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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

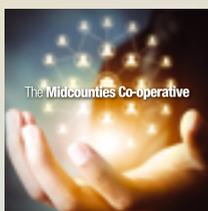


## SOCIAL RESPONSIBILITY

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:

# The Midcounties Co-operative 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.



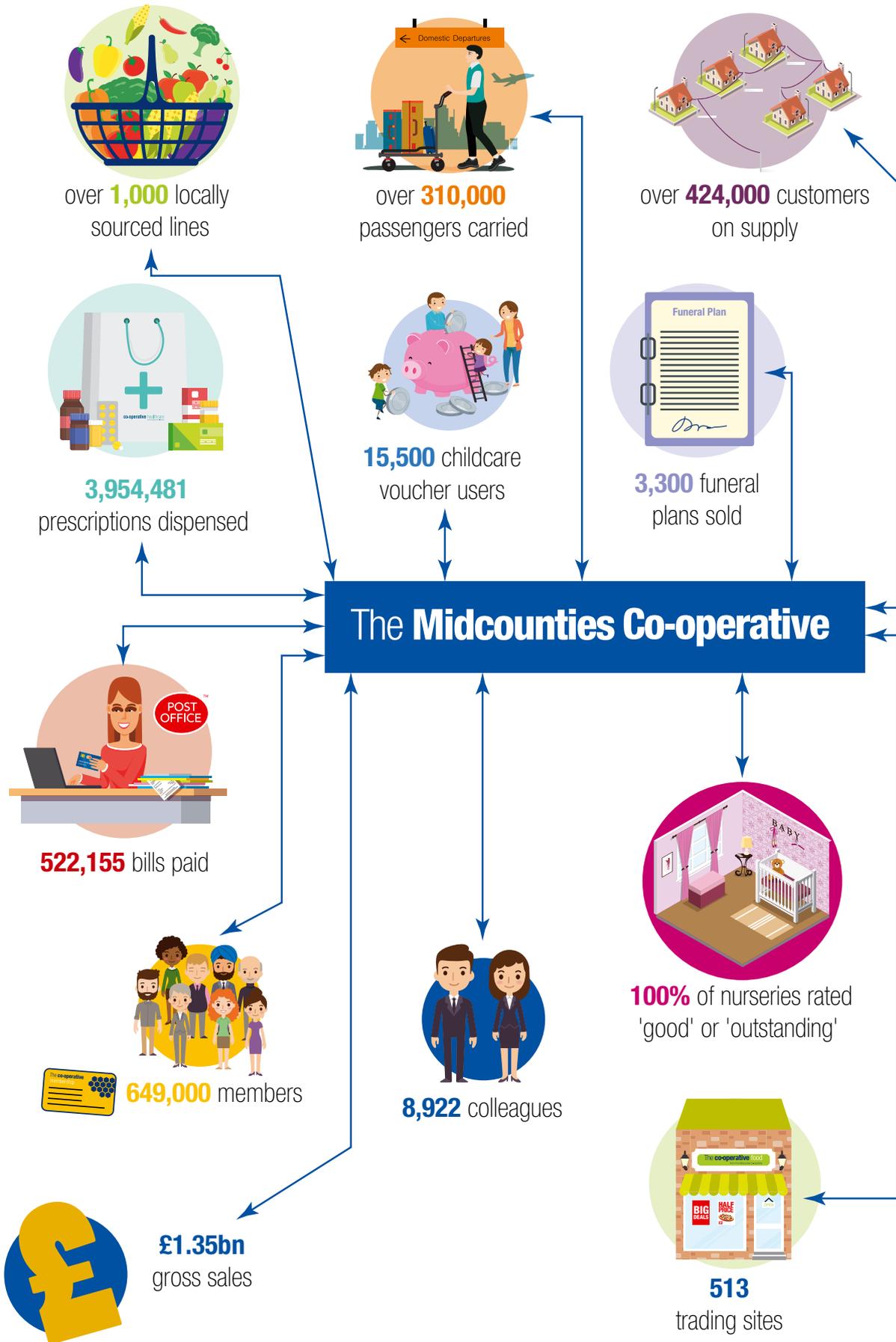
We are a commercially successful, sustainable, values driven business which is trusted by the public, loved by its members and supportive of its suppliers.



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 and Flexible Benefits. 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 Energy, Childcare, Travel and Flexible Benefits businesses trade across the UK. This infographic provides a snapshot of our activity:



# President's introduction

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With 649,000 members and 20 active regional communities we need good growing structures to keep our grass roots firmly in place.

**Ruth FitzJohn**

Engagement has been a strong theme for Midcounties this year. With 649,000 members and 20 active Regional Communities we need good growing structures to keep our grass roots firmly in place.

As you will read, we had active face to face contact with over 32,000 members at various meetings and events. We use these contacts to listen and learn what you want from us. 94% of attendees scored the AGM at 8 out of 10 so I hope you will consider attending in May 2017 for an informative interactive day out directing your business.

We continually look for new ways to engage with our members. Our Energy member advisory panel met four times this year to help shape our understanding of consumer and member thinking. Our Healthcare teams held targeted health events in local communities covering specific health issues and also wider wellbeing topics such as combating loneliness.

Other Team Midcounties colleagues volunteered in communities to deepen engagement. In this report, Funeral colleagues share that they have donated over 3,400 volunteering hours engaging with activities such as washing cars for charity and leading Christmas Remembrance Services. We have worked with over 50 schools this year building our young people's engagement as recommended by members last year.

Colleague Forums and Managers Conferences continued the theme of meaningful engagement leading to change and success. Our colleague survey had a 97% response rate – an extraordinary result full of learning and endorsement.

So, I hope you can tell how seriously we've taken our members, colleagues and communities this year as we look to grow and develop your Society.

I want to end by commenting on an important transition. Last November we helped Ben Reid celebrate his retirement as a full time Chief Executive. After 11 years leading Midcounties Ben stepped down from his full time commitment leaving us in fabulous shape. He has now moved into a part time Group Chief Executive role. The Board, and I hope all members, are tremendously grateful to Ben for all he has delivered as Chief Executive and for his generous flexibility in taking on this new part time role helping to bridge the transition to new management arrangements.

A handwritten signature in black ink that reads "Ruth FitzJohn". The signature is written in a cursive, flowing style.

**Ruth FitzJohn**  
**President**

# Chief Executive's overview



Good progress has been made in matching commercial success with a strong focus on co-operation and member engagement

**Ben Reid OBE**

to an 86% increase in customers by the year end, a very positive sign for the future.

We continued to invest, spending £29.8 million on site acquisitions, branch refurbishments and our IT infrastructure and our cash generation remained strong allowing us to reduce borrowings to £18.2 million comfortably within our agreed facilities.

The UK's decision to leave the EU and the unexpected result of the US election introduced further challenges into the economy. In particular food price inflation, a volatile exchange rate and very low bond yields affecting the pension liability estimation. Next year will also see additional costs to absorb such as increases in the National Living Wage, business rates and the introduction of the Apprenticeship Levy. This all adds up to a challenging year to come. But the decisions and actions taken this year means we are well placed to meet these challenges and continue to progress our strategic objectives.

In the co-operative arena our performance has been very strong. We recruited over 100,000 new members and have made real progress with our Regional Community programme. Our colleagues have contributed 36,000 volunteering hours and we engaged with over 32,000 members at local events and meetings. I am particularly proud that we have given out more than £390,000 to over 500 good causes chosen by our members across our 20 Regional Communities. You will find the beneficiaries listed at the back of this report.

Despite the challenging trading environment good progress has been made in matching commercial success with a strong focus on co-operation and member engagement and the business can look forward to this continuing in the year ahead.

A handwritten signature in black ink, appearing to read 'Ben Reid', with a horizontal line underneath.

**Ben Reid OBE, Chief Executive**

The Society has continued to make good progress. Our Food, Funeral and Travel businesses have performed particularly well, despite facing challenging trading conditions, although Healthcare and Energy have struggled to produce the returns we had planned.

Gross sales increased by 7.9% to £1.35 billion and the Society achieved a profit before significant items of £11.4 million, in line with expectations albeit lower than last year.

The standout performance came from our Travel group which had an exceptional year doubling its profits on a 15% increase in sales. Our Food business also performed strongly, achieving its fifth successive quarter of like-for-like sales growth and enjoying a particularly good Christmas period.

Our Funeral and Flexible Benefits businesses came in well ahead of expectations, and Childcare performed to plan.

However, reductions in government funding impacted our Healthcare business and a very difficult trading environment over the winter months had a significant impact on our Energy business. But I'm pleased to report that towards the end of the year we were selected by Ofgem as the supplier of last resort for GB Energy customers, contributing

# Key achievements

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We recruited a record of over 108,000 new members and our membership now stands at 649,000

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Over £390,000 has been donated to more than 500 good causes chosen by members across our 20 Regional Communities



We engaged with more than 32,000 members at Member Events, our AGM and Half Yearly Meetings

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We trialed a new Member App which allows members to monitor their membership and gives them news, events and offers



Our members donated over 70,000 products to 40 Foodbanks helping over 1,000 families in need

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Our Travel business introduced a Member Travel Club offering a wide range of exclusive benefits which helped contribute to record sales



# Trading group overviews



## Food Retail

### Key facts

**Gross sales:** £569 million

(2015/16: £562 million)

**Colleagues:** 5,355 (2015/16: 5,194)

**Sites:** 228 (2015/16: 234)

**Steering wheel:** 56% of targets achieved  
(2015/16: 75%)

“Our Food business has performed above expectations with both our supermarket and convenience stores showing good growth.”

Our Food business has performed above expectations delivering five successive quarters of like-for-like sales growth despite an increasingly competitive environment. Our Christmas performance was particularly strong with both our supermarket and convenience stores showing good growth.

Sales of locally sourced products and the ‘Best of Our Counties’ range have performed well with year-on-year growth of 16%. A real highlight has been the quality of fresh produce supplied from Mudwalls Farm in Warwickshire.

We have continued to invest in our stores and grow our business. We reformatted our supermarkets at Stourport and Codsall following a successful pilot at Chipping Norton. Our new convenience store format has been used in our stores at Woodstock, Leckhampton, Watlington and Montpellier in Cheltenham and we introduced two new Coffee Republic coffee shops at Stourport and Highworth. We also redeveloped our petrol station and store at Cleobury Mortimer, opened convenience stores in Swindon, High Wycombe, Warwick, Worcester and Middleton Cheney and started work on a new supermarket at Bourton-on-the-Water.

To improve efficiency and customer service we launched our Customer First Programme. This three year business change initiative aims to be ‘Smarter for Colleagues and Better for Customers’. The four streams of the programme, backed by significant investment, target the key areas of our business – our People, our Customers, our Products and our Stores. Through the programme we are improving operational efficiency with the introduction of new technology and the simplification of store operating procedures. We have also set

up a Learning and Development Team to ensure colleagues are supported with bespoke store training. The programme will continue in 2017 with the introduction of a new labour scheduling system, improved stock management routines and more self-service checkouts.

We have also reinvigorated our Retail Apprentice Programme welcoming 16 new apprentices to the business in September.

### Member engagement

We continue to recruit members in stores and at community events. Our Chipping Norton store celebrated its 150th anniversary by signing up 1,300 people. Members have given generously to Foodbanks donating over 70,000 items. Our Cainscross store held a Parent and Baby focus group to discuss shopping requirements and the customer experience for parents. This led to improved ranges, equipment and parking facilities.

We also took part in the Light up a Life campaign in and around the Wyre Forest which involved colleagues and members raising funds for Kemp Hospice. Colleagues and members at Stourport gave up part of their Christmas Day to help serve Christmas dinner at the local church for those living alone.



## Travel

### Key facts

**Gross sales:** £344 million  
(2015/16: £298 million)

**Colleagues:** 435 (2015/16: 452)

**Sites:** 58 (2015/16: 58)

**Steering wheel:** 75% of targets achieved  
(2015/16: 69%)

“Our Travel business has had an exceptional year with strong performances in Retail, Personal Travel Agents and the Co-op Consortium.”

Our Travel business has had an exceptional year with strong performances in Retail, Personal Travel Agents and the Co-op Consortium. This was particularly pleasing given the challenges from the falling pound and a reduction in demand for a number of popular destinations following security concerns. We completed refurbishments at our Finchfield, Codsall, Stourport and Worcester branches in the year.

Co-operative Holidays grew significantly with both City Break locations and Co-operative Rooms performing well. 5,000 passengers travelled on our own branded holidays and 20,000 customers purchased a room from us.

Our Retail business was presented with a number of awards including the Midlands Large Travel Agent of the Year, the Social Media Campaign of the Year and the Gold Medal/Travel 2 Large Agency of the Year. We were also especially proud of the many colleagues who received external recognition for their achievements.

Our Co-op Consortium, now in its fifth year, grew sales by over a third and attracted five new members taking the total number to 40.

Our Personal Travel Agents division, in its fifth year, has built a reputation in the industry, winning one of the Travel Trade Gazette Top 50 Agencies in the UK, the Top Agent award for Hosesasons UK holidays and an award from Carrier Luxury Holidays for top agency. Our Personal Travel Agent Helen Furlong won Top Homemaker in the UK. Performance was strong, the division had a record year for sales and the number of agents grew to 142. Agent productivity also improved following the launch of a

new online training scheme focusing on advanced, personalised service skills.

Our measurement of customer feedback also scored very highly, as existing and new customers benefitted from the expertise our business offers. Our ‘customer loyalty index’ score, which uses a recognised measure of excellence in customer service, scored in the top 1% of all retailers in the UK.

### Member Engagement

The business introduced our Member Travel Club which offers a wide range of exclusive rewards and benefits for members. As a result sales to members grew to 58% of all holiday sales.

Two lucky members were refunded their holiday to Spain through our ‘Win back the cost of your holiday’ exclusive member promotion.

We have improved our digital communications and now talk to members more frequently by email and through the dedicated Membership benefits portal, e-shots and social media.

In September we held our first member only event and these will continue through 2017. At the event members learnt about the business and received exclusive offers as part of our Members Travel Club.



# Energy

## Key facts

**Gross sales:** £295 million  
(2015/16: £253 million)

**Colleagues:** 464 (2015/16: 379)

**Steering wheel:** 56% of targets  
achieved (2015/16: 25%)

“Our Energy business has grown significantly and now has over 424,000 customers.”

Our Energy business has grown significantly with the acquisition of 156,000 customers from GB Energy in November. As a result, the business had over 424,000 customers at the year end, well ahead of our plans. However, in common with other suppliers, we have been affected by unprecedented levels of volatility in the electricity market in recent months which has impacted profitability.

Pleasingly we have achieved 45% of our energy from renewable sources over the last 12 months, well ahead of our target and we have already stopped buying electricity generated from coal fired power stations.

We continue to sponsor the Community Energy Fortnight, the UK's largest annual gathering of community energy practitioners, attracting over 300 people. The Society was recognised as Best Renewable Energy Supplier UK by Clean Energy, in large part due to our support for community energy.

We supported a community centre on the Packmore Estate in Warwick and worked with ECO Workshop to provide weekly placements for three young adults with autism.

We now offer a 100% green electricity tariff and donate some of the profits to our Green Community Grant and the Travel Foundation.

We rebranded the business, adopting the international co-op marque in our visual identity.

We have expanded our colleague development programme introducing the Co-operative Difference Training Course. All new recruits now attend a 21 day off the job training induction before working in the live environment. In addition Energy colleagues volunteered 1,907 hours helping to support local causes.

## Member engagement

Our member advisory panel now meet four times a year. We consulted with the panel on our rebrand proposition, bill design and the design and functionality of our portal. With all the feedback the portal was successfully launched in September. We launched Co-operative Energy Saving which provides access to energy saving advice and services to help reduce energy consumption.

There were a number of cross trade opportunities developed and offered to members including a festive fix and fly tariff. Members were also targeted with specific information on Government grant schemes such as the Warm Home Discount.

At the Society's AGM an energy shop was set up to answer member queries and ask questions. There was also an Energy Forum so members could ask questions directly to the senior management team.



# Healthcare

## Key facts

**Gross sales:** £40 million  
(2015/16: £42 million)  
**Colleagues:** 426 (2015/16: 432)  
**Sites:** 40 (2015/16: 43)  
**Steering wheel:** 60% of targets achieved  
(2015/16: 60%)

“Our Healthcare business has had a difficult year but has continued to perform, dispensing four million prescriptions.”

Our Healthcare business has had a difficult year given the impact of the funding reforms introduced by the Government. These are proving one of the greatest challenges to Community Pharmacy in recent years. Nonetheless, the business continued to perform, dispensing four million prescriptions – the same level as last year.

In anticipation of the cuts we reviewed the performance of a number of our branches, concluding that we could no longer support 11 branches in our estate. These were marketed and the final branches will shortly be leaving the Group.

To improve the customer experience we moved our pharmacy into the centre of our Stourport supermarket, rebranding it to Co-operative Healthcare. The pharmacy includes a health hub where members and customers can carry out self-service health checks.

Our Online Doctor continues to go from strength to strength. We launched a new brand identity and added more treatments, both of which have helped generate sales growth of 23%.

We achieved the same very high ‘customer loyalty index’ score as last year, a testament to the work of all our colleagues who provide outstanding service, especially those at the 12 branches which earned the maximum score of 100 for the year.

We have worked hard to ensure our teams remain engaged in what is a challenging environment and have continued to invest in their learning and development. So we were pleased

that our colleague engagement score improved by two points.

We carried out many health events throughout the year and provided 925 volunteering hours to help support local causes. We have also worked closely with our local partner schools at Walsall Academy and Grace Academy by supporting the Society’s Green Pioneers scheme, through our Regional Communities programme.

## Member engagement

Our members’ Healthcare programme includes free health and cholesterol checks and free diabetes screening. We also offer further discounts and rewards to encourage members to take a proactive approach to their health and well-being.

The introduction of exclusive member discount weeks, a members’ month and 10% off non-prescription items every Tuesday has supported the growth of our member trade which has improved by 2% year on year.

We have held many health events in our local communities covering, for example, Parkinson’s disease and loneliness. All our colleagues are dementia awareness trained and we have continued to raise awareness of weight, alcohol and smoking related issues, while also supporting and raising money for our charity partners.



## Flexible Benefits

### Key facts

**Gross sales:** £29 million  
(2015/16: £28 million)  
**Colleagues:** 8 (2015/16: 8)  
**Steering wheel:** 100% of targets  
achieved (2015/16: 100%)

Our Flexible Benefits business has had its strongest trading year to date, achieving record levels of profitability. The delay to the government's Tax Free Childcare scheme has allowed the business to continue to sell childcare vouchers and maximise opportunities to recruit new clients until April 2018.

The business has over 1,000 clients and has recruited a number of larger clients from competitors. We have also launched a new website and social media campaign and strengthened our benefits portfolio.

Our team of eight colleagues contributed 155 volunteering hours in support of local causes and we were delighted to celebrate one of our colleagues receiving a 20 years' service award.

### Member engagement

We encourage our clients to promote the benefits of membership to their employees. We also promote membership through our website and via social media activity and we regularly engage with our existing and new clients on the way we run our business.



## Post Office

### Key facts

**Gross sales:** £2.9 million  
(2015/16: £3.0 million)  
**Colleagues:** 258 (2015/16: 265)  
**Sites:** 55 (2015/16: 75)  
**Steering wheel:** 64% of targets  
achieved (2015/16: 28%)

Our Post Office business has exceeded its targets, helped by a strong Christmas. Where high street banks are closing Post Offices can continue to provide the banking services needed in local communities.

We have continued to acquire new sites, opening offices in Stonehouse, Headington, Winchcombe, Rodbourne Cheney and Middleton Cheney to ensure Post Office services remain in these local communities.

We have invested in our colleagues with training workshops offered throughout the year. As a result, our 'customer loyalty

index' increased by 10 points to a score of 94, a pleasing improvement.

Colleagues have also contributed over 1,250 volunteering hours to local causes, in particular, helping in charity shops and with children's reading at school.

### Member engagement

All our colleagues have been trained in member recruitment and Co-operative Social Responsibility. Lydney Post Office held a successful membership event which recruited 28 members. We are planning to adopt the approach used across our estate.



