The Midcounties Co-operative

2020/21 Annual Report and Accounts

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Who we are

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

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

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

DEMOCRACY

To ensure 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

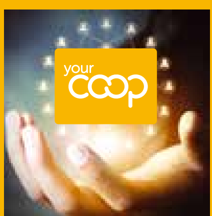
Recognising the contribution that everyone can make to develop the Society.

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.

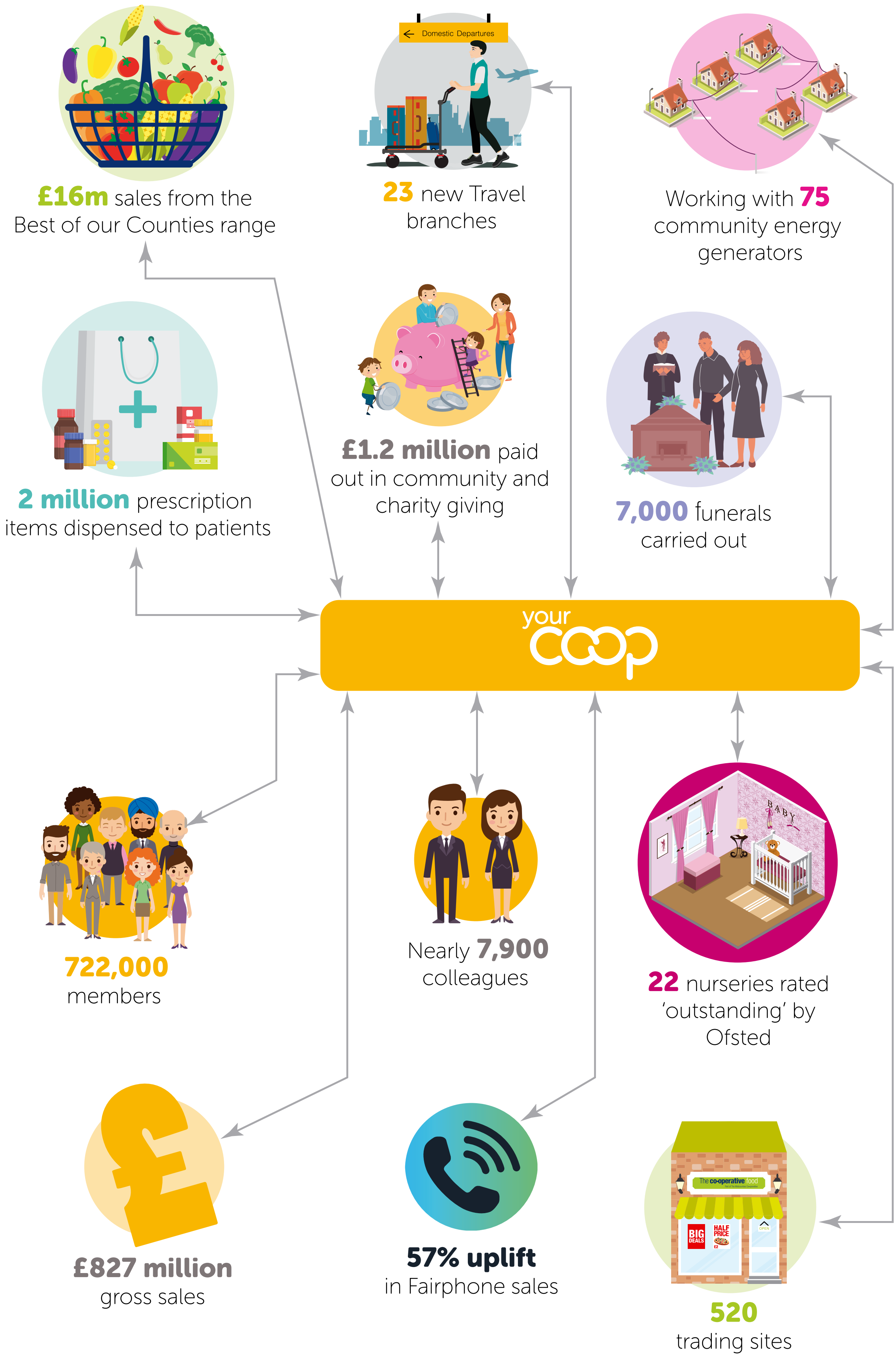
We are an organisation proud of our heritage, our independence and our local roots.

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

Our financial result reflects the effects of the pandemic, with all parts of our trading portfolio significantly impacted. While not the outcome we had hoped for at the start of the year, the result is hard won, and positive in the circumstances.

Helen Wiseman

It is a privilege to write this report to our members for the year 2020/21.

Reading our Annual Report and Accounts each year tells us of intertwined stories: the financial reporting which provides a critical picture of our Society's future sustainability, and the co-operative reporting demonstrating how we deliver on our vision and values. This year our financial outturn reflects the effects of the pandemic, with all parts of our trading portfolio significantly impacted. While not the outcome we had aimed for at the start of the year, given the circumstances, the result is hard won and positive.

In Food our sales benefitted as customers chose to shop locally; our Healthcare teams saw a marked increase in demand for prescription deliveries; Childcare occupancy was significantly restricted due to Covid requirements and changeable demand; Travel was brought to a standstill for most of the year; our Funeral numbers reflected the increased death rate; even our Utilities business was affected with growth in residential broadband, but a drop off in business demand.

These are the trading headlines. But how little of the real story of this year they tell us.

I reflect upon the realities for our colleagues in Food: from the early weeks of panic buying as lockdown rumours emerged; embracing new procedures to help prevent the spread of Covid; the increased level of abuse as they bore the brunt of customer frustrations; wearing masks day in day out; and of course, caring for our members and communities as the Home Delivery service which started from scratch reached over 100,000 deliveries at the year end.

In Healthcare, our teams delivered a record number of flu vaccinations and continued to support communities reaching out to vulnerable members, giving essential advice to those concerned about a full range of health matters amidst rising public anxiety.

Our Childcare colleagues have continued to play an important part in the lives of so many children, supporting families, especially those of key workers. Our Frontline Hero support fund launched in early 2020 raised £40,000 to help subsidise fees for the children of key workers; and more recently our Helping Hands campaign supported families affected by redundancy. Our colleagues have endeavoured to reassure families and the children in their care, all while working in such unusual circumstances.

The story is similar for colleagues in our Funeral business. They have had to adapt their care for bereaved families given the changing restrictions for funerals, while working under the pressure of an increased number of funerals and additional health and safety protocols. It is a real testament to their skill, compassion and care that I have received letters from families so grateful for the way they have been supported by our colleagues as they have said farewell to their loved ones in such restricted circumstances.

In Travel, the picture has been one of colleagues sharing with their clients the disappointment of cancelled travel plans as the pandemic effectively closed down the sector. Guiding clients through this, sometimes more than once, has been hard and there remains no clear end in sight. Many colleagues have been furloughed for considerable periods given the drop off in future bookings, whilst others stepped into support other trading groups or helped with the huge task of refunding customers. In all, a very difficult year for the team.

Our recently-formed Utilities group saw colleagues switch to home working, ensuring that our front-end service delivery continued. Finally, our central support teams have managed the transitions wrought by lockdown seamlessly to make sure essential back-office activities and member services were maintained. I would like to mention, in particular, our HR teams who provided a daily colleague support line with extended hours and mental health support to help colleagues manage the impacts of lockdown and the pandemic in their lives.

I saw messages to and from colleagues who were shielding or on furlough expressing solidarity and support, missing their work colleagues, sharing lockdown survival tips, and inevitably those banana bread recipes!

These are the real stories of last year. The ones which highlight how our colleagues across the Society have demonstrated their commitment and care for each other, our members and our communities. I would like to thank each and every one of them on your behalf.

In a year like no other we have worked hard to do the things we have always done as a Society, just differently. Our AGM and Half Yearly Meetings switched to online, reaching out to almost a thousand members. Like most teams, the Board has used technology to allow it to function effectively. We have run an increased schedule of meetings to allow us to maintain oversight of the impact of the pandemic on our financial stability, our colleagues and our members, ensuring good governance, colleague welfare and member interests were always at the heart of our decision making.

We have supported our charity partners through our Community Restart Fund to help them rebuild their activities and held virtual coffee mornings to encourage sharing of ideas. Our members too have continued to support our communities – the Home Delivery service still has volunteers who have willingly undertaken deliveries to the vulnerable. While continued contributions to the Foodbank Fund and instore food bank collection points reflect the generosity of so many.

Finally, I would like to thank our Chief Executive, Phil Ponsonby and his Executive team for their leadership throughout this unprecedented year, and my colleagues on the Board for representing our members and offering challenge and support in equal measure.

I hope you read the Annual Report with the same sense of appreciation and pride that I do; it really is an amazing co-operative that we are all part of.

Helen Wiseman
President

Group Chief Executive's overview

My final and personally most moving reflection on last year, is the way in which our colleagues have supported the Society in responding to the extremely difficult challenges we faced. I could not have asked for more or been prouder of how they stepped up to the challenge.

Phil Ponsonby

I am pleased to present my report to members for the 2020/21 year.

We began the year on a much firmer footing having delivered on our commitment to resolve the very serious situation relating to our Energy business in 2019. And, despite the uncertainty relating to Brexit, this greater stability had led to a more optimistic outlook for the year ahead, reflected in the financial targets set by the Board. However, those plans and that sense of optimism were significantly curtailed when, within less than two months from the start of our new financial year, the country entered a nationwide lockdown in response to the worldwide coronavirus pandemic.

Covid-19 has undoubtably had a profound effect on all our lives and caused significant disruption to businesses and the wider economy. Whilst certain non-discretionary services such as food retail and healthcare have seen increases in demand, many discretionary services including non-essential retail, hospitality and leisure have been very seriously affected, despite the unprecedented levels of financial support provided by the Government.

As a multi-faceted organisation we have experienced more than many others the very real differences in how businesses have been impacted throughout the pandemic. Whilst we have seen increased demand in Food and Healthcare, our Travel business was brought to an abrupt halt, two thirds of our Childcare nurseries were temporarily closed during the first lockdown, and although our Funeral business was busier than forecast, the services were heavily restricted leading to a reduction in some revenues. Within our Utilities operations we were prevented from signing up new telecoms customers and were unable to run many of the planned marketing initiatives to support our energy partnership with Octopus.

The combined impact of the pandemic resulted in a total gross sales reduction of £406m (revenue is down by £31m*), with gross sales one third lower than last year. However, given the many difficulties experienced across our trading operations, it is pleasing to report an operating profit before significant items of £12.7m and overall operating profit of £7.2m, which although lower than last year by £4.8m and £1.7m respectively, is testament to the hard work of colleagues across the Society.

As with many businesses, we were supported by Government initiatives through rates relief and the job retention scheme. The latter, worth £7.7m, was primarily used to support our Childcare and Travel operations which were required to close for certain periods during the year. While these schemes were welcomed, it is worth noting that the budgeted profit shortfall in our Travel business alone was greater than the combined value of government support for all our businesses. In addition, we spent around £5m on personal protective equipment and topping up pay for colleagues who were furloughed.

It should also be noted that we have revised how we account for foreign currency transactions in our Travel branches, so now report as sales the commission we earn rather than the value of the currency transaction itself. We have also revised the way we account for funeral prepayment transactions following at review of this trading division. The net effect has been to reduce our funeral plan revenues and also to show any change in the value of our funeral plan investments each year in our profits. Full disclosure is provided in the formal notes to the accounts.

It is abundantly clear that the pandemic has affected many businesses, but I would specifically highlight the impact on our Travel and Childcare operations. Gross sales in Travel, at £44m, were down by £446m on the previous year, we cancelled or amended almost 100,000 bookings paying out over £130m in refunds, and approximately one third of bookings were transferred to 2021. Whilst some colleagues were furloughed, the significant disruption for customers with existing bookings meant retaining in place a sizeable complement of our team to deal with the many thousands of queries and changes to bookings. We established a virtual contact centre which handled over 75,000 calls helping our customers to make amendments. Meanwhile, we took the decision not to charge fees to parents where their occupational status prevented them from sending children to our nurseries. This was the position for the vast majority of our customers and resulted in two thirds of our nurseries closing during the first lockdown. We maintained operations where the nurseries were on or close to NHS sites and, whilst occupancy levels were much lower than originally planned, we felt it only right that we play our part in supporting key workers at these vital locations.

The restrictions placed upon consumers led to significant shifts towards digital channels with more people than ever embracing online platforms. Our investments in

*Gross Sales to Revenue reconciliation is shown in note 1 on page 84 this area meant that we were able to respond with active online sites in Healthcare, Travel and Utilities, while rapidly developing virtual capabilities for Childcare 'show arounds' and Funeral services – a particular change for Funeral, our most traditional business, especially when combined with the changes being introduced by the government's consultation into the pre-need market. We were also able to pilot new technologies in support of rewarding our members and this exciting new capability will mean major changes for members in the year ahead.

The strategic clarity determined by the Board provided a continued opportunity to divest of non-core assets. This included several buildings not used for trading operations, some food stores not considered as part of our longer-term requirements and the majority of our pharmacy sites, which were sold to smaller independent operators as we switched our emphasis to digital online services. These moves ensured we could continue to invest as part of our strategic plans; for example, the integration of the four Budgens supermarkets, the opening of a new Food Market at Botley in Oxford and a new convenience store in Bedfordshire. We also took on seven travel branches from the highly respected Carrick travel group and 16 travel branches from Central England Co-operative, a great example of co-operation among co-operatives, a key co-operative principle.

The ongoing volatility caused by the pandemic meant we took a prudent approach to preserving capital and deliberately delayed the opening of several new food stores, which will now open during the year ahead along with two new Little Pioneers nurseries. This carefully considered approach to disposals and investments has led to the continuation of a strong and supportive relationship with our three main lenders and importantly, negated the need to use any of the Government's loan schemes. It also means that the carrying value of debt at the end of the year has not increased over the position at the start of the year, a highly credible performance considering the challenges that have been faced.

I believe one of our greatest strengths is that in addition to being careful with our members' money, we always endeavour to place as much emphasis on delivering non-financial activities across the Society. Co-operatives are uniquely placed to do this and last year, probably more than ever, put this principle to the test. I am extremely proud of the way in which everyone connected to the Society responded. Our Food team made over 100,000 home deliveries to members who were shielding supported by over 1,000 volunteers from our brilliant community partners. We provided over £50,000 in support for local foodbanks when they ran short of food, £78,000 to a Community Restart Fund to help those helping others, and with the support of parents raised over £40,000 across our Childcare nurseries to help key workers pay fees. Donating 100 tablet devices to disadvantaged children, mobile phones to schools and toys for Christmas are just some of the further examples to highlight. We continued to recognise the importance of our local communities by introducing new local food suppliers, in particular reaching out to those most affected by a loss of business in the hospitality sector.

My final and personally most moving reflection on last year, is the way in which our 8,000 colleagues supported the Society in responding to the extremely difficult challenges we faced. I could not have asked for more or been prouder of how they stepped up to the challenge. When most of the country stayed at home, our colleagues across our Food, Funeral, Healthcare, and Childcare businesses turned up for work, day in day out, to support our members, customers, and communities. They worked to support each other with colleagues from the Travel business volunteering to work in food stores when their own branches were closed or manning the phonelines day and night to help customers in difficulty. And our Utilities and central support colleagues adapted rapidly and with great agility to working from home to support our trading operations, some of them also volunteering to work in stores. And with over 1,000 temporary colleagues taken on to support our food business, it is pleasing to report that a quarter are staying with us in permanent roles.

We received so many wonderful messages from members, customers and community groups paying tribute to our colleagues and the way so very many of them went way beyond the call of duty, demonstrating how fortunate we are to have the team we do at The Midcounties Co-operative.

We were delighted to be crowned 'Business of the Year' by the eminent sustainability media platform edie.com. The judges recognised the extent to which our colleagues had maintained services to all our communities despite the many obstacles in place – in short, that they, alongside the Society, had been there for you when you needed them most.

The year ahead will continue to present challenges; but with the direction from our Board, leadership from my first class Executive team and the incredible dedication of our brilliant colleagues, we are well-placed to meet those challenges and further strengthen the Society in building and developing new assets and services for our members and the generations to come.

Phil Ponsonby
Group Chief Executive

A co-operative response to Covid-19

2020 was a year like no other. Our family of businesses have each been impacted by the pandemic in different ways, but our response has been guided by our co-operative values. Through it all we have focused on doing the right thing by investing in our local suppliers, supporting community groups and the work they do, and enabling members and colleagues to help themselves and each other. Here are just some of the ways our co-operative approach has made a difference during the year.

Colleagues

Our colleagues have been outstanding, quickly adapting to new ways of working, supporting our members through difficult times and, in the case of some in Travel and Childcare, taking on whole new challenges when redeployed to other trading groups to support an uplift in demand.

Protecting and supporting our colleagues through Covid

Given the diversity of our businesses, we have had colleagues on the front line, while others have worked from home, colleagues who have been furloughed and others who have been shielding. We have done our best to support them all. For colleagues on site, ensuring they feel safe and protected in the workplace has been our priority. All customer-facing colleagues were equipped with PPE and we introduced protection screens, social distancing notices and hand sanitisers in our branches as quickly as we could.

The pandemic has also caused significant emotional strain for many and we have done what we can to support our colleagues through this. We set up an Isolation Conversation board for colleagues to engage socially with one another and kept everyone updated daily through our Co-op Colleagues Connect website. We introduced mental health e-learning modules, wellbeing support packages and 'drop-in' sessions and have been keeping an eye on colleague wellbeing through manager one-to-ones, by adding the issue to our check-in forms so it's covered in every catch up.

Thumbs up!

To keep morale high during the pandemic we introduced a weekly 'Thumbs Up' round up celebrating our colleagues' fantastic efforts, whether big or small. Colleagues have emailed in their own stories or told us about others who are making a difference to members, customers and fellow colleagues. We have been able to share these across the Society to lift everyone's spirits.

Colleague view

"In all my years in Travel I've never known a year like it. We've been there for our members through some trying times, from getting those stuck abroad home safely to working in the virtual call centre where we've amended, rebooked and issued refunds. Like many of my Travel colleagues I was redeployed to a food store and I spent two weeks at Earlswood helping and supporting them."

Tracy Sheldon
Travel Branch Manager

Lobbying for change

Childcare colleagues have found themselves in the challenging situation of being frontline workers but without being able to socially distance from the children they look after. In support of our colleagues, our Childcare division lobbied the government requesting that:

- early years practitioners be prioritised for vaccination alongside other key workers; and
- childcare settings form part of the rollout of mass asymptomatic testing.

For a period, the business funded home-testing for colleagues as the government did not respond. But, from late March nurseries have been included in the broader education mass testing scheme, providing a level of reassurance for colleagues.

Members

We have supported members during the pandemic by doing what we can to ensure our core services remained available, delivering essentials and medicines to those most at risk and providing the chance for members to help one another.

Member view

"It's not just a food service, it's a personal service. It's done with kindness and thought. They're very nice people, all of them."

Mrs Mary Langdown
Member who received our 100,000th food delivery

Delivering compassion

During the first lockdown we started a Food Retail home delivery service from scratch, co-ordinating volunteers and community groups to ensure that the most vulnerable people received essential supplies. We mobilised more than 1,000 volunteers to make over 100,000 deliveries to our members.

Our Healthcare branches also extended their home delivery service, with over 50% of the 1,000 deliveries being to new patients, including those who were shielding.

Childcare support for members

Childcare has run two initiatives during the year. The first, the Frontline Hero Support Fund, raised £40,000 to subsidise childcare for keyworker families. The second, our Helping Hands campaign, supported families affected by redundancy brought on by the economic impacts of the pandemic.

Member, Nikki Shuter, made use of the Helping Hands scheme when her partner was made redundant. She says, "The scheme gave us six weeks of childcare at reduced rates which was a massive help, as it enabled our child to continue to benefit from a place at nursery while taking some of the financial pressure off of us."

Award winning co-operation

Our co-operative response to the pandemic was recognised at the edie Sustainability Leaders Awards – one of the UK's biggest social sustainability awards. Midcounties was named Business of the Year and won the Social Sustainability & Community Development category in recognition of the support we provide for vulnerable members in our local community, as well as our sustainability activity.

Chief Executive Phil Ponsonby said, "Perhaps more than at any other time in our history, the pandemic has shown the true value of co-operation; people coming together to support each other and tackle big environmental, societal and community challenges close to home. We are thrilled with this incredible endorsement of what our members, colleagues, customers and partners have achieved together during a challenging year for everyone."

edie sustainability leaders awards 2021
2021 WINNER
Business of the Year
The Midcounties Co-operative

Update on the impact of Covid-19

Suppliers

During the pandemic we actively grew our local supplier base to support local businesses in crisis, increasing our number of suppliers to 200 by the end of 2020. We have worked more closely with them than ever before to support their businesses and to keep our shelves stocked in what has been a very challenging environment.

Aldens

Oxford-based Aldens was established in 1793 and is now run by the seventh generation of the Alden family. The business supplies universities, restaurants, hotels and pubs with meat. When the pandemic hit in March 2020 Aldens saw an 85% reduction in orders overnight. Once we heard what had happened, we contracted them to supply lamb, pork and chicken across all of our stores in the Cotswolds area that same month, meaning the business could continue to operate.

Matthew Alden, Managing Director said, "We are delighted to be working with Midcounties. Together we will work very hard in bringing a great selection of produce to their customers in these challenging times."

Hobbs House Bakery

"Overnight during Covid we saw half our business just disappear. All the pubs and restaurants shut, which obviously left us in a bit of a fix. The Co-op came to our rescue to a certain extent, because with all the panic buying bread on the shelves was disappearing faster than they could get in from the supply chain. The Co-op called and said, 'If you can get your bread delivered as soon as possible we will sell it.' Within 24 hours we were supplying 87 co-ops for about a 4-week period which for us at that time was a massive lifeline."

Henry Herbert
Hobbs House Bakery

Just Crisps

Just Crisps is owned by the Froggatt family, which has farmed land in Hill Ridware, Staffordshire, for four generations. The crisps are stocked primarily in pubs, restaurants and hotels across the UK meaning the business saw an immediate impact on demand when Covid-19 hit.

Anthony Froggatt, founder of Just Crisps, said: "Demand dropped off a cliff pretty much overnight, with orders down about 70%. Our export business to Europe and the US, which represents about 20% of our output, also came to a halt.

"We've been supplying around 35 Midcounties food stores for a number of years and we've always had a very good relationship with them. We told them about our situation and they offered invaluable support by increasing the volume of product we sell through them. We're now in 140 stores and, because we deliver direct, we were able to get the products on shelves very quickly."

A merry Christmas for local produce

The growth in local suppliers has resulted in a much wider range of products for our customers. We increased our locally sourced Christmas range by 40% resulting in a 71% increase (like-for-like) in sales of locally-sourced Christmas products, helping our suppliers see out a difficult year on a positive note. A particular success story was sales of English sparkling wine, from producers such as Poulton Hill in the Cotswolds, with sales increasing by a massive 352% on last year.

Community

The community groups we support do such important work in our local areas it was essential for us to support them as much as we could given so many of them faced funding cuts and changes to how they delivered their services. Our colleagues and members took part in fundraising activities to allow us to deliver immediate financial support to groups that needed it most.

Keeping everyone connected

Our Utilities Group donated 100 tablets with free internet access to disadvantaged secondary school children within our partner schools to help keep them learning remotely.

The Society also donated smartphones and web conferencing software worth more than £5,000 to Elmore Community Services to help them continue to offer support to hundreds of Oxfordshire residents with complex needs and mental health issues.

Funding for foodbanks

In April 2020 foodbanks saw an 89% increase in demand compared with April 2019, meaning there has been a real need to support this important resource in our communities. We launched a Foodbank Fund in April which generated donations of £50,000 to help keep our 70 foodbank partners' shelves stocked and keep 2,500 families fed.

Toys for Christmas

The Society donated £4,000 worth of toys to vulnerable and disadvantaged children across its communities this Christmas through eight local charities as part of our ongoing work to support those most in need.

Boost for community groups

Our Community Restart Fund provided over £78,000 to help our 67 charity partners rebuild following the Covid-19 crisis.

One group who benefited from this fund was White House Cancer Support based in Dudley. To run all services, and pay staff and volunteers, the charity needs to raise approximately £170,000 each year. With the majority of their fundraising activities postponed or cancelled, the charity was in great need of financial support. The Society donated £1,000 to allow them to keep providing emotional support, complementary therapies and exercise to cancer survivors in the area.

Connecting young and old

Within the Childcare division a longstanding initiative for children to visit their elderly friends at a local nursing home moved online to keep everyone connected.

Primrose Burchett, Senior Childcare Practitioner, said, "I'm very pleased that our scheme is going strong. Although the children can't see their friends face to face we are seeing them virtually which the children and the residents enjoy. They do have such a good time and the faces of both light up when they see each other. It's more important than ever now."

Community view

"Like many charities, we are sadly facing a loss in fundraising income this year, but demand for our advanced pre-hospital emergency service has not faltered and we are still tending to ten patients every single day. Therefore, it's support such as this, which is greatly appreciated, that makes a vital difference to our work. The donation will enable us to provide critical care to those in desperate need of our help."

Jo Bailey
Midlands Air Ambulance

Want to know more? Watch our Year in Review video on midcounties.coop

Food Retail

and Post Offices

Gross sales: £680m (2019/20: £614m)
Revenue: £612m (2019/20: £554m)
Colleagues: 5,105 (2019/20: 4,672)
Sites: 307 (2019/20: 313)

> "Our Food Retail business has had a very strong year, benefiting from customers choosing to shop locally during the pandemic."

Our Food Retail business has had a very strong year, benefiting from customers choosing to shop locally during the pandemic. Gross sales have increased by 11% year on year reaching £680 million for our Food stores and Post Offices combined.

We have focused on keeping our colleagues, customers and communities safe by investing over £1 million in PPE and social distancing measures. In order to protect the most at-risk members of our communities, we have made more than 100,000 home deliveries, introducing a call centre manned by colleagues to co-ordinate this activity.

Despite the upheaval we have seen this year, we have been able to complete over 70 store development projects, including new stores, refits and enhancements. We opened a new convenience store in Stewartby, Bedfordshire and continued to grow our successful Food Market portfolio with the transition of four Budgens stores into our Food estate and the opening of a new Food Market in Botley.

We have also introduced the PromoPay platform, which allows us to provide member-specific offers and deals without manual intervention. In conjunction with the Member Rewards scheme, this upgrade has increased member trade in Food to 20%.

The Best of our Counties range continues to grow in popularity, passing £16 million sales this year. The range, which brings locally-produced food and drink to our customers, is a fundamental part of our growth strategy over the next few years.

Our local sourcing team worked hard throughout the year to support smaller suppliers whose businesses were hit by the virtual closure of the hospitality industry, bringing in 33 new suppliers. This allowed us to develop new ranges and increase choice within our Food Market stores. We also found that at points in the pandemic when there were product shortages, our local suppliers were able to step in and deliver alternatives quickly – another benefit of the partnership.

Our Post Offices have had a fantastic second half of the year following a challenging initial six months when customer numbers dipped by 35% during the first lockdown. Despite seeing a 95% drop in travel money commission and a large decrease in lottery income, we have seen overall commission pass £3 million for the first time, as more and more people posted and returned parcels, particularly at Christmas time.

Travel

Gross sales: £44m (2019/20*: £489m)
Revenue: £21m (2019/20*: £91m)
Colleagues: 451 (2019/20: 449)
Sites: 78 (2019/20: 57)

"Despite the impact of the pandemic, the Society has continued to invest in the business for the longer term."

Covid-19 has had an enormous impact on the travel industry over the past year, with changing restrictions and all but essential travel cancelled for months at a time. So it is no surprise that gross sales for our Travel Group have fallen 91% year on year.

However, we are pleased that many of our customers have chosen to rebook their holidays, a number of times in some cases, with Winter 2021/22 and Summer 2022 bookings significantly up year on year. We are also seeing a large number of new bookings for these seasons, as customer confidence improves with the rollout of the vaccine. To help boost consumer confidence further Co-op Holidays, our own tour operating division, launched 'The Co-op Holidays Promise', guaranteeing a full refund if a holiday needs to be cancelled and no amendment fees to change holiday dates.

The process of refunding customers for cancelled holidays has presented a challenge for the industry as a whole given the unprecedented volumes and lack of systems in place to handle them at such a large scale. We set up a refunds team to manage the process and were pleased to be placed 12th (out of 70) in the Money Saving Expert holiday refunds survey last summer.

Despite the impact of the pandemic, the Society has continued to invest in the business for the longer term. We acquired seven branches from Carrick Travel and 16 branches from Central England Co-operative, taking the number of branches operated by the business to 78. We also relocated our Thame and Evesham branches from inside Food stores to high street locations and have begun to rebrand some of our sites as 'Your Coop Travel'.

This growth and the rebrand has positioned the business as the premier national Co-op Travel brand, a strength we will look to build on in 2021.

To support the new brand we have updated our cooptravel.co.uk website and have been working on other improvements to the site including the installation of a faster search function, which launched in the first half of 2021.

Looking to other parts of the business, our Consortium has reduced to 139 members. This is because Central England Co-op was previously a Consortium member but its branches now form part of our estate. Meanwhile, our Personal Travel Agents homeworking division has remained at a similar size to the previous year with 165 self-employed agents.

To keep our business running during lockdown we introduced new ways of working. We launched a Virtual Call Centre, staffed by a dedicated team of colleagues set up to work from home, a new online payments service, and video consultations. To protect our colleagues and customers, when branches re-opened we introduced protective screens, PPE and an appointment system to support social distancing. We will maintain these new ways of working alongside our traditional branch offering while the virus remains a threat.

* Restated prior year, see note 6.1 on page 114

Childcare

Gross sales: £28m (2019/20: £36m)
Revenue: £28m (2019/20: £36m)
Colleagues: 1,300 (2019/20: 1,343)
Sites: 45 (2019/20: 46)

"With the various restrictions placed upon childcare providers, it has been a year full of changeable demand and occupancy has not yet returned to pre-Covid levels."

