



2021/22
Annual Report
and Accounts



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Here are some
key sections if
you only have 15
minutes

Quick reads

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Who we are

The Midcounties Co-operative 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.

What we do

We operate a range of businesses in Food, Travel, Healthcare, Childcare, Post Offices and Utilities. 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 Childcare, Travel and Utilities trade across the UK.

Colleagues

7,303

Sites

437

Members

640,989

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.



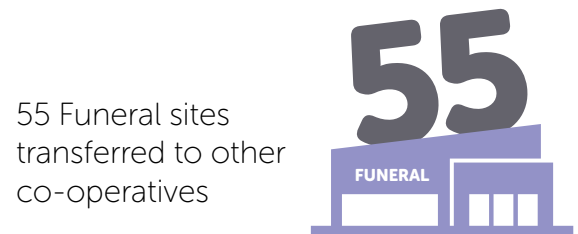
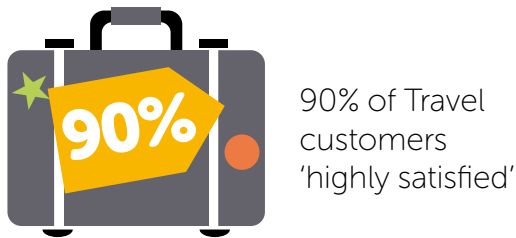
We are a commercially successful, sustainable, values driven business which is trusted by the public, loved by its members and supportive of its suppliers.



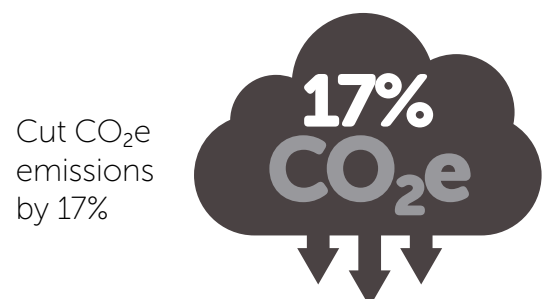
We are creating a 'better, fairer world' by building strong local communities.

The year at a glance

Trading Groups



Sustainability



Financial highlights

Gross Sales in continuing operations

£912.9m

2020/21: £796.9m



Revenue

£676.5m

2020/21: £693.2m



EBITDA

(Earnings before interest, taxes, depreciation and amortisation excluding significant items)

£26.6m

2020/21: £31.2m



Operating profit

Before significant items

£7.4m

2020/21: £8.4m



Net debt

£40.5m

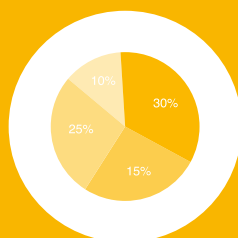
2020/21: £64.9m



Capital expenditure

£15.0m

2020/21: £2.6m



Payments to and on behalf of members including Share of Profits

£3.0m

2020/21: £3.3m



Net assets

£111.4m

2020/21: £99.7m



The Society's full Financial Statements are presented from page 68 onwards.

Board of Directors



Helen Wiseman
President



Heather Richardson
Vice-President



Vivian Woodell
Vice-President



Olivia Birch



Clive Booker



Ellie Boyle



Bernadette Connor



Evelyn Godfrey



Vicky Green



Irene Kirkman



Matthew Lane



Paul Mather



Nick Milton



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

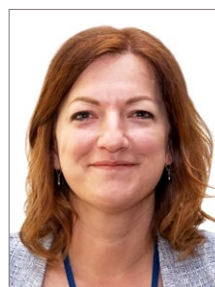


Peter Westall
Chief Values Officer

Chief Operating Officers



Sally Bonnar
Childcare



Lizzie Hieron
Utilities

President's introduction



2021 proved to be another year of uncertainty with the stop/start nature of the pandemic impacting throughout the year.

Helen Wiseman

I am pleased to introduce the Report & Accounts for 2021/22.

2021 proved to be another year of uncertainty with the stop/start nature of the pandemic impacting throughout the year. This had a significant effect on us all – our families, our colleagues, our members and customers, our suppliers, and of course, our Society.

At the half year I commented on the impact the uncertainty was having on our business operations. The arrival of the Omicron variant in the final quarter of the year alongside supply chain disruption compounded the effects, particularly in our Food operations and the Travel sector.

Meeting some of our Travel colleagues recently, I could only admire their positive attitude despite the changing restrictions on international travel that made the year a continual frustration. The support they have given to customers in the face of these difficulties has been nothing short of first class.

The disruption in the supply of products to our food stores left colleagues facing additional frustrations from customers, and it was sad to note the increase in abuse they have faced throughout the pandemic as they did their best to serve our communities – all the more reason for us to back the campaign which has now successfully gained additional legal protection for shop workers.

The second half of the year saw the completion of the transfer of our Funeral operations to Central England Co-operative, with a small number of funeral homes transferring elsewhere in the co-operative movement. This strategic move has meant that our members can continue to be served by a co-operative funeral

service, an outcome the Board was particularly keen to ensure. Our Funeral colleagues demonstrated their professionalism and compassion throughout the most challenging of times and I thank them and wish them well.

The Annual Report & Accounts contains all the financial reporting and governance matters that we as a business should report. But it also tells us about the broader picture of the Society and how we impact on the world around us.

It is encouraging to see in the report the level of gender diversity on our Board and among the Executive team and the steps that are being taken to be more inclusive. There is much more work to do, particularly in the area of ethnicity, but acknowledging this as an area that needs focus and giving it a voice through the recently established EmbRACE group is a real step forward. In addition, you can also read about the increased focus given to colleague wellbeing with the provision of wellbeing services and support – initiatives that have the full backing of the Board.

We rightly dedicate space to stories from our longer serving colleagues, listing those who have received length of service awards. Reading their stories, it is clear that playing a part in their communities and helping their customers gives a real sense of pride and belonging. Congratulations to all those mentioned.

One of the key pillars of the Society's strategy is a sustainable future. You will find information in the report on the progress we have made in environmental sustainability as well as our commitment to sustainable communities.

Hearing your voice on these issues and understanding what action you as members want from us is critical, and it has been a pleasure to join in a number of Your Co-op Conversation events during the year and be challenged by you to do more. I look forward to many more of these conversations, online and eventually in person!

So, thank you to all those who have taken the time to join in these conversations, participated in our democracy by voting in elections, who have joined in community activities, or simply traded with one or more of our businesses. As members you are joint owners of Midcounties, part of a co-operative that is determined to build a fairer world.

I would also like to take the opportunity to thank Chief Executive, Phil Ponsonby and the Executive team for their leadership and contribution during what has been another challenging year, and to acknowledge the tremendous efforts of our colleagues across all our operations who provide daily reasons for us to be proud. And finally, I must express my appreciation to my fellow directors for their support, determination and commitment to co-operation.

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

Helen Wiseman
President

Group Chief Executive's overview



We have continued to invest in new technologies, providing new equipment to food stores and improving our online operations within Travel, Utilities and Healthcare.

Phil Ponsonby

I am pleased to update members on the Society's position at the year end.