# Funeral

## Key facts

**Gross sales:** £31 million  
(2015/16: £30 million)  
**Colleagues:** 370 (2015/16: 372)  
**Sites:** 84 (2015/16: 78)  
**Steering wheel:** 50% of targets achieved  
(2015/16: 38%)

“Our Funeral business has performed well increasing Funeral Plan sales by 51%.”

Our Funeral business has performed well. We conducted 7,250 funerals and increased Funeral Plan sales by 51%, with over 3,300 customers choosing to plan and pay for their funerals in advance. It is estimated that by 2030, half of all funerals delivered in the UK will be funded by a pre-paid funeral plan. This makes our growth in plan sales reassuring and helps secure the future for our colleagues and members.

However, there are challenges ahead. With increasing media coverage of the rising cost of funerals, a growing number of consumers are looking for a low cost funeral service. There are also signs that consumers are increasingly opting for simpler, less traditional funerals.

In response, we have launched our Essential Funeral Service and our Essential Funeral Plan. These offer a less traditional funeral service at a lower price, without sacrificing the quality of service provided.

We have expanded our branch estate, opening new homes in Beaconsfield, Buckingham, Chipping Norton, Longlevens, Stow-on-the-Wold and Pelsall to provide members with better coverage in our heartland areas. Sales in our masonry and memorial business have continued to grow, increasing by 9% on the previous year, and thanks to our Service Excellence initiative we have also seen an increase in the number of customer compliments we receive.

Our colleagues are at the heart of the service we provide and our investment in colleague learning and development has continued with over 4,850 hours of learning delivered. In

addition, professional development remains a high priority and we have supported colleagues through a range of internal and external programmes to help develop their careers.

## Member engagement

Our Members benefited from an exclusive discount of £250 on the purchase of a Funeral Plan from July to October 2016 and we launched our Eco-Friendly Range of coffins and caskets. These initiatives were well received and increased our trade with members to over 37%.

In our new funeral homes we introduced stronger messages to promote our ‘Community Owned, Community Led and Community Rewarding’ messages.

Our colleagues volunteered over 3,400 volunteer hours to help support local causes through activities such as charity car washes, local food bank donations and our annual Christmas Remembrance Services.



## Childcare

### Key facts

**Gross sales:** £30 million  
(2015/16: £28 million)

**Colleagues:** 1,317 (2015/16: 1,251)

**Sites:** 48 (2015/16: 47)

**Steering wheel:** 20% of targets achieved  
(2015/16: 73%)

“The business now has 48 nurseries, a third have been rated Outstanding by Ofsted, with the remainder being rated as Good.”

Our Childcare business generated sales of £30 million for the year, a year on year improvement of 6.7%. However, profitability, while on plan, is slightly lower than last year given the introduction of the National Living Wage which saw almost 30% of colleagues receive a pay rise.

The business now has 48 nurseries following the acquisition of the First Steps chain of four nurseries in September. A third of our nurseries have been rated Outstanding by Ofsted, with the remainder being rated as Good. This has moved us from 13th to sixth place nationally in the Nursery World Quality League Table Report.

We were delighted to win the ‘Top Business Index’ and ‘Nursery Operations Manager’ awards sponsored by Nursery Management Today, due recognition for the contribution made by our colleagues in providing the best care and learning opportunities for our children while still achieving profit targets.

A particular challenge has been recruiting qualified colleagues which has reduced our ability to meet demand in certain locations. In response we have looked to attract more unqualified colleagues and then invest in their training and development. In recognition of the steps we have taken, we also won the ‘Nursery Recruitment Initiative’ award sponsored by Nursery Management Today.

Retention of our most qualified and experienced colleagues also remains challenging. We have introduced a Talent

Management programme to support every colleague in their personal development and career planning in an effort to keep them within the business.

Looking ahead we are in a strong position to meet the rise in demand for nursery places which will come with the increase in Government funding in September 2017.

### Member engagement

We are focused on delivering value for both our parent and colleague members. To help improve our service we collect members’ views through local nursery parent groups, customer surveys and social media and through our national Parent Forum which provides parent members with real input into the running of the business.

Members have benefited from exclusive offers including free pre-school uniforms, discounted additional nursery sessions and reduced pricing on the first Little Pioneer books.

Additionally the Group has been actively involved in our Regional Communities programme volunteering over 3,000 hours and raising in excess of £10,000 for community projects.



# Membership

## Key facts

**Members:** 649,000 (2015/16: 560,000)

**Member trade:** 41% (2015/16: 42%)

**Share of the profits:** £1.5 million  
(2015/16: £2.0 million)

“We now have 649,000 members, having recruited a record 108,771 new members through the year.”

Our membership continues to grow. We now have 649,000 members, having recruited a record 108,771 new members through the year.

We engaged with 32,067 members at member organised events including local and Regional Community events and special Member Days.

We introduced a simplified booking process using email marketing for attending our Annual and Half Yearly meetings. The AGM was attended by 663 members with 94% scoring it eight or more out of 10. The Half Year meetings were attended by 517 members with 98% of members scoring them at seven or more out of 10.

In July we sent our magazine and summer offers mailer to 193,000 members. For the first time we produced a personalised mailer with information on the Regional Community activity in the member's area together with the local charities being supported. We also sent our member magazine and share of profits mailer to over 238,000 members including 8,000 colleagues, combining it with their Colleague Dividend payment.

To promote Co-operatives Fortnight and the International Day of Co-operation, the Society hosted an International Co-operative Alliance round table meeting attended by leading co-operators from around the world.

Over 16,500 people attended our Churchstoke and

Gloucestershire Fun Days. Both events enjoyed a range of attractions and raised over £70,000 for distribution to local good causes. We also attended Freshers' Fairs at five universities across our heartlands to promote the Society and co-operation, signing up over 1,500 members.

## We are launching a free Member App. The App features:

- A virtual Membership card
- Membership point balance
- Recent transactions
- News and events
- Branch locator with directions
- Latest Food offers
- A contact function

Search for **“MyMidCoop”** in the App store.





## Co-operative Social Responsibility

Key facts

**Recycling rate:** 91% (2015/16: 85%)

**Energy reduction:** 4.0% (2015/16: 3.1%)

“We have made significant progress with our Regional Communities programme distributing £390,000 to over 500 local community groups and good causes.”

This year we were delighted to win the ‘Overall Excellence in Social Responsibility’ Award at the National Corporate and Social Responsibility Awards, recognising our commitment and achievements in the social responsibility arena.

We have made significant progress with our Regional Communities programme:

- over 70,000 products have been donated to Foodbanks by our members, customers and colleagues, providing meals for over 1,000 families in need
- more than £130,000 has been raised for our charity partners
- we have distributed £390,000 to over 500 local community groups and good causes across our Regional Communities
- 400 press releases have been issued with a potential audience reach of almost 50 million

Our colleagues completed 36,000 volunteering hours in their local communities. We engaged with 9,000 young people in a range of activities including 48 stores hosting classroom sessions and 280 students benefiting from work experience placements across the business.

Colleague engagement has continued to be a key focus. The Society’s Colleague Council network was relaunched early in the year, and we had an exceptional response rate of 97% in our annual colleague survey where our score improved by one point.

We have increased our recycling rate to 91%, diverting over 3,000

tonnes of waste from landfill, and we reduced our overall energy usage by 4%, saving 1,000 tonnes of CO<sub>2</sub>.

More detail on our social responsibility activity can be found in our Social Responsibility Report at [www.midcounties.coop/society](http://www.midcounties.coop/society)

### Member engagement

To identify issues that our 20 Regional Communities could address we asked over 10,000 members what really matters to those who live, work and learn in the local communities where we operate. This feedback allowed each Regional Community to set its priorities in line with members’ wishes.

To involve members at a strategic level we have 38 members on our Regional Community Steering Groups where members and colleagues work together to make local level decisions.

Our Regional Communities have also raised the awareness of member events, with over 1,000 members attending such events last year.

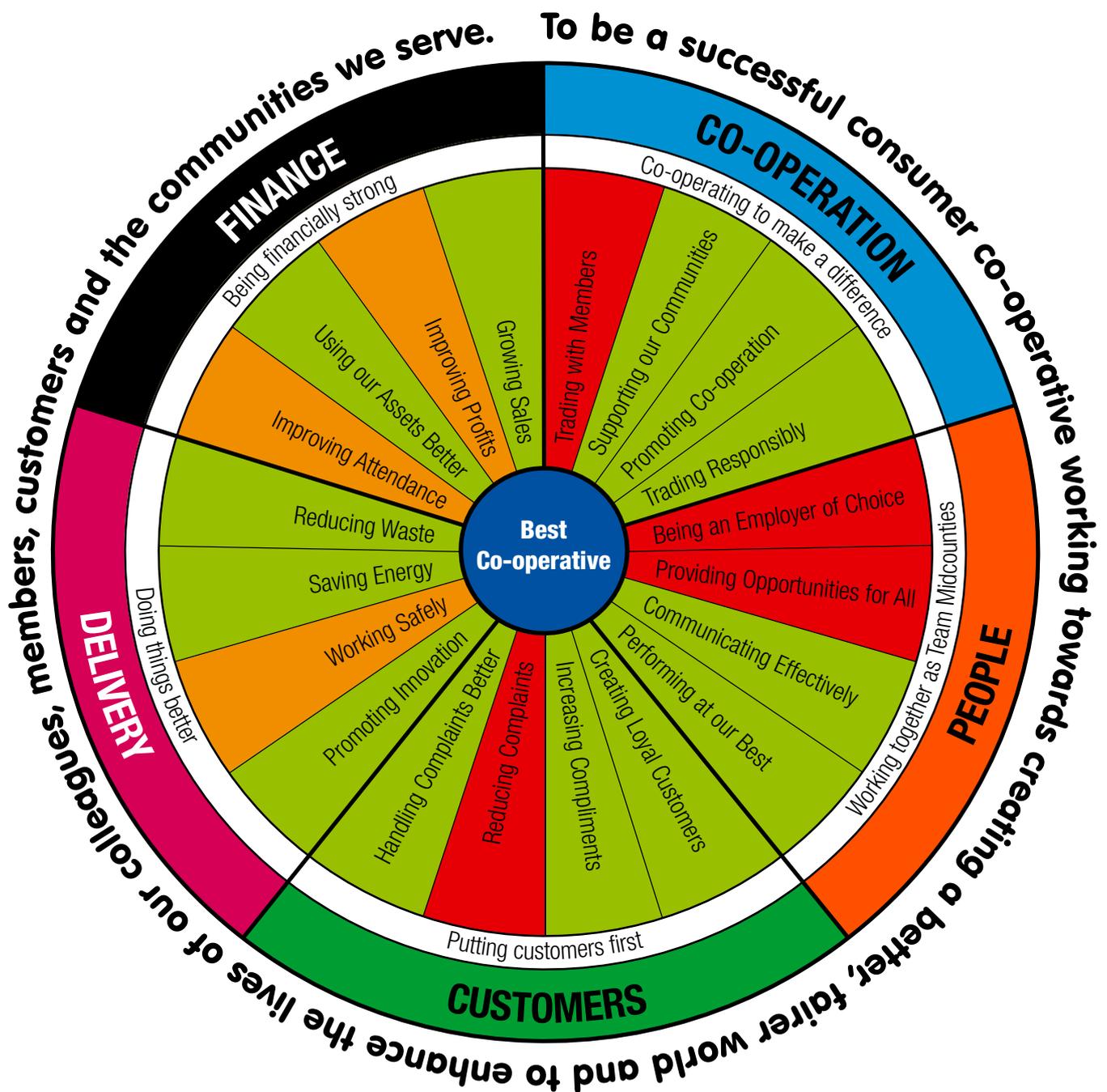
# Reporting our Steering Wheel

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.

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.

The Steering Wheel below shows how we have performed against targets on these objectives during the 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).



# Reporting our Steering Wheel

## Co-operation

### Trade with members

**Percentage of trade with members: 41% (last year: 42%)**

Trade with our members has decreased slightly to 41% of sales (2015/16: 42%). This was due to a large number of new members who joined and some parts of the business being below target.

### Supporting our communities

**Hours volunteered in community by colleagues: 36,000 (last year: 26,500)**

Our colleagues provided 36,000 volunteer hours (2015/16: 26,500 hours) to support their local communities. This equated to over £520,000 worth of colleague paid time.

### Promoting co-operation

**Number of members involved in co-operative activity: 32,000 (last year: 25,000)**

663 members attended the AGM and 517 attended the Half Year meetings, a total of 1,180 (2015/16: 1,131). We also engaged with 32,000 (2015/16: 25,500) members at various events and 743 members attended our Members' Days (2015/16: 783).

### Trading responsibly

**Value of Ethical Trade: £89 million: (last year: £74 million)**

A significant resource investment has been made in the Local Sourcing team which has allowed us to launch the Best of Our Counties branding, sourcing new exciting suppliers and improving availability of supply to stores. This has contributed to the 20% increase in year on year sales.

## People

### Being an employer of choice

**Percentage colleague turnover as a moving annual total: 20% (last year: 19%)**

Our Colleague turnover has gone up very slightly. Our colleague engagement score has increased from 81 to 82 despite significant changes within some business groups and difficult trading conditions.

### Providing opportunities for all

**Percentage of colleagues with NVQ 2 equivalent or above: 78% (last year: 87%)**

We have seen a 9% decrease on last year. We are committed to supporting colleagues to be the best they can be so need to ensure opportunities to attain qualifications are promoted.

### Communicating effectively

**Percentage attendance rate at Colleague Council meetings: 86% (last year: 86%)**

Our Colleague Councils currently have 180 representatives and have implemented some important business improvements across our groups. A new toolkit for representatives has been created to ensure consistency across all the Councils. A quarterly newsletter showcasing best practice and keeping colleagues up to date is being produced.

### Performing at our best

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

At the year end 97% of all colleagues had received an annual performance review. We continue to prioritise these reviews as opportunities for managers and colleagues to review and more importantly plan personal development.

## Customers

### Creating loyal customers

**Customer Loyalty Index: 80 (last year: 75)**

Our customer loyalty score increased by 5 points to 80. 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.

### Reducing complaints

**Number of customer complaints: 17,867 (last year 18,413)**

We have seen a decrease in the number of complaints following improvements to the new billing system in our Energy business. As a result of this and improved handling procedures overall complaints have reduced across the Society.

### Increasing compliments

**Number of customers compliments: 15,547 (last year 12,487)**

We have seen a marked increase in positive feedback from our customers reflecting an improved service across the Society. We continue to use a number of channels to capture these comments including face-to-face interviews, customer panels, web surveys and social media. We encourage customers to provide us with feedback to help us improve their experience.

### Handling complaints better

**Percentage of customers who agreed we responded well to their complaints: 74% (last year 65%)**

There has been a 9% increase in our ability to handle complaints better following the introduction of system improvements in our Energy business and more widely a real focus to improve our handling of complaints.

## Delivery

### Promoting innovation

**Number of ideas implemented having a positive impact on another Steering Wheel Measure: 8 against a target of 4 (last year 5)**

We continue to receive entries to our GIFTS (Growing Ideas for Tomorrow's Society) programme including a winning idea from one of our members – "To improve membership engagement and participation at membership events by utilising social media".

The GIFTS programme will be re-launched in 2017 making it even easier to submit ideas and ensuring we reach all colleagues across the Society.

### Working safely

**Number of accidents/incidents reported as a moving annual trend: 853 (last year 743)**

The number of accidents and incidents has increased during the year as reporting processes were altered to improve visibility of reported accidents and incidents across the Society, so giving greater transparency and more accurate details.

### Saving energy

**Energy reduction on prior year through electricity use (kw/h): 4% (last year: 3%)**

Our focus on raising colleague awareness around energy saving resulted in the Society reducing energy usage by 4%, ahead of our 3% target. This saved an estimated £320,000 on our energy costs and over 1,000 tonnes of CO<sub>2</sub>.

### Reducing waste

**Percentage of waste recycled: 91% (last year: 85%)**

We recover the majority of our Food Retail waste from our retail stores and use a recycling collection company to collect and monitor waste from our other sites. We have an ongoing campaign to increase recycling and reduce the amount of waste we generate. Overall, we produced 7% less waste than the previous year.

# Measuring our Co-operative Performance

Each year we report on our performance using the key co-operative and social performance indicators set out by Co-operatives UK. Using these ten indicators ensures we report fully on our involvement with members, our environmental actions and our community and

co-operative investments - all important elements of being a co-operative enterprise. For completeness, we also report on our supplier payment policy, our trade with other co-operatives and our obligations under the Modern Slavery Act 2015.

## 1. Member economic involvement

Trade with members has decreased slightly to 41%. This was due to a large number of new members who joined and some parts of the business being below target (2015/16: 42%).

## 2. Member democratic participation

In 2016 45,714 members voted in our Board and Membership Strategy Committee Elections (2015/16: 46,156), a turnout of 8.2% of eligible members. 663 members attended the AGM and 517 attended the Half Year meetings, a total of 1,180 (2015/16: 1,131).

## 3. Participation of employees and members in training and education

A total of 32,067 members attended member events and activities during the year. Members received on average 6 minutes of training (2015/16: 9 minutes). The total number of learning hours for the Society was 72,838 and the average number of learning hours received per colleague was 8.4 hours (2015/16: 8.4 hours).

## 4. Staff injury and absentee rates

853 accidents were reported during the year (2015/16: 743). The total number reported under RIDDOR (Reporting of Injuries Disease and Dangerous Occurrences Regulations) was 41 (2015/16: 24). The average number of absence days per full time colleague was 8.9 days (last year 9.4 days).

## 5. Staff profile – gender and ethnicity

At 28 January 2017 we employed 8,922 colleagues of whom 30% were male and 70% female (2015/16: 8,662 colleagues, 30% male and 70% female). We have a total of 577 women in management grades representing 53% of all

management roles (2015/16: 54%). 935 of our colleagues have an ethnic minority background (10%) compared with 867 colleagues (10%) in 2015/16.

## 6. Customer satisfaction

Our Customer Loyalty Index score, which assesses how our members and customers rate us, rose to 80 points from 75 last year.

## 7. Considerations of ethical issues in procurement and investment decisions

We procure most of our goods through Federal Retailing and Trading Services Limited (FRTS), the buying group of the co-operative movement.

We continue to ensure that the benefits of Fairtrade are promoted alongside the products themselves and have launched point of sale packs to support locally sourced products highlighting the stories of specific suppliers and the associated benefits for the local economy.

We continue to provide grants to a number of co-operative organisations including, for example, Co-operative Futures.

## 8. Investment in community and co-operative initiatives

Our investment in community and co-operative initiatives totalled £1.6 million (2015/16: £1.2 million). This figure includes the money given out as grants, the amount raised for local charity partners, the value of our volunteering work and our annual investment in co-operative initiatives.

## 9. Net carbon dioxide emissions arising from operations

We continue to measure and report our carbon footprint and work on reducing our energy use. Our CO<sub>2</sub> emissions for the year were 1.9 tonnes per £1 million gross sales (2015/16: 2.1 tonnes). This figure is calculated from our energy consumption (2,038 tonnes CO<sub>2</sub>) and colleague business miles (452 tonnes CO<sub>2</sub>). As the electricity we use comes from 100% green sources, our electricity use is not included in these figures. We report these CO<sub>2</sub> measures as they directly contribute to our carbon footprint and can be influenced by our business practices.

## 10. Proportion of waste recycled or reused

We recover the majority of our Food Retail waste from our retail 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.

We have an ongoing campaign to increase recycling and reduce the amount of waste we generate. During the year we produced 3,587 tonnes of waste (2015/2016: 3,842 tonnes), a 7% reduction. We recycled 3,262 tonnes of this waste, 91% of the waste generated by the Society (2015/16: 85%). The increase was achieved through improved processes and raising awareness among colleagues.

## Supplier payment policy

Our 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 31 days (2015/16: 31 days).

## Trading with other co-operatives

Our Society spend with other co-operative organisations was £407 million, compared to £370 million in 2015/16. Most of this spend was through FRTS, but we also spent with neighbouring co-operatives.

## Modern Slavery Act 2015

The Society welcomes and supports the Modern Slavery Act.

We are fully committed to our core values and our purpose – “working towards creating a better, fairer world and to enhance the lives of our colleagues, members, customers, and the communities we serve” - and we believe in supporting the responsible and sustainable growth of the Society and our supply chain.