Our Childcare business has felt the impact of the pandemic throughout the year, resulting in a drop in gross sales of 22% compared to the previous year. With the various restrictions placed upon childcare providers, it has been a year full of changeable demand and although providers have been allowed to remain open during the third lockdown, occupancy has not yet returned to pre-Covid levels.

Despite this, we have continued to prioritise supporting our families – initially through our Frontline Hero Support Fund, launched in the first half of 2020, which raised £40,000 to help subsidise nursery fees for key worker families, and more recently through our Helping Hands campaign supporting families affected by redundancy, offering help and guidance, including free and discounted childcare sessions.

During the third lockdown, the government has allowed childcare providers to stay open, despite schools closing. However, it has offered little financial support and no protection. We have lobbied to take steps to protect the safety and financial sustainability of everyone working within the sector, requesting that:

- early years practitioners be prioritised for vaccination alongside other key workers
- childcare settings form part of the rollout of mass asymptomatic testing
- targeted funding be provided for settings reliant on private income which have suffered from a fall in parental demand.

Initially, we received little engagement from the government, but from late March nurseries have been included in the broader education mass testing scheme providing a level of reassurance for colleagues. While this is welcome, it is disappointing that the remaining points remain unaddressed, considering the role the sector has played throughout the pandemic and that our teams cannot socially distance from the children they look after – a unique position.

When our settings have been open, we have focused on ensuring the safety of our colleagues and the children we care for in a number of ways. We made mask wearing mandatory for colleagues early on and, before government testing was made available to us, we registered as a private sector provider for Covid-19 testing in order to detect positive cases before colleagues come into work – a move that we fully funded.

As we have not been able to show parents around our settings in the usual way, we have introduced virtual visits, conducting almost 3,000 to date. In September, when restrictions were less stringent, we hosted a record-breaking open day where over 1,000 slots were pre-booked. We have also employed technology to keep children in touch with the elderly friends they had previously made in local nursing homes as part of our Intergenerational Care initiative.

The third National Nursery Practitioner Day went ahead in October to say thank you to our nursery teams and lift their spirits during what has been a very challenging year. Parents were encouraged to get involved remotely which worked well, and we were pleased to receive high levels of positive feedback, with 741 compliments compared to 291 in the previous month.

Utilities

Gross sales: £24m (2019/20: £31m)
Revenue: £12m (2019/20: £12m)
Colleagues: 64

"During the year we brought together Co-op Energy, The Phone Co-op and our Flexible Benefits business to form the Utilities trading group."

During the year we brought together Co-op Energy, The Phone Co-op and our Flexible Benefits business to form the Utilities trading group. We also recruited a new Chief Operating Officer, Lizzie Hieron, to drive the new business forward. It is pleasing to report that in its first year as a combined entity, Utilities has delivered sales of £24 million, ahead of its forecasts.

Our Co-op Energy business, which joined forces with Octopus Energy in September 2019, is now in a much more stable position. The partnership has reduced the risk the business posed to the Society while still allowing us to provide a supply proposition to our members in a way that supports our co-operative values.

In the second half of the year we re-launched Your Co-op Community Power Energy, the UK's only tariff powered by 100% community generated electricity. Operated through our Octopus Energy partnership, the tariff directly finances community energy co-operatives and is one of very few UK tariffs investing in the construction of new renewable energy projects. Gas supplied through the tariff is also carbon offset. The co-operativeenergy.coop website has been updated to showcase Community Power, an initiative which has gained positive national coverage. Since the site has been relaunched we have seen a 72% uplift in visits.

In keeping with our support for renewables, Your Co-op Energy backed the launch of Ripple Energy – the UK's first crowdfunded windfarm. We invited customers and members to invest in the wind turbine in exchange for a discount against their home energy bill. Once the windfarm is live in the spring of 2021, savings will be applied to customer accounts.

The Phone Co-op website has been refreshed, making it easier to use and resulting in increased visitor numbers and a consistent conversion rate. Off the back of this work, The Phone Co-op, with our partner Conversity, won the award for 'Online Innovation of the Year' at the 2020 Retail System Awards. The business also maintained its Gold Feefo score for a second year.

At the beginning of 2021 the Flexible Benefits team launched a new salary sacrifice Electric Vehicle offer. The scheme, offered in partnership with Octopus EV, is being piloted by colleagues, with the aim of a full rollout to our Flexible Benefits customer base by the end of 2021.

To start to realise the benefits of a combined Utilities trading group, we launched exclusive offers to encourage Energy customers to sign up for our superfast broadband. The group has also been maximising the opportunities for cross-promotion by hosting offers on the Your Co-op Rewards platform, introducing marketing materials at 100 food stores and adding flyers to our home deliveries.

Healthcare

Gross sales: £21m (2019/20: £29m)
Revenue: £20m (2019/20: £28m)
Colleagues: 118 (2019/20: 320)
Sites: 10 (2019/20: 30)

> “Our pharmacy branches dispensed a total of 2 million prescription items to patients last year and saw a 50% increase in demand for prescription deliveries”

Healthcare has had a mixed year. Non-prescription product sales were marginally ahead, however, prescription fulfilment was down 6%, in line with the industry. Overall, gross sales for the group are down 28% year on year, although this is not a like-for-like comparison given the decreasing number of branches.

Our pharmacy branches dispensed a total of 2 million prescription items to patients last year and saw a 50% increase in demand for prescription deliveries during the first lockdown, peaking at 3,000 per week in April 2020.

Branches situated within GP surgeries felt the biggest impact of the pandemic, given the move to conduct as many GP appointments as possible online. However, our high street locations fared better.

Our branches have continued to serve their communities throughout, even where that meant recruiting volunteers and temporary staff to ensure patients received their medication on time.

To support our colleagues, we have issued over 100,000 pieces of PPE, offered a personal risk assessment to all colleagues and ensured that they have had formal refresher training on Covid-19 policies and procedures every two months. Pharmacy colleagues qualify as frontline care workers so have been provided with lateral flow Covid-19 testing kits to conduct at home and are in one of the priority groups for the vaccination programme.

To support members of our communities who were isolating or unable to access every day healthcare products, we launched a range of distress household essentials through our website. Colleagues from our other trading groups helped promote these products. The range generated sales of £40,000 during 2020.

We are currently undertaking a comprehensive review of our digital strategy to ensure it aligns with the Society’s goals and puts members at the heart of what we do. While we complete this review, we have reduced our marketing spend for the site. This has led to a 12% drop in website sales, although contribution has increased given the reduction in spend.

We were pleased to be able to continue some of our in-branch operations as normal, delivering a record number of flu vaccinations and completing our full NHS allowance of Medicine Use Reviews.

The Society launched a campaign during 2020 to remove VAT on sunscreen. Our Healthcare website is leading this in conjunction with our food and pharmacy branches, and alongside TV medic Dr Hilary Jones. We are also working with other co-operatives and the Co-operative Party to help publicise this important campaign.

The lockdowns have slowed the divestment of our branch network. However, by the year end we had divested 20 of our 30 pharmacies.

Funeral

Gross sales: £30m (2019/20*: £31m)
Revenue: £29m (2019/20*: £30m)
Colleagues: 302 (2019/20: 322)
Sites: 80 (2019/20: 84)

> "The pandemic has brought about significant spikes in the death rate through the year, resulting in a 9% increase in funerals compared with last year."

The pandemic has brought about significant spikes in the death rate through the year, resulting in a 9% increase in funerals compared with last year. However, given the lockdown restrictions in place many clients have opted for simpler services or cremation without ceremony alternatives, which has meant both gross sales and contribution have dipped year on year by 3% and 4% respectively.

The pre-need market, sector wide, has been significantly impacted by Covid-19. With uncertainty over employment and the inability to discuss options face to face, many people have chosen to defer the decision around purchasing this high-value product. Our Stonemasonry team has also been affected with colleagues being required to stop work on all but essential services during the first lockdown, as cemeteries and churchyards were closed. With some restrictions now lifting and the vaccine rollout underway, we are hoping to see improved growth in both areas.

To support this growth and the need to provide a more comprehensive online offering, our coopfunerals.co.uk website has been refreshed and now offers the opportunity to purchase pre-need plans and memorials. Membership offers and proactive social media campaigns have helped to drive sales and we are already seeing increased traffic to the site.

We have developed our Remembered from Afar funeral online streaming service, offered through our newly-launched Much Loved remembrance website. This has been well received by loved ones who have not been able to attend a funeral due to Covid restrictions. Behind-the-scenes improvements have also helped smooth the arrangement process for colleagues, allowing them to provide clients with more choice and a more efficient service.

Taking some of our products online has helped us support our customers and members during the pandemic. We have also made a number of other changes, from adding protective screens to all limousines, to offering 24-hour telephone support, and arranging funerals via video call. To protect our colleagues, we have stepped up the use of PPE in caring for the deceased and offered mental health training to help them deal with the added stresses they have encountered during this exceptional period.

A further review of our branch portfolio identified six more branches to be closed. Their funerals have been consolidated into neighbouring offices.

Although delayed, the Competition and Markets Authority (CMA) and HM Treasury consultations continued during the pandemic. The CMA consultation for the at-need funeral sector has recently concluded, with remedies focusing on clarity and openness as well as choice for the client. We await the outcomes to be formalised to understand the detail and impacts. The HM Treasury consultation into the pre-need market is now due to conclude in the spring of 2021, with remedies published shortly afterwards and a subsequent implementation period of 18 months.

* Restated prior year, see note 6.1 on page 114


FAIRTRADE
In 2000 we put
the UK's first
Fairtrade bananas
on our shelves

Reporting our Steering Wheel

As a co-operative we believe there is more to being a successful business than just profits.

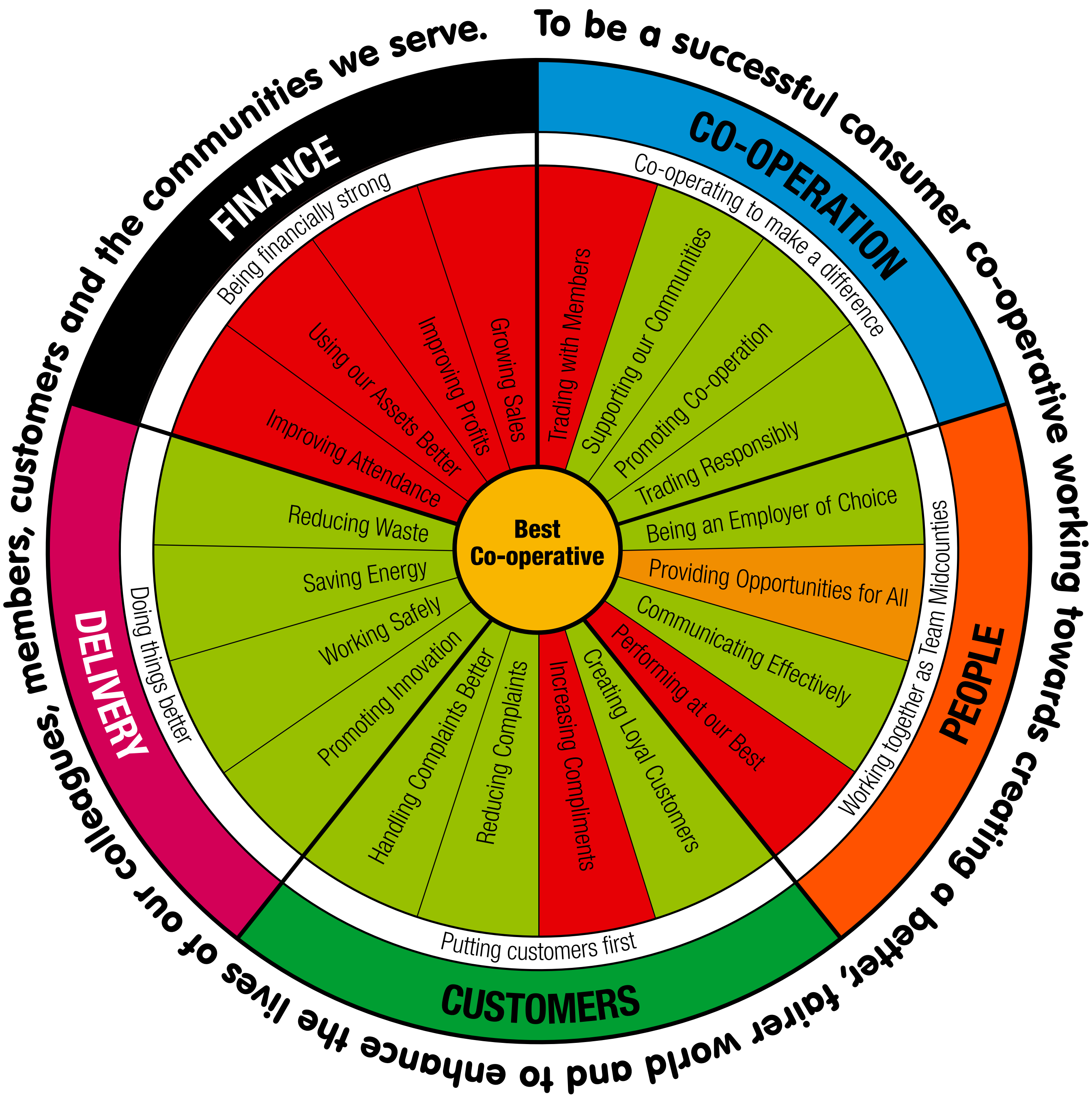
So, as well as measuring our financial performance we use our Steering Wheel to measure our performance in the key areas of co-operation, people, customers and delivery. Each section of the wheel has a number of objectives which we monitor on a monthly basis.

The Steering Wheel below shows how we have performed on these objectives during the 2020/21 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.

The financial performance of the Society is included on pages 76 to 123.



Reporting our Steering Wheel

Co-operation

Trade with members
Percentage of trade with members: 20% (last year n/a)

We have changed the way we measure this element. We now report on the number of transactions made with members against the overall number of transactions. We make over 48 million transactions a year, the vast majority in our Food Retail group. We have plans in place to improve our score, including the launch of our new member rewards scheme.

Supporting our communities
Hours volunteered in the community by colleagues: 27,600 (last year: 30,400)

Our volunteering activity has been severely curtailed because of the pandemic. However, colleagues were able to complete 27,600 volunteering hours mostly supporting vulnerable members of the community through our home delivery volunteering activity.

Promoting co-operation
Number of members involved in co-operative activity: 36,581 (last year: 43,331)

Given the reduced opportunities to engage with members face to face during the pandemic, we have focused our engagement activity on virtual events and online surveys, engaging over 36,000 members in co-operative activity. We look forward to returning to more normalised levels of engagement as we emerge from lockdown.

Trading responsibly
Percentage reduction in single use plastic bags: 100% (last year: n/a)

We have changed our measure this year, achieving our target of removing single use plastic carrier bags across all of our Food stores by introducing compostable carrier bags. Going forward, this has eliminated 8 million plastic bags per year.

People

Being an employer of choice
Percentage colleague turnover as a moving annual total: 13% (last year: 20%)

Controllable Colleague Turnover fell significantly this year largely on account of the impact the pandemic has had on economic activity. We have taken on a number of temporary colleagues to support our businesses through the pandemic. They have not been included in the figures to ensure we provide a more representative picture of turnover levels.

Providing opportunities for all
Percentage of colleagues who have achieved a Level 2 qualification or above: 88% (last year: 90%)

88% of our colleagues hold at least a level 2 qualification or equivalent. While the pandemic has affected some ways of learning, our line managers have continued to focus on ensuring that our colleagues are receiving opportunities to develop these qualifications in line with our targets.

Communicating effectively
Percentage attendance rate at Colleague Council meetings: 98% (last year: 90%)

Attendance at Colleague Council meetings has been very high. Given Covid-19 restrictions all Colleague Council meetings have been taking place virtually. We have found colleagues have been comfortable to engage effectively online.

Performing at our best
Percentage of colleagues receiving an annual performance review: 66% (last year: 95%)

There have been limited opportunities to carry out performance reviews face to face due to the restrictions in place. During the year we introduced a process of 'colleague check-ins', providing colleagues with a more regular opportunity to discuss their goals, share feedback, and discuss specific areas, such as wellbeing and career development.

Customers

Creating loyal customers

Customer Loyalty Index: 86 (last year: 84)

Our Net Promotor Score increased two points this year. Our trading groups look to implement the feedback they receive from their customers to ensure we continue to provide a high level of customer service. Our Food Group introduced a special measure this year to check how safe customers have felt while shopping in our stores. We have been monitoring this closely and are pleased with the feedback from our customers and members.

Complaints

Number of customer complaints: 1,840 (last year: 2,783)

Complaints have fallen given a reduction in levels of trade (particularly in our Travel and Childcare businesses), a general reluctance to spend more time shopping than is necessary, and, of course, reflecting the fantastic levels of service our colleagues have been able to provide in the very difficult circumstances of this year.

Compliments

Number of customer compliments: 22,660 (last year: 31,400)

We have received fewer compliments this year given a general reluctance on the part of customers to spend more time than they need to while shopping. We will work with our trading groups to increase the opportunities to capture compliments in the year ahead to ensure we know what our customers like and can continue to implement the learnings more widely.

Handling complaints better

Percentage of customers who agreed we responded well to their complaint: 91% (last year: 70%)

All of our teams work hard to ensure a positive resolution for customers when complaints are received and we are pleased that this hard work has been recognised. While we have received less customer feedback this year it has allowed us to focus more closely on each complaint received.

Delivery

Innovation

Number of ideas implemented having a positive impact on another Steering Wheel Measure: 20 (last year: 19)

Our Innovation programme was put on hold for much of the year while we focused on addressing the immediate trading issues created by the pandemic. Despite this, we have been able to implement 20 new ideas. In the coming year we will once again refocus on this measure and encourage colleagues to provide ideas that make a tangible positive benefit to our businesses.

Working safely

Number of accidents/incidents reported as a moving annual trend: 438 (last year: 624)

Covid-19 has impacted accident numbers in part due to the number of colleagues furloughed and consequent reduction in working hours, and also thanks to various operational control measures introduced across the Society to ensure our sites remained Covid safe.

Saving energy

Percentage reduction in greenhouse gas (GHG) emissions across our operations on prior year: 18% (last year: n/a)

This is a new measure. The Covid-19 restrictions have caused a reduction in our GHG emissions, as some of our operations have been closed for parts of the year and there have been far fewer business miles travelled by colleagues. However, we have also continued to engage colleagues in energy saving practices and improved the energy efficiency of our trading sites, initiatives which have helped reduce our emissions levels further. You can find more detail on page 42.

Reducing waste

Percentage waste reduction across our operations on prior year: 5% (last year: n/a)

Following suggestions from members, we have changed the measure this year to concentrate on reducing the amount of waste we produce, as opposed to how much we recycle. We have been able to reduce the total waste produced across our operations by 5%, by introducing new processes and encouraging colleague behaviour changes, such as reducing the amount of printing happening across our sites.

Co-operative Social Responsibility

Our social responsibility activity underpins so much of what we do as a co-operative that it feels right to report on this within our Annual Report rather than in a separate Social Responsibility Report.

Pete Westall, Chief Values Officer, holds overall accountability for social responsibility to ensure the Society continues to meet its social responsibility objectives, and certain directors take a lead on matters relating to the environment and community: Fiona Ravenscroft sits on the Society's Environmental Steering Group, and Barbara Rainford and Wendy Willis are the Board's appointed representatives on the Member Engagement Committee.

Business of the Year

We were named Business of the Year and received the Social Sustainability & Community Development Award at the edie 2021 Sustainability Leaders Awards.

edie sustainability leaders awards 2021
2021 WINNER
Business of the Year
The Midcounties Co-operative

100,000

We have co-ordinated over 100,000 home deliveries, bringing essentials to vulnerable members of our communities.

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

BUSINESS IN THE COMMUNITY
The Prince's Responsible Business Network
CommunityMark 2018-2021

Champion

BUSINESS IN THE COMMUNITY
The Prince's Responsible Business Network

Our Society was named as a Responsible Business Champion 2020 as part of Business in the Community's annual Responsible Business Awards.

£50,000

Members, customers and colleagues raised £50,000 for our Foodbank Fund.

99%

We now recycle 99% of our waste across our operations.

£80,000

Through the Midcounties Community Fund we gave more than £80,000 to local community groups.

8 million

We have replaced single use plastic carrier bags with compostable bags in all our Food stores, saving 8 million plastic bags a year.

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

Fair Tax

Future

We continue to actively develop and grow our Young Co-operators Network, which aims to engage and inspire future co-operators.

100

We distributed 100 computer tablets to vulnerable secondary school students at our partner schools.

22,000

We are supporting 75 community energy groups through our Co-op Community Power Tariff, generating enough renewable energy to power 22,000 homes.

We helped to raise almost £50,000 for the NHS Together Campaign working with other co-operative societies, donating £1 for every floral bouquet sold at Christmas.

£50,000

£78,000

Through our Community Restart Fund, we donated over £78,000 to our charity partners.

40

Food waste from our Food and Childcare sites goes to anaerobic digestion, producing enough renewable energy to power 40 homes a year.

36,000

We engaged with more than 36,000 members through a range of virtual events and online surveys.

We have continued to work with Cal Major, our Environmental Ambassador, as part of our 1 Change campaign to tackle single use plastics.

2 tonnes

We have cut the amount of single use plastics used in our direct operations by 2 tonnes per year.

27,000

Our colleagues have delivered over 27,000 volunteering hours to support local communities.

Membership matters

In what has been a challenging year for us all, we have worked to support members in as many ways as we can, from delivering essentials to members in need to increasing the value and ease of access of member rewards.

Members supporting members
One of our main membership initiatives this year has been facilitating members in supporting one another through what has been a very challenging time. More than 1,000 members, community volunteers and colleagues gave their time to make home deliveries of essential products from our Food stores to our most vulnerable members. From March 2020 to February 2021 our volunteers made over 100,000 deliveries to members in our communities isolating at home.

This initiative has become so much more than just a practical delivery service. We set up a call centre, manned by members of the CSR and Food Retail teams, to administer the service, and quickly found that these calls also gave us the chance to assess the wellbeing of our members and provide them with a listening ear, signposting them to further help where required.

Member rewards
We are now coming to the end of the pilot phase for Your Co-op Rewards, our new way to reward members. The feedback we have received from members during the pilot has been invaluable in helping us develop the programme into a proposition we believe will be attractive to members.

Launching in summer, members will be able to collect digital stamps on our Your Co-op Rewards app or website. These will unlock access to exclusive member rewards. Members will receive one digital stamp for each £10 spent with Food or Utilities and there will be additional member exclusive offers available on the app.

Share of the profits
We hosted our main membership events online given the restrictions in place on public gatherings. The AGM attracted over 600 members (similar to the amount who attended in 2019) and the Half Yearly Meetings welcomed more than 380 members. It was fitting that at our first set of virtual Half Yearly Meetings members voted to move to digital share of the profits payments as part of our ongoing commitment to reduce the use of paper across the Society.

Share of the Profits e-vouchers are available on our new member app. They can be used in our Food, Travel, Childcare, Healthcare and Funeral businesses. Those members who can't use e-vouchers will not miss out. We will hold their Share of the Profits payment for them or they can choose to receive it another way.

Member engagement
Over the year we have engaged with over 36,000 members through a range of virtual events, campaigns and conversations. Such activity has been more challenging than usual, but we have embraced new methods of communication, such as online surveys and virtual member events, to keep in close contact.

For example, our Young Co-operators Network hosted a joint virtual member event, entitled 'Climate, COVID & Fairtrade', alongside the Fairtrade Foundation, Oxford Fairtrade Coalition and students from Oxford University. To engage our members in taking climate action we have also launched an Environmental Footprint campaign, run in partnership with the WWF, where members are invited to measure their environmental footprint and can pledge to reduce their impact.

These activities have been driven by our Member Engagement Committee, which is responsible for monitoring overall member engagement. The Committee has worked closely with management to provide opportunities for members to become involved with and influence their co-operative. The Committee now includes two representatives from our Young Co-operator Network, improving representation from across our membership base. In addition, the Board has agreed to introduce three dedicated positions for Young Members this year, and the first Young Member Election will take place in the autumn.

To ensure we continue to align our goals with our members' aspirations, we have taken a new approach to gathering input from members. Using Augmented Intelligence (AI) software, we have begun requesting member input on issues and topics, with the software generating a consensus view. The output provides a sense of direction for the Society to take on issues which matter to our members. We have begun using these insights to shape trade and non-trade related membership activity and will continue to do so.

Member campaigns
Working with The Co-operative Party on behalf of our members we have continued to campaign on a number of key issues including:

- Supporting the national Freedom from Fear campaign and the Retail Workers (Offences) Bill alongside other retailers, USDAW and the Association of Convenience Stores. During Respect for Shopworkers week, our CEO Phil Ponsonby joined a national Freedom from Fear roundtable event, alongside leaders from the UK's biggest supermarkets and fellow co-operatives, to address ways we can tackle the issue of retail crime.
- Lobbying for early vaccinations for childcare nursery staff and the provision of additional financial support to the childcare sector.
- Opposing the temporary relaxation of Sunday trading laws during the pandemic.
- Campaigning for the removal of VAT on sunscreen, both publicly and through correspondence with Jesse Norman MP.

Sustainability

This year's sustainability activity has focused on working closely with other co-operatives to address the UN Sustainable Development Goals, increasing the support provided to local power generators through our new Community Energy Tariff, and continuing our 1 Change campaign.

Tackling global challenges co-operatively
As a co-operative we know that acting together we can make a real difference. We have put this into action in 2020, by working with co-operatives from across the world to consider how we can best address the UN Sustainable Development Goals (SDGs).

As part of Co-op Fortnight 2020 our CEO, Phil Ponsonby, joined other major co-operatives in signing a statement outlining our support for the SDGs. Our Society has chosen to focus on SDG 13 concerning Climate Action in collaboration with Euro Co-op (the European Community of Consumer Co-operatives) and the International Co-operative Entrepreneurship Think Tank (ICETT) – a group we founded along with several other large global co-operatives. Through this network we have had the opportunity to become involved in a number of exciting initiatives:

- Our Chief Values Officer (CVO), Pete Westall, moderated the virtual World Co-operative Monitor Launch event, with over 200 international co-operators in attendance; the Monitor showcases the work of co-ops around the world in response to the Covid-19 pandemic and features aspects of the Society's co-operative-based activity in tackling climate change.
- Our CVO and Co-operative Social Responsibility Manager were invited to present on our 1 Change programme as part of a joint UN/ICA webinar on 'Co-operatives and Climate Action'.

We are also pleased to represent UK co-operatives on the Euro Co-op Sustainability Taskforce, set up to look at how consumer co-operatives tackle sustainability. Being part of this group gives us the chance to share best practice ideas with other co-operatives within Europe.

In addition, our CEO Phil Ponsonby presented a webinar at the Association of Convenience Stores' conference on the sustainability, showcasing the breadth and depth of our sustainability work in the communities where we trade.

1 Change
As part of our Climate Action activity and through our 1 Change campaign, we have continued to work with our Environmental Ambassador, Cal Major, to reduce the amount of single use plastics our colleagues and members use each year.

We supported Cal in exploring the course plastic takes from source to sea, as she journeyed along the River Severn on her stand-up paddle board. We ran a range of virtual member engagement activities on each day of her expedition, including zero waste and plastic-bag-free pledges, competitions to create artwork from waste plastic and opportunities for members to provide us with feedback on our values-based activities. We drove engagement with the campaign through social media, our website and Colleagues Connect, as well as raising external awareness through targeted PR.

On World Environment Day we received over 100 ideas from members on actions they wanted us to take to defend the environment. The ideas were gathered through an online forum and discussed by our Environmental Steering Group, and have been used to develop our environmental plans moving forwards.

Cutting waste
We have worked closely with our colleagues and members this year to reduce our impact on the environment. We are pleased to say that we are now recycling 99% of our waste. This includes sending food waste from our food stores and nursery sites to anaerobic digestion where it is used to produce renewable energy sufficient to power 40 homes per year.

Our members have told us that reducing waste, including tackling single use plastics, is important to them. As a result we now target waste reduction through our Society Steering Wheel. We have reduced the amount of waste produced across our operations by 5% compared to the previous year, cutting 200 tonnes of waste. We have achieved this by increasing colleague awareness, including focused activity on paper reduction and using digital solutions where possible. Our dynamic food waste programme in Food Retail has also helped us reduce our waste footprint, helping minimise waste through a sophisticated reduce-to-clear pricing model.

As part of our commitment to tackle single use plastics, we replaced all single use plastic carrier bags across our food stores with compostable bags during the year, eliminating 8 million plastic bags per year from circulation. We have also started trialling re-fillable sections within selected food stores, including milk vending machines.

Recognition
We use Business in the Communities' (BITC) Responsible Business Tracker to monitor our progress against the SDGs. Pleasingly, our overall score in 2019/20 was deemed 'outstanding'. We were also one of a small number of businesses to be named Responsible Business Champions 2020 at the BITC Awards, in recognition of the way we are uniting our members in tackling single-use plastics.

As a result of our sustainability work and support for our local communities, we were delighted to be named Business of the Year at the edie 2021 Sustainability Leaders Awards. We also received the Social Sustainability & Community Development Award from edie at the same ceremony.

Paddle against plastic

Our Environmental Ambassador Cal Major tackled litter in the River Severn as part of her Paddle against plastic campaign. She said:

"The whole reason behind this trip is to connect the dots between the plastic we use inland, and that which ends up out to sea, contributing to the huge and often overwhelming marine litter crisis.

"It can be difficult to know what we can do to help tackle such an enormous issue, however, all of our lives are linked to the ocean in a number of ways, and especially through our country's rivers."

On page 42 you'll find our Energy and Carbon Report. This shows the Society's current emissions and the actions we are taking to reduce our greenhouse gas output.

Connected communities

Despite the impact of the pandemic, our colleagues completed more than 27,000 community volunteering hours in 2020 giving something back to the communities where we trade. As a Society we supported local foodbanks, provided quick cash injections for community groups impacted by the pandemic and raised funds for the essential work of the NHS.

Working with our partners
This year, more than ever before, our charity and foodbank partners needed our support.

As part of our ongoing focus on working with those who are helping others, we created a Community Restart Fund which provided more than £78,000 to help our 67 charity partners rebuild following the Covid-19 crisis.

