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Who we are

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

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

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



DEMOCRACY

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



OPENNESS

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



EQUALITY

Recognising the contribution that everyone can make to develop the Society



SOCIAL RESPONSIBILITY

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

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

OUR IMAGINED FUTURE



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



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



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



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



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



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

What we do

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



President's introduction



I am struck by the enthusiasm of our colleagues and their ability to articulate the difference in working for a co-operative and the pride they take from this

Helen Wiseman

It is once again a privilege to be elected by my fellow directors to represent you as Society President this year.

At our Half Year we said farewell and thank you to Ben Reid and welcomed Phil Ponsonby to his new role, leading the Society as Group Chief Executive.

In our Half Year update we predicted a challenging second part of the year, particularly for our Energy business. This has been realised. Our Food Retail, Travel, Childcare and Funeral businesses have all turned in good results, strengthening our co-operative brand and external recognition. However, our Energy and Healthcare groups have made losses, Energy in particular, that have impacted the Society's overall financial performance. The Board, working with the Executive on your behalf, has been focused on reviewing our strategic options in these businesses over a number of months.

In spite of these challenges, I am pleased to note that the Society has not faltered from its purpose and has continued to deliver its 'Imagined Future'. In this annual report each trading group has highlighted elements of its activity that show 'Our Co-operative Difference' to demonstrate the central role this work takes in our businesses.

This year, for the first time, we have a report from The Phone Co-op, as we welcomed members of The Phone Co-op into the Midcounties family shortly after our AGM in May. We also give well-deserved recognition to our longest serving colleagues, showing a few of their personal journeys with the Society. On my visits to sites across the Society I am struck by the enthusiasm of our colleagues and their ability to articulate the difference in working for a co-operative and the pride they take from this. This is a major factor in our award for Leading Co-op of the year for a record third time.

Across the year we engaged with over 35,000 members in co-operative activity, including at our AGM, Half Year meetings and Fun Days. Our regional communities continue to thrive and mature, raising over £170,000 for our local charity partners, and we connected 60 community groups through our two Co-operative Difference events held in Cheltenham and Wolverhampton. It is important to recognise the considerable time and effort that colleagues and members contribute to these activities and we should congratulate them on the real difference they help make to our communities.

Recruiting our 700,000th member during the year is another Society landmark. Every new member who joins the Society increases our ability to support local communities and champion the issues that we know are important to them. You, as a joint owner of Midcounties, make us different to other businesses, and it is your feedback and participation which continues to drive the Society, whether it's around the food we source in our stores, the part we play in tackling global environmental challenges, or the support we provide to local community causes.

I would like to acknowledge the ongoing hard work of both the Board and the Executive and, on behalf of the Board, I would like to thank all our members and colleagues for their support over the year. We look forward to working on your behalf through the coming year.

A handwritten signature in black ink, appearing to read 'Helen Wiseman'.

Helen Wiseman
President

Group Chief Executive's overview



It is a privilege to present my first annual report as Group Chief Executive since taking on the role last August.

Against a backdrop of increased economic uncertainty and declining consumer confidence, the majority of our businesses have continued to perform well. Our Food Retail, Travel and Funeral businesses delivered levels of contribution equivalent to the previous year having absorbed significant increases in costs, particularly the above inflation increases in the national living wage and, for Food Retail, the major disruption to operations given difficulties across the national distribution network in the first half of the year. Our Childcare business achieved another year of significant growth both in sales and contribution, with parents responding well to the 'Little Pioneers' branding, introduced into eight nurseries to date.

Against a backdrop of increased economic uncertainty and declining consumer confidence, the majority of our businesses have continued to perform well.

Phil Ponsonby

However, our Healthcare business has not improved on the position from last year, prompting a strategic review. We are looking to put a greater emphasis on our digital online proposition and the Board has agreed to test whether there is appetite in the market for the acquisition of the majority of our pharmacy branches.

In addition, and as anticipated at the half year, losses within our Energy business have worsened. A number of factors have hit the domestic supply market hard including rising wholesale costs, record switching rates, a squeeze on margins through greater price competitiveness, and the effects of the recently introduced price-cap. Most energy companies have seen significant reductions in profitability and many have reported losses with a number ceasing to trade during the last quarter of the year.

Unfortunately, this has led to a deterioration in the Society's overall financial performance in the second half of the year given the greater impact in the winter months of the Energy business.

Excluding Energy, the combined performance of the trading groups produced an increased profit before significant items and share of profits payments of £16.5m, ahead of both last year and our budget. However, with Energy included, there was a fall in profitability to £8.2m. Overall, gross sales for the Society increased from £1.48bn to £1.55bn.

The underlying conditions within the Energy market are unlikely to improve during 2019, so your Board and management have been considering a range of options to reduce the overall impact placed on the Society by the business. Notwithstanding this short term financial pressure from the Energy business, it is pleasing to report that we have recently agreed additional facilities with our lenders for £30m, indicative of the confidence they have in the forward plans for the Society.

Away from our trading performance, there were a number of highlights. We welcomed The Phone Co-op to our portfolio of businesses, recruited our 700,000th member, were voted Leading Co-op of the year for a record third time, and once again achieved a five star rating in the BITC corporate responsibility index. We also launched 'Colleagues Connect', an open website providing colleagues with up to date communications and the information they need to perform in role, and achieved our highest ever engagement score in our annual colleague survey.

With the support of your Board and our colleagues I am focused on developing the right way forward for our Energy business which will place the Society on a much stronger financial footing. This leaves me optimistic for the year ahead as we look to develop a strategy that brings to life what a co-operative business can be and builds on the considerable successes elsewhere in the Society.

I look forward to updating members on progress at the Half Year and reporting more formally next year.

A handwritten signature in black ink, appearing to read 'Phil Ponsonby', written over a horizontal line.

Phil Ponsonby
Group Chief Executive

Key achievements



We launched our Food Glorious Food competition in Gloucestershire; the winner's business received a cash injection of £10,000 and the product will be stocked in over 50 of our Gloucestershire stores.

The Phone Co-op, the UK's only co-operative telecoms supplier owned by its members, joined Midcounties.



We were awarded Leading Co-op of the Year for the third time by Co-operatives UK, and achieved a 5 star rating from Business in the Community's Corporate Responsibility Index.

We became the first and only large childcare provider to achieve the Millie's Mark accreditation meaning all our practitioners are paediatric First Aid trained.



Our membership increased to over 700,000, a 22% increase in the last three years.

Colleagues, members and customers donated over 100,000 items to our foodbanks, enough to feed more than 2,500 families in need.



Trading group overviews



Food Retail

and Post Office

Key facts

Gross sales: £594 million
(2017/18: £572 million)

Colleagues: 5,096 (2017/18: 5,265)

Sites: 309 (2017/18: 301)

Steering wheel: 56% of targets
achieved (2017/18: 52%)

“We are the first retailer to work in partnership with Happerley Transparent; shoppers can use their mobile phone to scan a range of Best of our Counties products to check their provenance and see the journey from “farm to fork”.



In 2018 our Food Retail Group continued to deliver like-for-like growth in an increasingly competitive and uncertain marketplace, with like-for-like sales increasing by 6.05%.

This strong performance was fuelled by an excellent summer trading period with the World Cup and a prolonged heatwave helping to boost sales, and culminated with a good Christmas trading performance, particularly pleasing given that many of our competitors struggled over this period.

We invested over £3m to cut the price of everyday essentials, allowing our members and customers to make significant savings on well-known brands as well as on our own-brand fresh meat, fruit and vegetable ranges.

We also invested in the store experience, spending over £4.9m on 17 food store refurbishments. We opened eight new stores to expand our reach, particularly around the south of our trading heartlands, and launched three new Post Offices and our first self-service Post Office kiosk.

By focusing on why people want to shop with us, listening to our members and continuing to invest in our Customer First operational improvement programme, we improved our food ranges and product availability and simplified our operations to help colleagues provide a better service.

As a result, we were shortlisted for leading retail expert IGD's Shopper Insight Awards 2018 for Best Use of Shopper Insight, and our overall customer satisfaction score increased by 11% to 71%, matching the industry benchmark. These improvements have led to over

10,000 'customer wows' where shoppers recognise individual colleagues for giving excellent service.

Finally, our Best of our Counties range of locally sourced produce, all ethically produced in the counties or neighbouring counties where we trade, continued to grow with sales up 22% in the year to £11.2m.

Our Co-operative Difference

The Best of our Counties range of products are recognised for their high quality, provenance and food traceability. All products carrying the brand are sourced locally to reduce food miles, and the overall programme was shortlisted in the Grocer Gold 2018 Awards for Consumer Initiative of the Year.

We are committed to ensuring transparency in our food supply chain, and are the first retailer to work in partnership with Happerley Transparent. The Happerley Transparent App was launched into our Bourton-on-the-Water Food store. Shoppers using their mobile phones can scan a Quick Read bar code on a range of Best of our Counties products to check their provenance and see the journey from “farm to fork”.

Through our Food Glorious Food competition, budding entrepreneurs from Gloucestershire pitched their ideas for new food and drink produce to a panel of food industry experts. The winner's business, The Pie House at Cinderhill Farm run by Deborah Flint, received a cash injection of £10,000. Her delicious sausage rolls and foggies (a Forest of Dean pasty) will be stocked in over 50 of our Gloucestershire stores.



Travel

Key facts

Gross sales: £397 million
(2017/18: £363 million)

Colleagues: 465 (2017/18: 438)

Sites: 60 (2017/18: 57)

Steering wheel: 75% of targets
achieved (2017/18: 81%)

“We continue to support The Travel Foundation, a sustainable travel charity with donations from members and customers up 71% on the previous year.”

Our Travel Group had a strong year. Sales increased 9.3% to record levels and profits were comfortably ahead of budget. This came despite the World Cup and summer heatwave reducing demand for overseas holidays, and significant regulatory change, in particular, the ban on credit card charges, the impact of GDPR, and the new Package Travel Regulations.

Our retail branches had a good year for holiday and travel money sales with overall sales up 3%; we opened three new branches in Ilkeston, Arnold and Burton-upon-Trent, introducing a fresh design concept which will be rolled out in future refurbishments and new branches; our Consortium business grew sales by 24% and welcomed 7 new members; our Personal Travel Agents division increased sales by 5.6%, with six homeworkers exceeding £1m turnover once again; and Co-op Holidays had a record year with 24.5% sales growth and a 48% increase in passenger numbers.

Our colleagues remain our greatest asset and we are proud to have grown our annual colleague engagement score from 86 to 90, the best trading group score in the Society. Our Customer Loyalty Index score of 94 bears witness to the outstanding service they provide.

As in previous years, we received a number of industry awards, including three awards at the National Agent Achievement Awards – Central England (Large Agency), Promotion of the Year (Large Agency), and Leisure Manager of the Year, awarded to Joanna Ollerton who runs our travel branch in Tamworth. In addition, Jet2 Holidays awarded us their Top Large Agency network award, singling out our Walsall branch as Top Agent for the year including Top Agent for Birmingham departures, and our Derby branch as Top Agent for East Midlands departures.

Our Co-operative Difference

Our support for The Travel Foundation, a sustainable travel charity, continued with donations from members and customers up 71% on the previous year. This was supported by new initiatives including a donation on all holidays booked through Co-op Holidays, and collection boxes in our retail branches for unwanted foreign currency.

We supported the ‘Make Holidays Greener’ campaign with the theme of ‘say no to plastic’ promoting the use of less plastic on holidays.

We are also supporting Just a Drop, a charity that brings safe water, sanitation and hygiene projects to communities worldwide, raising more than half of the funds required to provide a rain water harvesting solution for a school in Kenya which will be delivered in 2019.

Our Retail and Travel head office colleagues continue to support our Regional Communities and provided 2,894 volunteering hours locally, exceeding our target by 76%.

Energy

Key facts

Gross sales: £423 million
(2017/18: £420 million)

Colleagues: 599 (2017/18: 459)

Steering wheel: 50% of targets
achieved (2017/18: 44%)



“We have given £4.4 million through our Warm Home Discount programme to vulnerable customers to combat fuel poverty.”

It has been a difficult year in the energy industry as wholesale prices saw sustained increases and the retail market became even more competitive. Despite this our sales were in line with last year.

The market has been flooded with loss making tariffs from suppliers seeking to acquire customers. We have had to choose between acquiring at a loss or maintaining fair margins but losing customers. Inevitably, this has meant fewer customers and, coupled with the squeeze on margins, resulted in a significant loss for the year for the business.

A lot of smaller suppliers have ceased trading as a result of this pricing pressure. This will impact us as we have to contribute to their unpaid social and climate change obligations.

We acquired Flow Energy, welcoming 120,000 customers into our business without having to acquire them through price comparison websites, and ended the year with 370,000 customers in total.

Managing our energy costs is crucial. Unlike many suppliers, we were not affected by the 'Beast from the East'. The freezing weather in March pushed wholesale gas prices to record levels. However, our prudent and well-hedged approach to buying gas protected us from this spike in prices.

A key highlight has been the growth in our community Power Purchase Agreements portfolio, which now number 75, well ahead of target. These community generators say it is our competence in this area that makes them want to work with us.

We are proud of our Operational Excellence programme which continued through the year and looks to create a solid, scalable platform for the future. It has improved our internal processes and challenged how we work. The result has been increased efficiency across our operations.

Our Co-operative Difference

Helping our communities is at the heart of our business.

We have reduced customers' bills by £4.4 million through the Warm Home Discount programme helping many vulnerable customers combat fuel poverty.

Our renewable energy team has helped the Society to develop its Sustainable Schools programme. Our colleagues have also worked with others in the Society to create a toolkit for Midcounties' 20 Regional Community Groups to deliver the Sustainable Communities initiative.

Through this we have continued to work to alleviate fuel poverty, raised awareness of community energy, and helped members and customers to use less energy. We have engaged with 300 students on sustainability awareness, 2,500 members on sustainable communities, and had green pledges signed by 700 members and students to take action to defend the environment.

We have also strengthened our community partnerships with Severn Wye Energy Agency, WeSET and Low Carbon Hub.

Healthcare

Key facts

Gross sales: £29 million
(2017/18: £32 million)

Colleagues: 330 (2017/18: 343)

Sites: 30 (2017/18: 30)

Steering wheel: 47% of targets
achieved (2017/18: 47%)

“In Wolverhampton, our colleagues helped set up a Healthy Living Hub to educate the local community about diabetes, obesity and asthma.”



Healthcare had a challenging year. The cost of establishing a digital platform, coupled with a continued squeeze on NHS funding, a reduction in prescribing volumes, unexpected NHS profit recovery measures, and national medication shortages all made for a difficult 12 months.

Despite these challenges, we controlled costs well. However, the business made a small loss for the year.

Our new digital healthcare website, a key pillar in our forward strategy, has enjoyed good growth and been popular with members and customers, receiving 433,000 visits and over 30,000 orders. This has allowed us to create a valuable database of 28,000 new customers whose pharmacy and health needs we can support in the future.

We engaged the support of renowned health expert and well-known TV doctor, Dr Hilary Jones, to help undertake a high profile PR exercise around the launch of over-the-counter Viagra. He has since agreed to work with us for 12 months, offering trusted medical advice on a range of campaigns to help drive trade and loyalty in our online brand.

We introduced two key efficiency improvements – a dispensing robot for medication trays now in use in our Bilston operations hub, and Pro Delivery Manager software to reduce our prescription home delivery service costs. Both initiatives allow us to offer a better service to our patients and to focus on activities which add more value to our business.

To invest in our colleagues and promote their development we recruited a new Healthcare Trainer whose key role is to ensure that our colleagues build on their excellent technical knowledge and soft skills so that members and customers continue to receive an exemplary level of service.

Our Co-operative Difference

Our colleagues completed over 650 community hours and continued to play an active role in the Society's Regional Community programme. We generated £52,000 of ethical sales as a contracted partner for Walsall Council's Stop Smoking Service. This included supporting a Council led match-day stop smoking health event at Walsall FC.

In Wolverhampton, our colleagues helped set up a Healthy Living Hub to educate the local community on common health inequalities such as diabetes, obesity and asthma. The Hub has also held sessions on nutrition for new born babies and the benefits of breast feeding.

To support young people, we held sessions at Walsall College and Grace Academy to provide students with insights into the training pathways for a career in pharmacy. The students were tested on numerical skills, ethical dilemmas and accuracy checking to assess their abilities and provide a taster of the core skills required in the pharmacy profession.



Flexible Benefits

Key facts

Gross sales: £25 million (2017/18: £26 million)

Colleagues: 4 (2017/18: 4)

Sites: 1 (2017/18: 1)

Steering wheel: 100% of targets achieved (2017/18: 75%)

Our Flexible Benefits business had another strong year, helped by a six month delay to the closure of the Childcare Voucher scheme.

However, the Voucher scheme closed to new entrants in October 2018, so we have now begun to wind down activity. This process will take around three years as we are fully committed to serving our clients until parents no longer require our services.

To replace the Voucher scheme, we have been developing a Reward and Recognition offer. This looks to encourage employers to see the value in rewarding and recognising their workforces to promote high performance, motivation and engagement. We will be offering the package to all our 1,100 clients.

Our Co-operative Difference

Our website taxfreechildcare.co.uk offers impartial advice on the Government's new Tax Free Childcare scheme and the former Childcare Vouchers scheme. For most parents choosing a scheme that is best suited to their circumstances has proved difficult and complex. The website helps parents understand the benefits of each scheme and allows them to make the choice that is right for them.

During the year the website was viewed over 7,500 times with 10% of visitors returning for more information.



The Phone Co-op

Key facts

Gross sales: £6.7 million

Colleagues: 74

Sites: 2

Since The Phone Co-op joined the Society in June, we have focused on integrating the business into the wider Society and improving our commercial performance.

The integration of our members and colleagues has now been completed and we plan to finalise the Finance and IT integration by early summer.

We have a renewed strategy in our residential business to deliver the UK's best value Superfast+ Broadband, together with a Fibre to the Premise package and an enhanced in-home experience, and we have refocused our mobile offer aiming to become the UK's most sustainable mobile service.

In our business-to-business operations, we have worked to build relationships with co-operatives, social enterprises and ethical businesses, and are pleased to have extended our relationship with Hackney Community Transport and secured the mobile contract for Lush, both key partners as we go forward.

Our Co-operative Difference

A major benefit of joining the Society has been the opportunity to take part in the Society's Regional Communities activity.

Our Senior Management Team spent a day in July working with Southill Community Energy in Oxfordshire, weeding and managing the fields; and colleagues have continued to make significant contributions to their local communities, a highlight being when Gemma White from our Chipping Norton office and Mohammed Patel from our Manchester office were recognised in the Society's Community Impact awards.

Funeral

Key facts

Gross sales: £34 million
(2017/18: £34 million)

Colleagues: 369 (2017/18: 351)

Sites: 85 (2017/18: 85)

Steering wheel: 65% of targets
achieved (2017/18: 63%)

“We have worked hard to develop our community outreach, aiming to make our funeral colleagues a permanent and trusted face within the communities we serve.”



Our Funeral business has continued to perform well in very challenging market conditions. We arranged 6,952 funerals, a consistently strong performance given the falling death rate, levels of competition, and increasing media coverage around the price of funerals following the launch of the Competition & Markets Authority review into the sector.

HM Treasury also launched a separate review into the pre-paid funeral plan market. Again, the media coverage led to uncertainty among consumers. While the market as a whole saw a fall in the number of plans purchased, we were pleased to achieve 1% growth with over 3,000 customers choosing to protect their families against rising funeral costs by purchasing a funeral plan from the Society. This growth was helped by our approach to pricing, in particular, a trial offering member exclusive prices – 88% of the plans we arranged were purchased by members.

We introduced a Personal Funeral Planning service for clients in Wolverhampton, Cheltenham, Gloucester and south Buckinghamshire, staffed by experienced funeral planning specialists who, at no extra cost, help clients arrange or plan a funeral in the comfort of their own home and at a time that suits them. This unique service will be introduced to our Oxford and Swindon locations later in 2019.

Our Client First programme has seen improvements to our ways of working, helping us deliver the best possible experience for members and clients. Our Customer Loyalty Index score improved to 91 for the year, evidence of the benefits the programme has introduced, and our Colleague Engagement score increased to 83 as colleagues responded positively to the steps we have taken to help them deliver an improved service.

Our Co-operative Difference

This year saw the introduction of a fully electric hearse – a first in the UK. The eco-friendly hearse and accompanying vehicle are now available for use by members and clients in the West Midlands. A further electric hearse will be available in the Oxfordshire area in 2019.

Over 3,050 members and clients attended 48 remembrance events as we brought our communities together at Christmas to remember their loved ones.

We have worked hard to develop our community outreach, aiming to make our funeral colleagues a permanent and trusted face within the communities we serve; our Community Funeral Directors now play a key part in informing their communities about the funeral sector.

As part of our Sustainable Communities strategy, our funeral homes have carried out a number of fundraising initiatives in support of Cruse Bereavement Care, raising money for the charity, and building valuable links for the benefit of our clients in the process.