Over the course of 2021, the Society continued to face uncertainties and challenges resulting from the coronavirus pandemic, related restrictions and the effects of government interventions. We started the new financial year in a full lockdown which continued throughout the first quarter. While domestically, restrictions were eased as we reached the summer months, a continued suspension on foreign travel for leisure purposes and the constant rule changes, once again, had a significant detrimental effect on our Travel business. On top of this, as we entered the final quarter of the year the emergence of the Omicron variant, increased uncertainty over further restrictions and the unknown severity of this latest phase of the pandemic, had a marked effect on consumer behaviour, particularly in the key trading period leading up to Christmas and the prime travel booking season immediately after the festive break. In addition, despite the many predictions of high unemployment when the Government's furlough scheme ended in September, the opposite occurred, leading to significant labour shortages in crucial areas such as food production and supply chain logistics. As a result, throughout the last third of the year and into the start of the new year, we endured extensive difficulties in the supply of food to our stores through the national distribution network operated by The Co-operative Group.

I am extremely proud of the way colleagues from across our operations have dealt with these challenges and dedicated themselves to supporting our members, customers, communities and each other throughout the year. I am also pleased that we have continued to invest in them through enhanced pay and benefits, and through the provision of development and apprenticeship programmes.

Given the background of disruption, uncertainty and difficulty in forward planning, I am pleased to report gross sales, including sales of our consortium partners, of £912.9m*, an increase of 14.6% on last year. This improvement in gross sales of £165.4 million was mainly due to a partial recovery in our Travel operations, which recorded increases in bookings through our agency arrangements over the prior year. Food sales were down on the previous year given the significant benefits derived in 2020 from consumer stockpiling and the greater restrictions placed on hospitality venues, which led to increased consumption at home. Further analysis of our revenue results by trading group is available from page 11 of this report.

Year-on-year comparisons have been compounded by the product supply issues encountered in the last third of the year. The gain in Travel sales offset by the reduction in Food sales resulted in reduced profitability overall at £7.4m. However, it is pleasing to record improvements to profitability in our Childcare and Post Office operations and a return to profitability in our Healthcare business, where we completed the transition from high street pharmacies to online digital services. Our Funeral services (prior to their transfer) and Utilities businesses also returned positive contributions; and while our Travel operations recorded a loss, it was significantly lower than the previous year, reflecting the partial recovery enjoyed during the second half of the year.

Your Board has maintained a prudent and balanced approach to the management of the Society's finances throughout the year. I am pleased to report that while debt was reduced over the course of the year from £64.9m to £40.5m, we continued to deliver towards the Society's longer-term objectives by investing in growth, developing new partnerships and supporting our communities. We opened seven new food stores and two 'new generation' Little Pioneers nurseries. We have continued to invest in new technologies, providing new equipment to food stores and improving our online operations within Travel, Utilities and Healthcare. And in October, we launched a new app for members which so far has been downloaded by almost 57,000 members.

We have developed partnerships and formed new working groups to support our colleagues during the year. We introduced the Everymind at work app to bolster colleagues' mental health and established working groups to support colleagues from diverse ethnic backgrounds and the LGBTQIA+ community to help them develop their careers and improve working environments. And we continue to support our communities, having now made over 150,000 home deliveries of food to our more vulnerable members and supplied over 50,000 meals to struggling families in the West Midlands. We have also partnered with the Children's charity, Go Beyond, through our Travel business to give children facing significant challenges a break. This activity has only been made possible by the support of our members and the incredible

dedication of our colleagues who collectively volunteered over 25,600 hours in their communities last year.

Our support for communities and a sustainable future was recognised by Business in the Community, where we were the highest-rated organisation out of 20 similar businesses in their Responsibility Tracker.

Further recognition for the work of our colleagues includes being featured in the Top 20 Large Nursery Groups by Daynurseries.co.uk for the sixth year running, being shortlisted for awards by The Grocer and Retail Week for our food teams' work in their communities, achieving a Trusted Service Award from Feefo for Your Co-op Utilities for the second year running and being named Central England Large Agency of the Year at the Travel Weekly Awards. It was also a tremendous boost for the Society when our Chief Values Officer, Pete Westall, was named Co-operator of the Year by Co-operatives UK for his work in supporting the co-operative movement, both in the UK and internationally, on behalf of the Society.

We have continued to generate new ways to make positive impacts on our environment. We are now offering an electric vehicle salary sacrifice scheme enabling employees to lease electric vehicles tax free with their employers. Through our joint venture with Octopus, we have doubled the number of community power purchase agreements we have in place. We have also set up the Yunity Renewable Fund, now ready to make loans to community energy groups to help them get their community projects off the ground. In February this year, we launched PowerShare – the first community initiative in the UK to allow people to invest directly in renewable community power. In support of COP26 and as part of our 1 Change campaign, we invited customers and members to make small, planet-positive changes. We also ran wide-ranging climate change education activities for members, customers and colleagues, and promoted the benefits of our sustainable service offerings and products. We worked with Co-operatives UK and other consumer co-ops to develop a joint declaration on behalf of the UK co-operative sector, calling on the government to demand more of businesses and to provide better support to help all businesses reduce their carbon emissions. We have reduced our business waste by working closely with waste suppliers and tackling food waste through the introduction of 'magic bags', which offer food nearing its use by date at a discounted rate via an app. Since the initiative launched in September, we have saved the equivalent of 33,000 meals from being thrown away.

I hope members agree that while we continue to face unprecedented and difficult operational challenges, we have kept our values at the heart of what we do in our day-to-day activities.

In June our Board jointly announced an agreement to the transfer of the majority of our Funeral homes and business into the Central England Co-operative's operations. The

transfer was completed in November. While most of our homes transferred to Central England Co-operative, we also arranged for four to transfer to Southern Co-op and one to Heart of England Co-operative. These moves ensured that over 95% of colleagues transferred their employment on a continuous basis to another co-operative society.

As mentioned previously, we have made significant strategic investments in our core businesses in recent months with new openings in Food Retail and Childcare. While the Board had been assessing how to further accelerate the pace of growth in these core businesses, it had also been considering the best way to ensure a strong and sustainable co-operative offering for our Funeral clients for some time. Central England Co-operative operates a Funeral offering twice the size of our own operation and the Board firmly believed that a transfer would result in greater investment and focus for the funeral homes and significant support for the colleagues to take the business forward. I am extremely grateful for the commitment of our Funeral colleagues, particularly during the last year where they have shown remarkable strength and versatility to support the bereaved in such challenging times.

Central England Co-operative shares our values and, like us, puts its members and colleagues at the heart of what it does. So it was clear that this agreement would represent the best outcome for our members, clients, and colleagues. Members may recall, we made a similar move last year when our Travel business took on Central England Co-operative's Travel operations.