As well as investing financially in the future of these organisations, we now host regular virtual charity partner events to enable our partners to share their experiences and best practice with one another. A dedicated area of our website now houses self-help guides for community organisations, providing ideas and tips on topics such as connecting with businesses and maximising social media opportunities, to help our partners help themselves through this period. To provide continuity for our partners, we have extended our community partnerships by a year into January 2022 to support them as they rebuild their programmes.

During the year we also established a Foodbank Fund which received donations from members, customers and the Society totalling £50,000, and made grants to our foodbank partners in the form of store credits to be used in our food stores.

We also welcomed two new Society Charity Partners for 2021/22 as voted for by colleagues. They are the mental health charity Mind and Vitamin Sea, a new charity set up by Cal Major to help people reconnect with nature.

Enabling education
Despite schooling looking very different during lockdown, we have continued our engagement with our partner schools and education establishments. We hosted a virtual head teachers' meeting, where heads from our partner schools could share issues and ideas to support each other.

Access to computing hardware has been a major barrier to learning for many children during lockdown so, working with our Utilities business, we were pleased to be able to distribute 100 tablets to vulnerable secondary school students in our partner schools to support their schooling

Community initiatives
To further support vulnerable members of the community we have developed our partnership with Aspire in Oxford to help individuals experiencing homelessness into employment, providing work experience and employment opportunities in our businesses in the Oxford area, as well as helping to develop a social enterprise hub to help and advise those seeking employment.

As part of our action against modern slavery, we co-founded the Bright Future co-operative – a collaborative employment scheme that brings charities and businesses together to create jobs for victims of slavery. Our Chief Values Officer, Pete Westall, is also Chair of the Bright Future board. We have continued our work with them during the year, providing work placements and long-term employment for victims in our Food Retail and Childcare businesses.

Fundraising
Over the Christmas period we partnered with other co-operative societies and well-known brands to raise funds for the NHS. As part of an NHS Together Campaign, the Society donated £1 from the sale of every Christmas flower bouquet sold to support hospitals and healthcare services. This raised over £11,000 from our Society alone, with just under £50,000 raised by all of the co-operative societies involved. This contributed to the overall £150,000 that was raised through the co-operative Christmas Campaign.

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

Community case study

Our Wyre Forest Regional Community team showed the difference our regional community activity can still make during the pandemic. We donated £1,500 from our carrier bag fund to Home-Start Wyre Forest, a family support organisation delivering friendship and help to parents with young children. This was used to provide a virtual Weston-Super-Mare day trip in place of the group's usual annual beach visit. Over 40 families took part in the event. Each received a sandpit, sand, buckets and spades plus ice-creams and picnic treats to make the day extra special for them.

Colleague engagement, wellbeing and diversity

Over the year we have introduced new wellbeing initiatives to help support our colleagues through the pandemic. We have also continued our work to ensure we recruit and nurture a diverse workforce, embrace and support colleague differences, and represent the communities where we trade.

Colleague wellbeing

We launched a mental health e-learning module following a pilot in Childcare. All managers are completing this to help them understand the basics of mental health and become more aware of the signs of mental health issues so they can signpost their colleagues to the support we have available. We have also regularly updated i.Learn, our colleague learning platform, with a range of mental health resources and are considering introducing Mental Health Champions across the Society.

We have scheduled four mental health drop-in sessions in Travel to support our colleagues in the virtual call centre who have had a particularly challenging year, and those feeling anxious about returning from furlough. We will look to use this model for other Groups. Similarly, we have created a bespoke wellbeing support package to address the unique issues faced by our Funeral colleagues. This has been developed in partnership with Mental Health at Work and has been well received.

A new wellbeing section has been added to our 'check-in' templates, used to guide management reviews with colleagues, to ensure we are enquiring on a regular basis how our colleagues are coping. We also used our most recent colleague 'pulse' survey to assess levels of wellbeing on a broader scale.

Using our internal website, Colleagues Connect, we have been able to provide support for colleagues throughout the pandemic and raise awareness of mental health issues, including what action they can take if they are worried about their mental health. We use the services provided by GroceryAid and Mind to help us.

Colleague engagement

Our Colleague Council meetings, where colleagues can share issues and best practice, have continued in a virtual format during the pandemic. We have seen the number of council reps attending these sessions increase from 90% in 2019/20 to 98% in the 2020/21. Our monthly pulse surveys have also generated strong response rates, a sign that colleagues have remained engaged during the pandemic.

We have encouraged colleagues to get involved with activities such as the Random Acts of Kindness day, and we have introduced Thank You Thursdays, where we suggest colleagues send a virtual thank you card to those who have supported them during the week.

Flexible working and progression

We have partnered with a new Employee Assistance Provider to gain insights into how work commitments impact colleagues given their responsibilities outside of work. As part of this, we launched the Society's Agile Working Policy which provides a framework for consistent and fair practice when considering agile working arrangements.

We are also in the process of completing a detailed analysis of the possible barriers to female progression in our businesses.

Our Career Framework has been rolled out across the Society. This ensures we have fair pay ranges at every level of the organisation. All our colleagues have access to our Career Framework and the associated salary bands so they can plan their development and raise their awareness of opportunities. We have also revised our bonus scheme to ensure it is based on Trading Group and Society performance as opposed to individual performance. This has removed the ability for local mangers to influence bonus payments based on unconscious bias and has helped generate a more collective mindset.

We have invested in learning and development at all levels, ensuring that opportunities for progression are relevant and accessible; and we have mapped apprenticeship programmes and skills development opportunities to our Career Framework to give colleagues visibility of potential career paths within and across our Trading Groups.

Recruiting fairly

Our selection processes and interview questions have been revised to ensure they are inclusive. The questions are benchmarked by Employers Network for Equality and Inclusion. The Society has a centralised recruitment team which determines attraction methods, and completes pre-screening and first stage interviews to ensure consistency in attraction and selection.

We have worked closely to select the right recruitment partners to attract senior level roles, ensuring they share our values of equality and inclusivity. This has led to a better gender balance at shortlisting stage and let us appoint more senior females.

Supporting race equality

As a Society, we want our workforce to be representative of the communities in which we trade. To support this we recently signed Business in the Community's (BITC) Race at Work Charter. This entails appointing an executive sponsor for race, capturing and publicising ethnicity data and progress, taking a zero-tolerance approach to harassment and bullying, and action to support ethnic minority career progression. We have also established a race partnership with BITC to support the work we are doing in this area.

We are holding ethnic minority listening groups to understand what it feels like to work for the Society and what barriers colleagues might face. In the coming months we will be rolling out a 12-month training programme to all line managers called 'Let's talk about race'. This will equip line managers to understand race representation within their own local area and ensure they are comfortable leading conversations around race equality.

Service Recognition Awards

20 Years

Name		Store Name
Tracey	Chrimes	Franche Road Pharmacy
Denise	Mitchell	May Day Nursery
Lorraine	Whyte	High Street Food
David	Hughes	Chipping Norton Food
James	Davidson	The Phone Co-op
Faye	Sayers	Codsall Food
Linda	Holford	Franche Travel
Stuart	Jarvey	Eynsham Food
Maureen	Thomson	Kidlington Food
Glynne	Hubbard	Knighton Food
David	Richards	Convenience Retail Support
Geoffrey	Cross	Trinders Banbury Funeral
Paul	Bambrook	Thame Food
Jayne	Vander	Stourport Food
Simon	Christian	Co-operative Memorials
Gail	Baker	Penkridge Food
Debbie	Earp	Franche Road Food
Sarah	Munsey	Pendeford Food
Sally	Lacey	Franche Road Food
Joanne	Hill	Walsall Funeral
Emma	Harewood	Walsall Travel
Louise	King	Parton Road Food
Kelly	Payton	Stourport Bridge St Funeral
Wendy	Wilson	Franche Road Food
Juswinder	Devi	Pharmacy Hub/Online
Andrew	Kendry	Winchcombe Food
Julie	Barratt	Reddicap Heath Post Office
Philip	Wilkes	Pharmacy Hub/Online
Gemma	Edwards	Stanford in the Vale Food
Angela	Clement	Convenience Retail Support
Julie	Coslett	Bicton Heath Food
Corinne	Goodwin	Northway Food
Sandra	Main	Salisbury Avenue Food
Parmjit	Mattu	Summertown New Food
Stephen	Brown	Cavendish Square Food
Terence	South	Kidlington Food
Adam	Quinton	Supermarkets Retail Support
Claire	Cross	Littlehampton Nursery
Jennifer	Varney	Ermin Street Food
Nicola	Lloyd	Franche Road Food
Kerry	Mcinnis	Dudley Travel
Christopher	Dixon	Franche Road Food
Sarah	Adams	Cinderford Food
Deborah	Simpson	Long Hanborough Food
Kathryn	Poole	Beeston Travel
Mark	Henderson	Supermarkets Retail Support
Alison	Smallwood	Penkridge Food
Hayley	Meer	Old Town Food
Marie	Urch	Parton Road Food
Diana	Coad	The Phone Co-op
Maria	Chilton	Stubby Lane Food
Allan	Crosby	Watery Lane Funeral
Heather	Price	Grove Food
Duncan	Ikin	Pendeford Food
Gwendoline	Sharpe	Kings Sutton Food
Karl	Warrender	Coven Food
Kerrie	Brain	Chipping Norton Travel
Linda	Stanborough	Bishops Cleeve Food
Natalie	Sutton	Watlington Food
Rebekah	Brain	Colleague Engagement
Barbara	Bull	Bloxwich Food
April	Tyler	Highley Food
James	Harford	Old Town Food
Julia	West	Newcastle Nursery
Leah	Creed	Cinderford Travel
Helen	Bradley	Kings Stanley Food
Trudie	Howells	Lydney Post Office
Christine	Homer	Coven Food
Keith	Butler	Knighton Food
Sally	Baker	Cinderford Food
Natalie	Maxwell	Bourton-on-the-Water Food
Claire	Knight	Street Travel
Christopher	Read	Moreton-in-Marsh Food
Carol	Bagladi	Franche Road Food
Pamela	Cooper	Kineton Food
Doreen	Balmer	Tredworth Food
Andrew	Shakespeare	Franche Road Pharmacy
Audrey	Warren	Newent Food
Kelly	Ridler-Dutton	Newent Food
Valerie	Hogg	Sussex Place Food
Alan	Tidy	Convenience Retail Support
Tehmena	Farhat	St. Johns Pharmacy
Peter	Lockey	Corporate Comms
Douglas	Newson	High Street Food
Keith	Melson-James	Charlton Kings Food
Emma	Griffiths	Sedgley Travel
Mavis	Ellison	Wem Post Office
Nigel	Holmes	Hazlemere Food
Deborah	Shea	Hanwell Fields Food
Madeline	Smith	Kinver Food
Sharon	Collins	Rodbourne Cheney Food
Jayne	Nightingale	Ely Willenhall Funeral
Angela	McGuire	Seventh Avenue Food
Carol	Newton	Kingswinford Post Office
Moira	Hughes	Kingswinford Food
Debbie	Whittaker	Bloxwich Food

25 Years

Michael	Boxall	Watery Lane Funeral
Julie	Duce	Stourport Food
Lynda	Lowe	Kingswinford Food
David	Kemmett	Bourton-on-the-Water Food
Marion	Godfrey	Gillingham Travel
Marian	Moralee	Newcastle Nursery
Carolyn	Brown	Knighton Food
Tracey	Roberts	Radbrook Food
Evelyn	Bickley	Churchstoke Food
Joanne	Ireland	Coleford Food
Julie	Brammer	St. Johns Pharmacy
Belinda	Davies	Headington Food
Joanne	Greatrex	Walsall Wood Nursery
Jason	Newitt	Chinnor Food
Stephen	Farmer	Penkridge Food
Robert	Gwilliam	Churchstoke Food
Justin	Brimson	Berkeley Food
Teresa	O'Connor	Churchstoke Food
Stephanie	Dalton	Management Accounts & Tax
Peter	Dubois	Management Accounts & Tax
Thomas	Johnson	Copthorne Food
Joanne	Edwards	Coleford Food
Gregory	Martial	Bicton Heath Food
Julie	Amos	Coleford Food
Suzanne	Willis	Childcare Head Office
Bernadette	Connor	Insurance and Compliance
Ingrid	Davies	Stourport Pharmacy
Katrina	Marden	Bewdley Food
Carol	Bishop	Stourport Food
Gareth	Pearce	Cavendish Square
Dragica	Ristic	Stonehouse Food
Susan	Newman	Codsall Food
Joan	Thomas	Hazlemere Food
Stephen	Hale	Support Services
Josephine	Shemwell	Penkridge Food
Deborah	Hackett	Rugeley Funeral
John	Russell	Support Services
Michael	Richards	Church Street Food
Deborah	Novak	Kinver Food
Julie	Hancock	Drybrook Food
James	Hill	Watery Lane Funeral
Steven	Botwood	Co-operative Memorials
Lewis	Broyd	Steventon Food
Tracy	Whale	Oxley Food
Valerie	Brown	St. Johns Pharmacy
Kevin	Phillipson	Northway Food
Patricia	Jones	Co-operative Memorials
Sian	Lewis	Business Improvement
Ilana	Wormald	Co-operative IT
Jennifer	Shorthouse	Lichfield Road Food
Leanne	Green	Reading Nursery
Frances	Winchester	Chipping Norton Food
Rosemaire	Eddolls	High Street Food

30 Years

Georgina	Gwilt	Copthorne Food
Andrew	Joiner	Marston Food
Jill	Hyndman	Cinderford Food
Steven	Jones	Churchstoke Food
Beverley	New	Groundwell Road Food
Vicky	Blackmore	High Street Food
Zoe	Mitchell	Crossways Food
Kirsten	Martin	High Street Food
Nicholas	Corcoran	Chipping Norton Food
Alison	Dean	Thame Food
Debra	Taylor	Bath Road Food
Joanne	Hand	Blakeley Food
Debbie	Barnett	Wem Food
Michele	Bartley	Wem Food
Susan	Pearson	Tipton Food
Tracy	Brookes	Highley Food
Lorna	Mitchell	Cinderford Food
Patricia	Sawyer	Crossways Food
Cheryle	Manns	Cinderford Food
Virginia	Beddard	Lodge Farm Food
Anita	Tipper	Bloxwich Food

35 Years

Sharron	Ayres	Rodbourne Cheney Food
Sukie	Lawrence	Watchfield Food
Nickolas	White	Supermarkets Retail Support
Helen	Sherwin	Lydney Food
Louise	Edgar-Kerrigan	Convenience Retail Support
Steve	Jones	Wem Food
Wendy	Hallett	Cavendish Square Food
Maria	Young	Long Hanborough Food
Karen	Belstone	Pharmacy Admin
Helen	Owen	Pattingham Food
Julie	Sumner	Church Stretton Food
Amanda	Swales	Wymans Brook Food

40 Years

Susan	Davis	Bilston Travel
Andrew	Bartlett	Woodstock Food
Carol	Ash	Cowley Centre Food
Jill	Allman	Norton Canes Food
Janice	Cook	Longlevens Food
Philip	Johnson	Bicester Food
Sharon	Palmer	Wotton-under-Edge Food

45 Years

Richard	Stockman	Cainscross Food

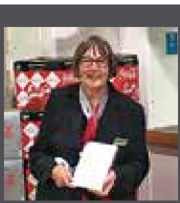
50 Years

Jean	White	Steventon Post Office

Thank you

for your commitment to the Society

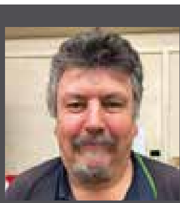
We asked some of our colleagues with Service Recognition Awards to tell us why they were proud to work for the Society.



Jean White
Post Offices

50 Years

"I started working in the old Steventon food store in 1962 then left in 1965 to have a family before returning in 1970. I've seen so many of our current customers and colleagues grow up from babies to adults and seen the Society develop too, starting as the Oxford Co-op, becoming Oxford & Swindon Co-op then Oxford, Swindon & Gloucester Co-op and finally Midcounties. The highlight of my time with the Society has to be receiving my 50 years' service award! I love what I do and make sure I treat everyone the same, always welcoming them with a smile."



Richard Stockman
Food Retail

45 Years

"I started my career in the old Stonehouse store in 1975 when the company was Gloucester and Severnside. I then moved over to Cainscross store in 1996 and I have been working around many different areas of the store since. I've worked with many wonderful colleagues over the years and have seen many grow and progress. I've seen a lot of changes in the Society. I have thoroughly enjoyed working for the Society and hope to continue my long service for a while yet."

Debbie Hackett
Funeral

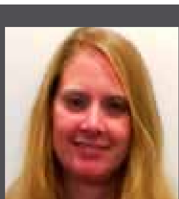
25 Years

"I started at Rugeley Funeral in 1995, working just three hours a day, and I have never looked back. I enjoy every aspect of arranging funerals, from looking after bereaved families from beginning to end to suggesting ideas for a unique funeral. When a family contacts us, they sometimes don't have any idea of what they want and it's our job to talk them through the different options in a sensitive way. Every day is different and new challenges arise for us to overcome – that is the reason why I have stayed so long."

John Russell
Food Retail

25 Years

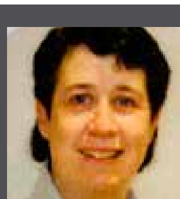
"I started working for the Society in 1995, when I moved down from Scarborough to join as an Internal Auditor. I later made a radical career change and decided to join Food Retail. My first store was Shrivenham, Swindon and I have since managed eight of our stores. I took the opportunity six years ago to become Store Development Manager, to project manage new and refit stores. Since then, I have launched 41 new stores and completed hundreds of projects. I am very proud of the merchandising team, who are amazing to work with. I love working for Midcounties and enjoy the challenge, that every day is different and that every day we can make a difference."



Ilana Wormald
Co-operative IT

25 Years

"I started my career within Food Retail in December 1995 as a checkout operator. Within a few months I moved to the Head Office (in Walsall at the time) to help keying in stocktake books before joining the IT department. Over the years my career has gone from strength to strength and I now work within Food IT as an Application Support Analyst. I am truly grateful for the career opportunities I've had. When I look back at how much the business has grown over the years and the way the Society is driven by its values and principles it makes me very proud to work for Midcounties."



Joanne Greatrex
Childcare

25 Years

"I have worked for Co-op Childcare for nearly 26 years and still can't believe it's been that long. I really enjoy welcoming new children and their parents into the setting, making them feel safe in their surroundings. I also enjoy seeing babies that I looked after grow into adults. I now actually work alongside a staff member who I looked after as a baby."

Board of Directors

Helen Wiseman
President

Heather Richardson
Vice-President

Vivian Woodell
Vice-President

Steve Allsopp

Olivia Birch

Clive Booker

Ellie Boyle

Bernadette Connor

Vicky Green

Irene Kirkman

Matthew Lane

Paul Mather

Kathy Petersen

Barbara Rainford

Fiona Ravenscroft

Wendy Willis

Senior Management Team

The Executive

Phil Ponsonby
Group Chief Executive

Alison Bain
Chief Marketing Officer

Peter Dubois
Group Chief Financial Officer

Sara Dunham
Chief Officer Travel and Leisure

Clare Moore
Chief HR Officer

Rupert Newman
Chief Food Retail Officer

Edward Parker
Secretary & Head of Governance

Peter Westall
Chief Values Officer

Chief Operating Officers

Mark Adams
Funeral

Sally Bonnar
Childcare

Lizzie Hieron
Utilities

Rad Sofronijevic
Travel

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. Dealing with risk in the right way allows us to create value for our members and communities. 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. The Committee undertakes a formal review of the Society's principal risks twice each year. A summary of the latest key risks schedule can be found on the following pages.

Audit and Risk Committee

The Audit & Risk Committee is charged with monitoring the effective operation of the Society's risk management process, the risks and uncertainties identified through the Society's risk assessment process, along with the mitigating actions and controls in place. As noted, the Committee undertakes these tasks on a formal basis twice each year. In addition, the Committee also receives a quarterly update report 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 identification and assessment of key risks to the Society and the adequacy of mitigating control activity. The Executive Risk Committee regularly reviews the Society's key risks. During 2020, it introduced a new deep-dive review process of the key risks facing the trading groups and support functions. Issues are escalated to the Board as required.

Our risk management framework

Policies and procedures
Our policies and procedures guide colleagues, setting out business-wide standards for minimising risk, adapted to the business area as required.

Roles and responsibilities
The Society uses the well-recognised 'three lines of defence' methodology to manage risk:

- First line colleagues, managers and leaders manage risk as part of their day-to-day activities, guided by policies, procedures and training as required
- Second line teams, mainly within the support functions, provide guidance, oversight and compliance activities to assist
- Internal audit, as the third line, provides independent assurance and challenge.

Risk appetite
The Board, led by the Audit & Risk Committee, has been developing a risk appetite statement to define a set of risk parameters for the Society as a whole. It is anticipated this work will complete in the first half of 2021.

Risk management process
We have a standard four-step approach to risk management which helps us recognise and manage risk as part of our day-to-day roles.

1. Identify Risk
- We identify risks that could impact our business by using our experience and judgement
- We regularly update as risks change

2. Assess Risk
- We assess the likelihood and impact of the risks we identify
- We consider the potential financial and reputational consequences

3. Mitigate & Manage Risk
- We manage the risks by ensuring the appropriate mitigation and resources are in place
- We regularly adapt as risks evolve

4. Monitor & Report Risk
- We regularly monitor and update our risks and mitigation
- We regularly report our risks for review and challenge

How we managed risk in 2020/21
The Society's trading groups and support functions regularly review and update their risk registers as part of ongoing management procedures.

We continued to develop and refine our risk identification, monitoring and reporting mechanisms to ensure risk is appropriately managed within the Society. Risks are rated using a probability and impact matrix and our Internal Audit activity is based on a risk assessed approach.

We have focused on strengthening our risk management procedures across the Society during the year, through training workshops and improved risk assessment methodology and guidance. As noted earlier, the Executive Risk Committee now undertakes a cycle of deep-dive reviews with all of the trading groups and support functions to analyse and challenge Society-wide risks. The output from these reviews is incorporated into the top-level Society risk register which is challenged and approved by the Executive Committee before being reviewed by the Audit & Risk Committee.

Managing risk

Key risks schedule

Covid-19 Impact				
Responsible Exec:	Chief Executive	Risk Category: Finance and Operational	Risk Trend: Increased	↑
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• Significant business disruption arising from COVID-19, resulting in reduced profitability and cash flow • Pressure on liquidity and funding headroom	• Uncertainty • Volatility of risk and speed to react • Availability of resources to manage disruption • Risk of 'knock-on' consequences • Costs of mitigation and change	• Operating a portfolio of businesses in different markets to diversify risk • Utilisation of the UK government furlough and job retention schemes • Restructuring to reduce the fixed cost base and re-align variable costs to the prevailing sales base • Working capital improvement projects to maximise cash flow • Proactive communication with banks to ensure funding headroom and lending covenants maintained • Utilised our business interruption insurance	• Travel trading group revenue significantly affected due to lockdowns and restrictions on international travel • Childcare trading group turnover impacted by lockdown/home working and the operational restrictions associated by operating COVID-19 bubbles • Funeral operations impacted by capacity constraints and by operational restrictions imposed by COVID-19 • Food Retail experienced sales growth, but operational performance affected by restrictions imposed by COVID-19	• Continue to use furlough and job retention schemes • Ongoing review of trading group operating models to adapt to anticipated future levels of activity; execute any resulting restructuring • Continue to review working capital and investment projects to maximise liquidity • Maintain ongoing dialogue with banks • Maintain Executive led COVID-19 contingency planning committee

BREXIT Impact				
Responsible Exec:	Chief Food Retail Officer	Risk Category: Finance and Operational	Risk Trend: Decreased	↓
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• Significant business disruption and financial cost from a no-deal Brexit • Anticipated inflationary impact from import tariffs and devalued sterling reducing both profitability and cash flow • Pressure on liquidity and funding headroom	• Uncertainty • Available resources to manage disruption • Risk of 'knock-on' consequences • Costs of mitigation	• Business wide risk assessment of key vulnerabilities, with allocated Executive responsibility • Regular communication and co-ordination with FRTS re EU supply chain contingency planning • Formulating cost mitigation plans for anticipated tariff and foreign exchange cost inflation • Stock building of non-perishable goods in advance of 31 December deadline • Sourcing alternative UK based suppliers particularly for perishable goods	• Executive level Brexit contingency planning continued throughout 2020 • Contingency planning assumed a 'no-deal' Brexit • Contingency planning activities continued until Brexit deal was announced	• Maintain close review of logistics, product availability and pricing levels, particularly for products sourced from the EU • Further develop our local UK supply base

General Data Protection Regulation (GDPR)				
Responsible Exec:	Secretary and Head of Governance	Risk Category: Regulation & Compliance	Risk Trend: Stable	→
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• Failure to comply with GDPR legislation	• Inadequate governance of data could lead to reputational damage and significant costs, including fines from the Information Commissioner of potentially up to of 4% of annual revenue	• Data protection policy in place • Risk assessed GDPR training for those handling personal data • GDPR governance framework in place	• No significant changes to legislation or our internal control framework	• Gap analysis within business areas to be updated • Actions to further improve governance and fill identified gaps

Reputational Risk

Responsible Exec:	Chief Executive Officer	Risk Category: Operational & Customer	Risk Trend: Stable	→
Risk description	**Reasons for risk**	**How we mitigate the risk**	**What changed during 2020/21**	**What do we plan to do in 2021/22**
• Severe operational issue causes risk of financial loss and reputational damage to brand	• Serious health & safety incident • Other major operational issue, e.g. theft/loss of data • Significant non-compliance with policies and procedures	• Compliance functions and senior management apply and oversee a broad suite of policies to protect the Society and comply with legal and regulatory requirements • Compliance oversight and risk management processes reported biannually to the Audit & Risk Committee	• Impact of dealing with COVID-19 disruption (covered elsewhere)	• A review of the Society compliance framework to be undertaken in 2021/22 • Continuous improvement of the risk management process

Commercial Contracts

Responsible Exec:	Secretary and Head of Governance	Risk Category: Operational & Customer	Risk Trend: Stable	→
Risk description	**Reasons for risk**	**How we mitigate the risk**	**What changed during 2020/21**	**What do we plan to do in 2021/22**
• Inadequate/inappropriate contractual protection leads to risk of financial loss and reputational damage	• Management of contract process could lead to inadequate contractual protections for the Society	• Legal review of contracts • Procurement policies in place • Contract sign-off process	• Impact of dealing with COVID-19 disruption (covered elsewhere	• A review of contracting arrangements and processes throughout the Society to be undertaken

Data Security

Responsible Exec:	Chief Financial Officer	Risk Category: Information Technology	Risk Trend: Stable	→
Risk description	**Reasons for risk**	**How we mitigate the risk**	**What changed during 2020/21**	**What do we plan to do in 2021/22**
• Loss or theft of data and business interruption due to cyber-attack or inadequate IT disaster recovery plans and procedures	• Risk of IT systems and services not being recovered on a timely basis • Risk of permanent data loss • Theft risk of valuable and/or private data • Risk of ransomware and business interruption	• Business Impact analysis to understand the key systems • Documented testing strategy and procedures • Backup and recovery documentation, regularly tested • Third party disaster recovery plans in place • Robust firewall protection in place • Security Incident management in place • Patch management and regular penetration testing	• IT disaster recovery framework strengthened • Improved testing procedures of IT estate for security weaknesses • Accelerated roll out of Office 365	• Continuously improve IT disaster recovery procedures and adapt to both internal changes and external threats • Continued focus on identity and access management and improvements of security incident monitoring procedures

Failure to Deliver Business Plans

Responsible Exec:	Chief Financial Officer	Risk Category: Finance & Treasury	Risk Trend: Increased	↑
Risk description	**Reasons for risk**	**How we mitigate the risk**	**What changed during 2020/21**	**What do we plan to do in 2021/22**
• Risk of failure to deliver business plan sales growth and profitability targets • Failure to manage and monitor the Society working capital and cash positions	• Reduced profitability or lossmaking operations impact banking covenants and ability to pay share of the profits • Reduced cash flow impacts on ability to invest, banking covenants, and ability to pay pension deficit contributions	• Monthly financial reviews give visibility to overall business plan delivery • Quarterly forecasting process • Daily cash flow monitoring • Agreed headroom is maintained above the Society's formal facility level • Rigorous capital allocation process • Bank covenant position is reported monthly and regularly forecasted	• Strengthened quarterly forecasting and budgeting process • New cost control Committee established to review spend and manage overall targets	• Continuously improve cash forecasting procedures to reduce margin for error and improve funding efficiency

Managing risk

People				
Responsible Exec:	Chief HR Officer	Risk Category: People & Resources	Risk Trend: Stable	→
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• A lack of clarity around the capabilities needed to deliver to long-term strategy • Failing to attract the appropriate skills and capability • Failure to retain the right people	• Selection and recruitment processes • Talent attraction • Need for greater diversity	• Pre-employment screening, culture fit assessment and induction for new hires • Career framework to benchmark reward packages against the broader labour market • Continue to embed diversity and inclusion • Executive team have industry and professional expertise to identify missing capabilities	• Broadened the recruitment agencies used to access relevant industry expertise, using the right search partner for the appropriate level • Created and implemented a new career framework • Improved recruitment website • Revised selection materials to attract a more diverse workforce • Introduced agile working to expand the talent pool we can attract	• Review future talent strategy and succession planning • Further embed the new career framework • Continue to build our talent pool

Travel Duty of Care				
Responsible Exec:	Chief Officer Travel and Leisure	Risk Category: Operational & Customer	Risk Trend: Decreased	↓
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• Failure to ensure the health and safety of customers while under our duty of care	• Package Travel regulations require the Tour Operator to ensure passenger safety • Cost of repatriation and/ or moving customers to another location in the event of the FCO banning a travel destination	• Supplier process and ATOL Approved List regularly updated • New suppliers to market rigorously assessed • Indemnity arrangements reviewed annually • Existing suppliers monitored and reviewed annually • Tour Operator liability insurance cover • Crisis team to support handling of a major issue	• Travel operations significantly affected due to COVID-19 lockdowns and restrictions on international travel • Crisis response team formed in response to holiday sector disruption • Lower volume of holidays reduced duty of care risk exposure	• Anticipating the relaxation of travel restrictions, review monitoring and diligence processes relating to suppliers and destinations • Review safety management procedures in advance of summer holiday season

IT Capability				
Responsible Exec:	Chief Financial Officer	Risk Category: Information Technology	Risk Trend: Stable	→
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• Failure to maintain IT infrastructure and stability • Future data management strategy inconsistent with current Management Information/data systems	• Inability for Society or Trading groups to continue business leading to financial losses and customer detriment • Online capability - risk that inadequate IT impacts commercial capability leading to competitive disadvantage and customer losses • A need to react to market dynamics and be more agile with online propositions	• Cisco based networks installed at all main hubs • Robust IT resilience at key sites reduces routing links risk for other sites • Manual process to route the network traffic if a link fails	• Improved routing preferences over the inter-site links; loss of single links at key sites will now only have a limited impact on other sites which use these for routing • Establishing technology roadmap as part of the 5-year strategy review • Hand-Held Terminal (HHT) Replacement Project rolled out in Food Retail • Promopay piloted and rolled out to entire Food Retail estate • Accelerated roll out of Office 365 to facilitate remote working	• Further refine our technology roadmap • Food Retail to identify the next EPOS solution

Health & Safety				
Responsible Exec:	Chief Executive Officer	Risk Category: Operational & Customer	Risk Trend: Increased	↑
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• Health & Safety breach leading to major incident, injuries or fatalities	• Keeping colleagues, members and customers safe • UK Health & Safety legislation • Complexity of businesses	• Health & Safety Framework, and policies and procedures in place • Monitoring systems in place through internal Health & Safety Audit programme	• Impact of COVID-19 and related new safety protocols • Further embedding the C365 Health & Safety Management System • Improved safety performance oversight • Improved safety compliance monitoring	• Continue to refine C365 to achieve full operational benefits • Establish a new Health & Safety Committee to improve identification of H&S trends and prioritise initiatives

Pension Deficit				
Responsible Exec:	Chief Financial Officer	Risk Category: Finance & Treasury	Risk Trend: Stable	→
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• Defined Benefit liability is sensitive to changes in several factors beyond management's control; adverse movements may require the payment of additional contributions following each formal Valuation	• Changes in interest rates, the inflation rate, future life expectancy, and movements in market prices all impact on the level of the liability	• Regular monitoring of key assumptions, funding and risk positions • Investment strategy agreed with pension trustees • Diversified portfolio, assets fully hedged to protect against increased liability • Work with pension trustees' covenant advisor to mitigate impact of additional funding on the Society's growth strategy	• Formal three year Schedule of Contributions agreed with trustees	• Ongoing monitoring of key assumptions, funding and risk positions • Continued engagement with the pension trustees and their advisors to ensure appropriate strategies are in place

Competitiveness				
Responsible Exec:	Chief Executive Officer	Risk Category: Operational & Customer	Risk Trend: Stable	→
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2020/21	What do we plan to do in 2021/22
• Need to ensure our customer propositions remain viable and innovative given the competitive landscape.	• Pricing pressures • Market cost pressures • Inefficient operations • New entrants and market competition • Innovation and market dynamics	• Monitoring of products, sales, margins and site level profitability • Regular market share and competitor analysis • Responsive promotions and marketing responses • Quarterly forecasting and monitoring processes • Strategic plans include competitor activity mitigations	• Rationalisation of loss-making stores and continued new store openings in Food Retail • Initiated divestment of our Pharmacy estate • Customer First Programme, Right Range Right Store, Self-Check outs and Perpetual Inventory initiatives • Continued price monitoring and matching in Energy and Travel	• Development programme for Food and Childcare acquisitions • Further Food store rationalisation programme • Continued divestment of our Pharmacy estate • Trial innovative propositions within and across trading groups • Improve data management capabilities • Explore avenues for cross selling

Energy and Carbon Reporting

Carbon reporting for our Society
The details below outline the core carbon footprint data for the Society, focused on our direct greenhouse gas emissions. We are reporting this in line with regulations recently introduced by the government for companies designed to encourage reductions in emissions and better environmental practices to help tackle climate change.