Childcare

Key facts

Gross sales: £34 million
(2017/18: £32 million)

Colleagues: 1,252 (2017/18: 1,284)

Sites: 44 (2017/18: 45)

Steering wheel: 88% of targets
achieved (2017/18: 73%)

“We became the first and only large childcare provider to achieve the Millie’s Mark accreditation meaning all our practitioners are paediatric First Aid trained.”



Childcare celebrated its best year yet. Sales were 7.9% ahead and occupancy grew by 4.3%. This, alongside a mix of cost savings, process efficiencies and investment in our colleagues, saw the business end the year in a strong position.

Despite the well documented difficulties surrounding affordable childcare, the market is stable and continues to grow with significant levels of demand. The roll out of the Government’s 30 hours of free childcare funding policy has presented challenges, particularly to many small providers. However, our business has seen an increase in funded turnover and, given our strong operating model, we have still been able to deliver the best outcomes for families.

We have continued to invest in the business. We rebranded eight nurseries under our new Little Pioneers name to reinforce our Co-operative Difference. We also launched a new Little Pioneers website making it simpler for parents to find information about our nurseries alongside helpful parenting content. As a result online bookings and conversions have increased significantly.

We have also continued to invest in our management teams, delivering a bespoke Management Development Programme, which has equipped colleagues in these critical roles with value-added skills to support improvements in efficiency, occupancy, colleague engagement and retention.

We won the Nursery Training and Development 2018 category at the annual National Nursery Management Today Awards in recognition of our commitment to developing our colleagues, and we delivered a three point improvement in our colleague engagement score at a time of staff shortages in the sector.

Unfortunately, after a lengthy review, we decided to close our Wimbledon nursery given its poor location, declining performance and recruitment challenges.

More encouragingly, three of our nurseries were uprated to ‘outstanding’ by Ofsted and we now have 21 nurseries rated ‘outstanding’. The remaining 23 have all retained their ‘good’ rating.

Our Co-operative Difference

The Group became the first and only large childcare provider to achieve the Millie’s Mark accreditation meaning all our practitioners are paediatric First Aid trained. Millie’s Mark is delivered in partnership with the National Day Nurseries Association and supported by the Department for Education.

We ran a community intergenerational project for all our nurseries; colleagues and children made regular visits to their local care home, bringing significant benefits both to the children and the care home residents.

All our nurseries were awarded the prestigious ‘eco-school’ accreditation. The scheme requires each nursery to have an eco-committee of children, complete a child-led evaluation of the nursery, and create a hands-on action plan to make their nursery greener. The sustainability projects arising from the accreditation enrich our children’s understanding of the world and encourage them to be socially responsible from an early age.



Co-operative Social Responsibility

Key facts

Colleagues, members and customers **donated** over 100,000 items to our foodbanks

Our colleagues **volunteered** for a wide range of good causes providing over 38,000 volunteering hours

We **distributed** over £600,000 to local community groups and good causes

We now have over 700,000 **members**

We **engaged** with over 16,000 young people

Co-operatives are socially responsible and effectively engaged with the communities they serve. Our Co-operative Social Responsibility work lies at the heart of what we do and is a key part of our Co-operative Difference. It has a broad reach and includes our community work, raising money for good causes, engaging young people, promoting our membership, looking after our colleagues, ensuring the sustainability of our operations, campaigning on causes we believe in, and promoting co-operation internationally.

We are proud to have achieved a five-star accreditation in the Business in the Community's Corporate Responsibility Index 2018 in recognition of our CSR activity.

Connected Communities

We continued our Regional Communities programme which operates in the communities where we trade, enabling our members to work together on causes chosen by them in each particular community.

Colleagues, members and customers donated over 100,000 items to our foodbanks, 30,000 more than last year and enough to feed over 2,500 families in need.

Our colleagues volunteered for a wide range of good causes providing more than 38,000 volunteering hours, the equivalent of over £550,000 in paid work. We distributed over £600,000 to local community groups and good causes through our community grants and raised over £170,000 for local charity partners through a range of fundraising events and initiatives, which included Society Fun Days in Cheltenham and Churchstoke, attended by over 15,000 people.

To connect our community partners we held two Co-operative Difference events in Cheltenham and Wolverhampton. A total of 60 community groups attended

to network and discuss common issues and we presented awards to colleagues who had made outstanding contributions to their local communities.

We continued our Developing Young People programme which looks to influence, inspire and inform young people up to the age of 25. Through the programme we engaged with over 16,000 young people. Our work covered the Green Pioneers Programme with the Outward Bound Trust, sustainable education workshops with our partner schools, and work experience placements. We also held a Crazy Composer event in Walsall where 380 primary school children from seven schools gave a performance to their parents and guests.

We sponsored a Celebrity Charity Football match in Walsall with a team of colleagues taking on the JET2 TV Allstars. The celebrities included stars from Coronation Street, Emmerdale and Hollyoaks. Over 600 supporters watched the game raising more than £6,000 for our local charity partners including Street Teams, Beacon Vision, ALZ Café and MASE.

To help develop our community partnership work, we rolled out a Sustainable Communities programme to engage key community stakeholders. The programme aims to raise awareness of community energy, help alleviate fuel poverty and save energy. It engaged 2,000 members in Sustainable Communities activity, created 23 community partnerships and delivered 11 Sustainable School sessions attended by over 300 children.

Our total investment in community and co-operative initiatives came to £1.6 million, an increase of £1.3 million from last year. This figure includes our Community Grants scheme, plastic bag fund, the amount raised for local charity partners, the value of our volunteering work and our annual investment in co-operative initiatives. As a result of

our community investment and initiatives we are proud to hold the Community Mark accreditation, awarded to us by Business in the Community.

Connected Members

We now have over 700,000 members, a 22% increase in our membership base in just under three years. We held a special event for our 700,000th member Tom Waggett, a customer of Co-op Energy. We now increasingly attract members from across the UK, as well as from our traditional core trading areas.

We ran a member competition to see where our Fairtrade coffee is grown and the difference that the Fairtrade premium makes. The winner, Jennie Simpson, visited co-operative coffee farms in Guatemala and a film of her trip has been viewed over 75,000 times on social media.

Across the year we engaged with over 35,000 members in co-operative activity, including at our AGM, Half Year Meetings and Fun Days.

We continued to promote and roll out our Member App. Over 21,000 members have now downloaded the App, giving them easy access to their transaction history, dividend points, exclusive member offers and Society news.

To provide members with a comprehensive view of all the benefits they can receive from their membership, we developed a Total Member Reward Statement. The statement gives information on the points earned from each of our trading groups and includes additional member benefits such as Food Retail member coupons. As part of our Connected Future strategy we are building on the above initiatives to make it easier for members to interact with all our businesses.

Connected Colleagues

We achieved a colleague engagement score of 85, a one point increase on last year and five points ahead of the industry threshold for highly engaged teams.

We launched our new Learning & Development catalogue to support the personal and professional development of our colleagues. We enhanced the Colleague Learning Zone, an area of our i.Learn system where colleagues can access a variety of resources such as videos, blogs, articles and top tips. These have been mapped to relevant competency areas to support personal development plans.

Our new Management Development package offers skills workshops, such as Finance Essentials, Coaching Skills and Personal Effectiveness. The package is complemented by our Trading Places programme which provides a self-service platform for managers to 'trade places' with other managers throughout the business to share good practice, improve skills and knowledge, and develop stronger working relationships and networks.

As part of our new Connected Future strategy we launched Colleagues Connect, an open website available to colleagues with all the tools and information they need in

one place. Colleagues Connect keeps all colleagues up to date with everything that's going on in the Society including a weekly blog from the Chief Executive.

Defending the environment

The Society continues to monitor all its operations to ensure they are sustainable and meet the highest environmental standards. We now recycle 99% of our operational waste material by weight and we continue to look at ways of saving energy, last year reducing our energy usage across our trading sites and offices by a further 3%, saving over 1,000 tonnes of CO₂. We have been awarded the Carbon Trust Standard for our year on year reduction in carbon emissions across our operations.

Our Campaigns

Our work on national campaigns, such as Modern Slavery, single-use plastic reduction, and Fairtrade promotion, has been driven by member feedback.

To raise awareness of Modern Slavery we supported the Bright Future programme which provides a pathway to permanent employment for victims by, offering placements at our food stores. At our AGM, members received an update on the wider campaign on Modern Slavery, and colleagues in our HR team completed an awareness training course to help them identify the signs of Modern Slavery.

We have looked to reduce our reliance on single use plastics, holding a member event at our Bourton-on-the-Water Food store. As a result, we introduced a range of measures including the installation of a plastic bottle reverse vending facility at our Chipping Norton Food store allowing members and customers to recycle on site.

Building on this activity we have launched our 1 Change Campaign to engage and inspire our members and the next generation to take action to help tackle single use plastics. As part of this we introduced our 'plastic is not fantastic' education sessions to our 50 partner schools encouraging young people to take action at school and home.

We continued to promote Fairtrade across all our food stores, stocking around 270 Fairtrade products which generated sales of over £16m. To support Fairtrade Fortnight we held promotions in store, a number of member events, and produced a Fairtrade key facts leaflet, together with materials for schools, and a recipes booklet.

Supporting the global co-operative movement

We continue to support the International Co-operative Alliance (ICA), the apex body for co-operatives around the world.

Ben Reid, our former Chief Executive, was re-elected to the ICA Board and now chairs its Communications Committee.

We also supported the International Day of Co-operatives on 7 July, hosting visiting co-operators from Japan, India and the Czech Republic.

Reporting our Steering Wheel

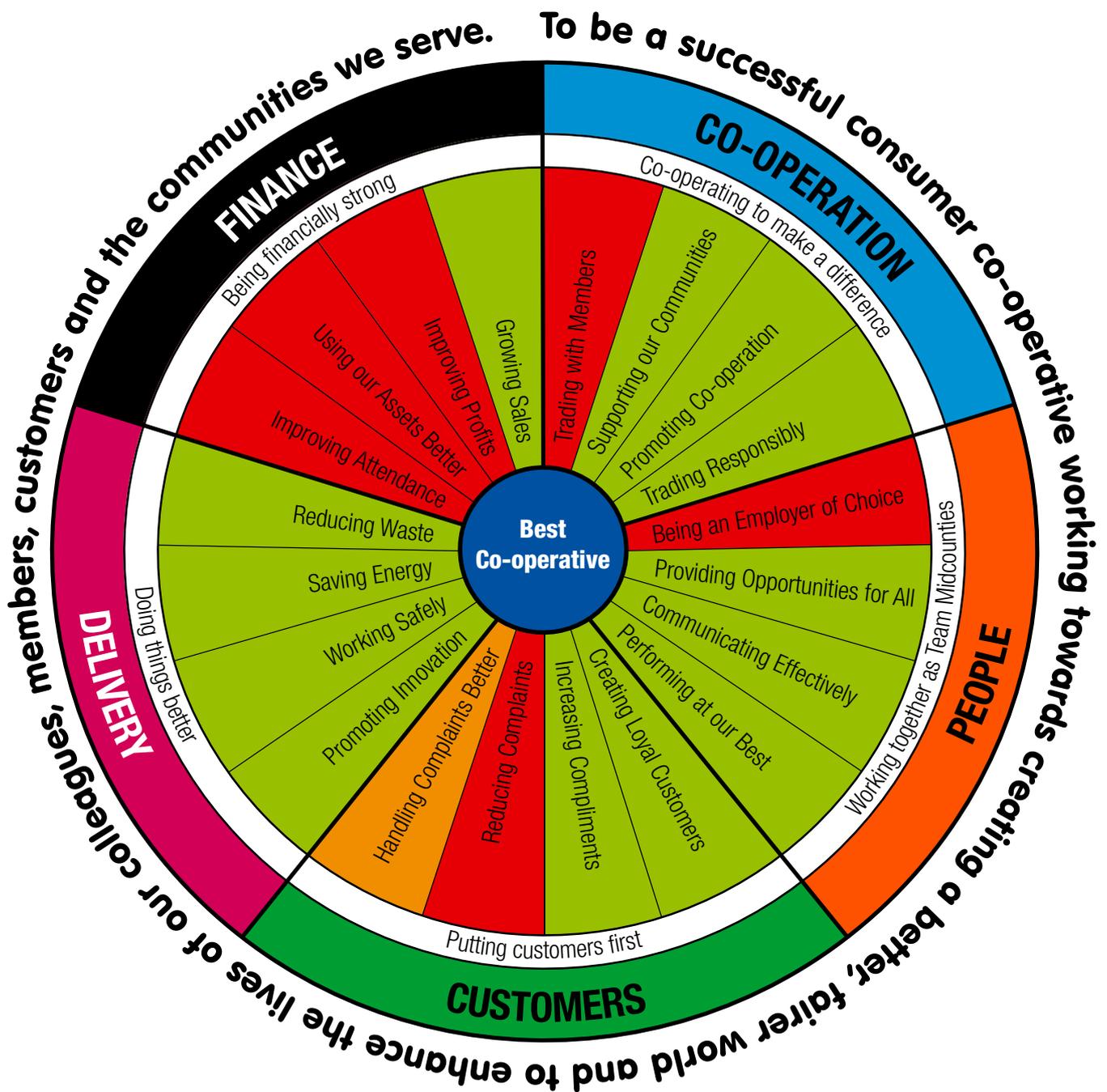
As a co-operative we believe there is more to being a successful business than just profits. So, as well as measuring our financial performance we use our Steering Wheel to measure our performance in the key areas of co-operation, people, customers and delivery. Each section of the wheel has a number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

The Steering Wheel below shows how we have performed on these objectives during the 2018/19 financial year. The sections are coloured red, amber or

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

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

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



Reporting our Steering Wheel

Co-operation

Trade with members

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

Trade with members has remained stable despite our membership increasing sharply. This reflects the emphasis we place on putting members at the heart of everything we do. Membership has increased by 11% over the year with the Society signing up its 700,000th member in December. Over 21,000 members have now downloaded the App, giving them easy access to their transaction history, dividend points, exclusive member offers and Society news.

Supporting our communities

Hours volunteered in community by colleagues: 38,700 (last year: 36,600)

Our colleagues continue to actively volunteer, supporting local good causes in the communities in which we trade. We supported a wide range of causes, from food banks to young carers, as part of our Regional Communities programme and again worked in close partnership with 50 schools, for example, by giving presentations on energy and climate change and running our Green Pioneers programme with the Outward Bound Trust.

Promoting co-operation

Number of members involved in co-operative activity: 36,600 (last year: 28,800)

We have seen an increase in co-operative activity during the year, reflecting an increase in the number of events that members can engage with in addition to our AGM and Half Year Meetings. We organised Member Days in all 20 of our Regional Communities for the first time, and through targeted campaigns maximised member engagement during Fairtrade Fortnight and Co-operative Fortnight.

Trading responsibly

Value of Ethical Trade: £85 million (last year: £96 million)

We have seen a reduction in this figure as a result of lower payments being made for renewable energy obligation certificates. This has been partially offset by increases we have seen in our Food business driven by our Best of our Counties range.

People

Being an employer of choice

Percentage colleague turnover as a moving annual total: 21% (last year: 18%)

Our colleague turnover has increased. We believe this is because of an increased focus on how we manage and report on attendance. Our colleague engagement score increased from 84 to 85, due to further investment in learning and development and the introduction of a new 'Colleague Connect' website providing colleagues with comprehensive information about working at Midcounties, together with daily news, team talk articles and a weekly blog from the Chief Executive.

Providing opportunities for all

Percentage of colleagues who have achieved a Level 2 qualification or above: 90% (last year: 83%)

We have seen a 7% increase in comparison to last year, reflecting the launch of a new learning and development catalogue, the updating of our Colleague Learning Zone and the introduction of new Management Development packages including workshops on Finance Essentials, Coaching Skills and Personal Effectiveness.

Communicating effectively

Percentage attendance rate at Colleague Council meetings: 90% (last year: 87%)

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

Performing at our best

Percentage of colleagues receiving an annual performance review: 97% (last year: 94%)

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

Customers

Creating loyal customers

Customer Loyalty Index: 83 (last year: 81)

Our customer loyalty index has increased across all our trading businesses. As part of our new brand we have introduced the 'Owned by You' concept to our flagship stores, encouraging customers to become members. We also conducted our biggest ever survey of members to help develop our member strategy going forward.

Reducing complaints

Number of customer complaints: 30,175 (last year: 16,244)

The number of complaints increased significantly as we acquired new customers in Energy. Our customer satisfaction score in Energy increased throughout the year, indicating that our customer service measures are leading to improvements.

Increasing compliments

Number of customers compliments: 23,600 (last year: 13,467)

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

Handling complaints better

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

We have seen an increase in customer satisfaction with how we handle complaints, reflecting improvements across the Society including better handling of customer issues, and a significant effort on the part of our Energy business to improve the way complaints are dealt with.

Delivery

Promoting innovation

Number of ideas implemented having a positive impact on another Steering Wheel Measure: 40 (last year: 37)

We continue to promote our GIFTS programme (Generating Ideas for Tomorrow's Society) across all our businesses. Our GIFTS champions have been responsible for encouraging ideas from across our trading groups, leading to a three point increase in the measure.

Working safely

Number of accidents/incidents reported as a moving annual trend: 806 (last year: 936)

The number of accidents and incidents reported as a moving annual trend has decreased during the year. In addition, the total number of incidents reported under RIDDOR (Reporting of Injuries, Disease and Dangerous Occurrences Regulations) has reduced to 28 (last year: 31).

Saving energy

Energy reduction on prior year through electricity use (kw/h): 3.0% (last year: 3.7%)

Our focus on raising colleague awareness around energy saving and developing energy efficient property projects, resulted in the Society reducing energy use by 3.0%, ahead of our 2.0% target. This saved over 1,000 tonnes of CO₂.

Reducing waste

Percentage of waste recycled: 99% (last year: 97%)

During the year we generated 3,817 tonnes of waste (2017/18: 3,559 tonnes), and recycled 3,804 tonnes. 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.

Managing risk

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

Our Risk Control and Governance structure



Board of Directors

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

Audit and Risk Committee

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

The Executive

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



How are we managing our risks?

Through the year we have continued to strengthen the risk reporting mechanisms in place, based on both a bottom up and a top down approach. Risks are rated using a probability and impact matrix. The Executive Risk Committee meets on a monthly basis to review and challenge Society wide risks and act as an escalation point to the Board if required. We have continued to focus on defining clearer risk roles and responsibilities and clear ownership of risk management activities. Our internal Audit activity is based on a risk assessed approach.

Risk management is an ever evolving process and further focus will continue in this area throughout 2019.

Society Key Risks and mitigations

Risk	Category	Movement in the year	Mitigating actions
Uncertainty arising from Brexit	Strategic	↑	Close monitoring of regulation and policies as they are formulated; contingency planning reviewed at weekly Executive Brexit briefings. Working with FRTS to co-ordinate a collective response for Food Retail.
Risk to Society profitability impacting ability to invest, make distributions, fulfil pension obligations and meet banking covenants	Strategic	↑	Monthly financial reviews to give visibility to overall business plan delivery. Finance Governance Committee reviews spend and manages the collective target deliverables. A key item on the Board agenda.
Volatility in the markets where we trade	Strategic	↑	Close evaluation of our market positions and the propositions we offer; detailed reviews of our operating models.
Reputational damage	Brand and Reputation	→	Controls at operational level throughout the business; policies in place to comply with legal and regulatory requirements.
Increasing pension deficit payments	Finance	→	Close engagement between the Society and pension scheme trustees; a journey plan has been developed for the scheme's investments. The latest triennial valuation is in process.
Regulatory non-compliance	Legal and regulatory	→	Dedicated compliance teams in Energy, Childcare and Travel; monitoring in place across all other parts the business for all key requirements.
Serious health and safety breach	Legal and regulatory	→	Robust Health & Safety framework, policies and procedures in place; monitoring through a risk-based audit programme.
Failure to maintain IT infrastructure, security and stability	Technology	→	Manual process to route the network traffic if a link fails. Third party data centre is ISO27001 compliant; scheduled backups available for all the identified critical systems. Firewalls in place and security threats are monitored through various sources.

