It is the regional community activity that led to one of the highlights of the year for me as President. In January we held our Co-op Difference event in Wolverhampton to celebrate our community achievements and provide an opportunity for community partners to engage and maximise community impact in a connected way. We heard first-hand some truly inspirational accounts of the positive impact colleagues and members have made to those in need through their partnerships in our communities, and it was a great privilege to present awards to colleagues who had been nominated as community colleague champions. The event itself was memorable, but of greater significance was that it represented a resounding endorsement of our connected communities strategy.

On behalf of the Board, I would like to thank you, our members, for your continued support, our fantastic colleagues for their hard work and enthusiasm in making a difference every day, and also my colleagues on the Board and the Executive team for their commitment to co-operation, putting members at the heart of what we do.

A handwritten signature in black ink, appearing to read 'Helen' followed by a stylized surname.

**Helen Wiseman**  
**President**



# Group Chief Executive's overview

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The 2019/20 year has been positive for the Society. Our core businesses have performed well, and we have resolved the issues with our Energy business.

Phil Ponsonby

I am pleased to present my report to members for the 2019/20 year in which I have set out the Society's performance for the year. I have also taken the opportunity to update members on the impact of the coronavirus pandemic which has taken hold since the year end.

## Review of 2019

2019 was a very important year for the Society during which your Board announced some significant decisions in relation to our Energy business.

It had been clear at the start of the year that the underlying conditions within the Energy market were unlikely to improve during 2019. Several factors were continuing to hit the domestic supply market hard including rising wholesale costs, record switching rates, a squeeze on margins through greater price competitiveness, and the effects of the price-cap. We forecasted a significant worsening in performance for 2019 on the back of losses for our Energy group over the proceeding three years.

Members will recall that in my report at last year's AGM, I stated that with the support of your Board and our colleagues, I was focused on developing the right way forward for our Energy business, and that the Board and management were considering a range of options to reduce the overall impact placed on the Society by the business.

Our partnership with Octopus Energy announced in September, has removed the risks and liabilities that were threatening both the business and the Society, thus achieving a key objective for the year. Your Board and management can now be confident to direct investment and resource into our core businesses, a welcome outturn and a positive position for the longer-term future of the Society.

This has been fully vindicated by the performance in our core businesses during the year which have performed extremely well despite Brexit uncertainty dominating for the whole period. Gross sales in our core businesses increased 15.6% to £1.3bn and operating profit before significant items increased 25.6% to £19.0m – a very positive performance.

However, the significant changes to our Energy business with the partnership with Octopus and discontinuation of the operations has resulted in a number of one-off multi-million pound write downs to the assets of the business, which, in addition to the trading losses in the energy operations prior to the partnership, has resulted in a very significant accounting loss for the year of £89.7m.

## Core businesses

Food Retail, the mainstay of the Society, has had another strong year, recording like-for-like sales growth of 3.3% in the key convenience division. The business has continued to focus on local sourcing and food provenance to differentiate from its competitors. It has also introduced a number of key operational efficiencies and is taking some difficult decisions around its more marginal stores. Our Post Offices, which are integral to many of our Food stores and play an important role in our local communities, also performed particularly well.

Travel performed strongly after a difficult first few months where Brexit concerns caused consumers to delay spend. In September, the collapse of Thomas Cook brought major ramifications to the sector. The team responded to the challenge, recruiting well over 100 new travel branches into our Consortium operation, doubling its size almost overnight – a considerable achievement. Childcare continues to develop, growing sales and profit from last year. Our Little Pioneers brand is gaining real traction in the market, helping the business to stand out from its competitors in a truly co-operative way. We have ambitious plans to grow the business over the next five years.

Our Funeral operations have reacted positively to the lower death rate and shifting pattern of demand, improving efficiencies and ways of working. However, the pharmacy sector continues to be challenged given the five-year freeze on government funding. We are following through on our strategy to dispose of the majority of our branches and focus on our online offer where activity has increased through the year. Where we have disposed of branches, we have put our colleagues at the heart of negotiations ensuring that jobs have been retained. This process is never easy for colleagues and I would like to thank them for their understanding and professionalism during this period.

The Phone Co-op returned to profitability, building a solid platform from which to grow; and our Co-op Community Energy partnership with Octopus has started well, with the business launching Co-op Community power, a tariff powered by green energy produced solely from community energy projects, a unique offer in a

crowded marketplace. We expect the Energy business to be profitable in 2020, a significant turnaround from the last few years, and are planning to combine our energy and telecoms businesses to facilitate the introduction of combined offers to help make consumers lives easier in the day to day.

Given the pressure on our balance sheet arising from the performance of our Energy business, we have also been taking measures to reduce our borrowings through the sale of non-core property assets, improvements to our working capital position, and the introduction of efficiencies and costs savings into the business. These initiatives will continue through 2020.

### Energy

I reported on our Energy business in depth at the Half Year, but the changes made bear repeating. In September, we announced a strategic partnership with Octopus Energy marking the completion of a process aimed at tackling the growing issues in the business. We looked for a solution which removed the financial risk of the business, while still retaining a supply proposition within our overall offer. The partnership with Octopus allows us to meet these twin objectives and, by working with an organisation which shares our values, has secured permanent employment for a significant number of our former Energy colleagues. In addition, Co-op Community Energy, the joint venture we have set up with Octopus, has the potential to become the fulcrum for community generation activity in the UK – a very attractive prospect.

Given the decision to partner with Octopus included the sale of the Energy customer books, accounting rules require us to classify the business as a 'discontinued operation'.

We have written off the assets associated with the Energy business (including the Flow and GB businesses and the Co-op Energy IT system). As noted earlier, these one-off multi-million pound write downs have created significant accounting losses but were a necessary step in placing your Society on a firm financial standing and in removing the risks and trading volatility which were becoming increasingly concerning within the Energy business.

### Colleagues

Throughout the year we have developed the way we communicate with our colleagues adopting a more dynamic approach with regular pulse surveys, and a real push to encourage colleagues to use our Colleague Connect app which allows a much more responsive and direct way to keep in touch with colleagues and get their views and thoughts.

We have established a colleague wellbeing programme – over 500 managers have had mental health awareness training delivered by the mental health charity Mind, and all our colleagues have received e-learning on the importance of nurturing good mental health, and now receive regular updates and signposting on mental health support. We have partnered with Grocery Aid

as our employee assistance programme provider. The charity provides wide-ranging support to all colleagues across the Society from therapeutic support in times of personal difficulty to financial support and advice.

We have also set up a local agreement with USDAW, our recognised union, who now represent every part of our business. The partnership approach we are building has led to our customer facing colleagues being awarded a 7.4% increase in pay over the next 12 months and a minimum hourly rate of £9.00 per hour from October 2020.

### Members

The President's report sets out some of the ways we have developed our member engagement activity. In addition, I would like to highlight the survey work we have been undertaking on a regular basis with nearly 4,000 of our members who contribute their views on matters affecting the Society and its businesses. Our Your Co-op Voice programme provides valuable feedback on a range of issues to help move the Society and its businesses forward.

Since this work began in the summer of 2018, we have actioned nearly 100 surveys, receiving almost 40,000 responses on a range of issues central to the development of our plans. This year we surveyed members on, for example, the branding for Co-op Holidays, on issues affecting the health and wellbeing of children in our nurseries, on priorities for our CSR strategy, and the development of our membership offer. Most recently, we have gained some great insight into members views on their holiday plans once the travel restrictions are lifted, and how the government lockdown is affecting people in different ways.

### Summary

The 2019/20 year has been positive for the Society. Our core businesses have performed well, and we have resolved the issues with our Energy business. We have set a solid foundation for financial stability and have formed robust and well thought through strategic plans on where to invest for future growth. We have developed a clear purpose for expanded engagement with our members, colleagues and communities and I am truly grateful for the continued support we receive from them. The year ahead will present many challenges, but your Society has the strength to address the issues and position itself for continued growth and development for the years ahead.



**Phil Ponsonby**  
**Group Chief Executive**

# Update on the impact of Covid-19

In early March it became clear the Covid-19 pandemic would have significant implications for the Society. We held the first of our daily Covid-19 steering group meetings on 10 March to ramp up the continuity planning already in train, prioritising six key areas – colleagues, customers, communities, suppliers, resilience and financials. A breakdown of the activities undertaken under each of these six key areas is shown below.

I would like to place on record how extremely grateful I am for the way all our colleagues across the Society have responded to the difficulties and challenges. These have been uniquely testing, and the response by management and colleagues has been outstanding and truly reflective of our co-operative difference.

The safety of our colleagues and customers has been our foremost concern throughout. We have invested heavily in personal protection equipment (PPE) for all colleagues and implemented comprehensive social distancing measures through the introduction of perspex screens at all till points, directional signs, and restricted access, and we have adapted our policies as required. Changes have been made to cleaning specifications and fixed sanitiser units installed for customers.

As part of social distancing measures, we have temporarily closed two thirds of our nurseries, restricted half of our funeral homes to closed contact arrangements and consolidated our travel operations into a virtual call centre

operated by colleagues working from home while our 57 Travel branches remain closed. In addition, the vast majority of our central support colleagues are working from home while our support buildings have been temporarily closed.

The operational challenges have been considerable. Our Food and Healthcare businesses have been working exceptionally hard to meet demand which is at unprecedented levels; our Funeral business is adjusting to cater for the very different circumstances the bereaved now face in marking the passing of a loved one; while our Childcare nurseries are operating at a significantly reduced capacity.

The challenges on our supply chain have resulted in new suppliers being introduced particularly in Food and Healthcare, and in the pursuit of PPE. Many of the new suppliers have been local.

The impact of the pandemic has been particularly acute on our Travel business. The Government's ban on all but essential travel overseas has had a huge effect on the sector. Customers are amending bookings and, in some cases, requesting refunds while fewer near-time bookings are being made. Not surprisingly, this has had an adverse effect on cash flow across the industry, and our own Travel business has not been immune to this.

## Addressing the six key areas affected by Covid-19

### Colleagues

- Dedicated daily HR helpline established.
- Daily bulletin with two-way communication via colleague website.
- Contact maintained with approximately 650 colleagues on 12 week isolation leave.
- 950 new temporary colleagues recruited.
- Flexible policy approach with support from USDAW.
- All customer facing and operational colleagues equipped with full PPE and mandatory method of use training completed.
- Perspex protection screens, demarcation markers and fixed sanitiser units fitted in every branch.
- Some colleagues from Travel and Childcare redeployed to other areas.
- Approximately 1,900 furloughed colleagues topped up to full pay.
- Pay uplifted by 10% to 6,500 customer-facing colleagues for a minimum 7 week period.
- Enhanced discounts and additional support applied.
- Wellbeing and mental health advice programme.

### Customers

- Specific advice and information provided via main website, in branch and by mail to members.
- Social distancing policies implemented at all sites.
- Opening hours reviewed and kept flexible.
- Additional local food suppliers added to meet demand.
- Over 25,000 deliveries made by food stores to vulnerable customers.
- An additional 1,000 customers added to home prescription service by pharmacies.
- New 'isolation essentials' range added to online pharmacy.
- Travel helpline via virtual call centre established.
- Full adherence to ABTA directives in handling cancellations.
- Kept open a third of childcare nursery sites which are on or close to NHS hospitals to support key workers.
- Launched 'Remember from afar' online funeral services including live streaming of memorials.

### Community

- Launched community fund to support over 50 local food banks.
- Stepped in to give supply opportunities to local food service suppliers.
- Launched key workers fund to assist frontline workers in paying nursery fees.
- Over half of 25,000 home deliveries from food stores made by individual or group-based community volunteers.
- Fully integrated with local resilience forums in supporting essential food supplies and caring for increased number of deceased.
- Utilised localised social media sites to assist communities in food deliveries.
- Introduced online intergenerational sessions between nurseries and care homes.
- Helped other businesses and public sector to procure PPE.
- Shared best practice with other UK and international co-operatives.



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We recruited 950 temporary colleagues to help in our Food stores. In addition, a number of colleagues from our Childcare and Travel businesses have been redeployed to support our Food stores. Where colleagues have not been redeployed or are on the 'at risk' list and have been placed on the 12-week isolation period, we have used the Government's job retention scheme. We have furloughed approximately 1,900 colleagues, mostly from our Travel and Childcare operations. Colleagues who have been furloughed are being paid at full pay.

These are considerable changes which have been affected at pace and professionally.

We have maintained close contact with USDAW, meeting twice weekly to share insights and resolve issues quickly for our colleagues. We introduced a range of enhanced benefits for all colleagues working in public-facing operations. This included a temporary 10% pay uplift, and increased discounts and meal allowances. The Executive team have all voluntarily taken a reduction in pay to support our fellow colleagues.

We have considered how best to support the most vulnerable and those most at risk in our local communities, introducing a home delivery service. Local community groups, individual volunteers, and store colleagues are all making deliveries to those who are self-isolating and cannot get out to shop for food.

This has been a real success and we have now made over 25,000 home deliveries. We have set up a Food Bank fund donating £25,000 and calling on members, customers and the wider community to contribute. Our Childcare business has launched a Frontline Hero Support Fund for NHS and other key workers who need support to pay childcare fees. Again, the Society contributed £25,000 to the fund which has raised £42,000 in total and is now ready to be distributed. And our Funeral Group has introduced a service to help the bereaved mark the passing of a loved one. This sees a celebrant conduct a service at a funeral branch which can be viewed online by family and friends.

The pandemic has had a profound impact on activity across the country, and all our principal businesses have been affected. Management, guided by your Board, has been working to address the challenges, protecting our colleagues and customers as a priority, while doing all that it can to continue serving our communities. I am clear that businesses with well-defined goals and longer-term thinking, that keep to their values as they address the issues, will prosper and thrive as we come out of this crisis. This reasoning has guided our approach from the outset.



**Phil Ponsonby**  
**Group Chief Executive**

### Suppliers

- Close monitoring of national food distribution network maintained.
- Increased flexibility in delivery schedules across Food estate.
- Additional local food suppliers introduced and existing suppliers' ranges expanded.
- Additional wholesalers introduced to Food and Pharmacy.
- Reduction in range of non-essential items and supplier range rationalisation in food.
- Close communication and monitoring with travel industry suppliers and tour operators.
- New suppliers introduced to supplement sundry supplies for funeral services.
- All PPE managed through central procurement operations supporting all trading businesses.
- Early engagement with cleaning contractors to ensure rapid deployment when required.

### Resilience

- Formed Executive Covid-19 steering team for extensive monitoring and rapid decision making.
- Safety of colleagues and customers prioritised.
- Formal actions and decisions log recorded.
- Weekly briefing to President, Vice-Presidents and Chair of Audit.
- Board and governance arrangements continued via video conferencing.
- Support centres at Warwick, Walsall, Manchester and Chipping Norton temporarily closed; rapid IT deployment to support colleagues working from home.
- All Food and Pharmacy branches trading.
- Virtual Call Centre activated whilst travel branches closed.
- Funeral operations consolidated into 50% of homes.
- 2/3 of childcare nurseries temporarily closed.
- Key enhancements to online services in Pharmacy, Travel and Funeral.

### Financial

- Bank funding agreements secured through to March 2022.
- Cashflow modelling and profit forecasts reviewed weekly and adjusted to reflect updated government policy.
- Prudent sensitivities applied to all groups; Travel and Childcare specifically modelled with extended closure periods in excess of current government indications.
- Projected share in funerals aligned to government mortality rates.
- Full cost of acquired and future PPE included.
- Revised downward projection in planned capital expenditure for development projects in 2020.
- The government's Job Retention Scheme, Business Rates Relief and Retail, Hospitality and Leisure Grant Fund accessed.

# Trading group overviews

## Food Retail

### and Post Offices

Gross sales: £612 million

(2018/19: £594 million)

Colleagues: 4,672 (2018/19: 5,096)

Sites: 313 (2018/19: 309)

“Our convenience stores have performed particularly well seeing like-for-like sales increase by 3.95%.”



The Group has increased like-for-like sales by 1.9% over the year, a good result given the very strong performance in the previous year. Our convenience stores have performed particularly well seeing like-for-like sales increase by 3.3%, well ahead of the convenience market; and our Christmas trading was strong with like-for-like sales up 3.3% over the key Christmas trading period, again, well ahead of the competition. However, in line with the sector as a whole, our supermarket estate has had a tougher time, posting a 2.1% decline in like-for-like sales, although, through a series of focused initiatives, we have been able to arrest this decline during the second half of the year.

Sales of local products have continued to perform well, building on the success of our ethically and locally-sourced Best of our Counties range, to which we have added 885 new lines this year.

We continue to work with Happerley to trace the provenance of all of our locally-sourced produce. As part of our commitment to raising the profile of our local suppliers we are running a second Food Glorious Food competition where local suppliers can pitch new products for sale in our stores with the winner receiving a cash prize.

During the year, we have been able to grow our store estate, opening two new stores in Oxfordshire, and, shortly before Christmas, acquiring four Budgens stores in the Cotswolds. We have also continued to improve our store systems to improve efficiencies. Our Kronos system is now fully operational ensuring each of our stores has colleagues working at the right times to support our customers, and we have been trialling a

'dynamic waste' programme which helps minimise waste through a sophisticated reduce-to-clear pricing model. This will be rolled out to all stores during 2020.

We have worked through the year to improve our store estate, making nearly 100 investments ranging from full refits to replacing key equipment.

We have a clear development strategy and are constantly reviewing our stores to make sure they are fit for today and for the future. As part of this, we have announced to colleagues at 15 sites that their stores no longer fit the strategic formats we are working to. We are reviewing these stores and will keep colleagues, members and customers fully informed as we make decisions on their futures.

Our Post Office business, which runs 84 Post Offices across our estate, has become profitable for the first time in four years thanks to a programme focusing on service improvements across all formats and at every stage of the customer journey. This is a great achievement for the Post Office team and we have further plans to build on the very valued offer they provide in the communities they serve.

# Travel

Gross sales: £554 million  
(2018/19: £397 million)  
Colleagues: 449 (2018/19: 465)  
Sites: 57 (2018/19: 60)

“Our Consortium business has more than doubled its sales and profits having recruited a large number of travel agents from the Thomas Cook operation.”



Travel has performed well this year. After a challenging first quarter where Brexit fears dampened demand, we had a very strong summer followed by the collapse of Thomas Cook in September. This led to a peak of activity in the autumn as we looked to rebook customers, but also created considerable opportunity for the business.

Our Consortium business has more than doubled its sales and profits having recruited a large number of travel agents from the Thomas Cook operation. Our Retail and Direct divisions have also continued to outperform the market, seeing sales increases of 3.5% and 2.0% respectively, and our Personal Travel Agents (PTA) business continues to grow – we now have a total of 168 PTAs. We have seen particularly good growth in long haul sales and cruise and our own Co-op Holidays bookings have also increased. To focus on these growth areas and concentrate on our core member proposition we took the decision to close our Business Travel arm in the spring.

We have introduced a new call management system to make the way we handle calls, emails and web chats more efficient. Our Retail colleagues have become part of a virtual call centre and are now the first point of contact for customers who get in touch with us remotely. Our previous call centre colleagues have been redeployed into the Retail team or become PTAs.

We are continuing to focus on our digital offer and will soon be launching a new website in conjunction with Co-op Holidays. In addition, our PTA division has grown its social media sales and was awarded the Best Use of Social Media award at the TravelMole Awards in recognition of the work it has been doing to maximise the use of social media in the business.

As in previous years, it is great to be able to report that we have won a number of significant awards. This includes winning Large Agent of the Year Central Region at the Agent Achievement Awards for the seventh consecutive year, picking up a Disney Partner award, and being named Partner of the Year and Homeworking Agency of the Year by Gold Medal. In addition, our Chief Retail Officer, Alistair Rowland, was appointed chair of ABTA and received the Outstanding Achievement Award at the Travel Globes to recognise his commitment to the travel industry over the last 20 years.

We have increased our support for the Just a Drop and Travel Foundation charities and completed our project with Just a Drop to bring safe drinking water to over 300 pupils and teachers at a secondary school in Kenya. In addition, our Consortium members have raised over £10,000 to fund a similar project for a school in Uganda. We have also been able to increase our donations to The Travel Foundation by over 300% thanks, in particular, to new donations from Consortium members and customers who booked through Co-op Holidays.

# Childcare

Gross sales: £36 million  
(2018/19: £34 million)  
Colleagues: 1,343 (2018/19: 1,252)  
Sites: 46 (2018/19: 44)

“It has been another good year for Childcare, with sales increasing 5.3% year-on-year and profit coming in well ahead of the previous year’s position.”



It has been another good year for Childcare, with sales increasing 5.3% year-on-year and profit coming in well ahead of the previous year’s position.

Our eight ‘Little Pioneers’ nurseries have performed particularly well. These bring our co-operative difference to life, focusing on the things that are important to our members, our children and our communities.

In April we created a Healthy Living & Wellbeing Programme which saw the unveiling of new menus accredited by both StartWell and Dr. Hilary Jones, accompanied by a food provenance education programme delivered by our colleagues to educate our children about where their food comes from. To support this, and as we work towards achieving the Happerley food provenance accreditation, we changed our food supplier to Creed to help us increase transparency within our food supply chain.

Over the year we have made changes to increase the sustainability of our nurseries, including providing all colleagues with re-usable water bottles, leading to a reduction of over 100,000 plastic bottles a year, and introducing washable tabards at our Little Pioneers nurseries, saving over 1,000 plastic aprons. We have also removed products from our supplier lists which can’t be recycled or won’t biodegrade. As a result of these and other changes all our nurseries have been awarded Eco-Schools Silver Status.

We are pleased to have maintained our 100% Millie’s Mark accreditation, meaning all our childcare colleagues are trained to provide first aid, and our Chief Operating Officer, Sally Bonnar, was named Runner Up in Nursery Management Today’s Top 10 Most Influential category.

In November, we were pleased to welcome three new nurseries into the business through the acquisition of the Tavistock Group based in the north-east. We are reviewing similar opportunities elsewhere in the country. Unfortunately, we found it necessary to close our nursery in Wythenshawe, Manchester in December as we could no longer make a sufficient return on the investment made.

Along with the industry as a whole, we have found it challenging to recruit and retain well-qualified, experienced practitioners this year. So we are continuing to explore ways our colleagues can reach their full potential through training, including the promotion of childcare apprenticeships and the provision of a co-operative approach to development and reward, allowing them to deliver care and education to our children with a true co-operative difference.



# Energy

“As reported at the Half Year, in September 2019 we entered into a strategic partnership with Octopus Energy.”



As reported at the Half Year, in September 2019 we entered into a strategic partnership with Octopus Energy. The partnership combines their industry-leading technology and excellent customer service with our co-operative values and community focus. It included the outright sale of the Flow and GB Energy customer books, and the transfer of our Co-op Energy customers onto the systems used by Octopus.

This marked the culmination of a lengthy process which saw us tackle the growing issues within the business that were affecting the sector as a whole. Rising industry costs, record switching rates, greater price competition and the effects of the price cap and other regulatory interventions have hit the profitability of domestic energy suppliers hard over the last few years. In the case of Co-op Energy, the above factors pushed the business into loss, a position common to almost all other domestic suppliers, and one that continued through into 2019.

As part of the partnership arrangements, a number of our colleagues transferred to Octopus, and it is appropriate to pay tribute to their efforts and contribution over what was a difficult period. The arrangements also led to us closing our Ipswich and Walsall offices. We provided affected colleagues with as much support as possible, including holding open days with local employers, providing in-house training on job hunting, working with local authorities, trade bodies and recruitment agencies to identify new job opportunities and providing ongoing welfare support.

Initial progress with the partnership has been positive. We have launched our Community Power tariff – the UK's only tariff providing 100% community-generated green energy. This forms part of our wider Co-op

Community Energy initiative, which sees us working with community energy groups across the UK to provide a route to market for unsubsidised community energy generation.

We have also secured a number of new community power-purchasing agreements, including five hydro-electric sites owned by The National Trust, bringing the number of sites providing renewable energy to our customers to 95. Under the partnership, we are looking to increase the amount of community energy generated in the UK and increase participation in these schemes, as well as looking for new ways to innovate, for example, by developing battery storage solutions.

Looking ahead, we plan to integrate our Energy offer with our Phone Co-op business to create a new Utilities Group, providing additional opportunities for the Society to help fulfil members' everyday needs.



# The Phone Co-op

Gross sales: £11 million (2018/19: £7 million)

Colleagues: 69 (2018/19: 74)

Sites: 2 (2018/19: 2)

“During the year the Group delivered to budget and moved into profit, a significant step forward from 2018.”

During the year the Group delivered to budget and moved into profit, a significant step forward from 2018 and a strong indicator that we now have the right model for future growth.

The restructure of our residential business, with customer services and sales & marketing becoming one team, helped us achieve a Feefo Gold Trusted Service Award for Customer Experience. We have also continued to improve our business support systems to ensure our customers have the best possible experience with us.

We have been working to increase our residential customer base by promoting our key products and services to more people. We have grown our broadband and mobile customer numbers through



social channels and, as we better understand our audiences, 'social selling' is developing as a successful sales tool. Through our Fair Price Promise, and the Ethical Consumer trust mark, we have a clear focus on delivering a great broadband and ethical mobile experience for members and customers.

We have continued to integrate the business' operations into the wider Society, streamlining our supply chain to create economies of scale.

Going forward, we plan to harness the synergies between Co-op Energy and the Phone Co-op to create a new Utilities Group, and have recently recruited a Chief Operating Officer to lead the combined business.

# Flexible Benefits

Gross sales: £20 million (2018/19: £25 million)

Colleagues: 3 (2018/19: 4)

Sites: 1 (2018/19: 1)

“The Group has had a good year with sales and profit above budget.”

The Group has had a good year with sales and profit above budget, a considerable achievement given the government's closure of the Childcare Voucher scheme to new entrants in October 2018.

While the business is in wind-down, the team continues to provide excellent customer service and is still recruiting clients previously serviced by our competitors.

Our Payroll Giving scheme, which allows employees to make donations to their chosen charities tax free, has become increasingly popular with more donations being collected and distributed to charities from an



increasing number of donors. Unlike the rest of the market, and in line with our co-operative values, we offer this service free of charge.

The team has supported a number of community activities this year, including collecting over 4,000 items of food to support the Society's food bank initiative, helping to feed around 100 local families in need, as well as making ecobricks as part of the Society's 1 Change campaign.

# Healthcare

Gross sales: £29 million  
(2018/19: £29 million)  
Colleagues: 320 (2018/19: 330)  
Sites: 30 (2018/19: 30)

“Our digital strategy looks to support our members’ health and wellbeing by providing products and services that promote our co-operative difference.”



The business has had another difficult year as continued pressure on funding and margins has hit financial performance hard, leading to a significant loss for the year.

We have focused on implementing the changes outlined in our 2018 strategic review – a move towards expanding our digital healthcare offering 'cooppharmacy.coop' and reducing the number of pharmacy branches we operate.

Our digital strategy looks to support our members' health and wellbeing by providing products and services that promote our co-operative difference. We have continued to develop our offer, focusing on more profitable lines this year, and over the coming period we are planning to develop our health education offer to help us build longer-term relationships with customers.

Margins on our NHS prescription business have been significantly affected by increasing drug prices as a result of shortages in the marketplace. Furthermore, the contractual framework for community pharmacy, issued by the government in October, showed there would be no increase in community pharmacy funding for the next five years. Increases in core costs over this five-year period, particularly relating to the National Living Wage, mean that achieving the required growth in profitability will be challenging.

These outcomes have led us to accelerate our strategic plans, as a result of which, we have now agreed the sale of 22 of our 30 pharmacy branches. The remaining branches are located within or adjacent to our Food Retail stores.

In line with our digital focus, we were pleased to be named finalists in the Online Initiative of the Year category at the Chemist and Druggist Awards in June. Our men's health campaign, 'What Do You Call It?', aimed to de-stigmatise the issue of erectile dysfunction and ran across social and other media channels. While among our branch network, the Director of Central Health England named our Low Hill branch in Wolverhampton as the Best Community Pharmacy in the Black Country on account of its innovative Health in Pregnancy campaign.

# Funeral

Gross sales: £33 million

(2018/19: £34 million)

Colleagues: 322 (2018/19: 369)

Sites: 84 (2018/19: 85)

“The death rate has remained lower than anticipated throughout the year leading to a 6.6% fall in the number of funerals conducted.”



The death rate has remained lower than anticipated throughout the year leading to a 6.6% fall in the number of funerals conducted to 6,491, and a consequent fall in profit compared to last year. Sales of pre-payment plans have also fallen, especially in the second half of the year, with 2,240 purchased – a 27% decrease on the previous year.

We have started to see significant shifts in the way people choose to mark the passing of their loved ones. In particular, we have seen an increase in the number of 'simple' funerals and 'cremations without ceremony' where families organise a memorial event independent of the cremation or burial. We are reviewing what these and other changes will mean to our business in the long run and will continue to adapt our offer to meet consumer need. This has included a full review of our branch network, leading to the closure of a small number of our branches and amended opening hours for others. We have also introduced a range of new marketing initiatives and additional member benefits to promote our pre-payment plans.

In the summer, we introduced a 'Bereavement Notification Service' as part of our support to clients. This provides free, practical advice on dealing with a variety of matters that arise when someone passes away – for example, advice on how to deal with the social media accounts and the property and banking issues of the deceased. The service also provides initial advice on administering an estate with the option to be passed to a trained team for more detailed help.

We were pleased to acquire a second fully-electric hearse, which is servicing the Oxford area, providing clients with an eco-friendly transport option.

Our community outreach programme has gathered pace. The programme sees our Funeral Directors meeting local groups and organisations to provide sector-specific advice. By building these relationships within the community, we believe our colleagues will be well placed to be trusted with future funeral arrangements when the need occurs.

We await the outcome of the Competition & Markets Authority and HM Treasury reviews into the at-need and pre-need funeral markets. While these could have a significant impact on how funeral businesses operate, they will bring transparency and assured standards to the sector and improve consumer awareness, issues we fully support.