The information provided has been independently validated by Sustainability West Midlands, a government backed, not-for-profit entity that champions the cause of sustainability in the West Midlands region.

We are reporting on our 'scope 1 and scope 2 emissions'. These cover energy usage and refrigeration gas emissions across our trading sites, carbon emissions associated with business miles carried out by colleagues for work purposes (not including commuter miles), and carbon emissions associated with transport miles for the delivery of products and services that we directly operate. Energy usage across our trading sites is tracked and reported on a like for like basis.

Emissions
In 2020/21 the Society emitted 21,101 tonnes of CO_2e[1] , compared to 25,684 tonnes in 2019/20, an 18% reduction. This is broken down as follows:

- electricity and gas usage = 13,881 tonnes CO_2e (16,937 tonnes 2019/20, an 18% reduction)
- refrigerant gas = 6,699 tonnes CO_2e (7,690 tonnes 2019/20, a 13% reduction)
- transport emissions (colleague business miles, store-to-door deliveries, Funeral fleet, etc.) = 521 tonnes CO_2e (1,056 tonnes 2019/20, a 51% reduction).

Overall, our carbon footprint for 2020/21 was 25.27 tonnes per £1 million turnover.

Activity
To drive forward reductions in emissions we extended our 'Energy Saving' Steering Wheel measure to cover all our direct greenhouse gas emissions. Previously, we had only been recording emissions from electricity usage. This has helped ensure that colleagues at all levels of the business have been focused on reducing emissions.

Through our Society's Environmental Steering Group, which has representatives from across our trading groups and our Board and Member Engagement Committee, we have continued to engage our colleagues and members in carbon reduction behaviour change and education.
We have built on our '1Change' campaign to encourage members and colleagues to track their environmental footprint and make pledges to reduce this in their day to day lives. We have also continued to engage our sites in energy usage performance reporting and the adoption of daily site shut down energy saving procedures. The majority of our sites have smart meters installed allowing automated meter readings and detailed energy usage data to help shape our energy efficiency programmes.

We have continued to implement energy-saving programmes as part of our refit and property development programmes, incorporating aspects from our green property checklist where possible. This includes the introduction of LED lighting, and the continued procurement of green electricity across our trading sites.

As a result of the Covid-19 pandemic, and as for all businesses, we have had to adapt our ways of working by embracing virtual meeting technology. This has reduced our greenhouse gas emissions from colleague business miles very substantially. We will be using the learnings and practices we have adopted to continue to minimise our environmental impact in this area as lockdown restrictions ease.

To support broader low carbon initiatives, we have installed electric vehicle charging points at 12 sites. Through our Utilities business we have also continued to support community renewable energy. In particular, members and customers who sign up to our Co-op Community Power Tariff are helping to support 75 community energy groups up and down the country producing electricity from solar panels on rooftops, to wind turbines on farmland, and hydropower on local rivers. By buying this renewable power from community energy groups at a fair price and bringing it to the market, our Co-op Community Power tariff generates enough energy to power 22,000 homes.

In addition, all food waste from our food stores and nurseries goes to anaerobic digestion, producing enough renewable energy to power 40 homes.

All the above activity, helped contribute to the Society being awarded Business of the Year in the edie 2021 Sustainability Leaders Awards and being named a Responsible Business Champion 2020 by Business in the Community.

Our plans moving forwards
During the year we carried out a virtual engagement event with members on World Environment Day asking what '1Change' they would like us to make to further protect the environment. We received over 100 suggestions. Using this feedback, we have developed our plans to further drive down greenhouse gas emissions. This has included the following:

- working together with other co-operatives to address 'Climate Action' – part of the UN Sustainable Development Goals programme
- supporting our members and colleagues to adopt socially responsible and low carbon lifestyles
- driving down our greenhouse gas emissions by sharing best practice with other Co-ops, in line with the UK's aim to build towards net zero carbon emissions;
- using the learnings from the Covid-19 pandemic to change behaviours for the long term, including embracing virtual meeting opportunities to reduce business miles where possible
- further developing Co-op Community Energy, our joint venture with Octopus Energy, to help support locally based energy groups.

We will be pleased to report the progress we have made in our next Annual Report.

[1] "Carbon dioxide equivalent" or "CO_2e" is a term used to describe different greenhouse gases in a common unit.

Doors on chillers and LED lighting are just some of the energy-saving changes we are making in our stores.

Governance Report

The Board is pleased to present its governance report to members for the year to 23 January 2021.

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.

Governance Code

This report is prepared in accordance with the Co-operative Corporate Governance Code issued by Co-operatives UK in 2019 (the Code). The Code "offers a set of principles that all co-ops can reflect upon and use to encourage and enable good governance practice – operating on a comply or explain basis".

Contents

The Code is structured into six sections:

- Member Voice, Participation and Engagement
- Co-operative Leadership and Purpose
- Roles and Responsibilities
- Board Composition, Succession and Evaluation
- Risk, Financial Management and Internal Controls
- Remuneration of the Board and Executive Leadership

This report follows the above structure. There are also short sections on the Society's approach to political engagement and its Supplier Payment Policy.

1. Member Voice, Participation and Engagement

As a co-operative, it is natural that the Society believes in the primacy of membership. This is demonstrated through the various formal governance arrangements the Society has created; also, less formally by the way in which the Society seeks to engage with members and take their views into account.

Formal structures

The Society is bound by a set of Rules approved by members. These set out the formal structures for the Society and form the cornerstone of its governance arrangements. The concept of membership sits at the heart of the Rules:

> "The Society is a membership organisation founded on co-operative Values and Principles. Members of the Society should exercise the responsibilities of membership appropriately. This includes a commitment to Co-operative Values and Principles and participation in the affairs of the Society".

The Board of directors is comprised solely of elected members. The Board has a long-standing Member Engagement Committee, again comprised of elected members, responsible for influencing and reviewing the Society's member engagement strategy.

The annual elections to the Board and Member Engagement Committee allow members to determine who runs their Society.

Each year the Board holds an Annual General Meeting and a series of Half Year Meetings for members. These provide members with the opportunity to hold the Board to account, and to participate in the formal affairs of the Society by voting on key items.

The Board views the Society's member meetings and annual elections as fundamental building blocks of good co-operative governance and takes great care to ensure they are promoted widely and run openly so members can participate as they wish.

At the end of the 2020/21 financial year, the Society had 722,000 members (2019/20: 701,000). In 2020, 620 members attended the AGM (2019: 713 members), and 387 members attended the Half Year Meetings (2019: 350).

At the 2020 elections, 15 members put themselves forward for the six vacancies on the Board (2019: 17 members, five vacancies), and five members put themselves forward for the three vacancies on the Member Engagement Committee (2019: five members, three vacancies). Votes were cast by 44,985 members (2019: 52,956).

Member engagement and participation

In addition to the above formal governance arrangements, the Society looks to ensure members can participate in its activity above and beyond transacting with its businesses.

This is effected through a wide-ranging set of opportunities. For example, through member surveys, the 'your co-op voice programme', regular member activity (albeit curtailed this year due to the restrictions in place on account of the pandemic), the Young Member Network, through opportunities to engage on Society campaigns, and through the Society's Regional Community activity. Examples of such activity can be found elsewhere in this report.

2. Co-operative Leadership and Purpose

The Society's Purpose Statement was approved by members in 2003 and serves as the foundation for the Society's activity:

> "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".

The Society's DOES values are derived directly from the ICA[1] Values and Principles and underpin the way the Society conducts its business.

The Imagined Future has membership as a key pillar:

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

[1] the International Co-operative Alliance – the apex body for co-operatives globally

The Blueprint for the Future, adopted by the Board in 2015 brings together the Society's Purpose, DOES values and Imagined Future:

"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."

To help support and deliver the aspirations in the Blueprint, the Board in conjunction with management is developing a five year strategic plan that builds on the current three year planning process. The five year plan has three key pillars – members, colleagues and communities. The strategy and plans for each of the Society's trading groups and support functions feed directly into this overarching strategy.

The Board believes in fostering a values-based culture. The Society has a Chief Values Officer, an Executive position, whose role is to support the Society in encouraging this in an open and consistent way. Examples of some of the actions taken by the Society to support and enhance its culture during the year can be found elsewhere in this report.

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 can be found on the 'governance' pages at www.midcounties.coop.

The Board also has a long-standing whistleblowing procedure overseen by the Audit & Risk Committee, that allows colleagues to raise concerns they may have in confidence. Matters so raised are investigated and follow-up action is taken where required.

3. Roles and Responsibilities

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

In addition, given the distinctive nature of co-operative societies, the Board must ensure the Society remains true to its Purpose and adheres to the co-operative values and principles set out by the ICA.

The Board has a long-standing Member Engagement Committee responsible for influencing and reviewing the Society's member engagement strategy. Following this year's elections, the Committee will comprise nine elected members, three elected 'young members' (under 30 years of age) and two directors from the Board. Elections to the Committee are held each year.

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. They also set the tone and culture for the Board which permeates throughout the Society.

The Society's Rules provide that the President cannot be an employee of the Society and cannot act for more than six consecutive years. The Board is proposing a change to the Rules at the forthcoming AGM to allow a director to serve as President for a maximum of six years in any rolling 12 year period. 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 this from occurring.

The Board has ten scheduled meetings throughout the year. It meets on other occasions and in private session without the presence of management as required.

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.

		Committees				
Directors	Board	1	2	3	4	5
Steve Allsopp	11 (11)	5 (5)	5 (5)		4 (4)	
Ellie Boyle	10 (11)	4 (5)				
Olivia Birch *	4 (4)					
Clive Booker	11 (11)	5 (5)				
Bernadette Connor *	4 (4)					
Martin Cook**	7 (7)	4 (4)		2 (2)		
Judith Feeney **	7 (7)				3 (3)	
Patrick Gray **	7 (7)			2 (2)	3 (3)	
Vicky Green	11 (11)		5 (5)			
Gary Hayes **	7 (7)					
Irene Kirkman *	4 (4)				1 (1)	
Matt Lane	11 (11)		5 (5)			
Paul Mather *	4 (4)	1 (1)				
Kathy Petersen	11 (11)	5 (5)				
Barbara Rainford	9 (11)					4 (4)
Fiona Ravenscroft	11 (11)				4 (4)	
Heather Richardson	10 (11)	5 (5)	5 (5)			
Wendy Willis	11 (11)					4 (4)
Helen Wiseman	11 (11)		5 (5)			
Vivian Woodell	11 (11)				1 (1)	

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

* Appointed October 2020
** Resigned October 2020

The Board receives a regular set of information to ensure it can monitor the Society's activity and performance with an appropriate level of scrutiny. At each of 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 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 (subject to member approval), 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.

As part of the election process, candidates for the Board are apprised of the nature of the role of a co-operative director, the type of skills a director needs and the time commitment involved.

The Code states that additional external appointments should not be undertaken by directors without the prior approval of the Board. The Board does not support this provision, as it believes directors are capable of judging for themselves whether they can take on other appointment(s), conscious of the time commitment required to be given to the Society.

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 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 and other senior management. 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 potential or actual conflicts should they arise in the interim. In addition, at each Board meeting, directors and those attending are asked to declare any interests they may have in relation to the business on the agenda.

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

During the year the Board had three committees – the Member Engagement Committee, the Audit & Risk Committee and the Remuneration Committee.

Each Committee has set terms of reference. These are reviewed by the Board on an annual basis. Details of the Committees can be found elsewhere in this report. The chairs of each committee are available at the AGM to answer questions from members.

The Board has delegated the day-to-day management of the Society to the Group Chief Executive who is responsible for the execution of the Society's strategy within the framework laid down by the Board. The Board recognises and appreciates the key role played by the Group Chief Executive and is clear that his relationship with the Board is fundamental to the success of the Society.

The Board also recognises the role played by the Secretary. The Secretary helps the Board meet its objectives and acts as a fulcrum between management and the Board. The Secretary is appointed by the Board and all directors have access to his advice.

4. Board Composition, Succession and Evaluation

The Board comprises 16 directors elected by and from the Society's members. 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 for effective decision taking.

As the Board believes in the primacy of member control and the democratic process, the Society operates a set of well-established procedures providing for the annual election of members to the Board. The elections are administered by Civica Election Services[2] to ensure due process is followed. They have been contested for at least the last 20 years. Terms of office for directors are for three years.

Given the above, and that members have routinely elected directors with a broad mix of skills, insight and experience, the Board does not believe it is right for the Society to follow a number of provisions in the Code. In particular, the Board has not looked to:

- limit the number of terms of office a director can serve before standing down
- introduce a documented succession plan
- set up a Search Committee
- provide for independent non-executive appointed directors in the Society's Rules.

Nonetheless, recognising the Code states that a director should stand down after a period of nine consecutive years in office, the Board is proposing Rule changes at the forthcoming AGM that prescribe measures the Board must take to encourage members to stand for election in the event that, for two consecutive elections, the number of candidates standing for election is less than one and a half times the number of vacancies.

The Society's election procedures seek to ensure that a sufficient level of information on the candidates standing for election is provided to members to allow them to

[2] the UK's leading provider of ballot and election services

make an informed choice on their vote. The nature of the information provided is reviewed at least every three years by the Board, and feedback is gathered from members after each election on the level of the information provided.

The current arrangements for the induction of new directors involve meetings with the Society's Secretary and members of the Executive and a series of site visits. 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. As such, the Board has adopted a training programme comprising:

- quarterly Board information sessions aimed at giving directors a better depth of understanding on business/operational items
- more open Board sessions held twice a year to discuss broader issues that influence the Society
- courses provided by Co-operatives UK/ Co-operative College open to all directors
- relevant training opportunities for directors on specific Committees.

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

During the year, the Board undertook a review of its performance. To follow up on its evaluation of Board effectiveness linked to individual director review undertaken in 2019, the Board is looking to develop a team-oriented assessment of performance for 2021.

5. Risk, Financial Management and Internal Controls

This section of the Code concerns itself with the structures, procedures and processes a co-operative has in place to ensure sound financial management, internal control and risk review. Within the Society, this activity is governed through the Audit & Risk Committee. The section also contains provisions concerning withdrawable share capital, dividends and share interest payments.

Audit & Risk Committee

The Audit & Risk Committee 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
- reviewing the Society's whistleblowing procedures.

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

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

Between four and six directors can serve on the Committee. Terms of office are for two years and Committee members can serve for up to three terms before having to stand down for at least a year. Only directors can serve on the Committee. The President of the Society and any director who is a current employee of the Society or has been so within the previous 12 months cannot serve on the Committee. The Board reviews the Committee's terms of reference on an annual basis.

Professional advice is available to the Committee if required.

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.

The Committee met five times during 2020/21. The Board is apprised of the Committee's proceedings at the next Board meeting following a Committee meeting. The Committee's minutes are also made available to the Board.

At least once a year the Committee meets the external auditor and the Society's Head of Internal Audit, Risk & Compliance without management present. In addition, the Chair of the Committee maintains a dialogue with the external auditor and the Head of Internal Audit, Risk & Compliance between Committee meetings.

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

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

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

During the year, fees amounting to £64,000 were paid to the Society's auditor for non-audit work (2019/20: £9,000).

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

Auditor review

In 2020, the Society undertook a review of its external audit provision led by the Committee. Five audit firms were approached for the initial tender and three were put forward to the final assessment stage. Following a detailed selection process, BDO was appointed as auditor to the Society. The incumbent auditor had acted as the Society's auditor for more than 20 years, so in accordance with best practice, was not invited to tender for the audit.

Internal control and risk management

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 risk management and to report formally on this review each year to members.

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, the Internal Audit, Risk & Compliance 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.

Monitoring

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

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

Review processes

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

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

Opinion

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

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

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, and are working to create a risk appetite framework to help guide decision making.

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

Withdrawable share capital, distributions, share interest

The Society complies with the Code on Withdrawable Share Capital issued by Co-operatives UK. In particular, the interest rate payable on share accounts and share bonds is set at what is felt to be the lowest rate sufficient to obtain the necessary funds from members committed to furthering the Society's objectives.

In line with co-operative principles, dividend/share of the profits payments are paid in equitable proportion to a member's trade with the Society.

The Society's Rules provide that any surplus arising from a solvent dissolution of the Society would either be transferred to a member(s) of Co-operatives UK with similar Rule provisions as to the distribution of surplus on dissolution, or would be paid or transferred to Co-operatives UK.

6. Remuneration of the Board and Executive Leadership

A full report on the activities of the Remuneration Committee is set out in the Remuneration Report found elsewhere in this Annual Report.

The Committee's primary role is to provide robust, independent governance on the remuneration of members of the Executive. It also provides high level input and oversight into the Total Reward Strategy being developed for all Society colleagues.

POLITICAL ENGAGEMENT

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

> "The Midcounties Co-operative supports in letter and spirit the Principles set out in the Statement of Co-operative Identity of the International Co-operative Alliance and the Governance Code of Co-operatives UK to embrace all who accept the responsibilities of membership without gender, social, racial, political or religious discrimination.
>
> The Society recognises the important role that the Co-operative Party has played, and continues to play, in promoting the interests of co-operation in the political sphere and, with the endorsement of members as expressed at successive Annual Meetings, provides financial support for the work of the Party.
>
> The Society also seeks to engage with other political organisations which are active in its core trading area and which share its objective of working towards a society based on democracy, equal opportunities and social justice; and an economy where co-operative ownership plays an important and growing role in generating prosperity, genuine consumer choice and sustainable community development."

The Co-operative Party

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

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

Campaigns Fund

In 2014, members approved the creation of a Campaigns Fund. The Fund is intended to support campaigning activity (primarily within the Society's core trading area) that promotes co-operation in the political arena and supports the objectives and priorities of the Society.

The Fund is open to applications from any political organisation, including the Co-operative Party, active in the Society's heartland areas whose aims are sympathetic to the Society and the co-operative model.

At the 2020 Annual General Meeting members approved a distribution of £45,000 to the Campaigns Fund (2019: £60,000).

During the year the Fund made grants to the Co-operative Party nationally, the Society's three local Co-operative Party Councils and seven 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 21 days (2019/20: 20 days).

CONCLUDING REMARKS

The sound governance of any organisation is critical to ensure it has a clarity of purpose and appropriate levels of accountability, transparency and control. 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 are befitting of a true co-operative enterprise.

On behalf of the Board

Helen Wiseman – President

Edward Parker – Secretary & Head of Governance

1 May 2021

External directorships (or equivalent) held by members of the Board, the Executive and senior management during the year	
Board	
Steve Allsopp	– Board member, Co-operative Futures Limited – Board member, Swindon Housing Company – Board member, Public Power Solutions Limited
Olivia Birch	– Director, Revolver Co-operative Limited – Director, Revolver World Limited – Director & Secretary, Revolver Music Limited – Director, Heavy Metal Records Limited – Director, FM-Revolver Records Limited – Trustee, Revolver World Foundation – Committee member, Wolverhampton City Planning
Martin Cook	– Director, Co-operatives Futures Limited
Judith Feeney	– Director, Co-operative Futures Limited
Patrick Gray	– Director & Secretary, Amaranta Limited – Director, The Radical Party Limited
Irene Kirkman	– Vice-Chair, Buckinghamshire New University – Local Authority Governor of the Cherwell School Council, Oxford, part of the River Learning Trust
Matthew Lane	– Director, BeerBods Limited – Director, Drink Beta Limited – Director, MDNL Limited – Director, WOO Cooking Oils Ltd
Paul Mather	– Director, Moonlink Limited – Director, Co-operative Futures Limited
Barbara Rainford	– Director, Co-op Press Ltd – Director, BCRS Ltd – Director, Co-operative Futures Limited – Prees Parish Councillor
Fiona Ravenscroft	– Director, Ravenscroft Ltd – Director, Osney Island Boat Club Ltd
Heather Richardson	– Owner, Kestrel Equine and Gun Dogs – Head of Group Compliance and Assurance, Seven Trent PLC
Helen Wiseman	– Club Welfare Officer, Bourton & Sherborne Hockey Club
Vivian Woodell	– Director, West Oxfordshire Community Transport Limited – Director, Lawrence Home Nursing Team Limited – Director, Co-operatives UK Limited – Director, Student Co-operative Homes Limited – Trustee, The Co-operative College Trust – Director, The Co-operative Loan Fund Limited – Chief Executive and Secretary, The Phone Co-op Foundation for Co-operative Innovation Limited

Current Executive	
Alison Bain	– Member of Supporter Advisory Group, Save the Children
Peter Dubois	– Chair, The Co-operative Loan Fund
Sara Dunham	– Director, Consulting @ BeechesPond Ltd
Edward Parker	– Member, Co-operative Group National Members' Coucil
Phil Ponsonby	– Director, Association of Convenience Stores Limited – Director, Federal Retail & Trading Services Limited – Board member, Happerley Food Provenance
Peter Westall	– Chair, Bright Future Co-operative – Board Member, BITC Regional Advisory Board – Board Member, CBI Employment & Skills Board

Former Executive	
Alistair Rowland	– Director, ABTA Limited – Director, ABTA Benevolent Fund – Trustee, The Travel Foundation

Chief Operating Officers	
Mark Adams	– Director, National Association of Funeral Directors Limited
Sally Bonnar	– Trustee, National Day Nurseries Association
Lizzie Hieron	– Non-Executive Director, Cottsway House Association – Non-Executive Director, Future Leaders, Utilities Mentoring Network

We have introduced packaging-free produce to reduce waste and deliver on our 1 Change promises.

INTRODUCTION

The Remuneration Committee is pleased to present its report to members for the year ended 23 January 2021.

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

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

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

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

The report will be put to an advisory vote at the Society's Annual General Meeting on 13 May 2021.

As we all know, the pandemic has led to an extraordinary past 12 months. The Committee and senior management have been deeply conscious of its implications in relation to the Society's approach to executive and colleague remuneration and believes the steps the Society has taken over the last year demonstrate a truly co-operative response to the issues.

In overview, members of the Board took a 10% cut in their Board fees for a three month period last summer. The savings were donated to the Society's Food Bank Fund. Similarly, all members of the Executive took a 10% pay cut for the same period while the Group Chief Executive took a 20% pay cut until October. In addition, the Board declined a fee increase last year and the Executive waived receipt of an annual pay rise.

As may be recalled, this time last year, I reported that in light of the impact of the pandemic the Executive had agreed that it would be inappropriate to make bonus and LTIP payments which had been earned for the 2019/20 financial year at the time. A position the Committee endorsed. As the immediate impact of the pandemic settled and activity across the Society and in the UK as a whole appeared to be returning to more normal levels, in June 2020 the Committee agreed to the payment of bonuses and LTIP awards for the 2019/20 year. All individuals who had earned payments agreed to a delayed receipt of the amounts due, and certain members, at their own volition, waived their bonus entitlements. For the 2020/21 financial year, no bonus payments have been earned given the Society's profitability fell below the threshold for bonus payments. However, members of the Executive have earned LTIP awards which are due payment.

For the part of colleagues over the last year, it is notable that the Society topped up furlough pay to 100% until 1 July 2020 and has continued to pay colleagues on furlough above the government set rate thereafter; frontline colleagues received a 10% bonus on hours worked from the end of March 2020 through to the end of May 2020, also enhanced colleague discounts and meal deals, and all colleagues received a £50 voucher for Christmas 2020. In addition, while no bonuses are to be paid for the year, the Committee is pleased that management has seen fit to award a discretionary payment to frontline managers and that the Board is recommending a colleague distribution at the forthcoming AGM in recognition of the commitment and hard work shown by colleagues during what have been such trying circumstances. More broadly, the Society increased the hourly rate of pay for the lowest paid colleagues across all the Society's trading groups from £8.38 to £9.00, equivalent to a 7.4% rise for around half the Society's colleagues in 2020.

This report is structured into three sections:

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

The Committee's policy is to ensure that fixed pay[1] 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.

[1] fixed pay comprises base salary, pension contributions and benefits

The level of fixed pay is reviewed formally once every two years. The last review took place in the autumn of 2019 and the next review is scheduled for the autumn of this year. In the intervening years, salaries are normally increased in line with increases negotiated by USDAW for the Society as a whole, though as noted above, members of the Executive waived the increase due in 2020/21.

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. The Committee would stress that incentive pay for the Executive is around 40-60% lower than for executives in comparable PLCs. This lower incentive pay means that total remuneration for the Executive is also significantly below that found in PLCs.

In March 2021 the Society published its annual gender pay gap report available on the Society's website covering the period April 2019 – April 2020. The mean gender pay gap reduced from 19.5% to 17.3% during that period. Since then, it has fallen further to c. 14.1% as at March 2021, due evidence of the steps management, fully supported by the Committee and the Board, is taking to reduce the pay gap.

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

Matt Lane
Chair - Remuneration Committee
7 April 2021

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 2021 is included in the Implementation section of the report.

Summary of the remuneration components

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

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Base salary	To pay a fair base salary, commensurate with the individual's role, responsibilities and experience, and having regard to market rates for similar roles in other retail businesses of equivalent size.	Normally increased annually in line with inflation; formally reviewed every two years to ensure market competitiveness (the last review was conducted in 2019 with changes taking effect at the start of the 2020/21 financial year). In reviewing salaries, the Committee also considers individual performance, the scope of each role, relativities to other roles within the Society and trends in executive remuneration generally.	Annual increases will normally be in line with the standard rate increases applied to colleagues across the Society 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 non-financial elements. 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.	The LTIP structure and operation is under review. Currently, 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 performance measures ROCE; Corporate Reputation; Colleague Engagement; External Partnerships. Awards are subject to claw back.
Pensions	To provide pension arrangements on similar terms to other colleagues in the Society.	Members of the Executive participate in the Society's pension arrangements on the same terms available to all Society colleagues. The defined benefit career average pension scheme closed to future accrual in 2014. A cash allowance is paid to certain members of the Executive in lieu of pension contribution.	The Society operates a defined contribution scheme and a scheme that meets the auto-enrolment requirements.	n/a

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Benefits-in-kind	To provide benefits in-kind broadly in line with market practice	The main benefits provided are the provision of a car or a 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 £831 to £1,477 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.