Given the size of our business, under Section 54 of the Modern Slavery Act 2015 we are required to, and shortly will be, publishing a slavery and human trafficking statement.

The statement will set out the steps we will be taking to prevent slavery and human trafficking taking place in our Society and ensuring there is more transparency throughout our supply chain.

# Board of Directors

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**Ruth FitzJohn**  
President



**Patrick Gray OBE**  
Vice-President



**Helen Wiseman**  
Vice-President



**Steve Allsopp**



**Olivia Birch**



**Clive Booker**



**Bernadette Connor**



**Judith Feeney**



**Ellie Freeman**



**Irene Kirkman**



**Matthew Lane**



**Donald Morrison**



**Jean Nunn-Price MBE**



**Louise Pevreal**



**Barbara Rainford**



**Vivian Woodell**

# The Executive

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**Ben Reid OBE**  
Chief Executive



**Phil Ponsonby**  
Chief Executive Officer, Trading



**Mike Abbott**  
Group General Manager,  
Childcare



**Kevin Brown**  
Group General Manager,  
Property & Specialist  
Services



**Caroline Crymble**  
Chief Information Officer



**Peter Dubois**  
Chief Financial Officer



**Simon Fisher**  
Group General Manager,  
Funeral



**Edward Parker**  
Secretary & Head of  
Governance



**Alistair Rowland**  
Group General Manager,  
Specialist Retail



**Rad Sofronijevic**  
Group General Manager,  
Healthcare



**Peter Westall**  
Group General Manager,  
Energy

# Service Recognition Awards



Name	Store Name
Carolyn Kennedy	Burchester
Frank Williams	Swindon Funerals
Brenda Marsden	Ruscote
Angela Moore	Grove
Sharon Gillott	Cainscross
Caroline Barr	Beechcroft Road
Julia Lane	Evesham Foodstore
Rachel Adams	Chipping Norton Travel
Frances Callacot	Prestwood
Lynn Robinson	Sedgley Food
Mary Fantom	Franch Road Food
Tracy Shearman	Winchcombe
Deborah Pritchard	Walsall Wood Nursery
Mary Adams	Coleford
Janice Brown	Franch Road Food
Margaret Laurie	Cinderford
Denise Virgo	Cinderford
Alexandra Croft	Littlehampton Nursery
Jane Taylor	Pendeford Food

Zoe Ketch	A J Timmins Funeral
Lee Stapleton	Hazlemere
Edwina McHugh	Retail Project
Kristina Indge	High Street, Swindon
Naomi Mustoe	Bourton-on-the-Water
Sandra Woodall	Kingswinford Post Office
Kenneth Lycett	Rugeley Funeral
Sarah Chapman	Flexible Benefits
Annette Corbett	High Street
Philip Hanlon	Sedgley Food
Eleanor Dickie	Coleford
Karen Atterbury	New Invention
William Jackson	Watery Lane Funeral
Emma Henderson	Sutton Coldfield Funeral
Susan Hunt	Buffer Bear Head Office
Janet Smart	Kings Sutton
David Bartlett	Wem Food
Joanne Anslow	Society Marketing
Karen Robinson	Kings Sutton
Sharon Reeves	Brewery St, Highworth
Sheelagh Wilson	Abbotswood
Michael Cronin	Direct Support Centre
Jillian Reid	Sedgley Food
Jeanette Shiel	Cox Green Food
Suzan Gatfield	Newent Food
Lorraine Bateman	Rodbourn Cheney
Sarah Duckworth	Northway

Carol Parrott	Wombourne Post Office
Gaye Dyer	Dudley Road Pharmacy
Deborah Harvey	Lechlade Petrol Station
Michael Duppa	Church Stretton Food
Denise Kirton	Sutton Road Food
Caroline Andrews	Berkeley
Anthony Watson	Co-operative Memorials
Adam Maskell	Leckhampton
Tammy Colley	Tarnworth
David Zasada	Rissington
Linda Maybury	New Invention
Theresa Bettington	Seymour Road
Norma White	Franch Road Pharmacy
Barbara Bird	Bampton Foodstore
Angela Davenport	Franch Road Food
Emma Crutchley	Co-op Energy Collections
Tina Lewis	Franch Road Pharmacy
Amanda Shadbolt	Madley Park, Witney
Tina Mann	Market Harborough
Lynne Rose	Lichfield Road Food
Vicki Cunningham	Avion Centre Pharmacy
Christopher Chandler	Convenience
Emma Ganner	Kingswinford Travel
Susan Everett	Cam Nursery
Katrina Lear	Wem Food
Susan Robery	Brewery St, Highworth
Jean Davies	Radbrook Food



Marjorie Haynes	New Invention
Tracy Thomas	Bloxwich Road Pharmacy
Jennifer Bohane	High Street, Swindon
Linda Morgan	Cinderford
Lindsey Mason	Kingswinford Travel
Claire Kelly	Travel - Admin
Heather Lay	Thame
Janice Broome	Chinnor
Susan Rowan	Headless Cross, Redditch
Ann Allen	Sedgley Food
Linda Griffiths	Ely - Willenhall
George Tipper	Watery Lane Funeral
Clive Dudley	Bicester Funerals
Emma Pile	Post Office Admin
Peter Westall	Energy
Jacqueline George	Cleobury Mortimer
Darren Withey	Watery Lane Funeral
Julie Gwynne	Stourport Food
Keith Parker	CIT Portfolio Management
Susan Reid	Travel - Admin
Yvonne Roberts	Hollywell
Simon Thornley	Wem Food
Susan Carter	Brewery St, Highworth
Tracey Blundy	Nuneaton
David Elrington	Retail Project
Jacqueline Lomax	Knighton
Pamela Varley	Nailsworth
Dawn Green	Oxley Pharmacy
Jacqueline Carr	Stonehouse
Simon Frost	Cainscross
Rosalie Eldridge	Thame
Diane Walker	Pharmacy Admin
Glynnis Crane	Codsall Post Office

Tracy Edwards	CIT Food IT
Christine Phillips	Newent Food
Tracy Boss	Deddington
Roslyn Lambden	Seventh Avenue Post Office
Julie Dawe	Linden Road Pharmacy
Belinda Lawrence	Blakenall Pharmacy
Diana Humphreys	Stonehouse



Stephen Vaughan	Lydney
Karen Sinnott	Cowley Centre, Oxford
Jacqueline Mitchell	Parton Road
Mark Chapman	Besselsleigh
Joy Paice	Watling Street Food
Sally Taylor	Coleford
Lisa McToal	Franch Road Food
Jayne Williams	Wem Food
Marianne Law	Wombourne Petrol Station
Tina King	Sussex University Nursery
Marilyn Crowley	Fairford
Deborah Jasper	Hednesford Pharmacy
Donna Lyes	Lydney
Beverley Hodges	Franch Road Food
Shirley Cock	Rodbourn Road



Susan Matthews	Pelsall Pharmacy
Susan Sambidge	Lichpharm Pharmacy



Elizabeth Lewis	Codsall Food
Patrick Dooner	Morton-in-the-Marsh
Paul Moody	Cavendish Square
Alison Ward	Lydney
Stephanie Harding	Bath Road



Glenys Ufton	Bloxwich Road Pharmacy
Raymond Smitten	High Street, Swindon



Margaret Owens	Clayhanger Food
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**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 Midcounties Co-operative.**



**Sarah Chapman**  
Flexible Benefits

*20 Years*

I am proud to have worked for The Midcounties Co-operative because it encourages colleagues to volunteer in the community, therefore making a big difference. The Midcounties Co-operative also supported me in my training and development helping me achieve my NVQ level 3 in Business and Administration.



**Joanne Anslow**  
Society Marketing

*20 Years*

I am proud to work for The Midcounties Co-operative because of the opportunities they have given me to improve my skills and knowledge within my team and the business as a whole. It truly is like working for a family where colleagues and management support one another and self-development is encouraged.



**Alexandra Croft**  
Childcare

*20 Years*

I am proud to have worked for The Midcounties Co-operative because I love working in the nursery with the children, staff and parents and they have helped me to achieve my goal of becoming level 2 qualified in Childcare. Working with children has always been a passion of mine and The Midcounties Co-operative have helped me to achieve this.



**Anthony Watson**  
Funeral

*20 Years*

I am proud to have worked for The Midcounties Co-operative because I like the way the business treats its workers. I also like the way Midcounties supports Fairtrade.



**Peter Westall**  
Energy

*25 Years*

I am proud to have worked for The Midcounties Co-operative because of the difference the Society has made and continues to make to the communities in which we trade. The engagement the Society has with colleagues and members ensures their views are reflected in the way the Society is run and makes it a great place to work.



**Claire Kelly**  
Travel

*25 Years*

I am proud to have worked for The Midcounties Co-operative because they have provided me with the opportunities to progress my career. It is a pleasure to work alongside colleagues who genuinely love working for Midcounties.



**Tracy Edwards**  
CIT

*25 Years*

I am proud to work for The Midcounties Co-operative because I believe in the Society's values, and the support that I'm given as a colleague to do my job. In my role as a Regional Community Ambassador, I also get to participate in helping to make a difference in the communities where we serve, which gives me real job satisfaction.



**Mark Chapman**  
Food

*30 Years*

I am proud to have worked for The Midcounties Co-operative because I feel we make a real difference in the heart of our communities. And I have enjoyed working with so many great colleagues over the years.



**Margaret Owens**  
Food

*50 Years*

I am proud to have worked for The Midcounties Co-operative because I really enjoy working with my colleagues and seeing all the regular customers who come into the store. Over the years they have become friends which is why Midcounties is such a good company to work for.

# Governance Report

The Board is pleased to present its governance report to members for the year to 28 January 2017. 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 at the Society's Annual General Meeting, or at any other time. In the latter case, 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.

As part of the compliance process for the Code, Co-operatives UK requires societies to complete a questionnaire concerning their governance practices each year. Members can obtain a copy of the questionnaire from the Secretary.

## 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 of this report. 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 interests in the Society declared by a director and the Society's Social Responsibility commitment.

## Society Rules and Blueprint

At the outset, it is helpful to remind members that 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."

## Membership Strategy Committee

The Board has an established Membership Strategy Committee responsible for the strategic direction of member engagement within the Society. The Committee looks at ways to best recruit, engage, develop, educate and involve members in the Society, as well as monitoring key membership activity.

The Committee comprises nine members elected from the Society's membership and two directors appointed by the Board. 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.

## Diversity

The Board approved a Diversity, Inclusion and Equality Policy during the year for implementation across 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 question the Board twice a year and participate in the formal affairs of the Society. The annual Board and Membership Strategy 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.

Elections to the Board and Membership Strategy 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 (ERS), an independent scrutineer, to administer its elections. In 2016, the Society introduced a new election portal, where members can view the candidates' profiles and cast their votes.

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 Membership Strategy 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 all members, with their ballot paper, to help them make an informed decision when casting their vote.

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 2016 Board election, 13 members put themselves forward for the five vacancies (2015/16: 11 members, five vacancies) and turnout was 8.2% (2015/16: 9.4%) and one candidate was disqualified during the election process. At the 2016 Membership Strategy Committee election seven candidates put themselves forward for the four vacancies (2015/16: there was no contested election).

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 Society's Board is responsible for setting its 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, and 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 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 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 meets on a monthly basis 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			
		Audit & Risk	Remuneration	Energy	MSC
Steve Allsopp	12 (12)	6 (6)			
Olivia Birch	12 (12)		5 (5)		
Clive Booker	3 (3)		0 (0)		
Isobel Burbidge	9 (9)	3 (4)	4 (4)	1 (1)	
Bernadette Connor	12 (12)			5 (5)	5 (5)
Judith Feeney	11 (12)	6 (6)			
Ruth FitzJohn	12 (12)		5 (5)	5 (5)	
Ellie Freeman	11 (11)	5 (6)			
Patrick Gray	12 (12)		5 (5)	5 (5)	
Margaret Jarvis	7 (9)				
Irene Kirkman	3 (3)	2 (2)			
Matt Lane	10 (12)		4 (5)	4 (5)	
Donald Morrison	12 (12)			3 (3)	
Jean Nunn-Price	12 (12)	4 (4)		3 (3)	
Louise Pevreal	12 (12)	1 (2)	5 (5)		
Barbara Rainford	12 (12)				4 (5)
Helen Wiseman	12 (12)	6 (6)		5 (5)	
Vivian Woodell	11 (12)			5 (5)	

### Conflicts of interest

The Board has a policy on conflicts of interest. The Secretary maintains a register to record any conflicts of interest 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.

A separate section, found later in this report, sets out the material interests in the Society declared by a director.

### 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, 10 members of the Board are women and six 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 list on page 35 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 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 Chief Executive and is clear that the relationship between the Chief Executive and 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 Chief Executive and that the Chief Executive cannot be the Secretary of the Society. The Chief Executive's notice arrangements are set out in the Remuneration Report found elsewhere in this Annual Report.

Over the last year, the Board has discussed succession planning for the position of Chief Executive on a regular basis.

### **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.

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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 to apprise the individuals of the breadth of the Society's operations and its co-operative context. Additionally, they 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 Chief Executive keeps the Board advised of matters affecting the Society at each Board meeting and more frequently if required, and on occasions, external specialists present to the Board on the wider issues impacting the business operations of the Society.

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 an evaluation of its performance. At the same time, the President's performance was also evaluated.

### **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.*

The Board has four committees – the Membership Strategy Committee, the Audit & Risk Committee, the Remuneration Committee and the Energy Committee which was set up in 2016. The terms of reference for each are reviewed on a regular basis.

Membership of the Audit & Risk, Energy and Remuneration Committees is determined each year by the Board shortly after the Society's annual elections. The two positions on the Membership Strategy Committee reserved for directors are agreed at the same time while the remainder of the Committee is elected directly by members.

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. 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.

These 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 six times during the year under review and has five scheduled meetings for the 2017/18 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 once each year the Committee has the opportunity to meet the external auditors and the Society's Head of Internal Audit & Risk without the presence of management. In addition, the Chair of the Committee maintains a dialogue with the external auditors and the Head of Audit & Risk between Committee meetings.

The Chief Financial Officer and the Head of Internal Audit & Risk attend the Committee's meetings. The Society's Secretary 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 (save for tax related work) requiring 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, non-audit work undertaken by the Society's auditors amounted to £84,000.

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 considered by the Committee in December 2016, arising from which it was agreed to initiate a formal review in 2018.

## **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.

## 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 and 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 and through to the date of this report. The Committee considers there have been no weaknesses that have resulted in any material losses or contingencies which require disclosure.**

## 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 SUPPORT

The Board recognises that co-operative societies often look to pursue a political agenda both locally and nationally to further the interests of co-operation. Recognising this, in 2013 members 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 2016 Annual General Meeting members approved a donation of £50,000 to the Campaigns Fund.

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.

## DECLARATION OF INTEREST

Vivian Woodell, a director of the Society, is Chief Executive of the Phone Co-op Limited and a director of Co-operative Renewables Limited. He has declared the following interests. Given the nature of these, the Board feels it is appropriate they are disclosed in this report. Disclosure is also made in the notes to the accounts in accordance with accounting standards.

The Phone Co-op is a corporate member of the Society and has a share account with the Society. The balance on this account at 28 January 2017 was £750,000 (2015/16:

£249,985) and interest earned during the year amounted to £15,980 (2015/16: £18,321).

The Phone Co-op also holds £250,000 in a Society Share Bond (2015/16: £250,000) which earned interest of £9,725 during the year (2015/16: £9,375).

The Society has a share account with The Phone Co-op. As at 28 January 2017 the balance was £158,002 (2015/16: £131,481). During the year, the Society received interest of £2,529 (2015/16: £2,498) on this account and a dividend of £11,334 (2015/16: £12,656).

In addition, the Society has a contract for telecommunication services with The Phone Co-op. The contract is at arm's length. The value of services including VAT provided under the contract during the year was £918,278 (2015/16: £991,797). The Phone Co-op made purchases of various goods and services from the Society amounting to £3,951 during the year (2015/16: £4,125).

Co-operative Renewables Limited has a contract with the Society for the maintenance of solar photovoltaic installations. The value of the services during the year was £6,264 (2015/16: £6,203).

## **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.

The Society produces a separate Social Responsibility Report which sets out the Society's commitments, targets and achievements. A copy can be found on the 'about us' pages at [www.midcounties.coop](http://www.midcounties.coop). To ensure the Society continues to meet its social responsibility objectives the following members of the Executive and Board of Directors have named responsibility:

- Phil Ponsonby, Chief Executive Trading, holds overall accountability for social responsibility, including overall accountability for social responsibility in marketplace trading along with the other trading group general managers. Most products in the Society's food stores are sourced through Federal Retail and Trading Services Limited (FRTS) the federal purchasing body of the co-operative retail movement. The Society adheres to the buying guidelines adopted by FRTS.
- Certain directors take a lead on matters relating to environment and community: Jean Nunn-Price sits on the

Society's Environmental Steering Group, and Bernadette Connor and Barbara Rainford are the Board's appointed representatives on the Membership Strategy Committee.

## **STATEMENT OF COMPLIANCE**

To help members assess 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 befit a true co-operative enterprise.

### **On behalf of the Board**



Ruth FitzJohn – President



Edward Parker – Secretary & Head of Governance  
12 April 2017

## External directorships (or equivalent) held by members of the Board and Executive

<b>Board</b>	
Steve Allsopp	<ul style="list-style-type: none"> <li>– Director, Co-operative Futures Ltd</li> <li>– Governor, Oaktree Nursery &amp; Primary School (Swindon)</li> <li>– Trustee, Buckhurst Community Centre</li> <li>– Member, Swindon Borough Council</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	<ul style="list-style-type: none"> <li>– Chair, Brownlow Community Centre, Whitchurch</li> </ul>
Bernadette Connor	<ul style="list-style-type: none"> <li>– Director, Co-operatives West Midlands</li> </ul>
Judith Feeney	<ul style="list-style-type: none"> <li>– Director, Co-operatives South East</li> </ul>
Ruth FitzJohn	<ul style="list-style-type: none"> <li>– Secretary, Filestar Limited</li> <li>– Chair, 2gether NHS Foundation Trust</li> <li>– Member of Local Authority and NHS structures for adult and children's services, South West and The Midlands</li> <li>– Deputy Lord-Lieutenant of Gloucestershire (licensing and magistracy role)</li> <li>– Trustee, Diocese of Clifton and Catholic Safeguarding Commission</li> <li>– Trustee, Cheltenham Town Football Club Sporting and Educational Trust</li> <li>– Trustee, Gloucestershire GP Educational Trust</li> <li>– Patron, Aston Project</li> </ul>
Patrick Gray	<ul style="list-style-type: none"> <li>– Director &amp; Secretary, Amaranta Ltd</li> <li>– Director, The Radical Party Ltd</li> </ul>
Irene Kirkman	<ul style="list-style-type: none"> <li>– Independent member, Buckingham New University Council</li> <li>– Independent member, Buckinghamshire Education and Skills Training Board</li> </ul>
Matthew Lane	<ul style="list-style-type: none"> <li>– Director, BeerBods Limited</li> <li>– Director, Drink Beta Limited</li> <li>– Director, MDNL Ltd</li> </ul>
Jean Nunn-Price	<ul style="list-style-type: none"> <li>– Director, Co-operatives South West</li> <li>– Director, Go-op Co-operative Limited</li> <li>– Director, Healthwatch Oxfordshire CIC</li> <li>– Director, Sustainable Wantage Community Benefit Society</li> <li>– Elected Parish Councillor, Grove (Oxon)</li> <li>– Elected Member, Wantage Town Council</li> <li>– Director, Co-operative Party Limited</li> </ul>
Barbara Rainford	<ul style="list-style-type: none"> <li>– Director, Co-operative Press Limited</li> <li>– Director, Co-operative Futures Ltd</li> <li>– Director, Go-op Co-operative Limited</li> <li>– Board member, Young Enterprise, Shropshire</li> <li>– Elected Parish Councillor for Prees, Shropshire</li> </ul>
Vivian Woodell	<ul style="list-style-type: none"> <li>– Chief Executive Officer, The Phone Co-op</li> <li>– Director, Avoco UK Limited</li> <li>– Director, Ecobilling Limited</li> <li>– Director, Phone Co-op Numbering Limited</li> <li>– Director, Co-operatives UK Limited</li> <li>– Director, Co-operative Renewables Limited</li> <li>– Director, West Oxfordshire Community Transport Limited</li> </ul>

<b>Executive</b>	
Mike Abbott	<ul style="list-style-type: none"> <li>– Trustee and Board member, National Day Nurseries Association</li> <li>– Chair of Governors, Fritwell Primary School, Oxfordshire</li> </ul>
Peter Dubois	<ul style="list-style-type: none"> <li>– Chair, The Co-operative Loan Fund</li> <li>– Trustee &amp; Secretary, Didcot Congregation of Jehovah's Witnesses</li> </ul>
Simon Fisher	<ul style="list-style-type: none"> <li>– Trustee and Director, St Giles Hospice</li> <li>– Director, St Giles Hospice Combined Trading Board Company</li> </ul>
Edward Parker	<ul style="list-style-type: none"> <li>– Member of the Council, The Co-operative Group Limited</li> </ul>
Phil Ponsonby	<ul style="list-style-type: none"> <li>– Director, Association of Convenience Stores Limited</li> <li>– Director, Federal Retail &amp; Trading Services</li> </ul>
Ben Reid	<ul style="list-style-type: none"> <li>– Chair, Dudley and Walsall Mental Health Trust</li> <li>– Governor, Wolverhampton University</li> <li>– Non-executive Chair, CIC (Fair for You Charity)</li> <li>– Director, International Co-operative Alliance</li> </ul>
Alistair Rowland	<ul style="list-style-type: none"> <li>– Director, ABTA</li> <li>– Trustee, ABTA Lifeline Charity</li> <li>– Trustee, Travel Foundation</li> </ul>
Peter Westall	<ul style="list-style-type: none"> <li>– Chair, OUR Co-operative Academies Trust</li> </ul>
Rad Sofronijevic	<ul style="list-style-type: none"> <li>– Non Exec Board Member, Black Country Reinvestment Society</li> </ul>

# Remuneration Report

## INTRODUCTION

The Remuneration Committee is pleased to present its Report to members for the year ended 28 January 2017.