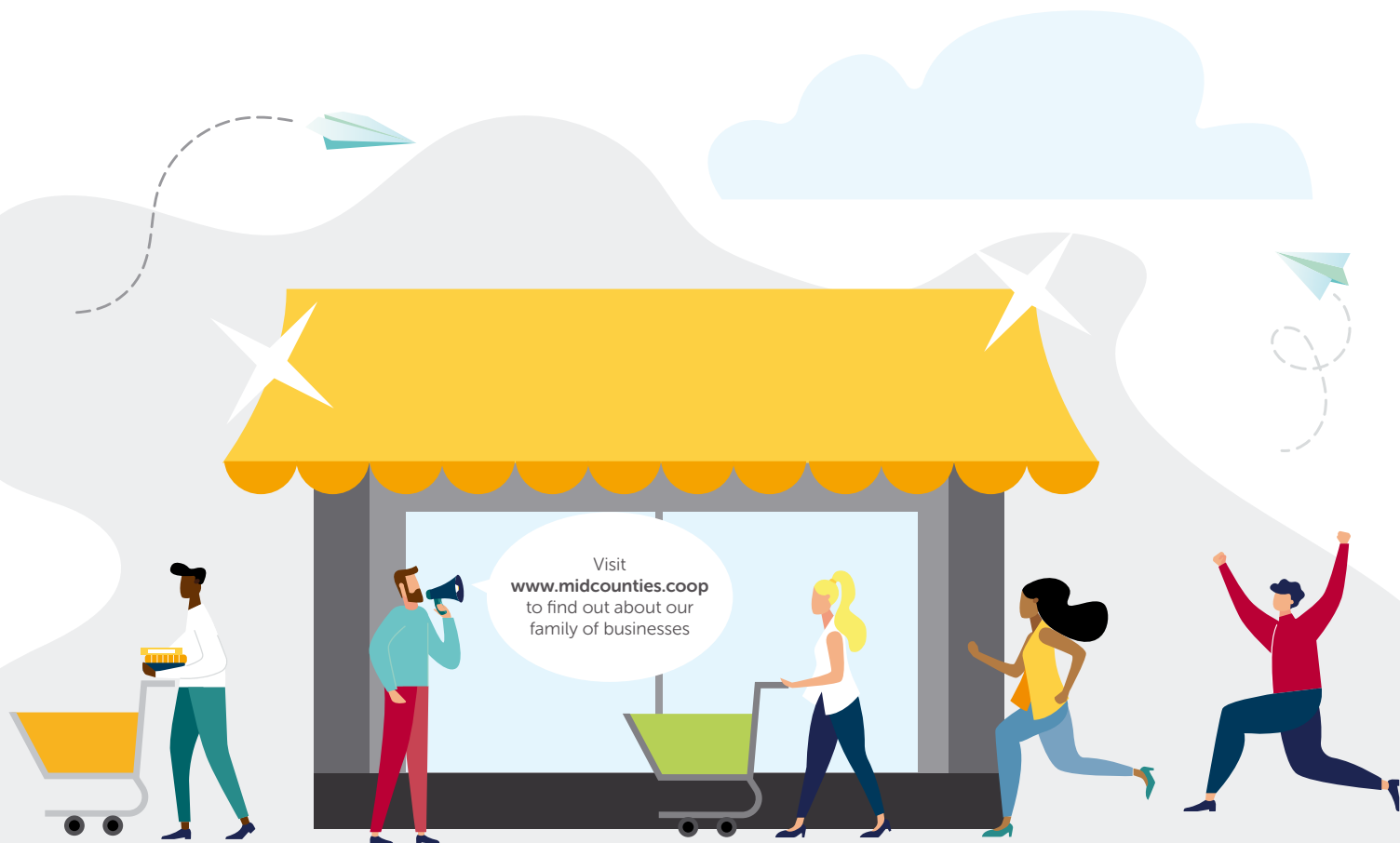
Looking ahead, while the levels of government interventions to control the coronavirus pandemic are being further relaxed, the economic implications from this unprecedented shock to our lives, our businesses and our communities grows ever more challenging and will shape our approach to how we run our businesses for a considerable time to come. As we start the new financial year in the hope of beginning to put the pandemic behind us, the horrific situation in Ukraine and the economic and humanitarian shock waves being felt across the world, serves to reaffirm how important it is that our Society continues to keep true to its values and that we do all that we can in building a fairer future together.



Phil Ponsonby
Group Chief Executive

Our trading groups

We have five Trading Groups in Food Retail, Travel, Utilities, Childcare and Healthcare, which provide co-operative products and services for our members. During the year we sold our Funeral business. You can read more about that on page 17.



Food Retail

and Post Offices

Gross sales

£ £641.8m
(2020/21: £680.1m)
Down £38.3m
(-6%)

Revenue

£ £578.9m
(2020/21: £611.6m)

Sites

313
(2020/21: 307)

Colleagues

4,746
(2020/21: 5,105)



Our Food Retail business has had a challenging trading year in difficult circumstances. While gross sales at £641.8m (revenue £578.9m) are down on last year, the business saw a 4.5% increase on 2019's pre-pandemic figures.

We have continued to focus on keeping our colleagues, customers and communities safe by ongoing investment in PPE and social distancing measures; and our colleagues have, time and time again, demonstrated fantastic service, supporting members and customers however possible.

The impact of the Omicron variant over the key Christmas period resulted in consumers reducing the number of shopping trips made to the smaller stores that make up the bulk of our estate. This, together with disruption from our distribution centres in the latter part of the year, impacted our overall performance.

We have, however, continued to invest in our food business during the year, opening seven new convenience stores and completing 46 store development projects.

Member campaign

We launched our member campaign in October 2021, which focused on communicating exclusive member deals through our new members' app. More than 103,000 members took up these offers, creating a significant jump in member trade – with member participation in Food growing from 19% to just under 23% by the end of the financial year.

Home delivery

To protect the most at-risk members of our communities, we have continued to make home deliveries from our stores, an initiative we started during the first lockdown period in 2020. Since then we have made over 150,000 home deliveries, maintaining a call centre manned by colleagues to co-ordinate this activity.

Local sourcing

The Best of Our Counties range, bringing locally produced

food and drink to our customers, continues to grow in popularity, with sales at £16.7 million – a strong result after a record year in 2020. Christmas was a particular success, with sales of £407,100 over the festive period, up £25,100 on last year. Our strongest week of local seasonal sales generated £124,000.

We continued to support smaller suppliers hit by volatility in the hospitality industry, ensuring many of them received regular orders from us, and we continued to call on local suppliers to support supply when we had shortages. In addition, we were pleased to list 12 new suppliers.

We also ran our Food Glorious Food competition, which gave eight new suppliers the chance to pitch their businesses to a panel of judges. The winner received £10,000 to allow them to develop their business – a significant cash injection in such a challenging year.

Sustainability

We have supported a number of initiatives during the year, providing 50,000 healthy meals to vulnerable families during school holidays, cutting food waste by selling 'magic bags' of food nearing their best before date through the Too Good To Go app, and sharing space in our stores with local community groups. You can find out more about these initiatives from page 22.

Post Offices

Our Post Offices have had a very strong year, building on the success of 2020, resulting in a record contribution. This has been driven by an increase in footfall and commission and is particularly pleasing given the continued impact on our travel money business caused by the pandemic.