Board of Directors



Helen Wiseman
President



Heather Richardson
Vice-President



Vivian Woodell
Vice-President



Steve Allsopp



Olivia Birch



Clive Booker



Ellie Boyle



Martin Cook



Judith Feeney



Patrick Gray OBE



Gary Hayes



Irene Kirkman



Matthew Lane



Donald Morrison



Jean Nunn-Price
MBE



Kathy Petersen

The Executive



Phil Ponsonby
Group Chief Executive



David Bird
Chief Executive
Energy



Kevin Brown
Chief Property &
Services Officer



Peter Dubois
Chief Financial
Officer



Edward Parker
Secretary & Head of
Governance



Caroline Westall
Chief Information
Officer



Alistair Rowland
Chief Retail Officer
Specialist Businesses



Peter Westall
Chief Values Officer

Chief Operating Officers



Mark Adams
Funeral



Sally Mayer
Childcare



Rad Sofronijevic
Travel



Ed Tarelli
Energy



Adrian Wilkinson
Healthcare



Nick Thompson
Chief Executive
The Phone Co-op

Service Recognition Awards



Name	Store Name
Editha Dawkins	Covingham Square
Christine Ewers	Tredworth
Sylvia Humphreys	Wem
Heather Phipps	Headless Cross, Redditch
Dawn Green	PSG Operations
Terrence Priest	Stourport Funeral
Teresa Wilkins	Sutton Road
Kathleen Venables	New Invention
Caine Foster	Watlington
Eileen Bridger	Bath Road
Karen Albert	Wem
Alison France	Wem Post Office
Maria Mollart	Iffley Road
Lesley Wilson	Chipping Norton
Andrew Turner	Co-operative Memorials
Carl Moseley	Watery Lane Funeral
Christine Hayward	Heath Hayes Funeral
Joanne Grosvenor	Cinderford
Emma King	Kidlington
Donna Watson	Newcastle Nursery
Elizabeth Haines	Eastington Post Office
Madeleine Stallard	Finlay Road
Abigail Dunn	Travel - Admin
Linda Blackburn	Stourport
Patricia Perks	Cannock Travel
Debora Newman	Wednesfield Travel
Kim Cutler	Bampton
Denise Tipper	Wall Heath
Beverley Marshall	Heath Farm
Halina Wootton	Watery Lane Funeral
Stephen Freeman	Property Development
Michelle Marriner	Park Hall
Barbara Morrell	Uttoxeter
Alison Clark	Old Town, Swindon
Kim Shingles	Coleford
James Kennedy	Kingswinford
Edwina Roberts	Coven
Corine Siders	Chipping Norton
Susan Castle	Hardwick
Elizabeth Wood	Headington Travel
Karen MacDonald	Finchfield Nursery
John Billingham	Watery Lane Funeral
Linda Coleman	Chipping Norton
Amanda Sollis	Chipping Campden
Elizabeth Francis	Northway
Lynne Kent	Mersey Way
Paul Foster	Hucknall
Pauline Hale	Newent
Tracey Williams	St. John's Pharmacy
Emma Humphrey	Reading Nursery
Cindy Welford	Burford
Louise West	Brewery Street
Julie Crawford	Acocks Green Travel
Janet Howard	Chipping Norton
Sharon Hyland	Oakengates Post Office
Linda Lewis	Cavendish Square
Cinzia Rossini	Phone Co-op
Karen Douglas	Marston
Richard Simpson	Travel - Admin

Denise Foster	Payroll
Sandra Peyman	Fairford
Jacqueline Bratt	Cherwell Heights
Sandra Bishop	Middleton Cheney
Christopher Bond	Church Street
Nikki Stapleton	Brewery Street
Carole Sommerville	Kingswinford
Susan Hayes	Church Street
Lesley Lewis	Tredworth
Margaret Evans	Radbrook
Leanne Parkes	Support Centre, Travel



Mari Frost	Food Head Office
Ruby Hampton	Wombourne
Lorraine Sysum	Stonehouse Post Office
Margaret Hodgkins	Byfield
Tessa Whitehall	Churchstoke
Janice Turner	Coleford
Stephen Chan	Woodford Halse
Tracey Russon	Codsall
Michelle Blake	Payroll
Susan Soden	Northway
Michael Palfreman	Watchfield
Timothy Coppock	Summertown
George Croly	Gloucester Funeral
Suzanne Dean	Grove
Jill Henney	Kidlington Travel
Linda Bambrook	Thame
Karen Fidoe	Franchise Road Pharmacy
Anne Baker	Bourton Vale
Debra Richings	Property Development
Andrew Williams	Sutton Coldfield Funeral
Colin Webber	Co-op Energy
Stewart Howe	Property Development
Paula Link	Bewdley
Michelle Wallens	Kingswinford
Clare Wood	Franchise Road
Michael Drayton	Knighton
Helen Robbins	Northway
Sarah Heath	Norton Canes
Martyn Smith	Manchester House
Elise Collins	Hesters Way
Jacqueline Johnson	Woodstock
Sandra Wicks	Lydney
Joanne Fryer	Cannock Travel



Sharon Fleming	Kingswinford
Joanne Bevington	Co-op Energy
Vanessa Shirley	Hawks Green Travel
Beryl Pugh	Codsall Post Office
Barbara Jones	Churchstoke
Carol Jones	Copthorne
Grace Bowler	Wroughton
Jillian Fowler	Nailsworth

Ian Wilkes	Northway
Alexandra Mitchell	Stourport Pharmacy
Liam Lambert	Sussex Place
Hazel Hatherall	Cainscross
Caroline Morgan	Churchstoke
Michelle Bartlett	Marketing
Julie Sheldon	Property Development
Nicola Baker	Tipton
Alison Round	Pharmacy Admin
Jayne Preece	Franchise Road
Mercedes Ellis	Cherwell Heights
Cynthia Booker	Grove
Mary Andrews	Coleford
Pamela Bebb	Churchstoke
Lesley Newton	Lydney Post Office
Lorraine Cooke	Lydney
Sylvia Wright	Penkridge Food
Tracy Lawford	Brownhills Travel
Neil Tanner	Rodbourne Cheney
Margaret Rose	Kingswinford
Sharon Rawson	Finlay Road
Karen Smith	Food IT



Lesley Punter	Hednesford Post Office
Rachel Wilkinson	Stourport
Marian Hall	Tamworth



Richard Clements	Summertown
Judith Brindley	Kingswinford
Adrian Martin	Coleford
Jonathan Gibbins	Winchcombe
Michael Ponsford	Chorley Wood



Susan Jones	Bloxwich
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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.



Rich Simpson

Travel

20 Years

I am proud to work for Midcounties, 20 years with the Co-operative movement feels like a great achievement and I really enjoy my current role of Governance & Compliance Manager. It isn't hard to see why so many colleagues stay with the business for so long. I'm proud of the values which the business operates by and it is easy to talk to people about the good that we do. We are a great business with good leaders and warm friendly colleagues. I hope to feature here again when I hit some more milestones working for Midcounties.



Dawn Green

Human Resources

20 Years

I started working for Midcounties in February 1998 working part-time at Hawks Green Travel. I then got a full-time role in the Foreign Exchange bureau working with a great team for 8 years. In 2006 I applied for a role within PSG at the regional office in Walsall and am now HR Operations Co-ordinator. I'm proud to work for a Co-op because it is like being part of a big family which has grown immensely over the years. It's also an ethical business which gives back to the local communities where we live and work. Midcounties has also provided me with the opportunities to progress and develop on a personal level, and it's been good to work with a great team of colleagues.



Abigail Dunn

Travel

20 Years

My journey with Midcounties began 20 years ago when my employer at the time, World Wallet Travel, was acquired by Co-operative Travel. I was placed at the Wednesfield branch where I worked, happily, in various roles for 15 years. When the opportunity arose I moved over to the Travel Marketing team, a new role for me, which I thoroughly enjoy. I am extremely proud to work for Midcounties, so much so that I encouraged my son to start his career with Midcounties, and he has now completed an apprenticeship with our Memorial division.



Michelle Blake

Payroll

25 Years

I started my career at the Gateways store in Alcester in 1993 as a checkout operator. After a few years the store became a Somerfield where I undertook several different job roles. I then moved to a different store. I began my career with Midcounties in March 2009 when Midcounties purchased Somerfield's Food store in Evesham, at that time I was a Customer Service Manager. In February 2011, I moved to Warwick to become a Payroll Administrator. It has been a great experience for me to be able to work within two different areas, see how the business has changed and I have had the pleasure to work with some great colleagues and customers.



Julie Sheldon

Property Services

30 Years

I started working for the Co-op in July 1986 working at the Shaw Street Food store where my first role was replenishing the freezers. I then worked across the store in a variety of roles before becoming a Food Auditor, then a District Manager. Following a short period with Human Resources, I moved into Pharmacy for 17 years. I now work as Head of Property Services. I'm proud to work for a Co-op because I believe in what the co-operative model stands for and have met many wonderful people along the way.



Jo Bevington

Energy

30 Years

The diversity of Midcounties means we can offer colleagues an opportunity to broaden their knowledge and skills in lots of different areas. I have been fortunate enough to work in Travel, PSG and Central Support before moving to Energy. Although I have worked for the business for a long time, the new opportunities mean I am continually motivated and looking for the next challenge, and I have met some great people along the way. I am also one of the Ambassadors for Walsall Sustainable community so I get to give back to the Community I work in.

Governance Report

The Board is pleased to present its governance report to members for the year to 26 January 2019. 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.

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.

The Code is under review by Co-operatives UK and an updated Code is likely to be published in the spring. The Society will report to the new Code from next year.

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 and are listed in italics at the start of each section. Second, each high-level principle has one or more 'supporting principles' which provide examples of what constitutes good governance compliance. Third, a series of 'provisions' to support each high-level principle. These cover the specific points all co-operatives must report on annually.

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

Society Rules and Blueprint

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

A copy of the Rules and the Blueprint can be found on the 'governance' pages at www.midcounties.coop.

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 eight 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 in 2017 for implementation across the Society.

The Society promotes diversity and inclusion and wants all individuals to be treated with respect whoever they are, however they identify and whatever characteristics they feel are important to their identity. The Society has set up a Diversity Steering Group and a series of working groups to review, monitor and implement actions around the 'protected characteristics' set out in the Equalities Act 2010. These groups act as gatekeepers to related activity, provide support, advice, assurance and governance for the Society, monitor the agreed key areas of the Society's performance, champion and promote diversity and inclusion within the Society and the communities it serves, ensure barriers to equal opportunities are challenged, and make recommendations on policies and practices within the Society.

Voting opportunities and the Annual General Meeting

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

The Society's AGM and Half Year Meetings provide members with the opportunity to participate in the formal affairs of the Society. The annual Board and 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. A total of 607 members attended the AGM and 174 members watched the live webcast; 445 members attended the Half Year Meetings (2017/18: 585, 108 and 388 members respectively).

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, an independent scrutineer, to administer its elections.

Candidates for the Board can write up to 250 words in support of their candidature and provide additional information on their co-operative experience and credentials. Candidates for the 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 members, with their ballot paper, to help them make an informed decision when casting their vote. The same information is provided online.

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

At the 2018 Board election, 13 members put themselves forward for the five vacancies (2017: 13 members, six vacancies). Votes were cast by 50,949 members, a turnout of 8.0% (2016: 49,263 members, 8.0%). At the 2018 Membership Strategy Committee election two candidates put themselves forward for the four vacancies so no election was held (2017: four candidates, three vacancies).

To ensure members retain ultimate control of the Society the Rules include safeguards to cover the most significant events in the life of the Society. For example, members must approve any proposal to convert the Society into a company or to transfer its engagements. The Rules also provide that, in the event of a solvent dissolution of the Society, any surplus is transferred to Co-operatives UK or one of its members.

The role of the Board

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

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

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

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

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

Board procedures

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

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

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

Insurance

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

The role of directors

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

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

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

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

Attendance

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

Directors	Board	Committees					
		1	2	3	4	5	6
Steve Allsopp	11 (11)	8 (8)	4 (4)			5 (6)	
Ellie Boyle	11 (11)	6 (8)					
Olivia Birch	10 (11)	6 (8)					
Clive Booker	11 (11)		4 (4)			6 (6)	3 (3)
Martin Cook	10 (11)			7 (8)	4 (4)		
Judith Feeney	10 (11)			8 (8)		6 (6)	
Patrick Gray	11 (11)			8 (8)	4 (4)	6 (6)	
Gary Hayes	11 (11)	8 (8)					
Irene Kirkman	11 (11)	8 (8)					
Matt Lane	11 (11)		4 (4)	8 (8)			
Donald Morrison	11 (11)			7 (8)	3 (4)		
Kathy Petersen	3 (3)						1 (1)
Jean Nunn-Price	10 (11)						
Barbara Rainford	8 (8)						2 (2)
Heather Richardson	11 (11)	7 (8)	4 (4)				
Helen Wiseman	11 (11)		4 (4)	8 (8)			
Vivian Woodell	11 (11)			8 (8)			

1. Audit & Risk 3. Utilities 5. Pension trustee
2. Remuneration 4. Telecoms 6. Membership Strategy

Conflicts of interest

The Board has a policy on conflicts of interest. The Secretary maintains a register to record any conflicts declared by directors and members of the Executive. Formal updates to the register are requested at the end of each financial year and individuals are charged with informing the Secretary at the first opportunity of any conflicts should they arise in the interim. In addition, at each Board meeting, directors and Executives attending are asked to declare any interests they may have in relation to the business on the agenda.

Board size

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

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

Board balance and independence

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

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

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

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

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

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

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

Co-option of professional external directors

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

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

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

The Chair

The Chair is responsible for the leadership of the Board and should ensure that the Board is in effective control

of the co-operative's affairs and alert to its obligations to its members.

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

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

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

The Chief Executive

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

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

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

The Secretary

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

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

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

Election and renewal of the board and succession planning

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

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

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

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

Induction, information and ongoing professional development

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

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

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

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

In addition, the Group Chief Executive keeps the Board advised of matters affecting the Society at each Board meeting and more frequently if required, 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 agreed to revise its approach to evaluation, and agreed to put in place an annual evaluation of Board effectiveness linked to individual director reviews, together with a quarterly review focusing on the functional operation of the Board to identify any process barriers that might hinder effective performance. The revised structure is in the process of being introduced.

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 Utilities Committee (formerly the Energy Committee). The Telecoms sub-committee reports into the Utilities Committee. The terms of reference for each are reviewed on a regular basis.

Membership of the Audit & Risk, Utilities and Remuneration Committees is determined each year by the Board shortly after the Society's annual elections. Board positions on the Telecoms sub-committee and the two positions on the Membership Strategy Committee reserved for directors are agreed at the same time (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 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. The terms include:

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

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

The Committee has the right to report to members if the Board overrides a decision or recommendations 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 eight times during the year under review and has four scheduled meetings for the 2019/20 financial year. The Board is apprised of the Committee's proceedings at the next Board meeting following a Committee meeting. The Committee's minutes are also made available to the Board.

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

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

Auditor independence

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

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

During the year, non-audit work undertaken by the Society's auditors amounted to £101,000 (2017/18: £37,841).

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. The current engagement partner is in his final year.

Auditor review

The Society's Rules prescribe that the audit should be tendered at least once every 10 years. The last tender took place at the beginning of 2013 for the 2013/14 year end. KPMG were retained following a detailed review. Their appointment was reviewed by the Committee in December 2016 following comments from the members at the Society's 2016 AGM. As a result of this review, the Committee also carried out a further in-depth assessment of KPMG's independence, objectivity, remit and effectiveness in June 2018. The evidence gathered from this assessment satisfied the Committee that KPMG continued to demonstrate a good level of competence and technical expertise in their performance, and maintained the necessary objectivity and independence. On that basis, the Committee made a recommendation to the Society's Board that, subject to satisfactory annual reviews, no immediate action was required, and that it was appropriate to undertake the next audit tender exercise in 2023 with preliminary work starting in 2021. The recommendation was accepted by the Board.

Training

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

Internal audit

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

Internal control

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

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

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

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

Internal control framework

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

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

Control procedures

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

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

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

Risk management

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

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

Monitoring

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

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

Review processes

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

- review of the external and internal audit work plans
- consideration of reports from the Internal Audit & Risk function and the external auditors on the system of internal control
- discussion with management of the actions taken to resolve issues identified in such reports
- review of the effectiveness of the Society's risk management processes.

Opinion

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

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

Whistleblowing

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

Auditor's report to the Board

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

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

The annual report

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

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

POLITICAL ENGAGEMENT

The Board recognises that co-operatives often seek to advance co-operation in national, local and international life through political engagement. Recognising this, 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 2018 Annual General Meeting members approved a distribution of £60,000 to the Campaigns Fund (2017: £50,000).

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

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

SUPPLIER PAYMENT POLICY

The Society's policy is to agree terms of payment as part of the commercial arrangements with suppliers and to pay according to those terms once an invoice is received. Trade creditor days for the year were 28 days (2017/18: 27 days).

SOCIAL RESPONSIBILITY

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

The Society produces a separate Social Responsibility Report which sets out the progress and achievements made by the Society in the social responsibility arena. A copy can be found on the 'about us' pages at www.midcounties.coop.

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

Certain directors take a lead on matters relating to environment and community: Jean Nunn-Price sits on the Society's Environmental Steering Group, and Clive Booker and Kathy Petersen are the Board's appointed representatives on the Membership Strategy Committee.

STATEMENT OF COMPLIANCE

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

Search Committee

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

Professional external directors

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

CONCLUDING REMARKS

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

The Board is fully aware of the responsibilities and obligations imposed upon it by its elected status and the prerequisites of the co-operative ethos. It believes this report demonstrates the importance it attaches to good governance and illustrates that the measures it has taken befit a true co-operative enterprise.

On behalf of the Board



Helen Wiseman – President



Edward Parker – Secretary & Head of Governance

4 May 2019

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External directorships (or equivalent) held by members of the Board and Executive during the year	
Board	
Steve Allsopp	<ul style="list-style-type: none"> – Director, Co-operative Futures Limited – Director, Swindon Housing Development Company Limited – Director, Swindon Housing (Rent) Company Limited
Olivia Birch	<ul style="list-style-type: none"> – Director, Revolver Co-operative Limited – Director, Revolver World Limited – Director & Secretary, Revolver Music Limited – Director, Heavy Metal Records Limited – Director, FM-Revolver Records Limited
Clive Booker	– Chair, Brownlow Community Centre, Whitchurch
Martin Cook	– Director, Co-operatives Futures Limited
Judith Feeney	– Director, Co-operative Futures Limited
Patrick Gray	<ul style="list-style-type: none"> – Director & Secretary, Amaranta Limited – Director, The Radical Party Limited
Irene Kirkman	<ul style="list-style-type: none"> – Deputy Chair & Independent member, Bucks New University Council – Local Authority Governor of the Cherwell School Council, Oxford, part of the River Learning Trust
Matthew Lane	<ul style="list-style-type: none"> – Director, BeerBods Limited – Director, Drink Beta Limited – Director, MDNL Limited – Director, WOO Cooking Oils Ltd
Jean Nunn-Price	<ul style="list-style-type: none"> – Director, Co-operative Party Limited – Director, Sustainable Wantage Limited
Helen Wiseman	– Club Welfare Officer, Bourton & Sherbore Hockey Club
Vivian Woodell	<ul style="list-style-type: none"> – Director, Co-operatives UK Limited – Director, West Oxfordshire Community Transport Limited – CEO, Phone Co-op Foundation for Co-operative Innovation Limited – Director, Student Co-operative Homes Limited – Director, The Co-operative Loan Fund Limited

Executive	
David Bird	– Department for Education, Partners in Practice Governance Board
Peter Dubois	– Chair, The Co-operative Loan Fund
Edward Parker	– Member, Co-operative Group National Members' Council
Phil Ponsonby	<ul style="list-style-type: none"> – Director, Association of Convenience Stores Limited – Director, Federal Retail & Trading Services Limited – Happerley Advisory Board
Alistair Rowland	<ul style="list-style-type: none"> – Director, ABTA – Director, ABTA Benevolent Fund – Trustee, Travel Foundation
Peter Westall	<ul style="list-style-type: none"> – Chair, OUR Co-operative Academies Trust – Board Member, BITC Regional Advisory Board – Board Member, CBI Employment & Skills Board



**Jennie Simpson,
winner of our Fairtrade
coffee competition,
in Guatamala visiting
Fedecocagua, a coffee
co-operative.**

Remuneration Report

INTRODUCTION

The Remuneration Committee is pleased to present its report to members for the year ended 26 January 2019.

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 appropriate. The report will be put to an advisory vote at the Society's Annual General Meeting on 11 May 2019.

The report has three main sections:

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

The Committee's policy is to ensure that fixed pay¹ for members of the Executive is positioned around the median of the range for equivalent roles in retail businesses of a similar size to the Society. This helps to ensure the Society retains talented leaders and managers to allow it to perform for the benefit of members and other stakeholders.

The level of fixed pay is reviewed formally once every two years. The last review took place in the autumn of 2017 and the next review is scheduled for the autumn of 2019. In the intervening years, salaries are normally increased in line with increases negotiated by SATA² and applied to management roles across the co-operative movement.

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

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

The Society achieved an operating profit before significant items of £6.4 million this year, considerably below budget. As a result, no member of the Executive has earned a bonus this year (2017/18: average payment of 17.4%).

However, over the last three years, the Society's performance has been strong on key non-financial performance measures and Executive members will be receiving a payment of 75% of the maximum available under the Society's Long Term Incentive Plan which matured at the 2018/19 year end. This equates to a payment of 15% of average annual salary over the three year plan period.

Early in the year, the Board agreed to widen the scope of the Committee's terms of reference to include providing high level input and oversight of the Total Reward Strategy which will be implemented in the coming few years. The Committee looks forward to this enhanced role.

In February 2019 the Society published its second gender pay gap report, available on the Society's website. The Committee and the Society's Board take the matter of diversity seriously, particularly with regard to ensuring senior female representation within the workforce, and supports the diversity initiatives in place across the Society.