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 report has been prepared having regard to the reporting requirements that apply to UK Public Limited Companies (PLCs). 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 it is appropriate to do so. The report will be put to an advisory vote at the Society Annual General Meeting on 13 May 2017.

The report has three main sections:

1. the Remuneration Policy section - this outlines the Remuneration Committee's policy for Executive remuneration for the year ahead and future years
2. the Implementation section - this summarises how the Committee's policy has been implemented in the year under review
3. the Director fees section - this provides details on the fees, expenses and benefits for directors of the Society.

The Committee's policy is to pay competitive base salaries, positioned around the median of the range for equivalent roles in retail businesses of 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. Salaries are reviewed formally once every two years.

The last review took place in the autumn of 2015 and the next review is scheduled for the autumn of 2017. In the intervening years, salaries are normally increased in line with increases negotiated by NACO for 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. This ensures 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 in PLCs.

The Society has performed close to plan in what has been a very challenging year, achieving an operating profit before significant items of £11.4million in line with expectations. Average bonuses of 11.61% of salary will be paid to members of the Executive in respect of the 2016/17 financial year (2015/16: 12.11%).

Over the last three years, the Society's performance has been strong on key non-financial performance measures. As a result, Executive members will receive the maximum payment under the Society's Long Term Incentive Plan which matured at the 2016/17 year end. This equates to a payment of 20% of average salary over the three year plan period for the longer serving members of the Executive, with pro-rated amounts for those joining the Executive more recently.

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



**Olivia Birch**  
**Chair - Remuneration Committee**  
**4 April 2017**

## REMUNERATION POLICY

This section of the report explains the Remuneration Committee's policy for the remuneration of the Executive. It contains a description of the overall policy, a table summarising how the policy relates to each component of remuneration, details of the new contractual arrangements for the Group Chief Executive and an illustration of how much the he would be paid at different levels of performance. It also includes a description of how the policy for Executives compares to the policy for the Society's other employees.

A description of how the Society intends to implement the policy set out above in 2017 is included in the Implementation section of the report.

### Overall policy

Co-operative societies are founded on the principles of fairness and equity. The Society's 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.

### 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 2015 with changes taking effect at the start of the 2016/17 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 NACO <sup>1</sup> agreement other than when there is a change in responsibilities or to realign executive pay with the market.	n/a

<sup>1</sup> NACO – National Association of Co-operative Officials

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
<b>Annual Bonus</b>	To provide a performance-related reward aligned to the long-term strategic goals of the Society. 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 claw back.
<b>Long-term incentive plan (LTIP)</b>	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; Customer Loyalty. The last of these has been replaced by an External Partnerships measures as from the 2017/18 grant. Awards are subject to claw back.
<b>Pensions</b>	Pension arrangements on similar terms to other colleagues in the Society.	Members of the Executive participate in the Society's pension schemes on the same terms available to all Society colleagues. The defined benefit career average pension scheme (the CARE Scheme) closed to future accrual on 13 June 2014. Longer serving members on the Executive opted out of the CARE Scheme in exchange for a taxable cash allowance as a result of changes to the tax regime for pensions made in 2010.	The Society operates a defined contribution stakeholder scheme and a defined contribution scheme open to former members of the CARE Scheme. A cash allowance of 16% of salary is paid to longer serving members on the Executive.	n/a

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
<b>Benefits-in-kind</b>	To provide benefits-in-kind broadly in line with market practice.	The main benefits provided are provision of a company 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 £1,600 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 helps increase colleague engagement and improve 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 the level 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 financial strength. 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 Society's goals set out in the Steering Wheel.

The LTIP is intended to focus the Executive on achieving longer-term performance and strategic goals. The performance metrics are return on capital employed, corporate reputation, colleague engagement and customer loyalty. The last of these is being replaced by an external partnerships measure from the 2017/18 grant. They are designed to complement the measures used in the annual bonus and are key elements used to track the broader performance of the Society.

### **Group Chief Executive – new contract**

On 12 November 2016 Ben Reid took on a new part-time role as Group Chief Executive, entering into a new employment contract at the time. The new contract provides for a 15 hour working week and runs to 11 November 2017. The Society has the option to extend the contract beyond then at which point the contract becomes terminable on three months' notice from either party.

Under this new contract, Ben Reid receives a salary equivalent to half his previous full-time salary as Chief Executive.

The contract allows for the payment of bonus earned under the annual bonus scheme for 2016/17 as if he had stayed in full-time employment up to the 2016/17 financial year end, and treats him as a 'good leaver' for the purposes of the LTIP thus allowing him payment in full for the LTIP maturing at the end of the 2016/17 financial year and pro-rated payments for the two years thereafter. The Board has agreed that he is eligible to receive a bonus award of up to 20% of his base salary for 2017/18. The contract also provides that should the time he spends in his new role be considerably more than the 15 hour commitment provided, he would be able to put forward a case for additional payment.

## Group Chief Executive – pay ratio

The chart below shows, compared to 2015/16, the approximate ratio of the Chief Executive's 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. For ease of comparison, while the Group Chief Executive now works part-time, a full time equivalent salary has been used. The ratio for 2016/17 on pre-tax pay was x 51 and on post-tax pay x 31 (2015/16: x 52 and x 32 respectively).



## Remuneration scenarios

The chart below demonstrates how the mix of the Group Chief Executive's remuneration package, compared to 2015/16, varied at different levels of performance under the Society's remuneration policy during 2016/17. 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 remuneration policy for the Executive and other senior management is designed with regard to the approach taken to pay for colleagues across the Society.

The Society's policy is to pay basic 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 900 of the Society's colleagues participated in an annual performance related bonus scheme. All colleagues receive a colleague dividend if approved by the Society's members.

### **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 the termination (including the individual's performance) would be taken into account in every case. None of the service contracts issued provide an entitlement to the payment of a predetermined amount on termination of employment in any circumstances.

Unless the Board determines otherwise (i) no bonus will be payable and the Executive shall not be entitled to any further payment from the Society except for such sums that have accrued and are due and payable on the date when employment ends, and (ii) other than in certain 'good leaver' circumstances (including, but not limited to, ill-health and retirement) unvested LTIP awards will lapse when employment ceases.

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 period worked between grant and cessation of employment may be applied at the Committee's discretion.

### **Executives' service contracts**

The Executives have rolling service contracts, details of which are summarised below. The arrangements for the Group Chief Executive are disclosed earlier in this report (see section "Group Chief Executive – new contract", above).

<b>Provision</b>	<b>Detailed terms</b>
<b>Notice period</b>	The notice period for the Chief Executive, Trading is six months. For the remainder of the Executive it is three months.
<b>Payment in lieu of notice</b>	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.
<b>Termination payment</b>	If the Society merges with another society any termination payments would be based on the terms agreed with NACO at the time.

### **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 will be 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; fees and other costs incurred by the individual may also be paid by the Society.

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

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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 pay out according to the terms of grant (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 policy 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 2016/17 financial year. It contains information about the Committee, details of the result of the vote on last year's Remuneration Report at the 2016 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 2016/17.

### **The Remuneration Committee**

#### **Composition**

The Remuneration Committee comprises six directors. The President and one Vice-President (as chosen by the Board) hold ex-officio positions and the remaining four Committee positions are elected annually from the Board.

The Committee's Chair is elected annually by the Committee.

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

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

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## **Members**

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

- Steve Allsopp - appointed 7 November 2016
- Olivia Birch
- Isobel Burbidge – stood down 20 October 2016
- Clive Booker – appointed 7 November 2016
- Ruth FitzJohn
- Patrick Gray
- Matt Lane
- Louise Pevreal - stood down 7 November 2016

## **Responsibilities**

The Committee provides independent governance on the Executive team's remuneration. 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

The Committee's terms of reference can be found on the governance section 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 2016/17 were £9,281 (2015/16: £41,857). 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**

Five Committee meetings were held during the year. Attendance by Committee members at these meetings is reported in the relevant table 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 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
- salary and incentive arrangements for new members of the Executive
- incentive payments for those leaving the Executive
- review of the remuneration report
- the biennial review of remuneration for the Executive.

## **Member voting at the Annual General Meeting**

An advisory vote on the remuneration report is held at each AGM. The following table summarises the result of the vote on the

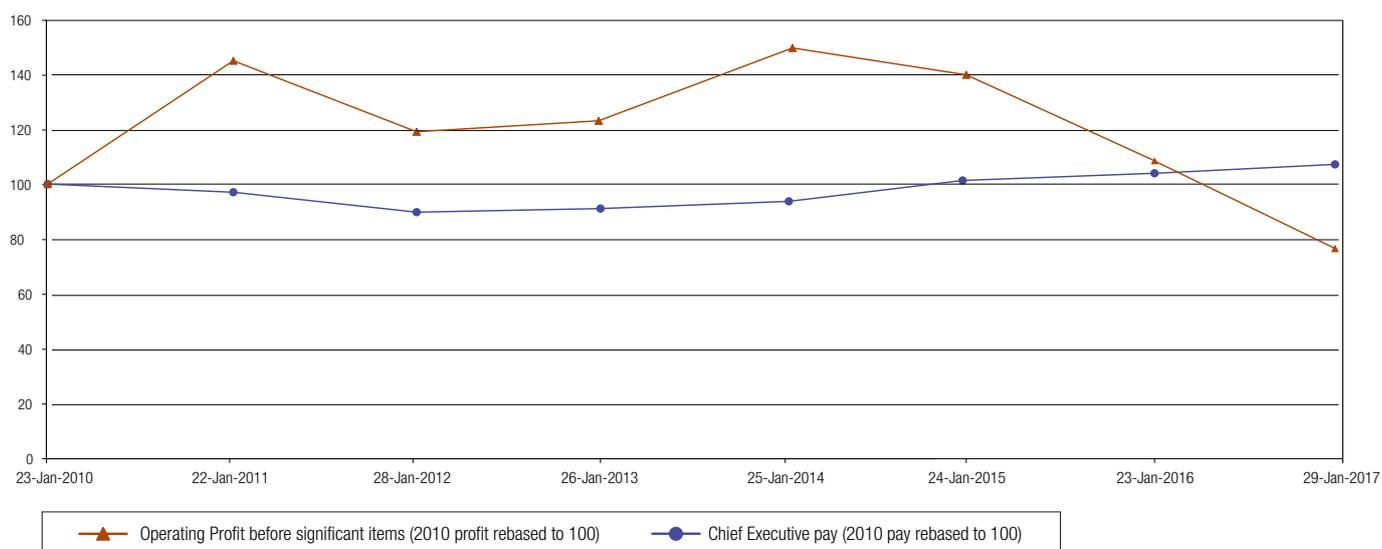
2015/16 remuneration report at the May 2016 AGM.

	Total number of votes	% of votes
For	249	83.0
Against	51	17.0
Total	300	100.0

## Performance Graph

The graph below 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 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 Chief Executive's pay and Society profit performance.

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



## Executives' emoluments (audited)

The table below provides details of the remuneration and pension benefits received by Executives for the 2015/16 and 2016/17 financial years. These figures have been prepared in accordance with the reporting regulations introduced in 2013 by the Department for Business, Innovation and Skills.

	Year	Salary <sup>1</sup> £	Bonus £	Pension <sup>2</sup> £	Benefits-in-kind <sup>3</sup> £	Other payments <sup>4</sup> £	LTIP payment £	Total £
Mike Abbott	2016/17	129,918	8,149	6,484	14,013	n/a	24,073	182,637
	2015/16	116,164	20,029	5,786	13,655	n/a	15,408	171,042
Kevin Brown	2016/17	132,389	19,146	371	9,624	n/a	24,504	186,034
	2015/16	120,164	19,184	365	9,624	n/a	15,674	165,011
Andy Cresswell <sup>5</sup>	2016/17	172,623	n/a	27,620	10,435	197,787	n/a	408,465
	2015/16	275,017	35,219	44,000	19,786	n/a	52,434	426,456
Caroline Crymble <sup>6</sup>	2016/17	135,004	22,233	371	9,624	n/a	9,005	176,237
	2015/16	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Peter Dubois <sup>7</sup>	2016/17	125,006	18,911	8,750	19,230	n/a	8,338	180,235
	2015/16	95,891	15,213	6,208	11,750	n/a	n/a	129,062
Simon Fisher	2016/17	128,778	16,901	20,604	15,658	n/a	25,337	207,278
	2015/16	126,263	16,116	20,202	15,830	n/a	23,907	202,318
Mari Frost	2016/17	131,942	13,521	21,432	12,900	n/a	26,218	206,013
	2015/16	131,313	12,862	21,010	16,090	n/a	25,115	206,390
Edward Parker	2016/17	146,166	11,480	23,431	15,915	n/a	28,794	225,786
	2015/16	143,582	12,430	22,973	15,915	n/a	28,309	223,209
Phil Ponsonby	2016/17	205,965	46,734	n/a	9,624	77,110	13,800	353,233
	2015/16	150,329	50,921	n/a	5,170	n/a	n/a	206,420
Ben Reid <sup>8</sup>	2016/17	468,786	44,153	73,827	20,536	n/a	100,801	708,103
	2015/16	500,490	49,489	80,078	20,700	n/a	98,048	748,805
Alistair Rowland	2016/17	166,817	25,858	11,591	9,624	n/a	30,421	244,311
	2015/16	159,989	20,469	11,199	9,624	7,675	27,706	236,662
Pete Westall	2016/17	142,812	5,676	9,922	15,242	n/a	26,486	200,138
	2015/16	139,464	15,566	8,742	17,633	n/a	16,961	198,366
Adrian Wilkinson <sup>9</sup>	2016/17	27,030	n/a	2,973	n/a	n/a	n/a	30,003
	2015/16	126,263	6,558	8,805	7,922	n/a	23,755	173,303

(1) Salary shows the amount received as salary during the financial year

(2) 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 16% salary supplement in lieu of pension contributions

(3) Benefits-in-kind include the provision of a car or a cash alternative, and travel payments available to all colleagues affected by the relocation of the Society's Head Office in 2011

(4) Andy Creswell left the Society on 2 September 2016, the figure shown covers payment in lieu of his six month notice period and was agreed by the Board in view of his long service with the Society. The figures shown for Phil Ponsonby and Alistair Rowland cover amounts paid for relocation

(5) Left the Society on 2 September 2016

(6) Joined the Executive on 24 January 2016

(7) Promoted to the Executive on 3 January 2016; figures shown for 2015/16 cover the whole year

(8) Moved to part-time position on 12 November 2016 (see section "Group Chief Executive – new contract" earlier in this Report)

(9) Left the Society on 8 April 2016

For ease of comparison, while the Group Chief Executive now works part-time, a full time equivalent salary has been used.

## Application of the remuneration policy for 2016/17

### 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 NACO for the Society's senior management grades. In 2016/17 this was 2.0%.

Salaries are reviewed formally every two years to ensure market competitiveness and benchmarking against the median position. The last review took place in late 2015 with changes taking effect at the start of the 2016/17 financial year. The next review will take place in late 2017. Where appropriate, the Committee reviews salaries 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.

Executive	Salary at 24 January 2016 <sup>1</sup> £	Salary as at 29 January 2017 <sup>2</sup> £	Increase excluding the 2.0% annual increase %	Increase including the 2.0% annual increase %
Mike Abbott, Group General Manager, Childcare	129,001	131,982	0%	2%
Kevin Brown, Group General Manager, Property & Specialist Services	129,001	140,013	9%	9%
Andy Creswell, Deputy Chief Executive <sup>1</sup>	275,017	280,513	0%	2%
Caroline Crymble, Chief Information Officer	135,004	150,011	11%	11%
Peter Dubois, Chief Financial Officer	125,006	150,011	20%	20%
Simon Fisher, Group General Manager, Funeral	126,263	128,778	0%	2%
Mari Frost, Group General Manager, Personnel Services <sup>2</sup>	131,313	133,949	0%	2%
Edward Parker, Secretary & Head of Governance	143,582	146,442	0%	2%
Ben Reid, Group Chief Executive <sup>3</sup>	500,490	255,260	(49%)	(49%)
Phil Ponsonby, Chief Executive, Trading	195,012	275,017	41%	41%
Alistair Rowland, Group General Manager, Specialist Retail	159,989	175,016	9%	9%
Rad Sofronijevic, Group General Manager, Healthcare <sup>4</sup>	n/a	110,019	0%	0%
Pete Westall, Group General Manager, Energy	140,013	142,812	0%	2%
Adrian Wilkinson, Group General Manager, Healthcare <sup>5</sup>	126,263	126,263	0%	0%

(1) Left the Society on 2 Sept 2016; salary at date of leaving is shown

(2) Left the Executive on 28 January 2017; salary at date of leaving the Executive is shown

(3) Moved to part-time position on 12 November 2016 (see section "Group Chief Executive – new contract" earlier in this Report)

(4) Joined the Executive on 29 January 2017

(5) Left the Society on 8 April 2016; salary at date of leaving is shown

## 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 established members of the Executive for 2016/17 was 20% of base salary (2015/16: 20%). For members of the Executive promoted to the Executive in 2016, the maximum bonus opportunity for 2016/17 was 25% of base salary reflecting the maximum opportunity available to them before their promotion. This will reduce to 20% from the financial year 2018/19 as their incentive arrangements transition to include full participation in the LTIP.

Phil Ponsonby joined the Executive from outside the Society in 2015. His maximum bonus opportunity was agreed at 40% for the 2015/16 financial year, 33.3% for the 2016/17 financial year and 26.6% for the 2017/18 financial year as his incentive arrangements transition to include full participation in the LTIP.

The annual bonus plan for 2017/18 will operate on a similar basis to 2016/17. Targets consist of a mix of financial objectives (at Society and trading/support group level) and personal objectives.

For 2016/17 the Group Chief Executive's bonus was based on overall Society financial targets (a maximum 14% of salary) and personal objectives (a maximum 6% of salary). For 2017/18 his bonus is based on Society profit (a maximum 20%). Other members of the Executive receive bonuses based on a mix of overall Society and individual trading/support group financial targets and personal objectives. The weighting between the different types of measure varies by role and length of service.