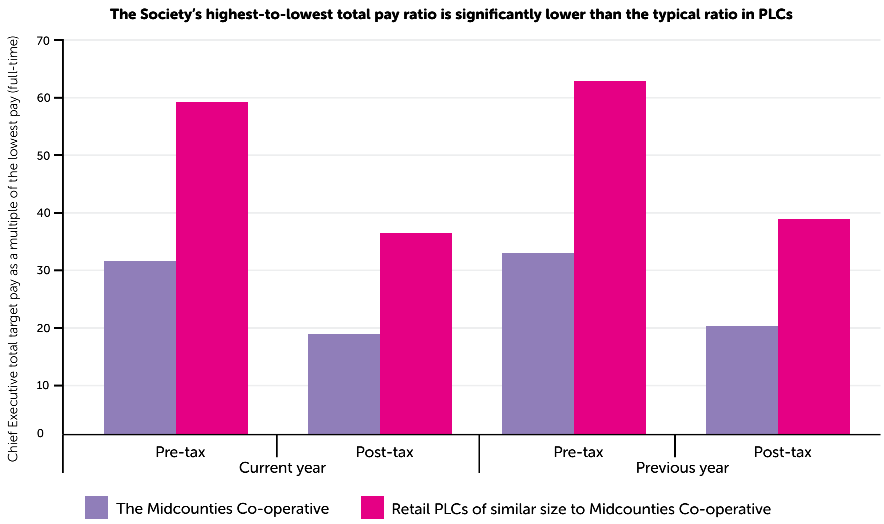
Members of the Executive are eligible to participate in the Society's STARS annual bonus scheme and a Long-Term Incentive Plan (LTIP). The STARS bonus scheme is currently available to more senior managers and colleagues within the Society. It has payments linked to performance over the relevant financial year. Currently, payments under the LTIP are linked to performance over a period of three financial years. However, the structure of the LTIP is under review by the Committee, and this is likely to change. Targets for the STARS bonus scheme and the LTIP are normally set by the Committee at the start of each year.

The STARS metrics are based on a mix of financial and non-financial objectives reflecting the key annual priorities of the Society. For members of the Executive the weighting between financial and non-financial metrics can vary. The ratio for 2020/21 was 65:35 (financial:non-financial). The financial measures are focused on profit, a key measure of the Society's trading performance. The inclusion of non-financial metrics reflects the Society's aim to behave in a co-operative way by measuring success on more than financial metrics.

The LTIP is intended to focus the Executive on achieving longer-term performance and strategic goals. The current performance metrics are return on capital employed, corporate reputation, promoting co-operation and member value. 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. As noted above, the structure of the LTIP is under review and is likely to change.

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 2020/21 on pre-tax pay was x31 and on post-tax pay x19 (2019/20: x32 and x20 respectively).



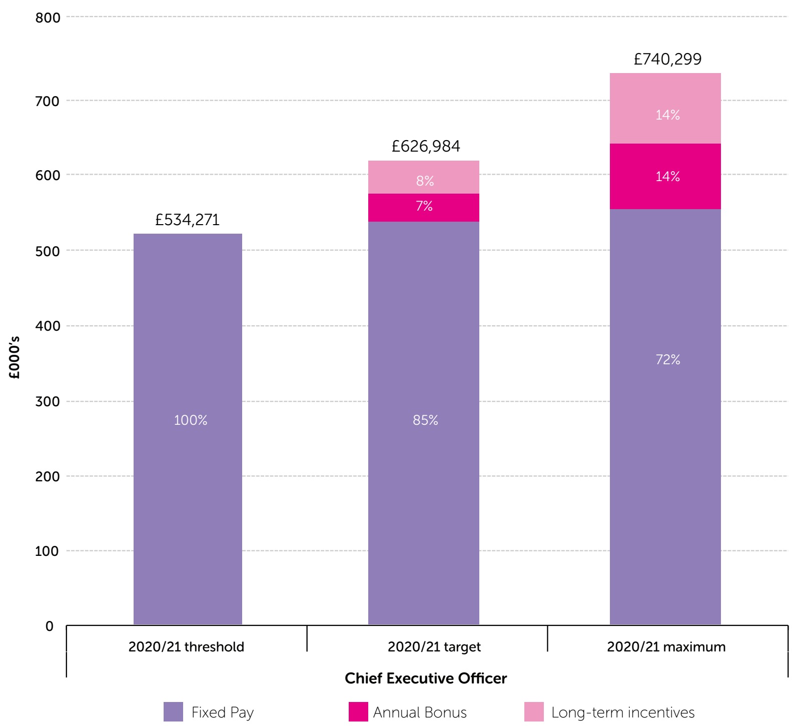
Notes:
Total target pay includes base salary, target incentives, pension, and benefits. NLW rate of £8.72 has been used for the lowest paid employee at retail PLCs.

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

	Salary		Total Compensation	
Group Chief Executive	£515,071	-	£534,271	-
75th percentile	£19,773	26:1	£20,204	26:1
Median	£18,252	28:1	£18,330	29:1
25th percentile	£18,252	28:1	£18,252	29:1
Lowest	£15,433	33:1	£15,464	35:1

Remuneration scenarios

The chart here demonstrates how the mix of the Group Chief Executive's annual remuneration package could vary at different levels of performance under the Society's remuneration policy in 2021/22. 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. Colleagues also receive a colleague dividend if approved by the Society's members at the AGM.

During the year 635 of the Society's colleagues participated in the STARS annual bonus scheme.

Executives' service contracts

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

Provision	Detailed terms
Notice period	Six months.
Payment in lieu of notice	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period plus the fair value of any contractual benefits. Following written notice of termination there is no entitlement to any further payment from the Society except those sums which may have accrued and are due at that time.
Termination payment	If the Society merges with another society any termination payments would be based on the terms agreed 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) are 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. For the LTIP, other than in certain 'good leaver' circumstances (for example, 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 to existing members of the Executive.

Individuals joining the Executive from outside the Society may forfeit certain entitlements at their current employer on leaving to join the Society. 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, and 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 2020/21 financial year. It contains information about the Committee, details of the result of the vote on last year's Remuneration Report at the 2020 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 2020/21.

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 employees of 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
- Vicky Green
- Matt Lane – Chair
- Heather Richardson – nominated Vice-President, ex officio
- Helen Wiseman – Society President, ex-officio

Responsibilities

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

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

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

The Committee's terms of reference can be found on the 'governance' pages of the Society's website at www.midcounties.coop.

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 Alvarez & Marsal. Alvarez & Marsal is a member of the Remuneration Consultants' Group and is a signatory to their Code of Conduct. Previously, the Committee received advice from New Bridge Street consultants. Fees paid for advice in 2020/21 amounted to £575 for Alvarez & Marsal, and £4,423 for New Bridge Street (2019/20: £25,302). Neither firm provided other services to the Society during the year. The Committee has also received advice from Total Reward Group in relation to its review of the LTIP, though this has yet to be invoiced.

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

Meetings

Five Committee meetings were held during the year. Attendance by Committee members at these meetings is reported in the Society's Governance Report. The Chief HR Officer attends Committee meetings on a standing basis, and there is an open invitation to the Group Chief Executive to attend Committee meetings. Neither are present when their own remuneration is determined. No Executive plays any part in deciding his or her remuneration.

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

- the award of bonus and LTIP payments
- the setting of targets for bonus and the LTIP grant
- salaries for new roles being recruited to the Executive
- an overview of the reward policy being introduced for Society colleagues
- review of pay for the Group Chief Financial Officer
- consideration of an acting up allowance for the Chief Values Officer
- the level of payments for roles made redundant from the Executive
- replacement of the former annual bonus scheme with the STARS annual bonus scheme
- the deferral of bonus and LTIP payments earned
- review of the LTIP (ongoing)
- review of this Remuneration Report

Member voting at the Annual General Meeting

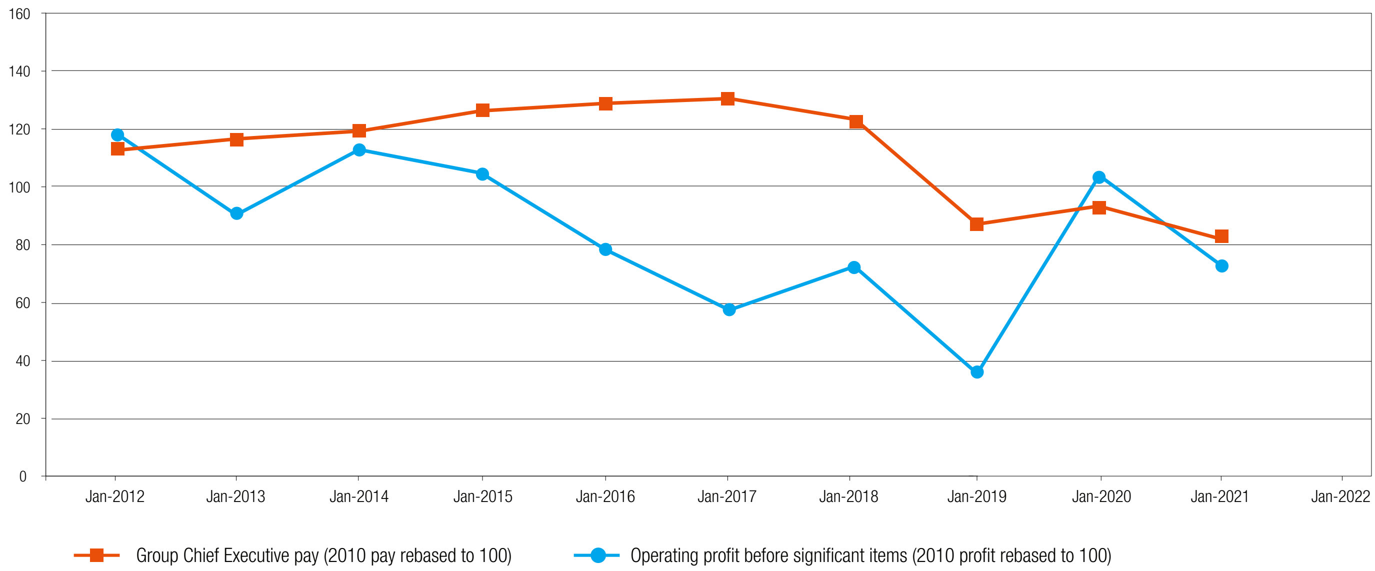
An advisory vote on the remuneration report is held at each AGM. The table below sets out the result of the vote on the 2019/20 remuneration report at the May 2020 AGM.

	Total number of votes	% of votes
For	453	88.8
Against	30	5.9
Abstain	27	5.3
Total	510	100.0

Performance Graph

The graph on the following page shows a 10 year comparison of the percentage change in the Society's operating profit before significant items against the total remuneration received by the Group Chief Executive comprising base salary, benefits, pension, bonus and long-term incentive awards.

Chief Executive Pay and Operating Profit before significant items



Executives' emoluments (audited)

The table below provides details of the remuneration and pension benefits received by Executives for the 2019/20 and 2020/21 financial years. These figures have been prepared with regard to the reporting regulations applicable to listed PLCs.

Current Executive

	Year	Salary[1] £	Bonus £	Pension[2] £	Benefits-in-kind[3] £	Other payments £	LTIP payment[4] £	Total £
Alison Bain[5] Chief Marketing officer	2019/20	-	-	-	-	-	-	-
	2020/21	76,156	-	101	5,077	-	-	81,334
Peter Dubois Group Chief Financial Officer	2019/20	180,326	-	12,368	21,560	-	21,213	235,467
	2020/21	219,667	-	15,862	18,665	-	21,297	275,492
Clare Moore Chief HR Officer	2019/20	93,630	-	304	5,769	-	-	99,703
	2020/21	187,259	-	1,314	12,000	-	7,060	207,632
Rupert Newman Chief Food Retail Officer	2019/20	60,579	-	202	3,461	-	-	64,242
	2020/21	216,353	-	1,314	12,000	-	8,156	237,823
Edward Parker Secretary & Head of Governance	2019/20	157,643	-	25,223	17,091	-	19,231	219,188
	2020/21	151,613	-	25,235	17,094	-	16,906	210,847
Phil Ponsonby Group Chief Executive	2019/20	490,001	-	-	19,200	-	47,501	556,702
	2020/21	465,545	-	-	19,200	-	49,525	534,271
Peter Westall Chief Values Officer	2019/20	168,022	-	11,573	14,876	-	20,319	214,790
	2020/21	171,011	-	11,654	14,879	-	18,020	215,564

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 LTIP payments made in 2020/21 were paid in the form of share bonds issued by the Society and withdrawable by the recipient in July 2023
5 joined the Society on 17 August 2020

Former members of the Executive

	Year	Salary £	Bonus £	Pension £	Benefits-in-kind £	Other payments £	LTIP payment £	Total £
Kevin Brown[1] Chief Property & Services Officer	2019/20	160,866	-	1,238	11,538	-	-	173,642
	2020/21	41,347	-	405	9,000	183,261	-	234,012
Alistair Rowland[2] Chief Retail Officer	2019/20	190,599	31,306[3]	13,342	12,000	-	23,071[3]	270,318
	2020/21	132,285	-	9,175	8,308	-	-	149,768
Caroline Westall[4] Chief Information Officer	2019/20	164,941	-	1,238	11,538	-	-	177,717
	2020/21	44,509	-	405	9,000	173,423	-	227,337

[1] left the Society due to redundancy on 17 April 2020
[2] left the Society on 31 August 2020
[3] Bonus and LTIP payments were paid in the form of share bonds issued by the Society and withdrawable by the recipient in July 2023
[4] left the Society due to redundancy on 17 April 2020

Application of the remuneration policy for 2019/20

Base salary

It is the Committee's policy that salaries for members of the Executive are normally increased in line with the standard rate increase applied to colleagues across the Society. However, for 2020/21 given the impact of the pandemic the Executive waived the increase due (2019/20: 2.5%).

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

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

The table below shows the base salary at the start of the 2020 and 2021 financial years for members of the Executive.

Executive	Salary as at 26 January 2020 £	Salary as at 24 January 2021 £	Change %
Alison Bain[1], Chief Marketing Officer	-	180,005	-
Peter Dubois[2], Group Chief Financial Officer	180,411	235,005	30.3
Clare Moore, Chief HR Officer	194,749	194,749	0
Rupert Newman, Chief Food Retail Officer	225,007	225,007	0
Edward Parker, Secretary & Head of Governance	157,718	157,718	0
Phil Ponsonby, Group CEO	515,071	515,071	0
Peter Westall[3], Chief Values Officer	168,101	192,477	14.5

Sara Dunham joined the Executive on 15 February 2021 as Chief Officer Travel & Leisure on a salary of £195,000 p.a.

[1] joined the Society on 17 August 2020
[2] salary increased to reflect promotion to Group Chief Financial Officer
[3] salary increase reflects temporary acting up allowance while responsible for the Funeral business

Former members of the Executive	Salary as at 26 January 2020	Salary as at 23 January 2021	Change
	£	£	%
Kevin Brown[1,] Chief Property & Services Officer	160,942	-	-
Alistair Rowland[2], Chief Retail Officer	213,001	-	-
Caroline Westall[3], Chief Information Officer	165,018	-	-

[1] left the Society due to redundancy on 17 April 2020
[2] left the Society on 31 August 2020
[3] left the Society due to redundancy on 17 April 2020

STARS bonus scheme performance targets

Members of the Executive, together with the Society's management cadre participate in the Society's STARS annual bonus scheme. Targets consist of a mix of financial objectives at Society and trading group level, and two key Society based non-financial objectives. For 2020/21 these were the number of member transactions and the level of waste reduction.

The maximum bonus opportunity for members of the Executive for 2020/21 was 20% of base salary (2019/20: 20%).

Three of the recent recruits to the Executive team have transitional arrangements as their incentive arrangements transition to full participation in the LTIP. For Clare Moore and Rupert Newman who joined the Executive during 2019/21, their bonus opportunity was agreed at 40% for 2019/20, 33.3% for 2020/21 and 26.6% for 2021/22. For Alison Bain who joined in 2020, her bonus opportunity is 40% for 2020/21, 33.3% for 2021/22 and 26.6% for 2022/23. For Sara Dunham who joined in February 2021, her bonus opportunity is set at 20% per year in line with the longer serving members of the Executive.

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

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

Given the impact of the pandemic on the Society's performance, as discussed elsewhere in this Annual Report, no payments under the STARS bonus scheme have been earned for 2020/21.

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.

The Remuneration Committee has been reviewing the nature of the LTIP over the last year and it is likely a new plan will be introduced for the Executive effective from the 2021/22 financial year, although no final decision has been reached.

- 2018/19 LTIP award

The 2018/19 LTIP award matured in January 2021. The results achieved 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
1. Return on capital employed	Cumulative trading profit relative to 3-year plan	25%	95% of 3 year plan cumulative trading profit	100% of 3 year plan cumulative trading profit	115% of 3 year plan cumulative trading profit	below the Threshold target
2. Corporate reputation	From BITC's[1] newly issued Responsible Business Tracker	25%	between the average score and 5% above	5% - 10% above the average score	> 10% above the average score	> 10%
3. Colleague engagement	Measured via the annual colleague survey score and % colleague turnover figures	25%	score 80 20.3% - 20.8%	score 81 19.8% - 20.3%	score 82 <19.8%	score 85 13.01%
4. External Partnerships	Measured through 4 questions	25%	3 questions scored below threshold, 1 scored between threshold and on target			1 element (out of 4) between threshold and on target

[1] Business in the Community

- Future LTIP awards
As noted, the Remuneration Committee has been reviewing the nature of the LTIP over the last year. As a result, no award has been agreed for the 2020/21 year.

- Summary of outstanding LTIP awards
The table below summarises the principal terms of the one outstanding LTIP award which is due to mature in January 2022. This allows for a maximum payment of 20% of average salary over the three year performance period.

Performance measure	How measured	Weighting	Members of Executive eligible for an award
Return on capital employed	Cumulative trading profit relative to 3-year plan	25%	Sara Dunham Peter Dubois Edward Parker Phil Ponsonby Peter Westall Rupert Newman[1] Clare Moore[1] Alison Bain[2]
Corporate reputation	From BITC's Responsible Business Tracker	25%	
Promoting co-operation	The number of members involved in co-op activity	25%	
Member value	Measured through the annual member survey response	25%	

[1] eligible to receive 2/3 of any payment earned from the 2019/20 grant
[2] eligible to receive 1/3 of any payment earned from the 2019/20 grant

Clawback provisions

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

Pension

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

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

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

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

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

- Alison Bain, Rupert Newman and Clare Moore participate 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; in 2018 he transferred his pension out of the CARE scheme; he participates in the L & G Scheme
- Sara Dunham will be enrolled into the Society's auto-enrolment pension arrangement during May 2021
- Edward Parker is a deferred member of the CARE Scheme with a mix of career average and final salary benefits; he receives a cash alternative and has a right to take his CARE pension without penalty from age 60 if still employed by the Society at the time
- Phil Ponsonby has opted out of the pension provision from the Society
- Pete Westall was a deferred member of the CARE Scheme with a mix of career average and final salary benefits; in 2017 he transferred his pension arrangements out of the CARE scheme; he receives a cash alternative

The arrangements for former members of the Executive are as follows:

- Kevin Brown was a deferred member of the CARE Scheme with a mix of career average and final salary benefits; he participated in the Society's auto-enrolment pension arrangement
- Alistair Rowland was a deferred member of the CARE Scheme with career average benefits; he participated in the L & G Scheme
- Caroline Westall participated in the Society's auto-enrolment pension arrangement.

Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary and incentive pay between the 2019/20 and 2020/21 financial years, compared with that of the average for all colleagues in the Society.

	% change in salary and incentive pay	
	2019/20	2020/21
Group Chief Executive	18.9	(4.03)
Average for colleagues	(2.1)	(8.31)

Relative importance of spend on pay

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

	2020/21 £m	2019/20 £m	% change
Staff costs	131.9	143.2	(7.9)
Distributions	1.9	2.2	(13.6)
Operating profit before significant items	12.7	17.5	(27.4)

Loss of office payments

The principles governing compensation for loss of office are set out earlier in this report. During the year, the roles of Chief Information Officer held by Caroline Westall and Chief Property & Services Officer held by Kevin Brown were made redundant. The incumbents agreed exit terms and left the business effective 17 April 2020. Payments of £28,561 (Caroline Westall) and £41,783 (Kevin Brown) were agreed in accordance with the Society's redundancy policy, together with pay in lieu of notice payments of £82,509 (Caroline Westall) and £80,471 (Kevin Brown) and other contractual payments of £62,353 (Caroline Westall) and £61,007 (Kevin Brown).

Payments to past Executives

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

Payments under the LTIP granted in 2017/18 which matured in January 2020 were made to the following former members of the Executive classed as 'good leavers' under the rules of the LTIP: Ramsay Dunning - £1,695; Mike Abbott - £1,426; Simon Fisher - £1,640.

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

DIRECTORS' FEES

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

Fees

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

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

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

All the fees listed are normally increased each year by the same inflation-related increase applied to colleagues across the Society. However, directors did not take a fee rise in 2020 given the circumstances of the pandemic (2019/20: 2.5%). In addition, some directors contributed 10% of their Board fees for a three month period to the Society's Food Bank Fund.

Board/Committee	Role	Fees 2020/21 £	Fees 2019/20 £
Board	President	13,870 40% above Director fee	13,870
	Vice-Presidents	11,889 20% above Director fee	11,889
	Director	9,907	9,907
Audit & Risk Committee	Chair	775 20% above Director fee	775
	Vice-Chair	711 10% above Director fee	711
	Committee member	646	646
Pension Trustee Board	Trustee Chair	1,508 40% above Director fee	1,508
	Trustee director	1,077	1,077
Environmental steering group	Board representative	646	646
Member Engagement Committee	Committee member	646	646
Remuneration Committee	Committee member	646	646

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

Benefits
The Society's Colleague Discount scheme is available to directors and their partners. Helen Wiseman and Bernadette Connor are members of the Society's closed career average pension scheme.

Directors' remuneration table (audited)
The following table lists the fees paid to the directors of the Society who served during the year under review.

	Fees	
Director	2020/21 £	2019/20 £
Steve Allsopp	12,026	12,144
Olivia Birch[1]	2,629	7,892
Clive Booker	10,764	12,691
Ellie Boyle	10,436	10,519
Bernadette Connor[1]	2,629	-
Martin Cook[2]	7,903	13,160
Judith Feeney[2]	8,608	14,713
Patrick Gray[2]	8,015	14,701
Vicky Green	10,310	2,435
Gary Hayes[2 3]	-	-

	Fees	
Director	2020/21 £	2019/20 £
Irene Kirkman[1]	2,712	7,781
Matthew Lane	10,372	13,635
Paul Mather[1]	2,778	-
Kathryn Petersen	10,310	10,440
Barbara Rainford	10,904	2,680
Fiona Ravenscroft	11,703	2,535
Heather Richardson	12,912	13,228
Wendy Willis	10,555	2,435
Helen Wiseman	14,280	17,556
Vivian Woodell	11,925	15,761

[1] Appointed October 2020
[2] Resigned October 2020
[3] Waived payment of his director fee

The role of a director

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

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

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

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

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

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

APPROVAL OF REMUNERATION REPORT

This remuneration report was approved by the Remuneration Committee on 7 April 2021.

Matt Lane
Chair – Remuneration Committee

7 April 2021

At our Botley Food Market we've introduced free water refills to reduce waste.

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. The Group financial statements for the year ended 23 January 2021 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014.

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.

Going concern

The Board has considered the cash flow projections across the forecast period to January 2024 for the Society arising from current performance, forecasts and known risks, including those likely to arise from a severe and plausible downside scenario as a result of the Covid-19 pandemic.

A detailed assessment of the likely impacts of Covid-19 is shown on page 80.

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

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

1 May 2021

As part of our commitment to tackle single use plastics, we replaced all single use plastic carrier bags across our food stores with compostable bags, eliminating 8 million plastic bags per year from circulation.

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 23 January 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with International Accounting Standards;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

We have audited the financial statements of The Midcounties Co-operative Limited ('the Society') for the period ended 23 January 2021 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Society and the sectors in which it operates and considered the risk of acts by the Society which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to, compliance with the Co-operative and Community Benefit Societies Act 2014 and accounting standards.

We communicated key estimate and judgements, relevant identified laws and regulations, and potential fraud and irregularity risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. We designed audit procedures to respond to these matters.

We focussed on areas that could give rise to a material misstatement in the Society's financial statements. Our testing included, but was not limited to:

- Enquiries of management;
- Review of minutes of Board meetings throughout the year;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Identifying and testing a sample of journal entries, to identify any outside of the normal course of business or indicative of manipulation of the financial statements;
- Verification of the consolidation and, in particular, manual or late journals posted at consolidated level
- Challenge of key estimates and judgements, applied by management in the financial statements to check that they are free from management bias;
- Consideration of management's assessment of related parties and any other unusual transactions and evaluated the process for identifying and monitoring any such transactions;
- Consideration of the total current and prior period adjustments and unadjusted audit differences for indications of bias or deliberate misstatement; and
- Testing supplier and employee payment detail irregularities.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Laurie Hannant (Senior Statutory Auditor)
BDO LLP, Statutory Auditor
Birmingham , UK
1 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 23 January 2021

	Note	2020/21	2019/20 (Restated)*
		£'000	£'000
Revenue	1	722,641	753,801
Cost of sales		(508,566)	(523,774)
Gross profit		214,075	230,027
Other Operating Income	2.1	5,002	-
Operating Expenses		(211,901)	(221,116)
Operating expenses excluding significant Items	2.1	(206,345)	(212,508)
Operating profit before significant items		12,732	17,519
Operating Expenses - Significant items	2.2	(5,556)	(8,608)
Operating profit		7,176	8,911
Net Finance costs	2.3	(8,055)	(11,746)
Loss before payments to and on behalf of members		(879)	(2,835)
Payments to and on behalf of members	2.4	(1,859)	(2,220)
Loss before tax		(2,738)	(5,055)
Income tax credit	2.5	2,318	4,683
Loss for the year from continuing operations		(420)	(372)
Loss for the year from discontinued operations, net of tax.	2.6	-	(92,237)
Loss for the year		(420)	(92,609)
Other comprehensive income			
Items that will not be reclassified to the income statement in future periods:			
Revaluation gain / (loss) of property, plant and equipment		763	(383)
Realised on disposal of properties		-	-
Remeasurement of defined benefit liability	4.4	(6,920)	(8,509)
Income tax on other comprehensive income	2.5	1,591	1,723
Phone Co-op transfer of engagements		-	(16)
Other comprehensive (expense) for the period, net of income tax		(4,566)	(7,185)
Total comprehensive expense for the period		(4,986)	(99,794)

The Group has disclosed a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and OCI.
* For further details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

Consolidated Statement of Financial Position

As at 23 January 2021

	Note	2020/21 £'000	Restated 2019/20 £'000	Opening Balance Restated 26-Jan-19 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	3.1	**155,177**	180,039	194,367
Intangible assets	3.2	**71,209**	80,080	136,305
Investment property	3.3	**13,001**	12,814	12,901
Right of use assets	3.4	**115,362**	107,920	-
Other investments	3.5	**80,443**	81,709	78,937
Other debtors	3.8	**5,973**	7,048	-
Deferred tax assets	3.6	**14,169**	9,837	11,000
Total non-current assets		**455,334**	479,447	433,510
Current assets				
Other investments	3.5	**9,584**	7,702	6,998
Stocks	3.7	**24,542**	24,565	25,068
Trade and other receivables	3.8	**84,519**	91,989	240,254
Cash and cash equivalents	3.9	**7,843**	10,512	15,138
Current tax recoverable		**-**	-	458
Assets held for sale	3.10	**17,536**	8,585	4,902
Total current assets		**144,024**	143,353	292,818
TOTAL ASSETS		**599,358**	622,800	726,328
LIABILITIES				
Current liabilities				
Loans and borrowings	4.1	**12,671**	19,347	18,888
Trade and other payables	4.2	**177,427**	205,535	348,865
Lease Liabilities	4.3	**14,785**	10,312	-
Current tax payable		**124**	196	-
Provisions		**-**	-	3,950
Total current liabilities		**205,007**	235,390	371,703
Non-current liabilities				
Loans and borrowings	4.1	**60,101**	55,439	39,506
Other payables	4.2	**71,619**	75,946	69,491
Lease Liabilities	4.3	**115,253**	107,321	-
Provisions		**-**	-	4,988
Pension obligations	4.4	**47,708**	46,082	41,326
Total non current liabilities		**294,681**	284,788	155,311
TOTAL LIABILITIES		**499,688**	520,178	527,014
NET ASSETS		**99,670**	102,622	199,314
EQUITY				
Share capital		**78,991**	75,153	70,645
Other reserves		**39,030**	41,126	41,602
Retained (losses) / earnings		**(18,351)**	(13,657)	87,067
TOTAL EQUITY		**99,670**	102,622	199,314

The financial statements were approved by the Board of Directors on the 30 April 2021

Helen Wiseman
President

Heather Richardson
Vice-President

Vivian Woodell
Vice-President

Edward Parker
Secretary

* For further details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

Consolidated Statement of Changes in Equity

As at 23 January 2021

	Share Capital £'000	Revaluation reserve £'000	Retained (losses) / Earnings £'000	Total Equity £'000
Balance at 27 January 2019 (reported)	70,645	41,602	74,414	**186,661**
Adjustment to brought forward balance (Note 6.1)	-	-	12,653	**12,653**
Loss for the year (reported)	-	-	(89,703)	**(89,703)**
Adjustment to Loss for the year (Note 6.1)	-	-	(2,906)	**(2,906)**
Other comprehensive income:				
Phone Co-op transfer of engagements	-	-	(16)	**(16)**
Revaluation of property, plant and equipment (Note 3.1)	-	(383)	-	**(383)**
Realised on disposal of properties (Note 2.2)	-	(369)	369	**-**
Actuarial loss on defined benefit pension plans (Note 4.4)	-	-	(8,509)	**(8,509)**
Dormant share accounts to reserves	(197)	-	197	**-**
Income tax on other comprehensive income (Note 2.5)	-	276	1,447	**1,723**
Total other comprehensive loss	(197)	(476)	(6,512)	**(7,185)**
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	4,705	-	-	**4,705**
Members' share interest	-	-	(1,603)	**(1,603)**
Total contributions by and distributions to members	4,705	-	(1,603)	**3,102**
Balance at 26 January 2020 (restated)	75,153	41,126	(13,657)	**102,622**
Loss for the year	-	-	(420)	**(420)**
Other comprehensive income:				
Revaluation of property, plant and equipment (Note 3.1)	-	763	-	**763**
Realised on disposal of properties (Note 2.2)	-	(2,286)	2,286	**-**
Actuarial loss on defined benefit pension plans (Note 4.4)	-	-	(6,920)	**(6,920)**
Income tax on other comprehensive loss (Note 2.5)	-	(573)	2,164	**1,591**
Total other comprehensive income	-	(2,096)	(2,470)	**(4,566)**
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	3,838	-	-	**3,838**
Members' share interest	-	-	(1,804)	**(1,804)**
Total contributions by and distributions to members	3,838	-	(1,804)	**2,034**
Balance at 23 January 2021	78,991	39,030	(18,351)	**99,670**

(Restated*) - Retained earnings balance at 27 January 2019 has been restated to account for an additional depreciation charge of £0.615 million to correctly re-life assets in accordance with the fixed asset policy. As well as additional income of £13.268 million due to the correction of the accounting policy for funeral plan revenue recognition. Further detail of the restatements is presented in note 6.1.