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



Matt Lane
Chair - Remuneration Committee
3 April 2019

1. Fixed pay comprises base salary, benefits and pension

2. SATA – the Supervisory, Administrative and Technical Association section of USDAW

REMUNERATION POLICY

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

Overall policy

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

The remuneration policy for the Executive aims to:

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

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

A description of how the Society intends to implement the policy above in 2019 is included in the Implementation section of the report.

Summary of the remuneration components

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

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Base salary	To pay a fair base salary, commensurate with the individual's role, responsibilities and experience, and having regard to market rates for similar roles in other retail businesses of equivalent size.	Normally increased annually in line with inflation; formally reviewed every two years to ensure market competitiveness (the last review was conducted in 2017 with changes taking effect at the start of the 2018/19 financial year). In reviewing salaries, the Committee also considers individual performance, the scope of each role and relativities to other roles within the Society.	Annual increases will normally be in line with the increases applied to management roles across the co-operative movement as negotiated by SATA other than when there is a change in responsibilities or to realign executive pay with the market.	n/a

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Annual Bonus	To provide a performance-related reward aligned to targets set for the year. A highly "geared" remuneration package is considered inappropriate and therefore the maximum annual bonus is at a level that is significantly lower than in equivalent PLCs.	Paid in cash. Non-pensionable.	Maximum 20% of base salary. On-target 8% of base salary. Amounts may differ for new joiners to the Executive.	Performance targets comprise a combination of financial and personal performance objectives. No bonus is payable unless a minimum level of financial performance has been achieved. Awards are subject to clawback.
Long-term incentive plan (LTIP)	To provide performance-related reward aligned to the long-term strategic goals of the Society. Award levels are set at a level that is significantly lower than in equivalent PLCs.	Awards are granted annually so that a new three year performance period begins at the start of each financial year. Participants are able to receive a cash award at the end of a three year performance period. The Committee sets targets at the time of the grant of each award.	The maximum payment is 20% of average base salary over the three year performance period. Amounts may differ for new joiners to the Executive.	Performance measures are based on key measures in the Society's steering wheel: ROCE; Corporate Reputation; Colleague Engagement; Customer Loyalty. The last of these has been replaced by an External Partnership measure from the 2017/18 grant. Awards are subject to claw back.
Pensions	To provide pension arrangements on similar terms to other colleagues in the Society.	Members of the Executive participate in the Society's pension arrangements on the same terms available to all Society colleagues. The defined benefit career average pension scheme (the CARE Scheme) closed to future accrual in 2014. A cash allowance is paid to certain members of the Executive in lieu of pension contribution.	The Society operates a defined contribution scheme and a scheme that meets the auto-enrolment requirements.	n/a

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

Incentive arrangements

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

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

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

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

Former Group Chief Executive – contract

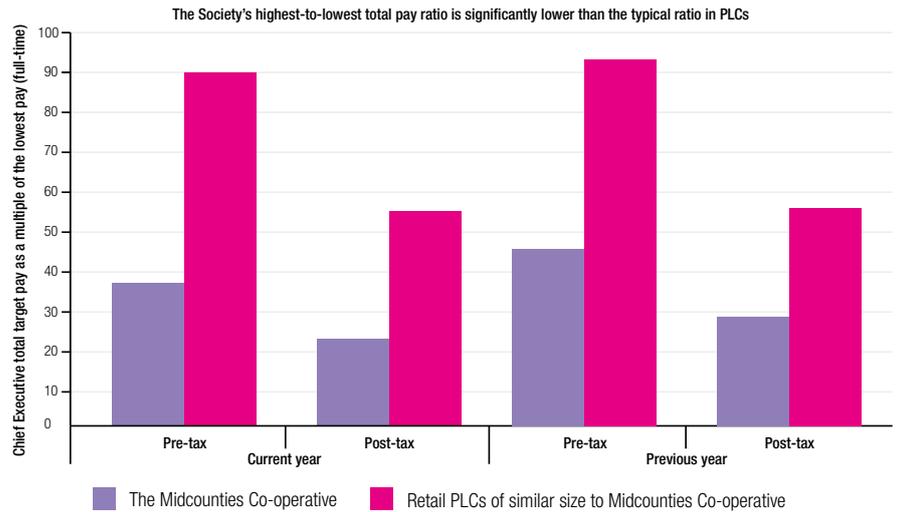
On 29 July 2018, Ben Reid, retired from his part-time role as Group Chief Executive. Phil Ponsonby succeeded him as Group Chief Executive, working full-time.

Ben Reid's contract provided for a 15 hour working week, terminable on three months' notice from either party. The contract also provided that should the time he spend 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. As a consequence, additional payments were made during the year totalling £34,010 (2017/18: £59,788). The contract also recognised him as a 'good leaver' for the purposes of the LTIP. He received payment in full for the LTIP maturing at the end of the 2016/17 financial year, a two-thirds pro-rated payment for the LTIP maturing at the end of 2017/18, and is due a one-third pro-rated payment for the LTIP maturing at the end of 2018/19.

Following his retirement as Group Chief Executive he was paid one month's pay-in-lieu-of-notice. He was then retained by the Society on a new 13 week contract for one day a week to provide a measure of handover to the new Group Chief Executive at a rate equivalent to his previous hourly rate as Group Chief Executive. The contract terminated on 29 October 2018.

Group Chief Executive – pay ratios

The chart here shows the approximate ratio of the current Group Chief Executive’s annual base salary and total target remuneration, pre and post-tax, relative to the lowest rate of pay in the Society and compares this with typical ratios in the wider PLC retail sector. The ratio for 2018/19 on pre-tax pay was x38 and on post-tax pay x23 (2017/18: x46 and x28 respectively).

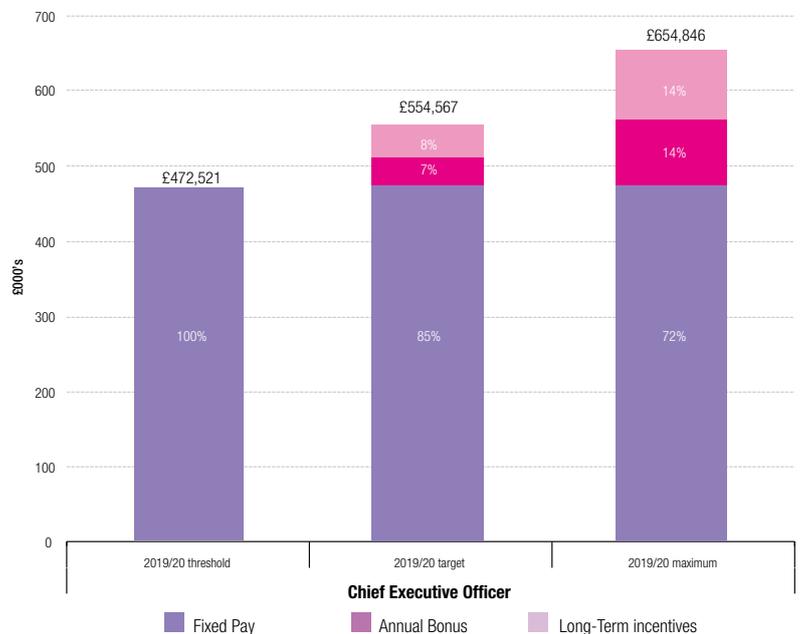


The table here shows the pay ratios between the Group Chief Executive and colleagues on the 75th, median, 25th and lowest pay percentiles. Given the retirement of Ben Reid as Group Chief Executive and the appointment of Phil Ponsonby in his place, which took effect from the half year, the salary used in the calculations has been duly pro-rated. Additionally, to allow for more meaningful comparisons in future years, the calculations have used a full-time equivalent salary for Ben Reid, rather than his actual part-time salary.

	Salary		Total Compensation	
Group Chief Executive	£489,538	-	£610,090	-
75th percentile	£18,962	26:1	£19,531	25:1
Median	£16,772	29:1	£17,031	29:1
25th percentile	£16,224	30:1	£16,324	30:1
Lowest	£16,224	30:1	£16,224	30:1

Remuneration scenarios

The chart here demonstrates how the mix of the current Group Chief Executive’s annual remuneration package could vary at different levels of performance under the Society’s remuneration policy in 2018/19. It shows the potential value of total remuneration in each scenario and the percentage of total remuneration accounted for by each element.



Remuneration for other colleagues

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

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

During the year approximately 900 of the Society’s colleagues participated in an annual performance related bonus scheme. Colleagues also receive a colleague dividend if approved by the Society’s members at the AGM.

Executives' service contracts

Executives have rolling service contracts, details of which are summarised below. Arrangements for the former Group Chief Executive are disclosed earlier in this report (see section 'Group Chief Executive – contract').

Provision	Detailed terms
Notice period	Notice periods are as follows – six months for the Group Chief Executive, 12 months for the Chief Executive Energy; three months for the remainder of the Executive. The notice period for the Chief Executive, Energy was agreed at the time of his recruitment. The Committee has since agreed a policy that sets the maximum notice period for new recruits to the Executive at six months.
Payment in lieu of notice	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period plus the fair value of any contractual benefits. Following written notice of termination there is no entitlement to any further payment from the Society except those sums which may have accrued and are due at that time.
Termination payment	If the Society merges with another society any termination payments would be based on the Terms agreed with SATA at the time.

Policy on payments for loss of office

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

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

Recruitment to the Executive

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

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

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

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

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

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

Committee discretions

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

These include:

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

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

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

This section of the report explains how the Remuneration Committee has applied its remuneration policy during the 2018/19 financial year. It contains information about the Committee, details of the result of the vote on last year's Remuneration Report at the 2018 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 2018/19.

The Remuneration Committee

Composition

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

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

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

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

Members

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

- Steve Allsopp
- Clive Booker
- Patrick Gray – stood down 19 November 2018
- Matt Lane – Chair
- Heather Richardson – appointed 19 November 2018, nominated Vice-President, ex officio
- Helen Wiseman – Society President, ex-officio

Responsibilities

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

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

As noted elsewhere in this report, early in the year, the Board agreed to widen the scope of the Committee's terms of reference to include providing high level input and oversight of the Total Reward Strategy which will be implemented by management in the coming years. The Committee looks forward to this enhanced role.

The Committee's terms of reference can be found on the 'governance' pages of the Society's website at 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 2018/19 were £25,886 (2017/18: £27,126). Neither New Bridge Street nor any other part of Aon Hewitt provided other services to the Society during the year.

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

Meetings

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

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

- the award of bonus and LTIP payments
- the setting of targets for bonus and the LTIP grant
- salaries for new roles being recruited to the Executive
- remuneration arrangements for the former Group Chief Executive
- remuneration arrangements for the new Group Chief Executive
- review of the remuneration report

Member voting at the Annual General Meeting

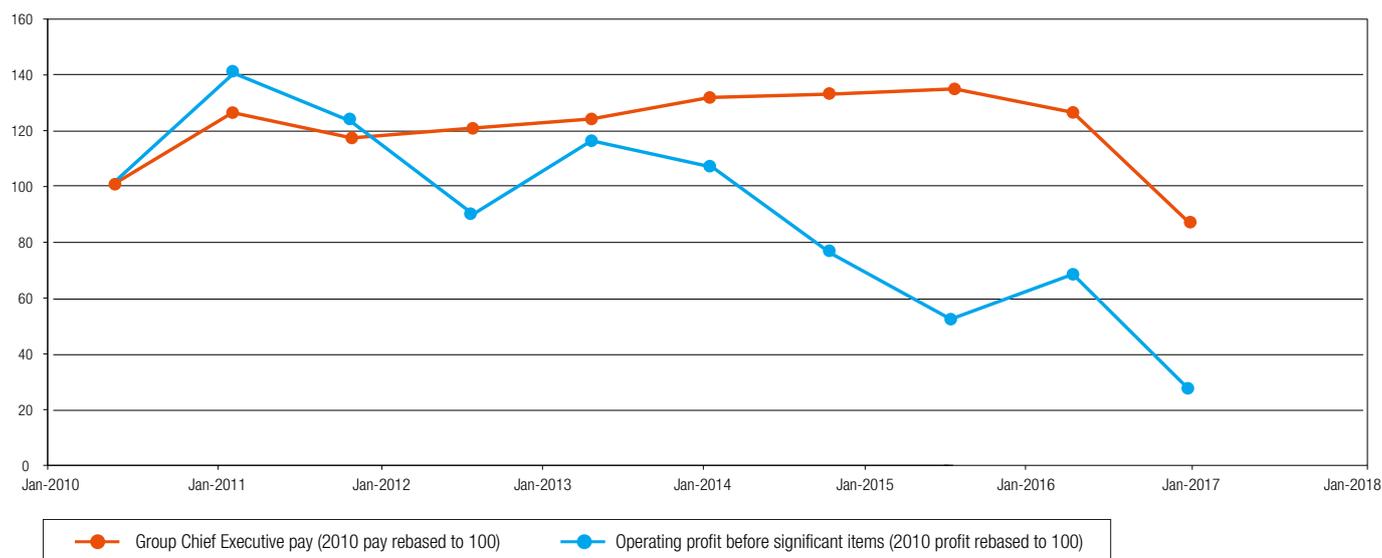
An advisory vote on the remuneration report is held at each AGM. The table below sets out the result of the vote on the 2017/18 remuneration report at the May 2018 AGM.

	Total number of votes	% of votes
For	214	86.6
Against	21	8.5
Abstain	12	4.9
Total	247	100.0

Performance Graph

The graph overleaf shows a comparison of the percentage change in the Society's operating profit before significant items since 2010 against the total remuneration received by the Group Chief Executive comprising base salary, benefits, pension, bonus and long-term incentive awards. Both figures have been rebased to 100 as measured from the financial year ended January 2010 to illustrate more clearly the relative movement in the Chief Executive's pay and Society profit performance. Note that the salary used has been split equally between Ben Reid and Phil Ponsonby, as Ben Reid retired and Phil Ponsonby took over with effect from the half year. In addition, in the case of Ben Reid, a full time equivalent salary has been used for ease of comparison even though he worked part-time.

Chief Executive Pay and Operating Profit before significant items



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

Executives' emoluments (audited)

The table below provides details of the remuneration and pension benefits received by Executives for the 2017/18 and 2018/19 financial years. These figures have been prepared in accordance with the reporting regulations set out by the Department for Business, Innovation and Skills.

	Year	Salary ¹ £	Bonus £	Pension ² £	Benefits- in-kind ³ £	Other payments ⁴ £	LTIP payment £	Total £
Mike Abbott ⁵ GGM Childcare	2017/18	48,316	-	2,030	3,484	148,124	14,702	216,656
	2018/19	-	-	-	-	-	10,182	10,182
David Bird ⁶ CEO Energy	2017/18	281,264	44,252	48,750	10,800	102,417	56,253	543,736
	2018/19	384,681	-	65,000	14,400	-	56,977	521,058
Kevin Brown Chief Property & Services Officer	2017/18	143,453	28,704	388	10,777	-	19,800	203,122
	2018/19	156,748	-	743	10,800	-	21,630	189,921
Peter Dubois Chief Financial Officer	2017/18	153,210	34,135	10,629	15,970	-	13,907	227,851
	2018/19	175,582	-	12,291	16,752	-	22,690	227,315
Simon Fisher ⁷ GGM Funeralcare	2017/18	105,510	-	19,812	10,362	175,462	17,592	328,738
	2018/19	-	-	-	-	-	11,802	11,802
Edward Parker Secretary & Head of Governance	2017/18	141,381	29,002	22,621	16,706	-	21,993	231,703
	2018/19	153,792	-	24,607	17,094	-	22,504	217,997
Phil Ponsonby ⁸ Group CEO	2017/18	280,990	48,148	-	14,189	-	24,469	367,796
	2018/19	369,037	-	-	16,708	-	42,800	428,545
Ben Reid ⁹ Group CEO	2017/18	315,048	63,010	40,841	20,056	51,700	42,800	533,455
	2018/19	239,960	-	29,767	13,232	25,158	14,226	322,343
Alistair Rowland Chief Retail Officer Specialist Businesses	2017/18	179,313	28,056	12,440	11,954	-	25,306	257,069
	2018/19	183,793	-	12,751	12,000	-	26,496	235,040
Caroline Westall CIO	2017/18	149,722	30,302	388	10,777	-	14,233	205,422
	2018/19	160,792	-	743	10,800	-	22,276	194,611
Pete Westall Chief Values Officer	2017/18	155,710	26,241	10,215	14,552	-	21,899	228,617
	2018/19	163,928	-	10,826	14,875	-	23,123	212,752

Notes to executives' emoluments table

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 cash alternative in lieu of pension provision
3. benefits-in-kind include the provision of a car or a cash alternative, and travel payments made to colleagues affected by the relocation of the Society's Head Office in 2011
4. the figures shown cover:
 - relocation expenses for David Bird
 - payments made on account of redundancy for Mike Abbott and Simon Fisher
 - the value of the gift of a car for Ben Reid (2017/18) and pay-in-lieu of notice (2018/19)
5. left the Society on 12 May 2017 due to redundancy
6. joined the Society on 24 April 2017
7. left the Society on 20 October 2017 due to redundancy
8. appointed Group Chief Executive on 29 July 2018; formerly Chief Executive Trading
9. retired as Group Chief Executive on 28 July 2018

Application of the remuneration policy for 2018/19

Base salary

It is the Committee's policy that the salaries of members of the Executive are normally increased in line with the increase agreed with SATA for the Society's senior management grades. In 2018/19 this was 2.5%.

Levels of fixed pay are reviewed formally every two years to ensure market competitiveness and benchmarking against the median position. The last review took place in late 2017 with changes taking effect at the start of the 2018/19 financial year. The next review will take place in late 2019.

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

The table below shows the base salary at the start of the 2018 and 2019 financial years for members of the Executive.

Executive	Salary as at 28 January 2018 £	Salary as at 27 January 2019 £	Change including 2.5% annual rise %	Change excluding 2.5% annual rise %
Mike Abbott, GGM Childcare ¹	131,982	-	0.0%	0.0%
David Bird, Chief Executive, Energy	375,018	384,387	2.5%	0.0%
Kevin Brown, Chief Property & Services Officer	157,008	157,008	0.0%	0.0%
Peter Dubois, Chief Financial Officer	176,010	176,010	0.0%	0.0%
Simon Fisher, GGM, Funeral care ²	128,778	-	0.0%	0.0%
Edward Parker, Secretary & Head of Governance	150,113	153,864	2.5%	0.0%
Phil Ponsonby, Group Chief Executive ³	281,892	455,813	61.7%	57.8%
Ben Reid, Group Chief Executive ⁴	255,260	261,664	-21.2%	-21.2%
Alistair Rowland, Chief Retail Officer Specialist Businesses	179,397	183,878	2.5%	0.0%
Caroline Westall, Chief Information Officer	161,003	161,003	0.0%	0.0%
Pete Westall, Chief Values Officer	160,009	164,004	2.5%	0.0%

1. left the Society on 12 May 2017: salary as date of leaving is shown in column 1

2. left the Society on 20 October 2017: salary at date of leaving is shown in column 1

3. received 2.5% increase as at 28 January 2018; received further increase on appointment as Group Chief Executive effective 29 July 2018

4. retired as Group Chief Executive on 28 July 2018; salary at date of retirement is shown in column 2

Annual bonus plan performance targets

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

The maximum bonus opportunity for members of the Executive for 2018/19 was 20% of base salary (2017/18: 20%).

The annual bonus plan for 2019/20 will operate on the same basis as 2018/19. Targets consist of a mix of financial objectives at Society and trading/support group level, and personal objectives. The weighting between the different types of measures varies by role.

In 2019/20, 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	Group Chief Executive
	%	%	%
Society profit	7.0	7.0	14.0
Trading Group profit	8.0	n/a	n/a
Support Group cost	n/a	5.0	n/a
Personal objectives	5.0	8.0	6.0
Total	20.0	20.0	20.0

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
- no bonus is payable if Society profit before significant items is less than 90% of budget for the year.

As noted elsewhere in this report operating profit before significant items was £6.4m, substantially less than 90% of budget for the year. In accordance with policy, no bonus payments have been made to members of the Executive for the year (2017/18: average payment of 17.4%).

Long-Term Incentive Plan (LTIP)

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

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

- 2016/17 LTIP award

The 2016/17 LTIP grant matured in January 2019. Members of the Executive will receive a payment of 15.0% of their average salary over this period. David Bird, Chief Executive, Energy who joined the Society in 2017 will also receive a payment of 15.0% per the terms of his contract.