In 2017/18, the performance measures and weightings for the annual bonus plan will be as follows:

Measure	Executives with Trading Group responsibilities	Executives with Support Group responsibilities	Recently promoted members to the Executive		Externally recruited to the Executive
	%	%	Trading	Support	%
Society profit	7.0	7.0	n/a	8.75	9.31
Trading Group profit	8.0	n/a	n/a	n/a	10.64
Support Group cost	n/a	5.0	n/a	6.25	n/a
Personal objectives	5.0	8.0	n/a	10.0	6.65
<b>Total</b>	<b>20.0</b>	<b>20.0</b>	<b>n/a</b>	<b>25.0</b>	<b>26.6</b>

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, and no bonus is payable if Society trading profit is less than 90% of budget for the year

The Committee met on 4 April 2017 to review performance against the 2016/17 annual bonus targets and approve the payment of bonuses. The overall performance achieved against the financial targets was slightly above the target level.

The following table shows the performance scales and actual outcomes for 2016/17 for the various elements of the bonus:

Performance scales	Bonus payable for					
	Group Chief Executive	Longer serving members of the Executive		Recently promoted members of the Executive		Externally recruited to the Executive
		with Trading Group responsibilities	with Support Group responsibilities	with Trading Group responsibilities	with Support Group responsibilities	
( % of base salary )						
<b>Society profit</b>						
Stretch performance 115% of budgeted profit	14.00	7.00	7.00	n/a	8.75	11.67
On-target performance 100% of budgeted profit	5.60	2.80	2.80	n/a	3.50	4.67
Threshold performance 95% of budgeted profit	2.80	1.40	1.40	n/a	1.75	2.33
Less than 95% of budgeted profit	0.00	0.00	0.00	n/a	0.00	0.00
<b>2016/17 outcome</b>	<b>3.55</b>	<b>1.77</b>	<b>1.77</b>	<b>n/a</b>	<b>2.22</b>	<b>2.96</b>
<b>Trading Group profit</b>						
Stretch performance 115% of budgeted profit	n/a	8.00	n/a	n/a	n/a	13.33
On-target performance 100% of budgeted profit	n/a	3.20	n/a	n/a	n/a	5.33
Threshold performance 95% of budget profit	n/a	1.60	n/a	n/a	n/a	2.66
Less than 95% of budgeted profit	n/a	0.00	n/a	n/a	n/a	0.00
<b>2016/17 outcome</b>	<b>n/a</b>	<b>4.00*</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>12.30</b>
<b>Support Group cost</b>						
Stretch performance 95% of budgeted cost	n/a	n/a	5.00	n/a	6.25	n/a
On-target performance 97.5% of budgeted cost	n/a	n/a	2.00	n/a	2.50	n/a
Threshold performance 100% of budgeted cost	n/a	n/a	1.00	n/a	1.25	n/a
More than 100% of budget	n/a	n/a	0.00	n/a	0.00	n/a
<b>2016/17 outcome</b>	<b>n/a</b>	<b>n/a</b>	<b>3.03</b>	<b>n/a</b>	<b>6.25*</b>	<b>n/a</b>
<b>Personal objectives</b>						
Stretch performance	6.00	5.00	8.00	n/a	10.00	8.33
On-target performance	2.40	2.00	3.20	n/a	4.00	3.33
Threshold performance	1.20	1.00	1.60	n/a	2.00	1.67
<b>2016/17 outcome</b>	<b>5.10</b>	<b>3.74*</b>	<b>4.94*</b>	<b>n/a</b>	<b>7.33*</b>	<b>4.63</b>
<b>Total</b>	<b>8.65</b>	<b>9.51*</b>	<b>9.74*</b>	<b>n/a</b>	<b>15.80*</b>	<b>19.89</b>
<b>Maximum available</b>	<b>20.00</b>	<b>20.00</b>	<b>20.00</b>	<b>25.00</b>	<b>25.00</b>	<b>33.33</b>

\*denotes average

## Long-Term Incentive Plan (LTIP)

The Long-Term Incentive Plan 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 salary is granted annually. Over time this results in Executives building up a series of overlapping awards, assisting with retention and helping drive the Society forward.

### 2014/15 LTIP award

The 2014/15 LTIP grant matured in January 2017.

As shown in the table below, the grant was capped at 20.0% of average salary over the three year vesting period. Members of the Executive who have been on the Executive for the full three year LTIP period will receive a payment of 20.0% of their average salary over this period. Members joining the Executive in 2015 and 2016 will receive a payment of 6.7% of their salary.

The amounts to be paid for the award are set out below:

Performance measure	How measured?	Weighting	Performance targets			Performance achieved	Payout % of salary
			Threshold 40% payable	Target 60% payable	Maximum 100% payable		
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	0.0
Corporate reputation	From Business in the Community's Corporate Responsibility index	25%	4 stars at end of the LTIP period	4 stars in years 2 and 3 of the LTIP period	Maintain 4 stars for the full 3 year LTIP period	2014 – 4 stars 2015 – 4.5 stars 2016 – 5 stars	7.5
Colleague engagement	Measured through the Society's annual colleague survey	25%	78 2016/17 score	80 2016/17 score	Average of 80 for the full 3 year LTIP period	Average of 81 for the full 3 year LTIP period	7.5
Customer Loyalty Index	Measured through customer satisfaction surveys	25%	69 2016/17 score	70 2016/17 score	72 2016/17 score	80 2016/17 score	7.5
						<b>Total</b>	22.5
						<b>Cap applied</b>	<b>20.0</b>

## 2017/18 LTIP award

The Remuneration Committee has agreed that the performance measures for the annual grant to members of the Executive under the LTIP for the 2017/18 year are to be based on three of the same measures as used in the existing LTIPs - ROCE, Corporate Reputation and Colleague Engagement. A new External Partnerships measure has replaced the Customer Loyalty Index measure. Each measure will be weighted the same and the maximum award available will be set at 20.0% of average salary over the three year vesting period.

## 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
2015/16	January 2018	1. Return on capital employed	Cumulative trading profit relative to 3-year plan	25%	Mike Abbott Kevin Brown Simon Fisher
2016/17	January 2019	2. Corporate reputation	From Business in the Community's Corporate Responsibility index	25%	Edward Parker Alistair Rowland Peter Westall
		3. Colleague engagement	Measured through the Society's annual colleague survey	25%	Caroline Crymble <sup>1</sup> Peter Dubois <sup>1</sup> Phil Ponsonby <sup>1</sup>
		4. Customer Loyalty Index	Measured through customer satisfaction surveys	25%	Rad Sofronijevic <sup>2</sup> Mari Frost <sup>3</sup> Ben Reid <sup>3</sup>
2017/18	January 2020	Measures 1., 2. and 3. above together with: 5. External Partnerships	Measured through four key questions	25%	

<sup>1</sup>eligible to receive 2/3 of any payment earned from the 2015/16 LTIP grant and any payment earned from the 2016/17 grant and 2017/18 grants in full

<sup>2</sup>eligible to receive 1/3 of any payment earned from the 2015/16 LTIP grant and 2/3 of any payment earned from the 2016/17 grant; eligible to receive any payment earned from the 2017/18 grant in full

<sup>3</sup>eligible to receive 2/3 of any payment earned from the 2015/16 grant and 1/3 of any payment earned from the 2016/17 grant

## Clawback provisions

Payments made under the annual bonus and LTIP are subject to clawback provisions that enable 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 auto-enrolment requirements. The Society's former stakeholder scheme transferred into the L&G Scheme in February 2016.

June 2014. Only members of the CARE Scheme at the time of closure were eligible to join the L & G Scheme. The CARE Scheme had previously operated on a final salary basis. 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 to pension for those affected by the HMRC Lifetime Allowance or Annual Allowance limits.

Only basic salary is pensionable and the cash allowance in lieu of pension is excluded from the calculation of the annual bonus and LTIP awards.

Andy Cresswell, Simon Fisher, Mari Frost, Edward Parker and Ben Reid received the cash allowance during the year.

In 2014 the Group Chief Executive exercised his contractual right to take his deferred pension under the CARE Scheme penalty-free at age 60.

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

- Ben Reid is a pensioner member of the CARE Scheme and receives the 16% salary supplement in lieu of pension contributions
- Simon Fisher and Edward Parker are deferred members of the CARE Scheme; they have a mixture of career average and final salary benefits with a normal retirement age of 65; they receive the 16% salary supplement in lieu of pension contributions
- Kevin Brown is a deferred member of the CARE Scheme with a mix of career average and final salary benefits and a normal retirement age of 65; he participates in the Society's auto-enrolment compliant pension arrangement
- Mike Abbott and Alistair Rowland are deferred members of the CARE Scheme with career average benefits and a normal retirement age of 65; they participate in the L & G Scheme
- Peter Dubois and Peter Westall are deferred members of the CARE scheme with a mix of career average and final salary benefits and a normal retirement age of 65; they participate in the L & G Scheme
- Caroline Crymble participates in the Society's auto-enrolment compliant pension arrangement
- Phil Ponsonby has opted out of pension provision from the Society.

Two individuals left the Executive during the period of this report:

- Andy Cresswell left the Society. At the time he left, he was a deferred member of the CARE Scheme with a mixture of career average and final salary benefits and a normal retirement age of 65; he received the 16% salary supplement in lieu of pension contributions
- Mari Frost left the Executive. At the time she left, she was a deferred member of the CARE Scheme with a mixture of career average and final salary benefits and a normal retirement age of 65; she received the 16% salary supplement in lieu of pension contributions

### **Percentage change in the Chief Executive's remuneration**

The table below shows the percentage change in the Chief Executive's salary and bonus between the 2015/16 and 2016/17 financial years, compared with that of the average for all colleagues in the Society.

	% change in salary and incentive pay	
	2015/16	2016/17
<b>Group Chief Executive</b>	1.5	(5.3)
<b>average for colleagues</b>	2.1	5.5

### 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.

	2016/17 £m	2015/16 £m	% change
Staff costs	138.0	131.0	5.3
Distributions	3.6	4.3	(16.3)
Operating profit before significant items	11.4	15.5	(26.5)

### Loss of office payments

No compensation for loss of office was paid to any Executive during the year. The principles governing compensation for loss of office are set out earlier in this report.

### Payments to past Executives

Steve Ridler retired from the Society in December 2015 as Deputy Chief Executive Services. He was classed as a 'good leaver' under the rules of the LTIP, so was eligible to receive 2/3 of any payment earned from the 2014/15 LTIP grant and 1/3 of any payment earned from the 2015/16 LTIP grant. As noted earlier in this report, the 2014/15 grant matured in January 2017. The maximum payment was awarded. Accordingly, Steve Ridler will receive a payment of £34,747 representing 2/3 of his average salary for the years 2014/15 and 2015/16.

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

## BOARD DIRECTOR FEES

This section of the Report provides details of the fees, expenses and benefits for directors of the Society.

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.

Increases to the level of fees payable to directors and those serving on various committees and formal groups of the Society were approved by members at the AGM held on 7 May 2016. The last such review took place in 2007.

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 below.

All the fees listed are increased each year by the same inflation-related increase negotiated with NACO that is awarded to the Society's senior management grades. No increase was applied in 2016/17 given the increases in fees approved by members.

Board/Committee	Role	Fees 2016/17 £	Fees 2015/16 £
<b>Board</b>	President	12,880 (40% above Director fee)	10,711
	Vice-Presidents	11,040 (20% above Director fee)	9,181
	Director	9,200	7,651
<b>Energy Committee</b> <sup>1</sup>	Chair	3,600 (20% above Director fee)	n/a
	Director	3,000	n/a
<b>Audit &amp; Risk Committee</b>	Chair	720	588
	Vice-Chair	660	539
	Committee member	600	490
<b>Environmental Steering Group</b>	Board representative	600	490
<b>Membership Strategy Committee</b>	Committee member	600	490
<b>Pension Trustee Board</b>	Trustee director	1,000	955
<b>Remuneration Committee</b>	Committee member	600	490

<sup>1</sup> The Energy Committee was formed in 2016

### 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 Sectional Council meetings.

### Benefits

The Society's Colleague Discount scheme is available to directors and their partners. Two directors are also members of the Society's career average pension scheme as noted in the table below.

### 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	
	2016/17 £	2015/16 £
Stephen Allsopp	9,197	2,046
Olivia Birch	10,243	9,888
Clive Booker	2,474	n/a
Isobel Burbidge	7,682	10,585
Bernadette Connor <sup>1</sup>	11,422	9,544
Judith Feeney	10,721	9,294
Ruth FitzJohn	14,160	11,519
Ellie Freeman	9,947	8,637
Patrick Gray	12,935	9,307
Margaret Jarvis	6,974	8,806
Irene Kirkman	2,460	n/a
Matthew Lane	9,776	7,648
Donald Morrison	9,325	7,836
Jean Nunn-Price	10,258	8,072
Louise Pevreal	9,588	8,062
Barbara Rainford	10,773	9,528
Helen Wiseman <sup>1</sup>	11,791	8,502
Vivian Woodell	9,475	8,259

<sup>1</sup> member of the Society's closed Career Average pension scheme

### The role of a director

The Society is a large and complex organisation. It employs nearly 9,000 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 spelt out in the Society's Blueprint, the 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 set up by the Board, and, more widely, by representing the business both within and beyond the Society at meetings and events.

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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 4 April 2017.

A handwritten signature in black ink, appearing to read 'Olivia Birch', with a long horizontal flourish extending to the right.

**Olivia Birch**  
**Chair - Remuneration Committee**

**4 April 2017**

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

The directors are responsible for preparing the Annual Report and the Society 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 Reporting 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 its income and expenditure for that period.

In preparing the 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

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 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.

## 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.**



**Ruth FitzJohn**  
President



**Patrick Gray**  
Vice-President



**Helen Wiseman**  
Vice-President



**Edward Parker**  
Secretary

**12 April 2017**

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.

### Statement on going concern

The Society has procedures for assessing its capital and funding requirements which are monitored regularly. The day to day working capital needs are met through a number of facilities. The Society has prepared detailed forecasts and projections for the period to January 2020 which, taking account of possible changes in trading performance in the current economic environment, show that the Society should be able to operate within the level of its current available facilities.

Accordingly, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the Society's financial statements.

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

We have audited the financial statements of The Midcounties Co-operative Limited (the 'Society') for the year ended 28 January 2017 set out on pages 58 to 95. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Society in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and, in respect of the reporting on corporate governance, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to it in an auditor's report and, in respect of the reporting on corporate governance, those matters we have agreed to state to it in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As more fully explained in the Statement of Directors' Responsibilities set out on page 56 the Society's directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Society's affairs as at 28 January 2017 and of its income and expenditure for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

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

We have nothing to report in respect of the following.

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.

Simon Purkess  
(Senior Statutory Auditor)

for and on behalf of  
KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

12 April 2017

# Consolidated Statement of Comprehensive Income

For the year ended 28 January 2017

	Note	2016/17 Before significant items £'000	2016/17 Significant items £'000	2016/17 Total £'000	2015/16 Before significant items £'000	2015/16 Significant items £'000	2015/16 Total £'000
Revenue	1	979,232		979,232	926,705		926,705
Cost of sales		(731,186)		(731,186)	(680,815)		(680,815)
Gross profit		248,046		248,046	245,890		245,890
Operating expenses	2.1/2.2	(236,608)	(3,280)	(239,888)	(230,371)	118	(230,253)
Operating profit		11,438	(3,280)	8,158	15,519	118	15,637
Finance costs	2.3	(4,561)		(4,561)	(4,940)		(4,940)
Profit before payments to and on behalf of members		6,877	(3,280)	3,597	10,579	118	10,697
Payments to and on behalf of members	2.4	(3,572)		(3,572)	(4,286)		(4,286)
Profit before tax		3,305	(3,280)	25	6,293	118	6,411
Income tax credit / (expense)	2.5	(405)	1,079	674	(1,832)	193	(1,639)
Profit for the year		2,900	(2,201)	699	4,461	311	4,772
Other comprehensive income Items that will not be reclassified to the income statement in future periods:							
Revaluation gain of property, plant and equipment				1,517			501
Remeasurement of defined benefit liability	4.4			(13,322)			13,189
Income tax on other comprehensive income	2.5			1,903			(4,195)
Dormant share accounts to reserves				118			22
Other comprehensive (expense) / income for the period, net of income tax				(9,784)			9,517
Total comprehensive (expense) / income for the period				(9,085)			14,289

# Consolidated Statement of Financial Position

As at 28 January 2017

	Note	2016/17 £'000	2015/16 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3.1	199,380	203,279
Intangible assets	3.2	92,551	58,939
Investment property	3.3	12,422	13,538
Other investments	3.4	50,652	43,160
Deferred tax asset	3.6	4,862	2,347
<b>Total non-current assets</b>		<b>359,867</b>	<b>321,263</b>
<b>Current assets</b>			
Other investments	3.4	4,011	3,410
Other financial assets	3.5	69	-
Stocks	3.7	24,805	25,663
Trade and other receivables	3.8	208,773	159,056
Cash and cash equivalents	3.9	41,805	21,037
Current tax recoverable		1,854	1,440
Assets held for sale	3.10	3,092	4,166
<b>Total current assets</b>		<b>284,409</b>	<b>214,772</b>
<b>TOTAL ASSETS</b>		<b>644,276</b>	<b>536,035</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	4.1	4,806	2,619
Other financial liabilities	4.2	-	61
Trade and other payables	4.3	281,669	209,323
Provisions		17,196	608
<b>Total current liabilities</b>		<b>303,671</b>	<b>212,611</b>
<b>Non-current liabilities</b>			
Loans and borrowings			
Other payables	4.1	55,171	54,788
Provisions	4.3	52,297	45,733
Pension obligations		1,979	837
<b>Total non-current liabilities</b>	4.4	<b>59,026</b>	<b>48,271</b>
<b>TOTAL LIABILITIES</b>		<b>168,473</b>	<b>149,629</b>
<b>NET ASSETS</b>		<b>472,144</b>	<b>362,240</b>
<b>EQUITY</b>			
Share capital			
Other reserves		53,150	44,642
Retained earnings		43,631	43,068
<b>TOTAL EQUITY</b>		<b>75,351</b>	<b>86,085</b>
		<b>172,132</b>	<b>173,795</b>

# Consolidated Statement of Changes in Equity

For the year ended 28 January 2017

	Share Capital £'000	Revaluation reserve £'000	Retained Earnings £'000	Total Equity £'000
<b>Balance at 24 January 2015</b>	42,223	44,160	71,677	<b>158,060</b>
Profit for the year	0	0	4,772	<b>4,772</b>
Other comprehensive income:				
Revaluation of property, plant and equipment	0	501	0	<b>501</b>
Realised on disposal of properties	0	(1,001)	1,001	<b>0</b>
Actuarial gains on defined benefit pension plans	0	0	13,189	<b>13,189</b>
Dormant share accounts to reserves	(22)	0	22	<b>0</b>
Income tax on other comprehensive income	0	(592)	(3,603)	<b>(4,195)</b>
<b>Total other comprehensive expense</b>	(22)	(1,092)	10,609	<b>9,495</b>
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	2,441	0	0	<b>2,441</b>
Members' share interest	0	0	(973)	<b>(973)</b>
<b>Total contributions by and distributions to members</b>	2,441	0	(973)	<b>1,468</b>
<b>Balance at 23 January 2016</b>	44,642	43,068	86,085	<b>173,795</b>
Profit for the year	0	0	699	<b>699</b>
Other comprehensive income:				
Revaluation of property, plant and equipment	0	1,517	0	<b>1,517</b>
Realised on disposal of properties	0	(1,001)	1,001	<b>0</b>
Actuarial loss on defined benefit pension plans	0	0	(13,322)	<b>(13,322)</b>
Dormant share accounts to reserves	(118)	0	118	<b>0</b>
Income tax on other comprehensive income	0	47	1,856	<b>1,903</b>
Total other comprehensive income	(118)	563	(10,347)	<b>(9,902)</b>
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	8,626	0	0	<b>8,626</b>
Members' share interest	0	0	(1,086)	<b>(1,086)</b>
<b>Total contributions by and distributions to members</b>	8,626	0	(1,086)	<b>7,540</b>
<b>Balance at 28 January 2017</b>	53,150	43,631	75,351	<b>172,132</b>

# Consolidated Statement of Cash Flows

For the year ended 28 January 2017

	Note	2016/17 £'000	2015/16 £'000
<b>Cash flows from operating activities</b>			
Profit for the period		699	4,772
Adjustments for:			
Depreciation	3.1	10,611	11,003
Amortisation of intangible assets	3.2	906	362
Gain on sale of property, plant and equipment	2.2	(3,632)	(3,872)
Impairment of property, plant and equipment	2.2	0	116
Change in fair value of investment property	2.2	(56)	(440)
Change in fair value of trading property	2.2	824	1,931
Net finance expense	2.3	4,561	4,940
Payments to and on behalf of members	2.4	3,572	4,286
Income tax (credit) / expense	2.5	(674)	1,639
		<b>16,811</b>	<b>24,737</b>
Change in:			
Stocks		1,005	4,067
Trade and other receivables		(27,918)	(22,746)
Trade, other payables and provisions		53,257	21,350
Payments to the pension fund		(4,611)	(3,500)
		<b>21,733</b>	<b>(829)</b>
Income tax (paid)		(296)	(1,962)
		<b>38,248</b>	<b>21,946</b>
<b>Cash flows from investing activities</b>			
Interest received		667	296
Proceeds from:			
Sale of investment properties, property, plant and equipment, intangible assets and assets held for sale		8,852	15,298
Purchase of:			
Property, plant and equipment	3.1	(13,935)	(17,166)
Intangible assets	3.2	(5,937)	(89)
Business acquisitions (net of cash acquired)	6.1	(9,975)	(1,230)
		<b>(20,328)</b>	<b>(2,891)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		11,235	12,139
Repayment of share capital		(3,607)	(11,190)
Proceeds from new loans		15,000	0
Loan arrangement fees		0	(114)
Interest paid on borrowings		(3,160)	(3,107)
Repayment of bank facilities	4.1	(12,249)	(15,750)
Repayment of finance lease liabilities	4.1	(990)	(626)
Payments to and on behalf of members and share interest paid		(3,381)	(4,184)
		<b>2,848</b>	<b>(22,832)</b>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at start of period		21,037	24,814
		<b>41,805</b>	<b>21,037</b>
<b>Cash and cash equivalents at end of period</b>			

# 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 28 January 2017 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 presented in thousands of pounds sterling.