Consolidated Statement of Cash Flows

For the year ended 23 January 2021

	Note	2020/21 £'000	Restated* 2019/20 £'000
Cash flows from operating activities			
Loss for the period		**(420)**	(92,609)
Adjustments for:			
Depreciation	3.1	**8,062**	8,938
Amortisation of intangible assets	3.2	**1,081**	3,714
Depreciation IFRS16 right of use assets	3.4	**13,629**	11,520
Gain on sale of property, plant and equipment	2.2/2.6	**(1,737)**	(367)
Impairment of discontinued operations assets	2.6	**-**	58,368
Change in fair value of investment property	2.2	**1,461**	197
Change in fair value of trading property	2.2	**1,461**	40
Funeral Plan net finance (income) / expenses	2.3/2.6	**(2,837)**	2,063
Net finance expense	2.3/2.6	**5,921**	5,418
IFRS 16 finance expense	2.3	**4,971**	4,265
Payments to and on behalf of members	2.4	**1,859**	2,220
Income tax (credit) / expense	2.5/2.6	**(2,318)**	(4,683)
		31,133	(916)
Change in:			
Stocks		**23**	1,067
Trade and other receivables		**9,378**	(14,998)
Trade, other payables and provisions		**(34,344)**	17,554
Payments to the pension fund		**(7,946)**	(6,092)
		(32,889)	(2,469)
Income tax		**(185)**	239
Cash used in operating activities		**(1,941)**	(3,146)
Cash flows from investing activities			
Interest received		**202**	133
Payments to new investments	3.5	**(1,346)**	(9,738)
Proceeds from investments	3.5	**5,638**	5,258
Proceeds from:			
Sale of investment properties, property, plant and equipment, intangible assets and assets held for sale		**17,422**	21,377
Purchase of:			
Property, plant and equipment	3.1	**(2,440)**	(3,765)
Investment property	3.3	**(136)**	(1,600)
Business acquisitions (net of cash acquired)	6.2	**229**	(12,142)
Net cash generated from / (used in) investing activities		**19,569**	(477)
Cash flows from financing activities			
Proceeds from issue of share capital		**36,571**	12,837
Repayment of share capital		**(34,962)**	(9,002)
Net proceeds from loans	4.1	**4,494**	16,000
Loan arrangement fees		**(154)**	(489)
Interest paid on borrowings		**(2,593)**	(3,580)
Repayment of lease interest	4.3	**(4,971)**	(4,265)
Repayment of lease liabilities	4.3	**(9,474)**	(10,530)
Payments to and on behalf of members and share interest paid		**(2,055)**	(3,078)
Net cash used in financing activities		**(13,144)**	(2,107)
Net increase / (decrease) in cash and cash equivalents		**4,484**	(5,730)
Cash and cash equivalents at start of period		**(9,540)**	(3,810)
Cash and cash equivalents at end of period	3.9	**(5,056)**	(9,540)

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

*For further details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

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 23 January 2021 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Co-operative and Community Society Act 2014.

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

b) Basis of preparation
The financial statements are prepared on a going concern basis. The Society has reported a loss of £0.4 million for the year to 23 January 2021 (2019/20: £92.6 million loss) and has net assets of £99.7 million (2019/20: £102.6 million). The Society meets its day to day working capital requirements from bank loans and a revolving credit facility together with cash balances.

As at 21 April 2021, the Society had total drawings of £60.1 million under its bank loans and revolving credit facilities. The bank facilities are subject to continued compliance with both financial and administrative covenants. On 22 April 2021, the Society established new bilateral and syndicated club facilities amounting to £109.1 million with its three long-term partner banks. These new credit facilities incorporate a full reset of covenants over the unexpired term and new covenants through the extended period to a maturity date of 31 August 2023 .

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

Forecasts have been prepared through to January 2024 to assist with this analysis, and a rigorous assessment has been undertaken of current and future trading which includes potential ongoing risks arising from the global pandemic, Covid-19. The scenarios outlined below are deemed to represent a severe and plausible test on the Society's ability to continue to adopt the going concern basis.

Following this analysis, the directors have concluded that the Society has adequate resources and will comply with its covenant requirements, to allow it to continue in operational existence for the period of its business plan. Therefore, the financial statements are prepared on a going concern basis.

Covid-19
The impact of Covid-19 upon the Society has been significant in the year and is expected to continue to impact further over the next two financial years. The Society's businesses span a range of market segments within the UK, with each expected to be impacted differently. Accordingly, a number of scenarios have been considered to understand the potential impact on performance, resources and cash.
The scenario modelling has applied severe but plausible stress-tests to the performance of each of the Society's businesses, as outlined below.

Travel
As at the date of signing the accounts, it remains unclear as to how, when and in what volume the Travel market will resume. Our modelling has however assumed that customers undertake no travel until after September 2021; that all of our Retail travel branches are fully closed until 12 April 2021; that bookings from September 2021 to February 2022 are reduced to 50% of pre-Covid levels; that bookings from February 2022 to February 2023 are reduced to 85% of pre-Covid levels; that cash refunds are paid on all cancellations; that bonded values remain consistent and that we have significant levels of 'trapped cash' arising from advance commissions paid to Consortia members and not recovered. In addition, we have assumed that at no time do we recover any missed bookings arising from travel plans that would ordinarily have been made in 2020/21 for future travel dates.

In terms of Government support we have assumed that the travel division accesses Rates support, furlough support and start up grants as announced by the Chancellor in the March 2021 Budget. Typically, the Travel division would benefit from a significant investment of working capital. However, the extensive curtailment of travel over the past 12 months and into 2021 has led to working capital outflows of £24.9 million during the year. We expect pressure on working capital to continue throughout 2021 and as such have not assumed any significant recovery of traditional flows and reserves. It is assumed that the disruption within the travel sector will not only impact throughout 2021/22 but also through 2022/23 and 2023/24 resulting in an ongoing reduction to historic levels of activity.

Childcare
In Childcare, we have assumed that occupancy levels increase in line with the easing of lockdown restrictions and return to near historic levels by the end of 2021/22.

Last year, we did not see a full closure of our Nursery business at any time but instead operated many sites in support of Key Workers. Occupancy across the year was 52.2% but at its lowest point, in April 20 we operated at just 14.2% of capacity. The cash impact of this over 2020/21 is estimated at £2.3 million.

Since June 2020, the division has seen a steady increase in occupancy levels and as we trade into the new financial year, we have recovered further to 68.7% (March 21) and expect to return to 72.0% by the end of the year.

Reasonable downside modelling has been undertaken to demonstrate the impact of a decline in children attending based on our experience throughout 2020.

Food Retail & Post Offices
Our Food and Post Office businesses both experienced material increases in revenues last year and despite the investment in PPE and social distancing this translated to additional operating cash flows of £7.1 million.

Our base-case modelling assumes that this division returns to historic levels of trade over the course of 2021/22.

Sensitivities have been applied to both like-for-like sales and profit margins to test the resilience of this division in the event that either footfall and sales dip significantly below expectations or that margin is not achieved at the levels budgeted.

Funeral
In Funeral, over the course of the last year we witnessed many restrictions arising from the inability of people to celebrate and remember their loved ones in the usual manner. We delivered more 'simple' ceremonies and events that remembered the deceased from afar and were not able to provide the usual services such as ceremonial limousines. In addition, we temporarily closed our Masonry business and had limited access to graveyards and crematoria at many times throughout the year.

These more extreme conditions have now eased, albeit some restrictions on numbers in attendance are expected to persist through 2021/22. Our modelling assumes a continued mix of 'simple' ceremonies and further impacts on pricing.

Downside modelling has tested a reduction in funeral volumes, a loss of market share and a reduction in margins across a range of scenarios.

Mitigation
The directors have implemented a number of mitigating actions which are modelled in the severe but plausible downside. These include but are not limited to capital investment restrictions, central cost controls and increased finance lease deals. In addition, the Society continues to implement its strategy to divest non-core property assets and, while these are not included in stress-test scenarios, disposals relating to unsecured property assets have provided additional cash headroom in 2020/21 and are expected to contribute again in 2021/22.

Further Government support has been announced in the March Budget and is expected to be accessed in the form of the Job Retention Scheme, the Business Rates Reduction Scheme and Covid start-up grant funding. We can claim up to £2.1 million additional Rates support throughout 2021/22 and expect to recover a further £0.6 million through 'start-up grants' in support of the re-opening of our Travel Retail estate.

The Directors believe it remains appropriate to prepare the financial statements on a going concern basis due to the implementation of substantial new facilities, significant mitigating actions and that they consider it unlikely for business revenues and receipts to decline by the amounts in the severe but plausible scenarios.

There remains uncertainty in the ongoing impact of Covid-19, particularly in the Travel division, regarding the timing of the return of overseas travel and when travel does return, the political limitations. However the Directors do not consider these uncertainties to be material uncertainties that may cast significant doubt on the Society's ability to continue as a going concern.

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 and impairment of assets	3.1
Measurement of the recoverable amounts from cash generating units containing goodwill	3.2
Valuation of investment properties	3.3
Deferred tax asset	3.6
Measurement of pension obligations	4.4
Business combinations	6.2
Prepaid Funeral Plans	6.3

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 is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

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

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

h) New standards and interpretations

New standards, interpretations and amendments adopted from 1 January 2020
New standards impacting the Group that have been adopted in the annual financial statements for the year ended 23 January 2021 are:

Definition of a Business (Amendments to IFRS 3)
Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)
Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:
(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from March 2020 to June 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The application of this amendment did not have an signigat impact on the society.

Other standards
New standards that have been adopted in the annual financial statements for the year ended 23 January 2021, but have not had a significant effect on the Group are:
• IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
• Revisions to the Conceptual Framework for Financial Reporting.

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

The following standards and interpretations, which are not yet effective and have not been adopted early by the Society, will be adopted in future accounting periods:
• Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
• Amendments to IFRS 17 - Insurance contracts.

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

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 is recognised in line with IFRS 15 (Revenue from Contracts with Customers). 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.

The Society does not have contracts with variable consideration.

Revenue is recognised when the control is transferred to the customer upon performance obligation being satisfied, 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 revenue recognition criteria for each key revenue stream is summarised below:

Revenue Stream	Recognition criteria
Food & Post Office	Point of sale
Funeral Services	When the funeral service is delivered
Healthcare	Goods are recognised at point of sale and services when the healthcare service is provided i.e. online GP service is completed.
Travel agency fees and commissions	Commission earned is recognised on booking of holiday
Travel principal revenue	Recognised on departure date of holiday
Travel foreign exchange	Commission recognised at point of sale
Childcare	When the childcare service is provided at the nursery.
Flexible benefits commissions	Commission recognised at the point of payment
Phone & Broadband Services	When separate performance obligations (being continuous access to phone and broadband services) are delivered to the customer over the life of the contract
Phone Hardware	Point of sale
Energy White Label	Commission recognised at date of agreed contractual obligation and on each anniversary following
Property Rental income	Straight line over the term of the lease
Other Sale of goods	Point of sale
Other Provision of services	When separate performance obligations are delivered to the customer

When the Society acts as a travel principal the Society provides all the goods or services to the customer and is responsible for the delivery of the holiday, revenue is recognised for the whole travel package. When the Society acts as a travel agent it arranges for the goods or services to be provided to the customer and is acting on behalf of a principal, the principal is responsible for the delivery of the holiday and therefore the Society will only recognise commission for its services within revenue.

1. Revenue

	2020/21 Gross sales* £'000	2020/21 Revenue £'000	Restated 2019/20 Gross sales* £'000	Restated 2019/20 Revenue £'000
Food	**676,965**	**608,454**	611,136	551,316
Funeral	**29,890**	**29,453**	30,767	30,243
Healthcare	**20,684**	**20,313**	28,931	28,424
Travel	**43,627**	**20,572**	489,240	90,792
Childcare	**27,709**	**27,550**	36,435	36,275
Post Offices	**3,152**	**3,109**	2,942	2,911
Utilities	**23,535**	**11,776**	30,610	11,512
Other	**101**	**100**	15	47
Property rentals	**2,434**	**2,576**	3,378	3,363
	828,097	**723,903**	1,233,454	754,883
Members share of profits	**(1,262)**	**(1,262)**	(1,082)	(1,082)
Total revenue	**826,835**	**722,641**	1,232,372	753,801

* 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.

Members share of profits
The member share of profit points earned as part of the membership offer are recognised as a discount to revenue at the point they are earned with a corresponding liability being held on the balance sheet. The liability is reduced and the sale recognised when the rewards are redeemed.

Funeral and Life Planning Accounting Policy Change
Revenue is recognised when separate performance obligations are delivered to the customer. For funeral sales ('at need') and funeral plan sales ('pre need') the only separable performance obligation is the funeral itself and therefore revenue is only recognised when the funeral is performed (or the plan is redeemed and the funeral is performed).
Under the previous accounting policy, upon the purchase of a funeral plan money was invested into a whole of life policy whose value changes over time until redemption. At the date of purchase of the pre-need plan the Society recognised as an asset and liability within the balance sheet. At redemption, the money received from the policy was treated as consideration receivable for the funeral at the current sales value. Investment gains or losses from the policy were compared to the expected future loss of the funeral and net differences were recognised within operating profit. Revenue was only fully recognised at the point the funeral service was performed.
Under the new accounting policy in accordance with IFRS 15, upon the purchase of the funeral plan the money received from the customer is deemed to be consideration for the funeral service and this is held within deferred income. Each year this deferred income is increased by the effective interest rate until the customer policy is redeemed.

For further details on prior year restatements please refer to note 6.1 .

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

Section 2 - Expenses

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

2.1 Operating expenses before significant items

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

	Note	2020/21 £'000	Restated 2019/20 £'000
Operating costs	2.1.1	**74,258**	103,799
Personnel costs	2.1.2	**131,911**	143,152
Transactions with directors	2.1.3	**176**	218
		206,345	247,169
Discontinued operations included above		**-**	34,661
Continuing operations		**206,345**	212,508

2.1.1 Operating costs

		2020/21 £'000	Restated 2019/20 £'000
Hire of plant and equipment - Short Term leases		**354**	545
Hire of land and buildings - Short term leases		**1,754**	2,400
Depreciation of owned assets - property, plant and equipment	3.1	**8,062**	8,938
Amortisation of owned assets - intangibles	3.2	**1,081**	3,714
Depreciation of right of use assets	3.4	**13,629**	11,520
Fees paid to auditors:			
Audit		**430**	476
Other		**40**	9
Occupancy Costs		**15,778**	38,375
Other expenses		**33,130**	37,822
		74,258	103,799

Other operating income is a £5.002m insurance claim relating to coronavirus impact.

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

2.1.2 Personnel costs

		2020/21 £'000	2019/20 £'000
Wages and salaries		**128,628**	131,938
Social security payments		**8,412**	8,664
Expenses related to defined contribution pension schemes	4.4	**2,530**	2,550
Coronavirus Job Retention Scheme income		**(7,659)**	-
		131,911	143,152

The average monthly number of employees employed by the Society was:	Number	Number
Full time	**2,929**	3,600
Part time	**4,945**	4,311
	7,874	7,911

2.1.3 Transactions with directors

> Keeping it simple - Transactions with directors
> This section represents any payments made to statutory directors for their role in the Society.

	2020/21 £'000	2019/20 £'000
Directors' fees and expenses	**176**	218

Director fees include £4,000 of payroll accrual not yet paid to directors.

2.2 Significant items

> Keeping it simple - Significant items
> These are unusual because they are not generated by our day to day trading and due to their size, volatility and nature, 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.

Analysis of significant items:		**2020/21 £'000**	2019/20 £'000
Items included within operating expenses:			
Net gain on disposal of property, plant, equipment, investment properties and assets held for sale	a	**1,737**	367
Change in fair value of trading properties	a	**(1,461)**	(40)
Change in fair value of investment properties	a	**(1,461)**	(197)
Expense of business acquisitions and disposals	b	**(1,333)**	(3,028)
Reorganisation costs	c	**(2,304)**	(1,958)
Right of use asset impairment	d	**(301)**	972
Refinancing	e	**-**	(2,915)
Historical employment related costs	f	**-**	(1,126)
Supplier failure	g	**-**	(683)
Coronavirus expenditure	h	**(433)**	-
Significant items		**(5,556)**	(8,608)
Tax on significant items continuing operations	i	**2,313**	1,898
Significant items after tax		**(3,244)**	(6,710)

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 - The Society continues to assess the structure within all trading groups. This resulted in a one-off cost related to a number of groups. See page 87.
d - Reversal of the impairment element of IFRS 16 right of use assets.
e - Cost relating to refinancing of banking facilities.
f - The period of the historical employment related costs relates to prior years so therefore would distort the underlying financial performance and are one off in nature.
g - Non recoverable costs that related to the failure of a key travel supplier.
h - Expenditure in direct relation to the primarily due to investment in protective screen.
i - The tax credit relates to tax on significant items.

Reorganisation costs further breakdown

Division	£'000	Description
Executive Team & Senior Management	1,074	Reorganisation of roles and responsibilities within the Executive team and senior management roles across the Society's divisions.
Trading Division	1,072	Reorganisation costs in relation to site closures, site relocations and change in strategy due to Coronavirus restrictions.
Other Divisions (Non Trading)	158	Other reorganisation of roles within the Society.
Total Restructuring Costs	**2,304**	

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. As well as fair value gains and losses on funeral assets and finance cost relating to funeral revenue.

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.
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	**2020/21 £'000**	Restated 2019/20 £'000
Finance income	2.3.1	**5,080**	199
Finance expenses	2.3.2	**(13,135)**	(11,945)
Total finance costs		**(8,055)**	(11,746)

2.3.1 Finance income

	2020/21 £'000	Restated 2019/20 £'000
Other Interest income	**103**	32
Interest income on bank deposits	**99**	101
Unrealised Investment income in relation funeral plans	**4,878**	66
Total finance income	**5,080**	199

2.3.2 Finance expense

	Note	**2020/21 £'000**	Restated 2019/20 £'000
Net interest on defined benefit liability	4.4	**2,652**	2,339
Interest expense on bank loans		**2,672**	2,705
Interest expense in respect of IFRS 16	4.3	**4,971**	4,265
Loan arrangement fees expensed		**799**	507
Effective interest on deferred income		**2,041**	2,129
Total finance expense		**13,135**	11,945

Following the change in the accounting treatment of Funeral Plan revenue, the Society now recognises fair value changes on funeral bond investments and financing cost in respect of funeral prepaid plans within the income statement. In the current year the gains on funeral plan investment outweighed the interest the Society accrued resulting in a net finance income of £2.837 million (2019/20 net finance charge of £2.063 million).

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 comprise 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'.

	2020/21 £'000	2019/20 £'000
Grants and other member benefits	**1,396**	1,659
Employee member benefits	**450**	550
Charitable donations	**13**	11
	1,859	2,220

2.5 Income tax credit

Keeping it simple - Income tax credit
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.

	2020/21 Before significant items £'000	**2020/21 Significant items £'000**	**2020/21 £'000**	2019/20 Before significant items £'000	2019/20 Significant items £'000	2019/20 restated £'000
Current tax expense:	**988**	**(988)**	**-**	1,014	(1,014)	-
Current period	**-**	**-**	**-**	40	-	40
Adjustment for prior periods	**988**	**(988)**	**-**	1,054	(1,014)	40
Deferred tax credit:						
Origination and reversal of temporary differences	**139**	**(1,383)**	**(1,244)**	(3,395)	(359)	(3,754)
Adjustment for prior periods	**(547)**	**-**	**(547)**	(444)	(525)	(969)
Effects on deferred tax of change in tax rate	**(585)**	**58**	**(527)**	-	-	-
	(993)	**(1,325)**	**(2,318)**	(3,839)	(884)	(4,723)
Total income tax						
	(5)	**(2,313)**	**(2,318)**	(2,785)	(1,898)	(4,683)

In order to understand how, in the income tax statement, a tax credit of £2.318 million (2019/20: a tax credit of £4.683 million) arises on a loss before tax of £2.738 million (2019/20: a loss before tax of £5.055 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual charge as follows:

	2020/21 Before significant items	2020/21 Significant items	2020/21	2019/20 Before significant items	2019/20 Significant items	2019/20 restated
Factors affecting the tax charge for the period:	£'000	£'000	£'000	£'000	£'000	£'000
Profit/(loss) before taxation	2,818	(5,556)	(2,738)	3,553	(8,608)	(5,055)
Income tax using the Society's domestic tax rate of 19.00% (2019/20: 19.00%)	535	(1,056)	(521)	675	(1,636)	(961)
Expenses not deductible for tax purposes	592	(738)	(146)	1,164	54	1,218
Profit on sale of properties subject to indexation and rollover relief	-	(577)	(577)	-	209	209
Effects on deferred tax of change in tax rate	(585)	58	(527)	-	-	-
Adjustment for prior periods (current plus deferred tax expense)	(547)	-	(547)	(404)	(525)	(929)
Utilisation of current year losses from discontinued operations	-	-	-	(4,220)	-	(4,220)
Total income tax (credit)/expense	(5)	(2,313)	(2,318)	(2,785)	(1,898)	(4,683)

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

	2020/21	2019/20 restated
	£'000	£'000
Total recognised directly in equity:		
Members' share interest	(423)	(376)
	£'000	£'000
Total recognised in other comprehensive income:		
Revaluation of property, plant and equipment	573	(276)
Actuarial gains on defined benefit pension plans	(2,164)	(1,447)
	(1,591)	(1,723)
Deferred tax:	£'000	£'000
Net asset at start of period	9,837	11,000
Deferred tax charge in revenue account for the period	2,318	4,723
Deferred tax recognised directly in equity	423	376
Movement on pension liability deferred tax	2,164	1,447
Other deferred tax recognised in other comprehensive income	(573)	276
Acquisitions and transfers of engagements	-	(32)
Discontinued operations	-	(7,953)*
Net asset at end of period	14,169	9,837

* The prior year deferred tax movement on discontinued operations includes a £0.703 million tax credit to the income statement and recognition on acquisition of Flow Energy Limited deferred tax asset of £7.338 million.

As a result of the prior year (2019/20) restatements to the consolidated statement of comprehensive income, an additional £0.588 million tax credit was required increasing non-current deferred tax asset.

The March 2020 Budget announced the UK corporation tax rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The March 2021 Budget announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023.

The previously recognised deferred tax balances at 17% have now been recognised at 19% and this has resulted in the recognition of a deferred tax credit of £0.527 million in the income statement and the recognition of a deferred tax credit of £0.990 million in other comprehensive income.

		2020/21 Before Significant Items £'000	2020/21 Significant Items £'000	2020/21 Total £'000	2019/20 Before Significant Items £'000	2019/20 Significant Items £'000	2019/20 restated Total £'000
Profit/(loss) before taxation		**2,818**	**(5,556)**	**(2,738)**	3,553	(8,608)	(5,055)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2019/20: 19.00%)		**535**	**(1,056)**	**(521)**	675	(1,636)	(961)
Depreciation in excess of capital allowances	a	**1,499**	**-**	**1,499**	1,492	-	1,492
Pension movements	b	**(1,006)**	**-**	**(1,006)**	(713)	-	(713)
Expenses not deductible for tax purposes	c	**(40)**	**-**	**(40)**	3,781	-	3,781
Change in fair value of trading properties	c	**-**	**278**	**278**	-	8	8
Change in fair value of investment properties	c	**-**	**278**	**278**	-	37	37
Expense of business acquisitions and disposals	c	**-**	**89**	**89**	-	367	367
Capital gains	c	**-**	**(577)**	**(577)**	-	209	209
Utilisation of current year losses from discontinued operations		**-**	**-**	**-**	(4,220)	0	(4,220)
		988	**(988)**	**0**	1,015	(1,015)	0
Adjustments to tax charge in respect of previous periods		**-**	**-**	**-**	40	0	40
Reported current tax charge		**988**	**(988)**	**0**	1,055	(1,015)	40
Depreciation in excess of capital allowances	a	**(1,057)**	**0**	**(1,057)**	(1,081)	-	(1,081)
Pension movements	b	**900**	**0**	**900**	638	-	638
Expenses not deductible for tax purposes	d	**296**	**(1,383)**	**(1,087)**	(2,953)	(358)	(3,311)
Adjustments to tax charge in respect of previous periods		**(547)**	**0**	**(547)**	(444)	(525)	(969)
Effects on deferred tax of change in tax rate		**(585)**	**58**	**(527)**	0	0	0
Reported total tax charge		**(5)**	**(2,313)**	**(2,318)**	(2,785)	(1,898)	(4,683)

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

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

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

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

2.6 Discontinued operations

Keeping it simple - Discontinued operations

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

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

	2020/21 £'000	2019/20 £'000
Revenue	-	218,926
Cost of sales	-	(216,328)
Gross profit	-	2,598
Operating expenses	-	(34,661)
Operating loss before significant items	-	(32,063)
Significant items in operating loss	-	(1,173)
Operating loss	-	(33,236)
Finance costs	-	(149)
Loss before payments to and on behalf of members	-	(33,385)
Income tax	-	-
Operating loss before disposal, net of tax	-	(33,385)
Significant items related to the disposal - loss on disposal	-	(50,900)
Loss before tax	-	(84,285)
Income tax expense on sale of discontinued operation	-	(7,952)
Loss for the year from discontinued operations	-	(92,237)

	Note	**2020/21 £'000**	2019/20 £'000
Analysis of discontinued operations significant items:			
Impairment of property, plant and equipment	a	-	846
Impairment of intangible assets	b	-	33,680
Impairment of trade receivables	c	-	15,890
Expenses in selling of the discontinued operations	d	-	484
Significant items related to the disposal - loss on disposal		-	50,900
Expense of business acquisitions	d	-	467
Restructuring costs	e	-	82
Right of use asset impairments	f	-	624
Significant items in operating loss		-	1,173

a - Impairments of property, plant and equipment and the reversal thereof, are significant in value.
b - Impairments of intangible assets and the reversal thereof, are significant in value.
c - Impairments of trade receivables and the reversal thereof, are significant in value.
d - In accordance with IFRS 3 revised, expenses related to business acquisitions are expensed to the income statement. They are significant as they are one-off in nature and potentially also in size. In the current year and prior year this mainly relates to legal costs incurred in relation to acquisitions and disposals.
e - The Society continues to assess the structure within all trading groups. This resulted in a one-off cost related to a number of groups.
f - Impairment of the onerous lease element of IFRS 16 right of use assets (2018/19 onerous lease impairment).

	2020/21 £'000	2019/20 £'000
Cash flows from discontinued operations		
Net cash from operating activities	-	(45,307)
Net cash used in investing activities*	-	16,836
Net decrease in cash and cash equivalents	-	(28,471)

Effect of the disposals on the individual assets	2020/21 £'000	2019/20 £'000
Property, plant and equipment	-	846
Intangible assets	-	60,787
Trade and other receivables	-	48,526
Deferred tax assets	-	7,952
Trade and other payables	-	(32,907)
Net assets and liabilities	-	85,204

* 2019/20 a further £10.360 million of deferred consideration is included within debtors due in less than one year, also a contingent consideration of £2.016 million is split across debtors less than and greater than one year.

Section 3 - Assets

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

Keeping it simple - Assets
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.

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.

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. After initial recognition, all categories excluding land and buildings are valued under the historical cost model are carried at cost less any accumulated depreciation and any accumulated impairment losses. Land and Buildings is 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	50 Years
Plant, fixtures and fittings	3 to 20 years
Vehicles	3 to 8 years

Fair value measurement: Property valuations are valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as:
The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The market value of items, of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

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

Impairment: Assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An 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 an 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 assets are tested for impairment on an individual basis. Discount rates applied range between 7.5% to 10.2% and are applied by division. Assumed discount rates are based on Midcounties weighted average cost of capital plus readily available market information.
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.

		Land & buildings £'000	Plant, fixtures & fittings £'000	Vehicles £'000	Total £'000
Cost or valuation:					
At 26 January 2019 (restated)		162,391	114,040	211	**276,642**
Additions (restated)		410	3,355	-	**3,765**
Acquisitions		600	495	-	**1,095**
Revaluation		(423)	-	-	**(423)**
Impairment		-	(846)	-	**(846)**
Disposals		(2,273)	(10,121)	(130)	**(12,524)**
Transfer to assets held for sale		(5,164)	-	-	**(5,164)**
Transfers to investment property		(524)	-	-	**(524)**
Transfers to Right of use assets		-	(190)	-	**(190)**
At 25 January 2020 (restated)		**155,017**	**106,733**	**81**	**261,831**
Additions		-	2,440	-	**2,440**
Acquisitions	6.2	-	216	-	**216**
Impairment reversal		-	104	-	**104**
Revaluation		(752)	-	-	**(752)**
Disposals		(4,803)	(2,498)	(17)	**(7,318)**
Transfer to assets held for sale		(12,358)	(248)	-	**(12,606)**
Transfers to investment property		(741)	-	-	**(741)**
Transfers to Right of use assets		-	190	-	**190**
Transfer PPE Category		1,614	(1,614)	-	**-**
At 23 January 2021		**137,977**	**105,323**	**64**	**243,364**
Accumulated depreciation:					
At 26 January 2019 (restated)		7,337	73,569	143	**81,049**
Provided (restated)		562	8,361	15	**8,938**
Disposals		(71)	(8,008)	(116)	**(8,195)**
At 25 January 2020		**7,828**	**73,922**	**42**	**81,792**
Provided this year		568	7,489	5	**8,062**
Disposals		(296)	(1,367)	(8)	**(1,671)**
Transfers		291	(287)	-	**4**
At 23 January 2021		**8,391**	**79,757**	**39**	**88,187**
Carrying amount					
At 25 January 2020 (restated)		147,189	32,811	39	**180,039**
At 23 January 2021		**129,586**	**25,566**	**25**	**155,177**

Included in the above balances are Assets under construction £0.961 million (2019/20 £1.552 million) which are not depreciated until fully constructed and in use.