# Reporting our Steering Wheel

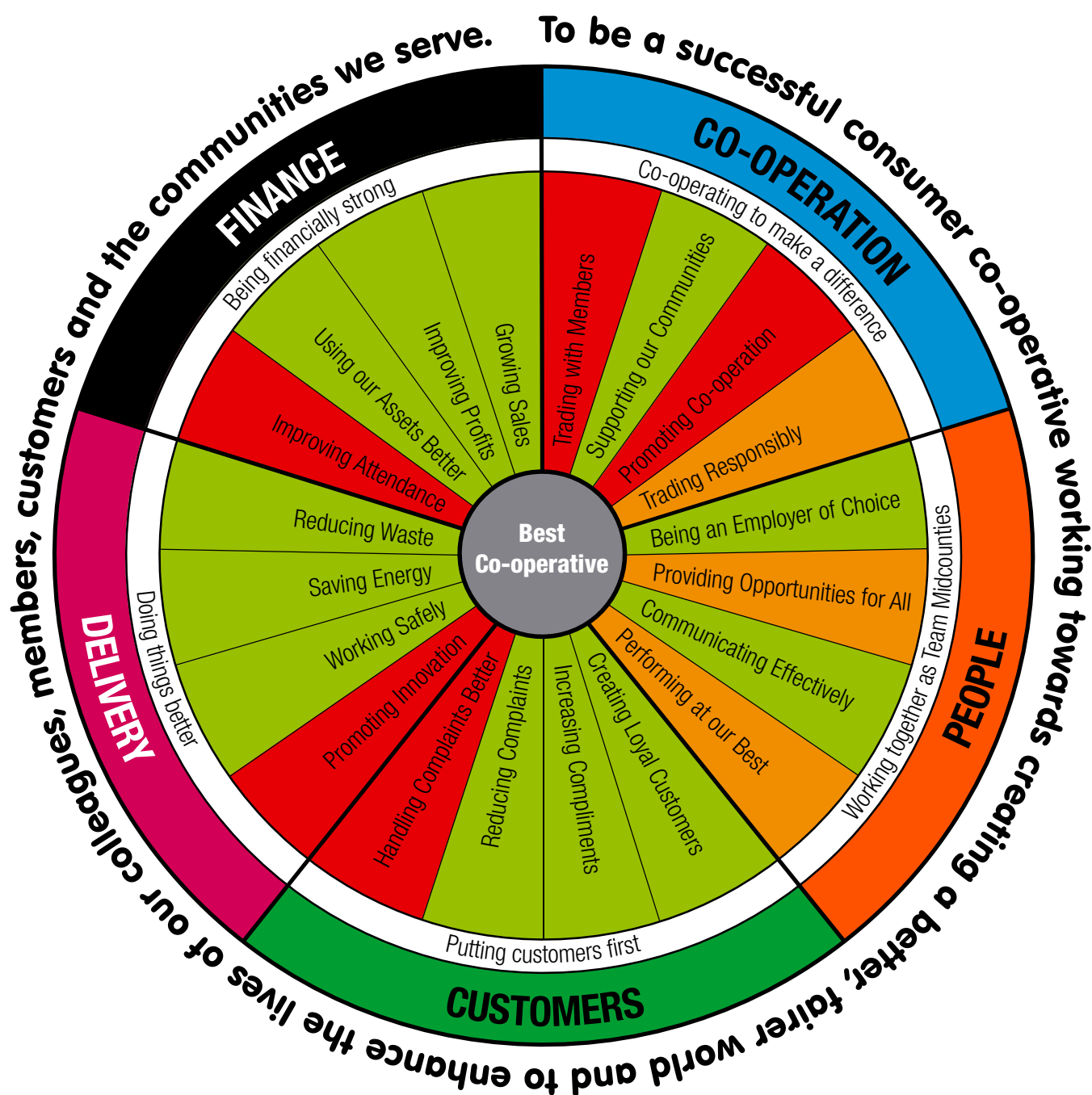
As a co-operative we believe there is more to being a successful business than just profits. So, as well as measuring our financial performance we use our Steering Wheel to measure our performance in the key areas of co-operation, people, customers and delivery. Each section of the wheel has a number of objectives which we monitor on a monthly basis.

The Steering Wheel below shows how we have performed on these objectives during the 2019/20 financial year. The sections are coloured red, amber or

green to indicate whether they are below target (red), nearly on target (amber), or on or above target (green).

All our sites have their own Steering Wheel targets. This ensures we are addressing our co-operative aims as a business on a continuous basis, right down to site level.

On the following pages we report our Society Steering Wheel results and a number of key developments in these areas.



# Reporting our Steering Wheel

## Co-operation

### Trade with members

**Percentage of trade with members: 34% (last year: 42%)**

Trade with members has reduced compared to the previous year mainly because of the changing nature of our Energy business and the transfer of our customers to Octopus Energy, meaning Energy customers are no longer included in this measure. Member trade across the rest of the Society has remained stable; we recognise we can improve this by engaging more members to trade across our businesses, and are working on plans to develop a member exclusive programme of rewards and offers for launch in the future.

### Supporting our communities

**Hours volunteered in the community by colleagues: 30,400 (last year: 38,700)**

Our colleagues continue to support local good causes in the communities where we trade. Through last year we have supported a wide range of initiatives, from food banks to community tidy ups, as part of our Regional Communities programme, and we have worked in close partnership with our 50 partner schools. As a result, we exceeded our year-end target of 29,000 hours. Although we carried out fewer community hours than the previous year, this was planned as we focused on a smaller number of projects in conjunction with our community partners.

### Promoting co-operation

**Number of members involved in co-operative activity: 40,331 (last year: 36,600)**

We continue to engage our members in a range of activities including Fairtrade Fortnight, Co-op Fortnight, and through our Regional Communities activity. We have also engaged a number of members through our online insight programme, including the launch of Your Co-op Voice.

### Trading responsibly

**Value of Ethical Trade: £51 million (last year: £85 million)**

We continue to engage our members and customers in ethical trade, although this has decreased compared to last year mainly because of the changing nature of our Energy business and the transfer of our customers to Octopus Energy, meaning Energy customers are no longer included in this measure. This year we focused our efforts on encouraging members and customers to purchase Fairtrade products by raising awareness during Fairtrade Fortnight and driving forward our #1Swap campaign to celebrate 25 years of Fairtrade.

## People

### Being an employer of choice

**Percentage colleague turnover as a moving annual total: 20% (last year: 21%)**

Our colleague turnover continues to decrease, thanks to further investment in learning and development and the continued use of our Colleagues Connect website, which provides colleagues with comprehensive information about working at Midcounties, together with daily news, regular articles and a weekly blog from the Group Chief Executive.

### Providing opportunities for all

**Percentage of colleagues who have achieved a Level 2 qualification or above: 90% (last year: 90%)**

We are committed to supporting colleagues in becoming the best they can be and look to ensure that opportunities to gain qualifications are widely promoted. Colleague development opportunities are regularly reviewed as part of 1 to 1s and annual Colleague Reviews to ensure that we are providing opportunities for all.

### Communicating effectively

**Percentage attendance rate at Colleague Council meetings: 90% (last year: 90%)**

Colleague Councils are an important representation of our DOES values and one of the key ways colleagues can feed back to management on issues. We continue to actively encourage colleagues to participate in our Colleague Council meetings to ensure all colleagues have a voice and can contribute to the Society's success.

### Performing at our best

**Percentage of colleagues receiving an annual performance review: 95% (last year: 97%)**

Nearly all colleagues continue to receive an annual performance review looking back at their performance over the previous year and agreeing objectives for the year ahead. An important part of the review is identifying development opportunities allowing colleagues to grow and take on new challenges.



## Customers

### Creating loyal customers

**Customer Loyalty Index: 84 (last year: 83)**

Our customer loyalty score increased by 1 point to 84. A number of trading groups received exceptional feedback from customers reflecting the high level of service they provide. All groups, both trading and non-trading, continue to monitor their service performance levels closely.

### Complaints

**Number of customer complaints: 2,783 (last year: 30,175)**

We continue to focus on training our customer-facing colleagues and improving our systems. The number of complaints has fallen dramatically given the transfer of our customers to Octopus Energy, meaning Energy customers are no longer included in this measure.

### Compliments

**Number of customers compliments: 31,410 (last year: 23,600)**

The number of customer compliments has continued to increase, reflecting the results of the programmes we have put in place, such as Customer First in our Food estate and our Client First programme in our Funeral business. We continue to receive positive feedback about initiatives which emphasise our Co-operative Difference, for example, the extension of the Best of our Counties range and our support for community renewable energy schemes.

### Handling complaints better

**Percentage of customers who agreed we responded well to their complaint: 70% (last year: 77%)**

We have seen a decrease in the number of customers that said we responded well to their complaint; we will focus on improving this metric through building on our Member First programme and using insights to implement further improvements.

## Delivery

### Innovation

**Number of ideas implemented having a positive impact on another Steering Wheel Measure: 19 (last year: 40)**

Our GIFTS (Growing Ideas For Tomorrow's Society) programme was replaced this year with the Member First programme. Member First involves reviewing all our non-customer-facing functions to ensure that members are central to everything we do. While we have seen a reduction in the number of ideas compared to the previous year, this reflects the greater focus we have put upon supporting and encouraging ideas that are simple to put into action.

### Working safely

**Number of accidents/incidents reported as a moving annual trend: 624 (last year: 765 – re-stated value from 806)**

The number of accidents and incidents reported as a moving annual trend has continued to decrease during the year. However, the total number of incidents reported under RIDDOR (Reporting of Injuries, Disease and Dangerous Occurrences Regulations) has increased to 36 (last year: 28).

### Saving energy

**Energy reduction on prior year through electricity use (kw/h): 3.0% (last year: 3.0%)**

Our focus on raising colleague awareness around energy saving and the development of energy efficient property projects, resulted in the Society reducing energy use by 3.0%, ahead of our 2.0% target. This saved over 1,000 tonnes of CO<sub>2</sub>. As a result of our year-on-year energy savings we have reduced our CO<sub>2</sub> output by over 7,000 tonnes since 2010.

### Reducing waste

**Percentage of waste recycled: 99% (last year: 99%)**

We have maintained a 99% recycling rate across our operations, diverting 3,000 tonnes of waste from landfill. We recover the majority of our Food Retail waste from our stores and use a recycling collection company to collect and monitor waste from our other sites. We send the food waste from our Food Retail and Childcare sites to an anaerobic digester to produce energy. This process produces enough renewable energy to power 40 homes a year.

# Co-operative Social Responsibility at Midcounties

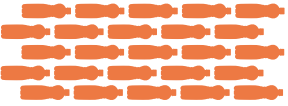
Social responsibility lies at the heart of what makes us a co-operative. So, this year we are integrating our Social Responsibility Report into the Annual Report to provide a complete picture of the Society and its activity in one place.



We are proud holders of Business in the Community's Community Mark, recognising our support for local communities.

 **£350,000**  
We have distributed over £350,000 to local good causes through our community grant programmes.

**£100,000**   
We have raised over £100,000 for local charity partners.

**1,000**   
We have made 1,000 ecobricks out of plastic waste, and used them to build a turkey shed with our community partner, Fairytale Farm.

**3 million**   
We have swapped single use plastic bags for compostable bags in over 100 Food stores, saving 3 million plastic bags a year.

**20,000**   
We have engaged with over 20,000 young people through our 50 partner schools and educational establishments.


**LAUNCHED**   
We have launched our Young Co-operators Network, aimed at engaging and inspiring future co-operators.

 **40,000**  
We have engaged with over 40,000 members through a range of co-operative events and activities.

 **1,000**  
Through our 1 Change campaign to tackle single use plastic over 1,000 members have pledged to make a change to their lifestyle to help tackle the issue.

**30,000**   
Our colleagues have spent over 30,000 volunteering hours helping in their communities, equivalent to a spend of over £400,000.

 **100,000**  
We have helped customers donate over 100,000 products to foodbanks, providing meals to over 2,500 families in need.

  
Cal Major, our Environmental Ambassador, is helping inspire our members and the next generation to tackle single use plastics.



We have once again been awarded the Fair Tax Mark, recognition of our commitment to transparency over tax disclosures and paying the right amount of tax.



Over 700 member and colleague volunteers picked up 383 bags of litter on World Environment Day.



We have cut over two tonnes of plastic a year from our direct operations.



We have reduced energy use across our operations by 3% compared to last year, saving over 1,000 tonnes of CO<sub>2</sub>.



Food waste from our Food Stores is converted to renewable energy sufficient to power 40 homes a year.



We have achieved a 99% recycling rate across our operations, diverting 3,000 tonnes of waste from landfill.

#### Since our Regional Communities programme started in 2015 we have...

- supported over 1,000 local good causes through community grants
- donated over 350,000 products to foodbanks, providing enough meals for over 8,000 families in need

#### Since 2010 we have...

- increased recycling levels across our operations from 21% to 99%
- saved over 7,000 tonnes of CO<sub>2</sub> thanks to year-on-year energy savings

#### Our long-term aspirations

Our 10 year Co-operative Social Responsibility aspirations include the following (from 2016 benchmark levels):

- To deliver 200,000 colleague volunteering hours
- To identify and act on opportunities that positively affect our local communities
- To engage 10,000 young people in co-operative values
- To improve the energy efficiency of our business by 20%
- To achieve zero waste to landfill
- To ensure our colleague engagement remains upper quartile year-on-year

# Membership matters

During the year we conducted our biggest ever member survey; we engaged with over 40,000 members at a range of membership events; we welcomed 613 members to our AGM (with 100 viewing our live stream); and we launched our first ever Half Yearly Update webinar, giving members outside our heartland areas the chance to get involved with our Society.

## 2019 Membership Survey

In March last year we received feedback from almost 9,000 members in response to our largest ever membership survey. Members told us:

- 63% want their membership to save them money through initiatives such as coupons and instant rewards – younger members were the most keen on instant savings.
- Those who live outside our heartlands are less interested in instant rewards, as they can't use them at a local store/branch.
- 46% would like to engage with us online, and 36% were willing to take part in Society research.
- Nearly half said they'd be more likely to vote in the Society's elections if the issues involved meant more to them.

## As a result of these findings

- We are developing our member rewards proposition, to increase the value of membership for everyone.
- We are using our Your Co-op Voice platform to regularly survey over 4,000 members on important Society issues. For example, we have gathered feedback on what membership benefits they want to receive and how they would prefer us to communicate with them. It's great that members are willing to help the Society with its future plans in this way.
- We are planning to increase our online presence with the launch of a new membership blog.

Thanks to all our members that took part in the survey. We will continue to use the findings to shape our membership activity over the coming year.

### Food Retail

94% of members said they wanted us to tackle plastic waste, so our Food Retail team has been working with our food suppliers and other co-operatives to reduce single-use plastics in our food supply chain.

To mark 25 years of Fairtrade, members and shoppers in our stores were encouraged to swap one item in their trolley for a Fairtrade equivalent. Our Food colleagues also held cooking demonstrations in selected stores using Fairtrade products, organised swipe and win competitions for our members, and ran education sessions in schools to teach young people about Fairtrade.

### Travel

We ran competitions for members to win back the cost of their holiday and sent out exclusive offers every month through our Member Travel Club. We also continued to give members preferential exchange rates on foreign currency and offered seasonal bonus membership points.

Our branches held a number of special events for members, and we have been gaining insights from members on how they go about researching and buying holidays to help us plan our strategies for the coming year.

### Funeral

Our Funeral Group has introduced a permanent member discount benefit on all pre-need funeral products, which is further enhanced for members at specific points during the year.

### Healthcare

We undertook a comprehensive member survey to understand how members access pharmacy services. The feedback has helped us develop a strategy that aims to make members' day to day lives easier.

We have provided free blood pressure checks at member events, run a number of member competitions on the cooppharmacy.coop website, and offered member only discounted prices on private flu jabs.

### Australian Bushfire Appeal

Thank you to all our members who donated to our Australian Bushfire Appeal – we raised £11,000 through donations from members, colleagues and customers. Working with Co-operatives UK the money raised has been donated to the Australian Mutuels Foundation to help them provide support to Australian co-operatives affected by the fires.



## Developing young people

Our membership survey showed there was a need to engage more fully with our younger members. As a result, we launched our Young Co-operators Network in January 2020, inviting people aged 16-30 to have their say in how we run the Society.

Over 300 young people have signed up, including eight Young Midcounties Colleague Ambassadors who are helping to shape the wider Network. Two Ambassadors have been co-opted onto the Member Engagement Committee. The plan is for the Network to help Midcounties address the wide range of issues that young people are passionate about, from plastics to animal welfare, and to give them more value for their membership.

Outside the Network, we have continued to work with our partner schools, engaging 20,000 young people over the past year. We also supported 162 work experience placements, arranged for 360 primary school pupils to come together for a musical performance to promote co-operation, and 24 students from Codsall High School and Walsall Academy took part in our Green Pioneers programme which raises awareness of environmental issues.

## Colleague engagement

Our Colleagues Connect website is now well-established, with new items added on a regular basis. We are continuing to gather feedback from our colleagues through intermittent Pulse Surveys and Colleague Council meetings.

At the beginning of 2020 we launched a new partnership with GroceryAid, a charity that supports workers within the grocery industry, providing all our colleagues with access to a 24/7 helpline where they can seek advice and counselling, as well as apply for a crisis grant in times of financial distress.



## Chief Values Officer appointed

We are the first UK co-operative to appoint a Chief Values Officer. The role is there to ensure that co-operative values, which are so central to the Society, are always at the forefront of management's thinking. Pete Westall, who holds the role, has worked for the Society for over three decades, so has a great understanding of what it means to be co-operative and how to bring co-operative values to life.



# Sustainability

We have made significant progress with our sustainability initiatives this year led by our 1 Change campaign. 99% of our waste is now recycled saving 3,000 tonnes from landfill; we have also cut our energy use by 3% over the past year; we switched to compostable carrier bags at 100 stores saving three million plastic bags; and we reduced the amount of single use plastic in Co-op own brand products saving 1,000 tonnes of plastic waste.



## 1 Change

In March 2019 we launched our flagship 1 Change campaign aiming to connect our members, colleagues and communities to develop co-operative solutions for tackling single use plastic.

As noted earlier in this report, 94% of our members told us that tackling single use plastic was one of their top environmental concerns. But a poll of 2,000 adults showed that while people wanted to make a change most felt they were too busy to be able to build it into their lives. As a member-led organisation our mandate was clear and 1 Change was born – encouraging members to make one small change to reduce plastic waste.

We spread the word through instore messaging, social media activity and working with influencers, and now over 1,000 members and customers have pledged to make one change to tackle the issue.

Below are some of the actions we have taken.

## Regional Communities

Our Regional Communities have been mobilising members and colleagues locally to get involved in litter picks and other projects. The largest example was on World Environment Day in June last year when all 20 of our Regional Communities came together to support more than 700 volunteers in collecting over 383 bin bags of rubbish from green spaces in our local communities.

## Ecobricks

Part of the 1 Change campaign has been about how to make use of plastic that would otherwise go to landfill. Ecobricks have provided us with a solution. An ecobrick is a plastic bottle packed tight with waste plastic that can

be used like a brick for building. We've made over 1,000 ecobricks, which have been used by our Cotswold Regional Community to build a turkey shed at Fairytale Farm near Chipping Norton. Countryfile's Adam Henson has become an ambassador for the ecobricks programme and is helping us raise the profile of this initiative.

## Education

We have introduced point of sale messaging inviting consumers to make simple changes. For example, we have encouraged them to choose to use a bag for life or to select loose fruit and veg over alternatives in plastic packaging. However, our biggest focus has been on inspiring the next generation. We recruited vet and young environmental activist Cal Major to front our campaign – read more about our work with her on the facing page. We have also engaged with our 50 partner schools in our 'Plastic is not fantastic' education programme, and our Childcare nurseries have been inspiring their children and reducing their own waste levels, earning the Eco-Schools Silver Award this year.

## Operations

We have stopped selling plastic straws and cutlery at our Food stores, and removed single use cups from our Bourton-on-the-Water and Chipping Norton food markets. These and other changes we have made to our Food Retail operations have saved two tonnes of plastic and cut over £700,000 a year on waste costs.

## Legacy

Our 1 Change campaign has been well received and we plan to continue the campaign by asking members and customers to make other sustainable consumption choices, for example, by choosing Fairtrade products and reducing the number of plastic bags they use. To ensure these changes are embedded, we have set a new Steering Wheel target for this year to drive and monitor an ongoing reduction in carrier bag use.





### **Cal Major – inspiring the next generation**

To engage the next generation in our 1 Change campaign we enlisted the help of eco-campaigner Cal Major. Cal has paddled from Land's End to John O'Groats clearing plastic from coastlines and rivers as part of her Paddle Against Plastic campaign. She agreed to become our Environmental Ambassador when she heard what we were trying to achieve through the 1 Change campaign.

Since taking on the role she has spoken at our AGM, raised awareness of ecobricks at our Gloucestershire Fun Day, taken part in our World Environment activity, and written about 1 Change on her eco-blog. She's also been involved in our school campaign to educate children on plastics.



# Connected communities

Over the past year our colleagues have delivered 30,000 volunteering hours, raised over £100,000 for our charity partners and distributed £350,000 to local good causes through our community grants programme. The case studies on these pages showcase the differences we have made to just a handful of the groups we have worked with. You can find a list of all the groups we have funded through our Co-operative Community grants, local community grants and our carrier bag good cause fund at the back of this report.

## Alz Café

Our local charity partner in Wolverhampton for the past two years has been Alz Café, a dementia support group which meets monthly to offer a safe environment for those with dementia or memory loss to come together, listen to music and socialise.

Colleagues and members have raised over £6,300 for the charity. This has allowed them to put on an extra coffee morning session in addition to the evening support sessions they already provide. It has also covered the cost of a number of trips planned for the coming year giving the Café's regulars the chance to visit places they may not be able to alone. Two colleagues volunteer regularly at the Café's monthly meetings and take part in the trips when they can, and many other colleagues have been involved in fundraising activities.

Julie Grainger, who runs the service, said, "On behalf of us all at Wolverhampton Alz Café I would like to thank everyone involved in raising this absolutely amazing amount. We are completely delighted, and the difference your partnership has made, and is still making, is incredible."

## Street Teams

Our Walsall charity partner, Street Teams, works with vulnerable young people who have been groomed for sexual exploitation or to deal in drugs for gangs. We have been working with them for the past three years, providing funding and volunteering support, as well as food bank donations.

Since our partnership began Street Teams has supported around 820 young people in the Walsall area, run nearly 500 education sessions at local schools and worked with the council to pilot new projects in family work. The money raised by Midcounties has helped to support initiatives such as furnishing flats, providing days out for children who have never left Walsall, and providing food and clothing. Teams of Midcounties volunteers have also given time to help decorate flats and hand out Christmas presents and food parcels.

Operations Manager, Andy Thompson, says, "The partnership with Midcounties has been so exceptional because it has in no way been just about the finance, we have been partners in looking after and helping our clients. The colleagues from Midcounties have gone the extra mile."

## Aspire Oxford

Aspire helps people facing homelessness, poverty and disadvantage to find employment and housing. It works with over 2,000 people in Oxfordshire and Buckinghamshire. The charity provides work experience, training and education and homelessness prevention support.

Midcounties colleagues and members have raised over £10,000 to support the charity which has covered the cost of helping 19 people affected by homelessness and poverty. We have also provided 12 instore work placements, enabling young people to gain experience and achieve work-based qualifications. Through our Regional Community model we connected Aspire with Gatehouse, a local charity for homeless people and those on low incomes, allowing clients from Gatehouse to approach Aspire for support to get back into work.

Helen Mariner, Head of Fundraising and Communications for Aspire, said, "Our partnership with Midcounties Co-operative has made a significant, lasting impact to our vital work. Midcounties has partnered with us to establish instore work placements and work experience programmes for the people we support, including refugees to help them develop their English skills in the workplace. In addition to this, Midcounties has done an incredible job fundraising for Aspire through carrier bag funds, collection tins, individual challenges, taking part in our sleepout event and much more!"

## Gloucestershire Young Carers

Our Forest of Dean Regional Community first chose to partner with Gloucestershire Young Carers in 2017. The charity partnership has been so strong that members chose to partner with them again for 2019/2020. Since the partnership began, we have donated over £35,000 through fundraising, carrier bag income and grants. This has gone towards employing a Young Adult Carers support worker and sponsoring a careers event for Young Adult Carers.

Our colleagues have also been involved in a range of volunteering activities for the charity including providing work experience placements, taking part in events and providing training and careers advice. Colleagues and members also supported a number of awareness raising activities, for example, a Young Carers Awareness Day where colleagues from the Forest of Dean hid behind brightly-coloured cardboard glasses designed by local young carers, to make the point that the issues young carers face should not be hidden at school.

Jane Dyer, Fundraising and Marketing Manager, says, "With the continued help of The Midcounties Co-operative, the charity can reach more young adult carers and offer opportunities for the families to receive support. Midcounties colleagues engaging on a one-to-one basis with young people is helping them gain additional skills for life."



Street Teams



Alz Café



Gloucestershire Young Carers



Aspire



# Service Recognition Awards

20  
Years

Name	Store Name
Estelle Brain	The Phone Co-op
Dawn Clarke	Kingswinford Food
Ann Harbach	Wombourne Petrol Station
Roy Smith	Cinderford Funerals
Karen Whatling	Codsall Food
Debra Bartlett	Copthorne Food
Raymond Brook	Cheltenham Funerals
Dawn Evans	Longlevens Food
Nicola Glaze	Kinver Food
Susan Prior	Georgetown Food
Deborah Sandells	Lydney Pharmacy
Nicola Whitehouse	Finchfield Travel
Mary Calder	Haslucks Green Food
Carl Davies	Headington Food
Beverley Gough	Salisbury Avenue Food
Marisa Grant	Westminster Way Food
Nicola Rogers	Pendeford Health Centre
Michelle Sliney	Grove Food
Deborah Williams	Hednesford Food
Valerie Horsley	Hill Top Pharmacy
Jonathan Wallcraft	Charlbury Food
Carol Bentley	Norton Canes Post Office
Sally Bonard	Tadworth Nursery
Peter Donnelly	Buckingham Road Food
Clare Downs	Retail Operations
Lynne Harris	Cavendish Square Food
Janet Orme	Kingswinford Food
Elaine Parrott	Headington Food
Elizabeth Berry	Kidlington Food
Kara Bird	Rushall Funeral
Julie Edwards	Madley Park Food, Witney
Carol Mason	New Invention Food
Theresa Phillips	Berkeley Food
Marcia Porter	Slad Road Food
Christine Prout	Gorse Hill Food, Swindon
Sheila Worvill	Chipping Norton
Iona Davies	Radbrook Food
Lee Franklin	Member Benefits
Annastasia Ham	Shrivenham Food
Susan Jarrett	Church Stretton Food
John Metcalf	Hazlemere Food
Lynda Stewart	Nuneaton Food
Joanne Thomas	Copthorne Food
Martin Kalyan	Oxford Road Food
Nicola Marsden	Longlevens Food
Liz Smith	Cainscross Food
Teresa Springthorpe	Codsall Food
Sarah Townsend	Swindon Funerals
Rachael Corbett	Pharmacy Hub
Christine Cuff	Cainscross Food
Terri Davis	Finchfield Nursery
Samantha Green	Franch Road Food
Edmund Palmer	Hednesford Food
Charmaine Robertson	Bilston Travel
Sylvia Thomas	Hednesford Food
Ambessu Awolu	Summertown New Food
Lorraine Fleet	Chipping Norton Food
Carolyn Holland	Franch Road Pharmacy
Jean Phelps	Cinderford Food
Michele Phillips	Stourport Food

Gareth Quinn	Communications
Krysia Sage	Swindon Travel
Sandra Sargent	Lydney Pharmacy
Tina Wilson	Finchfield Nursery
Tracey Chrimes	Franch Road Pharmacy
Shelley Greenaway	Direct Support Centre
Patricia Screen	Lydney Pharmacy

25  
Years

Pauline Booth	Codsall Post Office
Louise Scarisbrick	Pharmacy Admin
Elaine Hardiman	Stourport Food
Dawn Hodson	Wednesbury Travel
Nicola Ball	Hawks Green Travel
Christina Bourne	Tipton Food
Dawn Golding	Kingswinford Food
Emma Knott	Wall Heath Travel
Lyn Hatch	Coleford Food
Shirley Maidment	Dursley Pharmacy
Sarah Rushby	Eynsham Food
Karen Coleman	Berkeley Food
Laura Wheeler	Grove Food
Wendy Hewitt	Food Retail Supermarkets
Ruth Lincoln	Travel Region 1
Mandy Matthews	Pharmacy Area 1
Debbie Smith	Travel Region 2
Sabrina Dunford	Littlehampton Nursery
Ann Hudson	Retail Operations
James Morgan	Dothill Food
Shirley Clapton	Seymour Rd Food
Sharon Clayton	Woodsetton Pharmacy
Caroline Downie	Woodsetton Pharmacy
Sharon Hannaford	Hednesford Pharmacy
Donna Hunter	Westminster Way Food
Susan Hurst	Blackbird Leys Nursery
Wendy Oseland	Park Hall Food
Catherine Sargeant	Pattingham Food
Karen Harper	Kingswinford Foodstore
Gareth Morris	Bicton Heath Food
Barbara Selwood	Highworth Post Office
Matthew Windridge	Food Retail
Sara Donovan	Worcester Travel
Melanie Franklin	Byfield Food
Sarah Hawkins	Watlington Food
Jayne Link	Highley Food
Susan Mason	Cannock Food
Diane Price	Norton Canes Food
Susan Townsend	Chipping Norton
Mary Graham	Headington Funerals
Jennifer Jones	Blakeley Food
Joanne Beach	Cinderford Pharmacy
Stephen Dudek	Brockworth Food
Sandra Handley	Sutton Road Food
Linda Naylor	Chipping Campden Food

30  
Years

Sally Griffin	Kidlington Food
Linda Mincher	New Invention Food
Jennifer Vincent	Brewery St Food
Rachael Bishop	Hucclecote Food

Josephine Fullbrook	Kidlington Food
Helen Ward	New Invention Food
Eileen Baldwin	Cinderford Food
Christine Casey	Cinderford Food
Sarah Clough	Beeston Travel
Beverly Caswell	Dudley Travel
Lisa Danks	Tipton Food
Jane Powell	Kingswinford Food
Julie Smith	New Invention Post Office
Carol Hayward	Grove Food
Mark Knibbs	Rose Hill Food
Gillian Morgan	Tipton Food
Linda Morgan	Pendeford Food
Angela Cinderey	Cinderford Food
Rosemary Cooke	Northway Food
Drucilla Flynn	Milton-under-Wychwood Food
Dione Anderson	Chipping Campden Food
Vanessa Handy	Stourport Food
Janet Hitch	Tipton Food
Jane Preece	Stourport Food
Amanda Tovey	Stourport Food
Rachel Millard	Newent Food
Delyth Wasilewski	Bicton Heath Food

35  
Years

John Fellows	Watery Lane Funeral
Denise Newlove	Lydney Food
Mark Taylor	Food Senior Management
Jenny Wilkins	Retail Operations
James Wilkinson	Stourport Food
Kevin Arblaster	Chinnor Food
Amanda Landers	Headington Food
David Rowley	Churchstoke Food
Sarah Edwards	Vine Island Food
Linda Sargeant	Pattingham Food
Julie Sumner	Church Stretton Food
Amanda Swales	Wymans Brook Food

40  
Years

Robert Martin	Nailsworth Food
Steven Pearmain	Kingswinford Food
Elizabeth Birch	Top Shop Pharmacy
Lynne Griffin	Franch Road Food
Neil Maddox	Codsall Food
Philip Johnson	Bicester Food
Sharon Palmer	Wotton-under-Edge Food

45  
Years

Martine Bevan	Norton Canes Food
Alan Massingham	Co-operative IT

**Thank you**  
for your commitment  
to the Society



We asked some of our colleagues with Service Recognition Awards to tell us why they were proud to work for the Society.