The amounts to be paid for the award are set out in the table on the next page:

Performance measure	How measured?	Weighting	Threshold 40% payable	Target 90% payable	Maximum 100% payable	Result	Payment % of salary
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%	5 stars at end of the LTIP period	5 stars in years 2 and 3 of the LTIP period	Maintain 5 stars for the full 3 year LTIP period	2016/18 5 stars maintained	5.0
Colleague engagement	Measured through the Society's annual colleague survey	25%	79	80	81	85 score for 2018/19	5.0
Customer Loyalty Index	Measured through customer satisfaction surveys	25%	72	76	80	83 score for 2018/19	5.0
Total							15.0

- 2019/20 LTIP award

The Remuneration Committee has agreed three of the four performance measures for the annual grant to members of the Executive under the LTIP for the 2019/20 year - ROCE, Corporate Reputation and Member Trade. The fourth measure is set to be agreed at the Committee's next meeting. As in recent years, 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
2017/18	January 2020	1. Return on capital employed	Cumulative trading profit relative to 3-year plan	25%	David Bird Kevin Brown Peter Dubois Edward Parker Phil Ponsonby
2019/20	January 2021	2. Corporate reputation	From Business in the Community's Corporate Responsibility Index and Responsible Business Tracker	25%	Alistair Rowland Caroline Westall Peter Westall
		3. Colleague engagement	Measured through the Society's annual colleague survey and colleague turnover figures	25%	
		4. External Partnerships	Measured through four key questions	25%	

.....

Clawback provisions

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

Pension

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

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

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

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

In 2014 the former 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:

- David Bird receives the cash alternative
- 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 pension arrangement
- Peter Dubois was a deferred member of the CARE Scheme with a mix of career average and final salary benefits and a normal retirement age of 65; during the year he transferred his pension out of the CARE scheme; he participates in the L & G Scheme
- Edward Parker 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 receives a cash alternative
- Phil Ponsonby has opted out of the pension provision from the Society
- Ben Reid is a pensioner member of the CARE Scheme; he received a cash alternative prior to his retirement
- Alistair Rowland is a deferred member of the CARE Scheme with career average benefits and a normal retirement age of 65; he participates in the L & G Scheme
- Pete Westall was a deferred member of the CARE Scheme with a mix of career average and final salary benefits and a normal retirement age of 65; he participated in the L & G Scheme; in 2017 he transferred his pension arrangements out of the CARE scheme; during the year he ceased participating in the L & G scheme, and opted to receive a cash alternative
- Caroline Westall participates in the Society's auto-enrolment pension arrangement.

Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary and bonus between the 2017/18 and 2018/19 financial years, compared with that of the average for all colleagues in the Society.

	% change in salary and incentive pay	
	2017/18	2018/19
Group Chief Executive	(31.4)	(2.1)
Average for colleagues	0.14	4.9

Relative importance of spend on pay

The table on the next page 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.

	2017/18 £m	2018/19 £m	% change
Staff costs	138.4	145.6	5.2
Distributions	3.1	3.9	25.8
Operating profit before significant items	10.9	6.4	(41.3)

N.b. operating profit before significant items for 2017/18 has been restated to reflect the introduction of accounting standard IFRS 15 and to allow a like-for-like comparison with 2018/19.

Loss of office payments

No payments for loss of office were made during the year. The principles governing compensation for loss of office are set out earlier in this report.

Payments to past Executives

Payments under the LTIP granted in 2016/17 that matured in January 2019 are to be made to the following former members of the Executive who have been classed as 'good leavers' under the rules of the LTIP: Ramsay Dunning, who retired from the Society in July 2017 will receive a payment of £12,047; Mari Frost who left the Executive at the end of the 2016/17 financial year but has continued to work for the Society will receive a payment of £4,619; Mike Abbott and Simon Fisher whose roles on the Executive were made redundant during 2017 will receive payments of £10,182 and £11,802 respectively. Ben Reid who retired from the Society during the year will receive a payment of £14,226.

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

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

DIRECTORS' FEES

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

Fees

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

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

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

All the fees listed are increased each year by the same inflation-related increase negotiated with SATA that is awarded to the Society's senior management grades. This was 2.5% in 2018/19 (2017/18: 2.5%).



Board/Committee	Role	Fees 2018/19 £	Fees 2017/18 £
Board	President	13,532	13,202 40% above Director fee
	Vice-Presidents	11,599	11,316 20% above Director fee
	Director	9,666	9,430
Utilities Committee	Chair	3,782	3,690 20% above Director fee
	Committee member	3,152	3,075
Audit & Risk Committee	Chair	756	738 20% above Director fee
	Vice-Chair	693	677 10% above Director fee
	Committee member	630	615
Pension Trustee Board	Trustee Chair	1,471	1,435 40% above Director fee
	Trustee director	1,050	1,025
Environmental Steering Group	Board representative	630	615
Membership Strategy Committee	Committee member	630	615
Remuneration Committee	Committee member	630	615

Expenses

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

Benefits

The Society's Colleague Discount scheme is available to directors and their partners. One current director and one former director were also members of the Society's career average pension scheme during the year 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	
	2018/19 £	2017/18 £
Stephen Allsopp	11,473	10,545
Olivia Birch	10,185	10,952
Clive Booker	13,166	11,273
Ellie Boyle	10,247	9,997
Martin Cook	12,819	2,903
Judith Feeney	14,134	11,763
Patrick Gray	16,484	16,653
Gary Hayes ¹	-	-

Director	Fees	
	2018/19 £	2017/18 £
Irene Kirkman	10,314	10,392
Matthew Lane	13,513	12,978
Donald Morrison	13,239	13,000
Jean Nunn-Price	9,460	12,671
Kathryn Petersen ²	2,551	n/a
Barbara Rainford ³	9,041	12,002
Heather Richardson	10,859	2,532
Helen Wiseman ⁴	17,337	15,257
Vivian Woodell	15,782	13,172

1. waived payment of his director fee
2. appointed October 2018
3. resigned October 2018
4. 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 over 8,000 people in a number of consumer oriented businesses and plays an important social role in the community. It is owned and controlled by its members, a fundamental principle of co-operation, and co-operative values underpin all its activity.

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

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

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

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

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

APPROVAL OF REMUNERATION REPORT

This remuneration report was approved by the Remuneration Committee on 3 April 2019.



Matt Lane
Chair – Remuneration Committee

3 April 2019

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable

them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

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

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 July 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 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.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Approval

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



Helen Wiseman
President



Heather Richardson
Vice-President



Vivian Woodell
Vice-President



Edward Parker
Secretary

4 May 2019

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

Opinion

We have audited the financial statements of The Midcounties Co-operative Limited for the year ended 26 January 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Society's affairs as at 26 January 2019 and of the income and expenditure of the Society for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Society's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Society's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an organisation and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Society or to cease its operations, and as they have concluded that the Society's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the society's business model, including the impact of Brexit, and analysed how those risks might affect the Society's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Society will continue in operation.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As more fully explained in their statement set out on page 52 the Society's directors are responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the

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

Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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.

Simon Purkess (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

4 May 2019

An underwater photograph showing various pieces of plastic waste floating in clear blue water. A large white plastic bag is prominent on the right side. In the center, there is a green cylindrical object, possibly a can or a piece of plastic. To the left, there is a red strip of plastic. The water is filled with small pieces of debris and bubbles. A dotted white line is visible near the top of the image.

change

Tackling single-use Plastics

Did you know: one change we're making is to eliminate single-use plastic carrier bags from our Premium Supermarkets, reducing 400,000 bags a year.

Consolidated Statement of Comprehensive Income

For the year ended 26 January 2019

	Note	Restated				
		2018/19 Before significant items £'000	2018/19 Significant items £'000	2018/19 Total £'000	2017/18 Before significant items £'000	2017/18 Significant items £'000
Revenue	1	1,177,059		1,177,059	1,093,128	1,093,128
Cost of sales		(917,071)		(917,071)	(838,638)	(838,638)
Gross profit		259,988		259,988	254,490	254,490
Operating expenses	2.1/2.2	(253,609)	(10,160)	(263,769)	(243,558)	(244,676)
Operating profit/(loss)		6,379	(10,160)	(3,781)	10,932	9,814
Finance costs	2.3	(6,624)		(6,624)	(5,264)	(5,264)
(Loss)/Profit before payments to and on behalf of members		(245)	(10,160)	(10,405)	5,668	4,550
Payments to and on behalf of members	2.4	(2,032)		(2,032)	(1,799)	(1,799)
(Loss)/Profit before tax		(2,277)	(10,160)	(12,437)	3,869	2,751
Income tax expense/ (credit)	2.5	(350)	1,734	1,384	(2,150)	1,003
(Loss)/Profit for the year		(2,627)	(8,426)	(11,053)	1,719	1,604
Other comprehensive income						
Items that will not be reclassified to the income statement in future periods:						
Revaluation gain/(loss) of property, plant and equipment				3,091		(181)
Realised on disposal of properties				(1,954)		-
Remeasurement of defined benefit liability	4.3			4,452		6,689
Income tax on other comprehensive income	2.5			(1,736)		(1,207)
Phone Co-op transfer of engagements				366		-
Dormant share accounts to reserves				-		189
Other comprehensive income for the period, net of income tax				4,219		5,490
Total comprehensive (expense)/income for the period				(6,834)		7,094

Non-GAAP Income Statement

For the year ended 26 January 2019

Following the introduction of accounting standard IFRS 15 Revenue Recognition which changed the way members share of profits was recognised within the financial statements, we have prepared the table below to allow easier comparison to last year.

	Note	2018/19 Before significant items £'000	2018/19 Significant items £'000	2018/19 Total £'000	2017/18 Before significant items £'000	2017/18 Significant items £'000	2017/18 Total £'000
Revenue (restated to pre IFRS 15 approach)*	1	1,178,881		1,178,881	1,094,784		1,094,784
Cost of sales		(917,071)		(917,071)	(838,638)		(838,638)
Gross profit		261,810		261,810	256,146		256,146
Operating expenses	2.1/2.2	(253,609)	(10,160)	(263,769)	(242,825)	(1,118)	(243,943)
Operating profit		8,201	(10,160)	(1,959)	13,321	(1,118)	12,203
Finance costs	2.3	(6,624)		(6,624)	(5,264)		(5,264)
(Loss)/Profit before payments to and on behalf of members		1,577	(10,160)	(8,583)	8,057	(1,118)	6,939
Payments to and on behalf of members (restated to pre IFRS 15 approach)*		(3,854)		(3,854)	(2,639)		(2,639)
(Loss)/Profit before tax		(2,277)	(10,160)	(12,437)	5,418	(1,118)	4,300
Income tax expense	2.5	(350)	1,734	1,384	(2,150)	1,003	(1,147)
(Loss)/Profit for the year		(2,627)	(8,426)	(11,053)	3,268	(115)	3,153

* Adjusted for £1,822,000 share of profits distribution to pre IFRS15 approach, to enable better comparison to the prior year.

The effect of the implementation of new accounting standards IFRS 15 and IFRS 9

The opening reserves for 2018/19 have been reduced by £1,334,000 and £322,000 respectively in respect of the treatment of members share of profits and the deferral of travel revenue to the point of departure as at 27 January 2018 re IFRS 15.

Regarding IFRS 9 – Financial Instruments, the opening reserves have been reduced by £733,000 in respect of the increase in the bad debt provision due to the recognition of the potential impairment within the 2017/18 income statement.

If the current year's results were to be restated on the same basis as previously reported the effect would be to increase revenue by £1,822,000 and £283,000 respectively for the changes affecting members share of profits and the travel revenue. Operating profit would have increased by £1,822,000 and £283,000 and the loss for the year would be reduced by £283,000. There was no material change in the period following the adoption of IFRS 9 – Financial Instruments.

The opening reserves for 2018/19 have been reduced by £840,000 in respect of the treatment of members share of profits.

Consolidated Statement of Financial Position

As at 26 January 2019

			Restated
	Note	2018/19 £'000	2017/18 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	194,982	200,080
Intangible assets	3.2	136,305	104,646
Investment property	3.3	12,901	16,108
Other investments	3.4	59,625	55,970
Deferred tax assets	3.5	11,000	3,806
Total non-current assets		414,813	380,610
Current assets			
Other investments	3.4	4,584	4,421
Stocks	3.6	25,068	24,441
Trade and other receivables	3.7	240,254	218,748
Cash and cash equivalents	3.8	15,138	13,202
Current tax recoverable		458	438
Assets held for sale	3.9	4,902	2,994
Total current assets		290,404	264,244
TOTAL ASSETS		705,217	644,854
LIABILITIES			
Current liabilities			
Loans and borrowings	4.1	18,888	14,662
Trade and other payables	4.2	347,695	285,637
Provisions		3,950	1,290
Total current liabilities		370,533	301,589
Non-current liabilities			
Loans and borrowings	4.1	39,506	54,482
Other payables	4.2	62,203	57,451
Provisions		4,988	2,259
Pension obligations	4.3	41,326	48,549
Total non current liabilities		148,023	162,741
TOTAL LIABILITIES		518,556	464,330
NET ASSETS		186,661	180,524
EQUITY			
Share capital		70,645	56,413
Other reserves		41,602	43,380
Retained earnings		74,414	80,731
TOTAL EQUITY		186,661	180,524

Consolidated Statement of Changes in Equity

For the year ended 26 January 2019

	Share Capital £'000	Revaluation reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 28 January 2017	53,150	43,631	74,511	171,292
Profit for the year	-	-	1,604	1,604
Other comprehensive income:				
Revaluation of property, plant and equipment	-	(181)	-	(181)
Realised on disposal of properties	-	-	-	-
Actuarial gain on defined benefit pension plans	-	-	6,689	6,689
Dormant share accounts to reserves	(189)	-	189	-
Income tax on other comprehensive income	-	(70)	(1,137)	(1,207)
Total other comprehensive expense	(189)	(251)	5,741	5,301
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	3,452	-	-	3,452
Members' share interest	-	-	(1,125)	(1,125)
Total contributions by and distributions to members	3,452	-	(1,125)	2,327
Balance at 27 January 2018 (restated)	56,413	43,380	80,731	180,524
Loss for the year	-	-	(11,053)	(11,053)
Other comprehensive income:				
Phone Co-op transfer of engagements	-	-	366	366
Revaluation of property, plant and equipment	-	1,155	-	1,155
Realised on disposal of properties	-	(1,954)	1,936	(18)
Actuarial gain on defined benefit pension plans	-	-	4,452	4,452
Dormant share accounts to reserves	(58)	-	58	-
Income tax on other comprehensive income	-	(979)	(757)	(1,736)
Total other comprehensive income	(58)	(1,778)	6,055	4,219
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	6,981	-	-	6,981
Transfer of engagements: The Phone Co-op Limited (note 6.2)	7,309	-	-	7,309
Members' share interest	-	-	(1,319)	(1,319)
Total contributions by and distributions to members	14,290	-	(1,319)	12,971
Balance at 26 January 2019	70,645	41,602	74,414	186,661

Consolidated Statement of Cash Flows

For the year ended 26 January 2019

	Note	2018/19 £'000	Restated 2017/18 £'000
Cash flows from operating activities			
(Loss)/profit for the period		(11,053)	1,604
Adjustments for:			
Depreciation	3.1	11,148	10,195
Amortisation of intangible assets	3.2	5,218	3,438
Gain on sale of property, plant and equipment	2.2	(1,668)	(3,347)
Impairment of property, plant and equipment	2.2	(274)	478
Change in fair value of investment property	2.2	42	389
Change in fair value of trading property	2.2	7,719	1,055
Past service cost	2.2/4.3	550	-
Net finance expense	2.3	6,624	5,264
Payments to and on behalf of members	2.4	2,032	1,799
Members share of profits	1	1,822	1,334
Income tax (credit) / expense	2.5	(1,384)	1,147
		20,776	23,356
Change in:			
Stocks		(399)	364
Trade and other receivables		5,035	(16,781)
Trade, other payables and provisions		15,691	(14,792)
Payments to the pension fund		(6,600)	(6,332)
		13,727	(37,541)
Income tax		6	392
Net cash from operating activities		34,509	(15,127)
Cash flows from investing activities			
Interest received		52	134
Proceeds from:			
Sale of investment properties, property, plant and equipment, intangible assets and assets held for sale		7,502	4,429
Purchase of:			
Property, plant and equipment	3.1	(14,287)	(17,756)
Intangible assets	3.2	(7,332)	(7,376)
Investment property	3.3	-	(10)
Cash received on transfer of engagements	6.2	796	-
Business acquisitions (net of cash acquired)	6.1	(9,680)	-
		(22,949)	(20,579)
Cash flows from financing activities			
Proceeds from issue of share capital		40,218	11,412
Repayment of share capital		(33,011)	(8,913)
Proceeds from new loans		62,500	27,000
Loan arrangement fees		-	(541)
Interest paid on borrowings		(3,289)	(2,525)
Repayment of bank facilities		(77,500)	(31,250)
Repayment of finance lease liabilities		(429)	(743)
Payments to and on behalf of members and share interest paid		(2,689)	(3,043)
		(14,200)	(8,603)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at start of period		(1,170)	41,805
Cash and cash equivalents at end of period	3.8	(3,810)	(1,170)

Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. In the Consolidated Statement of Financial Position overdrafts are classified as current liabilities, loans and borrowings.

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 26 January 2019 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
Deferred tax asset	3.5
Measurement of pension obligations	4.3
Business combinations	6.1
Valuation of financial instruments	4.4
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) Transfers of engagements accepted from incoming societies

Assets and liabilities accepted under a transfer of engagement are restated at fair value, including any adjustments necessary to comply with the accounting policies of the group. The resulting surplus or deficit is taken directly to reserves.

g) Changes in accounting policies

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

h) New standards and interpretations not adopted

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

IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 Revenue from Contracts with Customers on 28th January 2018. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Travel - Dynamically Packaged Bookings

For dynamically packaged bookings, revenue was previously recognised at the point of customer bookings. If bookings were subsequently cancelled or amended prior to travel, revenue was adjusted as soon as the change to the booking was notified by the customer. This impact has historically been minimal. Under IFRS 15, revenue is now required to be recognised at the point of departure.

The Principal Bookings relating to our Consortium members were accounted for at the time of booking as we earn a management fee only in respect of these bookings. Under IFRS 15, this revenue is also required to be recognised at the point of departure.

No other changes to Travel Group revenue were required under IFRS 15.

Payments to and on behalf of members

Payments to and on behalf of members include dividends, grants to community projects and payments in support of co-operative development. These payments were all previously treated as an appropriation of profits and were recorded as a cost above the profit before tax line on the Consolidated Statement of Comprehensive Income. Under IFRS 15 any of these costs that relate to sales discounts that are offered to members are recorded as a reduction in revenue at the point at which the dividend is earned.

All other Trading Groups

There were no material impacts to other trading groups as a result of the adoption of IFRS 15.

Transition

The Group adopted IFRS 15 using the retrospective method.

IFRS 9 Financial instruments

The Group adopted IFRS 9 Financial Instruments from 28th January 2018. We provide here an explanation of the effect of its adoption on the financial statements. In summary, whilst there have been changes in disclosure, there were no material changes in the quantification or measurement of financial assets or financial liabilities.

Financial assets

The Group's financial statements were previously prepared using IAS 39 financial instruments. IAS 39 classified financial assets into classes according to their nature i.e. loans and receivables, held to maturity or available for sale. IFRS 9, by contrast, classifies assets according to the business model for their realisation, as determined by the expected contractual cash flows. This classification determines the accounting treatment, and the new classification under IFRS 9 is by reference to the accounting treatment i.e. amortised cost, fair value through other comprehensive income or fair value through the income statement.

Impairment of financial assets

IAS 39 used an incurred loss approach for measuring impairment while IFRS 9 adopts an expected credit loss approach (ECL). The IAS 39 incurred loss approach relied on a credit event occurring (an actual loss or a debt past a number of days due) before an impairment could be recognised. The bad debt provision for revenues across all trading groups is currently calculated based on the age profile of the debt. The aged debt is reviewed by each trading group at the end of each period and a provision for the debt in each specified ageing category is calculated. The bad debt provision will increase as debt ages and will be reduced by any monies received that relate specifically to the debt. All bad debt provision movements are recorded in Operating Expenses in the Consolidated Statement of Comprehensive Income. The IFRS 9 approach does not require a credit event to occur but is based on changes in expectations of credit losses. IFRS 9 also requires that impairment of financial assets be shown as a separate line item in either the statement of comprehensive income or the income statement.

Energy

A percentage of revenue is impaired to create a doubtful debt provision at the point of sale based on historic collections analysis of the business. The impairment is recognised on a monthly basis. Annually, the percentage applied is reviewed and on a quarterly basis the provisioning policy is validated to ensure that it reflects the actual amounts of bad and doubtful debts experienced. Any impaired amounts that are subsequently paid are adjusted through other expenses and the provision reduced accordingly.

The following standards and interpretations will be adopted in future periods.

IFRS 16 Leasing

IFRS 16 Leasing is effective for annual periods beginning on or after 1 January 2019. The new standard replaces existing leases guidance, principally IAS 17 Leases.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has conducted an initial assessment of the potential impact on its consolidated financial statements.

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. As such, the Group's first reported accounting period under IFRS 16 will be the 2019/20 financial year, which runs from 27 January 2019 to 25 January 2020. On the 27th January 2019 the Group has adopted the modified approach utilising recognition exemptions for short term leases and leases of low-value items. The new standard replaces existing leases guidance, principally IAS 17 Leases. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees.

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

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

Our 2018/19 results have been reported on a pre-IFRS 16 basis.