For details in relation prior year restated values please refer to note 6.1 Prior year adjustments.

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 2021 were valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13)". The valuations were carried out by Chartered Surveyors, VSL and Partners, Eddisons Taylors & JLL. VSL and Partners and JLL have valued the properties on a vacant possession basis and Eddisons Taylors have used a business use basis.

The properties are valued individually, and yields are therefore varying on a property by property basis. Yields range from 5.5% to 13.0% (2019/20: 4.0% to 11.0%).

Upon valuation if an asset valuation has increased the movement is taken straight to the revaluation reserve and is only recognised upon the disposal of the property. If the asset value has decreased losses are taken to the income statement net on of any reserves previously held.

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. Discount rates applied range between 7.5% to 10.2% and are applied by division. 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.

	Note	Purchased goodwill £'000	Licences and brand £'000	Customer Relationships £'000	Total £'000
Cost:					
At 26 January 2019		98,802	38,803	15,276	**152,881**
Acquisitions		11,844	13	-	**11,857**
Impairment		(13,077)	(19,619)	(984)	**(33,680)**
Disposals		(14,869)	(15,424)	(14,292)	**(44,585)**
At 25 January 2020		**82,700**	**3,773**	**-**	**86,473**
Acquisitions	6.2	177	-	-	**177**
Disposals		(6,052)	(681)	-	**(6,733)**
Transfers to assets held for sale		(1,836)	-	-	**(1,836)**
At 23 January 2021		**74,989**	**3,092**	**-**	**78,081**
Accumulated amortisation:					
At 26 January 2019		5,756	6,222	4,598	**16,576**
Charge for the year		-	-	3,714	**3,714**
Disposals		-	(5,585)	(8,312)	**(13,897)**
At 25 January 2020		**5,756**	**637**	**-**	**6,393**
Charge for the year		-	1,081	-	**1,081**
Disposals		-	(602)	-	**(602)**
At 23 January 2021		**5,756**	**1,116**	**-**	**6,872**
Carrying Amount					
At 25 January 2020		76,944	3,136	-	**80,080**
At 23 January 2021		**69,233**	**1,976**	**-**	**71,209**

Licences relate to the pharmacy and post office businesses and software. Computer Software is amortised over 3-10 year period. Licences for Energy (discontinued) have been written off during the prior year.

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

Post office licences have an indefinite life but are tested for impairments annually.

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

Components of Goodwill:

Cash Generating Unit (CGU)	At 23 January 2021 £'000	At 25 January 2020 £'000
Food and Post Office	**54,806**	**56,313**
Travel	**992**	**989**
Pharmacy	**1,841**	**7,687**
Childcare	**11,563**	**11,925**
Other	**31**	**30**
Carrying Amount	**69,233**	**76,944**

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

Impairment Review:
Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit, or group of cash-generating units, to which the goodwill relates. The impairment review completed 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 7.5% to 10.2%. Business specific growth rates are used to extrapolate budgeted cash flows into perpetuity, beyond a detailed 3 year plan at a rate of 2.0% - 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. Following the impairment analysis no impairment charge was required (2019/20: £33.680 million, which relates to the discontinued energy operation).
To understand the impact of reasonable change to the assumptions used, sensitivity analysis was completed moving one of the assumptions by +0.5% or -0.5% (whilst holding the other assumptions constant). The only impact found was that if the cost of capital was increased by 0.5% there would have been an additional £1.443 million impairment charge, all other movements to assumptions had no impact on the impairment.

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.

	2020/21	2019/20
	£'000	£'000
Cost or valuation:		
At start of year	**12,814**	12,901
Additions	**136**	1,600
Revaluation	**(1,408)**	(197)
Disposals	**(202)**	-
Transfer to assets held for sale	**920**	(2,014)
Transfers from trade properties	**741**	524
At end of year	**13,001**	12,814

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 2021 were valued assuming vacant possession 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 (2019/20: JLL).

The properties are valued individually and yields are therefore varying on a property by property basis. Yields range from 6.0% to 12.0% (2019/20: 6.0% to 10.0%), with a mean yield of 7.9% (2019/20: 8.1%) before costs.

The fair value of investment property is categorised as a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below

	£'000
Opening balance at 25 January 2020	12,814
Additions	136
Disposals	(202)
Reclassifications	1,661
Unrealised (loss) in fair value	(1,408)
Closing balance at 23 January 2021 (level 3 recurring fair values)	13,001

Upon valuation if an asset valuation has increased the movement is taken straight to the revaluation reserve and is only recognised upon the disposal of the property. If the asset value has decreased losses are taken to the income statement net on any reserves previously held.

3.4 Right of use assets

Keeping it simple - Right of use assets

Right of use assets has been created due to the Society's adoption of IFRS 16 on 27 January 2019. IFRS 16 seeks to align the presentation of leased assets more closely to owned assets.

The adoption of IFRS 16 on 27th January 2019 resulted in the recognition of opening balances for right of use assets of £105.1m and right of use liabilities of £105.3m. The Society recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Society is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The Society has used a range of discount rates in between 2.0% to 4.3% dependent on the length of lease remaining and the quality of the asset being leased. The discount rates were provided by independent professional advisors who took into consideration market factors and the societies incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Society has also used the assumption that no lease break clauses will be applied, therefore assets and liabilities have been calculated on the full term of each lease.

Right of use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment.

	Land & Buildings £'000	Plant, Fixture & Fittings £'000	Vehicles £'000	Total £'000
Cost or valuation:				
At 26 January 2019	105,060	-	-	**105,060**
Additions	12,762	4,164	3,769	**20,695**
Impairment (restated)	(26)	-	-	**(26)**
Transfers	-	190	-	**190**
Sublease receivable (Restated)	(6,479)	-	-	**(6,479)**
At 25 January 2020 (Restated)	**111,317**	**4,354**	**3,769**	**119,440**
Additions	14,892	4,801	2,361	**22,054**
Impairment	(797)	-	-	**(797)**
Transfers	-	(190)	-	**(190)**
At 23 January 2021	**125,412**	**8,965**	**6,130**	**140,507**
Accumulated depreciation:				
At 26 January 2019	-	-	-	**-**
Provided (Restated)	9,761	731	1,028	**11,520**
At 25 January 2020	**9,761**	**731**	**1,028**	**11,520**
Provided this year	10,944	1,438	1,247	**13,629**
Transfers	-	(4)	-	**(4)**
At 23 January 2021	**20,705**	**2,165**	**2,275**	**25,145**
Carrying amount				
At 25 January 2020 (Restated)	101,556	3,623	2,741	**107,920**
At 23 January 2021	**104,707**	**6,800**	**3,855**	**115,362**

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

The table below states the details of the type, the number and the term of leases held by the Society.

	Land & Buildings	Plant, Fixture & Fittings	Vehicles	Total
Number of leases at 25 January 2020	289	3	150	442
Number of leases 23 January 2021	**329**	**6**	**198**	**533**
Material number of Subleased Leases at 25 January 2020	11	-	-	11
Material number of Subleased Leases at 23 January 2021	**11**	**-**	**-**	**11**
Term of leases	2 to 1000 Years	1 to 5 Years	1 to 8 Years	

Income from material subleased finance leases
The Society also subleases some of its non-occupied leased properties. The Society classifies the sublease as a finance lease, where the period of the sublease is for substantially the remaining term of the head lease. The following table sets out a maturity analysis of material sublease receivables, showing the present value lease payments to be received after the reporting date.

	2020/21	2019/20
	£'000	£000's
6 months or less	**402**	402
6-12 months	**402**	402
1-2 years	**775**	804
2-5 years	**1,924**	2,112
More than 5 years	**2,172**	2,759
Total Present value of minimum lease payments receivable	**5,675**	6,479
Of which are:		
Current Lease receivables	**804**	804
Non Current Lease receivables	**4,871**	5,675
	5,675	6,479

Please refer to note 4.3 for details on the lease liabilities in relation to these right of use assets, note 2.1.1 Operating costs for details on short term leases and note 6.4 for details on rental income.

3.5 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.

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, 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 of Funeral Plans
Upon the purchase of a funeral plan money is invested into a whole of life policy whose values changes over time until redemption. At acquisition, the Society recognised them as an asset within the balance sheet. These are measured at fair value with movements in the investment carrying value brought into the income statement as they arise.

	2020/21	2019/20 (Restated)*
	£'000	£'000
Non current investments:		
Other Financial Assets	3,691	3,661
Financial assets designated at fair value through the Income Statement	76,752	78,048
	80,443	81,709
Are held as follows:	**£'000**	£'000
Co-operative Group shares	1,562	1,562
Other I&P Societies shares	181	181
Other investments	1,948	1,918
Total other financial assets	**3,691**	3,661
Funeral prepayment plans	76,752	78,048
	80,443	81,709

	2020/21	2019/20 (Restated)*
Current investments:	**£'000**	£'000
Financial assets designated at fair value through the income statement	9,584	7,702

Movement in Funeral Plan Contract Assets for the year	**2020/21**	2019/20 (Restated)*
	£'000	£'000
Opening Balance	**85,750**	81,204
Redeemed in the year	**(5,638)**	(5,258)
New plans in the year	**1,346**	9,738
Investment Change	**4,878**	66
Closing Balance	**86,336**	85,750

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

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

Other financial assets are held at fair value. Please refer to note 6.3 for further details.

The Society's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 4.5.

3.6 Deferred tax assets and liabilities

Keeping it simple - Deferred tax

Deferred tax arises because financial accounting rules and tax accounting rules are different.
A deferred tax asset is a tax saving which will be made in the future as a result of transactions which have already occurred.
A deferred tax liability recognises tax which will be payable in the future as a result of transactions which have already occurred.

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

	Note	**2020/21 £'000**	2019/20 £'000
Deferred tax liability in respect of property, plant and equipment		**(465)**	(1,824)
Short term temporary differences		**(120)**	(561)
Deferred tax liability		**(585)**	(2,385)
Intangible assets		**793**	811
Deferred tax asset in respect of pension obligations		**9,098**	7,834
Tax losses		**4,863**	3,577
Deferred tax asset		**14,754**	12,222
Net deferred tax asset	2.5	**14,169**	9,837

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

	Assets		Liabilities	
	2020/21 £'000	2019/20 £'000	**2020/21 £'000**	2019/20 £'000
Property, plant and equipment	**-**	-	**(465)**	(1,824)
Intangible assets	**793**	811	**-**	-
Pension obligations	**9,098**	7,834	**-**	-
Other items	**-**	-	**(120)**	(561)
Tax losses	**4,863**	3,577	**-**	-
Tax assets / (liabilities)	**14,754**	12,222	**(585)**	(2,385)

There are £11.429 million unrecognised deferred tax assets (2019/20: £6.728 million).

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

	At 25 January 2020 £'000	Recognised in Income statement £'000	Recognised in equity/ other comprehensive income £'000	Acquisitions/ Transfer of engagements £'000	**At 23 January 2021 £'000**
Property, plant and equipment	(1,824)	1,509	(150)	-	**(465)**
Intangible assets	811	(18)	-	-	**793**
Pension obligations	7,834	(900)	2,164	-	**9,098**
Other items	(561)	441	-	-	**(120)**
Tax losses	3,577	1,286	-	-	**4,863**
Tax assets	9,837	2,318	2,014	-	**14,169**

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

As at 23 January 2021, total deferred tax assets are £14.754 million (2019/20: £12.222 million) and total deferred tax liabilities are £0.585 million (2019/20: £2.385 million).

The deferred tax balance relates to:
- Property plant and equipment temporary differences arising on assets qualifying for capital allowances.
- Deferred chargeable gains reinvested in qualifying assets
- Property revaluation temporary differences
- Tangible assets temporary differences
- Pension obligation temporary differences
- Other temporary differences on miscellaneous items

3.7 Stocks

Keeping it simple - Stock

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

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

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

	2020/21	2019/20
	£'000	£'000
Goods for resale	**24,542**	24,565
	24,542	24,565

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £424.838 million (2019/20: £385.015 million).

The year-end stock provision is £0.224 million (2019/20: £0.658 million).

Stock write-downs in the year were £nil (2019/20: £nil).

3.8 Trade and other receivables

Keeping it simple - Trade and other receivables

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

	Note	**2020/21**	(Restated) 2019/20
		£'000	£'000
Current Assets - Trade & Other Receivables			
Trade receivables		**40,254**	53,398
Prepayments & deposits		**19,398**	9,166
Accrued Income		**4,128**	2,259
Rental Income receivable	6.4	**805**	805
Other receivables		**19,934**	26,361
		84,519	91,989
Non-Current Assets Other Receivables			
Rental Income receivable	6.4	**4,870**	5,674
Other Debtors		**1,103**	1,374
		5,973	7,048

Included within prepayments and deposits is £15.249 million worth of prepaid travel bookings (2019/20 £2.778 million), which could be reimbursed to customers upon booking cancellation.

Provisions matrix has not been disclosed as the provisions held are not significant. A breakdown of the bad debt provision can be seen in note 4.5.

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

3.9 Cash and cash equivalents

Keeping it simple - Cash and cash equivalents

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

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

	2020/21 £'000	2019/20 £'000
Cash and cash equivalents	**7,840**	10,509
Short-term deposits	**3**	3
Cash and cash equivalents in the statement of financial position	**7,843**	10,512
Bank overdraft	**(12,899)**	(20,052)
Cash and cash equivalents in the statement of cash flows	**(5,056)**	(9,540)

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

3.10 Assets held for sale

Keeping it simple - Assets held for sale

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

Re-measurement and impairment

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

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

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

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

	2020/21 £'000	2019/20 £'000
Assets classified as held for sale:		
Land and buildings, goodwill and other assets	**17,536**	8,585
	17,536	8,585

Amounts included in held for sale relate to non-strategic properties and healthcare assets. These are expected to complete in the next 12 months.

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. Other leases have been treated as operating leases and have not been recognised on the Society's Statement of Financial Position. For more information about the Society's exposure to interest rate and liquidity risk see note 4.5.

	2020/21 £'000	(Restated) 2019/20 £'000
Current liabilities:		
Bank overdraft	**12,899**	20,052
Current portion of secured bank loans (see notes 3.1 & 3.3)	**(228)**	(705)
	12,671	19,347
Non current liabilities :		
Secured bank loans (see notes 3.1 & 3.3)	**60,101**	55,439
	60,101	55,439

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

Terms and conditions of outstanding loans were as follows:

	Rate	**Nominal interest rate**	**Year of maturity**	Utilised **2020/21 £'000**	Total facility **2020/21 £'000**	Utilised 2019/20 £'000	Total facility 2019/20 £'000
Royal Bank of Scotland loan	Fixed	5.73%	2022	**23,468**	**23,467**	25,429	26,000
Royal Bank of Scotland loan	Variable	LIBOR + 0.90%	2022	**467**	**467**	1,589	1,625
Revolving credit facility Barclays	Variable	LIBOR + 1.75%	2022	**15,245**	**26,448**	25,515	30,000
Revolving credit facility Lloyds	Variable	LIBOR + 1.75%	2022	**25,657**	**26,702**	22,253	30,000
Multi-Currency Revolving Facility	Variable	LIBOR + 2.25%	2022	**7,935**	**23,702**	-	30,000
Total interest bearing liabilities				**72,772**	**100,786**	74,786	117,625

The loans are shown net of an unamortised arrangement fee of £0.244 million (2019/20: £0.891 million).

The total facilities available to the Society as at 23 January 2021 were £100.8 million.

The utilised facilities above include the bank overdraft of £12.899 million. The overdraft value is recognised as current liability as it is repayable on demand.

Notes supporting statement of Cashflows

	Non-current loans and borrowings (excluding bank overdrafts) £'000
As at 26 January 2019	39,506
Loan proceeds	129,522
Loan repayments	(113,522)
Net Loan agreement fees (non-cash)	(67)
At 25 January 2020	55,439
Loan proceeds	165,804
Loan repayments	(161,310)
Net Loan agreement fees (non-cash)	168
At 23 January 2021	**60,101**

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.

Accounting Policy:

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement. For more information about the Society's exposure to interest rate and liquidity risk see note 4.5.

Current liabilities:	**2020/21 £'000**	Restated 2019/20 £'000
Trade payables	**103,086**	160,311
Other payables	**15,045**	10,210
Travel payments on account	**28,192**	11,680
Deferred income - Funeral Bonds	**9,033**	6,351
Deferred income - Other	**3,949**	2,301
Accrued charges	**18,122**	14,682
	177,427	205,535

Non current liabilities:	**£'000**	£'000
Deferred Income - Funeral Bonds	**70,179**	74,514
Deferred Income - Other	**213**	206
Other payables	**1,227**	1,226
	71,619	75,946

The funds held within travel payments on account represent money received in advance from customers in relation to travel bookings. This balance could be refunded to customers upon cancellation of bookings.

Held within trade payable is £38.631 million (2019/20: 43.126 million) worth of pipeline monies received in advance from customers due to the Society's tour operator suppliers.

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

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

4.3 Lease Liabilities

Keeping it simple - Lease Liabilities
The society obligation under right of use asset leases.

Accounting Policy:
At the commencement date of the lease, the Society recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Society and payments of penalties for terminating a lease, if the lease term reflects the Society exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Society has used a range of discount rates in between 2.0% to 4.3% dependent on the length of lease remaining and the quality of the asset being leased. The discount rates were provided by independent professional advisors who took into consideration market factors and the societies incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Society applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. Please refer to note 2.1.1 Operating costs for details on short-term leases.

	Note	Land & Buildings £'000	Plant, Fixture & Fittings £000's	Vehicles £'000	Total £'000
At 26 January 2019 (Restated)		-	223	-	223
Additions (Restated)	3.4	14,947	4,164	3,769	22,880
Additions on application of IFRS 16	3.4	105,060	-	-	105,060
Interest Expense (Restated)		3,980	219	66	4,265
Lease Payments (Restated)		(12,680)	(890)	(1,225)	(14,795)
At 25 January 2020 (Restated)		111,307	3,716	2,610	117,633
Additions	3.4	**14,892**	**4,801**	**2,361**	**22,054**
Interest Expense		**4,499**	**354**	**118**	**4,971**
Lease Payments		**(11,484)**	**(1,640)**	**(1,321)**	**(14,445)**
Disposal		**-**	**(175)**	**-**	**(175)**
At 23 January 2021		**119,214**	**7,056**	**3,768**	**130,038**
Of which are:					
Current Lease liabilities	4.2	12,117	1,713	955	14,785
Non Current Lease Liabilities	4.2	107,097	5,343	2,813	115,253
		119,214	7,056	3,768	130,038

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

Please refer to note 3.4 for details on the right of use assets in relation to these lease liabilities.

4.4 Pension obligations

Keeping it simple - Pension obligations

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

Accounting Policy:

Defined contribution plans

The Society operates a defined contribution scheme for all employees. All costs relating to the defined contribution schemes are charged to the income statement as incurred.
Contributions to the defined contribution scheme in the year were £2.530 million (2019/20: £2.550 million) and were charged through the Income Statement.

Defined benefit plans

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

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

Full actuarial valuations of the scheme were carried out at 31 December 2018 and were updated to 23 January 2021 by a qualified independent actuary.

Plan Assets comprise:	**2020/21 £'000**	2019/20 £'000
Equities:		
Developed equities	**34,720**	21,298
Senior Secured Loans		
Alternative credit	**26,809**	11,899
Global sovereign credit	**-**	7,950
High quality bonds	**93,237**	68,858
Other	**9,528**	6,780
Property	**42,527**	38,640
Diversifying strategies	**37,591**	41,716
Cash and cash equivalents	**2,503**	45,278
Other:		
Listed infrastructure	**12,474**	8,522
Other	**4,266**	2,938
Annuity policy	**861**	967
	264,516	254,846

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

	2020/21	2019/20
	£'000	£'000
Actual return on plan assets	**13,306**	41,625

The fair value of plan assets does not include any of the Society's own financial instruments, any property occupied by, or other assets used by the Society.

	2020/21	2019/20
	£'000	£'000
Change in defined benefit obligation		
Defined benefit obligation at beginning of year	**300,928**	257,263
Interest cost	**5,162**	7,324
Actuarial losses	**15,817**	43,938
Benefits paid	**(9,577)**	(7,709)
Annuity policy	**(106)**	112
Defined benefit obligation on plans that are wholly or partly funded	**312,224**	300,928
Change in plan assets		
Fair value of plan assets at beginning of year	**254,846**	215,937
Interest income	**4,409**	6,196
Actuarial gains	**8,897**	35,429
Administration expenses	**(1,899)**	(1,211)
Employer contribution	**7,946**	6,092
Benefits paid	**(9,577)**	(7,709)
Annuity policy	**(106)**	112
Fair value of plan assets at end of year	**264,516**	254,846
Net pension obligation		
Funded status	**(47,708)**	(46,082)
Unrecognised net actuarial losses/(gains)	**-**	-
Unrecognised past service cost/(benefit)	**-**	-
Net amount recognised	**(47,708)**	(46,082)

Components of pension cost	**£'000**	£'0000
Interest cost	**5,162**	7,324
Expected return on plan assets	**(4,409)**	(6,196)
Administrative expenses and taxes	**1,899**	1,211
Total pension cost recognised in the Income statement	**2,652**	2,339

Actuarial losses/(gains) immediately recognised in other comprehensive income:	**£'000**	£'000
Effect of changes in demographic assumptions	**(445)**	(2,443)
Effect of changes in financial assumptions	**16,197**	47,394
Effect of experience adjustments	**65**	(1,013)
Return on plan assets (excluding interest income)	**(8,897)**	(35,429)
Total pension cost/(income) recognised in other comprehensive income	**6,920**	8,509

Cumulative cost of actuarial losses immediately recognised	**83,908**	76,988

Weighted average assumptions used to determine defined benefit obligations:	**2020/21**	2019/20
Discount rate	**1.55%**	1.75%
Inflation	**2.70%**	2.65%
Rate of increase to pensions in payment (pre July 2006)	**2.65%**	2.60%
Rate of increase to pensions in payment (post July 2006)	**1.90%**	1.90%

Weighted average assumptions used to determine net pension cost:	**2020/21**	2019/20
Discount rate	**1.75%**	1.75%
Inflation	**2.65%**	2.65%
Future salary increases	**N/A**	N/A
Rate of increase to pensions in payment (pre July 2006)	**2.60%**	2.60%
Rate of increase to pensions in payment (post July 2006)	**1.90%**	2.00%

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

	Males		**Females**	
	2020/21	2019/20	**2020/21**	2019/20
The average life expectancy of an individual retiring at age 65	22.2	22.2	23.9	23.9
The average life expectancy of an individual aged 40 retiring at age 65	23.7	23.7	25.6	25.6

Two year history	**2020/21**	2019/20
	£'000	£'000
Benefit obligation at end of year	**(312,224)**	(300,928)
Fair value of plan assets at end of year	**264,516**	254,846
Deficit	**(47,708)**	(46,082)
Difference between expected and actual return on scheme assets:		
Amount (£'000)	**8,897**	35,429
Percentage of scheme assets	**3%**	14%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	**65**	(1,013)
Percentage of scheme assets	**0%**	0%

Sensitivity analysis

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

	Total deficit	Change in reported deficit
Minus 0.25% discount rate	64,572	(16,864)
Plus 0.25% discount rate	32,364	15,344
Minus 0.25% inflation rate	38,259	9,449
Plus 0.25% inflation rate	59,598	(11,890)
Mortality rate -1 year	59,544	(11,836)
Mortality rate +1 year	36,407	11,301

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 23 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 £7m 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 23 January 2021, 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%.

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	**2020/21 £'000**	2019/20 £'000
Cash & Cash equivalents (excluding overdrafts)	3.9	**7,843**	10,512
Other Financial Assets	3.5	**3,691**	3,661
Financial assets at fair value through the income statement	3.5	**86,336**	85,750
Trade and other receivables	3.8	**60,993**	80,564
		158,863	180,487

The ageing of trade receivables at the reporting date was:	**Gross 2020/21 £'000**	**Impairment 2020/21 £'000**	Gross 2019/20 £'000	Impairment 2019/20 £'000
Not overdue	33,052	-	42,230	-
Overdue 0-30 days	6,476	(193)	9,009	(1,201)
Overdue 31-120 days	884	(300)	4,137	(2,038)
121 days to one year	567	(305)	3,390	(2,910)
More than one year overdue	347	(274)	6,412	(5,631)
	41,236	**(1,072)**	**65,178**	**(11,780)**

Movement in Trade receivables Impairment for the year	**£'000**
Impairment balance as at 25 January 2020	(11,780)
Utilised for continuing operations	197
Utilised for discontinued operations	10,905
Provision created in the year	(394)
Impairment balance as at 23 January 2021	(1,072)

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. Further detail of the Society's facilities and response to Coronavirus is presented in the going concern section of the basis of preparation, see note 1.b. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

23 January 2021	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6-12 months £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than 5 years £'000**
Secured bank loans & Overdraft	**72,772**	**69,649**	**14,012**	**1,113**	**54,524**	**-**	**-**
Lease liabilities	**130,038**	**162,569**	**11,435**	**8,202**	**15,596**	**38,809**	**88,527**
Trade and other payables	**165,672**	**165,672**	**164,444**	**-**	**-**	**-**	**1,228**
	368,482	**397,890**	**189,891**	**9,315**	**70,120**	**38,809**	**89,755**

25 January 2020	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans & Overdraft	74,786	82,292	21,155	1,103	2,206	57,828	-
Lease liabilities (Restated)	117,633	149,660	7,308	6,822	14,140	35,141	86,249
Trade and other payables (Restated)	198,109	198,109	196,857	-	-	-	1,252
	390,528	430,061	225,320	7,925	16,346	92,969	87,501

For details in relation to prior year restated values please refer to note 6.1 Prior year adjustments.

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

	Carrying amount	
	2020/21 £'000	2019/20 £'000
Fixed rate instruments:		
Financial liabilities	**(23,467)**	(25,429)
Variable rate instruments:		
Financial assets	**7,843**	10,512
Financial liabilities	**(49,305)**	(49,357)

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 23 January 2021 amounted to £172.442 million (2019/20: £177.408 million).

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 £10.982 million (2019/20: £9.539 million).

Fair values:

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

	Note	2020/21 Carrying amount £'000	2020/21 Fair value £'000	2019/20 Carrying amount £'000	2019/20 Fair value £'000
Other Financial assets	3.5	**3,691**	**3,691**	3,661	3,661
Financial assets designated at fair value through the income statement	3.5	**86,336**	**86,336**	85,750	85,750
Trade and other receivables	3.8	**84,519**	**84,519**	91,989	91,989
Cash and cash equivalents	3.9	**7,843**	**7,843**	10,512	10,512
Secured bank loans & overdraft	4.1	**72,772**	**54,466**	74,786	82,292
Lease liabilities	4.3	**130,038**	**130,038**	117,633	117,633
Trade and other payables	4.2	**165,672**	**165,672**	138,446	138,446

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 Other financial 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 2.21% (2019/20: 2.23%). 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.

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 holds unrecognised gains on properties. This reserve is not distributable to members until it has been the gain is realised upon 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 authorised 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 Final Dividend for 2019/20 was declared and approved (October 2020) by the Society:	1,400

The Dividend was paid in March 2021

Section 6 - Other notes

In this section
This section contains details of acquisitions which have happened in the year, funeral plan accounting, Rental income receivable, capital commitments, related party transactions and subsidiaries.

6.1 Prior Year Adjustments

Keeping it simple - prior year adjustments

In accordance with IAS 8 and IAS 1, This section will highlight the adjustment made to prior year figures and third balance sheet.

In the process of preparing the financial statements for the period ending 23 January 2021 the directors have identified various accounting errors and have restated previous amounts. The restatements relate principally to the accounting for:
• Leased assets on adoption of IFRS 16;
• Travel debtors, creditors and accounting for foreign currency sales;
• Funeral plans;
• Lottery & other commissions income presentation

Consolidated Statement of Comprehensive Income Adjustments

Restatement Point	Note	2019/20 As Previously reported £'000	2019/20 1 Travel Foreign Currency Restatement £'000	2019/20 2 & 6 Fixed Asset Policy Correction Restatement £'000	2019/20 4 Lottery & Other Commissions Income Restatement £'000	2019/20 3 & 6 Funeral Plan Revenue Recognition Restatement £'000	2019/20 5 & 6 IFRS 16 Sublease Depreciation adjustment £'000	2019/20 Restated Amount £'000
Revenue	1	808,081	(54,143)	-	2,131	(2,268)	-	753,801
Cost of sales		(578,427)	54,143	-	-	510	-	(523,774)
Gross Profit		229,654	-	-	2,131	(1,758)	-	230,027
Operating expenses	2.1	(210,704)	-	(141)	(2,131)	-	468	(212,508)
Operating profit before significant items		18,950	-	(141)	-	(1,758)	468	17,519
Operating expenses - Significant items	2.2	(8,608)	-	-	-	-	-	(8,608)
Operating profit		10,342	-	(141)	-	(1,758)	468	8,911
Finance Costs	2.3	(9,683)	-	-	-	(2,063)	-	(11,746)
Profit/(loss) before payments to and on behalf of members		659	-	(141)	-	(3,821)	468	(2,835)
Payments to and on behalf of members	2.4	(2,220)	-	-	-	-	-	(2,220)
Loss before tax		(1,561)	-	(141)	-	(3,821)	468	(5,055)
Income tax expense	2.5	4,095	-	33	-	635	(80)	4,683
Profit/(loss) for the year from continuing operations		2,534	-	(108)	-	(3,186)	388	(372)
Loss for the year from discontinued operations, net of tax.	2.6	(92,237)	-	-	-	-	-	(92,237)
Loss for the year		(89,703)	-	(108)	-	(3,186)	388	(92,609)

1. In 2020/21 the accounting policy was updated to correctly recognise the sale of foreign currency on a net basis. This has resulted in prior year costs of sales (£54.143 million) in relation to foreign currency being reclassified to revenue, therefore reducing revenue and only recognising commission on the sale.