**Alan Massingham**  
Co-operative IT

45 Years

I started my career back in September 1974 in the Food Retail division and spent 25 years with Food. During this time, I was promoted to Relief Manager, Assistant Manager and Store Manager in both convenience and supermarket stores, I also spent a period time as a Food Area Manager. I then had the opportunity to move to our IT department as an implementer and tester, and I'm now QA & Test Manager. My 45 years have flown by, and I have had the pleasure to work with some great colleagues. I am very proud to work for a forward-thinking co-operative that is driven by its values and principles.



**Debbie Smith**  
Travel

25 Years

I began my career with the Co-op in July 1993 as a YTS at Wolverhampton Travel and was employed by the Society in July 1994 as a Travel Advisor. I worked my way up to Branch Manager and have worked in this role for over 20 years working at a number of our branches. I am proud to work for Midcounties as you feel part of a large family and I have seen how much the business has grown over the years and like what we give back to the local community.



**Lee Franklin**  
Membership

20 Years

Fresh from graduation I joined The Southern Co-operative Funeral service as the Marketing and Funeral Bond Manager, before moving across to Southern Co-op's head office to oversee all aspects of membership six years later. In 2012, a membership management opportunity arose at Midcounties – a much larger Society with greater development opportunities – and I jumped at the chance, even though it meant relocating my family to the Midlands. The Co-operative Movement has supported me for 20 years, which I am truly grateful for. Over this time I have become a subject matter expert in my field, as well as being part of the beekeeping team at both societies.



**Kevin Arblaster**  
Food Retail

35 Years

I started working for the Society back in 1984 in the Abingdon Food branch and I have seen many changes throughout my career as technology and shopping habits have evolved. I have worked alongside so many passionate colleagues over the years and have seen many of them progress to managers of the future. One of the best things about working for the Society as a Store Manager is watching my store and team grow in both sales and experience. I have spent so much of my working life at the Society thanks to the opportunities I've been given to improve myself and the community I work in.



**Sabrina Dunford**  
Childcare

25 Years

I have enjoyed working at Co-operative Childcare for the past 25 years. I never thought when I first started working here I would be celebrating 25 years, but I have loved every minute of it. It's been so nice watching all the different children starting nursery and watching them develop and turn into confident little children.



**Mark Taylor**  
Food Retail

35 Years

I started working for Midcounties on a YTS scheme in 1984. Through the early years I received some terrific guidance and nurturing that enabled me to take up Store Manager roles at an early stage, which eventually led to District Manager and senior operational roles towards the end of the 1990s. I have been privileged to work with some fantastic colleagues over the last 35 years, and received tremendous encouragement and support to enable me to develop my career, and personally. We have a fantastic business with great leadership that truly lives and breathes our values, and I am proud to have worked for Midcounties for the last 35 years.

# Board of Directors

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**Helen Wiseman**  
President



**Heather Richardson**  
Vice-President



**Vivian Woodell**  
Vice-President



**Steve Allsopp**



**Clive Booker**



**Ellie Boyle**



**Martin Cook**



**Judith Feeney**



**Patrick Gray OBE**



**Vicky Green**



**Gary Hayes**



**Matthew Lane**



**Kathy Petersen**



**Barbara Rainford**



**Fiona Ravenscroft**



**Wendy Willis**

# Senior Management Team

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## The Executive



**Phil Ponsonby**  
Group Chief Executive



**Peter Dubois**  
Group Chief Financial  
Officer



**Clare Moore**  
Chief HR Officer



**Rupert Newman**  
Chief Food Retail  
Officer



**Edward Parker**  
Secretary & Head of  
Governance



**Alistair Rowland**  
Chief Retail Officer  
Specialist Business



**Peter Westall**  
Chief Values Officer

## Chief Operating Officers



**Mark Adams**  
Funeral



**Sally Bonnar**  
Childcare



**Rad Sofronijevic**  
Travel



**Adrian Wilkinson**  
Healthcare

# Managing risk

As a Society we want to manage the risks and uncertainties we believe could stop us from achieving our business objectives and delivering on our co-operative values. We have put in place a monitoring structure to help achieve this and continue to look at ways to improve our risk processes and plans.

## Our Risk Control and Governance structure



### Board of Directors

The Board sets the Society's overarching risk appetite and ensures that risk is appropriately managed across the Society. The Board delegates oversight of risk management activities to the Audit & Risk Committee and undertakes a formal review of the Society's principal risks twice each year – a summary of the latest key risks schedule can be found opposite. The Board is notified of emerging risks through the escalation processes in place within the Executive Risk Committee.

### Audit and Risk Committee

The Audit & Risk Committee is charged with monitoring the risks and uncertainties identified through the Society's risk assessment process, along with the mitigating actions and controls in place. Each quarter, the Committee receives a report on risk and control from the independent Internal Audit function.

### The Executive

The Executive takes day-to-day responsibility for implementing the Board's policies on risk management and internal control. It is accountable for the production of risk reporting and the adequacy of mitigating control activity. The Executive Risk Committee reviews the Society's key risks on a monthly basis. Issues are escalated to the Board as required. Prior to the transfer of the Energy business to Octopus, the Energy business had its own formal Risk Committee given its particular trading activities. The Society's other businesses and its support functions review their risk registers formally at monthly meetings.



### How are we managing our risks?

We continue to develop and refine our risk identification, monitoring and reporting mechanisms to ensure risk is appropriately managed within the Society. Risks are rated using a probability and impact matrix and our Internal Audit activity is based on a risk assessed approach. We have focused on strengthening our second line compliance functions to allow for better management control and to increase the independence of the Internal Audit function. As noted above, the Executive Risk Committee meets on a monthly basis to review and challenge Society-wide risks and acts as an escalation point to the Board if required. The Board, led by the Audit & Risk Committee, has been developing a risk appetite statement to define a set of risk parameters for the Society as a whole. It is anticipated this work will complete in the second half of 2020.

Risk management is an evolving process and further focus will continue through 2020 and beyond.

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## Key risks schedule

### **Brexit**

- The implications and uncertainty caused by Brexit

### **Business continuity & disaster recovery**

- Failure to develop/maintain robust business continuity and disaster recovery plans

### **Competition**

- The impact of significant disrupting activity by new/existing competitors in the markets where we operate

### **Coronavirus**

- The impact of the pandemic on the Society

### **Environment**

- By not taking action in line with our policies and procedures to meet our environmental obligations

### **Financial performance**

- Failure to deliver our business plan numbers impacting our ability to operate as a member-based co-operative

### **Funding**

- Failure to develop/maintain a relationship with our financial stakeholders affecting our ability to fund our businesses

### **Global events**

- For example, acts of terrorism, natural disasters, health scares

### **Governance**

- A breakdown in effective decision making and governance for the long-term interests of the Society and its members

### **Health & Safety**

- Failure to develop/maintain appropriate policies and procedures
- The risk of a serious Health & Safety breach

### **Innovation**

- Failure to innovate – in our ways of working; in our use of technology; in our customer and member propositions

### **Membership**

- Failure to uphold the membership model
- Failure to develop/maintain a co-operative relationship with our members

### **People**

- A risk of weak management capability and/or succession planning

### **Principle 6 – co-operation among co-operatives**

- A risk that our relationship with other co-operative societies becomes damaged/unworkable

### **Regulatory risk**

- Failure to plan for and implement regulatory change
- The impact of unforeseen regulatory change

### **Reputational risk**

- Arising from significant non-compliance with our policies and procedures
- Arising from the actions of our partners



# Governance Report

The Board is pleased to present its governance report to members for the year to 25 January 2020. Good governance is an essential foundation for a co-operative society owned by its members. This has been a long-held view within the Society, which the Board seeks to demonstrate by adhering to best co-operative governance practice.

The Board would welcome questions and comments from members on this report. Interested members should contact the Secretary.

## Governance Code

This report is prepared in accordance with the Corporate Governance Code for Consumer Co-operative Societies issued by Co-operatives UK in 2013 (the Code). The Code sets out a framework for the governance of consumer co-operative societies. A copy can be found on the 'governance' pages at [www.midcounties.coop](http://www.midcounties.coop).

Societies are required to disclose the extent to which they have followed the Code during the reporting period. The format is not prescribed, save that co-operatives must disclose where they have not complied with the Code's provisions and provide an explanation.

Co-operatives UK issued a new governance code in November 2019. The Board has set up a working group to review this new code and plans to report under it in its 2020/21 Annual Report.

## Contents

The Code is structured on three levels. First, a series of 'high level principles'. These set out the key principles of governance applicable to all co-operatives. They are listed in italics at the start of each section. Second, each high level principle has one or more 'supporting principles' which provide examples of what constitutes good governance compliance. Third, a series of 'provisions' to support each high-level principle. These cover the specific points all co-operatives must report on annually.

This report sets out comments on the Code's provisions. There are also sections on political support, the Society's Supplier Payment Policy and its Social Responsibility commitment.

## Society Rules and Blueprint

The Society is bound by a set of Rules approved by members. These set out the formal structures for the Society and form a key cornerstone of its governance arrangements. Sitting alongside the Rules is the Society's 'Blueprint for the Future', adopted by the Board in 2015. This brings together the Society's purpose, values and imagined future and underpins all of the Society's activity and all that it strives to achieve.

A copy of the Rules and the Blueprint can be found on the 'governance' pages at [www.midcounties.coop](http://www.midcounties.coop).

## THE CODE

### Members

*Co-operatives are member-owned democratic organisations and the Board should promote the growth, development and diversity of their membership and encourage members to actively participate in their governance.*

The Society's Blueprint states that "as a co-operative, membership lies at the heart of all that we do

- we are a membership-based organisation where everyone is treated equally
- we work hard to ensure members are fully engaged democratically in the activity of the Society
- we want members to enjoy benefits, because they own the Society and particularly, because they trade with us."

### Member Engagement Committee

The Board has an established Member Engagement Committee, previously known as the Membership Strategy Committee. During 2019 the Board reviewed the Committee's terms of reference and tightened its focus. The Committee is now responsible for influencing and reviewing the member engagement strategy set by the Board.

The Committee comprises seven members elected from the Society's membership, two directors appointed by the Board, and two members appointed from the Society's Young Members' Network. Elections to the Committee are held during the autumn each year in conjunction with the Society's Board elections.

Anyone who has been a member of the Society for more than six months can stand for election. Terms of office are for three years save for the two appointed members who are appointed for one year terms.

### Diversity

The Board approved a Diversity, Inclusion and Equality Policy in 2017 for implementation across the Society.

The Society promotes diversity and inclusion and wants all individuals to be treated with respect whoever they are, however they identify and whatever characteristics they feel are important to their identity. The Society has a Diversity Steering Group charged with reviewing, monitoring and implementing actions around the 'protected characteristics' set out in the Equalities Act 2010. The Group also provides support, advice, assurance and governance for the Society, monitors the agreed key areas of the Society's performance, champions and promotes diversity and inclusion within the Society and the communities it serves, ensures barriers to equal opportunities are challenged, and makes recommendations on policies and practices within the Society.

## Voting opportunities and the Annual General Meeting

*Co-operatives should use the AGM and, where appropriate, an Interim Meeting to communicate with members and encourage them to exercise their democratic rights and their active participation.*

The Society's AGM and Half Year Meetings provide members with the opportunity to participate in the formal affairs of the Society. The annual Board and Member Engagement Committee elections allow members to determine who runs their Society. The Board views both the meetings and the elections as fundamental building blocks of good co-operative governance.

The Society's Rules stipulate a notice period of 21 days for member meetings. The Society's AGM is held on a Saturday in a central location, while the Society's Half Year Meetings are held during the evening at a number of different locations to allow members to attend without having to travel far. A total of 613 members attended the AGM and 100 members watched the live webcast; 350 members attended the Half Year Meetings (2018/19: 607, 174 and 445 members respectively). Given the 'stay at home' measures introduced by government in light of the coronavirus pandemic, the Society's 2020 AGM is to be held online.

Elections to the Board and Member Engagement Committee are held once a year during the autumn. The elections are conducted by way of postal and online ballots. The Society uses Electoral Reform Services, an independent scrutineer, to administer its elections.

Candidates for the Board can write up to 250 words in support of their candidature and provide additional information on their co-operative experience and credentials. Candidates for the Member Engagement Committee are free to write up to 150 words in support of their candidature.

The information provided by candidates is published in a booklet and sent to members, with their ballot paper, to help them make an informed decision when casting their vote. The same information is provided online.

The Board has procedures in place that seek to ensure the Society's elections, including canvassing activity, are fair and transparent and free from fraud and undue influence.

At the 2019 elections, 17 members put themselves forward for the five vacancies on the Board (2018: 13 members, five vacancies), and 5 members put themselves forward for the three vacancies on the Member Engagement Committee (2018: two candidates, four vacancies; no election was held). Votes were cast by 52,956 members, a turnout of 8.6% (2018: 50,949 members, 8.0%).

To ensure members retain ultimate control of the Society the Rules include safeguards to cover the most significant events in the life of the Society. For example, members must approve any proposal to convert the Society into a

company or to transfer its engagements. The Rules also provide that, in the event of a solvent dissolution of the Society, any surplus is transferred to Co-operatives UK or one of its members.

## The role of the Board

*Every co-operative should be headed by an effective Board which is accountable to its membership and is collectively responsible for the long-term success of the business in accordance with the International Co-operative Alliance Values and Principles.*

The Board is responsible for setting the Society's objectives and strategy, monitoring delivery of that strategy by management, and identifying and managing risk.

Given the distinctive nature of co-operative societies, the Board also has a duty to ensure the Society adheres to the co-operative values and principles set out by the International Co-operative Alliance.

The Society's Rules include certain duties and responsibilities that are the sole preserve of the Board. In addition, the Board has a formal schedule of matters reserved for its decision. The schedule is reviewed on an annual basis. The Rules and the schedule include, for example, all matters concerning the determination and general operation of the Society's Rules, the appointment and removal of the Group Chief Executive and the Secretary, and the approval of all funding arrangements, property acquisitions and capital spend above certain thresholds.

The Board has delegated the day-to-day management of the Society's activities to the Group Chief Executive who is responsible for the execution of the Society's strategy within the framework laid down by the Board.

## Board procedures

The Board has ten scheduled meetings throughout the year. At its meetings it receives reports from management on trading and other matters, reviews the performance of the Society and considers papers presented for decision or information.

In addition, the Board discusses and approves the Society's strategy and annual budgets at appropriate points during the year.

The Board also meets in private session without the presence of management when required.

## Insurance

The Society purchases insurance in respect of potential legal action against directors.

## The role of directors

*The directors are responsible for ensuring that the co-operative carries out its commitment to be a successful co-operative business and serve the interests and protect the assets of its members by exercising independent and objective judgement.*

All directors are equally responsible in law for the Board's decisions and are bound by an overriding fiduciary duty to act in good faith in pursuit of the best interests of the Society as a whole.

The Board has a set of Guiding Principles which provide the framework and expectations for the way directors interact with one another and with others with whom they have business. A copy of the Guiding Principles can be found on the 'governance' pages at [www.midcounties.coop](http://www.midcounties.coop).

Candidates for election are advised during the election process of the nature of the commitment and the work and responsibilities expected of directors.

## Attendance

The table below lists the attendance record of directors at Board and Committee meetings for the year under review. The figures show the number of meetings each director actually attended, against (in brackets) the number of meetings they were eligible to attend.

Directors	Board	Committees					
		1	2	3	4	5	6
Steve Allsopp	11 (11)	5 (5)	5 (5)			3 (3)	
Ellie Boyle	9 (11)	5 (5)					
Olivia Birch <sup>1</sup>	8 (9)	2 (3)					
Clive Booker	11 (11)	2 (2)	4 (4)			3 (3)	3 (3)
Martin Cook	11 (11)	1 (2)		5 (6)	6 (6)		
Judith Feeney	11 (11)			5 (6)		4 (4)	
Patrick Gray	11 (11)			6 (6)	6 (6)	4 (4)	
Vicky Green <sup>2</sup>	2 (2)		1 (1)				
Gary Hayes	11 (11)	3 (3)					
Irene Kirkman <sup>1</sup>	9 (9)	3 (3)					
Matt Lane	8 (11)	5 (5)	5 (5)	6 (6)			
Donald Morrison <sup>1</sup>	9 (9)			6 (6)	4 (4)		
Kathy Petersen	10 (11)	2 (2)					2 (3)
Jean Nunn-Price <sup>1</sup>	9 (9)						
Barbara Rainford <sup>2</sup>	2 (2)						1 (1)
Fiona Ravenscroft <sup>2</sup>	2 (2)					1 (1)	
Heather Richardson	10 (11)	5 (5)	4 (5)				
Wendy Willis <sup>2</sup>	2 (2)						1 (1)
Helen Wiseman	10 (11)		5 (5)	6 (6)			
Vivian Woodell	10 (11)			6 (6)			

1. Audit & Risk      3. Utilities      5. Pension trustee  
2. Remuneration    4. Telecoms    6. Member Engagement

<sup>1</sup> Resigned 17 October 2019

<sup>2</sup> Appointed 4 November 2019

## Conflicts of interest

The Board has a policy on conflicts of interest. The Secretary maintains a register to record any conflicts declared by directors and members of the Executive. Formal updates to the register are requested at the end of each financial year and individuals are charged with

informing the Secretary at the first opportunity of any conflicts should they arise in the interim. In addition, at each Board meeting, directors and Executives attending are asked to declare any interests they may have in relation to the business on the agenda.

## Board size

*The Board should be of an appropriate size to ensure it represents its diverse membership and is able to lead the co-operative in pursuing its strategic and other objectives.*

The Society has a Board of 16 directors. The Board believes this to be an appropriate size in a co-operative context to ensure democratic accountability and a diversity of member representation while still allowing effective decision taking.

## Board balance and independence

*The Board should act objectively and fairly in the interests of the co-operative and of its members.*

The Society's Rules set out certain safeguards to ensure the Board retains a balance and is not dominated by any one set of individuals. For example, a director, their partner or close family member cannot serve in a managerial position for a business which competes in a material way with the Society, and no more than four directors can be Society employees (or former employees who have left the Society within the last three years).

The Rules also prescribe that one-third of the Board can request independent professional advice funded by the Society on questions relating to the governance of the Society or the conduct of its affairs. Additionally, the directors have access to the advice and services of the Society's Secretary at all times.

It is the Board's view that its current composition reflects the diversity of its member base with an appropriate balance of experienced and newly elected directors. Directors range in age and length of service on the Board and all bring different insights and experience to bear. Currently, nine members of the Board are women and seven are men.

The Board also believes it is not appropriate for a member of the Executive to hold the position of director. Additionally, the Board has a policy to limit the amount a registered co-operative society can invest in the Society to a maximum of £1,000,000.

The Board believes the above measures serve to ensure that the independence of directors is safeguarded.

The table at the end of this Report shows the directorships and other formal positions declared by directors and members of the Executive.

## Co-option of professional external directors

*To ensure that the Board can fulfil its role properly and act to its full potential the board should consider the need to, and the benefits of, co-opting professional external directors to bring appropriate expertise and balance.*

.....

The Society's Rules do not allow for the co-option of professional external directors as the Board does not believe co-option is appropriate for a bona fide co-operative. It is the Board's view that co-option overrides the fundamental principle of democratic member control and risks undue influence by those who lack a grounding in co-operative values and principles.

Should expert opinion be required by the Board independent to that provided by management, the Board is content to seek professional advice.

## **The Chair**

*The Chair is responsible for the leadership of the Board and should ensure that the Board is in effective control of the co-operative's affairs and alert to its obligations to its members.*

The Board is chaired by the President who is supported by two Vice-Presidents. These positions are elected by the Board each year.

The role of President is a crucial one. The President leads the Board in setting the Society's strategy and in achieving its objectives and works closely with the Group Chief Executive to meet these aims.

The Society's Rules stipulate that the President cannot be an employee of the Society and cannot act for more than six consecutive years. The Board would not expect to elect a director who had been an employee of the Society within the last three years to the position of President. Likewise, the Board would not expect to appoint as President a director who had served less than one term of office. However, the Rules do not prevent these eventualities.

## **The Chief Executive**

*The Chief Executive of the co-operative is responsible for the executive management of the co-operative's operations. He or she is the senior executive in charge of the management executive and to whom members of the management executive report.*

The Board recognises the key role played by the Group Chief Executive and is clear that their relationship with the Board as a whole is fundamental to the success of the Society.

The Society's Rules prescribe that the Board appoints and removes the Group Chief Executive and that the incumbent cannot be the Secretary of the Society. The Group Chief Executive's notice arrangements are set out in the Remuneration Report found elsewhere in this Annual Report.

## **The Secretary**

*The Secretary has responsibility for advising the co-operative on all governance matters. The board has a right to expect the Secretary to give impartial advice and to act in the best interests of the co-operative and its members.*

The Board recognises the key role played by the Secretary in helping the Society meet its objectives and in acting as a fulcrum between management and the Board.

The Society's Rules prescribe that the Board appoints the Secretary.

## **Election and renewal of the Board and succession planning**

*Procedures should be in place for regular renewal of the membership of the Board and its committees to ensure that the democratic rights of members can be exercised and that the board is accountable to members and able to challenge the management executive effectively.*

The Board believes in the primacy of member control and the democratic process.

The Society's Rules prescribe that Board elections are held on an annual basis. Terms of office for directors are for three years. The Rules also state that a director may be removed from office at any time by a two-thirds majority of the votes cast at a special meeting. Appointments to Board committees are made each year shortly after the Board elections.

The Board believes the democratic processes in place within the Society to encourage members to stand for election are working well. The Society has contested Board elections and members have elected directors with a mix of skills, insight and experience.

## **Induction, information and ongoing professional development**

*Directors should be comprehensively inducted into their role and should be properly briefed and informed at all times in order to enable them to carry out their duties effectively.*

The current arrangements for the induction of new directors involve meetings with the Society's Secretary and members of the Executive and a day of site visits, to apprise the individuals of the breadth of the Society's operations and its co-operative context. Additionally, new directors are encouraged to visit Co-operatives UK, Co-operative Group and the Rochdale Pioneers Museum to gain an insight into the wider co-operative movement. A full induction pack is also provided.

The Board is aware of the need for directors to be kept informed of the strategic issues facing the Society and its businesses, as well as more detailed operational matters.

Presentations from each of the Society's trading businesses and support groups are made by management on a regular basis. These focus on strategic issues and risk, and highlight areas for discussion and future decision.

In addition, the Group Chief Executive keeps the Board advised of matters affecting the Society at each Board meeting and more frequently if required.



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The Board is also conscious that directors may wish to update their skills. In this regard, directors are able to avail themselves of appropriate training should the need arise.

To ensure that Board meetings run well and decisions made are supported by full information, Board papers are circulated in two mailings prior to each Board meeting. A main mailing is sent out at least one week before the meeting. A second mailing is sent out at least three days before.

### **Independent professional advice**

*The Board should be well informed and have access to all the information and advice necessary to enable it to perform its role, to act in the best interests of the members and to protect their assets.*

In addition to the measures set out in the previous section, it is notable that the Society's Rules prescribe that at least one-third of the Board can request independent professional advice funded by the Society on questions relating to the governance of the Society or the conduct of its affairs. Directors also have access to the advice and services of the Society's Secretary at all times and the Committees of the Board are able to obtain professional advice on any matters within their terms of reference.

### **Board performance evaluation**

*The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors to ensure that roles can be carried out effectively. The Chair should act on the results of the board evaluation by recognising the strengths and weaknesses of the board and taking any appropriate action to address weaknesses.*

During the year, the Board undertook its regular review of the collective performance of the Board. In addition, the Board undertook an evaluation of Board effectiveness linked to individual director review.

### **Committees of the Board**

*The Board should establish committees to work on specialist aspects of its remit in order that it can be provided with sufficient information and ensure that it is able to carry out its role effectively.*

During the year the Board had four committees and one sub-committee – the Member Engagement Committee, the Audit & Risk Committee, the Remuneration Committee, the Utilities Committee, and the Telecoms sub-committee. The Telecoms sub-committee reported into the Utilities Committee. The Utilities Committee was disbanded at the end of the financial year. Consequently, the Telecoms sub-committee became a committee reporting directly to the Board. The terms of reference for each Committee are reviewed on a regular basis.

Membership of the Audit & Risk, Utilities and Remuneration Committees was determined by the Board shortly after the annual elections. Board positions on the Telecoms Committee and the two positions on the Member

Engagement Committee reserved for directors were agreed at the same time.

The chairs of each committee are available at the AGM to answer questions from members.

### **The Search Committee**

*The Board should establish a Search Committee. However, if the Board is of the view that, owing to the size of the co-operative, a search committee is not necessary this section of the Code will not apply to it.*

The Board has not set up a Search Committee as it believes the current membership structures and processes it has in place are appropriate to attract candidates with the requisite abilities and co-operative credentials to stand for election.

### **The Remuneration Committee**

*The Board should establish a Remuneration Committee.*

The Board has a Remuneration Committee. The Committee's primary role is to provide robust, independent governance on the remuneration of members of the Executive. It also provides high level input and oversight into the Total Reward Strategy being developed for all Society colleagues. A full report on the activities of the Remuneration Committee is set out in the Remuneration Report found elsewhere in this Annual Report.

### **The Audit Committee**

*The Board should establish an Audit Committee.*

### **Audit & Risk Committee**

The Board has an Audit & Risk Committee which operates under terms of reference approved by the Board. The terms include:

- monitoring the integrity of the Society's financial statements
- reviewing the effectiveness of the Society's internal control and risk management systems
- monitoring and reviewing the work of the Society's external auditors and assessing their independence
- monitoring and reviewing the effectiveness of the Society's Audit & Risk function, including an assessment of the resources available to the function
- responsibility for the appointment/removal of the Head of Internal Audit & Risk
- reviewing the Society's whistleblowing procedures.

Significant decisions by the Committee are referred to the Board for consideration.

The Committee has the right to report to members if the Board overrides a decision or recommendation it has made.

The Committee's terms specify a Committee of at least four and no more than six directors. Terms of office on the Committee are for two years, which may be extended for two further two year periods. The terms prohibit the following individuals from standing on the Committee: the President of the Society, any director who is a current employee of the Society or has been so within the previous



12 months and any consultant. The Board reviews the Committee's terms on an annual basis.

Professional advice is available to the Committee if required. The Board has not made any provision for co-option to the Committee.

## Meetings

The Committee met five times during the year under review and has five scheduled meetings for the 2020/21 financial year. The Board is apprised of the Committee's proceedings at the next Board meeting following a Committee meeting. The Committee's minutes are also made available to the Board.

At least twice each year the Committee has the opportunity to meet the external auditor and the Society's Head of Risk & Audit without the presence of management. In addition, the Chair of the Committee maintains a dialogue with the external auditor and the Head of Risk & Audit between Committee meetings.

The Group Chief Financial Officer and the Head of Risk & Audit attend the Committee's meetings. The Society's Secretary or his nominee acts as Secretary to the Committee.

## Auditor independence

To ensure auditor independence and objectivity is safeguarded, the Committee has a policy of awarding project work that requires the expertise of an audit firm to a firm other than the Society's auditors unless there is a strong reason to use the Society's auditors.

The spend on non-audit work undertaken by the Society's auditors is monitored carefully. All non-audit engagements costing over £10,000 require formal approval. Should the value of non-audit work undertaken exceed the annual audit fee, then all subsequent non-audit related engagements require specific approval.

During the year, fees amounting to £9,000 were paid to the Society's auditor for non-audit work (2018/19: £101,000).

The Society and its auditors have both adopted a policy whereby the audit engagement partner does not conduct the Society's audit for more than five years.

## Auditor review

The Society's Rules prescribe that the audit should be tendered at least once every 10 years. The last tender took place at the beginning of 2013 for the 2013/14 year end. KPMG were retained following a detailed review. Their appointment was reviewed by the Committee in December 2016 following comments from the members at the Society's 2016 AGM. As a result of this review, the Committee also carried out a further in-depth assessment of KPMG's independence, objectivity, remit and effectiveness in June 2018. The evidence gathered from this assessment satisfied the Committee that KPMG continued to demonstrate a good level of competence and technical expertise in their performance and maintained the

necessary objectivity and independence. On that basis, the Committee made a recommendation to the Society's Board that, subject to satisfactory annual reviews, no immediate action was required, and that it was appropriate to undertake the next audit tender exercise in 2023 with preliminary work starting in 2021. The recommendation was accepted by the Board.

## Training

The Committee receives training either during its scheduled meetings or at separate training sessions. In addition, the Committee is given updates on relevant matters at its meetings, and presentations from management on significant issues as they arise.

## Internal audit

The Society has an Internal Audit & Risk function. As part of its remit, the Committee monitors and reviews the independence, objectivity and effectiveness of the function.

## Internal control

This section sets out the Society's approach to internal control and the measures taken to review its effectiveness.

The Code charges the Board to review the effectiveness of the Society's system of internal control and to report formally on this review each year to members. The Code states that the review is expected to cover all material controls, including financial, operational and compliance controls and also risk management.

The Board is responsible for the Society's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Society's objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board is of the view that the controls and processes within the Society are appropriate for an organisation of its size and complexity.

## Internal control framework

The Board has adopted an internal control framework with the following key elements:

- an organisational structure with clearly defined lines of responsibility, delegations of authority and reporting requirements
- policies for expenditure with set authorisation levels – for example, larger capital projects and acquisitions and disposals require Board approval
- a comprehensive system of financial reporting – actual results together with comparisons to budget are reported regularly to the Board throughout the year
- Board review and approval of the annual budget and plans for each business group and support function
- policies and procedures for the reporting and resolution of suspected fraudulent activities
- a risk management process designed to monitor the major risks facing the Society.

## Control procedures

The Society's control procedures are designed to ensure that appropriate levels of control are maintained, complete and accurate accounting of financial transactions is assured, and the potential exposure to loss of assets or fraud is limited.

Measures taken include physical controls, segregation of duties and reviews of processes by management, compliance teams within business groups, the Internal Audit & Risk function, and the external auditors.

In addition, it is also Society policy that all members of the Board are also directors of the Society's trading subsidiaries to ensure appropriate control.

## Risk management

The Board and the Executive have primary responsibility for identifying and controlling the key risks facing the Society. In this regard, the Society operates a risk management process that aims to identify the key risks in each business group and support function. The risks are reviewed by both the Executive and the Audit & Risk Committee. Where weaknesses in controls are identified action is taken to implement control mechanisms. Matters are reported to the Board as appropriate.

More broadly, the Board and the Executive consider the risks impacting on the Society from a strategic perspective at appropriate intervals.