Estimate of impact on opening Consolidated Statement of Financial Position for 2019/20 at year end date

	£m
New Right of Use Asset	105
New Lease Liability	(107)
Onerous lease provision adjustment	4
Prepayments adjustment	(1)

The Society has used a range of discount rates in arriving at the above estimates. between 2.0% to 4.3% dependent on the length of lease remaining and the quality of the right of use asset.

Transition

As a lessee, the Group can apply the standard using either a retrospective approach or a modified retrospective approach with optional practical expedients. The Society adopted IFRS 16 on 27th January 2019, using the modified retrospective approach, where the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 27th January 2019, with no restatement of comparative information. The lessee applies the election consistently to all of its leases.

Other standards effective for annual periods beginning on or after 1 January 2019

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments
- Amendments to IAS 19 Employee benefits
- Annual improvements to IFRS Standards 2015-17 cycle
- Amendments to IAS 28: Long term interests in Associates and Joint Ventures

Other standards not yet endorsed by the EU

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8

Notes to the Financial Statements

Keeping it simple

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

Section 1 - Revenue

In this section

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

Keeping it simple – Sales

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

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

Accounting Policy:

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

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

The following criteria must be met before revenue is recognised:

Class of revenue	Recognition criteria
Sale of goods and rendering of services	Point of sale and provision of services
Travel agency fees and commissions	Gross commission earned recognised on booking
Travel principle revenue	Recognised on departure date
Flexible benefits commissions	Gross commission recognised at the point of payment
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

	2018/19 Gross sales £'000	2018/19 Revenue £'000	Restated	
			2017/18 Gross sales £'000	2017/18 Revenue £'000
Food	591,366	534,532	568,802	515,513
Funeral	34,293	33,830	34,066	33,589
Healthcare	28,993	28,578	32,243	31,804
Travel	396,514	127,130	362,572	74,256
Childcare	34,453	34,387	31,920	31,863
Energy	423,483	405,940	420,070	399,664
Post Offices	2,873	2,853	2,891	2,869
Flexible benefits	25,252	1,358	25,852	1,270
Phone	6,651	6,638	-	-
Other	82	82	50	50
Property rentals	3,560	3,553	3,590	3,584
	1,547,520	1,178,881	1,482,056	1,094,462
Members share of profits	(1,822)	(1,822)	(1,334)	(1,334)
	1,545,698	1,177,059	1,480,722	1,093,128

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	2018/19 £'000	Restated 2017/18 £'000
Operating costs	2.1.1	107,775	104,954
Personnel costs	2.1.2	145,616	138,409
Transactions with directors	2.1.3	218	195
		253,609	243,558

2.1.1 Operating costs

		2018/19 £'000	2017/18 £'000
Hire of plant and equipment - operating leases		467	372
Hire of land and buildings - operating leases		15,038	14,418
Depreciation of owned assets - property, plant and equipment	3.1	10,630	9,586
Amortisation of owned assets - intangibles	3.2	5,218	3,438
Depreciation of assets held under finance leases	3.1	518	609
Fees paid to auditors:			
Audit		440	224
Other		101	38
Other expenses		75,363	76,269
		107,775	104,954

2.1.2 Personnel costs

		2018/19 £'000	2017/18 £'000
Wages and salaries		134,812	128,504
Compulsory social security payments		8,800	8,481
Expenses related to defined contribution pension schemes	4.3	2,004	1,424
		145,616	138,409

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

	Number	Number
Full time	4,473	4,385
Part time	4,040	4,278
	8,513	8,663

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.

	2018/19	2017/18
	£'000	£'000
Directors' fees and expenses	218	195

2.2 Significant items

Keeping it simple - Significant items

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

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

		2018/19	2017/18
		£'000	£'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	1,668	3,347
Change in fair value of trading properties	a	(7,719)	(1,055)
Change in fair value of investment properties	a	(42)	(389)
Expense of business acquisitions and disposals	b	(1,493)	(402)
Impairment of property, plant and equipment	c	274	(478)
Restructuring costs	d	(959)	(1,709)
Onerous lease	e	(1,339)	(432)
Defined benefit pension plan	f	(550)	0
		(10,160)	(1,118)
Tax on significant items	g	1,734	1,003
Significant items after tax		(8,426)	(115)

a - Gains and losses on disposal of property, plant and equipment, assets held for sale and investment properties are one-off in nature and can be significant in terms of size and volatility. Similarly, changes in fair values of the trading and investment properties as part of the annual revaluation process are significant as they depend on market conditions at the time of valuation and therefore can be volatile as well as significant in size.

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

c - Impairments of property, plant and equipment and the reversal thereof, are significant in value. This volatility would distort the underlying financial performance. They are in relation to a decrease/(increase) in the impairment provision on loss-making sites.

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

e - The onerous lease costs are significant and are predominantly due to the increase of a provision for a vacated office buildings with a long lease.

f - Defined benefit pension plan – equalisation of male and female guaranteed minimum pensions.

g - The tax credit relates to tax on significant items.

2.3 Finance costs

Keeping it simple - Finance costs

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

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

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

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

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

	Note	2018/19 £'000	2017/18 £'000
Finance income	2.3.1	52	134
Finance expenses	2.3.2	(6,676)	(5,398)
		(6,624)	(5,264)

2.3.1 Finance income

	2018/19 £'000	2017/18 £'000
Interest income on available for sale financial assets	18	112
Interest income on bank deposits	34	22
	52	134

2.3.2 Finance expense

	2018/19 £'000	2017/18 £'000
Net interest on defined benefit liability	3,279	2,544
Interest expense on bank loans	3,280	2,462
Interest expense in respect of finance lease liabilities	9	63
Loan arrangement fees expensed	108	329
	6,676	5,398

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 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'.

	2018/19	Restated
	£'000	2017/18
		£'000
Grants and other member benefits	1,482	1,352
Employee member benefits	550	447
	2,032	1,799

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.

	2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
	Before	Significant		Before	Significant	
	significant	items		significant	items	
	items	£'000	£'000	items	£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
Current tax expense:						
Current period	387	(387)	-	452	(452)	-
Adjustment for prior periods	(12)	-	(12)	760	-	760
	375	(387)	(12)	1,212	(452)	760
Deferred tax expense:						
Origination and reversal of temporary differences	91	(1,347)	(1,256)	1,142	(245)	897
Adjustment for prior periods	(116)	-	(116)	(204)	(306)	(510)
	(25)	(1,347)	(1,372)	938	(551)	387
Total income tax	350	(1,734)	(1,384)	2,150	(1,003)	1,147

In order to understand how, in the income tax statement, a tax credit of £1.384 million (2017/18: tax charge of £1.147 million) arises on a loss before tax of £12.4 million (2017/18: a profit before tax of £4.3 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual charge as follows:

	2018/19 Before significant items	2018/19 Significant items	2018/19	2017/18 Before significant items	2017/18 Significant items	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Factors affecting the tax charge for the period:						
(Loss)/profit before taxation	(2,277)	(10,160)	(12,437)	5,418	(1,118)	4,300
Income tax using the Society's domestic tax rate of 19.00% (2017/18: 19.17%)	(433)	(1,930)	(2,363)	1,039	(214)	825
Expenses not deductible for tax purposes	911	257	1,168	556	151	707
Profit on sale of properties subject to indexation and rollover relief	-	(61)	(61)	-	(634)	(634)
Adjustment for prior periods (current plus deferred tax expense)	(128)	-	(128)	555	(306)	249
Total income tax (credit)/expense	350	(1,734)	(1,384)	2,150	(1,003)	1,147

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

	2018/19 £'000	2017/18 £'000
Total recognised directly in equity:		
Members' share interest	(310)	(267)
Total recognised in other comprehensive income:		
Revaluation of property, plant and equipment	979	70
Actuarial gains on defined benefit pension plans	757	1,137
	1,736	1,207
Deferred tax:		
Net asset at start of period	3,806	4,862
Deferred tax charge in revenue account for the period	1,372	(387)
Deferred tax recognised directly in equity	310	538
Movement on pension liability deferred tax	(757)	(1,137)
Other deferred tax recognised in other comprehensive income	(979)	(70)
Acquisitions and transfers of engagements	7,248	-
Net asset at end of period	11,000	3,806

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 26 January 2019 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.

		2018/19 Before Significant Items £'000	2018/19 Significant Items £'000	2018/19 Total £'000	2017/18 Before Significant Items £'000	2017/18 Significant Items £'000	2017/18 Total £'000
(Loss)/profit before taxation		(2,277)	(10,160)	(12,437)	5,418	(1,118)	4,300
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2017/18: 19.17%)		(433)	(1,930)	(2,363)	1,039	(214)	825
Depreciation in excess of capital allowances	a	2,096	-	2,096	279	-	279
Pension movements	b	(526)	-	(526)	(726)	-	(726)
Expenses not deductible for tax purposes	c	(750)	-	(750)	(140)	-	(140)
Change in fair value of trading properties	c	-	1,466	1,466	-	201	201
Change in fair value of investment properties	c	-	8	8	-	75	75
Expense of business acquisitions and disposals	c	-	180	180	-	29	29
Capital gains	c	-	(61)	(61)	-	(634)	(634)
Impairment of property, plant and equipment	c	-	(50)	(50)	-	91	91
		387	(387)	-	452	(452)	-
Adjustments to tax charge in respect of previous periods		(12)	-	(12)	760	-	760
Reported current tax charge and effective rate		375	(387)	(12)	1,212	(452)	760
Depreciation in excess of capital allowances	a	(1,086)	-	(1,086)	426	-	426
Pension movements	b	471	-	471	644	-	644
Expenses not deductible for tax purposes	d	706	(1,347)	(641)	(196)	(245)	(441)
Adjustments to tax charge in respect of previous periods		(116)	-	(116)	64	(306)	(242)
Reported total tax charge and effective rate		350	(1,734)	(1,384)	2,150	(1,003)	1,147

Capital allowances

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

Tax deductions

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

Non deductible items

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

Other timing differences

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

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 28 January 2017	171,431	89,786	153	261,370
Additions	4,006	13,692	58	17,756
Impairment provision	-	(478)	-	(478)
Revaluation	(1,236)	-	-	(1,236)
Disposals	(1,261)	(377)	-	(1,638)
Transfers	(4,415)	-	-	(4,415)
At 27 January 2018	168,525	102,623	211	271,359
Additions	828	12,500	-	13,328
Acquisitions	350	609	-	959
Impairment reversal	-	274	-	274
Revaluation	(6,564)	-	-	(6,564)
Disposals	(950)	(1,966)	-	(2,916)
Transfer to assets held for sale	(674)	-	-	(674)
Transfers	(350)	-	-	(350)
At 26 January 2019	161,165	114,040	211	275,416
Accumulated depreciation:				
At 28 January 2017	7,380	54,536	74	61,990
Provided	633	9,529	33	10,195
Disposals	(73)	(833)	-	(906)
At 27 January 2018	7,940	63,232	107	71,279
Provided this year	234	10,878	36	11,148
Disposals	(1,120)	(873)	-	(1,993)
At 26 January 2019	7,054	73,237	143	80,434
Carrying amount				
At 27 January 2018	160,585	39,391	104	200,080
At 26 January 2019	154,111	40,803	68	194,982

The gross book value of assets held under finance leases shown within additions is £nil (2017/18: £nil).

The net book value of assets held under finance leases is £729,000 (2017/18: £1,451,000).

Plant, fixtures and fittings include assets in the course of construction of £7,054,000 (2017/18: £5,349,000)

Security

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

Valuations

The property valuations undertaken in January 2019 were valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as:

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

The properties are valued individually, and yields are therefore varying on a property by property basis. Yields range from 6% to 12% (2017/18: 5.5% to 11.0%)

3.2 Intangible assets

Keeping it simple - Intangible assets

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

Goodwill

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

Other intangibles

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

Fair value measurement

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

Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying value of the net operating assets.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	Purchased goodwill £'000	Licences and brand £'000	Customer Relationships £'000	Total £'000
Cost:				
At 28 January 2017	70,890	22,233	8,651	101,774
Additions	8,157	7,376	-	15,533
At 27 January 2018	79,047	29,609	8,651	117,307
Additions	45	8,568	-	8,613
Acquisitions	20,944	707	6,625	28,276
Disposals	(1,233)	(81)	-	(1,315)
At 26 January 2019	98,803	38,802	15,276	152,881
Accumulated amortisation:				
At 28 January 2017	6,982	1,959	282	9,223
Charge for the year	-	1,750	1,688	3,438
At 27 January 2018	6,982	3,709	1,970	12,661
Charge for the year	-	2,950	2,628	5,218
Disposals	(1,226)	(77)	-	(1,303)
At 26 January 2019	5,756	6,222	4,598	16,576
Carrying Amount				
At 27 January 2018	72,065	25,900	6,681	104,646
At 26 January 2019	93,047	32,580	10,678	136,305

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. Annual impairment testing is performed on the carrying value of pharmacy licences.

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

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

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

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 participant's cost of capital for each business and range from 9.0% to 11.0%. Business specific growth rates are used to extrapolate budgeted cash flows for a period of 17 years beyond a detailed 3 year plan at a rate between 2.0% 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. For the Energy Group the extrapolated cash flows for the 17 year period are based on expected customer growth.

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.

	2018/19 £'000	2017/18 £'000
Cost or valuation:		
At start of year	16,108	12,422
Additions	-	10
Acquisitions	713	-
Revaluation	(42)	(389)
Disposals	-	(350)
Transfer to assets held for sale	(4,228)	-
Transfers	350	4,415
At end of year	12,901	16,108

Investment properties are not depreciated.

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

Valuations

The property valuations undertaken in January 2019 were valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as: The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The valuations were carried out by Chartered Surveyors, VSL and Partners, Eddisons Taylors & JLL.

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

Yields range from 7% to 10% (2017/18 : 4.0% to 12.0%), with a mean yield of 8.4% (2017/18 : 8.4%) before costs.

3.4 Other investments

Keeping it simple - Other investments

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

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

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

Determination of fair values

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

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

	2018/19	2017/18
	£'000	£'000
Non current investments:		
Available for sale financial assets	4,625	2,320
Financial assets designated at fair value through the Income Statement	55,000	53,650
	59,625	55,970
Are held as follows:	£'000	£'000
Co-operative Group shares	1,562	1,562
Other I&P Societies shares	2,591	330
Other investments	472	428
Total available for sale financial assets	4,625	2,320
Funeral prepayment plans	55,000	53,650
	59,625	55,970
Current investments:	2018/19	2017/18
	£'000	£'000
Financial assets designated at fair value through the income statement	4,584	4,421

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 4.4.

3.5 Deferred tax assets and liabilities

Keeping it simple - Deferred tax

Deferred tax arises because financial accounting rules and tax accounting rules are different.

A deferred tax asset is a tax saving which will be made in the future as a result of transactions which have already occurred.

A deferred tax liability recognises tax which will be payable in the future as a result of transactions which have already occurred.

Accounting Policy:

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Society's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

	Note	2018/19 £'000	2017/18 £'000
Deferred tax liability in respect of property, plant and equipment		(3,500)	(5,795)
Short term temporary differences		-	-
Deferred tax liability		(3,500)	(5,795)
Intangible assets		912	1,013
Deferred tax asset in respect of pension obligations		7,025	8,253
Short term temporary differences		2,559	335
Tax losses		4,004	-
Deferred tax asset		14,500	9,601
Net deferred tax asset	2.5	11,000	3,806

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

	Assets		Liabilities	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Property, plant and equipment	-	-	(3,500)	(5,795)
Intangible assets	912	1,013	-	-
Pension obligations	7,025	8,253	-	-
Other items	2,559	335	-	-
Tax losses	4,004	-	-	-
Tax assets / (liabilities)	14,500	9,601	(3,500)	(5,795)

There are £1.704 million unrecognised deferred tax assets (2017/18 : £nil).

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

	At 27 January 2018	Recognised in Income statement	Recognised in equity/ other comprehensive income	Acquisitions/ transfer of engagements	At 26 January 2019
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(5,795)	2,759	(669)	205	(3,500)
Intangible assets	1,013	(101)	-	-	912
Pension obligations	8,253	(471)	(757)	-	7,025
Other items	335	(1,611)	-	3,835	2,559
Tax losses	-	796	-	3,208	4,004
Tax assets	3,806	1,372	(1,426)	7,248	11,000

As at 26 January 2019, total deferred tax assets are £14.5 million (2017/18: £9.601 million) and total deferred tax liabilities are £3.5 million (2017/18: £5.795 million).

The deferred tax balance relates to:

- Property plant and equipment temporary differences arising on assets qualifying for capital allowances.
- Deferred chargeable gains reinvested in qualifying assets
- Property revaluation temporary differences
- Tangible assets temporary differences
- Pension obligation temporary differences
- Other temporary differences on miscellaneous items

3.6 Stocks

Keeping it simple - Stock

Stock is an asset which is purchased by the business for resale to our customers.

Accounting Policy:

Stocks are stated at the lower of cost and net realisable value. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation. Provision is made where necessary for slow moving and defective stocks.

Determination of fair values

The fair value of stocks acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, plus a reasonable profit margin based on the effort required to complete and sell those stocks.

Goods for resale

2018/19	2017/18
£'000	£'000
25,068	24,441
25,068	24,441

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £376 million (2017/18: £385 million).

The year-end stock provision is £nil (2017/18: £440,000).

Stock write-downs in the year were £Nil (2017/18: £196,000).

3.7 Trade and other receivables

Keeping it simple - Trade and other receivables

A receivable is the amount owed by a person or business that has purchased goods or services from the Society but has not yet paid for them.

Trade receivables

Prepayments and accrued income

Accrued income for Energy customers

Accrued income for Phone Co-op customers

Other receivables

2018/19	2017/18
£'000	£'000
165,916	156,480
18,319	16,785
44,359	33,549
96	-
11,564	11,934
240,254	218,748

The Society's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 4.4. Included above is a loan for £500,000 that is repayable in 2020 and therefore a non-current asset.

3.8 Cash and cash equivalents

Keeping it simple - Cash and cash equivalents

Cash is considered to be any cash held in branches and the balance of any bank accounts held by the Society. A cash equivalent is something which can be easily turned into cash.

Cash and cash equivalents comprise cash balances and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

	2018/19 £'000	2017/18 £'000
Cash and cash equivalents	15,130	12,343
Short-term deposits	8	859
	15,138	13,202

The Society's exposure to interest rate risk is disclosed in Note 4.4.

3.9 Assets held for sale

Keeping it simple - Assets held for sale

If a decision has been made to sell a non-current asset, and it is in a condition for resale, it is held at either the lower of their original cost/revaluation or the amount the asset could be sold for less the costs associated with the sale.

Re-measurement and impairment

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Society's accounting policies. Thereafter the assets (or disposal group) are generally measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro-rata basis. No loss is allocated to stocks, financial assets, deferred tax assets, pension assets and investment property, which continue to be measured in accordance with the Society's accounting policies.

Impairment losses on initial classification as held for sale, and subsequent gains or losses on remeasurement, are recognised in the income statement.

Gains are not recognised in excess of any cumulative impairment loss.

	2018/19 £'000	2017/18 £'000
Assets classified as held for sale:		
Land and buildings	4,902	2,994
	4,902	2,994

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 and 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.

	2018/19	2017/18
	£'000	£'000
Current liabilities:		
Bank overdraft	18,948	14,372
Current portion of secured bank loans (see notes 3.1 & 3.3)	(108)	(107)
Current portion of finance lease liabilities	48	397
	18,888	14,662
Non current liabilities :		
Secured bank loans (see notes 3.1 & 3.3)	39,331	54,227
Finance lease liabilities	175	255
	39,506	54,482

Terms and conditions of outstanding loans were as follows:

	Rate	Nominal interest rate	Year of maturity	2018/19	2017/18
				£'000	£'000
Royal Bank of Scotland loan	Fixed	5.73%	2022	25,987	25,983
Royal Bank of Scotland loan	Variable	1.80%	2022	1,624	1,624
Revolving credit facility Barclays	Variable	2.48%	2022	4,947	11,294
Revolving credit facility Barclays	Variable	2.48%	2022	861	1,964
Revolving credit facility Lloyds	Variable	2.48%	2022	5,805	13,255
Total interest bearing liabilities				39,224	54,120

The loans are shown net of an unamortised arrangement fee of £401,000 (2017/18: £505,000)

The total facilities available to the Society as at 26 January 2019 were £87.6m

Finance lease liabilities are payable as follows:

	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 £'000
Less than one year	49	48	403	397
Between one and five years	45	37	114	108
More than five years	586	138	598	147
	680	223	1,115	652

Finance leases were taken out during the year at a gross value of £nil (2017/18: £nil). These leases were secured against the assets acquired.

4.2 Trade and other payables

Keeping it simple - Trade, other payables and provisions

When the Society receives goods or services which are to be paid for at a later date, a payable is created. This reflects money which the Society must pay out in the future.

Current liabilities:

	2018/19 £'000	2017/18 £'000
Trade payables	259,239	222,865
Government Grants	78	295
Other payables	14,584	18,651
Deferred income	52,994	21,306
Funeral bonds	5,100	4,700
Accrued charges	15,700	17,820
	347,695	285,637

Non current liabilities:

	£'000	£'000
Funeral bonds (non-current)	61,030	56,431
Other payables (non-current)	1,173	1,020
	62,203	57,451

The Society's exposure to liquidity risk related to its trade and other payables is disclosed in note 4.4.