The financial statements have been prepared on a going concern basis. In determining the appropriate basis of financial statements the directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The financial statements are prepared on a historical cost basis except for the following material items in the statement of financial position which are measured at fair value: revaluation of financial assets and liabilities valued at fair value through the statement of comprehensive income, derivative financial instruments, property, plant and equipment, investment properties and assets held for sale.

### 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
Valuation of assets held for sale	3.10
Measurement of pension obligations	4.4
Business combinations	6.1
Valuation of financial instruments	3.5, 4.2, 4.5
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 and being one off in nature and require further explanation.

## **f) 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.

## **g) New standards and interpretations not adopted**

The following standards and interpretations have been adopted in 2017 as they are mandatory for the year ended 28 January 2017:

- Annual Improvements to IFRSs – 2012-2014 Cycle
- Disclosure Initiative – Amendments to IAS 1
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38.

The adoption of the above standards has had no impact on profit or net assets.

The following standards and interpretations which are not yet effective and not yet endorsed by the EU and have not been early adopted by the Group, will be adopted in future accounting periods:

- International Financial Reporting Standard (IFRS) 15 'Revenue from contracts with customers' (effective 1 January 2018)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (not yet EU endorsed - IASB effective date 1 January 2018)
- International Financial Reporting Standard (IFRS) 9 'Financial instruments' (effective 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - amendments to IFRS 4 (not yet EU endorsed - IASB effective date 1 January 2018)
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (not yet EU endorsed. IASB effective date 1 January 2017).
- Disclosure Initiative – Amendments to IAS 7 (Not yet EU endorsed – IASB effective date 1 January 2017).
- IFRS 16 – Leases. (Not yet EU endorsed - IASB effective date 1 January 2019).

Their adoption is not expected to have a material impact on the Group, except for IFRS 16 and IFRS 15. The effect of these is yet to be quantified.

## **2. Accounting Reference Dates**

For operational reasons the financial statements of the Society and the retail subsidiaries are prepared to the fourth Saturday in January. Those of the property subsidiaries are prepared to 31 January. The financial statements of the Society and the retail subsidiaries are for the 53 weeks ended 28 January 2017 and are compared with a 52 week period to 23 January 2016.

## **3. Significant Accounting Policies**

Accounting policies relating to a specific section of the financial statements can be found in the relevant section.

General accounting policies are:

### **a) Managing capital**

The Society's policy is to maintain a strong capital base as external equity funding is unavailable. The Society recognises the need to maintain a balance between the potential higher returns that might be achieved with greater gearing and the security afforded by a sound capital position. The Midcounties Co-operative Limited is not a regulated entity and manages capital to ensure an appropriate balance between investing in the future growth of the Society and rewarding its members.

### **b) Derivative financial instruments**

The Society holds derivative financial instruments to provide an economic hedge against its energy contracts arising from operational activities. Derivative financial instruments were measured at fair value and any gains or losses were included in the income statement.

### **c) Provisions**

A provision is recognised in the Statement of Financial Position when the Society has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

# 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
Flexible benefits commissions	Gross commission recognised at the point of payment
Energy	Revenue on energy sales comprises sales to retail end-user customers including an estimate of the value of electricity and gas supplied to customers between the date of the last meter reading and the year end. Unread energy sales are estimated using historical consumption patterns taking account of industry volume reconciliation processes.
Rental income arising from operating leases	Straight line over the term of the lease

## 1. Revenue

	2016/17 Gross sales £'000	2016/17 Revenue £'000	2015/16 Gross sales £'000	2015/16 Revenue £'000
Food	569,321	516,960	562,166	511,080
Funeral	31,407	30,899	29,626	29,137
Healthcare	40,409	39,842	41,610	40,910
Travel	343,774	71,392	297,959	69,218
Childcare	29,847	29,786	27,975	27,918
Energy	295,310	281,456	252,864	240,453
Post Offices	2,868	2,847	2,988	2,970
Flexible benefits	28,828	2,289	27,917	1,160
Other	156	89	418	318
Retail revenue	1,341,920	975,560	1,243,523	923,164
Property rentals	3,680	3,672	3,549	3,541
	1,345,600	979,232	1,247,072	926,705

### 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 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	2016/17 £'000	2015/16 £'000
Operating costs	2.1.1	98,482	99,196
Personnel costs	2.1.2	137,969	131,027
Transactions with directors	2.1.3	157	148
		<b>236,608</b>	<b>230,371</b>

#### 2.1.1 Operating costs

		2016/17 £'000	2015/16 £'000
Hire of plant and equipment - operating leases		409	376
Hire of land and buildings - operating leases		14,398	13,418
Depreciation of owned assets - property, plant and equipment	3.1	10,112	10,527
Depreciation of owned assets - intangibles	3.2	906	362
Depreciation of assets held under finance leases	3.1	499	476
Fees paid to auditors:			
Audit		240	190
Other*		18	12
Other expenses		71,900	73,835
		<b>98,482</b>	<b>99,196</b>

#### 2.1.2 Personnel costs

		2016/17 £'000	2015/16 £'000
Wages and salaries		128,322	121,581
Compulsory social security payments		8,182	7,909
Expenses related to defined contribution pension schemes	4.4	1,465	1,537
		<b>137,969</b>	<b>131,027</b>

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

	Number	Number
Full time	4,346	4,256
Part time	4,446	4,437
	<b>8,792</b>	<b>8,693</b>

\* £66,000 of fees paid to auditors relating to acquisition costs are included in significant items in note 2.2 within Expenses of business acquisitions and disposals.

### 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.

	2016/17 £'000	2015/16 £'000
Directors' fees and expenses	157	148

### 2.2 Significant items before tax

#### 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.

		2016/17 £'000	2015/16 £'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	3,632	3,872
Change in fair value of trading properties	a	(824)	(1,931)
Change in fair value of investment properties	a	56	440
Expense of business acquisitions and disposals	b	(136)	(151)
Impairment of property, plant and equipment	c	0	(116)
Restructuring costs	d	(745)	(1,996)
Energy customer experience costs	e	(3,716)	0
Onerous lease	f	(1,547)	0
		<b>(3,280)</b>	118
Tax on significant items	g	1,079	193
Significant items after tax		<b>(2,201)</b>	311

**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.

**c** - The impairment of property, plant and equipment was significant in value in 2015/16 and is one off in nature as it is in relation to one property which has been impaired as part of the review of the asset when preparing it for sale.

**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** - The Society incurred significant one off costs in relation to improving the experience of energy customers and the payment of compensation to customers affected by a reduction in service. The reduction in service was the result of the introduction of a new IT system in March 2015. Since then, Ofgem have reported that the Society has worked well with them and has restored customer service levels.

**f** - The onerous lease cost is significant in 2016/17 predominantly due to the creation of a provision for a recently vacated Food retail store with a long lease.

**g** - The tax charge relates to tax on significant items and changes in the tax rate applied to significant items in prior years.

## 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	2016/17 £'000	2015/16 £'000
Finance income	2.3.1	667	296
Finance expenses	2.3.2	(5,228)	(5,236)
		<b>(4,561)</b>	<b>(4,940)</b>

### 2.3.1 Finance income

	2016/17 £'000	2015/16 £'000
Interest income on available for sale financial assets	89	88
Interest income on bank deposits	578	208
	<b>667</b>	<b>296</b>

### 2.3.2 Finance expense

	2016/17 £'000	2015/16 £'000
Net interest on defined benefit liability	1,775	2,019
Interest expense on bank loans	3,081	2,815
Interest expense in respect of finance lease liabilities	76	110
Loan arrangement fees expensed	296	292
	<b>5,228</b>	<b>5,236</b>

## 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, includes dividends, 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'.

	Note	2016/17 £'000	2015/16 £'000
Members dividend	5.1	1,461	1,968
Grants and other member benefits		1,452	1,414
Employee member benefits		652	636
Charitable donations		7	268
		<b>3,572</b>	<b>4,286</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.

	2016/17 Before significant items £'000	2016/17 Significant items £'000	2016/17 £'000	2015/16 Before significant items £'000	2015/16 Significant items £'000	2015/16 £'000
Current tax expense:						
Current period	143	(895)	(752)	674	(315)	359
Adjustment for prior periods	443	335	778	4	0	4
	<b>586</b>	<b>(560)</b>	<b>26</b>	<b>678</b>	<b>(315)</b>	<b>363</b>
Deferred tax expense:						
Origination and reversal of temporary differences	958	130	1,088	1,366	152	1,518
Adjustment for prior periods	(908)	(641)	(1,549)	315	0	315
Effects on deferred tax of change in tax rate	(231)	(8)	(239)	(527)	(30)	(557)
	<b>(181)</b>	<b>(519)</b>	<b>(700)</b>	<b>1,154</b>	<b>122</b>	<b>1,276</b>
Total income tax	<b>405</b>	<b>(1,079)</b>	<b>(674)</b>	<b>1,832</b>	<b>(193)</b>	<b>1,639</b>

In order to understand how, in the income tax statement, a tax credit of £0.674 million (2015/16: tax charge £1.639 million) arises on a profit before tax of £0.025 million (2015/16: £6.411 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual charge as follows:

	2016/17 Before significant items	2016/17 Significant items	2016/17	2015/16 Before significant items	2015/16 Significant items	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
Factors affecting the tax charge for the period:						
Profit before taxation	<b>3,216</b>	<b>(3,191)</b>	<b>25</b>	6,293	118	6,411
Income tax using the Society's domestic tax rate of 20.00% (2015/16: 20.18%)	<b>643</b>	<b>(638)</b>	<b>5</b>	1,270	24	1,294
Expenses not deductible for tax purposes	<b>458</b>	<b>304</b>	<b>762</b>	770	509	1,279
Profit on sale of properties subject to indexation and rollover relief	<b>0</b>	<b>(431)</b>	<b>(431)</b>	0	(696)	(696)
Effects on deferred tax of change in tax rate	<b>(231)</b>	<b>(8)</b>	<b>(239)</b>	(527)	(30)	(557)
Adjustment for prior periods (current plus deferred tax expense)	<b>(465)</b>	<b>(306)</b>	<b>(771)</b>	319	0	319
Benefit of previously unrecognised tax losses	<b>0</b>	<b>0</b>	<b>0</b>	0	0	0
Total income tax expense	<b>405</b>	<b>(1,079)</b>	<b>(674)</b>	1,832	(193)	1,639

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

	2016/17 £'000	2015/16 £'000
Total recognised directly in equity:		
Members' share interest	<b>(272)</b>	(246)
Total recognised in other comprehensive income:		
Revaluation of property, plant and equipment	<b>(47)</b>	592
Actuarial gains/(losses) on defined benefit pension plans	<b>(1,856)</b>	3,603
	<b>(1,903)</b>	4,195
Deferred tax:		
Net asset at start of period	<b>2,347</b>	7,822
Deferred tax charge in revenue account for the period	<b>699</b>	(1,276)
Movement on pension liability deferred tax	<b>1,856</b>	(3,603)
Deferred tax recognised directly in equity	<b>47</b>	(592)
Acquisition	<b>(87)</b>	(4)
Net asset at end of period	<b>4,862</b>	2,347

A reduction in the UK corporation tax rate from 20% (effective from 1 April 2015) to 17% (effective from 1 April 2020) with an interim reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and 15 September 2016. This will change the Society's future current tax charge accordingly. The deferred tax assets at 28 January 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

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.

	2016/17 Before Significant Items £'000	2016/17 Significant Items £'000	2016/17 Total £'000	2015/16 Before Significant Items £'000	2015/16 Significant Items £'000	2015/16 Total £'000
Profit before taxation	3,216	(3,191)	25	6,293	118	6,411
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.00% (2015/16: 20.18%)	643	(638)	5	1,270	24	1,294
Depreciation in excess of capital allowances	a 458	0	458	423	0	423
Pension movements	b (567)	0	(567)	(299)	0	(299)
Expenses not deductible for tax purposes	c (391)	0	(391)	(80)	0	(80)
Change in fair value of trading properties	c 0	165	165	0	398	398
Change in fair value of investment properties	c 0	(11)	(11)	0	(97)	(97)
Expense of business acquisitions and disposals	c 0	20	20	0	27	27
Capital gains	c 0	(431)	(431)	0	(690)	(690)
Inpaiment of property, plant and equipment	c 0	0	0	0	23	23
Losses transferred in	0	0	0	0	0	0
	143	(895)	(752)	1,314	(315)	999
Tax effect of the adoption of new UK GAAP	0	0	0	(640)	0	(640)
Adjustments to tax charge in respect of previous periods	443	335	778	4	0	4
<b>Reported current tax charge and effective rate</b>	<b>586</b>	<b>(560)</b>	<b>26</b>	<b>678</b>	<b>(315)</b>	<b>363</b>
Capital allowances in excess of depreciation eligible for capital allowances	a 173	0	173	173	0	173
Pension movements	b 510	0	510	296	0	296
Other timing differences	d 275	130	405	263	152	415
Tax effect of the adoption of new UK GAAP	0	0	0	634	0	634
Adjustments to tax charge in respect of previous periods	(908)	(641)	(1,549)	315	0	315
Effects on deferred tax of change in tax rate	(231)	(8)	(239)	(527)	(30)	(557)
<b>Reported total tax charge and effective rate</b>	<b>405</b>	<b>(1,079)</b>	<b>(674)</b>	<b>1,832</b>	<b>(193)</b>	<b>1,639</b>

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.

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 and disposals and changes in the fair value of properties.

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.

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

## 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. The market value of property is the established amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing and the parties each acting knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

**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 £'000	Plant, fixtures & fittings £'000	Vehicles £'000	Total £'000
Cost or valuation:				
At 24 January 2015	164,699	117,149	754	<b>282,602</b>
Additions	2,057	15,074	35	<b>17,166</b>
Acquisitions	0	(73)	0	<b>(73)</b>
Impairment provision	0	(116)	0	<b>(116)</b>
Revaluation	(1,531)	0	0	<b>(1,531)</b>
Disposals	(701)	(2,120)	0	<b>(2,821)</b>
Transfer from assets held for sale	4,435	170	0	<b>4,605</b>
At 23 January 2016	<b>168,959</b>	<b>130,084</b>	<b>789</b>	<b>299,832</b>
Additions	3,550	10,901	0	<b>14,451</b>
Acquisitions	950	417	7	<b>1,374</b>
Impairment provision	0	0	0	<b>0</b>
Revaluation	782	0	0	<b>782</b>
Disposals	(4,929)	(44,720)	(643)	<b>(50,292)</b>
Transfer from assets held for sale	1,279	44	0	<b>1,323</b>
Transfers	840	(6,940)	0	<b>(6,100)</b>
At 28 January 2017	<b>171,431</b>	<b>89,786</b>	<b>153</b>	<b>261,370</b>
Accumulated depreciation:				
At 24 January 2015	6,911	80,757	660	<b>88,328</b>
Provided this year	773	10,203	27	<b>11,003</b>
Disposals	(558)	(2,120)	0	<b>(2,678)</b>
Revaluation	(100)	0	0	<b>(100)</b>
At 23 January 2016	<b>7,026</b>	<b>88,840</b>	<b>687</b>	<b>96,553</b>
Provided this year	810	9,773	28	<b>10,611</b>
Disposals	(41)	(44,302)	(643)	<b>(44,986)</b>
Revaluation	0	0	0	<b>0</b>
Transfers	(415)	225	2	<b>(188)</b>
At 28 January 2017	<b>7,380</b>	<b>54,536</b>	<b>74</b>	<b>61,990</b>
<b>Carrying amount</b>				
At 23 January 2016	161,933	41,244	102	<b>203,279</b>
<b>At 28 January 2017</b>	<b>164,051</b>	<b>35,250</b>	<b>79</b>	<b>199,380</b>

The gross book value of assets held under finance leases shown within additions is £516,000 (2015/16: £0).

The net book value of assets held under finance leases is £2,071,000 (2015/16: £2,054,000).

Plant, fixtures and fittings include assets in the course of construction of £4,895,000 (2015/16: £2,822,000)

The historical cost of revalued assets is £133,592,000 (2015/16: £138,617,000)

A review of asset classifications was performed during the year resulting in transfers between asset categories. Across Property, plant and equipment, Intangible assets and Investment property the impact to net book value was nil.

#### 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 in January 2017 are based on open market rental values. The valuations were carried out by Chartered Surveyors Philip Tapper and Co, VSL and Partners, Richard Holmes (Property Consultants) and Eddisons Taylors in accordance with the RICS 'Red Book' ninth edition which came into effect 6 January 2014. The properties are valued individually, and yields are therefore varying on a property by property basis. Yields range from 5.5% to 11% (2015/16: 6.0% 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 3 or 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.

		<b>Purchased goodwill £'000</b>	<b>Licences and brand £'000</b>	<b>Customer Relationships £'000</b>	<b>Total £'000</b>
Cost:					
At 24 January 2015		59,096	7,989	359	<b>67,444</b>
Acquisition	6.1	1,422	0	0	<b>1,422</b>
Additions		0	89	0	<b>89</b>
Disposals		(338)	0	0	<b>(338)</b>
<b>At 23 January 2016</b>		<b>60,180</b>	<b>8,078</b>	<b>359</b>	<b>68,617</b>
Acquisition	6.1	13,512	1,226	8,346	<b>23,084</b>
Additions		0	5,937	0	<b>5,937</b>
Disposals		(850)	(184)	0	<b>(1,034)</b>
Transfers		(1,952)	7,176	(54)	<b>5,170</b>
<b>At 28 January 2017</b>		<b>70,890</b>	<b>22,233</b>	<b>8,651</b>	<b>101,774</b>
Accumulated amortisation:					
At 24 January 2015		9,133	51	283	<b>9,467</b>
Charge for the year		0	286	76	<b>362</b>
Disposals		(151)	0	0	<b>(151)</b>
<b>At 23 January 2016</b>		<b>8,982</b>	<b>337</b>	<b>359</b>	<b>9,678</b>
Charge for the year		0	906	0	<b>906</b>
Disposals		(43)	0	0	<b>(43)</b>
Transfers		(1,957)	716	(77)	<b>(1,318)</b>
<b>At 28 January 2017</b>		<b>6,982</b>	<b>1,959</b>	<b>282</b>	<b>9,223</b>
<b>Carrying Amount</b>					
At 23 January 2016		51,198	7,741	0	<b>58,939</b>
<b>At 28 January 2017</b>		<b>63,908</b>	<b>20,274</b>	<b>8,369</b>	<b>92,551</b>

Licences relate to the pharmacy, energy, post office businesses and software.