An overview of the Society's risk management structure and key risks can be found earlier in this Annual Report.

## Monitoring

The Society's Internal Audit & Risk function carries out independent reviews of the Society's operational and financial control environments. A risk-based approach is used to identify areas for attention. These are prioritised into an annual Internal Audit plan. Reports containing assurance ratings, key findings and action plans to improve controls are issued to management. Responsibility and timescales for remedial actions are agreed with management and evidence of completion is provided to Internal Audit for review. Monthly progress reports are issued to the Executive, providing visibility of the actions that are outstanding, in particular those which have been deferred or are overdue.

A summary of significant matters is reported to each meeting of the Audit & Risk Committee for review and decision.

## Review processes

The processes used by the Audit & Risk Committee to review the effectiveness of the Society's system of internal control include the following:

- review of the external and internal audit work plans
- consideration of reports from the Internal Audit & Risk function and the external auditors on the system of internal control

- discussion with management of the actions taken to resolve issues identified in such reports
- review of the effectiveness of the Society's risk management processes.

## Opinion

The Audit & Risk Committee has reviewed the operation and effectiveness of the Society's internal control system during the year under review.

The Committee considers that the external auditor is sufficiently independent of the Society, in accordance with the ethical requirements relevant to the audit of financial statements in the UK including the Financial Reporting Council's Ethical Standard, and that the external auditor has adequately fulfilled its responsibilities in accordance with these requirements. The Committee believes the audit evidence provided to the external auditor was sufficient and appropriate to allow the external auditor to form an adequate opinion on the true and fair view of the state of the Society's affairs.

## Whistleblowing

The Board has a documented procedure to allow colleagues to raise concerns, in confidence, on matters of financial reporting, financial control or any other issues. Matters raised under the procedure are investigated in a consistent, proportionate and independent manner. Appropriate follow-up action is taken and the Audit & Risk Committee is kept apprised.

## Auditor's report to the Board

*The Code does not have a high level principle for this short section.*

The auditor's reports at the half and full years are reviewed in detail by the Audit & Risk Committee on behalf of the Board. The Board has the opportunity to discuss matters with the auditor without management present at least once each year.

## The annual report

*The Board should ensure that the annual report presents a fair, balanced and understandable assessment of the co-operative's business model, strategy and performance.*

The Board believes this Annual Report fulfils the above stipulations. Feedback from members on ways to improve the report would always be welcome.

## POLITICAL ENGAGEMENT

The Board recognises that co-operatives often seek to advance co-operation in national, local and international life through political engagement. Recognising this, members have approved a statement on political engagement:

"The Midcounties Co-operative supports in letter and spirit the Principles set out in the Statement of Co-operative Identity of the International Co-operative Alliance and the Governance Code of Co-operatives UK to embrace all who accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

.....

The Society recognises the important role that the Co-operative Party has played, and continues to play, in promoting the interests of co-operation in the political sphere and, with the endorsement of members as expressed at successive Annual Meetings, provides financial support for the work of the Party.

The Society also seeks to engage with other political organisations which are active in its core trading area and which share its objective of working towards a society based on democracy, equal opportunities and social justice; and an economy where co-operative ownership plays an important and growing role in generating prosperity, genuine consumer choice and sustainable community development."

### **The Co-operative Party**

In keeping with the above, the Society has been a long-standing supporter of the Co-operative Party, the formal political arm of the Co-operative Movement. The Party aims to promote the principles of co-operation and all forms of co-operative organisation within political circles and is supported by the Society.

The Party has a close and enduring relationship with the Labour Party. This includes a formal electoral agreement which allows Co-operative Party candidates to stand as Labour and Co-operative representatives in General and Local elections.

### **Campaigns Fund**

In 2014, members approved the creation of a Campaigns Fund. The Fund is intended to support campaigning activity (primarily within the Society's core trading area) that promotes co-operation in the political arena and supports the objectives and priorities of the Society. The Fund is open to applications from any political organisation, including the Co-operative Party, active in the Society's heartland areas whose aims are sympathetic to the Society and the co-operative model.

At the 2019 Annual General Meeting members approved a distribution of £60,000 to the Campaigns Fund (2018: £60,000).

During the year the Fund made grants to the Co-operative Party nationally, the Society's three local Co-operative Party Councils and five other campaigning bodies.

The Board would welcome applications from campaigning bodies to the Fund. The Secretary should be contacted in the first instance.

### **SUPPLIER PAYMENT POLICY**

The Society's policy is to agree terms of payment as part of the commercial arrangements with suppliers and to pay according to those terms once an invoice is received. Trade creditor days for the year were 20 days (2018/19: 28 days).

## **SOCIAL RESPONSIBILITY**

Social Responsibility is one of the Society's four key values and an integral part of being a co-operative enterprise. The Society undertakes a number of actions to ensure it supports its local and global communities and the environment. Supporting local organisations and causes is a key component of the Society's social responsibility strategy, enabling members, colleagues and community partners to connect, influence and co-operate in joint activities to promote co-operative solutions at a local and national level.

The Society's social responsibility activity is reported more fully elsewhere in this Annual Report.

Pete Westall, Chief Values Officer, holds overall accountability for social responsibility to ensure the Society continues to meet its social responsibility objectives.

Certain directors take a lead on matters relating to environment and community: Fiona Ravenscroft sits on the Society's Environmental Steering Group, and Barbara Rainford and Wendy Willis are the Board's appointed representatives on the Member Engagement Committee.

## **STATEMENT OF COMPLIANCE**

To help members in their assessment of the Society's governance arrangements, the Society is required to specify those elements of the Code with which it does not comply. This section covers the requirement. The matters listed are reviewed by the Board each year.

### **Search Committee**

The Board has not set up a Search Committee for the recruitment of potential directors. The Board believes the current membership structures and processes it has in place are appropriate to attract candidates with the requisite abilities and co-operative credentials to stand for election.

### **Professional external directors**

The Society's Rules do not allow for the co-option of professional external directors. The Board does not believe co-option is appropriate for a bona fide co-operative as it overrides the fundamental principle of democratic member control. If expert opinion is required by the Board independent to that provided by management, the Board is content to engage external professionals on an as needs basis.

## **CONCLUDING REMARKS**

The sound governance of any organisation is critical to ensure appropriate accountability, transparency and control, and to allow the organisation to work effectively within acceptable boundaries. This is particularly so for a co-operative society where members entrust the control and direction of their society to a board of elected directors.

The Board is fully aware of the responsibilities and obligations imposed upon it by its elected status and the prerequisites of the co-operative ethos. It believes this report demonstrates the importance it attaches to good

governance and illustrates that the measures it has taken  
benefit a true co-operative enterprise.

## On behalf of the Board



Helen Wiseman – President



Edward Parker – Secretary & Head of Governance

6 May 2020

External directorships (or equivalent) held by members of the Board and Executive during the year	
Board	
Steve Allsopp	<ul style="list-style-type: none"> <li>– Director, Co-operative Futures Limited</li> <li>– Director, Swindon Housing Development Company Limited</li> <li>– Director, Swindon Housing (Rent) Company Limited</li> </ul>
Olivia Birch	<ul style="list-style-type: none"> <li>– Director, Revolver Co-operative Limited</li> <li>– Director, Revolver World Limited</li> <li>– Director &amp; Secretary, Revolver Music Limited</li> <li>– Director, Heavy Metal Records Limited</li> <li>– Director, FM-Revolver Records Limited</li> </ul>
Clive Booker	– Chair, Brownlow Community Centre, Whitchurch
Martin Cook	– Director, Co-operatives Futures Limited
Judith Feeney	– Director, Co-operative Futures Limited
Patrick Gray	<ul style="list-style-type: none"> <li>– Director &amp; Secretary, Amaranta Limited</li> <li>– Director, The Radical Party Limited</li> </ul>
Irene Kirkman	<ul style="list-style-type: none"> <li>– Deputy Chair &amp; Independent member, Bucks New University Council</li> <li>– Local Authority Governor of the Cherwell School Council, Oxford, part of the River Learning Trust</li> </ul>
Matthew Lane	<ul style="list-style-type: none"> <li>– Director, BeerBods Limited</li> <li>– Director, Drink Beta Limited</li> <li>– Director, MDNL Limited</li> <li>– Director, WOO Cooking Oils Ltd</li> </ul>
Jean Nunn-Price	<ul style="list-style-type: none"> <li>– Director, Co-operative Party Limited</li> <li>– Director, Sustainable Wantage Limited</li> </ul>
Helen Wiseman	– Club Welfare Officer, Bourton & Sherborne Hockey Club
Vivian Woodell	<ul style="list-style-type: none"> <li>– Director, Co-operatives UK Limited</li> <li>– Director, West Oxfordshire Community Transport Limited</li> <li>– CEO, Phone Co-op Foundation for Co-operative Innovation Limited</li> <li>– Director, Student Co-operative Homes Limited</li> <li>– Director, The Co-operative Loan Fund Limited</li> </ul>
Executive	
David Bird	– Department for Education, Partners in Practice Governance Board
Peter Dubois	– Chair, The Co-operative Loan Fund
Edward Parker	– Member, Co-operative Group National Members' Council
Phil Ponsonby	<ul style="list-style-type: none"> <li>– Director, Association of Convenience Stores Limited</li> <li>– Director, Federal Retail &amp; Trading Services Limited</li> <li>– Happerley Advisory Board</li> </ul>
Alistair Rowland	<ul style="list-style-type: none"> <li>– Director, ABTA</li> <li>– Director, ABTA Benevolent Fund</li> <li>– Trustee, Travel Foundation</li> </ul>
Peter Westall	<ul style="list-style-type: none"> <li>– Chair, OUR Co-operative Academies Trust</li> <li>– Board Member, BITC Regional Advisory Board</li> <li>– Board Member, CBI Employment &amp; Skills Board</li> <li>– Board Member, Co-operative Employers' Association</li> </ul>



We hosted a Fairtrade event in Walsall and welcomed Leocadie, a Fairtrade Cocoa Farmer from the Ivory Coast in West Africa, shown here with the students from North Walsall Primary Academy and Laura from the Fairtrade Foundation.





# Remuneration Report

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## INTRODUCTION

The Remuneration Committee is pleased to present its report to members for the year ended 25 January 2020.

The Committee's primary role is to provide robust, independent governance for executive remuneration to ensure that pay for the Society's Executive team:

- supports the Society's business strategy and values,
- is dependent on the Society's performance and on personal performance, through the use of performance related rewards,
- enables the Society to attract, motivate and retain talented individuals, and
- does not exceed what is necessary to achieve the aims above.

The Committee also provides high-level input and oversight into the Total Reward Strategy being developed and implemented by management for all Society colleagues.

The report has been prepared having regard to the reporting requirements that apply to UK listed companies. Although the Society is not required to comply with these requirements, the Committee seeks to comply with governance best practice and has adopted these requirements where appropriate.

The report will be put to an advisory vote at the Society's Annual General Meeting on 16 May 2020.

The report has three main sections:

- the Remuneration Policy section - outlining the Committee's policy for Executive remuneration for the year ahead and future years,
- the Implementation section - summarising how the Committee's policy has been implemented in the year under review,
- the Director Fees section - providing details on the fees, expenses and benefits for directors of the Society.

The Committee's policy is to ensure that fixed pay<sup>1</sup> for members of the Executive is positioned around the median of the range for equivalent roles in retail businesses of a similar size to the Society. This helps to ensure the Society retains talented leaders and managers to allow it to perform for the benefit of members and other stakeholders.

The level of fixed pay is reviewed formally once every two years. The last review took place in the autumn of 2019 and the next review is scheduled for the autumn of 2021. In the intervening years, salaries are normally increased in line with increases negotiated by SATA<sup>2</sup> and applied to management roles across the co-operative movement.

The Committee also operates annual and longer-term incentive plans aligned to the Society's objectives and co-operative values to ensure that total pay is not guaranteed and varies with performance.

It is important to note that incentive pay for the Executive is around 40-60% lower than for executives in comparable PLCs. This lower incentive pay means that total remuneration for the Executive is also significantly below that found in PLCs.

In March 2020 the Society published its annual gender pay gap report available on the Society's website. The Committee and the Society's Board take the matter of diversity seriously including the issue of senior female representation within the workforce and fully supports the diversity initiatives in place across the Society.

In light of the Covid-19 pandemic it is the Executive's view that it would be inappropriate to make bonus and LTIP payments which have been earned for the 2019/20 financial year at this time. A position the Committee has endorsed.

The Committee would be pleased to have members' support for this report.



**Matt Lane**  
**Chair - Remuneration Committee**  
**6 April 2020**

<sup>1</sup> fixed pay comprises base salary, pension and benefits

<sup>2</sup> SATA – the Supervisory, Administrative and Technical Association section of USDAW

## REMUNERATION POLICY

This section of the report sets out the key elements of the Committee's policy for the remuneration of the Executive.

### Overall policy

Co-operative societies are founded on the principles of fairness and equity. The Board believes, strongly, that these principles should be reflected in its approach to remuneration.

The remuneration policy for the Executive aims to:

- pay competitive base salaries, relative to a group of similar-sized businesses within the retail sector,
- reward performance through an appropriate balance of short and long-term performance-related pay,
- maintain an appropriate balance between fixed and variable pay, and
- provide a clear link between pay for the Executive and the Society's performance.

In keeping with the co-operative ethos, it is notable that variable pay is set at substantially lower levels, and represents a significantly smaller proportion of Executives' overall remuneration, when compared with the typical PLC pay model. This results in considerably lower total remuneration than the PLC market.

A description of how the Society intends to implement the policy above in 2020 is included in the Implementation section of the report.

### Summary of the remuneration components

The table below provides a summary of the remuneration policy for the Executive.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Base salary	To pay a fair base salary, commensurate with the individual's role, responsibilities and experience, and having regard to market rates for similar roles in other retail businesses of equivalent size.	Normally increased annually in line with inflation; formally reviewed every two years to ensure market competitiveness (the last review was conducted in 2019 with changes taking effect at the start of the 2020/21 financial year). In reviewing salaries, the Committee also considers individual performance, the scope of each role and relativities to other roles within the Society.	Annual increases will normally be in line with the increases applied to management roles across the co-operative movement as negotiated by SATA other than when there is a change in responsibilities or to realign executive pay with the market.	n/a

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Annual Bonus	To provide a performance-related reward aligned to targets set for the year. A highly 'geared' remuneration package is considered inappropriate and therefore the maximum annual bonus is at a level that is significantly lower than in equivalent PLCs.	Paid in cash. Non-pensionable.	Maximum 20% of base salary. On-target 8% of base salary. Amounts may differ for new joiners to the Executive.	Performance targets comprise a combination of financial and personal performance objectives. No bonus is payable unless a minimum level of financial performance has been achieved. Awards are subject to clawback.
Long-term incentive plan (LTIP)	To provide performance-related reward aligned to the long-term strategic goals of the Society. Award levels are set at a level that is significantly lower than in equivalent PLCs.	Awards are granted annually so that a new three year performance period begins at the start of each financial year. Participants are able to receive a cash award at the end of a three year performance period. The Committee sets targets at the time of the grant of each award.	The maximum payment is 20% of average base salary over the three year performance period. Amounts may differ for new joiners to the Executive.	Performance measures are based on key measures in the Society's steering wheel: ROCE; Corporate Reputation; Colleague Engagement; External Partnerships. Awards are subject to claw back.
Pensions	To provide pension arrangements on similar terms to other colleagues in the Society.	Members of the Executive participate in the Society's pension arrangements on the same terms available to all Society colleagues. The defined benefit career average pension scheme closed to future accrual in 2014. A cash allowance is paid to certain members of the Executive in lieu of pension contribution.	The Society operates a defined contribution scheme and a scheme that meets the auto-enrolment requirements.	n/a

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Benefits-in-kind	To provide benefits in-kind broadly in line with market practice	The main benefits provided are the provision of a car or cash allowance, life insurance, long-term disability income protection, an annual health-check and colleague discount.	The amount of cash allowance under the Society's car policy is dependent on role; payments range from £900 to £1,400 per month. The value of other benefits is based on the cost to the Society and is not predetermined.	n/a

## Incentive arrangements

The Board believes having an element of pay linked to Society and/or individual performance increases engagement and improves Society performance. However, the Board also believes, strongly, that a highly 'geared' remuneration package is inappropriate. Therefore, the maximum award levels available to the Executive under the Society's incentive arrangements are set significantly below levels found in PLCs.

Members of the Executive are eligible to participate in an annual bonus scheme with payments linked to performance over the relevant financial year and a Long-Term Incentive Plan (LTIP) under which payments are linked to performance over a period of three financial years. Targets for both plans are set by the Committee at the start of each year.

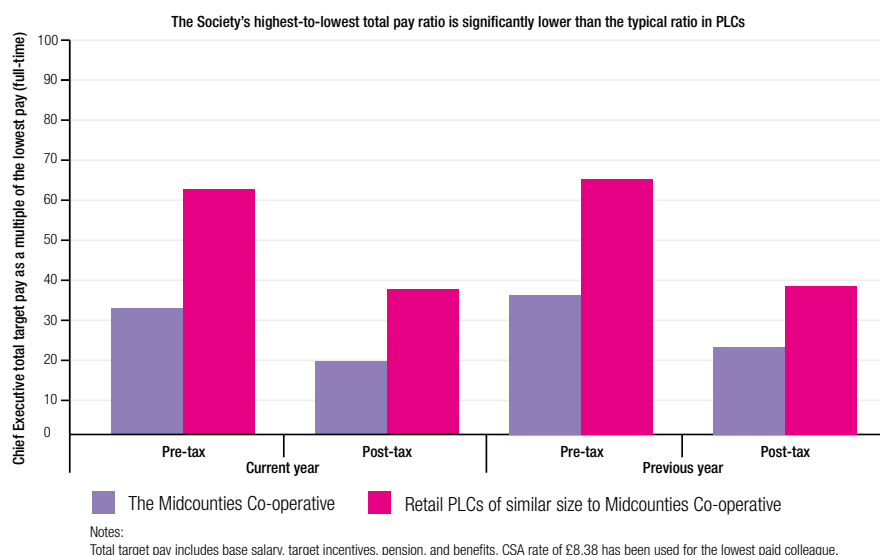
The bonus plan metrics are based on a mix of financial and personal objectives reflecting the key annual priorities of the Society. Financial metrics determine the majority of the bonus and are focused on profit, a key measure of the Society's trading performance. The inclusion of personal objectives reflects the Society's aim to behave in a co-operative way by measuring success on more than financial metrics. The personal objectives, agreed on an annual basis, are measurable, based on individual performance, and consistent with the goals set out in the Society's Steering Wheel.

The LTIP is intended to focus the Executive on achieving longer-term performance and strategic goals. The current performance metrics are return on capital employed, corporate reputation, colleague engagement and external partnerships. These measures are designed to complement the measures used in the bonus plan and are key elements used to track the broader performance of the Society.



## Group Chief Executive – pay ratios

The chart here shows the approximate ratio of the current Group Chief Executive's annual base salary and total target remuneration, pre and post-tax, relative to the lowest rate of pay in the Society and compares this with typical ratios in the wider PLC retail sector. The ratio for 2019/20 on pre-tax pay was x32 and on post-tax pay x20 (2018/19: x38 and x23 respectively).

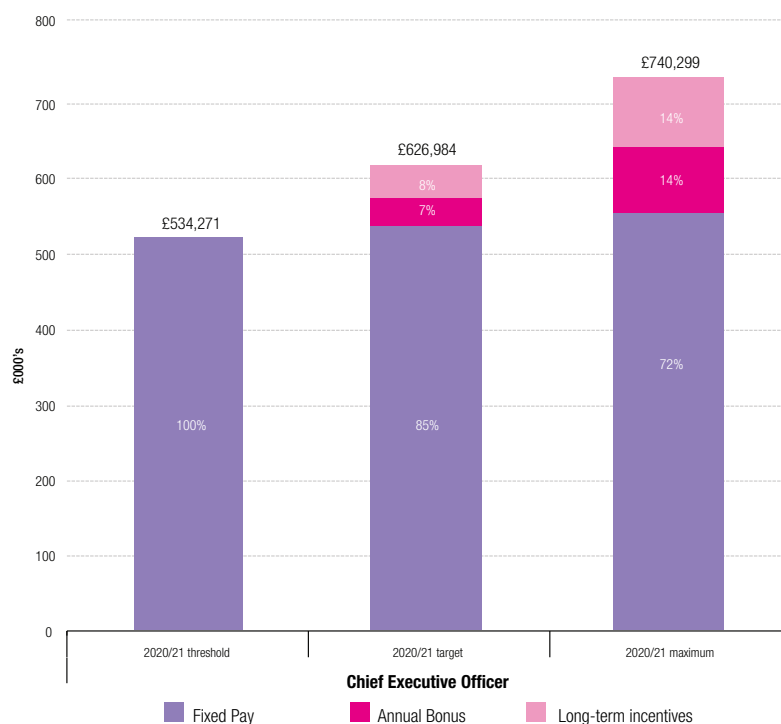


The table here shows the pay ratios between the Group Chief Executive and colleagues on the 75th, median, 25th and lowest pay percentiles.

	Salary		Total Compensation	
Group Chief Executive	£515,071	-	£534,271	-
75th percentile	£19,144	27:1	£19,584	27:1
Median	£17,238	30:1	£17,501	31:1
25th percentile	£16,995	30:1	£17,019	31:1
Lowest	£16,224	32:1	£16,224	33:1

## Remuneration scenarios

The chart here demonstrates how the mix of the Group Chief Executive's annual remuneration package could vary at different levels of performance under the Society's remuneration policy in 2020/21. It shows the potential value of total remuneration in each scenario and the percentage of total remuneration accounted for by each element.



## Remuneration for other colleagues

The Society's policy is to pay base salaries at the median. Accordingly, levels of remuneration for colleagues across the Society are benchmarked against industry and functional peers and checked internally for fairness. Where inconsistencies are found the Society looks to address the issues raised.

The Society provides all colleagues with a package of benefits. This includes access to a pension, an Employee Assistance Programme, Society and other retailer discounts and voluntary salary exchange benefits such as childcare vouchers.

During the year approximately 735 of the Society's colleagues participated in an annual performance related bonus scheme. Colleagues also receive a colleague dividend if approved by the Society's members at the AGM.

## Executives' service contracts

Executives have rolling service contracts, details of which are summarised below.

Provision	Detailed terms
Notice period	Six months.
Payment in lieu of notice	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period plus the fair value of any contractual benefits. Following written notice of termination there is no entitlement to any further payment from the Society except those sums which may have accrued and are due at that time.
Termination payment	If the Society merges with another society any termination payments would be based on the terms agreed with SATA at the time.

## Policy on payments for loss of office

The Executives' service agreements contain provisions for payment in lieu of notice in respect of base salary and contractual benefits only. The circumstances of termination (including the individual's performance) would be taken into account in every case. Service contracts do not provide an entitlement to the payment of a predetermined amount on termination of employment in any circumstances.

Unless the Board determines otherwise, when an Executive's employment ceases, no bonus is payable and there is no entitlement to any further payment from the Society except for such sums as have accrued and are due and payable on the date of cessation. In addition, other than in certain 'good leaver' circumstances (including, but not limited to, ill-health and retirement) unvested LTIP awards lapse. In the case of 'good leavers', awards may still vest normally at the end of the performance period to the extent that the performance conditions have been achieved. A pro-rata reduction to reflect the length of period worked between grant and cessation of employment may be applied at the Committee's discretion.

## Recruitment to the Executive

Salaries for new members of the Executive are set to reflect the individual's role, responsibilities and experience while having regard to the market rate.

Where it is appropriate to offer a below median salary initially, the Committee has the discretion to allow phased salary increases over a period of time, even though this may involve increases in excess of the rate applied to colleagues across the Society generally and the rate of inflation.

Benefits are provided in line with those offered to other members of the Executive taking account of local market practice. Relocation expenses/arrangements are provided if necessary, and fees and other costs incurred by the individual may also be paid by the Society.

The aggregate incentive opportunity offered to a new member of the Executive will normally be no higher than that offered under the variable plans in place for the existing members of the Executive.

Individuals joining the Executive from outside the Society may forfeit certain entitlements at their current employer on leaving. To be able to successfully recruit in such circumstances, the Society may compensate the individual for any lost entitlements. However, in doing so it will endeavour to ensure that the terms of any compensation are on a similar basis in terms of the value of any replacement awards, the time period over which they are earned and the application of performance conditions. The Society's existing incentive arrangements will be used to the extent possible, although awards may also be granted outside of these schemes if necessary.

In the case of internal promotions to the Executive, any outstanding variable pay awarded in relation to the previous role will be allowed to be paid out according to its terms (adjusted as relevant to take into account the appointment).

## Committee discretions

The Committee operates the Society's annual bonus and long-term incentive plans according to their respective rules. To ensure the efficient administration of these plans, the Committee has certain operational discretions.

These include:

- selecting the participants in the plans on an annual basis
- determining the timing of grants of awards and/or payments
- determining the quantum of awards and/or payments (within the limits set out in the summary remuneration components table above)
- determining the extent of vesting based on the assessment of performance
- making the appropriate adjustments required in certain circumstances (for example, change of control and restructuring events)
- determining 'good'/'bad' leaver status for incentive plan purposes and applying the appropriate treatment
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and long term incentive plan from year to year.

If an event occurs which results in the annual bonus plan or long term incentive plan performance conditions and/or targets being deemed no longer appropriate (for example, a material acquisition or divestment) the Committee has the authority to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

## IMPLEMENTATION SECTION – how the remuneration policy has been applied during the year

This section of the report explains how the Remuneration Committee has applied its remuneration policy during the 2019/20 financial year. It contains information about the Committee, details of the result of the vote on last year's Remuneration Report at the 2019 AGM, a summary of how the remuneration of the Group Chief Executive has varied with Society performance and full details of the remuneration received by members of the Executive during 2019/20.

### The Remuneration Committee

#### Composition

There are five directors on the Committee. The President and one Vice-President (as chosen by the Board) hold ex-officio positions. The remaining Committee positions are elected annually from the Board.

The Committee's Chair is elected annually by the Committee. Matt Lane served as Chair throughout the year.

Consistent with current best practice in corporate governance, the Society's President may not be elected as Chair of the Committee and any directors who are also employed by the Society cannot serve on the Committee.

The Society's Secretary acts as secretary to the Committee.

#### Members

The directors who served on the Committee during the year were:

- Steve Allsopp
- Clive Booker – stood down 4 November 2019
- Vicky Green – appointed 4 November 2019
- Matt Lane – Chair
- Heather Richardson – nominated Vice-President, ex officio
- Helen Wiseman – Society President, ex-officio

#### Responsibilities

The Committee provides independent governance on remuneration for the Executive. It is responsible for:

- developing the Executive remuneration policy covering base salary, pensions, benefits and performance-related incentive arrangements
- determining, within the terms of the policy, the specific remuneration packages for each Executive
- setting targets for the Society's annual and long-term performance-related incentives and reviewing outcomes relative to these targets

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The Committee is also responsible for providing high-level input and oversight into the Total Reward Strategy being developed and implemented by management for all Society colleagues.

The Committee's terms of reference can be found on the 'governance' pages of the Society's website at [www.midcounties.coop](http://www.midcounties.coop).

The Committee is accountable to the Board and reports on its activities at the Board meeting following each Committee meeting. Substantive decisions of the Committee are subject to Board endorsement before implementation.

### External advice

The Committee receives external advice from independent remuneration consultants New Bridge Street (an Aon Hewitt company, part of Aon plc). New Bridge Street is a member of the Remuneration Consultants' Group and is a signatory to their Code of Conduct. New Bridge Street's fees for 2019/20 were £25,302 (2018/19: £25,886). Neither New Bridge Street nor any other part of Aon Hewitt provided other services to the Society during the year.

If necessary the Committee will also engage external lawyers for advice and guidance.

### Meetings

Four Committee meetings were held during the year. Attendance by Committee members at these meetings is reported in the Society's Governance Report. The Group Chief Executive is invited to attend Committee meetings but is not present when his own remuneration is determined. No Executive plays any part in deciding his or her own remuneration.

The principal issues considered by the Committee during the year were as follows:

- the award of bonus and LTIP payments
- the setting of targets for bonus and the LTIP grant
- salaries for new roles being recruited to the Executive
- considerations around the introduction of a reward policy for Society colleagues
- the biennial review of Executive remuneration
- Group Chief Executive pay review
- considerations around a revised Executive structure
- review of this Remuneration Report

### Member voting at the Annual General Meeting

An advisory vote on the remuneration report is held at each AGM. The table below sets out the result of the vote on the 2018/19 remuneration report at the May 2019 AGM.

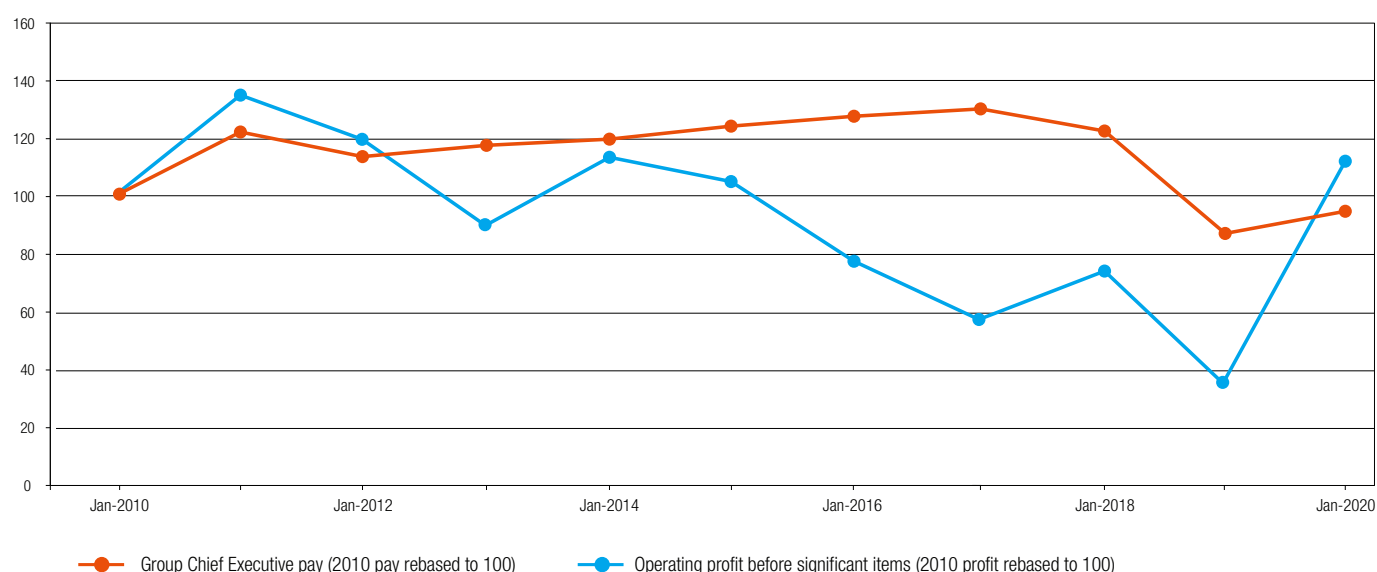
	Total number of votes	% of votes
For	153	81.8
Against	26	13.9
Abstain	8	4.3
Total	187	100.0

### Performance Graph

The graph overleaf shows a comparison of the percentage change in the Society's operating profit before significant items since 2010 against the total remuneration received by the Group Chief Executive comprising base salary, benefits, pension, bonus and long-term incentive awards. Both figures have been rebased to 100 as measured from the financial year ended January 2010 to illustrate more clearly the relative movement in the Group Chief Executive's pay and Society profit performance.