Travel

Gross sales

£ £209.0m
(2020/21: £43.6m)
Up £165.4m
(+379%)

Revenue

£ £44.1m
(2020/21: £20.6m)

Sites

76
(2020/21: 78)

Colleagues

451
(2020/21: 451)



Our Travel Group's trading performance continued to be significantly affected by government restrictions on international travel due to the impact of Covid-19 both in the UK and overseas. As restrictions were introduced, or tightened, bookings declined and when they eased bookings increased – a strong indication of the level of pent-up demand for travel by consumers.

Restrictions on 'non-essential retail' also impacted performance, as our retail branches and those of our Consortium members were closed. When the restrictions were lifted, our branches reopened on reduced hours and we continued to adjust opening hours in response to customer demand.

As a result, gross sales have remained suppressed, totalling £209.0m (revenue £44.1m) for the year. This was £165.4m up on last year, but significantly lower than pre-pandemic levels (£280.2m below gross sales for 2019/20). Revenues have shown a similar pattern, more than doubling from 2020/21, but still below pre-pandemic levels.

Our Consortium members and self-employed Personal Travel Agent (PTA) partners were impacted by the same constrained demand and we have continued to support them during this time, providing financial flexibility where possible.

Booking holidays during the pandemic

During the year, we focused on helping customers book 2021 UK holidays and overseas breaks for 2022. UK Seacations (cruises around the UK), operated by the majority of cruise lines, were particularly popular. As restrictions eased, we launched new marketing campaigns promoting offers and giving customers reassurance through our Co-op Holidays promise, which provides flexibility and refund guarantees on Co-op Holidays products. We also introduced pop-up units in six food stores, offering advice and holiday booking services to customers and members.

Supporting colleagues

During lockdown periods, colleagues either worked from

home as part of our Virtual Call Centre, supported other trading groups or were furloughed. When non-essential retail was allowed to re-open, all colleagues returned with the support of flexi-furlough while we operated on reduced hours. From October to December, when the government furlough support scheme ended but travel restrictions remained in place, colleagues volunteered to work in other parts of the Society, take unpaid leave or work reduced hours to mitigate costs.

It is a great testament to our colleagues' skills and resilience that we have received strong positive feedback from customers throughout the year, with more than 90% of customers saying they were 'highly satisfied' each period.

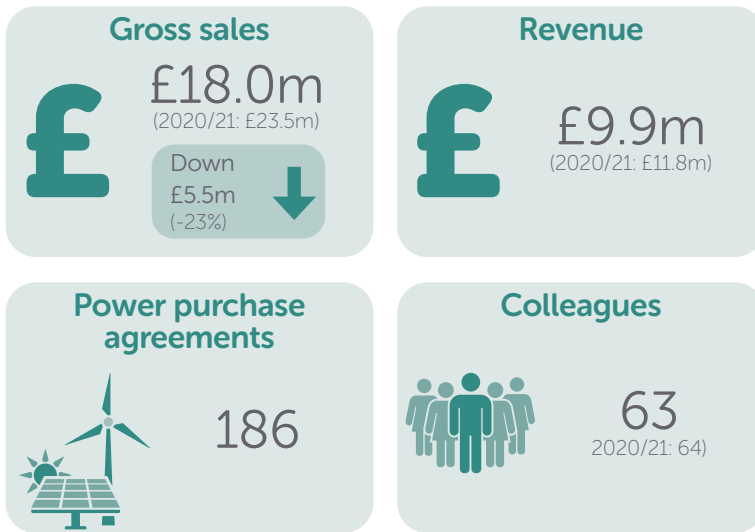
Go Beyond

In June 2021, the business partnered with Go Beyond, a charity offering breaks of a lifetime to children and young people facing serious challenges. Through our charity partnership, we have donated £25,000, enabling hundreds of young people to enjoy either a week-long residential holiday or a day trip.

Award wins

We were pleased to receive three awards at the Travel Weekly Agent Achievement Awards: Central England Large Agency of the Year, Young Leisure Agent of the Year for Lilli Turner from Evesham, and Agency Support Team of the Year for David Watts-Davies, Learning and Development Manager. Our PTAs also won Top Homeworking Agency in the TTG Top 50.

Utilities



Our Utilities business has performed well over the past year, continuing to manage the changing mix of phone and broadband services accessed by our customers. We have retained a higher number of Energy customers than expected, aided by lower industry churn rates.

Challenges

The two core areas of the business – Energy and Telecoms – have both faced challenges this year. Telecoms has continued to experience a decline in call revenue as individuals and businesses move to web-based communication methods. Meanwhile, Energy has been hit by the unprecedented price challenges seen across the whole market.

To support our Energy customers, we have offered energy saving advice and guidance not to switch supplier, recommending instead that customers and potential customers stay on a variable tariff with their incumbent provider – the most sensible option in such a volatile market.

Community power

Our white label partnership with Octopus, rebranded as Yunity, is working well and now provides energy to 148,690 customers. We have significantly increased the number of community energy partners on our books and are purchasing more energy from them than ever before. At the year end we had 186 community energy partners, more than double the number from the same time last year.

Working with Octopus, we have set up the Yunity Renewable Fund, providing a simple loan facility for community energy groups to help them get their projects off the ground. In February this year we also launched PowerShare – the first community initiative in the UK to allow people to invest directly in renewable community power.

Climate positive broadband

We relaunched the Phone Co-op website under the Your Co-op brand, with a strong focus on our new climate positive broadband offer. Delivered with Ecologi, this sees new trees being planted for future decarbonisation and offsets the broadband carbon footprint with carbon credits.

At the year-end we had 681 customers on the tariff, cutting 158 tonnes of carbon, and 3,432 trees had been planted creating jobs, protecting ecosystems and helping mitigate the future impacts of climate change.

We were pleased to receive the Trusted Service Award from Feefo for Your Co-op Utilities for the second year running, in recognition of delivering consistently excellent customer service.

Your Co-op Mobile

We are the UK's biggest supporter of Fairphone and 2021 saw the launch of the Fairphone 4, a sustainable Android handset with a four-star review from The Guardian. Unfortunately, electronic waste is one of the world's fastest growing waste streams, but the Fairphone has a five-year warranty coupled with a modular design, that allows components to be upgraded or replaced. Fairphones are produced using Fairtrade, ethically sourced and recycled materials, and the business tops up the pay of its manufacturing workers to ensure they earn a living wage.

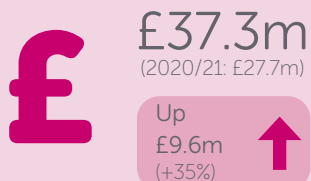
Flexible Benefits

We are now offering an electric vehicle (EV) salary sacrifice scheme allowing employees to lease electric vehicles tax free through a salary sacrifice arrangement with their employer. We are running another EV trial during the first half of 2022, this time installing charge points outside some of our food stores to provide lower-cost charging for our members. We are also offering EMopeds to colleagues through a credit union loan in partnership with CCU.