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

4.3 Pension obligations

Keeping it simple - Pension obligations

The Society runs two types of pension scheme, defined benefit and defined contribution.

- A defined benefit scheme provides a pension based on a colleague's salary and length of service.
- A defined contribution scheme sets the value which will be paid into a pension scheme; the amount of pension this generates is variable and depends on the performance of the investments into which contributions are paid and the annuity rates at the time of retirement.

Accounting Policy:

Defined contribution plans

The Society operates a defined contribution scheme for all employees. All costs relating to the defined contribution schemes are charged to the income statement as incurred.

Contributions to the defined contribution scheme in the year were £2,004,000 (2017/18: £1,424,000) and were charged through the Income Statement.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Society's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on a high quality corporate bond that has a maturity date approximating to the terms of the Society's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. The Society recognises all actuarial gains and losses arising from the defined benefit plans directly in other comprehensive income immediately.

At the Statement of Financial Position date, The Midcounties Co-operative operated a defined benefit pension and a defined contribution plan for its employees. The defined benefit scheme is a Career Average Revalued Earnings (CARE) scheme. On 13 June 2014 it was closed to future accrual.

Full actuarial valuations of the scheme were carried out at 31 December 2015 and were updated to 26 January 2019 by a qualified independent actuary.

Plan Assets comprise:

Equities:

Developed equities

Senior Secured Loans

Alternative credit

Global corporate credit

Global sovereign credit

High quality bonds

Other

Property

Diversifying strategies

Cash and cash equivalents

Other:

Listed infrastructure

Other

Annuity policy

	2018/19	2017/18
	£'000	£'000
	21,610	30,031
	14,247	21,586
	1	3,539
	7,196	11,127
	53,544	69,443
	6,195	-
	28,988	22,176
	41,734	45,962
	29,652	6,085
	8,311	9,997
	3,604	3,763
	855	-
	215,937	223,709

Annuity policy is additional voluntary contributions held with Royal London Group.

	2018/19 £'000	2017/18 £'000
Actual return on plan assets	159	13,065

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.

	2018/19 £'000	2017/18 £'000
Change in defined benefit obligation		
Defined benefit obligation at beginning of year	272,258	276,651
Current service cost	-	-
Past service cost	550	-
Gain on curtailment of pension scheme	-	-
Interest cost	7,038	7,978
Insurance premium	-	-
Plan participants' contributions	-	-
Actuarial losses	(10,105)	59
Benefits paid	(13,333)	(12,430)
Annuity policy	855	-
Defined benefit obligation on plans that are wholly or partly funded	257,263	272,258
Change in plan assets		
Fair value of plan assets at beginning of year	223,709	217,625
Interest income	5,812	6,317
Actuarial gains	(5,653)	6,748
Administration expenses	(2,053)	(883)
Insurance premium for risk benefits	-	-
Employer contribution	6,600	6,332
Plan participants' contributions	-	-
Benefits paid	(13,333)	(12,430)
Annuity policy	855	-
Fair value of plan assets at end of year	215,937	223,709
Net pension obligation		
Funded status	(41,326)	(48,549)
Unrecognised net actuarial losses/(gains)	-	-
Unrecognised past service cost/(benefit)	-	-
Net amount recognised	(41,326)	(48,549)
Components of pension cost	£'000	£'000
Current service cost	-	-
Past service cost	550	-
Interest cost	7,038	7,978
Expected return on plan assets	(5,812)	(6,317)
Administrative expenses and taxes	2,053	883
Total pension cost recognised in the Income statement	3,829	2,544
Actuarial losses/gains immediately recognised in other comprehensive income:	£'000	£'000
Effect of changes in demographic assumptions	2,778	(6,686)
Effect of changes in financial assumptions	(12,883)	6,745
Effect of experience adjustments	-	-
Return on plan assets (excluding interest income)	5,653	(6,748)
Total pension (income)/cost recognised in other comprehensive income	(4,452)	(6,689)
Cumulative amount of actuarial losses immediately recognised	68,479	72,931

Weighted average assumptions used to determine defined benefit obligations:

	2018/19	2017/18
Discount rate	2.90%	2.65%
Inflation	3.05%	3.10%
Rate of increase to pensions in payment (pre July 2006)	2.90%	2.90%
Rate of increase to pensions in payment (post July 2006)	2.00%	2.00%

Weighted average assumptions used to determine net pension cost:

	2018/19	2017/18
Discount rate	2.65%	2.95%
Inflation	3.10%	3.25%
Future salary increases	N/A	N/A
Rate of increase to pensions in payment (pre July 2006)	2.90%	3.05%
Rate of increase to pensions in payment (post July 2006)	2.00%	2.15%

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

	Males		Females	
	2018/19	2017/18	2018/19	2017/18
The average life expectancy of an individual retiring at age 65	22.0	22.2	23.9	24.0
The average life expectancy of an individual aged 40 retiring at age 65	23.9	24	25.9	25.9

Two year history

	2018/19	2017/18
	£'000	£'000
Benefit obligation at end of year	(256,408)	(272,258)
Fair value of plan assets at end of year	215,082	223,709
Deficit	(41,326)	(48,549)
Difference between expected and actual return on scheme assets:		
Amount (£'000)	(5,653)	6,748
Percentage of scheme assets	(3)%	3%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	-	-
Percentage of scheme assets	0%	0%

Sensitivity analysis

Possible reasonable changes at the reporting date to one of the relevant actuarial assumptions (holding the other assumptions constant) would have affected the defined benefit obligation by the amounts shown below. Although the analysis does not take account of the full distribution of cash flows expected under the Scheme, it does provide an approximation of the sensitivity of the assumptions shown.

	Total deficit	change in reported deficit
Minus 0.25% discount rate	55,039	(6,490)
Plus 0.25% discount rate	28,550	19,999
Minus 0.25% inflation rate	31,331	17,218
Plus 0.25% inflation rate	51,322	(2,773)
Mortality rate -1 year	49,795	(1,246)
Mortality rate +1 year	32,919	15,630

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 26 January the Trustee comprises of four member nominated representatives and four employer nominated representatives. The Trustee is required to act in accordance with legislation and in the best interests of the Scheme members. The Trustee is responsible for agreeing the funding of the Scheme with the Society, setting the investment strategy and administering the benefits. The Trustee is responsible for investing the Scheme's assets after consultation with the Society. The investment strategy is managed within a framework that has been developed to achieve long-term investment returns that are in line with the obligations of the Scheme. Within this framework, the long-term objective is to match assets to the pension obligations by investing in assets that match the benefit payments as they fall due as far as possible whilst achieving an acceptable level of return. The Trustee is responsible for agreeing the Scheme's funding arrangements with the Society. Every three years, the Trustee carries out an actuarial valuation of the Scheme for funding purposes using the assumptions set out in the Scheme's Statement of Funding Principles. If the funding valuation discloses a deficit within the Scheme, the Trustee and Society agree a recovery plan to rectify the deficit. Following the 31 December 2015 valuation of the Scheme, the Society is currently contributing £6.6m per annum in deficit recovery contributions. The Scheme exposes the Society to risks such as longevity risk, interest rate risk, inflation risk and investment risk and an illustration of the impact of small changes in these is shown.

At 26 January 2019, the weighted average duration of the defined benefit obligation was approximately 23 years.

The CARE Scheme closed to future build up from 30 June 2014. Members at the date of closure were offered membership of a new defined contribution scheme with Legal & General. The Society matches member's contributions up to a maximum of 7%.

4.4 Financial instruments and derivatives

Keeping it simple - Financial instruments and derivatives

A liability is generated when the Society has carried out an activity which results in expense that will be paid in the future. This includes loans from the banks and amounts owed to suppliers for goods or services it has received. There is an uncertainty as to how much the Society may have to eventually have to pay and the following risk calculations for credit, liquidity, interest rate, commodity price, foreign currency, capital management and guarantees are taken into account when estimating this value.

Credit risk:

Credit risk arises from the possibility of customers failing to meet their obligations to the Society. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. The Society does not require collateral in respect of financial assets. The Society considers that it is prudent in its impairment provisioning and it has no significant customer credit risk.

The carrying amount of financial assets represents the maximum exposure to credit risk at the reporting date was:

	Note	2018/19 £'000	2017/18 £'000
Available for sale financial assets	3.4	4,625	2,320
Financial assets at fair value through the income statement	3.4	59,584	58,071
Trade and other receivables	3.7	221,935	201,963
		286,144	262,354

The ageing of trade receivables at the reporting date was:

	Gross 2018/19 £'000	Impairment 2018/19 £'000	Gross 2017/18 £'000	Impairment 2017/18 £'000
Not overdue	174,345	(1,314)	142,338	(140)
Overdue 0-30 days	14,785	(1,053)	34,564	(580)
Overdue 31-120 days	16,872	(1,425)	9,873	(1,263)
121 days to one year	12,369	(4,930)	10,280	(5,115)
More than one year overdue	17,075	(16,353)	8,317	(8,245)
	235,446	(25,075)	205,372	(15,343)

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
26 January 2019							
Secured bank loans	39,224	45,075	908	908	1,816	41,443	-
Finance lease liabilities	223	680	24	25	11	33	587
Trade and other payables	409,898	412,698	347,945	2,550	4,781	14,339	43,083
Provisions	9,588	10,499	2,189	2,174	782	2,044	3,310
	458,933	468,952	351,066	5,657	7,390	57,859	46,980
	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
27 January 2018							
Secured bank loans	54,120	63,103	1,060	1,060	2,119	58,864	-
Finance lease liabilities	652	1,115	223	180	80	34	598
Trade and other payables	343,088	343,088	283,015	2,350	4,678	13,190	39,855
Provisions	3,549	4,202	813	477	384	635	1,893
	401,409	411,508	285,111	4,067	7,261	72,723	42,346

Interest rate risk:

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

	Carrying amount	
	2018/19 £'000	2017/18 £'000
Fixed rate instruments:		
Financial liabilities	(25,987)	(25,983)
Variable rate instruments:		
Financial assets	15,138	13,202
Financial liabilities	(32,185)	(42,509)

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 26 January 2019 amounted to £245,055,000 (2017/18: £249,668,000)

Guarantees:

In the course of conducting its operations, the Society has issued bank guarantees in favour of counter-parties. The total amount of bank guarantees outstanding is £6,100,000 (2017/18: £5,594,000).

Fair values:

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

	Note	2018/19		2017/18	
		Carrying amount	Fair value	Carrying amount	Fair value
		£'000	£'000	£'000	£'000
Available for sale financial assets	3.4	4,625	4,625	2,320	2,320
Financial assets designated at fair value through the income statement	3.4	59,584	59,584	58,071	58,071
Trade and other receivables	3.7	240,254	240,254	218,748	218,748
Cash and cash equivalents	3.8	15,138	15,138	13,202	13,202
Secured bank loans	4.1	39,224	41,373	54,120	58,519
Finance lease liabilities	4.1	223	223	652	652
Bank overdraft	4.1	18,948	18,948	14,372	14,372
Trade and other payables	4.2	409,898	409,898	343,088	343,088

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 2.31% (2017/18: 1.63%) 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 4.25%.

Shares are withdrawable on periods of notice from one week and longer dependent on the amount involved. The right to withdraw may, by resolution of the Board, be suspended either wholly or partially and either indefinitely or for a fixed period.

Each member is entitled to one vote irrespective of the number of shares held. In the event of a solvent winding up of the Society, the Society's rules state that a surplus remaining after all liabilities, including paid up share capital, had been settled would not be distributed to the members of the Society but would be:

- transferred to one or more societies in membership of Co-operatives UK Limited having the same or similar rule provisions as regards surplus distribution or,
- if not so transferred 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:

£'000

The following dividends were declared and paid by the Society: Final Dividend 2017/18 (Approved May 2018)

1,334

Section 6 - Other notes

In this section

This section contains details of acquisitions which have happened in the year, insurance contracts, operating leases, capital commitments, related party transactions and subsidiaries.

6.1 Acquisitions

Keeping it simple - Acquisitions

This section shows the value of businesses and assets purchased in the year. The value of the business is calculated at the date of completion. Adjustments are made to bring the business valuation in line with the Society's accounting policies.

Accounting Policy:

Business combinations are accounted for using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control the Group takes into consideration potential voting rights that are currently exercisable.

i) For acquisitions on or after 24 January 2010 the Group measures goodwill at the acquisition date as:

- The fair value of consideration transferred; plus
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

ii) For acquisitions between 29 January 2006 and 24 January 2010 goodwill represents the excess of the cost of the acquisition over the Groups interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquired entity. When the excess was negative a bargain purchase was recognised immediately in the income statement. Costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combination were capitalised as incurred.

iii) For acquisitions which occurred prior to 29 January 2006 goodwill represents the amount recognised under the Group's previous accounting framework, UK GAAP.

The Group made a number of acquisitions in the year, the most significant of which was Flow Energy Limited on 1 May 2018.

	2018/19
	Total fair value
	£'000
Assets acquired	
Property, plant and equipment	959
Other Intangibles	7,332
Stock	25
Debtors	21,872
Creditors	(48,790)
Deferred tax	7,338
Cash	962
Net assets	(10,302)
Goodwill	20,944
Cash	10,642
Consideration	
Cash	10,642

6.2 Transfer of engagements: The Phone Co-op Limited

On 01 June 2018, The Phone Co-op Limited transferred its engagements to The Midcounties Co-operative Limited. A summary of separately identifiable assets and liabilities transferred is:

	Book Value	Fair Value	Fair Value
	£'000	Adjustments	£'000
		£'000	£'000
Tangible fixed assets	1,332	-	1,332
Fixed asset investments	3,865	(250)	3,615
Stock	228	-	228
Debtors and prepayments	2,223	-	2,223
Current asset investments	1,135	-	1,135
Cash and bank balances	796	-	796
Creditors	(1,764)	1	(1,763)
Loans	-	-	-
Deferred tax	(90)	-	(90)
	7,725	(249)	7,476
Share capital	7,309	-	7,309
Revenue reserves	416	(249)	167
Revaluation reserve	-	-	-
	7,725	(249)	7,476

In accordance with accepted accounting practice, book values have been aligned to estimated market values, at the date of transfer. In its last published accounts for the nine months ended 31/05/2018 The Phone Co-op Limited made a loss of £918,000

6.3 Insurance contracts

Keeping it simple - Insurance Contracts

Customers of the funeral business are able to purchase and plan their funeral in advance and are redeemed when the funeral is arranged. The difference between the cash from the customer which is invested by the Society and the estimated liability the Society expects to pay in the future is reflected in the table.

The Society sells Funeral Prepayment Plans which are shown at fair value to reflect the projected at need price.

Assets	Note	2018/19	2017/18
		£'000	£'000
Funeral prepayment plans - current	3.4	4,584	4,421
Funeral prepayment plans - non-current	3.4	55,000	53,650
Funeral bond liability - current	4.2	(5,100)	(4,700)
Funeral bond liability - non-current	4.2	(61,030)	(56,431)
Net		(6,546)	(3,060)

The assumptions used for the funeral bonds are as follows, discount rate 2.9% (2017/18: 2.65%), cost increase of 3.70% (2017/18: 4.38%), bond growth 3.14% (2017/18: 3.73%) and expected life expectancy for males is 83.9 (2017/18: 83.9) and 86.4 (2017/18: 86.4) for females.

Movement in net liability for year ended 26 January 2019

	2018/19 £'000
Net asset and liability at the start of the year	(3,060)
Net movement	(3,486)
Net assets and liability at the end of the year	(6,546)

6.4 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:

	2018/19 £'000	2017/18 £'000
Within one year	13,027	12,758
In two to five years	44,440	45,171
In over five years	91,231	93,614
	148,698	151,543

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

	2018/19 £'000	2017/18 £'000
Within one year	2,397	2,171
In two to five years	6,845	7,062
In over five years	3,972	4,446
	13,214	13,679

6.5 Capital commitments

Keeping it simple - Capital commitments

This is the value the Society has approved to spend on assets after the year end.

	2018/19 £'000	2017/18 £'000
Expenditure contracted but not provided for	19,677	16,464

6.8 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 26 January 2019, the Group consisted of The Midcounties Co-operative Limited and the wholly owned subsidiaries and companies listed below, which are registered in England except where stated below.

	Principal Activity
Co-operative Payroll Giving Limited	Charitable donations
Co-operative Energy Limited	Utilities
Flow Energy Limited	Utilities
Co-op Travel Services Limited	Travel
Kenmare Estates Limited	Property Management
The Midcounties Co-operative Investments Limited	Property Management
The Midcounties Co-operative Properties Limited	Property Management
The Midcounties Co-operative Trading Limited	Retail
West Midlands Co-operative Chemists Limited	Pharmacy

The following were not trading throughout the year:

AVOCO UK Limited	Hubcentre Limited
Buffer Bear Limited	Kwik Travel Limited
Buffer Bear Nurseries Limited	Midcounties Leasing Limited
Co-op Energy Limited	Needham Hall Limited
Co-op Travel Direct Limited	Oakshower services Limited
Co-op Travel Limited	Phone Co-op Numbering Limited
Countrystore (Maidenhead) Limited	Places for Children (PFP) Limited
Early Birds Nursery School Limited	Reeves & Pain Limited
Ecobilling Limited	Rusts Limited
Energy Coop Limited	The Co-operative Childcare Limited
First Steps Children's Nursery (Group) LTD	The Green Energy Co-op Limited
First Steps Childrens Nursery Limited	The Midcounties Co-operative Developments Limited
First Steps Childrens Nursery (Rathvilly) Limited	The Midcounties Co-operative Estates Limited
First Steps Children's Nursery (St Edwards) LTD	The Midcounties Co-operative Pension Trustee Limited
First Steps (Stonehouse Farm) Limited	Thomas Ely Limited
Floridian Homes Ltd	Tuffin (Investments) Limited
Harry Tuffin Limited	Volt Energy Supply Limited

The Society also owns a 75% of Co-operative Holidays Limited, 33% of The Co-operative Renewables Limited and 20% of Co-operative Web Limited.

Regional Communities support



We continued our Regional Communities programme which operates in the local communities where we trade, enabling our members to work together on causes chosen by members in each particular community and supported through volunteering and fundraising activity.

We have 20 Regional Communities in place. Below are some examples of the community groups we have supported.



Shropshire Regional Community

The team has worked with Shrewsbury Food Hub on a waste food pilot project in our Bicton Heath Food store.

Over the last 12 months the Shrewsbury Food Hub has been trialling the collection of frozen and chilled food from our store at Bicton Heath near Shrewsbury. The store provided frozen meat, fish, milk, cheese and ready meals on its use-by date so that the Food Hub could distribute these products to its local community groups and partners.

Shrewsbury Food Hub started in April 2016 to make it easier for community groups to obtain surplus food from supermarkets. The Food Hub's 70 volunteer drivers collect

food from a range of local businesses every day and share it between 46 community groups in Shrewsbury. Groups include Shrewsbury Ark (a homeless charity), Food Bank Plus, Severn Hospice, breakfast clubs at 10 schools, and A4U, an advocacy group for people with disabilities which runs a café. Last year, Shrewsbury Food Hub collected 32 tonnes of ambient food and produce, enough for 76,000 meals. This surplus food saved groups like the Severn Hospice, 30% of their food budget, and allowed groups to support new activities including cookery courses and teaching people how to share surplus food.

We are expanding the trial across further Food Stores in Shropshire through our local Regional Community.

Swindon

We have given the Big Breakfast Plus charity that supports the homeless in Swindon a much needed boost through our community funding. The money has been used for awareness raising purposes by investing in more collection materials and marketing equipment to promote their newly refreshed website.

Big Breakfast Plus provides over 7,000 free cooked breakfasts a year to homeless people in Swindon. Along with a hot meal each day, Big Breakfast Plus also provides a safe warm place where homeless people can relax and socialise, and allows

easy access to local support services which include housing, finance and debt, mental and physical health, addiction, and volunteering opportunities.

In 2018, there has been a 60% rise in rough sleepers and homeless people living in Swindon compared to 2017. That equates to one rough sleeper for every 2,080 households. (The average across the country is one rough sleeper per 5,000 households.) The town has well over double the rate of the south west as a whole.

Central Oxford

Aspire is a multi-award winning employment charity and social enterprise supporting homeless and disadvantaged people across Oxfordshire, working to change lives.

Our Central Oxford Regional Community has developed a strong connection with Aspire Oxford as our local charity partner. This includes a colleague volunteering as a Trustee who helps with strategic advice and guidance, and the provision of grants and support for fundraising events like the Big Sleep Out and Tea Party which raised a fantastic £30,000.

placements for local people with a background of homelessness, offending, substance misuse or mental health difficulties. Each participant had three motivational sessions and left with a certificate of competence from the Store Manager, a reference and feedback to help them get back into the workplace. This has resulted in several candidates now securing permanent positions of work within the local community and in turn being recognised by both the Oxford City Council and the 2018 Jelf Local Business Awards.