### Chief Executive Pay and Operating Profit before significant items



N.b. operating profit reflects the introduction of accounting standard IFRS 15 this year. Prior years have been restated.

### Executives' emoluments (audited)

The table below provides details of the remuneration and pension benefits received by Executives for the 2018/19 and 2019/20 financial years. These figures have been prepared in accordance with the reporting regulations set out by the Department for Business, Innovation and Skills.

#### Current Executive

	Year	Salary <sup>1</sup> £	Bonus £	Pension <sup>2</sup> £	Benefits- in-kind <sup>3</sup> £	Other payments £	LTIP payment £	Total £
Peter Dubois Group Chief Financial Officer	2018/19	175,582	-	12,291	16,752	-	22,690	227,315
	2019/20	180,326	-	12,368	21,560	-	-	214,254
Clare Moore <sup>4</sup> Chief HR Officer	2018/19	-	-	-	-	-	-	-
	2019/20	93,630	-	304	5,769	-	-	99,703
Rupert Newman <sup>5</sup> Chief Food Retail Officer	2018/19	-	-	-	-	-	-	-
	2019/20	60,579	-	202	3,461	-	-	64,242
Edward Parker Secretary & Head of Governance	2018/19	153,792	-	24,607	17,094	-	22,504	217,997
	2019/20	157,643	-	25,223	17,091	-	-	199,957
Phil Ponsonby Group Chief Executive	2018/19	369,037	-	-	16,708	-	42,800	428,545
	2019/20	490,001	-	-	19,200	-	-	509,201
Alistair Rowland Chief Retail Officer, Specialist Business	2018/19	183,793	-	12,751	12,000	-	26,496	235,040
	2019/20	190,599	-	13,342	12,000	-	-	215,941
Peter Westall Chief Values Officer	2018/19	163,928	-	10,826	14,875	-	23,123	212,752
	2019/20	168,022	-	11,573	14,876	-	-	194,471

<sup>1</sup> salary shows the amount received as salary during the financial year

<sup>2</sup> the figures show either:

- the value of the contribution made by the Society to the individual's defined contribution/auto-enrolment pension arrangement, or
- the value of the cash alternative in lieu of pension provision

<sup>3</sup> benefits-in-kind include the provision of a car or a cash alternative, and travel payments made to colleagues affected by the relocation of the Society's Head Office in 2011

<sup>4</sup> joined the Society on 29 July 2019

<sup>5</sup> joined the Society on 7 October 2019

## Former members of the Executive

	Year	Salary £	Bonus £	Pension £	Benefits- in-kind £	Other payments £	LTIP payment £	Total £
David Bird <sup>1</sup> Chief Executive Energy	2018/19	384,681	-	65,000	14,400	-	56,977	521,058
	2019/20	303,920	-	45,000	9,969	-	-	358,889
Kevin Brown <sup>2</sup> Chief Property & Services Officer	2018/19	156,748	-	743	10,800	-	21,630	189,921
	2019/20	160,866	-	1,238	11,538	-	-	173,642
Caroline Westall <sup>2</sup> Chief Information Officer	2018/19	160,792	-	743	10,800	-	22,276	194,611
	2019/20	164,941	-	1,238	11,538	-	-	177,717

<sup>1</sup> left the Society on 14 October 2019

<sup>2</sup> left the Society after the year end due to redundancy

## Application of the remuneration policy for 2019/20

### Base salary

It is the Committee's policy that the salaries of members of the Executive are normally increased in line with the increase agreed with SATA for the Society's senior management grades. In 2019/20 this was 2.5%.

Levels of fixed pay are reviewed formally every two years to ensure market competitiveness and benchmarking against the median position. The last review took place in the autumn of 2019 with changes taking effect at the start of the 2019/20 financial year. The next review will take place in the autumn of 2021.

Where appropriate, the Committee reviews levels of fixed pay at other times, particularly for more recent recruits to the Executive or where there has been a substantial development in role given growth or other changes in the business. In such instances the Committee will take into account the median benchmark position.

The table below shows the base salary at the start of the 2019 and 2020 financial years for members of the Executive.

Executive	Salary as at 27 January 2019 £	Salary as at 26 January 2020 £	Change including 2.5% annual rise %	Change excluding 2.5% annual rise %
Peter Dubois, Group Chief Financial Officer	176,010	180,411	2.5	0.0
Clare Moore <sup>1</sup> , Chief HR Officer	-	194,749	-	-
Rupert Newman <sup>2</sup> , Chief Food Retail Officer	-	225,006	-	-
Edward Parker, Secretary & Head of Governance	153,864	157,717	2.5	0.0
Phil Ponsonby, Group Chief Executive	455,813	515,071	13.0	10.5
Alistair Rowland, Chief Retail Officer, Specialist Business	183,878	213,000	16.0	13.5
Peter Westall, Chief Values Officer	164,004	168,101	2.5	0.0

<sup>1</sup> joined the Society on 29 July 2019

<sup>2</sup> joined the Society on 7 October 2019

Former members of the Executive	Salary as at 27 January 2019 £	Salary as at 26 January 2020 £	Change including 2.5% annual rise %	Change excluding 2.5% annual rise %
David Bird <sup>1</sup> , CEO Energy	384,387	-	-	-
Kevin Brown <sup>2</sup> , Chief Property & Services Officer	157,008	160,942	2.5	0.0
Caroline Westall <sup>2</sup> , Chief Information Officer	161,003	165,018	2.5	0.0

<sup>1</sup> left the Society on 14 October 2019

<sup>2</sup> left the Society after the year end due to redundancy

## Annual bonus plan performance targets

Members of the Executive, together with the Society's Leadership Team and other managers within the Society participate in the Society's annual bonus scheme.

The maximum bonus opportunity for members of the Executive for 2019/20 was 20% of base salary (2018/19: 20%). For Clare Moore and Rupert Newman who joined the Executive during the year, their bonus opportunity was agreed at 40% for the 2019/20 financial year, 33.3% for the 2020/21 financial year and 26.6% for the 2021/22 financial year as their incentive arrangement transition to full participation in the LTIP.

As noted elsewhere in this report, in light of the Covid-19 pandemic it is the Executive's view that it would be inappropriate to make bonus payments which have been earned for the 2019/20 financial year at this time, so no payments have been made.

It is proposed that the annual bonus plan for 2020/21 will be based on a new bonus plan being introduced to the Society's management teams. The STARS scheme is based on business performance at a Society level as well as Trading Group level and encourages a team approach to the achievement of Society goals. Targets will consist of a mix of financial objectives at Society and trading group level, and non-financial Society objectives.

A number of safeguards have been put in place for bonus:

- all bonus payments are self-funding – the cost of the payments is factored into the profit figures before bonuses are calculated
- there is a minimum performance requirement of 95% of budgeted profit on the financial elements for Trading Groups
- no bonus is payable if Society profit before significant items is less than 90% of budget for the year.

## Long-Term Incentive Plan (LTIP)

The Long-Term Incentive Plan (LTIP) is intended to focus the Executive on achieving longer-term performance and strategic goals. Awards vest after three years if challenging performance targets linked to the long-term development of the Society have been achieved.

A grant with a maximum value of 20% of average salary over the three year vesting period is made annually. Over time this results in Executives building up a series of overlapping awards, assisting with retention and helping take the Society forward.

### - 2017/18 LTIP award

The 2017/18 LTIP award matured in January 2020 and the results achieved are set out in the table on the next page. However, as noted elsewhere in this report, in light of the Covid-19 pandemic it is the Executive's view that it would be inappropriate to make LTIP payments which have been earned for the 2019/20 financial year at this time, so no payments have been made.

Performance measure	How measured?	Weighting	Threshold 40% payable	Target 90% payable	Maximum 100% payable	Result
1. Return on capital employed	Cumulative trading profit relative to 3-year plan	25%	95% of 3 year plan cumulative trading profit	100% of 3 year plan cumulative trading profit	115% of 3 year plan cumulative trading profit	below the Threshold target
2. Corporate reputation	From BITC's <sup>1</sup> newly issued Responsible Business Tracker	25%	< 5% below the average score	between the average score and 5% above	> 5% above the average score	> 5%
3. Colleague engagement	Measured via the annual colleague survey score and % colleague turnover figures	25%	score 80  % 21.3% - 21.8%	score 81  % 20.8% - 21.3%	score 82  % <20.8%	score 85  % 19.75%
4. External Partnerships	Measured through four key questions	25%	2 questions scored below threshold	76	2 questions achieved stretch	On target achieved

<sup>1</sup> Business in the Community

#### - 2020/21 LTIP award

The Remuneration Committee is set to review the nature of the LTIP over the coming months. As a result, the 2020/21 award has yet to be agreed.

#### - Summary of outstanding LTIP awards

The table below summarises the principal terms of the LTIP grants currently outstanding. All grants allow for a maximum payment of 20% of average salary over the three year performance period.

Grant	Payment	Performance measure	How measured	Weighting	Members of Executive eligible for an award
2018/19 2019/20	January 2021 January 2022	Return on capital employed	Cumulative trading profit relative to 3-year plan	25%	Peter Dubois Edward Parker Phil Ponsonby Alistair Rowland Peter Westall Rupert Newman <sup>1</sup> Clare Moore <sup>1</sup>
2018/19 2019/20	January 2021 January 2022	Corporate reputation	From BITC's Responsible Business Tracker	25%	
2018/19	January 2021	Colleague engagement	Measured through the Society's annual colleague survey and colleague turnover figures	25%	
2018/19	January 2021	External Partnerships	Measured through four key questions	25%	
2019/20	January 2022	Member trade	Measured through the number of member transactions	25%	
2019/20	January 2022	Member value	Measured through a basket of measures from the annual member survey	25%	

<sup>1</sup> eligible to receive 1/3 of any payment earned from the 2018/19 grant and 2/3 of any payment earned from the 2019/20 grant



## Clawback provisions

Payments made under the annual bonus and LTIP are subject to clawback provisions. These allow the Society to reclaim amounts that have been paid in the event of a material misstatement of the Society's accounts, an error in the calculation of performance conditions or gross misconduct by the individual.

## Pension

The Society operates a defined contribution scheme run by Legal & General (the L & G Scheme), and a scheme that complies with the government's auto-enrolment requirements.

The L & G Scheme was set up on closure of the Society's career average defined benefit scheme (the CARE Scheme) in 2014. Only members of the CARE Scheme at the time were eligible to join the L & G Scheme. The CARE Scheme previously operated on a final salary basis. The Society's stakeholder scheme transferred into the L&G Scheme in February 2016.

Under the L & G Scheme the Society matches contributions made by members up to 7.0% of pensionable pay. The Society offers the option of a cash alternative in lieu of pension contribution for those affected by the Lifetime/Annual Allowance limits. The amount varies depending on the circumstances agreed at the time.

Only basic salary is pensionable and the cash alternative is excluded from the calculation of the annual bonus and LTIP awards.

The pension arrangements for members of the Executive are set out below:

- Peter Dubois was a deferred member of the CARE Scheme with a mix of career average and final salary benefits; in 2018 he transferred his pension out of the CARE scheme; he participates in the L & G Scheme
- Rupert Newman participates in the Society's auto-enrolment pension arrangement
- Clare Moore participates in the Society's auto-enrolment pension arrangement
- Edward Parker is a deferred member of the CARE Scheme with a mix of career average and final salary benefits; he receives a cash alternative and has a right to take his CARE pension without penalty from age 60 if still employed by the Society at the time
- Phil Ponsonby has opted out of the pension provision from the Society
- Alistair Rowland is a deferred member of the CARE Scheme with career average benefits; he participates in the L & G Scheme
- Pete Westall was a deferred member of the CARE Scheme with a mix of career average and final salary benefits; in 2017 he transferred his pension arrangements out of the CARE scheme; he receives a cash alternative

The arrangements for former members of the Executive are set out here:

- David Bird received the cash alternative
- Kevin Brown was a deferred member of the CARE Scheme with a mix of career average and final salary benefits; he participated in the Society's auto-enrolment pension arrangement
- Caroline Westall participated in the Society's auto-enrolment pension arrangement.

## Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary and incentive pay between the 2018/19 and 2019/20 financial years, compared with that of the average for all colleagues in the Society.

	% change in salary and incentive pay	
	2019/20	2018/19
Group Chief Executive	18.9	(2.1)
Average for colleagues	(2.1)	4.9

### Relative importance of spend on pay

The table below compares the change in operating profit before significant items during the year with the change in the Society's total spend on employee remuneration and its distributions. The Group Chief Executive's overview found earlier in this annual report contains more detail on the Society's performance for the year.

	2019/20 £m	2018/19 £m	% change
Staff costs	143.2	145.6	(1.6)
Distributions	2.2	2.0	10.0
Operating profit before significant items	11.7	4.8	143.8

N.b. figures have been restated to take account of IFRS15

### Loss of office payments

The principles governing compensation for loss of office are set out earlier in this report. No payments for loss of office were made during the financial year. However, following the year end, the roles of Chief Information Officer held by Caroline Westall and Chief Property & Services Officer held by Kevin Brown were made redundant. The incumbents have agreed exit terms and are to leave the business effective 17 April 2020. Payments of £28,561 (Caroline Westall) and £41,783 (Kevin Brown) have been agreed in accordance with the Society's redundancy policy, together with pay in lieu of notice payments of £82,509 (Caroline Westall) and £80,471 (Kevin Brown) and other contractual payments of £71,608 (Caroline Westall) and £67,030 (Kevin Brown).

### Payments to past Executives

Ben Reid, the Society's former Group Chief Executive, who retired in 2018, represents the Society on the Board of the International Co-operative Alliance, the apex body for co-operatives globally. Effective from 30 July 2018 the Board agreed a consultancy arrangement for this whereby Mr Reid receives £10,000 p.a. until 31 October 2021 when his term of office expires.

No other payments were made to former members of the Executive during the year.

## DIRECTORS' FEES

This section of the Report provides details of the fees, expenses and benefits for directors of the Society and sets out an overview of the role of a director.

### Fees

The Rules of the Society require that the fees and expenses paid to directors are approved by the Society's members. Proposals are put forward by the Board to members on a periodic basis. Proposals were last approved by members at the AGM held on 7 May 2016.

The Board is conscious that the fee levels paid to directors, while reflecting the level of responsibility the role of a director in a co-operative society carries, should also take into account the long held co-operative traditions of fairness and equity.

The current annual fees payable to directors and those serving on the various committees and formal groups of the Society are set out on the next page.

All the fees listed are increased each year by the same inflation-related increase negotiated with SATA that is awarded to the Society's senior management grades. This was 2.5% in 2019/20 (2018/19: 2.5%)



Board/Committee	Role	Fees 2019/20 £	Fees 2018/19 £
Board	President	13,870 40% above Director fee	13,532
	Vice-Presidents	11,889 20% above Director fee	11,599
	Director	9,907	9,666
Utilities Committee <sup>1</sup>	Chair	3,782 20% above Director fee	3,782
	Director	3,152	3,152
Audit & Risk Committee	Chair	775 20% above Director fee	756
	Vice-Chair	711 10% above Director fee	693
	Committee member	646	630
Pension Trustee Board	Trustee Chair	1,508 40% above Director fee	1,471
	Trustee director	1,077	1,050
Environmental steering group	Board representative	646	630
Member Engagement Committee	Committee member	646	630
Remuneration Committee	Committee member	646	630

<sup>1</sup> the Utilities Committee was disbanded at the end of the 2019/20 financial year

## Expenses

Directors are reimbursed all reasonable expenses incurred while carrying out their duties for the Society. In addition, an attendance allowance of £35 per half day can be claimed by directors who participate in pre-approved external meetings and events, for example, Co-operative Congress and Consumer Council meetings.

## Benefits

The Society's Colleague Discount scheme is available to directors and their partners. Helen Wiseman is a member of the Society's closed career average pension scheme.

## Directors' remuneration table (audited)

The following table lists the fees paid to the directors of the Society who served during the year under review.

Director	Fees	
	2019/20 £	2018/19 £
Steve Allsopp	12,144	11,473
Olivia Birch <sup>1</sup>	7,892	10,185
Clive Booker	12,691	13,166
Ellie Boyle	10,519	10,247
Martin Cook	13,160	12,819
Judith Feeney	14,713	14,134
Patrick Gray	14,701	16,484
Vicky Green <sup>2</sup>	2,435	-
Gary Hayes <sup>3</sup>	-	-
Irene Kirkman <sup>1</sup>	7,781	10,314

Director	Fees	
	2019/20 £	2018/19 £
Matthew Lane	13,635	13,513
Donald Morrison <sup>1</sup>	12,224	13,239
Jean Nunn-Price <sup>1</sup>	7,212	9,460
Kathryn Petersen	10,440	2,551
Barbara Rainford <sup>2</sup>	2,680	9,041
Fiona Ravenscroft <sup>2</sup>	2,535	-
Heather Richardson	13,228	10,859
Wendy Willis <sup>2</sup>	2,435	-
Helen Wiseman	17,556	17,337
Vivian Woodell	15,761	15,782

<sup>1</sup> resigned October 2019

<sup>2</sup> appointed October 2019

<sup>3</sup> waived payment of his director fee

## The role of a director

The Society is a large and complex organisation. It employs nearly 8,000 people in a number of consumer oriented businesses and plays an important social role in the community. It is owned and controlled by its members, a fundamental principle of co-operation, and co-operative values underpin all its activity.

The Board of directors is accountable to the Society's members. It is responsible for setting the Society's objectives and strategy and ensuring these are delivered in an assurance framework that promotes long term success.

Being a director involves serious obligations, including legal and moral responsibilities, as spelled out in the Society's Blueprint, the Co-operative Governance Code, and in legislation.

To be an effective member of the Board does not demand formal qualifications or first-hand experience of business management. It does, however, require a willingness to come to grips with sometimes complicated business and ethical issues, an ability to acquire a level of understanding sufficient to enable informed judgments about matters which come to the Board, and a willingness to contribute to discussion and debate in the Board room.

It also involves a commitment of time to other areas of the Board's work. For example, by standing on committees and working groups, and, more widely, by representing the Society both internally and externally at meetings and events.

While, the amount of time a director contributes to their duties will vary considerably according to factors such as what committees they serve on and on personal circumstances, in all cases it extends well beyond simply preparing for and attending monthly Board meetings and should not be underestimated.

## APPROVAL OF REMUNERATION REPORT

This remuneration report was approved by the Remuneration Committee on 6 April 2020.



**Matt Lane**  
**Chair – Remuneration Committee**

**6 April 2020**



# Statement of directors' responsibilities in respect of the financial statements

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The directors are responsible for preparing the Annual Report and the Society's financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Standards (IFRSs) as adopted by the EU.

The financial statements are required by law to give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period.

In preparing the Society financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Covid-19**

In light of the ongoing Covid-19 pandemic and its expected impact upon the Society, the Board has considered whether any adjustments are required to the financial statements. As at the 25 January 2020 balance sheet date, no global pandemic had been declared, albeit some impact was first being felt in China and the Republic of Korea. At that time the full impact of Covid-19 upon the worldwide economy or indeed UK businesses was not known neither were the actions of the UK government in response.

The World Health Organisation declared a pandemic on 11 March 2020 following which social distancing measures and restrictions on the workings of normal society were introduced by the UK government. As these interventions and actions only became apparent after the balance sheet date any consequences arising, represent non-adjusting post balance sheet events.

## **Going concern**

The Board has considered the cash flow projections across the forecast period to February 2022 for the Society arising from current performance, forecasts and known risks, including those likely to arise from a severe and plausible downside scenario as a result of the Covid-19 pandemic.

A detailed assessment of the likely impacts of Covid-19 is shown on page 68-69.

The Directors believe it remains appropriate to prepare the financial statements on a going concern basis due to available mitigating actions and they consider it unlikely for business revenues and receipts to decline by the amounts in the severe but plausible scenario.

However, there remain factors outside of the Society's control, principally in relation to the Travel business, which may result in the Society requiring additional working capital beyond its existing facilities or the need to reset covenants to avoid covenant breaches. Should either of these eventualities look set to arise, it is open for the

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Society to seek additional facilities, renegotiate covenants, and/or to take other mitigating actions to reduce the amount of working capital required, a prudent approach as access to additional capital or the continued availability of existing facilities in the event of a covenant breach is not guaranteed.

The directors consider this matter represents a material uncertainty that has the potential, if other mitigating actions are insufficient, to cast doubt on the Society's ability to continue as a going concern and therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

## 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 Society'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 Society's auditors are aware of that information.

## Approval

**The Financial Statements are signed on behalf of the Board of Directors.**



**Helen Wiseman**  
President



**Heather Richardson**  
Vice-President



**Vivian Woodell**  
Vice-President



**Edward Parker**  
Secretary

6 May 2020

# Independent auditor's report to the Members of The Midcounties Co-operative Limited

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## Opinion

We have audited the financial statements of The Midcounties Co-operative Limited ("the Society") for the period ended 25 January 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Society's affairs as at 25 January 2020 and of the Society's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU); and
- the financial statements have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Material uncertainty related to going concern

We draw attention to note 1b) to the financial statements which indicates that changes in the forecast assumptions, particularly in relation to the Travel business, could result in the Society requiring additional working capital beyond the existing facilities or the need to reset covenants to avoid covenant breaches. These events and conditions, along with the other matters explained in note 1b), constitute a material uncertainty that may cast significant doubt on the Society's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## Other information

The directors are responsible for the other information, which comprises the President's introduction, the Group Chief Executive's overview, key achievements, trading group overviews, reporting on our steering wheel, managing risk, Governance report and Remuneration Report. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial

statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information
- in our opinion the information given in the other information for the financial period is consistent with the financial statements; and
- in our opinion the other information been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

## Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Society has not kept proper books of account; or
- the Society has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Society's books of account; or
- we have not received all the information and explanations we need for our audit

We have nothing to report in these respects.

## Directors' responsibilities

As explained more fully in their statement set out on page 60, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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### **The purpose of our audit work and to whom we owe our responsibilities**

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 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.



**Nicola Davies (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

**12 May 2020**



# Consolidated Statement of Comprehensive Income

For the year ended 25 January 2020

		2019/20	2018/19 (restated)*
		£'000	£'000
	Note		
Revenue	1	808,081	771,119
Cost of sales		(578,427)	(545,743)
Gross profit		229,654	225,376
Operating expenses	2.1	(210,704)	(210,288)
Operating profit before significant items		18,950	15,088
Significant items	2.2	(8,608)	(9,489)
Operating profit		10,342	5,599
Finance costs	2.3	(9,683)	(5,788)
Profit/(loss) before payments to and on behalf of members		659	(189)
Payments to and on behalf of members	2.4	(2,220)	(2,032)
Loss before tax		(1,561)	(2,221)
Income tax	2.5	4,095	681
Profit/(Loss) for the year from continuing operations		2,534	(1,540)
Loss for the year from discontinued operations, net of tax.	2.6	(92,237)	(9,513)
Loss for the year		(89,703)	(11,053)
<b>Other comprehensive income</b>			
Items that will not be reclassified to the income statement in future periods:			
Revaluation (loss)/gain of property, plant and equipment		(383)	1,155
Realised on disposal of properties		-	(18)
Remeasurement of defined benefit liability	4.3	(8,509)	4,452
Income tax on other comprehensive income	2.5	1,723	(1,736)
Phone Co-op transfer of engagements		(16)	366
<b>Other comprehensive (expense)/income for the period, net of income tax</b>		<b>(7,185)</b>	<b>4,219</b>
<b>Total comprehensive expense for the period</b>		<b>(96,888)</b>	<b>(6,834)</b>

The Group has disclosed a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and other comprehensive income.

\* Comparative has been restated due to a discontinued operation - see note 2.6.

# Consolidated Statement of Financial Position

As at 25 January 2020

	Note	2019/20 £'000	2018/19 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3.1	183,191	194,982
Intangible assets	3.2	80,080	136,305
Investment property	3.3	12,814	12,901
Right of use assets	3.10	112,519	-
Other investments	3.4	63,894	59,625
Other debtors		1,374	-
Deferred tax assets	3.5	9,249	11,000
<b>Total non-current assets</b>		<b>463,121</b>	<b>414,813</b>
<b>Current assets</b>			
Other investments	3.4	5,475	4,584
Stocks	3.6	24,565	25,068
Trade and other receivables	3.7	245,526	240,254
Cash and cash equivalents	3.8	10,512	15,138
Current tax recoverable		-	458
Assets held for sale	3.9	8,585	4,902
<b>Total current assets</b>		<b>294,663</b>	<b>290,404</b>
<b>TOTAL ASSETS</b>		<b>757,784</b>	<b>705,217</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	4.1	20,129	18,888
Trade and other payables	4.2	357,576	347,695
Right of use liability	4.2	9,530	-
Current tax payable		196	-
Provisions		-	3,950
<b>Total current liabilities</b>		<b>387,431</b>	<b>370,533</b>
<b>Non-current liabilities</b>			
Loans and borrowings	4.1	58,374	39,506
Other payables	4.2	68,636	62,203
Right of use liability	4.2	104,386	-
Provisions		-	4,988
Pension obligations	4.3	46,082	41,326
<b>Total non current liabilities</b>		<b>277,478</b>	<b>148,023</b>
<b>TOTAL LIABILITIES</b>		<b>664,909</b>	<b>518,556</b>
<b>NET ASSETS</b>		<b>92,875</b>	<b>186,661</b>
<b>EQUITY</b>			
Share capital		75,153	70,645
Other reserves		41,126	41,602
Retained earnings		(23,404)	74,414
<b>TOTAL EQUITY</b>		<b>92,875</b>	<b>186,661</b>

# Consolidated Statement of Changes in Equity

As at 25 January 2020

	Share Capital £'000	Revaluation reserve £'000	Retained Earnings £'000	Total Equity £'000
<b>Balance at 27 January 2018</b>	56,413	43,380	80,731	<b>180,524</b>
Loss for the year	-	-	(11,053)	<b>(11,053)</b>
Other comprehensive income:				
Phone Co-op transfer of engagements	-	-	366	<b>366</b>
Revaluation of property, plant and equipment	-	1,155	-	<b>1,155</b>
Realised on disposal of properties	-	(1,954)	1,936	<b>(18)</b>
Actuarial gain on defined benefit pension plans	-	-	4,452	<b>4,452</b>
Dormant share accounts to reserves	(58)	-	58	<b>-</b>
Income tax on other comprehensive income	-	(979)	(757)	<b>(1,736)</b>
<b>Total other comprehensive expense</b>	(58)	(1,778)	6,055	<b>4,219</b>
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	6,981	-	-	<b>6,981</b>
Transfer of engagements: The Phone Co-op Limited	7,309	-	-	<b>7,309</b>
Members' share interest	-	-	(1,319)	<b>(1,319)</b>
<b>Total contributions by and distributions to members</b>	14,290	-	(1,319)	<b>12,971</b>
<b>Balance at 26 January 2019</b>	70,645	41,602	74,414	<b>186,661</b>
Loss for the year	-	-	(89,703)	<b>(89,703)</b>
Other comprehensive income:				
Phone Co-op transfer of engagements	-	-	(16)	<b>(16)</b>
Revaluation of property, plant and equipment	-	(383)	-	<b>(383)</b>
Realised on disposal of properties	-	(369)	369	<b>-</b>
Actuarial gain on defined benefit pension plans	-	-	(8,509)	<b>(8,509)</b>
Dormant share accounts to reserves	(197)	-	197	<b>-</b>
Income tax on other comprehensive income	-	276	1,447	<b>1,723</b>
<b>Total other comprehensive income</b>	(197)	(476)	(6,512)	<b>(7,185)</b>
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	4,705	-	-	<b>4,705</b>
Members' share interest	-	-	(1,603)	<b>(1,603)</b>
<b>Total contributions by and distributions to members</b>	4,705	-	(1,603)	<b>3,102</b>
<b>Balance at 25 January 2020</b>	75,153	41,126	(23,404)	<b>92,875</b>

# Consolidated Statement of Cash Flows

## For the year ended 25 January 2020

	Note	2019/20 £'000	2018/19 £'000
<b>Cash flows from operating activities</b>			
Loss for the period		(89,703)	(11,053)
Adjustments for:			
Depreciation	3.1	9,528	11,148
Amortisation of intangible assets	3.2	3,714	5,218
Depreciation IFRS16 right of use assets	3.10	11,257	-
Gain on sale of property, plant and equipment	2.2/2.6	(367)	(1,668)
Impairment of property, plant and equipment	2.2	-	(274)
Impairment of discontinued operations assets	2.6	58,368	-
Change in fair value of investment property	2.2	197	42
Change in fair value of trading property	2.2	40	7,719
Past service cost	2.2/4.3	-	550
Net finance expense	2.3/2.6	5,786	6,624
IFRS16 finance expense	2.3	4,046	-
Payments to and on behalf of members	2.4	2,220	2,032
Members share of profits	1	1,082	1,822
Income tax (credit) / expense	2.5/2.6	(4,095)	(1,384)
		<b>2,073</b>	<b>20,776</b>
Change in:			
Stocks		1,067	(399)
Trade and other receivables		(11,872)	5,035
Trade, other payables and provisions		7,802	15,691
Payments to the pension fund		(6,092)	(6,600)
		<b>(9,095)</b>	<b>13,727</b>
Income tax		<b>239</b>	<b>6</b>
<b>Cash used in operating activities</b>		<b>(6,783)</b>	<b>34,509</b>
<b>Cash flows from investing activities</b>			
Interest received		133	52
Proceeds from:			
Sale of investment properties, property, plant and equipment, intangible assets and assets held for sale		21,377	7,502
Purchase of:			
Property, plant and equipment	3.1	(7,928)	(14,287)
Intangible assets		-	(7,332)
Investment property	3.3	(1,600)	-
Cash received on transfer of engagements		-	796
Business acquisitions (net of cash acquired)	6.1	(12,142)	(9,680)
<b>Net cash used in investing activities</b>		<b>(160)</b>	<b>(22,949)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		12,837	40,218
Repayment of share capital		(9,002)	(33,011)
Net proceeds from loans		16,000	(15,000)
Loan arrangement fees		(489)	-
Interest paid on borrowings		(3,580)	(3,289)
Proceeds from new finance leases		4,997	-
Repayment of lease liabilities		(15,390)	(429)
Payments to and on behalf of members and share interest paid		(4,160)	(2,689)
<b>Net cash used in financing activities</b>		<b>1,213</b>	<b>(14,200)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,730)</b>	<b>(2,640)</b>
Cash and cash equivalents at start of period		(3,810)	(1,170)
<b>Cash and cash equivalents at end of period</b>	3.8	<b>(9,540)</b>	<b>(3,810)</b>

Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. In the Consolidated Statement of Financial Position overdrafts are classified as current liabilities, loans and borrowings. The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total – i.e. Including both continuing and discontinued operations.