We continue to see a decline in the number of parents using our scheme for childcare vouchers since the scheme was closed to new entrants in 2019 following the introduction of the Government's Tax Free Childcare scheme. However, the decline has been much slower than expected.

Childcare

Gross sales



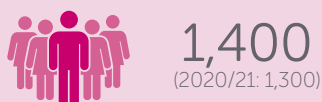
Revenue



Sites



Colleagues



While most of our nurseries have started to show an improvement in occupancy, government guidance to work from home coupled with the introduction of more flexible hybrid working arrangements by many employers has continued to impact trade at our city, town centre and commuter nurseries where occupancy remains below pre-pandemic levels. Sales were 35% higher than in 2020/21.

Recruitment challenges

The pandemic brought many difficulties, including persistent recruitment challenges and workforce issues exacerbated by the self-isolation requirements. Our temporary agency costs rose to around £900,000 in the year and total payroll costs for 2021/22 were 67% of revenue, 5% lower than the previous year, but higher than typical pre-pandemic levels of around 63%.

New sites and rebrands

Despite the turbulence, the Childcare Group remains profitable and continues to seek opportunities for new locations, as well as investing in its existing sites through the Little Pioneers re-brand programme.

The Group refurbished and rebranded a further five nurseries, despite delays to scheduled works and difficulty sourcing materials. Nurseries in the North East and South benefited from investment in their indoor and outdoor environments, and over 30% of the estate is now rebranded.

Two new purpose-built sites opened during the year, in Cheltenham and Bristol, and a further site is planned for 2022. The new 100 place sites are off to a promising start with a combined 151 families attending or registered to attend.

Recognition

In a testament to the fantastic work of our Childcare colleagues, with 97% of children attending our nurseries meeting or exceeding their expected development in the year, the Group was delighted to be a finalist at the Nursery Management Today Awards for Nursery Group of the Year. Despite not winning the award, we were praised for supporting families during the pandemic, delivering high-quality childcare and ensuring colleagues were motivated and well trained. We also featured in the Top 20 Large Nursery Groups by Daynurseries.co.uk for the sixth year running.

Structure changes

In October, we launched a new organisational structure, introducing new and modified roles to the central support team and adding more expertise at a senior level, with new roles for Educational Excellence, Head of Commercial Growth and Head of Operations. These will allow the Group to achieve its strategic ambitions and thrive over the coming years.

Healthcare

Gross sales

£5.3m
(2020/21: £20.7m)

Up against budget of £3.2m (+66%)

Revenue

£5.0m
(2020/21: £20.3m)

Sites

1
(2020/21: 10)

Colleagues

19
(2020/21: 118)



During the first half of the year, we completed our programme to dispose of all our community pharmacies. Our focus is now on providing an online service and supporting members and customers in the Society's other trading groups. Given these changes, comparing year-on-year figures gives a distorted view of performance. However, the Group achieved sales of £5.3 million, ahead of budget by £3.2 million.

Covid-19

We continue to offer PCR testing kits to customers for international travel, a collaboration that has proved very popular. We have also promoted the kits on cooppharmacy.coop offering some of the lowest prices in the market and fast turnaround times. The kits have generated a five-fold increase in sales through the website, providing additional sales of £2.2 million during the year.

Business developments

As well as divesting the remaining 10 pharmacy branches during the first half of the year, we relocated our Online Hub, where online orders are processed and dispatched, from Bilston to our former Co-operative Funeralcare site in Pleck, Walsall. The move gives us the opportunity to prepare the business for future expansion.

We are continuing to develop our online offering and investigating ways to maximise sales. The success of our Covid-19 travel test kits saw us double the size of our Healthcare customer database to 62,000 customers, presenting increased opportunities for marketing and return sales.

VAT on sunscreen

Our ongoing campaign to remove VAT from sunscreen has seen us host a petition on our website. We are now absorbing the 20% VAT on all sunscreen purchases to encourage more widespread use of this essential product.



The dispensing machine at our Pharmacy Hub dispenses multiple medications into trays efficiently and accurately, enabling us to serve a greater number of patients.

Funeral

Following a strategic review of our businesses last year, the Board took the decision to exit the Funeral business.



In June last year we announced that we had reached a commercial agreement to transfer the majority of our Funeral business to Central England Co-operative as part of a strategic exit of the sector. The transfer to Central covered 50 funeral homes, two vehicle logistic centres and over 19,000 funeral plans invested with Royal London. It received clearance from the Competition and Markets Authority (CMA) in the autumn and completed in November.

Of the remaining business, we transferred four branches to Southern Co-op and one to Heart of England Co-operative, leaving 12 smaller sites that have since been closed and the masonry business, which was wound down and closed early in the New Year.

Almost all of our funeral colleagues were TUPE transferred into the three co-operatives, comprising both branch colleagues and members of our management, field and administration teams.

Basis for the decision

Last year's Half Year Report set out the reasons for the divestment of the business. In brief, the Board felt that longer-term market shifts in the way funerals are delivered and increasing regulatory intervention would impact us, a mid-sized operator, the most. Central England's funeral business was already more than twice the size of our own, meaning they were much better placed to address the challenges facing the sector over the longer-term. A similar transaction, albeit the other way, took place in 2020 when Central transferred its Travel operations to the Society.

The Board was also keen to ensure as much of the business stayed in co-operative ownership. The sales to Central, Southern and Heart of England societies ensure that most of our members still have access to a local co-operative funeral provider and will continue to receive their usual member benefits when using the funeral services of these other co-operatives.

We would like to take this opportunity to thank our colleagues in the business for their support and professionalism during the sale process and for continuing to offer an exemplary service to clients in challenging circumstances.

Our Steering Wheel

Our Steering Wheel shows how we have performed over the year on a range of measures. The focus is very much beyond the purely financial, as a well-run business, especially a co-operative, works better when a broad view of performance is taken. Each team has its own Steering Wheel so we can be sure the whole business is taking this broader view.