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 acquisitions within the Childcare business and the acquisition of GB Energy customers. These are assumed to have a life of 3 and 5 years respectively.

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 9.0% to 9.5%. Business specific growth rates are used to extrapolate cash flows for a period of 19 years, beyond a detailed budget at a rate between 2.3% and 3.0%. 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.

A review of asset classifications was performed during the year resulting in transfers between asset categories. Across Property, plant and equipment, Intangible assets and Investment property the impact to net book value was nil.

### 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.

	2016/17 £'000	2015/16 £'000
Cost or valuation:		
At start of year	13,538	12,584
Transfer from / (to) assets held for sale	(275)	514
Revaluation	55	440
Disposals	(320)	0
Transfers	(576)	0
At end of year	12,422	13,538

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.

A review of asset classifications was performed during the year resulting in transfers between asset categories. Across Property, plant and equipment, Intangible assets and Investment property the impact to net book value was nil.

#### Valuations

The property valuations in January 2017 are based on open market rental values. The valuations were carried out by Chartered Surveyors Philip Tapper and Co, VSL and Partners, Richard Holmes (Property Consultants) and Eddisons Taylors in accordance with the RICS 'Red Book' ninth edition which came into effect 6 January 2014.

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

Yields range from 3.5% to 12.0% (2015/16 : 6.5% to 12.0%), with a mean yield for commercial investment property of 9.1% (2015/16 : 9.4%) before costs and 7.4% (2015/16 : 8.6%) before costs for residential investment property.

### 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.

Non current investments:	<b>2016/17 £'000</b>	2015/16 £'000
Available for sale financial assets	<b>2,252</b>	2,233
Financial assets designated at fair value through the Income Statement	<b>48,400</b>	40,927
	<b>50,652</b>	43,160
Are held as follows:	<b>£'000</b>	£'000
Co-operative Group shares	<b>1,562</b>	1,562
Other I&P Societies shares	<b>328</b>	302
Other investments	<b>362</b>	369
Total available for sale financial assets	<b>2,252</b>	2,233
Funeral prepayment plans	<b>48,400</b>	40,927
	<b>50,652</b>	43,160
Current investments:	<b>2016/17 £'000</b>	2016/17 £'000
Financial assets designated at fair value through the income statement	<b>4,011</b>	3,410

Moneys received in respect of funeral prepayments plans are invested under the terms of custodian arrangements with the State Street Bank and from 1 January 2002, 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 4.5.

### 3.5 Financial assets - derivative financial instruments

#### Keeping it simple - Other financial assets

The financial asset is for energy that the Society has agreed to purchase and will be sold in the future at more than the current price.

Within its regular course of business, the Society routinely enters into sale and purchase derivative contracts for the commodities electricity and gas. These contracts are entered into and continue to be held for the purpose of receipt or delivery in accordance with the Society's expected sale, purchase or usage requirements. The contracts are designated as 'own use' contracts under IAS 39 and are measured at cost. Where surplus energy is purchased it is sold back to the open market and the related contractual commitments are then held at an appropriate fair value.

Financial assets consist of forward contracts to secure the price of future energy supplies.

Note	2016/17 £'000	2015/16 £'000
Financial Assets relating to energy contracts	4.2 <b>69</b>	0

### 3.6 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	2016/17 £'000	2015/16 £'000
Deferred tax liability in respect of property, plant and equipment		(5,850)	(6,842)
Short term temporary differences		(435)	(787)
Deferred tax liability		(6,285)	(7,629)
Intangible assets		1,115	1,287
Deferred tax asset in respect of pension obligations		10,032	8,689
Deferred tax asset		11,147	9,976
Net deferred tax asset	2.5	4,862	2,347

Recognised deferred tax assets and liabilities are attributable to temporary timing differences relating to the following:

	Assets		Liabilities	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Property, plant and equipment	0	0	(5,850)	(6,842)
Intangible assets	1,115	1,287	0	0
Pension obligations	10,032	8,689	0	0
Other items	0	0	(435)	(787)
Tax assets / (liabilities)	11,147	9,976	(6,285)	(7,629)

There are £Nil unrecognised deferred tax assets (2015/16: £Nil).

Movements in deferred tax assets and liabilities during the year were as follows:

	At 23 January 2016	Recognised in Income statement	Recognised in equity/ other comprehensive income	Acquisition	At 28 January 2017
	£'000	£'000	£'000		£'000
Property, plant and equipment	(6,842)	1,029	47	(87)	(5,853)
Intangible assets	1,287	(173)	0	0	1,114
Pension obligations	8,689	(510)	1,856	0	10,035
Other items	(787)	353	0	0	(434)
Tax assets	2,347	699	1,903	(87)	4,862

As at 28 January 2017, total deferred tax assets are £11.147 million (2015/16: £9.976 million) and total deferred tax liabilities are £6.285 million (2015/16: £7.629 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

### 3.7 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.

	2016/17 £'000	2015/16 £'000
Goods for resale	24,805	25,663
	<b>24,805</b>	<b>25,663</b>

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £389 million (2015/16: £384 million).

The year-end stock provision is £669,000 (2015/16: £825,000).

Stock writedowns in the year were £167,000 (2015/16: £nil)

### 3.8 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.

	2016/17 £'000	2015/16 £'000
Trade receivables	150,138	113,937
Prepayments and accrued income	14,895	11,428
Accrued income for Energy customers	33,028	21,527
Other receivables	10,712	12,164
	<b>208,773</b>	<b>159,056</b>

The Society's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 4.5.

### 3.9 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.

	2016/17 £'000	2015/16 £'000
Cash and cash equivalents	29,970	16,139
Short-term deposits	11,835	4,898
	<b>41,805</b>	<b>21,037</b>

The Society's exposure to interest rate risk is disclosed in Note 4.5.

### 3.10 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.

	2016/17 £'000	2015/16 £'000
Assets classified as held for sale:		
Land and buildings	3,292	4,466
Estimated costs to sell	(200)	(300)
	<b>3,092</b>	<b>4,166</b>

## 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. Leases under which the Society assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases, are not 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 4.5.

	2016/17 £'000	2015/16 £'000
Current liabilities:		
Current portion of secured bank loans (see notes 3.1 & 3.3)	3,957	1,957
Current portion of finance lease liabilities	849	662
	<b>4,806</b>	<b>2,619</b>
Non current liabilities :		
Secured bank loans (see notes 3.1 & 3.3)	54,625	53,581
Finance lease liabilities	546	1,207
	<b>55,171</b>	<b>54,788</b>

Terms and conditions of outstanding loans were as follows:

	Rate	Nominal interest rate	Year of maturity	2016/17 £'000	2015/16 £'000
Royal Bank of Scotland loan	Fixed	5.73%	2022	26,000	26,000
Royal Bank of Scotland loan	Variable	1.28%	2022	1,625	1,625
Revolving credit facility	Variable	2.11%	2019	9,906	9,794
Revolving credit facility	Variable	2.15%	2019	4,953	3,428
Revolving credit facility	Variable	2.63%	2017	2,724	0
Lloyds bank loan	Variable	1.88%	2019	13,374	14,691
Total interest bearing liabilities				<b>58,582</b>	<b>55,538</b>

The loans are shown net of an unamortised arrangement fee of £293,000 (2015/16: £587,000)

Finance lease liabilities are payable as follows:

	<b>Future minimum lease payments 2016/17</b>	<b>Present value of minimum lease payments 2016/17</b>	Future minimum lease payments 2015/16	Present value of minimum lease payments 2015/16
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Less than one year	873	848	934	804
Between one and five years	420	407	928	926
More than five years	609	140	225	139
	<b>1,902</b>	<b>1,395</b>	2,087	1,869

Finance leases were taken out during the year at a gross value of £516,000 (2015/16: £0). These leases were secured against the assets acquired.

## 4.2 Other Financial Liabilities

### Keeping it simple - Other Financial liabilities

The financial liability is for energy which the Society has agreed to purchase that will be sold in the future at less than the current price.

Within its regular course of business, the Society routinely enters into sale and purchase derivative contracts for the commodities electricity and gas. These contracts are entered into and continue to be held for the purpose of receipt or delivery in accordance with the Society's expected sale, purchase or usage requirements. The contracts are designated as 'own use' contracts under IAS 39 and are measured at cost. Where surplus energy is purchased it is sold back to the open market and the related contractual commitments are then held at an appropriate fair value.

Financial liabilities relating to energy contracts

<b>2016/17 £'000</b>	2015/16 £'000
<b>0</b>	61

## 4.3 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:

Trade payables  
Government Grants  
Other payables  
Deferred income  
Funeral bonds  
Accrued charges

<b>2016/17 £'000</b>	2015/16 £'000
<b>212,236</b>	152,714
<b>24</b>	34
<b>13,261</b>	10,190
<b>29,144</b>	22,858
<b>4,250</b>	3,709
<b>22,754</b>	19,818
<b>281,669</b>	209,323
<b>£'000</b>	£'000
<b>50,922</b>	44,316
<b>1,104</b>	1,123
<b>271</b>	294
<b>52,297</b>	45,733

Non current liabilities:

Funeral bonds (non-current)  
Other payables (non-current)  
Government grants

The Society's exposure to liquidity risk related to its trade and other payables is disclosed in note 4.5.

The grant was received in relation to the construction of a property and is being amortised over the life of the building.

## 4.4 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 £1,465,000 (2015/16: £1,537,000) 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 was carried out at 31 December 2015 and were updated to 28 January 2017 by a qualified independent actuary.

Plan Assets comprise:

	2016/17 £'000	2015/16 £'000
<b>Equities:</b>	<b>0</b>	<b>0</b>
Developed equities		
Emerging market equities	<b>40,541</b>	38,334
<b>Senior Secured Loans</b>	<b>1,649</b>	6,481
Alternative credit		
Global corporate credit	<b>20,767</b>	12,094
Global sovereign credit	<b>3,393</b>	4,145
High quality bonds	<b>10,617</b>	7,770
Other	<b>52,905</b>	32,041
<b>Property</b>		
<b>Diversifying strategies</b>	<b>17,692</b>	16,722
<b>Cash and cash equivalents</b>	<b>46,384</b>	27,946
<b>Other:</b>	<b>6,746</b>	5,927
Listed infrastructure		
Other	<b>11,426</b>	12,552
	<b>5,505</b>	6,139
	<b>217,625</b>	170,151

	2016/17 £'000	2015/16 £'000
Actual return on plan assets	49,585	(2,319)

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.

	2016/17 £'000	2015/16 £'000
<b>Change in defined benefit obligation</b>		
Defined benefit obligation at beginning of year	218,422	239,019
Current service cost	0	0
Past service cost	0	0
Gain on curtailment of pension scheme	0	0
Interest cost	8,285	7,764
Actuarial losses/(gains)	56,397	(20,885)
Benefits paid	(6,453)	(7,476)
Defined benefit obligation on plans that are wholly or partly funded	276,651	218,422
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	170,151	176,078
Interest income	6,510	5,745
Actuarial gains/(losses)	43,103	(7,328)
Administration expenses	(297)	(368)
Employer contribution	4,611	3,500
Plan participants' contributions	0	0
Benefits paid	(6,453)	(7,476)
Fair value of plan assets at end of year	217,625	170,151
<b>Net pension obligation</b>		
Funded status	(59,026)	(48,271)
<b>Components of pension cost</b>	£'000	£'000
Current service cost	0	0
Interest cost	8,285	7,764
Expected return on plan assets	(6,510)	(5,745)
Administrative expenses and taxes	297	368
Total pension cost recognised in the Income statement	2,072	2,387
<b>Actuarial losses/gains immediately recognised in other comprehensive income:</b>	£'000	£'000
Effect of changes in demographic assumptions	(1,912)	1,035
Effect of changes in financial assumptions	55,523	(21,920)
Effect of experience adjustments	2,786	0
Return on plan assets (excluding interest income)	(43,075)	7,696
Total pension cost/(income) recognised in other comprehensive income	13,322	(13,189)
<b>Cumulative amount of actuarial losses immediately recognised</b>	79,620	66,298

**Weighted average assumptions used to determine defined benefit obligations:**

Discount rate	<b>2.95%</b>	2015/16 3.85%
Inflation	<b>3.25%</b>	3.00%
Rate of increase to pensions in payment (pre July 2006)	<b>3.05%</b>	2.80%
Rate of increase to pensions in payment (post July 2006)	<b>2.15%</b>	2.15%

**Weighted average assumptions used to determine net pension cost:**

Discount rate	<b>3.85%</b>	2016/17 3.30%
Inflation	<b>3.00%</b>	2.80%
Future salary increases	<b>N/A</b>	N/A
Rate of increase to pensions in payment (pre July 2006)	<b>2.80%</b>	2.65%
Rate of increase to pensions in payment (post July 2006)	<b>2.15%</b>	2.25%

Assumptions regarding future mortality are based on published statistics and mortality tables. These assumptions are detailed in the table below:

	<b>Males</b>		<b>Females</b>	
	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>
The average life expectancy of an individual retiring at age 65	22.3	22.1	24.3	24.6
The average life expectancy of an individual aged 40 retiring at age 65	24.5	24.3	26.7	27

**Two year history**

Benefit obligation at end of year	<b>(276,651)</b>	2015/16 £'000 (218,422)
Fair value of plan assets at end of year	<b>217,625</b>	170,151
Deficit	<b>(59,026)</b>	<b>(48,271)</b>
Difference between expected and actual return on scheme assets:		
Amount (£'000)	<b>43,103</b>	(7,696)
Percentage of scheme assets	<b>20%</b>	<b>(5)%</b>
Experience gains and losses on scheme liabilities:		
Amount (£'000)	<b>2,786</b>	0
Percentage of scheme assets	<b>1%</b>	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 cashflows 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	74,301	(15,275)
Plus 0.25% discount rate	44,875	14,151
Minus 0.25% inflation rate	45,278	13,748
Plus 0.25% inflation rate	73,732	(14,706)
Mortality rate -1 year	67,501	(8,475)
Mortality rate +1 year	50,659	8,367

## 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 28 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 £6.0m per annum in deficit recovery contributions. The active employees and the Society also contribute to the Scheme on a regular basis to cover the cost of benefits continuing to accrue.

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 28 January 2017, the weighted average duration of the defined benefit obligation was approximately 21 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%.

## 4.5 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	2016/17 £'000	2015/16 £'000
Available for sale financial assets	3.4	2,252	2,233
Financial assets at fair value through the income statement	3.4	52,411	44,337
Trade and other receivables	3.8	193,878	147,628
		<b>248,541</b>	<b>194,198</b>

The ageing of trade receivables at the reporting date was:

	Gross 2016/17 £'000	Impairment 2016/17 £'000	Gross 2015/16 £'000	Impairment 2015/16 £'000
Not overdue	154,173	(164)	93,254	(39)
Overdue 0-30 days	21,966	(493)	20,416	(24)
Overdue 31-120 days	6,774	(68)	20,797	(1,324)
121 days to one year	5,091	(4,700)	8,940	(6,556)
More than one year overdue	14,835	(14,248)	5,285	(5,285)
	<b>202,839</b>	<b>(19,673)</b>	<b>148,692</b>	<b>(13,228)</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
28 January 2017							
Secured bank loans	58,582	67,488	3,152	3,152	3,526	30,033	27,625
Finance lease liabilities	1,395	1,902	436	437	386	34	609
Trade and other payables	333,966	333,966	279,104	2,565	3,969	11,907	36,421
Provisions	19,175	19,772	13,355	3,841	166	597	1,813
	<b>413,118</b>	<b>423,128</b>	<b>296,047</b>	<b>9,995</b>	<b>8,047</b>	<b>42,571</b>	<b>66,468</b>
23 January 2016							
Secured bank loans	55,538	66,440	2,210	2,210	16,071	16,810	29,139
Finance lease liabilities	1,869	2,087	467	467	697	231	225
Trade and other payables	255,056	255,056	207,468	1,855	3,431	11,417	30,885
Provisions	1,445	1,445	308	299	273	217	348
Energy trading contracts: Liabilities	61	61	61				
	<b>313,969</b>	<b>325,089</b>	<b>210,514</b>	<b>4,831</b>	<b>20,472</b>	<b>28,675</b>	<b>60,597</b>

### Interest rate risk:

At the reporting date the interest rate profile of the Society's interest-bearing financial instruments was:

	Carrying amount	
	2016/17 £'000	2015/16 £'000
Fixed rate instruments:		
Financial liabilities	(26,000)	(26,000)
Variable rate instruments:		
Financial assets	41,805	21,037
Financial liabilities	(32,582)	(29,538)

### 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 28 January 2017 amounted to £232,109,000 (2015/16: £231,202,000)

### Guarantees:

In the course of conducting its operations, the Society has issued a few bank guarantees in favour of counter-parties. The total amount of bank guarantees outstanding is £2,436,000 (2015/16: £2,075,000).

## Fair values:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2016/17		2015/16	
		Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Available for sale financial assets	3.4	2,252	2,252	2,233	2,233
Financial assets designated at fair value through the income statement	3.4	52,411	52,411	44,337	44,337
Trade and other receivables	3.8	208,773	208,773	159,056	159,056
Cash and cash equivalents	3.9	41,805	41,805	21,037	21,037
Energy trading contracts: Assets	3.5	69	69	0	0
Energy trading contracts: Liabilities	4.2	0	0	61	61
Secured bank loans	4.1	58,582	59,597	55,538	59,305
Finance lease liabilities	4.1	1,395	1,395	1,869	1,869
Trade and other payables	4.3	333,966	333,966	255,056	255,056

## 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 2.01% (2015/16: 3.09%) 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

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 2%.

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 shall be 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:

The following dividends were declared and paid by the Society: Final Dividend 2015/16 (Approved May 2016)

£'000

1,461

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1,461

## 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 Societies 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.

## Acquisitions

	<b>2016/17</b>	2015/16
	<b>Total fair value</b>	Total fair value
	<b>£'000</b>	£'000
Property, plant and equipment	<b>1,374</b>	(73)
Other Intangibles	<b>9,572</b>	0
Stock	<b>147</b>	80
Debtors	<b>20,532</b>	42
Creditors	<b>(35,075)</b>	(237)
Deferred tax	<b>(87)</b>	(4)
Cash	<b>18</b>	282
Net assets	<b>(3,519)</b>	90
Goodwill	<b>13,512</b>	1,422
Purchase Price	<b>9,993</b>	1,512
<b>Consideration</b>		
Purchase price	<b>9,993</b>	1,512

The fair values shown above are provisional and may be amended if information not currently available comes to light.

Goodwill arises on the acquisitions due to consideration paid over and above the fair value of the net assets acquired. It is attributable to the synergies expected to be achieved by integrating these acquisitions into the Group's existing business, and to the location of the units.

The Goodwill generated upon acquisition is predominately in relation to the acquisition of GB Energy customers, First Step's Children's Nursery (Group) Limited and Chorleywood convenience store.

Acquisition related costs of £103,000 are included in non-underlying operating expenses in note 2.2 note b.

## 6.2 Insurance contracts

### Keeping it simple

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 Prepayment Plans which are shown at fair value to reflect the projected at need price.

	Note	2016/17 £'000	2015/16 £'000
Funeral prepayment plans - current	3.4	4,011	3,410
Funeral prepayment plans - non-current	3.4	48,400	40,927
Funeral bond liability - current	4.3	(4,250)	(3,709)
Funeral bond liability - non-current	4.3	(50,922)	(44,316)
Net		<b>(2,761)</b>	<b>(3,688)</b>

The assumptions used for the funeral bonds are as follows, discount rate 2.95% (2015/16: 3.30%), cost increase of 4.45% (2015/16: 5.10%), bond growth 3.86% (2015/16: 4.39%) and expected life expectancy for males is 83.9 (2015/16: 83.9) and 86.4 (2015/16: 86.4) for females.

### Movement in net liability for year ended 28 January 2017

	2016/17 £'000
Net asset and liability at the start of the year	(3,688)
Net movement	927
Net assets and liability at the end of the year	<b>(2,761)</b>

## 6.3 Operating leases

### Keeping it simple - Operating leases

An operating lease is where rent is paid to allow the use of an asset that we do not own, for example, a property.

Operating lease payments are recognised in the Income Statement over the life of the lease on a straight line basis.