# Accounting Policies

## 1. Basis of Preparation

### a) Statement of compliance

The Midcounties Co-operative Limited is a Co-operative Society domiciled in the United Kingdom. The Group financial statements for the year ended 25 January 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

As permitted by statute and International Accounting Standard No.1 (IAS 1), the financial statements format has been adapted as necessary to give a fair presentation of the state of affairs and result of the Group. As allowed by Co-operative Society legislation, a separate set of financial statements for the Society are not included and are published separately.

### b) Basis of preparation

The financial statements are prepared on a going concern basis notwithstanding that the Society has reported a loss of £89.7m for the year to 25 January 2020 (2018/19: £11.1m loss), has net current liabilities of £92.8m (2018/19: £80.1m) and net assets of £92.9m (2018/19: £186.7m). The Society meets its day to day working capital requirements from bank loans and a revolving credit facility together with cash balances.

As at 24 April 2020, the Society had total drawings of £64.9m under its bank loans and revolving credit facilities. The bank facilities are subject to continued compliance with both financial and administrative covenants. On 29 April 2020, the Society agreed a new revolving credit facility to commence on 2 November 2020. This new credit facility will mature in March 2022 in line with the Society's other bank facilities. As part of this new facility banking covenants have been relaxed for the 2020/21 financial year to 3.5x (Quarters 1, 2 and 4) and 4.0x (Quarter 3).

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Society can continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements.

Forecasts have been prepared through to January 2022 to assist with this analysis, and a rigorous assessment has been undertaken of current and future trading which includes the risks arising from the global pandemic, Covid-19. The scenarios outlined below are deemed to represent a severe and plausible test on the Society's ability to continue to adopt the going concern basis.

Following this analysis, the directors have concluded that, apart from the uncertainties arising from the impact of the pandemic (outlined below), the Society has adequate resources and will comply with its covenant requirements, to allow it to continue in operational existence for the period to January 2022. Therefore, the financial statements are prepared on a going concern basis although the directors recognise that the circumstances below represent a material uncertainty in relation to going concern.

### Covid-19

The impact of Covid-19 upon the Society is expected to be significant. The Society's businesses span a range of market segments within the UK, each with different impacts. Accordingly, a number of scenarios have been considered to understand the potential impact on resources. The scenario modelling has applied severe but plausible stress-tests to the performance of each of the Society's businesses, as outlined below.

### Travel

In Travel, we have assumed that customers undertake no travel, nor receive any new travel bookings, until the beginning of September; that all of our Retail travel branches are fully closed during that time; that future bookings are reduced to 85% of original budget and are largely for travel dates into 2021; that re-book assumptions are 40% and cash refunds are paid on all cancellations; that we are unable to reduce our ATOL or ABTA bonded values and that we have significant levels of 'trapped cash' arising from refunds we expect to make to customers that might not be supported in cash by tour operators.

In addition, we have assumed that at no time do we recover any missed travel plans.

The travel business benefits from strong underlying working capital. However, the temporary curtailment of travel has caused a slowdown in bookings and resulted in a high number of refunds and re-bookings that unwinds some of this resource.

It is assumed that the business returns to normal booking and travel conditions from the Society's new financial year (February 2021), albeit the impact of these re-bookings and the timing of the working capital associated is expected to result in a smaller working capital benefit in 2021/22.

### Childcare

In Childcare, we have assumed that 60% of our nurseries will be fully closed until September and in all other locations that we operate at a significantly reduced capacity, in support of Key Workers. As a result of these closures, we have applied for Government support through the Government's Job Retention Scheme and capped this in line with our levels of Local Authority funding.

### Food Retail & Healthcare

Our Food and Healthcare businesses are both expected to experience a material increase in revenues estimated to be more than 15% higher than the previous financial period until the end of May and more than 10% higher until mid-July, albeit we expect to deliver services in very different ways.

Our modelling assumes that both Food and Healthcare divisions experience some supply chain disruption resulting in lower levels of product availability and that this leads to some pressure on gross margin.

## Funeral

In Funeral, our severe but plausible downside tests have modelled a more limited offering, planned for restricted attendees at ceremonies and forecast a much greater mix of 'simple' or 'cremation without ceremony' services throughout 2020.

In addition, we have temporarily closed our Masonry business, assumed that access to graveyards is limited throughout the summer, stopped using our ceremonial fleet and re-priced our more standard ceremonies to reflect a reduced service.

## Mitigation

The directors have implemented a number of mitigating actions which are modelled in the severe but plausible downside. These include but are not limited to capital investment restrictions, recruitment and headcount controls, increased sale and leaseback deals, finance lease re-gearing, bonus and pay curtailment, pension deficit payment reductions, marketing savings and cessation of non-essential services.

In addition, Government support has been granted and will be accessed in the form of the Job Retention Scheme, the Business Rates Reduction Scheme, Childcare funding and support for PPE in Healthcare.

Other potential mitigating actions that are not included in the severe but plausible downside include:

- the Society intends to pursue access to the Government-backed CLBILS loan scheme, although no benefit attributing to this scheme has been assumed
- the Society has applied for Business Rates grants across a number of its locations
- the Society continues to have a strong relationship with its existing lenders and an open dialogue should further funds be required
- the business already has a strategy to sell certain non-core property assets to realise additional cash resources; none of these sales have been included in the downside modelling outlined above despite a number being under offer
- the Society is working with its buying partners to secure access to a number of working capital opportunities that have been identified and are under consideration relating to the Food Retail business.

The Directors believe it remains appropriate to prepare the financial statements on a going concern basis due to available mitigating actions and they consider it unlikely for business revenues and receipts to decline by the amounts in the severe but plausible scenario.

However, there remain factors outside of the Society's control, principally in relation to the Travel business, which may result in the Society requiring additional working capital beyond its existing facilities or the need to reset covenants to avoid covenant breaches. Should either of these eventualities look set to arise, it is open for the Society to seek additional facilities, renegotiate covenants, and/or to take other mitigating actions to reduce the amount of working capital required, a prudent approach as access to additional capital or the continued availability of existing facilities in the event of a covenant breach is not guaranteed.

The directors consider this matter represents a material uncertainty that may cast significant doubt on the Society's ability to continue as a going concern and therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

## c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about areas of estimation, uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

	Section
Valuation of trading properties	3.1
Measurement of the recoverable amounts from cash generating units containing goodwill	3.2
Valuation of investment properties	3.3
Deferred tax asset	3.5
Measurement of pension obligations	4.3
Business combinations	6.1
Valuation of insurance contracts	6.2

#### **d) Basis of consolidation**

The consolidated financial statements include the Society and its subsidiary undertakings. Subsidiaries are entities controlled by the Society. Control exists when the Society has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### **e) Significant items**

Certain income and expenditure items are disclosed separately when they are material to the Society due to size, volatility or being one off in nature and require further explanation.

#### **f) Discontinued operations**

- A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:
- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

#### **g) Changes in accounting policies**

The Society has consistently applied the accounting policies set out in this note to all periods presented in these consolidated financial statements.

#### **h) New standards and interpretations**

**The following standards and interpretations have been adopted in the current year.**

##### **IFRS 16 leases**

The Society adopted IFRS 16 using the modified approach utilising recognition exemptions for short term leases and leases of low-value items. The new standard replaces existing leases guidance, principally IAS 17 Leases. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees.

A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard has no economic impact on the Society. It has no effect on how the business is run, nor on cash flows for the Society. It does however have a significant impact on the way the assets, liabilities and the income statement of the Society are presented, as well as the classification of cash flows relating to lease contracts.

**Right of use asset treatment and depreciation:** The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Society by the end of the lease term or the cost of the right-of-use asset reflects that the Society will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**Analysis of lease payments:** Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Society is reasonably certain to exercise,
- lease payments in an optional renewal period if the Society is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Society is reasonably certain not to terminate early.

**Detail on accounting for lease liability:** The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Society's estimate of the amount expected to be payable under a residual value guarantee, if the Society changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss. The Society presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.



In summary, IFRS 16 seeks to align the presentation of leased assets more closely to owned assets. In doing so, a right of use asset and lease liability are brought on to the balance sheet, with the lease liability recognised at the present value of future lease payments. Whilst the right of use asset is matched in value to the lease liability at inception, it differs in value through the life of the lease. From an income statement perspective, the pre-IFRS 16 rental charge is replaced by depreciation and interest. IFRS 16 therefore results in an increase in operating profit, which is reported prior to interest being deducted. Whilst depreciation reduces on a straight-line basis, interest is charged on outstanding lease liabilities and therefore for any given lease, interest is higher in the earlier years and decreases over time. As a result, the impact on the income statement below operating profit is highly dependent on average lease maturity.

**New IFRS standards and interpretations to be adopted in the future.**

- The following standards and interpretations, which are not yet effective and have not been adopted early by the Society, will be adopted in future accounting periods:
- Amendments to References to the Conceptual Framework in IFRS Standards, endorsed by the EU.
  - Amendments to IFRS 3 "Business Combinations", not yet endorsed by the EU.
  - Amendments to IAS 1 and IAS 8, endorsed by the EU.
  - Amendments to IFRS 7, IFRS 9 and IAS 39, endorsed by the EU.

The above changes are not expected to have a material impact on the Society.



# Notes to the Financial Statements

## Keeping it simple

These boxes are included as additional disclosure within each of the following notes to assist readers' understanding and interpretation.

## Section 1 - Revenue

### In this section

This section provides information used to establish the gross profit of the Society.

### Keeping it simple – Sales

Gross sales represents the amount of money customers pay or are liable to pay at the point of sale and delivery.

Revenue consists of gross sales less agency fees, VAT and staff discount.

### Accounting Policy:

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

The following criteria must be met before revenue is recognised:

Class of revenue	Recognition criteria
Sale of goods and rendering of services	Point of sale and provision of services
Travel agency fees and commissions	Gross commission earned recognised on booking
Travel principle revenue	Recognised on departure date
Flexible benefits commissions	Gross commission recognised at the point of payment
Rental income arising from operating leases	Straight line over the term of the lease

## 1. Revenue

	2019/20 Gross sales £'000	2019/20 Revenue £'000	2018/19 restated Gross sales £'000	2018/19 restated Revenue £'000
Food	609,005	549,185	591,366	534,532
Funeral	33,035	32,511	34,293	33,830
Healthcare	28,931	28,424	28,993	28,578
Travel	554,212	144,935	396,514	127,130
Childcare	36,435	36,275	34,453	34,387
Post Offices	2,942	2,911	2,873	2,853
Flexible benefits	19,990	939	25,252	1,358
Phone	10,587	10,540	6,651	6,638
Energy White Label	33	33	-	-
Other	15	47	82	82
Property rentals	3,378	3,363	3,560	3,553
	<b>1,298,563</b>	<b>809,163</b>	1,124,037	772,941
Members share of profits	(1,082)	(1,082)	(1,822)	(1,822)
Total Revenue	<b>1,297,481</b>	<b>808,081</b>	1,122,215	771,119

### Keeping it simple – Cost of sales

Costs of sales are the costs we incur in buying the goods and services we provide to our customers.

Cost of sales are measured at the cost of goods purchased for resale and delivery net of rebates.

Cost of sales for discontinued operations (energy) supply includes the cost of gas and electricity purchased during the year taking into account the industry reconciliation process for total gas and total electricity usage, and related transportation and distribution costs.

## Section 2 - Expenses

### In this section

This section contains details of costs incurred by the Society during the year, transactions with directors, payments to and on behalf of members and income tax calculations.

### 2.1 Operating expenses before significant items

#### Keeping it simple - Operating expenses

Operating expenses are the costs we incur in providing the goods and services we deliver to our customers. This includes the amount we pay our colleagues and the costs of running our trading outlets. Directors' fees represent any payments made to directors for their role in the Society.

	Note	2019/20 £'000	2018/19 £'000
Operating costs	2.1.1	101,995	107,775
Personnel costs	2.1.2	143,152	145,616
Transactions with directors	2.1.3	218	218
		<b>245,365</b>	253,609
Discontinued operations included above		<b>(34,661)</b>	(43,321)
Continuing operations		<b>210,704</b>	210,288

#### 2.1.1 Operating costs

		2019/20 £'000	2018/19 £'000
Hire of plant and equipment - operating leases		545	467
Hire of land and buildings - operating leases		2,400	15,038
Depreciation of owned assets - property, plant and equipment	3.1	9,294	10,630
Amortisation of owned assets - intangibles	3.2	3,714	5,218
Depreciation of assets held under finance leases	3.1	234	518
Depreciation of right of use assets	3.10	11,257	-
Fees paid to auditors:			
Audit		476	440
Other		9	101
Other expenses		74,066	75,363
		<b>101,995</b>	107,775

#### 2.1.2 Personnel costs

		2019/20 £'000	2018/19 £'000
Wages and salaries		131,938	134,812
Compulsory social security payments		8,664	8,800
Expenses related to defined contribution pension schemes	4.3	2,550	2,004
		<b>143,152</b>	145,616

The average monthly number of employees employed by the Society was:

	Number	Number
Full time	3,600	4,473
Part time	4,311	4,040
	<b>7,911</b>	8,513

### 2.1.3 Transactions with directors

#### Keeping it simple - Transactions with directors

This section represents any payments made to directors for their role in the Society.

	2019/20 £'000	2018/19 £'000
Directors' fees and expenses	218	218

### 2.2 Significant items

#### Keeping it simple - Significant items

These are unusual because of any one or more of their size, volatility and nature and are separately shown to help show a view of the Society's underlying performance.

Significant items are non-underlying items of income and expenditure that are one-off in nature, of significant magnitude and/or their volatility would otherwise distort the underlying financial performance of the Society.

		2019/20 £'000	2018/19 restated £'000
Analysis of significant items:			
Items included within operating expenses:			
Net gain on disposal of property, plant, equipment, investment properties and assets held for sale	a	367	1,672
Change in fair value of trading properties	a	(40)	(7,719)
Change in fair value of investment properties	a	(197)	(42)
Expense of business acquisitions and disposals	b	(3,028)	(871)
Impairment of property, plant and equipment	c	-	274
Restructuring costs	d	(1,958)	(914)
Right of use asset impairment (2018/19: onerous lease)	e	972	(1,339)
Defined benefit pension plan	f	-	(550)
Refinancing	g	(2,915)	-
Historical employment related costs	h	(1,126)	-
Supplier failure	i	(683)	-
Significant items		(8,608)	(9,489)
Tax on significant items	j	1,898	1,734
Significant items after tax		(6,710)	(7,755)

- a - Gains and losses on disposal of property, plant and equipment, assets held for sale and investment properties are one-off in nature and can be significant in terms of size and volatility. Similarly, changes in fair values of the trading and investment properties as part of the annual revaluation process are significant as they depend on market conditions at the time of valuation and therefore can be volatile as well as significant in size.
- b - In accordance with IFRS 3 revised, expenses related to business acquisitions are expensed to the income statement. They are significant as they are one-off in nature and potentially also in size. In the current year and prior year this mainly relates to legal costs incurred in relation to acquisitions and disposals.
- c - Impairments of property, plant and equipment and the reversal thereof, are significant in value. This volatility would distort the underlying financial performance. They are in relation to a decrease/(increase) in the impairment provision on loss-making sites.
- d - The Society continues to assess the structure within all trading groups. This resulted in a one-off cost related to a number of groups.
- e - Reversal of the onerous lease element of IFRS16 right of use assets (2018/19 onerous lease).
- f - Defined benefit pension plan – equalisation of male and female guaranteed minimum pensions.
- g - Cost relating to refinancing of banking facilities.
- h - The period of the historical employment relates costs relates to prior years so therefore would distort the underlying financial performance and are one off in nature.
- i - Non recoverable costs that related to the failure of a key travel supplier.
- j - The tax credit relates to tax on significant items.

## 2.3 Finance costs

### Keeping it simple - Finance costs

This is the amount of money we have paid out or received from our loans and investments. We include interest received on bank accounts and pension obligations and interest paid on loans held and overdraft facilities used.

Finance income comprises interest income on funds invested, dividend income and funeral prepayment plans. Interest income is recognised as it accrues in the income statement using the effective interest method. Dividend income is recognised in the income statement on the date that the Society's right to receive payment is established which, in the case of quoted securities, is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, changes in the fair value of funeral prepayment plans, and impairment losses recognised on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.

Net finance expense in respect of pension obligations represents the interest paid from the investment of the pension scheme assets.

	Note	2019/20 £'000	2018/19 £'000
Finance income	2.3.1	133	52
Finance expenses	2.3.2	(9,816)	(5,840)
Total finance cost		(9,683)	(5,788)

### 2.3.1 Finance income

	2019/20 £'000	2018/19 £'000
Interest income on available for sale financial assets	32	18
Interest income on bank deposits	101	34
	133	52

### 2.3.2 Finance expense

	2019/20 £'000	2018/19 £'000
Net interest on defined benefit liability	2,339	3,279
Interest expense on bank loans	2,719	2,444
Interest expense in respect of IFRS16	4,046	-
Interest expense in respect of finance lease liabilities	205	9
Loan arrangement fees expensed	507	108
Total finance expense	9,816	5,840

## 2.4 Payments to and on behalf of members

### Keeping it simple - Payments to and on behalf of members

We return some of the profits earned each year to our members. We also support a range of co-operatives and other organisations through grants and donations.

Payments to and on behalf of members, grants to community projects and payments in support of co-operative development. These are recognised as a liability when approved by members in general meetings and are treated as an appropriation of profits. Where payments to employee members in their capacity as employees are non-contractual and distinguishable from the operating activities of the business and payment is dependent on, and subject to, member approval in a general meeting, these payments are included in 'Payments to and on behalf of members'.

Grants and other member benefits  
Employee member benefits  
Charitable donations

2019/20 £'000	2018/19 £'000
1,659	1,482
550	550
11	-
<b>2,220</b>	<b>2,032</b>

## 2.5 Income tax expense

### Keeping it simple - Income tax expense

This section shows adjustments which are made to the profits to calculate how much tax we have to pay.

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity through other comprehensive income, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and the differences relating to the investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

	2019/20 Before significant items £'000	2019/20 Significant items £'000	2019/20 £'000	2018/19 Before significant items £'000	2018/19 Significant items £'000	2018/19 restated £'000
Current tax expense:						
Current period	1,014	(1,014)	-	387	(387)	-
Adjustment for prior periods	40	-	40	(12)	-	(12)
	<b>1,054</b>	<b>(1,014)</b>	<b>40</b>	<b>375</b>	<b>(387)</b>	<b>(12)</b>
Deferred tax expense:						
Origination and reversal of temporary differences	(2,807)	(359)	(3,166)	291	(1,347)	(1,056)
Adjustment for prior periods	(444)	(525)	(969)	387	-	387
	<b>(3,251)</b>	<b>(884)</b>	<b>(4,135)</b>	<b>678</b>	<b>(1,347)</b>	<b>(669)</b>
Total income tax	<b>(2,197)</b>	<b>(1,898)</b>	<b>(4,095)</b>	<b>1,053</b>	<b>(1,734)</b>	<b>(681)</b>



In order to understand how, in the income tax statement, a tax credit of £4.095 million (2018/19: a tax credit of £0.681 million) arises on a loss before tax of £1.561 million (2018/19: a loss before tax of £2.221 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual charge as follows:

	2019/20 Before significant items	2019/20 Significant items	2019/20	2018/19 Before significant items	2018/19 Significant items	2018/19 restated
	£'000	£'000	£'000	£'000	£'000	£'000
Factors affecting the tax charge for the period:						
Profit/(loss) before taxation	7,047	(8,608)	(1,561)	7,268	(9,489)	(2,221)
Income tax using the Society's domestic tax rate of 19.00% (2018/19: 19.00%)	1,339	(1,636)	(297)	1,381	(1,803)	(422)
Expenses not deductible for tax purposes	1,089	54	1,143	578	215	793
Profit on sale of properties subject to indexation and rollover relief	-	209	209	-	(61)	(61)
Adjustment for prior periods (current plus deferred tax expense)	(404)	(525)	(929)	375	-	375
Utilisation of current year losses from discontinued operations	(4,221)	-	(4,221)	(1,281)	(85)	(1,366)
Total income tax (credit)/expense	(2,197)	(1,898)	(4,095)	1,053	(1,734)	(681)

Expenses not deductible for tax purposes are expenses incurred by the business but which are not expected to be allowable for tax purposes.

	2019/20 £'000	2018/19 restated £'000
Total recognised directly in equity:		
Members' share interest	(376)	(310)
Total recognised in other comprehensive income:		
Revaluation of property, plant and equipment	(276)	979
Actuarial gains on defined benefit pension plans	(1,447)	757
	(1,723)	1,736
Deferred tax:		
Net asset at start of period	11,000	3,806
Deferred tax charge in revenue account for the period	4,135	669
Deferred tax recognised directly in equity	376	310
Movement on pension liability deferred tax	1,447	(757)
Other deferred tax recognised in other comprehensive income	276	(979)
Acquisitions and transfers of engagements	(32)	(90)
Discontinued operations	(7,953)	*8,041
Net asset at end of period	9,249	11,000

\* The prior year deferred tax movement on discontinued operations includes a £703,000 tax credit to the income statement and recognition on acquisition of Flow Energy Limited deferred tax asset of £7,338,000.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 25 January 2020 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £1,116,000.

The Society will respect all tax laws and will not structure transactions in a way which does not reflect genuine commercial reasons. This includes establishing operations in other jurisdictions for the purpose of evading or avoiding the tax laws of the United Kingdom.



		2019/20 Before Significant Items £'000	2019/20 Significant Items £'000	2019/20 Total £'000	2018/19 Before Significant Items £'000	2018/19 Significant Items £'000	2018/19 restated Total £'000
Profit/(loss) before taxation		7,047	(8,608)	(1,561)	7,268	(9,489)	(2,221)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2018/19: 19.00%)		1,339	(1,636)	(297)	1,381	(1,803)	(422)
Depreciation in excess of capital allowances	a	1,465	-	1,465	939	-	939
Pension movements	b	(713)	-	(713)	(526)	-	(526)
Expenses not deductible for tax purposes	c	3,144	-	3,144	(126)	-	(126)
Change in fair value of trading properties	c	-	8	8	-	1,467	1,467
Change in fair value of investment properties	c	-	37	37	-	8	8
Expense of business acquisitions and disposals	c	-	367	367	-	138	138
Capital gains	c	-	210	210	-	(61)	(61)
Impairment of property, plant and equipment	c	-	-	-	-	(51)	(51)
Utilisation of current year losses from discontinued operations		(4,221)	-	(4,221)	(1,281)	(85)	(1,366)
		1,014	(1,014)	-	387	(387)	-
Adjustments to tax charge in respect of previous periods		40	-	40	(12)	-	(12)
<b>Reported current tax charge</b>		<b>1,054</b>	<b>(1,014)</b>	<b>40</b>	<b>375</b>	<b>(387)</b>	<b>(12)</b>
Depreciation in excess of capital allowances	a	(1,063)	-	(1,063)	(592)	-	(592)
Pension movements	b	638	-	638	471	-	471
Expenses not deductible for tax purposes	d	(2,382)	(359)	(2,741)	412	(1,347)	(935)
Adjustments to tax charge in respect of previous periods		(444)	(525)	(969)	387	-	387
<b>Reported total tax charge</b>		<b>(2,197)</b>	<b>(1,898)</b>	<b>(4,095)</b>	<b>1,053</b>	<b>(1,734)</b>	<b>(681)</b>

### Capital allowances

a - Capital allowances are tax reliefs provided in law for the expenditure the Society makes on fixed assets. The tax relief is spread over a number of years. The accounting treatment for such expenditure is to spread the costs over the anticipated useful life of the asset. Deferred tax is provided on the different rates used for tax relief and depreciation in the accounts. Capital allowance rates are determined by Parliament at a fixed rate whereas depreciation rates are determined by the Society for different types of asset.

### Tax deductions

b - A tax deduction is obtained for pensions when payments are made into the scheme. Deferred tax arises on the difference between the pension accounting and the payment scheme.

### Non deductible items

c - Some expenses the Society incurs are appropriate for accounting purposes but are not allowed to be offset against taxable income when calculating the Society's tax liability. Examples include legal expenses for business acquisitions and disposals and changes in fair values of properties. These costs are included in the category expenses not deductible for tax purposes or identified separately.

### Other timing differences

d - Other timing differences include tax timing differences such as deferred capital gains rolled into new acquisitions.

## 2.6 Discontinued operations

### Keeping it simple - Discontinued operations

This section shows a breakdown of discontinued operations which have been aggregated as a single line in the Consolidated Statement of Comprehensive Income.

In September 2019 the Society agreed the sale of the Co-operative Energy, GB energy and Flow Energy customers to Octopus Energy.

		2019/20 £'000	2018/19 £'000
Revenue		218,926	405,940
Cost of sales		(216,328)	(371,328)
Gross profit		2,598	34,612
Operating expenses		(34,661)	(43,321)
Operating loss before significant items		(32,063)	(8,709)
Significant items in operating loss		(1,173)	(667)
Operating loss		(33,236)	(9,376)
Finance costs		(149)	(836)
Operating loss before disposal		(33,385)	(10,212)
Income tax		-	703
Operating loss before disposal, net of tax		(33,385)	(9,509)
Significant items related to the disposal - loss on disposal		(50,900)	(4)
Loss before tax		(84,285)	(9,513)
Income tax expense on sale of discontinued operation		(7,952)	-
Loss for the year from discontinued operations		(92,237)	(9,513)
	Note	2019/20 £'000	2018/19 £'000
Analysis of discontinued operations significant items:			
Impairment of property, plant and equipment	a	846	4
Impairment of intangible assets	b	33,680	0
Impairment of trade receivables	c	15,890	0
Expenses in selling of the discontinued operations	d	484	0
Significant items related to the disposal - loss on disposal		50,900	4
Expense of business acquisitions	d	467	502
Restructuring costs	e	82	165
ROU asset impairments (2018/19 onerous lease)	f	624	0
Significant items in operating loss		1,173	667

a - Impairments of property, plant and equipment and the reversal thereof, are significant in value.

b - Impairments of intangible assets and the reversal thereof, are significant in value.

c - Impairments of trade receivables and the reversal thereof, are significant in value.

d - In accordance with IFRS 3 revised, expenses related to business acquisitions are expensed to the income statement. They are significant as they are one-off in nature and potentially also in size. In the current year and prior year this mainly relates to legal costs incurred in relation to acquisitions and disposals.

e - The Society continues to assess the structure within all trading groups. This resulted in a one-off cost related to a number of groups.

f - Impairment of the onerous lease element of IFRS 16 right of use assets (2018/19 onerous lease impairment)

### Cash flows from discontinued operations

Net cash from operating activities  
Net cash used in investing activities\*

Net decrease in cash and cash equivalents

2019/20  
£'000

(45,307)

16,836

(28,471)

### Effect of the disposals on the individual assets

Property, plant and equipment  
Intangible assets  
Trade and other receivables  
Trade and other payables  
Deferred tax assets

Net assets and liabilities

2019/20  
£'000

846

60,787

48,526

(32,907)

7,952

85,204

\* A further £10,360,000 of deferred consideration is included within debtors due in less than one year, also contingent consideration of £2,016,000 is split across debtors less than and greater than one year.

## Section 3 - Assets

### In this section

This sections shows the assets used to generate the Society's trading performance.

#### Keeping it simple

An asset is something which is used by the Society in order to generate financial benefit. For example, stock is an asset because we will sell it to generate income, similarly we use our properties to enable our trading outlets to trade and consequently generate income.

After initial recognition, classes of assets valued under the cost model are carried at cost less any accumulated depreciation and any accumulated impairment losses. Classes of assets valued under the revaluation model are carried at a revalued amount, being their fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Depreciation is calculated to write off the cost or valuation, less estimated residual value, in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

#### Depreciation rates used are as follows:

Freehold buildings	2% per annum
Leasehold buildings	Over the unexpired term of the lease
Plant, fixtures and fittings	5% to 33.3% per annum
Vehicles	12.5% to 33.3% per annum

**Fair value measurement:** The fair value of property, plant and equipment recognised as a result of a business combination is based on market values.

Property valuations are valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as:

The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The market value of items, of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

**Property disposals:** Sales of properties are recognised at the point of unconditional exchange of contracts.

**Impairment:** A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

### 3.1 Property, plant and equipment

#### Keeping it simple - Property, plant and equipment

These are the sites that the Society trades in and the fixtures and fittings within these sites.

	Land & buildings	Plant, fixtures & fittings	Vehicles	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation:</b>				
At 27 January 2018	168,525	102,623	211	<b>271,359</b>
Additions	828	12,500	-	<b>13,328</b>
Acquisitions	350	609	-	<b>959</b>
Impairment reversal	-	274	-	<b>274</b>
Revaluation	(6,564)	-	-	<b>(6,564)</b>
Disposals	(950)	(1,966)	-	<b>(2,916)</b>
Transfer to assets held for sale	(674)	-	-	<b>(674)</b>
Transfers	(350)	-	-	<b>(350)</b>
<b>At 26 January 2019</b>	<b>161,165</b>	<b>114,040</b>	<b>211</b>	<b>275,416</b>
Additions	410	7,518	-	<b>7,928</b>
Acquisitions	600	495	-	<b>1,095</b>
Revaluation	(423)	-	-	<b>(423)</b>
Impairment	-	(846)	-	<b>(846)</b>
Disposals	(2,273)	(10,121)	(130)	<b>(12,524)</b>
Transfer to assets held for sale	(5,164)	-	-	<b>(5,164)</b>
Transfers	(524)	-	-	<b>(524)</b>
<b>At 25 January 2020</b>	<b>153,791</b>	<b>111,086</b>	<b>81</b>	<b>264,958</b>
<b>Accumulated depreciation:</b>				
At 27 January 2018	7,940	63,232	107	<b>71,279</b>
Provided	234	10,878	36	<b>11,148</b>
Disposals	(1,120)	(873)	-	<b>(1,993)</b>
<b>At 26 January 2019</b>	<b>7,054</b>	<b>73,237</b>	<b>143</b>	<b>80,434</b>
Provided this year	532	8,981	15	<b>9,528</b>
Disposals	(71)	(8,008)	(116)	<b>(8,195)</b>
<b>At 25 January 2020</b>	<b>7,515</b>	<b>74,210</b>	<b>42</b>	<b>81,767</b>
<b>Carrying amount</b>				
At 26 January 2019	154,111	40,803	68	<b>194,982</b>
<b>At 25 January 2020</b>	<b>146,276</b>	<b>36,876</b>	<b>39</b>	<b>183,191</b>

The net book value of assets held under finance leases is £401,000 (2018/19: £729,000).