Reporting our Steering Wheel

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

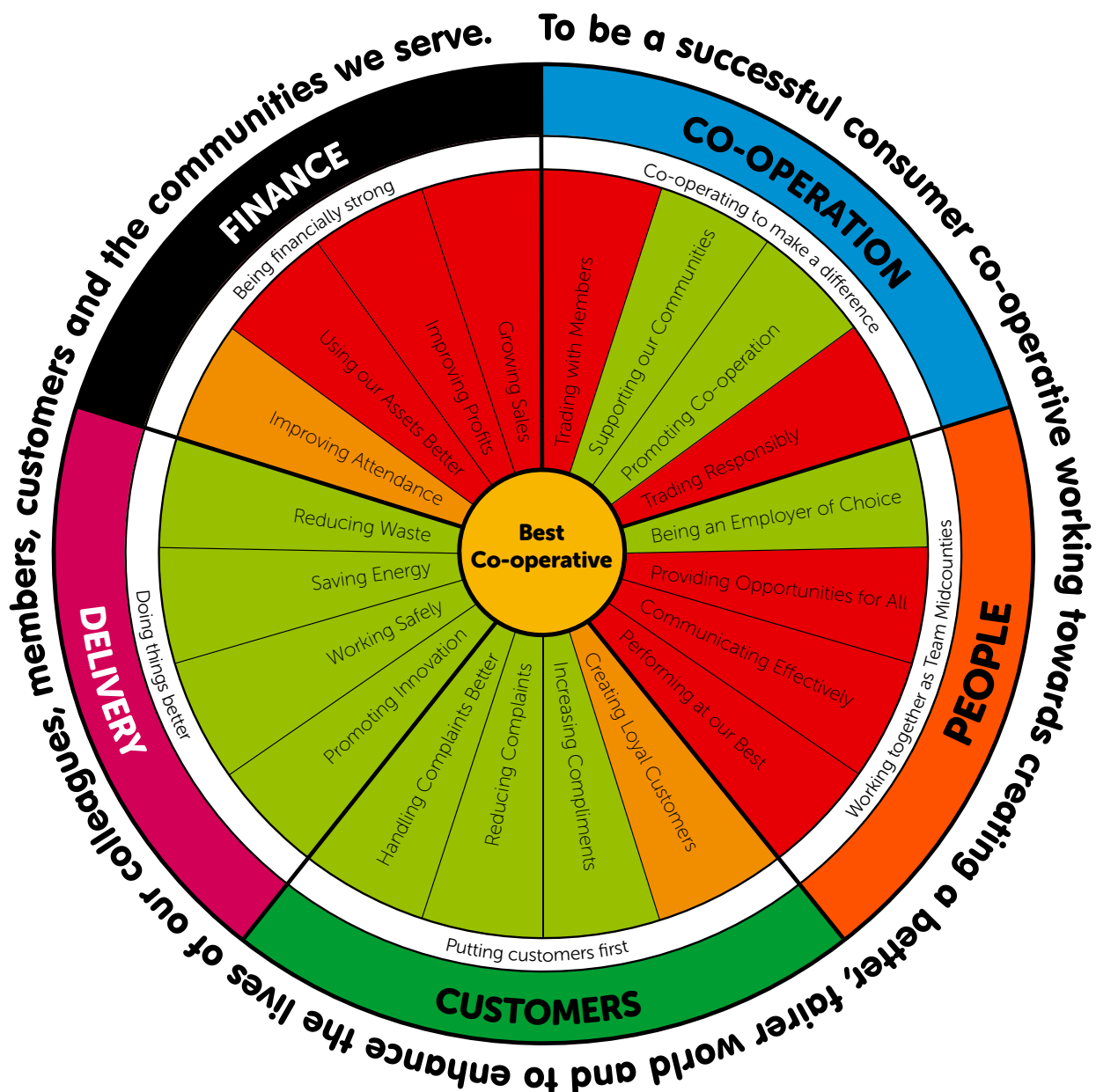
So, as well as measuring our financial performance we use our Steering Wheel to measure our performance in the key areas of co-operation, people, customers and delivery. Each section of the wheel has a number of objectives which we monitor on a monthly basis.

The Steering Wheel below shows how we have performed on these objectives during the 2021/22 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 from page 68 onward.



Reporting our Steering Wheel

Co-operation

Trade with members

Percentage of trade with members: 25% (last year 20%)

The launch of the Your Co-op members' app, coupled with an increased focus on promoting exclusive member rewards (both through the app and in-store) has driven member trade up. We will continue to promote the app, ensuring it delivers content members want and deals that appeal to them, as well as cross-trading activities, to further increase member trade.

Supporting our communities

Hours volunteered in the community by colleagues: 25,651 (last year: 27,571)

We have gradually reintroduced our regional community volunteering activities through the year, most notably with the introduction of regular community litter picks. Colleagues also volunteered with our foodbank partners and many worked with local councils to deliver food boxes to vulnerable families through the school holidays. This year's figure is slightly down on last year given the large number of home deliveries made by colleagues during the first lockdown in 2020.

Promoting co-operation

Number of members involved in co-operative activity: 51,293 (last year: 36,581)

Our Member Engagement Committee has undertaken member surveys and held virtual member events. These have ranged from formal member meetings to the less formal Your Co-op Conversations. We ran more than 30 during the year, covering topics such as Co-op History, Food Justice, Fairtrade and Mental Health. We have also continued to engage younger members through our Young Co-operators Network.

Trading responsibly

Percent reduction in controllable food waste across our food stores: 14% (last year: n/a)

This new measure is focused on cutting the amount of food waste produced at our food stores. Introducing the Too Good To Go app, which allows customers to buy 'magic bags' full of food nearing its best before date for a discounted price, has already made a significant impact. We are working on a range of other initiatives to cut waste that comply with Food Retail legislation.

People

Being an employer of choice

Percentage of colleagues employed over 3 years: 59% (last year: n/a)

We have refocused this target to assess the stability of our workforce by reporting the percentage of colleagues that have worked for us for three years or more. Our colleague engagement and development activities have contributed to our strong retention rate, and we hope that new diversity and inclusion initiatives and our 'LEAP' development programmes will strengthen this further in the coming year.

Providing opportunities for all

Percentage of colleagues who positively score the pulse survey question 'I have the opportunity to develop at Midcounties': 67% (last year: n/a)

This new measure looks to focus our effort on what our colleagues are telling us through our regular pulse surveys. We are always looking for ways to support and develop our colleagues and have introduced new e-learning and apprenticeship schemes during the year to address this. We try to make our development opportunities as accessible as possible for our colleagues in collaboration with line managers.

Communicating effectively

Percentage of colleagues who positively score the pulse survey question 'I am satisfied with the way that the Society communicates with me': 72% (last year: n/a)

As the year has progressed, we have made improvements against this measure, as with the other 'People' measures associated with the pulse survey. We have a diverse workforce and use a wide range of communication methods to share key messages, including our Colleagues Connect website and the individual communication channels used by our trading groups. We are always looking for better ways to communicate effectively.

Performing at our best

Percentage of colleagues who positively score the pulse survey question 'I have regular check-ins with my line manager': 79% (last year: n/a)

We continue to promote the use of our wellbeing, development, career and performance 'check-ins' (one-to-one meetings with line manager) through our Colleagues Connect website, trading group communications and leadership development activity, but recognise there is still work to be done to embed 'check-ins' fully. Each of our trading and support groups have formed action plans to maximise these conversations.

Customers

Creating loyal customers

Customer Loyalty Index: 71 (last year: 86)

We have changed the way we calculate this measure. We now use a 'customer satisfaction score' (based on customer responses when asked 'how satisfied were you with your experience today?') instead of the 'customer loyalty index' (which measures customer loyalty over time). This accounts for the difference against last year.

Complaints

Number of customer complaints: 2,768
(last year: 1,840)

As with the compliments target, we have received more complaints because we have seen more customers and members face-to-face given the relaxation of Covid-19 restrictions. The measure has also been affected by the impacts of Covid-19 on our operations, which has caused additional concerns from some customers and members. We always take on board the feedback we receive and use it to make improvements.