Non-cancellable operating lease rentals are payable as follows:

	2016/17 £'000	2015/16 £'000
Less than one year	12,876	12,815
Between two and five years	46,451	45,999
Greater than five years	102,400	103,928
	<b>161,727</b>	<b>162,742</b>

The Society leases out properties, the future minimum rental receivables are as follows

	<b>2016/17</b> <b>£'000</b>	2015/16 £'000
Less than one year	<b>2,275</b>	2,452
Between two and five years	<b>7,433</b>	7,947
Greater than five years	<b>5,871</b>	9,464
	<b>15,579</b>	19,863

## 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.

	<b>2016/17</b> <b>£'000</b>	2015/16 £'000
Expenditure contracted but not provided for	<b>19,817</b>	13,431

## 6.5 Related party transactions

### Keeping it simple - Related party transactions

These are transactions between the Society and other parties connected to the Society.

The Society has a contract for telecommunication services with The Phone Co-op Limited, a co-operative society whose chief executive is Vivian Woodell, a Society director.

Vivian Woodell is also a director of Co-operative Renewables Limited, a co-operative society that supplied the Society with a service contract in the year. Details of transactions are in the table below:

	<b>2016/17</b> <b>£'000</b>	2015/16 £'000
Services supplied to Midcounties (including VAT) by Co-op renewables Ltd	<b>6</b>	6
Services supplied to Midcounties (including VAT) by Phone Co-op Ltd	<b>918</b>	992
Services supplied to The Phone Co-op	<b>4</b>	4
Interest held by The Phone Co-op Ltd in Midcounties Co-operative Society		
Share account	<b>750</b>	250
Interest earned on share account	<b>16</b>	18
Share bond	<b>250</b>	250
Interest earned on Share bond	<b>10</b>	9
Interest held by Midcounties Co-operative Society in The Phone Co-op Ltd		
Share account	<b>158</b>	131
Interest earned on Share account	<b>3</b>	2
Dividend received	<b>11</b>	13

The Society earns commission for services provided to Blue Bay Travel Limited, a company whose General Manager is the spouse of the Society's Group General Manager Specialist Retail.

Details of transactions are in the table below:

	<b>2016/17</b> <b>£'000</b>	2015/16 £'000
Commissions paid to the Society	<b>72</b>	55

## 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 28 January 2017, the Group consisted of The Midcounties Co-operative Limited and the wholly owned subsidiaries 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
Co-op Travel Services Limited	Travel
First Steps Children's Nursery (Group) LTD	Childcare
First Steps Childrens Nursery Limited	Childcare
First Steps Childrens Nursery (Rathvilly) Limited	Childcare
First Steps Children's Nursery (St Edwards) LTD	Childcare
First Steps (Stonehouse Farm) Limited	Childcare
Kenmare Estates Limited	Property Management
Needham Hall Limited	Retail
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	Retail

The following were not trading throughout the year:

Alpine Holidays Limited	Midcounties Leasing Limited
Arthur W. Bruce Limited	Motorworld Leasing Limited
Britannia Cruise Club Limited	Motovine Limited
Buffer Bear Limited	News Shops Limited
Buffer Bear Nurseries Limited	Nurserynet Limited
Childcare Limited	Oakshower services Limited
Childcare Partners Limited	Petit Enfant (Heythrop) Limited
Codsall Travel Centre Limited	Petit Enfant (Leicestershire) Limited
Co-op Direct Limited	Petit Enfant (Thrapston) Limited
Co-op Energy Limited	Petit Enfant Group Limited
Co-op Travel Direct Limited	Petite Enfants Limited
Co-op Travel Limited	Places for Children (PFP) Limited
Co-operative IT Limited	Reeves & Pain Limited
Countrystore (Maidenhead) Limited	Rusts Limited
Debt Recoveries (Oxford) Limited	S & M (Wholesalers) Limited
Early Birds Nursery Limited	The Co-operative Childcare Limited
Energy Coop Limited	The Green Energy Co-op Limited
Floridian Homes Ltd	The Midcounties Co-operative Developments Limited
F G Hopkins (Wolverhampton) Limited	The Midcounties Co-operative Estates Limited
George Webb & Son Funeral Directors Limited	The Midcounties Co-operative MG Limited
Gloucester Co-operative Pharmacies Limited	The Midcounties Co-operative Pension Trustee Limited
GM Bailey (Hednesford) Limited	Thomas Ely Limited
Harry Tuffin Limited	Thrapston Childcare Limited
Holidays-in-heaven.com Limited	Tilley & Daniells (Birmingham) Limited
Hubcentre Limited	Tilley & Daniells (Pensnett) Limited
J Whitmore Limited	Tilley & Daniells Limited
Kwik Travel (Holdings) Limited	Tuffin (Investments) Limited
Kwik Travel Limited	Twentieth Century Suppliers Limited
Lichpharm Limited	Volt Energy Supply Limited

The Society also owns a 75% of Co-operative Holidays Limited, and 20% of Co-operative Web Limited.

# Regional Communities support

This year we have given over  
£390,000 to over 500 good causes.



Groups	
13th Theatre Company	Bilbrook Juniors Under 16 FC
Abbey Primary School	Bilston & Willenhall Lions Club
Achieving Results in Communities	Birches First School (Bilbrook)
Action Heart	Bishop's Castle Public Hall
Age UK Oxfordshire	Bishops Tachbrook CE Primary School
Albrighton & District Swimming Club	Black Country Food Bank
Albrighton Moat & Garden Trust	Bloxwich Co-op Women's Guild
Aldridge Village Partnership Ltd	Blue Cross
Alexander Devine Children's Hospice	Bodicote Sports Youth Football Club
All Cultures One Voice	Bourton on The Water Primary Academy
All Saints Leighton Buzzard Trust	Brackley Food Bank
All Saints Primary School	Breast Feeders Aloud
Alzheimer's Society	Brewood Junior Football Club
Appreciate U CIC	Brizen Young Peoples Centre
AQ Youth Club	Brockworth Community Project
Ardley Rescue Kennels	Brockworth Hedgehog Rescue Centre
Ashfield Gardens, Berith and Camphill Partnership, CVT Nurseries	Brownhills Community Association
Aston Project	Brownhills Town Centre Partnership
Awareness 360	Bucks CC FC
Aylesbury 1st Scout Group	Bucks Play Association
Aylesbury Food Bank	Bure Park Primary School
Aylesbury Vineyard Storehouse	Buscot Premature Baby Support
B.O.B Air Ambulance	Busy Bees Playgroup Fund
Baby Blues Appeal	Byfield Primary School
Bampton CE Primary School	CAARS Animal Sanctuary
Banbury Mind & Restore	California Ratepayers Hall
Beacon Centre for The Blind	CALM
Berkeley Primary School	Campion School
Bettridge School	Cannock Chase High School
Bewdley Festival Ltd	Cannock Pye Green School
Bewdley Youth Café	Carers Gloucestershire
Bicester Food Bank	Carterton Community College
Bicton CE Primary School	Castle Hill School
Bicton Village Hall	Catch 22
Bilbrook Codsall Scout Group	CC Community Centre
Bilbrook Juniors u'13 FC	Cerebral Palsy Today (Coventry & Warwickshire)
	Chadmoor Community Trust

Changing Creations
Changing Lives
Charlton Kings Primary School
Cheltenham Animal Shelter
Cheltenham FC
Cheltenham Mental Health Carers Support Group
Cheney Manor Primary School
Cherry Orchard School Association
Chiltern MS Centre
Chinnor Village Centre
Chipping Campden Preschool Playgroup
Chipping Norton Flower Club
Chipping Norton Local History Society
Chipping Norton Pre-School
Chipping Norton Swifts FC
Church Stretton Allotments Association
Church Stretton Community First Responders
Church Stretton Town Council
Cinderford Town Football Club
Class Club
Club Chaos through INSIGHT
Codsall Community Arts Festival Association
Coleford Music Festival
Come and Play Pre School
Community Emergency Food Bank (Oxford)
Compton Hospice
Confide Counselling Service
ConGens Group
Coram Life Education Thames Valley
Cotswold Cottage
Cotswold Friends
Cotswold Riding for The Disabled
Cotswold Vale Talking Newspaper
County Community Project
Coven Play Ground Fund
Coven Play Group
Croughton Primary School
Cumnor Primary
Darlaston Town (1874) FC CIC
Darlaston Town Centre Partnership Ltd
Daybreak Oxford
Didcot Girls School
Dogs for Good

Dorchester On Thames Pre School
Dry Sandford School PTA
Duchess of Kent Hospice - Sue Ryder
Dursley C of E Primary School Association
Dursley Church of England Primary Academy
East Oxford Farmers' and Community Market
Eastrop Infant School
Edwards Trust
Elizabeth Mills Centre
Ellen Hinde Hall
Elmley Castle First School PTA
Every Cloud Arts & Crafts
Evesham Food Bank
Evesham Volunteer Centre
Exotic Zoo
Experience Chipping Norton
Eynsham Day Centre
Fairtrade Town Shrewsbury
FC Newlands
Finchampstead Parish Council
Flexus Dance Collective
Foodbank PLUS (Barnabus Community Projects)
Footsteps Foundation Ltd
Forest Dog Rescue
Forest of Dean Athletic Club
Forest of Dean Health Forum
Forest Sensory Services
Forest Showcase Projects
Franch Women's Institute
Friends of Burford Primary School
Friends of Chiltern Gate
Friends of Doe Bank Park
Friends of Fort Royal Community Primary School
Friends of Gosford Hill School
Friends of High Heath Park
Friends of Lethbridge School
Friends of Manor Farm
Friends of St Lawrence Primary School
Friends of the Coppice
Friends of Watchfield Primary School
Gatehouse
Girl Guiding Kidlington
Girls Venture Corps Air Cadets

GL11 Community Hub
Glenthorne Primary School
Gloucester Food Bank
Gloucestershire Breast Feeding Supporters Network
Gloucestershire Credit Union
Gloucestershire Local History Association
Gloucestershire MS Information & Therapy Centre
Gloucestershire Young Carers (Stroud)
Good Shepherd Ministry
Gorse Hill School
Gosford Park Primary School
Graiseley Primary School
Grange Primary School
Great Western Hospital Delivery Suite
Green Park School Voluntary Committee
Greenfield Primary School
Grovelands Park Pre-School
Guide Dogs
Hands Off Our Horton
Haslucks Green Junior School
Hazelmere Fete
Headington Action
Headless Cross Community Gardening Project
Heart of the Forest CSS
Hednesford Town Girls Under 12's FC
Heightington Village Hall
HF Trust LTD
High Flyers
Highlands Day Centre
Highley Community Primary School
Highley Miners Welfare Bowling Club
Highley School
Highworth Clean-up Group
Hilbrae Rescue Kennels
Hollie Gazzard Trust
Holmer Green Girl Guides
Holy Rood Primary School
Holy Trinity Catholic Primary School
Hometruths Co-operative
Horton General Hospital
Huntington Harriers FC
I Cycle West Oxon
Increase the Peace

Jack's Army
Jerome Primary School
John Taylor Hospice
Jubilee Academy Mossley
Jubilee Hall Brewood
Kate's Carers
Kate's Home Nursing
Katherine House Hospice
KD21 Kidderminster 21st Brinton Park Scout Group
Keech Hospice care
Kemp Hospice
Kidderminster & Stourport Athletic Club
Kidderminster Caroliners Rugby Football Club
Kidderminster Horticultural Society
Kidderminster Sea Scout, Cub & Beaver Group
Kidlington Girl Guides
Kidlington Kites Netball Club
Kidlington Scouts
Kidlington Youth Cavaliers Under 7's
Kingsmead Care Home
Kinver Community Library Ltd
Kinver Rotary Club
Ladybird Preschool
Lane Head Rockets
Lawrence Home Nursing Team
League of Friends of Fairford Hospital
Leamington Khalsa Cricket Club
Lechdale Lions Club
Leckhampton Women's Institute
Lighthouse Thame & Villages
Lights Up Chipping Norton
Little Brothers of The Good Shepherd Ministry
Little Footsteps
Little Tinkers Toddler Group
Longfield Hospice
Low Hill Park Village Community Forum
Ludlow Fairtrade Town Steering Group
Lydney Dial-a-Ride
Machanic's Institution Trust
Maggie's Centres (Maggie Keswick Jencks Caring Centre)
Mayday Trust
Mayfair Community Centre
Mayor of Gloucester - Annual Children's Christmas Event

Medical Detection Dogs
Melville Old Folks Club
Merridale Primary School
Midland Langar Seva Society
Midlands Air Ambulance
Mill Lane School
Milton under Wychwood Community Orchard
Minsterley Show Society
Moat Hall Parent Teacher Friends
Moorhill Pre School and Fun Club
Moreton High School
Multiple Sclerosis Therapy Centre Oxfordshire
My Life My Choice
Myaware Gloucestershire & Hereford
Myton Hospice
Nailsworth Youth Club
Newent Community Transport
Newent Initiative Trust
Newland Village Room
North Shropshire Community First Response
North Walsall Primary Academy
Nythe Community Centre
Nythe Primary School
Oakley Neighbourhood Project
Old Headington Village Hall
Open the Book
Ounsdale High School (Drama Club)
Oxford Against Cutting
Oxford College
Oxfordshire Association for the Blind
Oxfordshire Play Association
Oxley Village Residents Association
OXSRAD-Oxford & District Sport and Recreation Association for the Disabled
OYAP Trust
Park Hall Community Association
Park Hall School
Parkinson's UK South Forest Support Group
Parton Manor Infant School
Peatmoor Community School
Pelsall Disabled Persons Organisation
Pelsall Village School

Penkridge & District Community First Responders
Pennyhook Farm
Perry Hall School
Pete Spencer Helping Hands Memorial Trust
Pipers Area Residents Association (PaRa)
Priory School Radbrook
Project Linus UK
Prospect in Wroughton
Puddleducks
Queen's Park Community and Café
RAGS
Reading Samaritans
Recovery Near You
Redmarley Football Club
Relate Worcestershire
Response Giving
Rissington Primary School
Rodbourne Cheney Primary School PTA
Rodbourne History Group
Root & Branch
Rosy
Rotary Club of Bloxwich Phoenix
Rotary Club of Shrewsbury Darwin
Royal Regiment of Fusiliers Museum
SPAJERS
Safe Places Banbury
Safe Places Bicester
Sandwell Parents for Disabled Children
Save the Children Carterton, Witney & District
Sebright Cygnets Nursery
Sedgley and District Community Association
Sedgley Archives Project
Sedgley Evening Towns Women's Guild
Severn Hospice
Shipston Area Flood Action Group
Shipston Home Nursing
Shipston On Stour Food Bank
Shirley Horse and Pony Rescue
Shrewsbury & Oswestry Crucial Crew
Shrewsbury Bookfest
Shrewsbury Food Bank
Shropshire & Staffordshire Blood Bikes
Shropshire Disability Network

Shropshire Young Carers
Smile
SNAP Children's Adventure Playground
Sophie Thorne Shrewsbury Arthritis Support Group
Spence Bruerne Cricket Club
Sporting FC U12's
Springfield MIND
Square Peg Foundation CIC
St Andrews C of E Primary School
St Andrew's Church Youth and Children's Work
St Andrews school
St Basils Young Persons Carers
St Bernard's Church (Food Bank)
St Chads Church
St Chads First School PTFA, Pattingham
St Edburg's Church
St Francis School
St Giles Walsall Hospice
St Johns Methodist Church
St Marks in the Cherry Orchard Church
St Martins Church
St Mary and St Chad First School (Brewood)
St Mary's Bluecoat School PTFA
St Marys Church Restoration Fund
St Mary's First School PTA
St Mary's Friendship Club
St Marys The Virgin Church Shawbury
St Michaels Primary School
St Nicholas Church
St Nicolas School (Codsall)
St Paul's 1st School
St Paul's Academy
St Pauls C of E Primary School
St Pauls School (Coven)
St Peter & Paul Church-Fundraising and Social Committee
Staffordshire Fire & Rescue Service
Staffordshire Police
Stanford in The Vale Pre-School
Step Up (West Midlands) CIC
Stepping Stones Playgroup
Stone Church of England Combined Schools
Stonehouse in Bloom
Stow Disability Association

Straits Football Club
Street Teams
Streetly Association Community Centre
Stroud District Food Bank
Stroud Valleys Credit Union/Save n Borrow
Sunny Skies Nursery
Sunrise Multicultural Project
Swindon Academy
Swindon Allotments and Leisure Gardens Association
Swindon Armed Forces Day
Swindon Food Bank
Swindon Night Shelter
Swindon Old Town Festival
Swindon Phoenix Rotary Club
Tackley Village Hall
Tamworth Wellbeing & Cancer Support Centre
Telford Priory School
Thame Show
Thame Youth Café
Thame Youth Centre
Thame Youth Projects Group
The Ace Children's Centre
The Albrighton Trust
The Archway Foundation
The Briars School
The Children's Trust
The Codsall Christmas Fair Group
The Croft Primary School PTA
The Firefighters Charity
The Forest Community Café
The Forest of Dean & District Hard of Hearing Club
The Friends of Christ Church
The Friends of Hednesford Park
The Friendship Project for Children
The Grove Scout Group
The Haven Wolverhampton
The Lantern Club
The League of Friends of Fairford Hospital
The Melville Club
The Nexus Group - Community Youth Café Highworth
The October Club
The Open Door Centre
The Pied Piper Appeal

The Rewild Project
The Russell School
The Thomas Ball Children's Cancer Trust
The Upper Tettenhall Friendship Club
The Venture, White City
The Village Threaders
The Well Food Bank
Thomas Gifford Trust (Charlbury Community Centre Appeal)
Tiggywinkles Animal Rescue
Tipton Food Bank
Toddle-In
Touching Hearts
Towcester Food Bank
Towcester Museum
Towcester Scout Hall Preschool
Towcester Youth Coffee House
Transition Evesham Vale
Trinity Toddlers
Tuffley Tenants & Residents Association
Vale Wildlife Hospital
VECTA (Evesham regeneration group)
Wall Heath Village People
Wallheath Association
Walsall Council-Green and Green Services
Walsall Fibro and ME Link
Walsall North Food Bank
Walsall Tennis Club
Wantage Betjeman Literary Festival
Wednesfield Warriors FC
Wednesfield Wolverers
Wellington Cottage Care Trust
Wem Baptist Church (Holiday Bible Club)
Wem Cricket Club
Wem Labour Members & Supporters
Wem Swimming and Lifestyle Centre
Wem Town Junior FC
Wessex Primary School PTA
West Gloucestershire Neighbourhood Watch Assoc
West Kidlington Friends
West Mercia Search & Rescue Charity
Wheatley Scout Group
Wheatley United Reformed Church (Care For The World Team)
White City Adventure

White House Cancer Support Group
Whitgreave Junior School
Willenhall Town Centre Partnership Ltd
Winchcombe School Association
WINGS
Witney 1st District Girlguiding
Wolvercote and Wytham Midsummer Festival
Wolverhampton Fairtrade Partnership & Fairraid
Wolverhampton Methodist Circuit Fair Trade Steering Group
Wolverhampton Samaritans
Wolverley Village Players
Wombourne Bowls Club
Wood Farm Parent & Toddler Group
Woodford Halse Primary Academy
Wooton Edge Brownies
Wotton under Edge Historical Society & Heritage Centre
Wychwood Sapling
Wycombe District Neighbourhood Watch Association
Wyre Forest Dial-a-Ride
Wyre Forest Nightstop and Mediation Scheme
Y Plas Machynlleth
Yarnton Senior Folks Club
Yewtree Primary School
Young Gloucestershire
Ysgol Maes Y Felin
1st Aylesbury Scout Group
1st Berinsfield Scout Group
1st Berryfield Scout Group
1st Brackley Guides
1st Charlbury Scout Group
1st Didcot Girls Brigade
1st Elmore Brownies
1st Fordhouses Scout Group
1st Heath Hayes Scout Group
1st Stanford in the Vale Scout Group
21st Gloucester Brownies
21st Wolverhampton Lea Road Brownies
24th Cheltenham Scout Group
2nd Great Wyrley (St Thomas More) Scout Group
3rd Kennington Brownies
6th Chipping Norton Scout Group
8th High Wycombe Scouts
8th Kidderminster (St Johns) Scout Group





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