Plant, fixtures and fittings include assets in the course of construction of £1,552,000 (2018/19: £7,054,000).

#### Security

Bank loans and overdraft are fully secured by a legal charge on certain trading and investment properties owned by the Society.

#### Valuations

The property valuations undertaken in January 2020 were valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017

incorporating the IVSC International Valuation Standards as:

The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The valuations were carried out by Chartered Surveyors, VSL and Partners, Eddisons Taylors & JLL. VSL and Partners and JLL have valued the properties on a vacant possession basis and Eddisons Taylors have used a business use basis.

The properties are valued individually, and yields are therefore varying on a property by property basis. Yields range from 4% to 11.0% (2018/19: 6% to 12.0%).



## 3.2 Intangible assets

### Keeping it simple - Intangible assets

An intangible asset is one which cannot be physically touched. An example of an intangible asset is a right to operate a particular type of business in a specific location, such as a Pharmacy or Post Office.

### Goodwill

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) and is tested annually for impairment.

### Other intangibles

Intangible assets acquired by the Society are measured at cost less accumulated amortisation and impairment losses. Pharmacy licences are deemed to have indefinite lives and are tested annually for impairment. Post Office licences are amortised over various periods depending on the revenue earned and customer relationships are amortised over 5 years as set out in this section.

### Fair value measurement

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

### Impairment

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date. The recoverable amount of tangible assets and intangible assets with a finite life are reviewed should there be an indication of impairment at the balance sheet date. The recoverable amount is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or groups of assets. These are known as the cash generating unit (CGU). Management have determined that in most cases the cash generating units are individual branches. However, goodwill impairment testing is carried out at a divisional level being the lowest level at which goodwill is monitored.

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. Impairment losses in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying value of the net operating assets.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates 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.

**Cost:**

At 27 January 2018

Additions

Acquisitions

Disposals

**At 26 January 2019**

Acquisitions

Impairment

Disposals

**At 25 January 2020****Accumulated amortisation:**

At 27 January 2018

Charge for the year

Disposals

**At 26 January 2019**

Charge for the year

Disposals

**At 25 January 2020****Carrying Amount**

At 26 January 2019

**At 25 January 2020**

<b>Purchased goodwill</b>	<b>Licences and brand</b>	<b>Customer Relationships</b>	<b>Total</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
79,047	29,609	8,651	<b>117,307</b>
45	8,568	-	<b>8,613</b>
20,944	707	6,625	<b>28,276</b>
(1,234)	(81)	-	<b>(1,315)</b>
<b>98,802</b>	<b>38,803</b>	<b>15,276</b>	<b>152,881</b>
11,844	13	-	<b>11,857</b>
(13,077)	(19,619)	(984)	<b>(33,680)</b>
(14,869)	(15,424)	(14,292)	<b>(44,585)</b>
<b>82,700</b>	<b>3,773</b>	<b>-</b>	<b>86,473</b>
6,982	3,709	1,970	<b>12,661</b>
-	2,590	2,628	<b>5,218</b>
(1,226)	(77)	-	<b>(1,303)</b>
<b>5,756</b>	<b>6,222</b>	<b>4,598</b>	<b>16,576</b>
-	-	3,714	<b>3,714</b>
-	(5,585)	(8,312)	<b>(13,897)</b>
<b>5,756</b>	<b>637</b>	<b>-</b>	<b>6,393</b>
93,046	32,581	10,678	<b>136,305</b>
<b>76,944</b>	<b>3,136</b>	<b>-</b>	<b>80,080</b>

Licences relate to the pharmacy and post office businesses and software. Licences for Energy (discontinued) have been written off during the year.

A pharmacy licence is assumed to have an indefinite life based on the market where licences are not freely bought and sold. Therefore it is assumed that the fair value is equal to the carrying value and annual impairment testing is performed on the carrying value of pharmacy licences.

The life of a post office licence is dependent on the branch's annual income. Branches with an income of less than £15,000 per annum are amortised over 5 years, those with income between £15,000 and £25,000 over 10 years and those with an annual income of more than £25,000 have an indefinite life. Post office licences with an indefinite life are annually impairment tested.

Customer relationships relate to the acquisitions within the Energy business (discontinued). All such customer relationships were assumed to have a life of 5 years.

Goodwill is not amortised but is subject to annual impairment reviews. Impairment testing is performed at the level at which management monitor goodwill which is the divisional trading groups (classified as groups of cash generating units (CGU's)).

Impairment testing compares the recoverable amount of goodwill with the book value. Recoverable amount is calculated by discounting future cash flows of the divisional trading groups. The key factors are future growth rates and discount rates which are based on a market participants cost of capital for each business and range from 7.6% to 10.2%. Business specific growth rates are used to extrapolate budgeted cash flows into perpetuity, beyond a detailed 3 year plan at a rate of 2.0%. The growth rates have been derived using historical analysis and future plans of the business. They do not exceed the long-term growth rates for the relevant industries.

### 3.3 Investment property

#### Keeping it simple - Investment property

Investment property is property held by the Society which is not used by one of our trading groups. Properties used for the day to day trade of the business (such as our food stores, nurseries, funeral branches, etc.) are detailed in section 3.1.

#### Accounting Policy:

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business.

Investment properties are measured at fair value with any change in value recognised in the income statement. Investment property additions/disposals are recognised when there has been an unconditional exchange of contracts.

When the use of a property changes such that it is reclassified as property, plant and equipment its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### Determination of fair values

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate amount of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

When appropriate valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation; the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Society and the lessee and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and when appropriate counter-notices have been served validly and within the appropriate time.

	2019/20 £'000	2018/19 £'000
Cost or valuation:		
At start of year	12,901	16,108
Additions	1,600	-
Acquisitions	-	713
Revaluation	(197)	(42)
Transfer to assets held for sale	(2,014)	(4,228)
Transfers	524	350
At end of year	12,814	12,901

Investment properties are not depreciated.

Bank loans and overdraft are fully secured by a legal charge on trading and investment properties owned by the Society.

#### Valuations

The property valuations undertaken in January 2020 were valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as: The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The valuations were carried out by Chartered Surveyors, VSL and Partners and JLL.

The properties are valued individually and yields are therefore varying on a property by property basis.

Yields range from 6% to 10% (2018/19: 7.0% to 10.0%), with a mean yield of 8.9% (2018/19: 8.4%) before costs.

### 3.4 Other investments

#### Keeping it simple - Other investments

Other investments are predominantly shares held in other businesses and the asset created when we sell funeral pre-payment plans which have not yet been used.

Funeral prepayment plans under which the Society accepts risk from another party (the policyholder) by agreeing to compensate the policyholder in respect of an uncertain future event are classified as insurance contracts under IFRS 4. A contract that qualifies as an insurance contract remains an insurance contract until all the risks and obligations are extinguished or expire.

Available for sale financial assets are equity investments. They are measured at fair value with movements in the carrying value brought into equity through other comprehensive income as they arise, except for changes in value arising from impairment, which are recognised in the income statement. On disposal, gains and losses recognised previously in equity are transferred to the income statement.

#### Determination of fair values

The fair value of funeral prepayment plans is based on the 'at need' price discounted over the average life of a plan at the risk free rate over a comparable period.

Financial assets designated at fair value through the Income Statement relate to funeral prepayment plans. These are measured at fair value with movements in the carrying value brought into the income statement as they arise. Hedge accounting is not applied to such instruments.

	2019/20 £'000	2018/19 £'000
Non current investments:		
Available for sale financial assets	3,661	4,625
Financial assets designated at fair value through the Income Statement	60,233	55,000
	<b>63,894</b>	<b>59,625</b>
Are held as follows:	£'000	£'000
Co-operative Group shares	1,562	1,562
Other I&P Societies shares	181	2,591
Other investments	1,918	472
Total available for sale financial assets	<b>3,661</b>	<b>4,625</b>
Funeral prepayment plans	60,233	55,000
	<b>63,894</b>	<b>59,625</b>
Current investments:	2019/20 £'000	2018/19 £'000
Financial assets designated at fair value through the income statement	5,475	4,584

Monies received in respect of funeral prepayments plans are invested under the terms of custodian arrangements in individual whole of life insured arrangements with the Royal London Mutual Society Limited. Interest earned on such investments is reinvested. An appropriate proportion of the investments (including accrued interest) is withdrawn when each funeral plan is invoked by the clients representative.

Available for sale financial assets are held at fair value.

The Society's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 4.4.

### 3.5 Deferred tax assets and liabilities

#### Keeping it simple - Deferred tax

Deferred tax arises because financial accounting rules and tax accounting rules are different.

A deferred tax asset is a tax saving which will be made in the future as a result of transactions which have already occurred.

A deferred tax liability recognises tax which will be payable in the future as a result of transactions which have already occurred.

#### Accounting Policy:

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Society's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

	Note	2019/20 £'000	2018/19 £'000
Deferred tax liability in respect of property, plant and equipment		(1,842)	(3,500)
Short term temporary differences		(561)	-
Deferred tax liability		(2,403)	(3,500)
Intangible assets		811	912
Deferred tax asset in respect of pension obligations		7,834	7,025
Short term temporary differences		-	2,559
Tax losses		3,007	4,004
Deferred tax asset		11,652	14,500
Net deferred tax asset	2.5	9,249	11,000

Recognised deferred tax assets and liabilities are attributable to temporary timing differences relating to the following:

	Assets		Liabilities	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Property, plant and equipment	-	-	(1,842)	(3,500)
Intangible assets	811	912	-	-
Pension obligations	7,834	7,025	-	-
Other items	-	2,559	(561)	-
Tax losses	3,007	4,004	-	-
Tax assets / (liabilities)	11,652	14,500	(2,403)	(3,500)

There are £6.728 million unrecognised deferred tax assets (2018/19: £1.704 million).

Movements in deferred tax assets and liabilities during the year were as follows:

	At 26 January 2019	Recognised in Income statement	Recognised in equity/ other comprehensive income	Acquisitions/ transfer of engagements	At 25 January 2020
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(3,500)	1,038	652	(32)	(1,842)
Intangible assets	912	(101)	-	-	811
Pension obligations	7,025	(638)	1,447	-	7,834
Other items	2,559	(3,120)	-	-	(561)
Tax losses	4,004	(997)	-	-	3,007
Tax assets	11,000	(3,818)*	2,099	(32)	9,249

\* Of this total £7.952m relates to discontinued operations per Note 2.6



As at 25 January 2020, total deferred tax assets are £11.7 million (2018/19: £14.5 million) and total deferred tax liabilities are £2.4 million (2018/19: £3.5 million).

The deferred tax balance relates to:

- Property plant and equipment temporary differences arising on assets qualifying for capital allowances.
- Deferred chargeable gains reinvested in qualifying assets
- Property revaluation temporary differences
- Tangible assets temporary differences
- Pension obligation temporary differences
- Other temporary differences on miscellaneous items

### 3.6 Stocks

Keeping it simple - Stock

Stock is an asset which is purchased by the business for resale to our customers.

#### Accounting Policy:

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation. Provision is made where necessary for slow moving and defective stocks.

#### Determination of fair values

The fair value of stocks acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, plus a reasonable profit margin based on the effort required to complete and sell those stocks.

Goods for resale

2019/20 £'000	2018/19 £'000
24,565	25,068
<b>24,565</b>	<b>25,068</b>

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £385 million (2018/19: £376 million).

The year-end stock provision is £658,000 (2018/19: £705,000).

Stock write-downs in the year were £nil (2018/19: £nil)

### 3.7 Trade and other receivables

Keeping it simple - Trade and other receivables

A receivable is the amount owed by a person or business that has purchased goods or services from the Society but has not yet paid for them.

Trade receivables

Prepayments and accrued income

Accrued income for Energy customers

Accrued income for Phone Co-op customers

Other receivables

2019/20 £'000	2018/19 £'000
208,268	165,916
9,796	18,319
33	44,359
263	96
27,166	11,564
<b>245,526</b>	<b>240,254</b>

The Society's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 4.4. Included in 2018/19 above is a loan for £500,000 that is repayable in 2023 and therefore a non-current asset.

### 3.8 Cash and cash equivalents

#### Keeping it simple - Cash and cash equivalents

Cash is considered to be any cash held in branches and the balance of any bank accounts held by the Society. A cash equivalent is something which can be easily turned into cash.

Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

	2019/20 £'000	2018/19 £'000
Cash and cash equivalents	10,509	15,130
Short-term deposits	3	8
Cash and cash equivalents in the statement of financial position	10,512	15,138
Bank overdraft	(20,052)	(18,948)
Cash and cash equivalents in the statement of cash flows	(9,540)	(3,810)

The Society's exposure to interest rate risk is disclosed in Note 4.4.

### 3.9 Assets held for sale

#### Keeping it simple - Assets held for sale

If a decision has been made to sell a non-current asset, and it is in a condition for resale, it is held at either the lower of their original cost/revaluation or the amount the asset could be sold for less the costs associated with the sale.

#### Re-measurement and impairment

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Society's accounting policies. Thereafter the assets (or disposal group) are generally measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro-rata basis. No loss is allocated to stocks, financial assets, deferred tax assets, pension assets and investment property, which continue to be measured in accordance with the Society's accounting policies.

Impairment losses on initial classification as held for sale, and subsequent gains or losses on remeasurement, are recognised in the income statement.

Gains are not recognised in excess of any cumulative impairment loss.

	2019/20 £'000	2018/19 £'000
Assets classified as held for sale:		
Land and buildings	8,585	4,902
	8,585	4,902

### 3.10 Right of use assets

#### Keeping it simple - Right of use assets

Right of use assets has been created due to the society's adoption of IFRS 16 on 27 January 2019. IFRS 16 seeks to align the presentation of leased assets more closely to owned assets.

The adoption of IFRS 16 on 27th January 2019 resulted in the recognition of opening balances for right of use assets of £105.1m and right of use liabilities of £107.2m. Adjustments were also required to onerous lease provisions of £3.6m and to prepayments of £1.4m.

The impact on the current year interim consolidated statement of comprehensive income has been to increase depreciation by £11.3m, increase finance costs by £4.0m and to reduce operating expenses by £13.9m. This has improved operating profit by £2.6m, as the new standard moves costs previously accounted for in operating expenses into finance costs. After the impact on finance costs the loss for the year to date has increased by £1.4m as a result of the adoption of the standard. The impact on the consolidated statement of financial position since adoption has been further additions to right of use assets of £16.6m and a net increase in the right of use liability of £6.7m.

The Society has used a range of discount rates in arriving at the above estimates, between 2.0% to 4.3% dependent on the length of lease remaining and the quality of the right of use asset.

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment.

	2019/20 £'000
Opening Position	105,060
Onerous Lease	3,629
Prepayment	(1,445)
Additions	16,532
Depreciation	(11,257)
Right of use assets	112,519

## Section 4 - Liabilities

### In this section

This sections shows the liabilities incurred in order for the Society to carry out its trading activities.

#### Keeping it simple - Liabilities

A liability is generated when the Society has carried out an activity which results in expense that will be paid in the future. This includes loans from the banks and amounts owed to suppliers for goods or services it has received.

### 4.1 Loans and borrowings

#### Accounting Policy:

This note provides information about the contractual terms of the Society's interest-bearing loans and borrowings that are measured at amortised cost. IFRS 16 has been implemented in accordance with accounting policy 1h). Other leases have been treated as operating leases and have not been recognised on the Society's Statement of Financial Position. For more information about the Society's exposure to interest rate and liquidity risk see note 4.4.

	2019/20 £'000	2018/19 £'000
Current liabilities:		
Bank overdraft	20,052	18,948
Current portion of secured bank loans (see notes 3.1 & 3.3)	(705)	(108)
Current portion of finance lease liabilities	782	48
	20,129	18,888
Non current liabilities :		
Secured bank loans (see notes 3.1 & 3.3)	55,439	39,331
Finance lease liabilities	2,935	175
	58,374	39,506

Terms and conditions of outstanding loans were as follows:

	Rate	Nominal interest rate	Year of maturity	Utilised 2019/20 £'000	Total facility 2019/20 £'000	Utilised 2018/19 £'000	Total facility 2018/19 £'000
Royal Bank of Scotland loan	Fixed	5.73%	2022	25,429	26,000	25,986	26,000
Royal Bank of Scotland loan	Variable	Libor + 0.90%	2022	1,589	1,625	1,624	1,625
Revolving credit facility Barclays	Variable	Libor + 1.75%	2022	25,515	30,000	15,282	30,000
Revolving credit facility Lloyds	Variable	Libor + 1.75%	2022	22,253	30,000	15,279	30,000
Multi-Currency Revolving Facility	Variable	Libor + 2.25%	2020	-	30,000	-	-
Total interest bearing liabilities				74,786	117,625	58,171	87,625

The loans are shown net of an unamortised arrangement fee of £891,000 (2018/19: £401,000)

The total facilities available to the Society at 25 January 2020 were £117.6m. On 29 April 2020, the Society agreed a new revolving credit facility of £15m to replace the Multi-Currency Revolving Facility of £30m from 2 November 2020. This new facility will mature in March 2022 in line with the other bank facilities.

Finance lease liabilities are payable as follows:

	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
	2019/20 £'000	2019/20 £'000	2018/19 £'000	2018/19 £'000
Less than one year	982	782	49	48
Between one and five years	2,854	2,804	45	37
More than five years	575	131	586	138
	<b>4,411</b>	<b>3,717</b>	680	223

Finance leases were taken out during the year at a gross value of £4.2 million (2018/19: £nil).

## 4.2 Trade and other payables

Keeping it simple - Trade, other payables and provisions

When the Society receives goods or services which are to be paid for at a later date, a payable is created. This reflects money which the Society must pay out in the future.

Current liabilities:

	2019/20 £'000	2018/19 £'000
Trade payables	260,347	259,239
Government Grants	-	78
Other payables	15,191	14,584
Right of use liability	9,530	-
Deferred income	62,412	52,994
Funeral bonds	4,944	5,100
Accrued charges	14,682	15,700
	<b>367,106</b>	<b>347,695</b>

Non current liabilities:

	£'000	£'000
Right of use liability	104,386	-
Funeral bonds (non-current)	65,326	61,030
Other payables (non-current)	3,310	1,173
	<b>173,022</b>	<b>62,203</b>

The Society's exposure to liquidity risk related to its trade and other payables is disclosed in note 4.4.

The grant was received in relation to the construction of a property and is being amortised over the life of the building.

## 4.3 Pension obligations

### Keeping it simple - Pension obligations

The Society runs two types of pension scheme, defined benefit and defined contribution.

- A defined benefit scheme provides a pension based on a colleague's salary and length of service.

- A defined contribution scheme sets the value which will be paid into a pension scheme; the amount of pension this generates is variable and depends on the performance of the investments into which contributions are paid and the annuity rates at the time of retirement.

### Accounting Policy:

#### Defined contribution plans

The Society operates a defined contribution scheme for all employees. All costs relating to the defined contribution schemes are charged to the income statement as incurred.

Contributions to the defined contribution scheme in the year were £2,550,000 (2018/19: £2,004,000) and were charged through the Income Statement.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Society's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on a high quality corporate bond that has a maturity date approximating to the terms of the Society's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. The Society recognises all actuarial gains and losses arising from the defined benefit plans directly in other comprehensive income immediately.

At the Statement of Financial Position date, The Midcounties Co-operative operated a defined benefit pension and a defined contribution plan for its employees. The defined benefit scheme is a Career Average Revalued Earnings (CARE) scheme. On 13 June 2014 it was closed to future accrual.

Full actuarial valuations of the scheme were carried out at 31 December 2018 and were updated to 25 January 2020 by a qualified independent actuary.

Plan Assets comprise:

#### Equities:

Developed equities

#### Senior Secured Loans

Alternative credit

Global corporate credit

Global sovereign credit

High quality bonds

Other

#### Property

#### Diversifying strategies

#### Cash and cash equivalents

#### Other:

Listed infrastructure

Other

Annuity policy

2019/20 £'000	2018/19 £'000
<b>21,298</b>	21,610
<b>11,899</b>	14,247
-	1
<b>7,950</b>	7,196
<b>68,858</b>	53,544
<b>6,780</b>	6,195
<b>38,640</b>	28,988
<b>41,716</b>	41,734
<b>45,278</b>	29,652
<b>8,522</b>	8,311
<b>2,938</b>	3,604
<b>967</b>	855
<b>254,846</b>	215,937

Annuity policy is additional voluntary contributions held with Royal London Group.



Actual return on plan assets

**2019/20**  
**£'000**  
**41,625**

2018/19  
£'000  
159

The fair value of plan assets does not include any of the Society's own financial instruments or any property occupied by, or other assets used by the Society.

#### Change in defined benefit obligation

Defined benefit obligation at beginning of year

Past service cost

Interest cost

Actuarial losses

Benefits paid

Annuity policy

Defined benefit obligation on plans that are wholly or partly funded

**2019/20**  
**£'000**

2018/19  
£'000

**257,263**

272,258

-

550

**7,324**

7,038

**43,938**

(10,105)

**(7,709)**

(13,333)

**112**

855

**300,928**

257,263

#### Change in plan assets

Fair value of plan assets at beginning of year

Interest income

Actuarial gains

Administration expenses

Employer contribution

Benefits paid

Annuity policy

Fair value of plan assets at end of year

**215,937**

223,709

**6,196**

5,812

**35,429**

(5,653)

**(1,211)**

(2,053)

**6,092**

6,600

**(7,709)**

(13,333)

**112**

855

**254,846**

215,937

#### Net pension obligation

Funded status

Unrecognised net actuarial losses/(gains)

Unrecognised past service cost/(benefit)

Net amount recognised

**(46,082)**

(41,326)

-

-

-

-

**(46,082)**

(41,326)

#### Components of pension cost

Past service cost

Interest cost

Expected return on plan assets

Administrative expenses and taxes

Total pension cost recognised in the Income statement

**£'000**

£'000

-

550

**7,324**

7,038

**(6,196)**

(5,812)

**1,211**

2,053

**2,339**

3,829

#### Actuarial losses/(gains) immediately recognised in other comprehensive income:

Effect of changes in demographic assumptions

Effect of changes in financial assumptions

Effect of experience adjustments

Return on plan assets (excluding interest income)

Total pension cost/(income) recognised in other comprehensive income

**£'000**

£'000

**(2,443)**

2,778

**47,394**

(12,883)

**(1,013)**

-

**(35,429)**

5,653

**8,509**

(4,452)

#### Cumulative cost/(income) of actuarial losses immediately recognised

**76,988**

68,479

**Weighted average assumptions used to determine defined benefit obligations:**

	2019/20	2018/19
Discount rate	1.75%	2.90%
Inflation	2.65%	3.05%
Rate of increase to pensions in payment (pre July 2006)	2.60%	2.90%
Rate of increase to pensions in payment (post July 2006)	1.90%	2.90%

**Weighted average assumptions used to determine net pension cost:**

	2019/20	2018/19
Discount rate	2.90%	2.65%
Inflation	3.05%	3.10%
Future salary increases	N/A	N/A
Rate of increase to pensions in payment (pre July 2006)	2.90%	2.90%
Rate of increase to pensions in payment (post July 2006)	2.00%	2.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. These assumptions are detailed in the table below:

	Males		Females	
	2019/20	2018/19	2019/20	2018/19
The average life expectancy of an individual retiring at age 65	22.2	22.0	23.9	23.9
The average life expectancy of an individual aged 40 retiring at age 65	23.7	23.9	25.6	25.9

**Two year history**

	2019/20	2018/19
	£'000	£'000
Benefit obligation at end of year	(300,928)	(256,408)
Fair value of plan assets at end of year	254,846	215,082
Deficit	(46,082)	(41,326)
Difference between expected and actual return on scheme assets:		
Amount (£'000)	35,429	(5,653)
Percentage of scheme assets	14%	(3)%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(1,013)	-
Percentage of scheme assets	0%	0%

### Sensitivity analysis

Possible reasonable changes at the reporting date to one of the relevant actuarial assumptions (holding the other assumptions constant) would have affected the defined benefit obligation by the amounts shown below. Although the analysis does not take account of the full distribution of cash flows expected under the Scheme, it does provide an approximation of the sensitivity of the assumptions shown.

	Total deficit	change in reported deficit
Minus 0.25% discount rate	61,980	(15,898)
Plus 0.25% discount rate	31,901	14,181
Minus 0.25% inflation rate	36,338	9,744
Plus 0.25% inflation rate	57,836	(11,754)
Mortality rate -1 year	59,750	(13,668)
Mortality rate +1 year	32,514	13,568

### Management of the CARE Scheme

The CARE Scheme is administered by The Midcounties Co-operative Pension Trustee Limited (the Trustee), which is a legal body separate to the Society. As at 25 January the Trustee comprises of four member nominated representatives and four employer nominated representatives. The Trustee is required to act in accordance with legislation and in the best interests of the Scheme members. The Trustee is responsible for agreeing the funding of the Scheme with the Society, setting the investment strategy and administering the benefits. The Trustee is responsible for investing the Scheme's assets after consultation with the Society. The investment strategy is managed within a framework that has been developed to achieve long-term investment returns that are in line with the obligations of the Scheme. Within this framework, the long-term objective is to match assets to the pension obligations by investing in assets that match the benefit payments as they fall due as far as possible whilst achieving an acceptable level of return. The Trustee is responsible for agreeing the Scheme's funding arrangements with the Society. Every three years, the Trustee carries out an actuarial valuation of the Scheme for funding purposes using the assumptions set out in the Scheme's Statement of Funding Principles. If the funding valuation discloses a deficit within the Scheme, the Trustee and Society agree a recovery plan to rectify the deficit. Following the 31 December 2015 valuation of the Scheme, the Society is currently contributing £6.6m per annum in deficit recovery contributions. The Scheme exposes the Society to risks such as longevity risk, interest rate risk, inflation risk and investment risk and an illustration of the impact of small changes in these is shown.

At 25 January 2020, the weighted average duration of the defined benefit obligation was approximately 23 years.

The CARE Scheme closed to future build up from 30 June 2014. Members at the date of closure were offered membership of a new defined contribution scheme with Legal & General. The Society matches member's contributions up to a maximum of 7%.

## 4.4 Financial instruments and derivatives

### Keeping it simple - Financial instruments and derivatives

A liability is generated when the Society has carried out an activity which results in expense that will be paid in the future. This includes loans from the banks and amounts owed to suppliers for goods or services it has received. There is an uncertainty as to how much the Society may have to eventually have to pay and the following risk calculations for credit, liquidity, interest rate, commodity price, foreign currency, capital management and guarantees are taken into account when estimating this value.

#### Credit risk:

Credit risk arises from the possibility of customers failing to meet their obligations to the Society. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. The Society does not require collateral in respect of financial assets. The Society considers that it is prudent in its impairment provisioning and it has no significant customer credit risk.

The carrying amount of financial assets represents the maximum exposure to credit risk at the reporting date was:

	Note	2019/20 £'000	2018/19 £'000
Available for sale financial assets	3.4	3,661	4,625
Financial assets at fair value through the income statement	3.4	65,708	59,584
Trade and other receivables	3.7	235,730	221,935
		<b>305,099</b>	<b>286,144</b>

The ageing of trade receivables including accrued income at the reporting date was:

	Gross 2019/20 £'000	Impairment 2019/20 £'000	Gross 2018/19 £'000	Impairment 2018/19 £'000
Not overdue	197,396	0	174,345	(1,314)
Overdue 0-30 days	9,009	(1,201)	14,785	(1,053)
Overdue 31-120 days	4,137	(2,038)	16,872	(1,425)
121 days to one year	3,390	(2,910)	12,369	(4,930)
More than one year overdue	6,412	(5,631)	17,075	(16,353)
	<b>220,344</b>	<b>(11,780)</b>	<b>235,446</b>	<b>(25,075)</b>

### Liquidity risk:

Borrowing requirements are managed in line with a three year cash flow forecast revised annually and reviewed against the Society's debt portfolio and maturity profile. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
<b>25 January 2020</b>							
Secured bank loans	74,786	62,240	1,103	1,103	2,206	57,828	-
Finance lease liabilities	3,717	4,411	491	491	982	1,872	575
Trade and other payables	426,212	426,095	357,207	2,472	5,028	15,330	46,058
	<b>504,715</b>	<b>492,746</b>	<b>358,801</b>	<b>4,066</b>	<b>8,216</b>	<b>75,030</b>	<b>46,633</b>
<b>26 January 2019</b>							
Carrying amount £'000	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	39,223	45,075	908	908	1,816	41,443	-
Finance lease liabilities	223	680	24	25	11	33	587
Trade and other payables	409,898	412,698	347,945	2,550	4,781	14,339	43,083
Provisions	9,588	10,499	2,189	2,174	782	2,044	3,310
	<b>458,932</b>	<b>468,952</b>	<b>351,066</b>	<b>5,657</b>	<b>7,390</b>	<b>57,859</b>	<b>46,980</b>

### Interest rate risk:

At the reporting date the interest rate profile of the Society's interest-bearing financial instruments was:

	Carrying amount	
	2019/20 £'000	2018/19 £'000
Fixed rate instruments:		
Financial liabilities	(25,429)	(25,986)
Variable rate instruments:		
Financial assets	10,512	15,138
Financial liabilities	(49,357)	(32,185)

### Commodity price risk:

The Society's operations results in exposure to fluctuations in energy prices. Management monitors energy prices and will initiate instruments to manage exposure when it is deemed appropriate.

### Foreign currency risk:

The Society is exposed to foreign currency risk on currencies held in travel branches for resale. The currencies giving rise to this risk are primarily Euros and US Dollars. Any adverse movements on these exchange rates would not have a material impact on the Society.

### Capital management:

The society's policy is to maintain a strong capital base to sustain business performance and future development. Capital consists of total equity, loans and borrowings and at 25 January 2020 amounted to £171,378,000 (2018/19: £245,055,000)

### Guarantees:

In the course of conducting its operations, the Society has issued bank guarantees in favour of counter-parties. The total amount of bank guarantees outstanding is £9,539,000 (2018/19: £6,100,000).