Compliments

Number of customer compliments: 30,010
(last year: 22,660)

We are pleased to have received an increased number of compliments this year, in particular around the way we helped members and customers during the Covid-19 pandemic. This measure has also benefitted from increased opportunities to engage with customers and members face-to-face as Covid-19 restrictions have been scaled back during the year compared to 2020.

Handling complaints better

Percentage of customers who agreed we responded well to their complaint: 90% (last year: 91%)

Our trading groups have continued to use the learnings from customer feedback to improve their service. The teams also ensure they communicate these developments to customers effectively and efficiently. We plan to introduce a new measure next year in place of this measure.

Delivery

Innovation

Number of ideas implemented having a positive impact on another Steering Wheel Measure: 28 (last year: 20)

Each trading group now has dedicated colleagues supporting the development of innovations. This has contributed to this measure's improved performance, alongside being able, once again, to encourage innovation after the previous year's single-minded focus on the pandemic. Innovations relating to mental health, tackling food waste, reducing greenhouse gas emissions and member engagement were implemented during the year.

Working safely

Number of accidents/incidents reported as a moving annual trend: 512 (last year: 438)

We continue to ensure that health and safety in the workplace is our top priority. This year's figure is up on last year as many sites and support offices were closed or were operating with fewer colleagues at the height of the pandemic in 2020.

Saving energy

Percentage reduction in greenhouse gas (GHG) emissions across our operations: 17% (last year: 18%)

This target measures our direct GHG emissions compared to 2019 levels. There has been a marked reduction in emissions given Covid-19 restrictions, which led to the closure of many of our operations for significant periods of time and resulted in fewer business miles being travelled by colleagues. One area we have been able to focus on is the reduction of GHG emissions through improved maintenance of refrigerators across our Food Retail estate.

Reducing waste

Percentage waste reduction across our operations on prior year: 11% (last year: 5%)

This target measures waste produced across our operations compared to 2019 levels. We have continued to reduce our waste footprint by encouraging colleagues to waste less in the workplace and by working with our partners to implement new waste reduction initiatives.

Sustainability

Our sustainability activity reflects the 'S' (for Social Responsibility) in our DOES values, and 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 Sustainability Report.

Pete Westall, Chief Values Officer, holds overall accountability for sustainability to ensure the Society continues to meet its sustainability objectives, and certain directors take a lead on matters relating to sustainability: Fiona Ravenscroft and Paul Mather sit on the Society's Sustainability Steering Group.



Volunteer Hours



Local Community

Foodbank



Connected communities

25,600 

More than 25,600
volunteering hours given
by colleagues

ALMOST
£200,000 

Almost £200,000 donated
through community grants

245 

Grants given to 245
community groups

£89,000 

£89,000 raised for our
charity partners

Fighting food injustice

December and January are the busiest times of year for foodbanks. To support their work we encouraged members, colleagues and customers to donate to our Foodbank Fund during December. We also worked closely with our food waste partners, Too Good To Go, to donate £1 to the Fund for each magic bag sold in our stores during the month. This raised over £40,000, which was shared between our foodbank partners in January to keep people within our communities fed as the new year started.

We have continued to provide access to food for those who need it most, working with local councils to deliver food boxes for vulnerable children through the school holidays. During the summer holidays we helped to provide thousands of families with 18,600 meals working with Walsall, Dudley and Shropshire councils; and through the Christmas period we delivered 17,000 meals in just five days directly to families in need.

Creating community spaces

Building on our established bespoke work experience programme, which enables those experiencing homelessness to gain employability skills leading to permanent employment opportunities, we launched an enterprise hub with Aspire in our Cowley Centre food store in Oxford. The hub provides a dedicated space for Aspire's clients to develop social enterprise projects and learn a range of life and employability skills, so supporting those at risk of homelessness in the Oxford area.

We have also launched a dedicated community space at our Longlevens food store in Gloucester. This has been managed in collaboration with our legacy charity partner, Cotswold Riding for the Disabled Association, and our current local charity partner, the Aston Project. The space in the store includes a charity shop and can be used by our community partners for community-focused activities.

Volunteering and donations

Our colleagues have provided volunteering support for our communities, delivering over 25,600 hours during the last year and, with the support of member volunteers, have made over 150,000 home deliveries to the most vulnerable members in our communities during the pandemic.

We have now established regular Community Litter Picks across the communities we serve, with around 200 colleagues, active members and young people taking part each time.

We have made a financial donation to support the children of several families from Afghanistan who have resettled in the West Midlands through our partnership with Walsall Academy.

Supporting co-operatives worldwide

Alongside other co-operative societies, our Society made a donation to SEWA (the Self Employed Women's Association) during the summer to help respond to the growing Covid crisis in India. The donation from the UK movement exceeded £100,000 and has been used to fund basic supplies, health kits and education materials, as well as a two-year programme supporting the development of two young women's incubator co-operatives to help young women rebuild from the pandemic.



Regional Communities support

Local community grants

Each year, we give thousands of pounds in one-off grants to local community groups for them to spend on special events, renovations or ongoing projects.

By donating to local community groups, we can help them support others and build a thriving community that our customers and members benefit from.

This year we've given grants of up to £250 to community groups including the Towcester Midsummer Music Festival, Wild Hogs Hedgehog Rescue, Charlie's Cancer Support & Therapy Centre CIC and Shrewsbury Food Hub.

Through our Community Funding initiative, we also provide larger donations of up to £2,000 to local organisations undertaking bigger projects.

Find a full list of groups we've supported [here](#).



245

245 community groups supported

ALMOST £200,000

Almost £200,000 distributed through grants and funding



"This grant will enable us to offer regular get-togethers where carers can chat, share news and keep up-to-date with information, which is something that will be so valuable to many people, especially through the winter months."

Mandi Smith,
CEO at Reading Mencap



"The donation from The Midcounties Co-operative meant that 309 families with children aged between 0-16 years old had full tummies this summer. This donation really helped to reduce child poverty in our area, and we are eternally grateful."

Lucy Dennis
CEO of Help to Make Tummies Full

[Watch these videos](#) to see how we have made a difference to our communities.

Environment



-11%

Cut business waste by 11% since 2019



40 homes per year powered by food waste



NEW Introduced soft plastic recycling



ECO SCHOOL STATUS All nurseries attained Green Flag Eco School status

Shortlisted for **Business of the Year** in the edie 2022 Sustainability Leaders Awards

Five-year plan

We gathered input from members and stakeholders through online events and surveys to create a comprehensive five-year sustainability plan. The plan addresses six key areas:

- the environment
- energy consumption and production
- financial viability and independence
- education
- community
- health and wellbeing

To drive these activities forward, we have set up a Sustainability Steering Group, made up of colleagues and members of our Board, Member Engagement Committee and Young Co-operators Network.

COP26

In support of COP26 and as part of our 1 Change campaign we invited customers and members to make small, planet-positive changes. We also ran wide-ranging climate change education activities for members, customers and colleagues, and promoted the benefits of our sustainable service offerings and products.

We worked with Co-operatives UK and other consumer co-ops to develop a joint declaration on behalf of the UK co-operative sector, calling on the government to demand more of businesses and to provide better support to help all businesses reduce their carbon emissions.