2. Prior year depreciation was corrected to ensure assets were being depreciated in accordance with fixed asset policy, this resulted in an additional £0.141 million depreciation being charged to the Consolidated Statement of Comprehensive Income.

3. The correction to the accounting policy for funeral revenue recognition under IFRS 15 has resulted in a decrease in revenue of £2.268 million, decrease in cost of sales of £0.510 million and increase in net finance cost of £2.063 million in the prior year, resulting in an increase in the loss for the year of £3.821 million. Please refer to note 6.3 and adjustment 9 on page 116.

4. Prior year Lottery & Other Commissions income of £2.131 million was incorrectly deducted from operating expenses. This has been correctly reclassified to revenue.

5. Prior year right of use depreciation charge has been reduced by £0.468 million to account for sublease adjustment (see adjustment 7 on page 116).

6. As a result of the above listed restatements prior year tax has been recalculated and an additional tax credit of £588k has been charged to Consolidated Statement of Comprehensive Income.

Consolidated Statement of Financial Position

As at 25 January 2020

		2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
Restatement Point			1, 2, 5, 6, 7, 8,	4	9	3, 10 & 11	
	Note						
		As Previously reported	IFRS 16 Restatement	Travel Debtors and Creditors Restatement	Funeral Plans Restatement	Other Restatement	Restated Amount
ASSETS		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Property, plant and equipment	3.1	183,191	(3,622)	-	-	470	180,039
Intangible assets		80,080	-	-	-	-	80,080
Investment property		12,814	-	-	-	-	12,814
Right of use assets	3.4	112,519	(4,599)	-	-	-	107,920
Other investments		63,894	-	-	17,815	-	81,709
Other debtors		1,374	5,674	-	-	-	7,048
Deferred tax assets		9,249	-	-	-	588	9,837
Total non-current assets		463,121	(2,547)	-	17,815	1,058	479,447
Current assets							
Other investments		5,475	-	-	2,227	-	7,702
Stocks		24,565	-	-	-	-	24,565
Trade and other receivables	3.8	245,526	(640)	(152,897)	-	-	91,989
Cash and cash equivalents		10,512	-	-	-	-	10,512
Assets held for sale		8,585	-	-	-	-	8,585
Total current assets		294,663	(640)	(152,897)	2,227	-	143,353
TOTAL ASSETS		757,784	(3,187)	(152,897)	20,042	1,058	622,800
LIABILITIES							
Current liabilities							
Loans and borrowings	4.1	20,129	(782)	-	-	-	19,347
Trade and other payables	4.2	357,576	(592)	(152,856)	1,407	-	205,535
Right of use liability		9,530	(9,530)	-	-	-	-
Lease Liabilities	4.3	-	10,312	-	-	-	10,312
Current tax payable		196	-	-	-	-	196
Total current liabilities		387,431	(592)	(152,856)	1,407	-	235,390
Non-current liabilities							
Loans and borrowings	4.1	58,374	(2,935)	-	-	-	55,439
Other payables	4.2	68,636	(3,063)	(41)	9,188	1,226	75,946
Right of use liability		104,386	(104,386)	-	-	-	-
Lease Liabilities	4.3	-	107,321	-	-	-	107,321
Pension obligations		46,082	-	-	-	-	46,082
Total non current liabilities		277,478	(3,063)	(41)	9,188	1,226	284,788
TOTAL LIABILITIES		664,910	(3,655)	(152,897)	10,595	1,226	520,178
NET ASSETS		92,874	468	-	9,447	(168)	102,622
EQUITY							
Share capital		75,153	-	-	-	-	75,153
Other reserves		41,126	-	-	-	-	41,126
Retained earnings		(23,404)	468		9,447	(168)	(13,657)
TOTAL EQUITY		92,875	468	-	9,447	(168)	102,622

1. Prior year balances (2019/20) relating to certain leased assets were categorised incorrectly within plant, fixtures and fittings. These have been correctly reclassified to Right of Use Assets in accordance with IFRS 16. The balances transferred are additions of £4.164 million, cost transfers £0.190 million and the depreciation charge £0.731 million (A net figure of £3.622 million).

2. On transition to IFRS 16, onerous lease provisions previously recognised should have been deducted against the amounts recognised as right of use assets. The effect of this adjustment is to reduce Current Liabilities - Trade and Other Payable (£0.537 million) and Non Current Liabilities - Other Payables (£2.220 million) with a corresponding reduction to Right of use Assets of £2.757 million.

3. Prior year depreciation was corrected to ensure assets were being depreciated in accordance with fixed asset policy. This resulted in the 2019 balance for Property, plant and equipment accumulated depreciation increasing by £0.615 million as well as an £0.141 million additional charge to 2019/20 depreciation.

4. In prior years, the gross value of travel bookings made by customers were recognised as a receivable at the time of the booking and the amounts payable to suppliers in respect of these bookings were recognised for the gross amount payable at the time a booking was made within trade and other payables. As customers can cancel bookings without paying additional amounts until the stated agreed period before departure as per the terms and conditions of the booking, a receivable for the remainder of the holiday value should not be recognised prior to that date as the Society does not have an unconditional right to receive consideration. To reflect this change Travel Debtors are now recognised when an unconditional right to consideration exists. Prior year Trade and other receivables have been reduced by £152.897 million with a corresponding adjustment to Trade and other payables (£152.856 million), and Other Payables (non-current) (£0.041 million).

5. Finance lease liabilities which were previously disclosed under loans and borrowings have been reclassified to lease labilities. 2019/20 balances which were transferred included the current portion of finance lease liabilities £0.782 million and non current finance lease liabilities £2.935 million.

6. On transition to IFRS 16, rental prepayments should have been reclassified to Right of use assets. £1.445 million has been reclassified from Prepayments and accrued income to Right of Use assets.

7. In the prior year (2019/20), right of use assets incorrectly included assets subject to a sub-lease which represents a finance lease. An adjustment has been made to de-recognise these Right of Use Assets (£6.479 million) and to recognise finance lease receivables (current £0.805 million and Non current £5.674 million) within other receivables. As a result of this correction, the prior year depreciation charge for right of use assets has been reduced by £0.468 million.

8. On transition to IFRS 16, deferred income in connection with leases should have been reclassified to Right of Use assets. Consequently deferred income held in Current Liabilities Trade and other payables £0.055 million and deferred income held in Other Payables (non-current) £0.843 million in the prior year has been reclassified as a deduction to right of use assets on transition to IFRS 16.

9. As set out in Note 6.3 the Society no longer accounts for Funeral prepayment plans under IFRS 4 whereby a funeral bond liability was recognised for the amounts received plus any anticipated shortfall between the estimated cost of the funeral and amounts recoverable from the 'whole of life' policies the Society had invested in. These plans are now accounted for under IFRS 15. Given the nature of the plans and the service provided there is not considered to be a significant insurance risk and hence the prepaid funeral plans fall outside the scope of IFRS 4. Payments received from customers are recorded in the statement of financial position as deferred income and interest is accreted using a financing rate until the delivery of the funeral. In addition, in prior periods investment gains made on the 'whole of life' policies acquired by the Society were considered to be part of the consideration receivable from the customer and recognised as revenue at the point the funeral was delivered. Investment gains are now recorded within unrealised investment income on funeral plans in the income statement.

As result of the above changes the following adjustments have been made to prior year balance sheet:

(i) Funeral bond assets have decreased by £1,684 million in prior year (Current Assets - Other Investments £0.187 million Non-current assets £1.497 million) and increased £21.726 million in 2018/19 (Current Assets - Other Investments £2.414 million Non-current assets £19.312 million).

(ii) Funeral bond liabilities have been reclassified to Funeral bonds deferred income and have increased by £2.137 million (Current liabilities - Trade and other Payables £0.237 million and Non-Current Liabilities - Other payables £1.900 million) and increased by £8.458 million in 2018/19 (Current liabilities - Trade and other Payables £1.170 million and Non-Current Liabilities - Other payables £7.288 million).

10. As a result of the restatements to the consolidated statement of comprehensive income prior year tax has been recalculated and an additional tax credit of £588k has been charged, increasing non-current deferred tax asset.

Change to accounting policy
11. Grants of £1.266 million have previously been offset against the cost of Childcare trading properties within PPE. The directors consider that it is more appropriate to present the deferred income in relation to this grant within other payables. Following the change in presentation policy the balance for Land & Buildings 2019/20 has been increased by £1.266 million with a corresponding increase to Other Payables (non-current).

Consolidated Statement of Cash Flows
The above restatements have also been reflected in the prior year (2019/20) consolidated statement of cash flows. Details of adjustments are outlined below, this has had no impact on the cash position.

	2019/20 As Previously reported £000's	2019/20 Restatements £000's	2019/20 Restated Amount £000's
Cash used in operating activities	(6,783)	3,637	(3,146)
Cash used in investing activities	(160)	(317)	(477)
Cash used in financing activates	1,213	(3,320)	(2,107)
Net decrease in cash and cash equivalents	(5,730)	-	(5,730)

Consolidated Statement of Financial Position

As at 26 January 2019

	Note	2018/19	2018/19	2018/19	2018/19
Restatement Point			2	1	
	Note	As Previously reported £'000	Funeral Plans Restatement £'000	Fixed Asset Policy Correction Restatement £'000	Restated Amount £'000
ASSETS					
Non-current assets					
Property, plant and equipment	3.1	194,982	-	(615)	194,367
Intangible assets		136,305	-	-	136,305
Investment property		12,901	-	-	12,901
Other investments		59,625	19,312	-	78,937
Deferred tax assets		11,000	-	-	11,000
Total non-current assets		414,813	19,312	(615)	433,510
Current assets					
Other investments		4,584	2,414	-	6,998
Stocks		25,068	-	-	25,068
Trade and other receivables	3.8	240,254	-	-	240,254
Cash and cash equivalents		15,138	-	-	15,138
Current tax recoverable		458	-	-	458
Assets held for sale		4,902	-	-	4,902
Total current assets		290,404	2,414	-	292,818
TOTAL ASSETS		705,217	21,726	(615)	726,328
LIABILITIES					
Current liabilities					
Loans and borrowings	4.1	18,888	-	-	18,888
Trade and other payables	4.2	347,695	1,170	-	348,865
Provisions		3,950	-	-	3,950
Total current liabilities		370,533	1,170	-	371,703
Non-current liabilities					
Loans and borrowings	4.1	39,506	-	-	39,506
Other payables	4.2	62,203	7,288	-	69,491
Provisions		4,988	-	-	4,988
Pension obligations		41,326	-	-	41,326
Total non current liabilities		148,023	7,288	-	155,311
TOTAL LIABILITIES		518,557	8,458	-	527,014
NET ASSETS		186,660	13,268	(615)	199,314
EQUITY					
Share capital		70,645	-	-	70,645
Other reserves		41,602	-	-	41,602
Retained earnings		74,414	13,268	(615)	87,067
TOTAL EQUITY		186,661	13,268	(615)	199,314

1. Prior year depreciation was corrected to ensure assets were being depreciated in accordance with fixed asset policy. This resulted in an increase of the 2019 balance for Property, plant and equipment accumulated depreciation of £0.615 million.

2. As set out in Note 6.3 the Society no longer accounts for Funeral prepayment plans under IFRS 4 whereby a funeral bond liability was recognised for the amounts received plus any anticipated shortfall between the cost of the funeral and amounts recoverable from the 'whole of life' policies the Society had invested in. These plans are now accounted for under IFRS 15. Given the nature of the plans and the service provided there is not considered to be a significant insurance risk and hence the prepaid funeral plans fall outside the scope of IFRS 4.

Payments received from customers are recorded in the statement of financial position as deferred income and interest is accreted using a financing rate until the delivery of the funeral. In addition, in prior periods investment gains made on the 'whole of life' policies acquired by the Society were considered to be part of the consideration receivable from the customer and recognised as revenue at the point the funeral was delivered. Investment gains are now recorded within unrealised investment income on funeral plans in the income statement.

As result of the above changes the following adjustments have been made to prior year balance sheet:

(i) Funeral bond assets have increased £21.726 million (Current Assets - Other Investments £2.414 million Non-current assets £19.312 million).

(ii) Funeral bond liabilities have been reclassified to Funeral bonds deferred income and have increased by £8.458 million (Current liabilities - Trade and other Payables £1.170 million and Non-Current Liabilities - Other payables £7.288 million).

The correction of the error in relation to the travel bookings, as shown in adjustment 4 on page 116, has not been reflected in the consolidated statement of financial position as at 26 January 2019 due to this being impractical. This is impractical due to the Society holding insufficient booking level data required in order to accurately calculate the error as at 26 January 2019.

6.2 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 Group's 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.

Assets acquired	Note	2020/21 Total fair value £'000	2019/20 Total fair value £'000
Property, plant and equipment	3.1	216	1,095
Other Intangibles		-	13
Stock		-	564
Debtors		2,090	371
Creditors		(2,712)	(1,713)
Deferred tax		-	(32)
Cash		470	1,756
Net assets		64	2,054
Goodwill	3.2	177	11,844
Cash		241	13,898
Consideration			
Cash		241	13,898

In November 2020, the Society acquired certain assets from Central England Travel and in October 2020 the Society acquired certain assets from Carrick travel. Also in November 2020 Bargain Booze retail store based in Kineton was acquired.

6.3 Prepaid Funeral plans

Keeping it simple - Funeral prepayment plans

When a customer buys a funeral plan from the Society, we invest the money they give us, and we recognise that we have an obligation to provide a funeral in the future. We include a liability on our balance sheet for this, under deferred income, and we recognise an effective interest charge on the monies received from a customer in each year until the plan is redeemed at which point the revenue is recognised as the total of the monies received from the customer and the interest charged. This note shows these liabilities and how they have changed during the period.

Accounting Policy

Revenue from Funeral plans

The Society previously accounted for Funeral prepayment plans under insurance contracts, IFRS 4. When a customer takes out a plan, the monies are invested in whole of life policies whereby value changes over time until redemption. The judgement the Society took was that on redemption of a policy, the funeral was invoiced at the current rate. Therefore, investment gains or losses from the policy were deferred on the balance sheet and only recognised in the income statement at the point the funeral is performed.

This year the Society has changed its accounting policy to recognise the investment gains in the income statement as they arise in accordance with IFRS 9. Consequently, because payments are received in advance of the delivery of a funeral then a financing transaction is recognised, such that the payments received from the customer grow over time by a rate which reflects a financing rate between the Society and the customer.

Any investment gains and losses from our whole of life policies are now measured at fair value through our income statement in accordance with IFRS 9 rather than being taken at net through operating profit.

Previously we considered revenue to be the current price of a funeral, we now consider revenue to be the amounts we receive from the customer in accordance with IFRS 15 rather than current costs of a funeral. Under this policy, payments are received from the customer in advance of a funeral being performed and so we will recognise an effective interest charge on the monies received from a customer in each year until the plan is redeemed at which point the revenue is recognised as the total of the monies received from the customer and the interest charged. The gains or losses arising from movements in the fair value of funeral plan investments are now recognised within our finance income or finance costs each year.

The changes impact the Society's 2019 income statement, 2019 balance sheet, 2019 cashflow and 2019 statement of changes in equity. As this restatement is material, we have presented an additional third balance sheet, being our balance sheet as at the start of our 2019 financial year as required under IAS 1. A significant accounting estimate is present in deriving a suitable financing rate to apply to the monies received from a customer. This financing rate is fixed for the duration of the plan. The rate applied is based on an estimated borrowing rate between the customer and the Society at the point the contract is entered and reflects the security over our customers' plans through the whole of life policies we have in place.

Aging of policies is based on national statistic life expectancy against the age of the plan holder. (Life expectancy for males is 84.1 (2019/20: 83.9) and 86.5 (2019/20: 86.4) for females.)

Determination of interest rate: Funeral prepayment plans

As noted above, a significant accounting estimate is present in deriving a suitable interest rate to apply to the monies received from a customer when they purchase a funeral plan. The interest rate is required to reflect the borrowing rate that would be applied between the Society and the customer in a separate financing transaction reflecting similar credit characteristics and similar security at the point the contract is entered into. These rates are then fixed for the duration of the plan. We derive the relevant interest rates by looking at the borrows rates available to the Society at the point of time the funeral plan is taken out.

Assets	Note	2020/21 £'000	2019/20 £'000
Funeral prepayment plans - current	3.5	**9,584**	7,702
Funeral prepayment plans - non-current	3.5	**76,752**	78,048
Funeral bond liability deferred income - Current	4.2	**(9,033)**	(6,351)
Funeral bond liability deferred income - non-current	4.2	**(70,179)**	(74,514)
Net		**7,124**	4,885

As a result of the change in accounting policy Funeral prepayment investment plans has increased by £23.739 million (2019/20 £20.042 million) and Funeral bond liability which is now shown as deferred income, has increased by £12.499 million (2019/20: £10.595 million).

Movement in deferred income for the year	**2020/21 £'000**	2019/20 £'000
Opening Balance	**80,865**	73,456
Redeemed in Year: Revenue	**(5,048)**	(4,702)
Net Interest	**2,042**	2,129
New Plans in year	**1,353**	9,982
Closing Balance at the end of the year	**79,212**	80,865

6.4 Rental income

Keeping it simple - Rental income receivable
An rental income receivable is where rent is received to allow use of an asset that we own, for example, a property.

The Society leases out its investment property. The Group classifies some leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets or are short term (less than 12 months) or have low rental income value (£5,000 or less). The remaining leases are seen as finance leases as substantially all of the risks and rewards incidental to the ownership of the assets are transferred to the lessee. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

As the Society also sub-leases some of its non-occupied leased properties, the table also includes sub-leased income for details of subleased rental income please refer to note 3.4.

23 January 2021	**Carrying amount £'000**	**Present Value £'000**	**6 months or less £'000**	**6-12 months £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than 5 years £'000**
Operating leases	**3,118**	**3,118**	**687**	**644**	**985**	**802**	**-**
Finance Leases	**5,675**	**6,661**	**402**	**402**	**804**	**2,152**	**2,901**
	8,793	**9,779**	**1,089**	**1,046**	**1,789**	**2,954**	**2,901**

25 January 2020	Carrying amount £'000	Present Value £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Operating leases	4,581	4,581	626	591	1,020	1,838	506
Finance Leases	6,479	7,466	402	402	804	2,272	3,586
	11,060	12,047	1,028	993	1,824	4,110	4,092

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.

	2020/21 £'000	2019/20 £'000
Expenditure committed but not provided for	**1,386**	1,230

6.6 Related party transactions

Keeping it simple - Related party transactions
These are transactions between the Society and other parties connected to the Society.

Vivian Woodell was a Director of West Oxfordshire Community Transport, a Charitable community benefit society that received a grant of £1,473 in 2019/20 from the Cotswold Regional Community. During 2019/20, Chipping Norton Lido, a charity of which his wife is a trustee, received £1,473 from the Cotswold Regional Community and £102 from the Society in connection with recycling.

Vivian Woodell was a Director of Student Co-operative Homes which received support of £6,000 in 2019/20 from the Co-operative and Social Economy Development Fund run by the Society, as part of agreed funding of £18,000 over 3 years. He was also a Trustee of The Co-operative College Trust and a Director of Co-operatives UK Limited.

Olivia Birch resigned on 17th October 2019 as a director of Revolver Co-operative Limited and Matthew Lane is a director of Woo Cooking Oils Limited. Heather Richardson is Head of Group Compliance and Assurance at Severn Trent PLC.

Barbara Rainford, Judith Feeney and Steve Allsopp were Directors of Co-operative Futures in the year.

Barbara Rainford was also a Director of The Co-op Press. Mark Adams is a Director at National Association of Funeral Directors Ltd.

Products or services supplied to Midcounties by	**2020/21 £'000**	2019/20 £'000
CBI	**17**	-
Revolver Co-operative Ltd	**35**	70
Woo Cooking Oils Limited	**-**	3
Happerley	**36**	-
Co-op Press	**12**	10
Co-operative College Trust	**1**	1
Co-operative Futures	**49**	42
Co-operatives UK	**262**	106
National Association of Funeral Directors Ltd	**20**	-
National Day Nurseries Association	**8**	-
The Travel Foundation	**-**	8
Severn Trent PLC	**1**	4

The Society earns commission for services provided to Blue Bay Travel Limited, a company whose General Manager is the spouse of the Society's Group General Manager Specialist Retail (Alistair Rowland), who left the Society during the year.
Details of transactions are in the table below:

	2020/21 £'000	2019/20 £'000
Commissions paid to the Society	**34**	160

The Society was reimbursed £1.114 million by Premier Pensions in relation to pension scheme costs paid for by the Society.

For details in relation to key management personnel remuneration please refer to the Remuneration Report on page 63.

6.7 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 23 January 2021, 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-operative Holidays Limited	Travel
Co-op Travel Services Limited	Travel
The Midcounties Co-operative Investments Limited	Property Management
The Midcounties Co-operative Properties Limited	Property Management
The Midcounties Co-operative Trading Limited	Retail
West Midlands Co-operative Chemists Limited	Pharmacy
The Midcounties WR2 Limited	Retail
Tavistock House Day Nursery Limited	Childcare
Kenmare Estates Limited	Property Management

The following were not trading throughout the year:

Avoco UK Limited
BCOMP 527 Limited
Buffer Bear Limited
Buffer Bear Nurseries Limited
Co-op Energy Limited
Co-op Travel Direct Limited
Co-op Travel Limited
Countrystore (Maidenhead) Limited
Early Birds Nursery School Limited
Ecobilling Limited
Energy Coop Limited
First Steps Children's Nursery (Group) LTD
First Steps Childrens Nursery Limited
First Steps Childrens Nursery (Rathvilly) Limited
First Steps Children's Nursery (St Edwards) LTD
First Steps (Stonehouse Farm) Limited
Floridian Homes Ltd
Harry Tuffin Limited
Hubcentre Limited
The Midcounties Co-operative Funeral Limited
The Midcounties Co-operative Willow Limited
Kwik Travel Limited
Needham Hall Limited
Oakshower Services Limited
Phone Co-op Numbering Limited
Places for Children (PFP) Limited
Reeves & Pain Limited
Rusts Limited
The Co-operative Childcare Limited
The Green Energy Co-op Limited
The Midcounties Co-operative Developments Limited
The Midcounties Co-operative Estates Limited
The Midcounties Co-operative Pension Trustee Limited
The Midcounties WR1 Limited
Thomas Ely Limited
Tuffin (Investments) Limited
Volt Energy Supply Limited
Warners Retail (Bidford) Limited
Warners Retail (Moreton) Limited
The Midcounties Co-op Travel Ltd

The Society also owns 50% of Co-op Community Energy Limited, 33% of The Co-operative Renewables Limited and 20% of Co-operative Web Limited

Regional Communities support

Who we funded during the year

Building Strong Local Communities

your coop REGIONAL COMMUNITIES

18th Swindon Scouts Troop
1st Carmel Girl Guides
1st Chorleywood Scouts
1st Finchfield Scouts
1st Fordhouses Scout Group
1st Montgomery Rangers
1st Tewkesbury Boys Brigade
1st Wyre Forest Sea Scouts
5 Care Services
Ablewell Advice Service
Albrighton Food Bank
Alz Café
Amersham Band
Arts-Hub Wantage
Aspire Oxford
Aston Project
Aylesbury Vineyard Storehouse
Banbury Community Fridge
Banbury Foodbank
Bedworth Foodbank
Berkswich Rangers
Bicester Foodbank
Bickley Coppice Scout & Guide Campsite
Bilbrook Juniors FC
Bilston Peoples Centre
Bilston People's Centre
Birmingham Donkey Sanctuary
Black Country Foodbank
Blackbird Leys Neighbourhood Support Scheme
Bletchingdon PTA
Bloxwich/Blakenall Foodbank
Botley Seniors Lunch Club
Brownhills Community Centre
Brownhills Methodist Church
Brownie Guides
Burntwood Rugby Union (Junior) Club
BYHP (Supporting Young People)
Cannock & District Foodbank
Carers Bucks
Caring for Communities & People (CCP) - Foodshare Foodbank
Caring for Communities and People
Carterton Educational Trust
Chamwell Centre Charity

Charlbury Bowls Club
Charlbury Cricket Club
Charlie's
Chase Meadow Community Café
Chase Meadow Community Centre LTD
Cheltenham Foodbank
Children North East
Chiltern Foodbank
Chipping Campden Hockey Club
Chipping Norton Pre School
Chipping Norton Swifts FC
Church of God (Seventh Day)
Church Stretton Food Bank
Codsall Community High School
Combe Pre-School
Community College Bishops Castle PTA (NEW DETAILS)
Community Emergency Foodbank Oxford
Connect Aid - Food Share Project
Cotswold Friends
Cotswold Riding Opportunities Project
CRADLE
Create Church & Community Hub/Huntington Foodbank
Croughton All Saints C of E Primary PTA
Dacorum (DENS LTD)
Daffodils Community Garden
Daybreak- Oxford
Dementia Harborough
Derby Parks Volunteers
Edstaston Village Hall
Elias Mattu Foundation
Elms FC
Fairplay
Family Friends
Finchampstead Allotment Assoc
First Days Children's Charity
Footsteps foundation
Forest Voluntary Action Forum
Forget Me Not - Bicester
Fosse Foodbank
Franche Community Church (Wyre Forest Foodbank)
Friends of St Bartholomews C/E Primary School
Friends of Watlington Library
Friends of Whitchurch Road Cemetery Wem

Gloucester Foodbank
Gloucestershire Nightstop
Gloucestershire Young Carers
Good Shepherd Services
Great Barr Foodbank
Growing Works
Guys Gift
H.E.L.P (works with Franche Foodbank for Fairshare Donations)
Halimo's Kitchen
Hawkins Sports Juniors
Hillview Church
Holmer Green Village Society
Home Start Wyre Forest
Home Start Wyre Forest
Home-Start Stroud and Gloucester
Ignite Youth Group(St Nicholas Church)
Islip Village Shop
Jaikara CIC
Just Straight Talk
Kidderminster Foodbank
Kidlington Methodist Church
Kidz Klub (St Nicholas Church)
Kirtlington Good Neighbour Scheme
Knighton Foodbank
Knights 4 Uttoxeter
Ladies Fighting Breast Cancer
Ladygrove Park Primary school Parents Association (PALS)
Launton Over Sixties Club
Little Eaton Playschool
Lord Leycester Hospital

Loveinspire Foundation
Ludlow Defib 4 U
Ludlow Foodbank
Mase
MHA Swindon Live at Home Scheme
Midlands Air Ambulance
MIND
Moreton Rangers FC
Navigate Cooperative LTD
New Beginnings
Newent Initiative Trust
North Cotswold Community Awareness
North Cotswold Foodbank
North Leigh Youth Project
Nuneaton and North Warwickshire Equestrian Centre
Nuneaton Foodbank
Oasis Community Hub Warndon
Offa's Dyke Association
Old Tree Nursery (Accord Housing Association)
Olio at Shipton on Cherwell Village Hall
Omega,the National Association for End of Life Care
Oxford Mutual Aid - Covid 19
Oxfordshire Breastfeeding Support
Oxley Village Residents Association
Pebble Brook School
Pelsall Community Centre
Pye Green Academy PTFA
RB Windows
Redditch Foodbank
Riding for The Disabled - Abingdon Group
Rooftop Housing Association LTD
RSPCA South Cotswolds Branch
Saltwells United FC
Saul under fives playgroup
Sedgley Scorpions
Severn View Food Project CIC
Sharing Life Trust
Shrewsbury Food Hub (Barnabas Community Projects)
Shropshire Telford & Wrekin Dementia Action Alliance
Silverdale Football Club
Sir Thomas Rich's Parents Association
SMASH Youth Project
Smethwick Foodbank
South Leigh Playgrounds Association
Sparks SLC
St Edmunds Foodbank
St Georges Church
St Mark in the Cherry Orchard
St Mary's Church, Charlbury

St Mary's Primary School PTA
St Swithuns C of E Primary School, Kennington
Stonehouse Community Association
Stonehouse Share and Repair
Street Teams
Stroud & District Foodbank
Sue Ryder Wokingham Day Hospice
Sutton Coldfield Baptist Church Foodbank
Swindon Food Collective
Tadmarton Charity Funride
Teens in Crisis
Tenbury Wells/St Mary's Church Foodbank
Tewkesbury Foodbank
Thame Foodbank - Sharing Life Trust
The Campden Society
The Door
The Forest Foodbank
The Forest Foundation
The Friendship Café
The Glebe Centre
The Katherine Allport Foundation
The Lea Community Hub
The Midlands Vaulting Academy
The Odell Trust
The Open Door Centre
The Pace Centre
The Well Foodbank
Thrive Northox
Tiny Tim's Children's Centre
Tove Valley Baptist Fellowship Renew 169 Wellbeing Café
Truman Enterprise Narrowboat Trust
Uplands Playgroup
Walsall Community Church
Walsall North Foodbank
Walsall Outreach
Walsall Young Carers
Warwick District Food Bank
Warwickshire Young Carers
Wem Bowling Club
Wem Store Cupboard - (part of Wem Eating Well & Wem Food Hub)
West Midlands Care Team
Westmill Sustainable Energy Trust
White House Cancer Support
Wightwick Hall School
Wilden Girls FC
William Fletcher School PTA
Wiltshire Search and Rescue
Witney Oxford Community Fridge

Witney & West Oxfordshire Foodbank
Wolverhampton Samaritans
Women of Wolverhampton
Worcester Foodbank
Worcestershire Pride
Wycombe Homeless Connection
Yarnton Netball
Young Melksham

The Midcounties Co-operative Limited
Co-operative House, Warwick Technology Park
Warwick, CV34 6DA
0800 435902
member.communications@midcounties.coop

We are happy to provide publications in alternative formats

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