## Fair values:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2019/20		2018/19	
		Carrying amount	Fair value	Carrying amount	Fair value
		£'000	£'000	£'000	£'000
Available for sale financial assets	3.4	<b>3,661</b>	<b>3,661</b>	4,625	4,625
Financial assets designated at fair value through the income statement	3.4	<b>65,708</b>	<b>65,708</b>	59,584	59,584
Trade and other receivables	3.7	<b>245,526</b>	<b>246,218</b>	240,254	240,254
Cash and cash equivalents	3.8	<b>10,512</b>	<b>10,512</b>	15,138	15,138
Secured bank loans	4.1	<b>74,786</b>	<b>58,530</b>	39,224	41,373
Finance lease liabilities	4.1	<b>3,717</b>	<b>3,717</b>	223	223
Bank overdraft	4.1	<b>20,052</b>	<b>20,052</b>	18,948	18,948
Trade and other payables	4.2	<b>426,212</b>	<b>426,212</b>	409,898	409,898

## Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Financial assets designated at fair value through the Income Statement and available for sale assets are carried at fair value. Under IFRS 7 Financial Instruments disclosures, such assets are classified by the way in which their fair value is calculated. All of the assets are level 2 assets under IFRS 7. IFRS 7 defines level 2 assets as inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

## Interest-bearing loans and borrowings

Fair values have been determined by discounting future cash flows at 2.23% (2018/19: 2.31%) The basis of the interest rate was the London Interbank Offered Rate (LIBOR) plus a margin available to the society for bank borrowings at the year end.

## Available for sale financial assets

The carrying value of available for sale financial assets is taken by comparing the value of the investments held to their current market value.

## Energy trading contracts (discontinued operations)

The fair value of the energy trading contracts is deemed to be equal to the amount that has been contracted at the reporting date.

## Financial assets designated at fair value through the income statement

The fair value of funeral prepayment plans is based on the 'at need' price discounted over the average life of a plan at the risk free rate over a comparable period.

Financial assets designated at fair value through the Income Statement relate to funeral prepayment plans. These are measured at fair value with movements in the carrying value brought into the Income Statement as they arise. Hedge accounting is not applied to such instruments.

Details of the assumptions made in reaching the fair value are included in note 6.2.



Section 5 - Equity

In this section

This section contains details of the share capital invested by members through their membership and any share accounts held with the Society.

5.1 Capital and Reserves

Keeping it simple - Capital and Reserves

The Society’s share capital is raised via contributions from members, comprising money paid into member share accounts and shares.

A dividend distribution, or share of profits, is made to members yearly based on membership points earned within the period. The value apportioned per point is agreed by the members of the Society.

Accounting Policy:

The revaluation reserve is not distributable to members until it has been realised on the sale of the property it relates to.

Included within retained earnings there are reserves related to the recognition of the changes in the fair value of investment properties. This is not distributable to members until it has been realised through a sale.

Share capital is comprised entirely of equity shares of £1 each (as defined by IFRIC 2 Members’ Shares in Co-operative Entities and Similar Instruments).

Shares currently attract interest at rates between 0% and 4.25%.

Shares are withdrawable on periods of notice from one week and longer dependent on the amount involved. The right to withdraw may, by resolution of the Board, be suspended either wholly or partially and either indefinitely or for a fixed period.

Each member is entitled to one vote irrespective of the number of shares held. In the event of a solvent winding up of the Society, the Society’s rules state that a surplus remaining after all liabilities, including paid up share capital, had been settled would not be distributed to the members of the Society but would be:

- transferred to one or more societies in membership of Co-operatives UK Limited having the same or similar rule provisions as regards surplus distribution or,
- if not so transferred, paid or transferred to Co-operatives UK Limited.

Dividends are paid to members, either directly into their share account, or in vouchers which can be spent or exchanged for cash in trading outlets, or donated to specific charities. Dividends are based on purchases made by members at a rate proposed by the Board and subject to approval at a members meeting.

This Society follows a Code of Practice and has to provide a statement to its members of the nature of their share holding investment and any change affecting it. The statement is set out here.

As a member you are a shareholder of The Midcounties Co-operative Limited. If the Society is unable to meet its debts and other liabilities, you will lose the whole amount held in shares, hence it is known as risk capital. This may make it inappropriate as a place to invest savings. The Financial Services Compensation Scheme, which applies to bank and building society accounts and to some investments, does not apply to your share account. The Society, unlike banks and building societies and investment firms, is not authorized and supervised by the Financial Services Authority (although it may be registered by it). Therefore you cannot claim compensation under this Scheme in the event of the Society not being able to pay out your share capital. You may withdraw money from your share account at any time unless the board of directors have removed the facility under the Society’s rules. Withdrawable share capital does not characterise an investment in the conventional sense. The withdrawable share capital held in your share account may receive interest but the shares do not increase in value. It is primarily for the purpose of supporting your Society rather than making an investment. The Financial Ombudsman Service does not apply to your share account or your relationship with the Society but under the Society’s rules any dispute may be subject of arbitration.

Dividends:	£'000
The following dividends were declared and paid by the Society: Final Dividend 2019/20 (Approved May 2019)	1,371

## Section 6 - Other notes

### In this section

This section contains details of acquisitions which have happened in the year, insurance contracts, operating leases, capital commitments, related party transactions and subsidiaries.

### 6.1 Acquisitions

#### Keeping it simple - Acquisitions

This section shows the value of businesses and assets purchased in the year. The value of the business is calculated at the date of completion. Adjustments are made to bring the business valuation in line with the Society's accounting policies.

#### Accounting Policy:

Business combinations are accounted for using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control the Group takes into consideration potential voting rights that are currently exercisable.

- i) For acquisitions on or after 24 January 2010 the Group measures goodwill at the acquisition date as:
  - The fair value of consideration transferred; plus
  - The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

- ii) For acquisitions between 29 January 2006 and 24 January 2010 goodwill represents the excess of the cost of the acquisition over the Groups interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquired entity. When the excess was negative a bargain purchase was recognised immediately in the income statement. Costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combination were capitalised as incurred.
- iii) For acquisitions which occurred prior to 29 January 2006 goodwill represents the amount recognised under the Groups previous accounting framework, UK GAAP.

The Group made a number of acquisitions in the year.

	2019/20 Total fair value	2018/19 Total fair value
	£'000	£'000
<b>Assets acquired</b>		
Property, plant and equipment	1,095	959
Other Intangibles	13	7,332
Stock	564	25
Debtors	371	21,872
Creditors	(1,713)	(48,790)
Deferred tax	(32)	7,338
Cash	1,756	962
Net assets	2,054	(10,302)
Goodwill	11,844	20,944
Cash	13,898	10,642
<b>Consideration</b>		
Cash	13,898	10,642

In November 2019, the Society welcomed three new nurseries into the business through the acquisition of Tavistock House Day Nursery Limited based in the north-east. In December 2019 the Food retail business acquired Warners Retail which consisted of four Budgens foodstores in the Cotswolds.

## 6.2 Insurance Contracts

### Keeping it simple - Insurance Contracts

Customers of the funeral business are able to purchase and plan their funeral in advance and are redeemed when the funeral is arranged. The difference between the cash from the customer which is invested by the Society and the estimated liability the Society expects to pay in the future is reflected in the table.

The Society sells Funeral pre-payment plans which are shown at fair value to reflect the projected at need price.

	Note	2019/20 £'000	2018/19 £'000
Assets			
Funeral prepayment plans - current	3.4	5,475	4,584
Funeral prepayment plans - non-current	3.4	60,233	55,000
Funeral bond liability - current	4.2	(4,944)	(5,100)
Funeral bond liability - non-current	4.2	(65,326)	(61,030)
Net		(4,562)	(6,546)

The assumptions used for the funeral bonds are as follows, discount rate 2.9% (2018/19: 2.9%), cost increase of 3.30% (2018/19: 3.7%), bond growth 3.14% (2018/19: 3.14%) and expected life expectancy for males is 83.9 (2018/19: 83.9) and 86.4 (2018/19: 86.4) for females.

### Movement in net liability for year

	2019/20 £'000
Net asset and liability at the start of the year	(6,546)
Net movement	1,984
Net assets and liability at the end of the year	(4,562)

## 6.3 Operating leases

### Keeping it simple - Operating leases receivable

An operating lease receivable is where rent is received to allow use of an asset that we own, for example, a property.

The Society leases out properties, the future minimum rental receivables are as follows

	2019/20 £'000	2018/19 £'000
Within one year	2,021	2,397
In two to five years	6,393	6,845
In over five years	3,795	3,972
	12,209	13,214

## 6.4 Capital commitments

### Keeping it simple - Capital commitments

This is the value the Society has approved to spend on assets after the year end.

Expenditure committed but not provided for

2019/20 £'000	2018/19 £'000
1,230	9,470

## 6.5 Related party transactions

### Keeping it simple - Related party transactions

These are transactions between the Society and other parties connected to the Society.

Vivian Woodell was a Director of West Oxfordshire Community Transport, a Charitable community benefit society that received a grant of £1,473 from the Cotswold Regional Community. During 2019, Chipping Norton Lido, a charity of which his wife is a trustee, received £1,473 from the Cotswold Regional Community and £102 from the Society in connection with recycling.

Vivian Woodell was a Director of Student Co-operative Homes which received support of £6,000 from the Phone Co-op Co-operative and Social Economy Development Fund, as part of agreed funding of £18,000 over 3 years. He was also a Trustee of The Co-operative College Trust and a Director of Co-operatives UK Limited.

Olivia Birch resigned on 17 October 2019 and is a director of Revolver Co-operative Limited. Matthew Lane is a director of Woo Cooking Oils Limited. Heather Richardson is Head of Group Compliance and Assurance at Severn Trent PLC.

Judith Feeney, Martin Cook and Steve Allsopp were Directors of Co-operative Futures in the year.

Barbara Rainford is a Director of the Co-op Press and Alistair Rowland, the Society's Chief Retail Officer, Specialist Business, is a Trustee of The Travel Foundation.

### Products or services supplied to Midcounties by

Revolver Co-operative Limited  
Woo Cooking Oils Limited  
Co-op Press  
Co-operative College  
Co-operative Futures  
Co-operatives UK  
The Travel Foundation  
Severn Trent PLC

2019/20 £'000	2018/19 £'000
70	37
3	1
10	18
1	1
42	41
106	156
8	22
4	4

The Society earns commission for services provided to Blue Bay Travel Limited, a company whose General Manager is the spouse of Alistair Rowland, the Society's Chief Retail Officer, Specialist Business.

Details of transactions are in the table below:

Commissions paid to the Society

2019/20 £'000	2018/19 £'000
160	105

## 6.6 Wholly owned subsidiaries

### Keeping it simple - wholly owned subsidiaries

These are separate legal entities that form part of The Midcounties Co-operative which are owned, managed and controlled by the Society.

As at 25 January 2020, the Group consisted of The Midcounties Co-operative Limited and the wholly owned subsidiaries and companies listed below, which are registered in England except where stated below.

	<b>Principal Activity</b>
Co-operative Payroll Giving Limited	Charitable donations
Co-operative Energy Limited	Utilities
Flow Energy Limited	Utilities
Co-operative Holidays Limited	Travel
Co-op Travel Services Limited	Travel
Kenmare Estates Limited	Property Management
The Midcounties Co-operative Investments Limited	Property Management
The Midcounties Co-operative Properties Limited	Property Management
The Midcounties Co-operative Trading Limited	Retail
West Midlands Co-operative Chemists Limited	Pharmacy
The Midcounties WR1 Limited	Property Management
The Midcounties WR2 Limited	Property Management
Tavistock House Day Nursery Limited	Childcare

The following were not trading throughout the year:

Avoco UK Limited	Hubcentre Limited
BCOMP 527 Limited	Kwik Travel Limited
Buffer Bear Limited	Needham Hall Limited
Buffer Bear Nurseries Limited	Oakshower Services Limited
Co-op Energy Limited	Phone Co-op Numbering Limited
Co-op Travel Direct Limited	Places for Children (PFP) Limited
Co-op Travel Limited	Reeves & Pain Limited
Countrystore (Maidenhead) Limited	Rusts Limited
Early Birds Nursery School Limited	The Co-operative Childcare Limited
Ecobilling Limited	The Green Energy Co-op Limited
Energy Coop Limited	The Midcounties Co-operative Developments Limited
First Steps Children's Nursery (Group) LTD	The Midcounties Co-operative Estates Limited
First Steps Childrens Nursery Limited	The Midcounties Co-operative Pension Trustee Limited
First Steps Childrens Nursery (Rathvilly) Limited	Thomas Ely Limited
First Steps Children's Nursery (St Edwards) LTD	Tuffin (Investments) Limited
First Steps (Stonehouse Farm) Limited	Volt Energy Supply Limited
Floridian Homes Ltd	Warners Retail (Bidford) Limited
Harry Tuffin Limited	Warners Retail (Moreton) Limited

The Society also owns 50% of Richmond Road (Towcester) Management Limited, 33% of The Co-operative Renewables Limited and 20% of Co-operative Web Limited

## 6.7 Post balance sheet event

The World Health Organisation declared a pandemic on 11 March 2020 following which social distancing measures and restrictions on the workings of normal society were introduced by the UK government. As these interventions and actions only became apparent after the balance sheet date any consequences arising, represent non-adjusting post balance sheet events.

On 29 April 2020, the business agreed a new RCF facility to commence 2 November 2020 upon expiry of the existing loan. This loan will mature in March 2022 in line with other bank facilities.

# Regional Communities support

## Who we funded during the year



1st Abermule Beavers
1st Abermule Cubs
1st Abermule Scouts
1st Far forest Scout Group (WF19)
1st Montgomery Brownies
1st Montgomery Guides
1st Montgomery Rainbows
1st Montgomery Rangers
1st Montgomery Scouts
1st Moreton in Marsh Guides
1st Shawbury Air Scout Group
2nd Brewood Scout Group
2nd Towcester Brownies
4th Codsall Brownies
4th Towcester Guides
5th Banbury Guides
5th Brackley Scout Group
6th Banbury Scouts
8th High Wycombe Scout Group
19th Swindon Scout Group
21st Kidderminster (Brinton Park) Beavers
33rd Oxford Kidlington Scout Group
Abermule Brownies
Abingdon & Didcot Stroke Club
Abingdon Carbon Cutters
Abingdon Community Events
Abingdon Good Neighbour Scheme
Ablewell Advice Walsall
Activate: Madley Park
AFC Essington
Alchester Rugby Club
Alexander Devine Childrens Hospice Service
All Saints' CE Primary School
Amberley Shop on the Common
Anchor Hanover
Appreciate UCIC
Arley Memorial Hall
Artlift project via Cotswold Medical Practice
Ascott Martyrs Educational Trust
Ashfield Nursery
Ashton Eyre Church
Aspire
Aspire Oxford

Aston Project
Back The Track
Barracks Lane Community Garden Project Ltd
BARTS
Be Free Young Carers
Berinsfield Information and Visitors Centre (BIVC)
Bicester Green Gym
Big Breakfast Plus
Bilbrook Junior FC U14s
Birch Hill Dog Rescue
Bishop's Castle & District Royal British Legion Womens Section
Bishop's Castle Carnival
Bloxham Fun Day
Blue Coat Dance Club
Bourton Rovers
Bright Futures Oxfordshire
Bristol & Gloucestershire Gliding Club
Broken Spoke Bike Co-op
Brownhills & Willenhall Methodist Circuit
Brownhills Methodist Church
Brunswick Healthy Living Centre
Bure Park Juniors FC
Byfield Primary School
Caldmore Village Festival Ltd
Cam Youth & Community Centre
CAMAD
Camel Pre-School
Campden Edge
Campden Home Nursing
Canal Restoration Telford Support Group
Cannock and District Food bank
Carers Bucks
Caring for Communities & People
Carmel Village Hall
Cashes Green Community Centre
CCBC Friends
Cedar Education CIC
CG2000
Chadlington Lunch Club
Chalbury Beer Festival
Changing Lives
Charlbury Community Centre (The Thomas Gifford Trust)
Charlea Gardens Community CIC



Cheltenham Silver Band
Cheltenham Woodcraft Folk
Cherry Orchard Pre-school
Cherwell Gymnastics Club
Cherwell Theatre Company
Chiltern MS Centre
Chinnor Senior Citizens Annual Luncheon Party
Chinnor Village Hall
Chipping Campden Hockey Club
Chipping Norton Skater Hockey Club
Christians Against Poverty
Churches Together in Knighton and District - Food Bank
Churchstoke Brownies
Churchstoke C P School
Churchstoke Little Explorers
Churchstoke Over 60s Club
Churchstoke Rainbows
Cinderford Area Neighbourhood Development Initiative (CANDI)
Citizens Advice South Warwickshire
City of Birmingham Rhythmic Gymnastics Club
Cleobury Stroke Support Group
Codsall & Bilbrook Cancer Support Group
Codsall Christmas Fair Group
Codsall High School
Codsall Singers
Community First Initiative
Community Heartbeat Trust
Cotswold Boat Mobility
Cotswold Community Awareness
Cotswold Friends
Cotswold Rangers Youth FC
Coventry Cat Protection
Coventry Independent Advice Service
Coventry Watch Museum Project Limited
Croughton Primary School PTA
Cuttleslow Seniors
CycloX: The Voice of Cycling in Oxford
Darlaston Warriors
DASH
Dawley Brook Primary School
Dean Heritage Museum Trust
Dogs for Good
Dogs on the Streets
Dolau Community Hall
Dolau Young Farmers Club
Dorchester St Birinus School PTA
Ducklington & Hardwick Produce Association
Dudley Gymnastics Club
Dudley Macular Support Group

East Hendred Heritage Trust
East West Organisation
Eastington Cricket Club
Ellen Hinde Hall
Empathy for special children
Ercall Colts U7s Football Club
Express & Star Bowls Club
Eynsham Enterprises
Fairford Youth Football Club
Fairtrade Town Shrewsbury
Family Friends
Faringdon Day Centre
Faringdon Netball Club
Farthinghoe Village Hall
FC Crystal
FDMA
Feeding the Gaps
Florence Nightingale Hospice Charity
FOBS - Friends of Bampton School
Footsteps Foundation
Ford Village Hall
Forden Friendly Circle
Forden Playgroup
Forden Short Mat Bowling Club
Forest Community Media
Forest Drop-In
Forest of Dean Buddy Club
Forest Pulse
Forest Voluntary Action Forum
Footsteps Foundation
Friends of Wolston St Margaret's
Friday Focus group run under the umbrella of the PCC of the church of St John The Baptist, Burford
Friends of Aston's Eyot
Friends of Aylesford Primary
Friends of Bladon School
Friends of Booker Hill School
Friends of Churchstoke CP Primary School
Friends of Great Rollright School
Friends of Hollyfield Nursery
Friends of Pauntley Primary School
Friends of Peatmoor School
Friends of Saintbridge Pond & Nature Reserve (FOSPNR)
Friends of Silsoe Church
Friends of St Andrew's School
Friends of Watlington Library
Friends of Wolston St Margeret's
Galley Common First School
Garden Village Friendship Club

Garsington Primary School Parent Teacher and Friends Association
Generations of Sound
Gloucestershire Young Carers
Gobo Theatre Foundation
Good Shepherd
Good To Talk (Banburyshire Citizens Project)
Gornal Athletic FC
Gosford Hill School
Grace Community Church
Grandpont Nursery School Association
Grassroots Bicester
Greatworth Pre-School
Green Park Voluntary Committee
Green River CA
Grinshill Animal Rescue
Grove Challengers FC
Grove Garden & Local History Club
Hand Made in Hallow
Hawkins Sports Juniors FC U14s
Hazlemere Community Centre
Headless Cross Community Gardening project
Hearts and Hurricanes Womans Institute
Heath Hayes Academy
Heron Primary School
High Acres Community Association
High Meadow Farm Livery Charity
Highfield Juniors Football Club
Highworth Town Football club
Holmer Green Village Society
Holy Ascension Church and Community Building
Holy Trinity Church, Sarn
Home Start
Hook Norton Low Carbon Limited
Hope House Hospice
Hope Springs
Hopton Castle Preservation Trust
Howe Trust Allotment Assoc
Hyssington Village Hall
Icknield Community College
Ignite Youth Group, Churchstoke
Jigsaw Events
Jigsaw/Fresh hope
Jupiter Community Free School
Kates Home Nursing
Katharine House Hospice
Kennington Venture Club (usually known as Kennington Youth Club)
Kerry Bowling Club



Kerry Playgroup
Kerry Silver Threads
Kerry Womens Institute
Kidderminster Horticultural Society
Kidderminster Lions FC
Kidlington Amateur Operatic Society
Kidlington Evening Townswomens Guild
Kidlington Tigers Under 10 FC
Kids Run Free
Kidz Klub Churchstoke
King of Hearts Creative Outreach
Kinver Community Library Ltd
Kinver Preschool Playgroup
Kinver Primary Federation PTA
Kirtlington Fete and Dog Show 2019
Knighton Community Centre
Knighton Primary Friends of the School
Knucklas Castle Community Land Project Ltd ("KCCLP")
Leamington Old Town Ltd
Lechlade Little Learners
Lechlade Music Festival
Leckhampton with Warden Hill Parish Council
Les Monts Hedgehog Rescue
Lightfoot Enterprises.
Lightorne Heath Village Hall Assoc
Linden Residents Association
Lingen Davies Centre & Haematology Ward - Shrewsbury Hospital
Little Clarendon St Jericho Assoc
Little Compton Bowls Club
Little Green Dragons
Llanfihangel Rhydithon School
Lodge Farm FC

Lower Wolvercote Allotment Association
Ludlow Area Youth Partnership
Ludlow Fairtrade Town Group
Lydbury North School PTA
Ma-mites Toddler Group
Margaret Lloyd Playgroup
Marsh Gibbon Primary School Parent Teacher Association
Marston Community Garden
Mary's Garden
Maymessy
Mechanics' Institution Trust
Megan Baker House
Memory Lane
Meningitis Now
Messy After School Club
Middleton Cheney Village hall
Middleton Church
Midland International Aid Trust - MIAT
Mill Lane School Association
Minsterley Show Society
Montgomery Institute/ Cloverlands Model Car Museum
More Mascots Please CIC
MS Society Wyre Forest and District
Myton School
Nailsworth Health Partnership
Nai's House
National Autistic Society Stafford Branch
Newbiggin Hall Junior Football Club
Newlands Park
Newtown And District Dial A Ride
North Banbury Scout Group
North Kidlington Primary School
North Leigh Primary School
North Oxfordshire Community Foodbank
North Walsall Primary Academy
Northleach Playgroup
Norton League of Ladies
Offa's Dyke Association
Old Hall School
Omega The National Association for End of Life Care
'On The Edge' Fusion Youth Orchestra
Opera Unmasked
Orchard Trust
Orchestra of St John's
Oxford Against Cutting
Oxford Poetry Library
Oxfordshire Liveable Streets
OYAP Trust

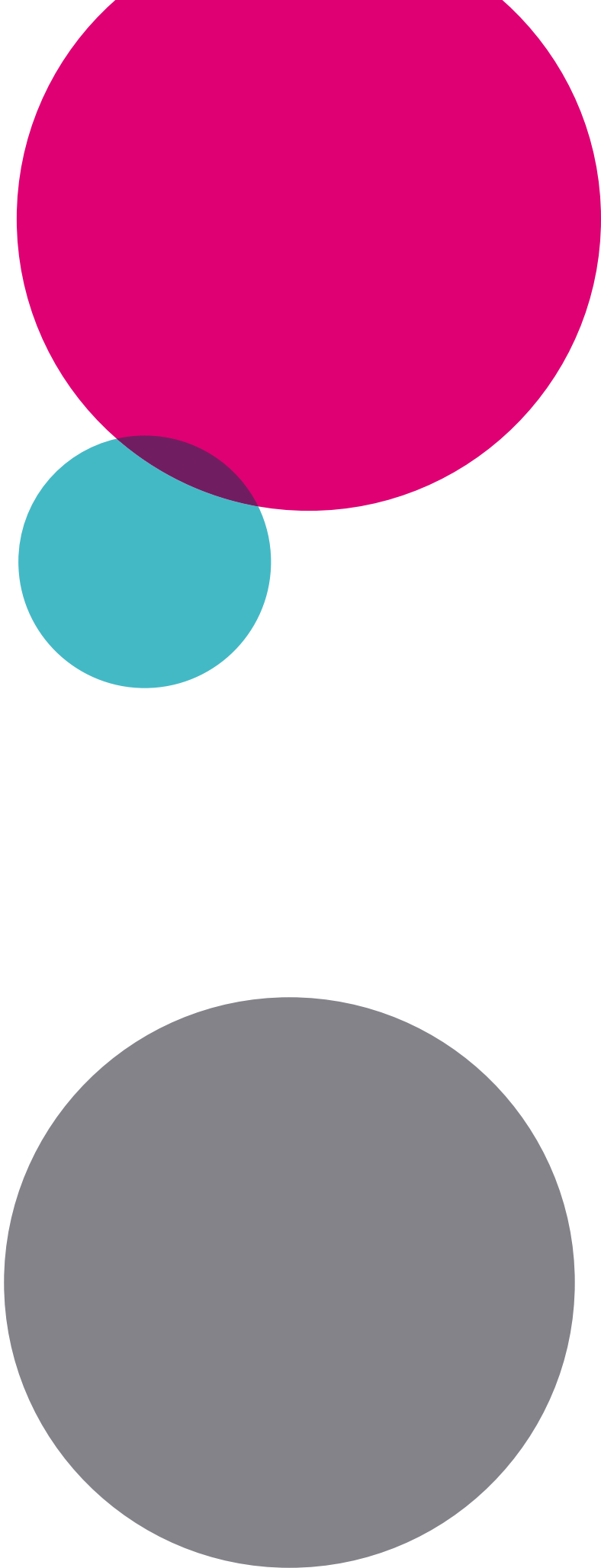
P.A.C.E 2000
Parents of Ladygrove Park Primary School PTA-PALS
Parish of St Stephen's Cinderford
Parkrun UK
Pebble Brook School
Penk Moneywise
Penk Wise
Penkridge Civic Society
Pennyhooks Farm Trust
Pens Meadow Home School Association
Pillowell Silver Band
Play Gloucestershire
Potters Cross Pre School Playgroup
Powys Animal Welfare
Priestweston Village Hall Committee
Purrfect Pets Cat Rescue
Radnor First Responders
RAF Benson Rainbows, Brownies and Guides
Raising Money for Warwick Special Care Baby Unit
Randwick Scout Group
Reading Tree Wardens Network
Red Kite Family Centre
Redmarley Football Club
Restore Banbury
Ricochet Community Sports Club
Riding for the Disabled
Roade Village Hall & Playing Field Charity
Rotary Club of Church Stretton
Round Oak School
Royal British Legion Kingswinford Branch
Royal Wootton Bassett Infant School
SA Crush
Saltwells United FC



Sarn Coffee Morning Group
Sedgley Panthers Football Club
Shaing Life Trust
SHARP Life and Learning Skills CIC
Sheepscombe Primary School
Shine Out Of School Club
Shirley Horse and Pony Rescue
Short Wood Primary School PTA
Shropshire Inclusive Dance
Shropshire Regional Community
Shropshire Telford & Wrekin Dementia Action Alliance
Shusninkai Karate School
Silver Lining Ladies Barbershop Chorus
SMASH
Soroptimist International Kidderminster & District
South Bucks - National Autistic Association
South Staffordshire Local Village Transport
South Staffordshire Work Clubs
SPARKS-Incredible Edible
SPDC
Springvale Bowling Club
St Andrew's
St Andrew's CE Primary School
St Basil's
St Chad's Church, Pattingham with Patshull PCC
St John The Evangelist School
St John's Church Newcastle PCC
St Leonard's Church Bilston
St Mary's Catholic Primary School
St Mary's Church, Charlbury
St Mary's Friendship Club
St Nicholas Church, Churchstoke
St Paul's C of E Primary
St Paul's PCC Coven- Mothers Union
St Peter's Church Cookley
St Philip & St James Area Residents Assoc
St Richard's First School
Staunton & Corse Football Club
Steventon Derby & Joan Club
Stone House Comforts Fund
Stone Village Sausage and Beer Festival
Stonehouse Community Choir
Stonehouse Community Partnership
Stonehouse History Group
Stonehouse Pensioners Club
Stourport-on-Severn Brass Band
Stroud and Tetbury District Scout Council
Stroud Valleys Project

Student Leadership Team-Gosford Hill School
Sue Ryder
Swindon and District Talking Newspaper Association (STAN)
Swindon Bicycle Users Group
Swindon Bowls Club
Swindon Carers Centre
Swindon Down's Syndrome Group
Swindon Osteoporosis Support Group
Swindon Seniors Forum
Swindon Vixens
Swindon Womens Aid
Teckels Animal Sanctuary
Telford West Indian Association - Steel Band
Teme Valley Vintage Club
Tenbury Agricultural Society-Poultry Section
Tewkesbury Town Band
The Beacon Festival, Watlington
The Black Country Dance Hub
The Bus Shelter MK
The Church of the Holy Jesus, Lydbrook
The City of Wolverhampton Orpheus Male Voice Choir
The De Montfort School
The Fire Fighters Charity
The Friends of Brier
The Friends of Charfield Primary School
The Glebe Centre
The Henry Box School Association
The Hummingbird Cancer Support Centre
The Katherine Allport Foundation
The Kitchen Garden People
The Lawn (Swindon) Community Assoc
The Lido Chipping Norton
The Marsh Church
The MASE Group
The Monday Club
The Oxfordshire Book Awards
The Parish of Kidlington with Hampton Poyle-Summer Fete
The Prison Phoenix Trust
The Rock Cheltenham
The Shrewsbury Food Hub
The Women's Art Activation System
The Wotton Under Edge Historical Society, Heritage Centre & Museum
Thrive North Ox
Tiny Tims
Toucan for Children
Tove Valley Baptist Fellowship
Towcester Evening WI

Towersey Fringe
Transition Evesham Vale
VEG Out Zone Newent Community Garden
Volunteer Centre Swindon
Wall Heath Defib Group
Walsall Academy
Walsall Pensioners Convention
Walsall Pride For All
Wantage Literary Festival
Wantage Summer Arts festival
Warriner School Farm Trust
Warwickshire Air Ambulance Service
Warwickshire Young Carers
WASUP
Welcome to Wem
Welshpool 1940s Weekend
Wem Macular Group
West Bromwich Versus Arthritis Self Help Group
West Oxfordshire Community Transport
West Shropshire Talking Newspapers
Wheatley United Reformed Church
WheelPower
When You Wish Upon a Star
Whitton WI
Widmer End School Assoc
Wilden Girls FC
Willenhall Lock Stock
Wiltshire Search and Rescue
Wolvercote and Wytham Midsummer Festival
Wolvercote Tree Group
Wolverhampton Alz Café
Wolverhampton Pensioners' Convention
Woodford Halse Baby & Toddler Group
Woodlands Adventure
Worcestershire Beekeepers Association
Wotton Arts Association
Wychwood Saplings
Wycombe Homeless Connection
Wyre Forest Nightstop
Wyre Forest Young Voices
Yarnton Netball Club (Youth)
Yarnton Scouts
Young Shropshire in Work





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