Working with Aspire, our retail sites within the Central Oxfordshire region developed a work experience programme to provide work

Who we funded during the year

1st Abermule Scout Group
1st Appleton Rainbow Guides
1st Bishops Castle Scout Group
1st Churchstoke Brownies
1st Churchstoke Guides
1st Churchstoke Rainbows
1st Cordon Senior Section Guides
1st Montgomery Brownies
1st Montgomery Guides
1st Montgomery Rangers
1st Norton Canes Scout Group
1st Worcester Scout Group
2nd Towcester Brownies
5A Academy of Cheer & Dance
5th Brackley Cubs - Tigers
5th Swindon Guide & Ranger Unit
6th Gloucester Guides
7th Bicester Scout Group
7th Gloucester Guides
21st Gloucester Guides
21st Kidderminster (Brinton Park) Beaver Colony
33rd Oxford (Kidlington) Scouts Group
95th Reading Scout Group
Abingdon Carousel
Abingdon Eagles Basketball Club
Acorn's Childrens Hospice
Action For Carers
Action Heart
Adult Dyslexia Centre (Thames Valley)
Age UK - Banbury
Albrighton Moat Trust
Alexander Devine Hospice
All Saints Parish Church Streetly
All Saints Primary School
Amberley Parochial School PTA
Angus Buchanan VC Memorial Recreation Ground Trust
Arts Alive & Flicks in the Sticks
Arts Etc
Ashar Bringing Hope
Ashfield Gardens
Bampton Gardening Club
Banbury Cross Explorer Scout Unit

Banburyshire Citizen Project
Beacon Festival
Beckley & Area Community Benefit Society Ltd
Bedgrove Infant School PTA
Begbroke Village Hall Management Committee (Begbroke Community Orchard)
Berinsfield Volunteer & Information Centre (BIVC)
Bicester Green
Big Breakfast Plus
Billbrook Junior FC U13's
Billbrook Juniors South U14's
Billbrook Playgroup
Birch Hill Dog Rescue
Bishops Cleeve Primary Academy
Black Country Chamber of Commerce
Bletchingdon PTA-Bletchingdon Primary School
Bloxham Fun Day
Breast Friends
Brewood Scout Fundraisers
Brockworth Hedgehog Rescue Centre
Bromsgrove Day Centre
Buddies PTA
Burford School
Burntwood Dragons Thunder U12s Football Team
Busy Bees Pre-School Chirbury
Byfield Primary School
Byfield Scouts
Cam Hopton Association (PTA)
CAMAD
Campden Edge
Campden Home Nursing
Carers Trust 4all - Shropshire Young Carers
Castle Special School
CCSHF Charlotte And Gregg Saving Hearts Foundation
CHADS - Conservation, Horticulture, Agriculture for the Disabled Society
Charlbury Community Centre Appeal
Charlbury Pre-School
Charlbury Street Fair (Charlbury Corner House & War Memorial Hall)
Charwelton Village Hall
Chase Grandparents & Grandchildren Group
Chase Meadow Community Centre

Cheltenham Saracens Football Club	Dawley Brook H S A
Cheltenham Town Football Club	Daybreak
Chiltern Dog Rescue Society	Dorchester Pre school
Chipping Campden Hockey Club	Dovecote Voluntary Parent Committee
Chipping Norton Literary Festival	Dr. Charley's Lunch Club
Chirbury Bowling Club	Dressability
Christ Church Ladies Fellowship	Dursley Town Girls Football Club
Christians Against Poverty	Eardington Village Hall
Church & Chetwynd Aston Village Hall	Earlswood Baby and Toddler Group
Church in the Village Afternoon Tea	Easington Sports U13's
Church Stretton Pride of Place	Enstone Pre-School
Churches Housing Association of Dudley & District (CHADD)	Eynsham Oasis
Churchstoke Bowling Club	Fairplay Social Justice Network
Churchstoke Brownies	Farmoor Village Hall
Churchstoke Little Explorers	Flies on the Wall Youth Theatre
Churchstoke Over 60's Club	Flowerpot Gang, St Swithuns Church PCC
Churchstoke Pre School Play Group	FOBS (friends of Bampton School)
Churchstoke Rainbows	Foggy's Invisible Illness Support
Cinderford & District Chrysanthemum Society	Forden & District Bowling Club
Cinderford Band	Forden Friendly Circle
Cinderford Bowling Club	Forden Pre School
Clean Slate	Forest Craft Group
Cleobury Mortimer District Community First Responders	Forest of Dean Entrepreneurs
Cleobury Mortimer Horticultural Society (CMHS)	Forest Voluntary Action Forum
Cleobury Mortimer Parish Hall Committee	Forget Me Not (Bicester) Ltd
Clive Handbell Ringers	FOSLS
Clun Senior Citizens	Friends of Bampton School
Codsall Community ARTS Festival Association	Friends of Bilston C of E Primary School
Codsall Community Group	Friends of Bishops Castle Primary School
Codsall Wood Village Committee	Friends of Broadmeadow
Coffecraft - Churchstoke	Friends of Clunbury School
Coleford Music Festival	Friends of Dr Radcliffe's School
Combe Reading Room (2005) Trust	Friends of Eardington Nature Reserve
Community College Bishop's Castle (South West Shropshire Learning Group)	Friends of Gosford Hill School
Community College Bishop's Castle PTA	Friends of Grangefield School (FOGS)
Community Heartbeat Trust	Friends of Grove Library
Cookley Cobras U12's	Friends of Hednesford Park
Cornucopia	Friends of High Heath Park
Cotswold Boatmobility	Friends of Hollyfield Nursery School.
Cotswold Community Awareness	Friends of Lethbridge Primary School
Coven Players	Friends of Manor Farm Schools
Coverage Care Services - Stone House (supporting people with dementia)	Friends of Montgomery School
Cox Green Community Events Committee	Friends of Oakmeadow School Association
Dal Dy Dir	Friends of Peatmoor
Darlaston Town - New Youth Sector	Friends of Purton
Darlaston Town Rockets	Friends of Rushbury School
Darlaston Warriors Football Club U14's	Friends of Severn View PTA
	Friends of St Nicholas' School (FOSBS)
	Friends of St. Swithun's (FOSS)

Friends of Tividale Park
Friends of Wem Swimming Centre
Friends of West Kidlington School
Friends of Wightwick Hall Special School
Frontline Debt Advice Reading
Gains Park OPEL Centre
Gatehouse
Getting Heard (Formerly Oxfordshire Advocacy)
Getting Older Adults On-Line
Girlguiding Kidlington
Girlguiding Wombourne District
Gloucestershire Country Raynet
Gloucestershire Federation of Young Farmers Clubs
Gloucestershire Young Carers
Grace Kelly Ladybird Trust
Great Missenden & Prestwood Revitalisation Group
Green Health Daventry
Group Garden Holidays, Days Out
Group-Start part of Home-Start Stroud District & Quedgeley
Grove Garden and Local History Club
Grove Scout Group
Grovelands Park Pre school
Hanborough Parish Council
Hawkins Sports Juniors Football Club
Hawkins Sports LK09
Hednesford in Partnership
High Horse Showing & Rescue Group
Highley Minors Childcare
Highworth Community Centre
Highworth Evening WI (Lunch Club)
Hillside Brewery
Holy Trinity Church Sarn
Holy Trinity Middleton
Holy Trinity Wrockwardine Wood
Home Start
Hope House Hospice
Horsley Youth Club
Icknield Community College
Ignite Youth Group, Churchstoke
Incredible Edible Hooky
Incredible Edible Wem
Integrated Disability Services, Children with Disabilities Team
Julie Bruce Dance Academy
Just Straight Talk
Katharine House Hospice
Keech Hospice
Kerry Bowling Club



Kerry Silver Threads
Kerry Womens Institute
Kidderminster Horticultural Society
Kidderminster Sea Scouts
Kids Run Free
Kim Inspire
Kingston Lisle Parish Council
Kinver Primary Federation
Ladygrove Park Primary School Parents Association
Lane Head FC Trojan's u9's
Launton FC Under 13's
Lechlade & District Lions Club
Lingen Davies Centre & Haematology Ward - Shrewsbury Hospital
Little Fishes, St Andrews Church Sedgley
Little Lambs Parent & Carer Toddler Group
Little Oaks Pre-school
Littles Acorns of Rushbury Pre School
Loaves N Fishes
Longnor C E Primary School - School Circle
Long Mynd Adventure Camp
Longleaze Pre School
Ludlow and District Riding for the Disabled
Ludlow Castle Bowling Club
Machynlleth Football Club
Madley Park Residents Association
Mariners Church (Galley Project)
Mediation Buckinghamshire
Megan Baker House
Mentor Link
The Mesne Singers
Middleton Cheney Pre School

Milton under Wychwood Village Hall
Minsterley Show Society
Mitcheldean Lunch Club
Montgomery CinW Primary School
Montgomery Civic Society
Montgomery Institute (Cloverlands Model Car Museum)
Montgomery Pre-School
NASS Shropshire & Welsh Marches
Neen Sollars Community Hydropower Co-operative LTD
Nepalese Community Oxfordshire (NCO)
New Horizons Community Enterprise
New Yatt Riding for the Disabled
Newtown & District Cats Protection
Newtown & District Dial a Ride
Norbury Parochial Church Council
North Cotwold Community Awareness
Offa's Dyke Association
Old Hall Special School
Old Town Residents Association
One Bicester CIC
Open House
Oxford Pride Group
Oxfordshire Community Land Trust Ltd
Oxfordshire Mind
Oxon Church
OYAP Trust
Palmers Cross Primary School
Parish of Kidlington with Hampton Poyle
Park Infant School PTA
Participate Contemporary Artspace CIC
Patient Participation Group (PPG)
Paxford Village Hall Committee
Pebble Brook School
Powys Animal Welfare
Quedgeley Wanderers Football Club
Queensway Primary School
Randwick Baby and Toddler Group
Read Easy Cheltenham and Gloucester
Restore
Retired Co-op Employees Association
Ricochet Trampoline Club
Riding for Disabled-Wickstead Farm Equestrian Centre
ROC Centre Telford
Rose Hill and Iffley Low Carbon Group
Rose Hill Primary School
Round Oak School PTFA
Royal Voluntary Service (Cornhill Day Centre)

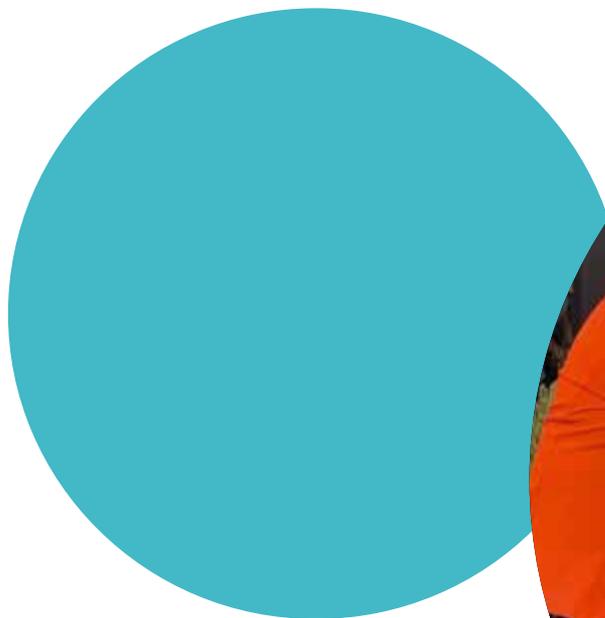
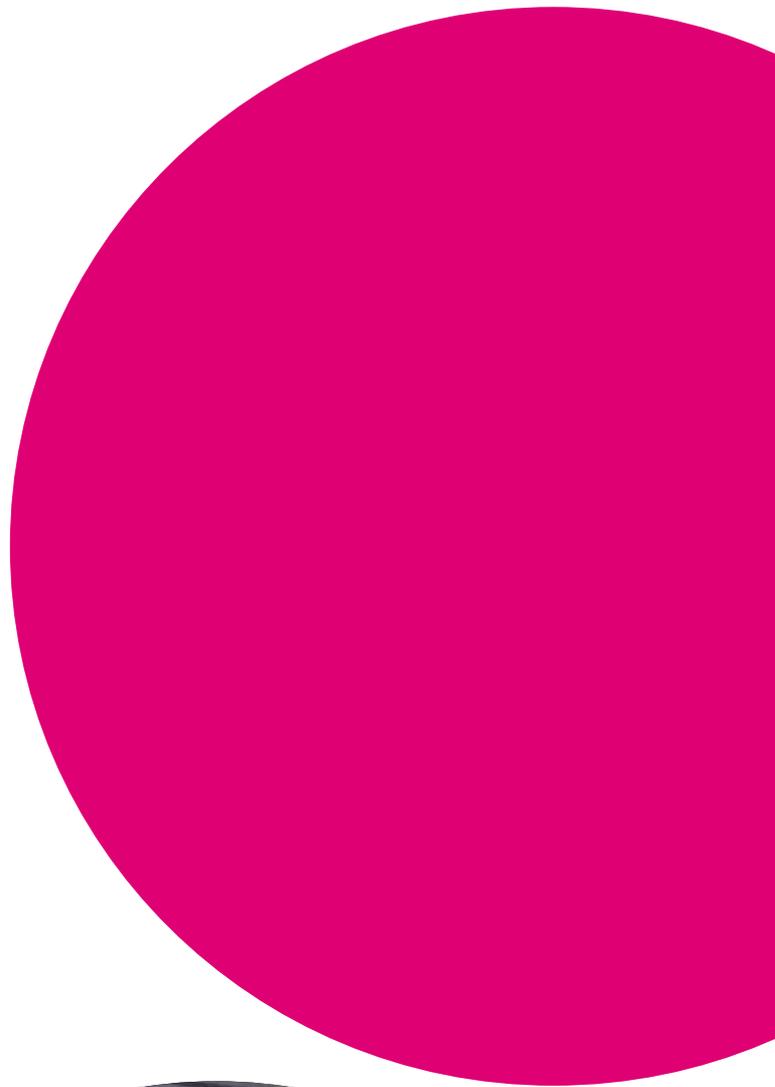
Rushall May Fayre Committee
Rushall Olympic Football Club
Salem Methodist Church
Saltwells United Football Club
Sandwell Parents for Disabled Children
Sarn Bowling Club
Sarn Coffee Morning Group
SASA St Andrew's School Association
Sedgley Scorpions
Severn Bridges MAT - Radbrook Primary School
Shawbury United Junior Football Club
Shawbury Village Players
Shelfield Methodist Church
Shipston Youth Club
Shirley Horse and Pony Rescue
Short Heath Federation
Shrewsbury Food Hub
Shrewsbury Guide Dogs for the Blind
Shrewsbury Inter-faith Forum
Shropshire ME Group
Shrubberies Special Needs School PTA
Signal
Sikh Cultural and Sports Community Centre
Silver Threads
Silverdale Club Association
Six Counties Kidney Patients Association
Smart Works Reading
SNAP Adventure playground
South Marston Gardening Club
South Shropshire Engineering Ambassadors (SSEA)
South Warwickshire Foundation Trust Charity
Squeezing Shropshire
St Agatha's Trust (Russells Hall Hospital)

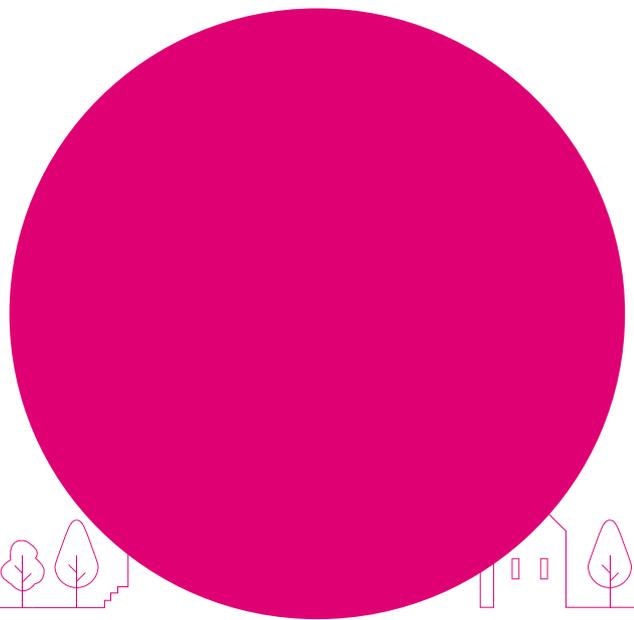


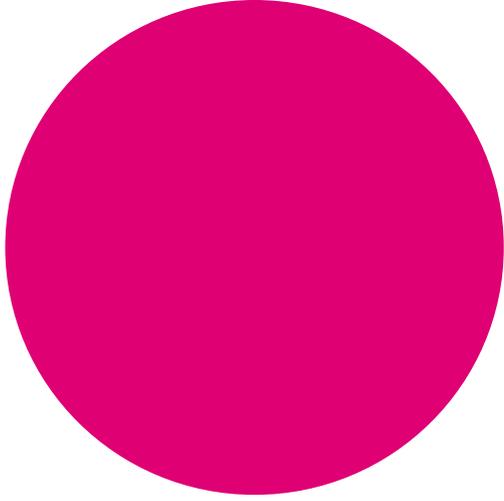
St Andrews CE Primary School
St Chad's Church Pattingham
St Cyr's Parish Church, Stonehouse
St Georges Church
St James' Church
St Johns Tigers U12's & U9's Football Team
St Josephs Catholic Church, Aylesbury
St Marks Church, Pensnett
St Martins Church Bereavement Support Group
St Mary's Church, Kidlington
St Mary's Friendship Club
St Mary's the Mount Parish Centre
St Matthew's Church, Walsall
St Michael & All Angels Church, Pelsall
St Nicholas Christmas Tree Festival
St Nicholas' Church, Churchstoke
St Pauls
St Paul's First School
St Peters Church
St Peters Church- Gardening Team
St Richards Hospice
Staffordshire Police
Star-Struck Theatre Company
Steventon Darby & Joan Club
Stone Church of England Combined School
Stone Village Sausage & Beer Festival
Stonehouse History Group
Stonehouse Horticultural Show & Summer Jolly
Stonehouse Methodist Church
Stow-on-the-Wold Primary
Stratford District Scouts
Streetly Methodist Church
Stroat Church
Stroud Sea Cadets
Stroud Valley Project
Sunshine Cat Rescue
Support Staffordshire
Sustainable Wantage
Sustainable Wheatley
Swindon Carers Centre
Swindon Climate Action Network (SCAN)
Swindon Food Collective
SYTri - Shrewsbury Triathlon Club
Tadmarton Charity Funride
Telford Priory School
Tettenhall Regis Team
Tewkesbury Sea Cadets

Thame Chamber Choir
Thame Horse & Country Show
Thame Town Music Festival CIC
Thames & Chilterns Vineyards Association - English Wine & Food Festival
Thare Machi Education
The Abingdon Bridge
The Berkshire, Buckinghamshire & Oxford Wildlife Trust
The British School
The Burford Festival
The Cherwell School
The Children's Allotment
The Church of St John the Baptist Armitage with Handsacre
The Church of St John the Baptist, Stone, Bucks
The Church of St Peter & Paul
The Church of the Holy Jesus
The Cluster Care Group
The Codsall Christmas Fair Group
The Community College Bishop's Castle - Tanzania Fund
The Cotswolds Dog & Cats Home-RSPCA South Cotswolds
The Friends of Cedewain
The Friends of St Peter's
The Friends of Willenhall Park
The Hummingbird Cancer Support Centre
The Jubilee Swimming Club for People with Disabilities
The Kidlington Community Hub at St John's Church
The Lantern Club Holmer Green
The Marsh Church
The Monday Contact Club
The Music Club
The Nelson Trust
The Saints Community Project
The Wychwood Singers
Ther Thomas Ball Children's Cancer Fund
Thrive - Northox
Tigersharks A.S.C
Toucan For Children
Transition Cleeve
Trinity Methodist Church Norton Canes
Tysoe Village Hall
Uley Millennium Green Limited
Vale Wildlife
Wall Heath Tennis Club
Walsall Carers Centre
Warwickshire Bears Wheelchair Basketball Academy
Wednesfield Warriors Football Club
Welcome to Wern
Wellington Cricket Club

Welshpool Breastfeeding Support Project
Wem Civic Society
West Kidlington Primary School-Parent Café and Young Carers
Westcroft School
Wilden All Saints CE Primary School
The Wilts & Berks Canal Trust
Wiltshire Treehouse
Wolvercote & Wytham Midsummer Festival
Wolverhampton City Fair Trade Partnership
Wolverhampton Gymnastics Club
Wolverhampton Street Pastors
Wolverhampton Woodcraft Folk
Woodchester Endowed C of E Primary School PTA
Woodford Halse Baby and Toddler Playgroup
Yarnton Blues Football Club
Yarnton Scout Group
Yarnton Senior Folks' Club
Yellow Ribbon Community Chaplaincy
Youth Challenge Oxfordshire (YoCO)
Young Gloucestershire







 midcounties

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We are happy to provide publications in alternative formats

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