Cutting waste

We have slashed our business waste by working closely with waste suppliers and tackling food waste through the introduction of our Too Good To Go 'magic bags'. These offer food nearing its use by date at a discounted rate via an app. Since the initiative launched in September, we have saved the equivalent of 33,000 meals from being thrown away.

Electric cars

To support our ambition to reduce greenhouse gas emissions by 50% in five years we changed our car fleet to now only offer hybrid/electric cars. We have 23 such vehicles already with another 11 on order which will replace 11 diesel vehicles.

Working internationally

Our Society has become one of the signatory businesses to the 'EU Code of Conduct for Responsible Business' through our involvement with Euro Co-ops, the European Community of Consumer Co-operatives. This voluntary

Code of Conduct aims to unite businesses in addressing key issues – for example, reducing emissions and encouraging more sustainable diets.

In December, we had the opportunity to showcase our Society at the ICA World Congress. Senior colleagues took part in talks on the World Co-op Monitor and the International Co-operative Entrepreneurship Think Tank (ICETT), and ran sessions on Co-operative Childcare, our Utilities business, and our co-operative branding.

We have also continued our support for ICETT. This included our Chief Values Officer, Pete Westall, moderating a global webinar in the lead up to World Environment Day entitled 'Co-operatives for an Environmentally Just Future'.



Energy and carbon reporting



Electricity and gas

13,754 tonnes CO₂e in 2021/22

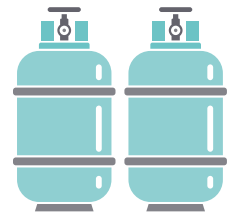


-9%
against
baseline

Refrigerant gas

5,452 tonnes CO₂e in 2021/22

-29%
against
baseline



Transport emissions

423 tonnes CO₂e in 2021/22

-55%
against
baseline



“We also continue to use 100% green electricity across almost all of our trading sites.”

How we have reduced our greenhouse gas emissions

Tracking our performance

Our Society Steering Wheel contains a Saving Energy element, which tracks our success in reducing greenhouse gas emissions across our operations. This ensures that colleague behaviours at all levels of the business are focused on reducing emissions.

Encouraging behaviour change

We continue to encourage colleagues and members to cut their emissions through our [1 Change campaign](#) by inviting them to make small changes to reduce their impact on the planet and by providing low carbon products and services to support this.

During COP26, we encouraged a low carbon lifestyle through education and awareness and the promotion of our sustainable products and services. We also worked with Co-operatives UK and other consumer co-ops to develop a joint declaration on behalf of the UK co-operative sector calling on the government to demand more of businesses in this area and to provide better support to help businesses reduce their carbon emissions.

Investing in property developments

Almost all our trading sites have smart meters, so we can track their energy use and improve efficiency where required. All our sites carry out shut down energy-saving procedures to ensure we save energy overnight.

We have completed energy-saving surveys across selected food stores to identify behaviour change and property investment opportunities to save more energy, using the findings to help shape our property investment plan for the next few years and to inform our colleague education activities.

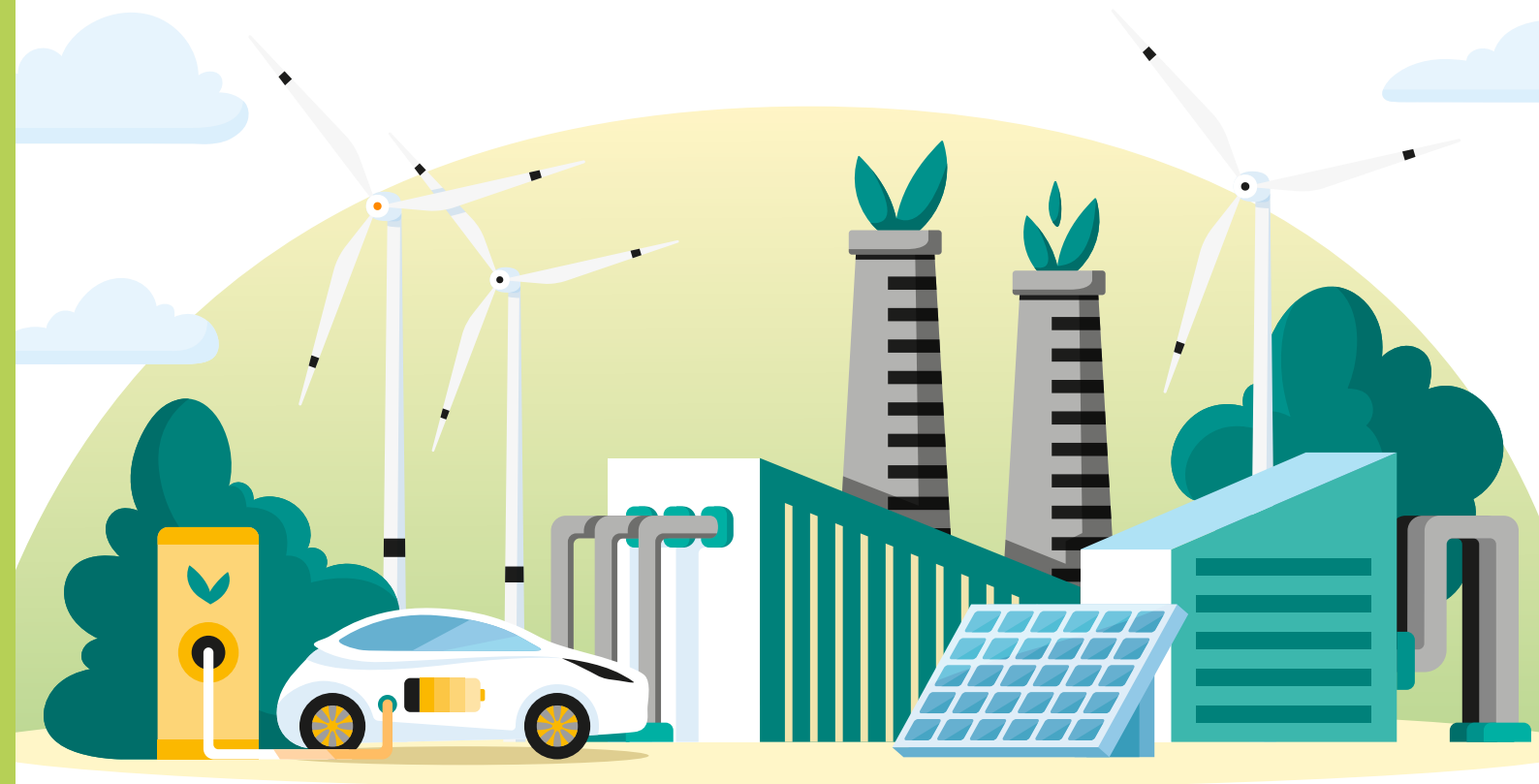
When sites are refitted, we ensure elements from our green property checklist are integrated where possible. We also continue to use 100% green electricity across almost all of our trading sites.

Changing our processes

The adoption of online meeting technology as a result of the pandemic has significantly reduced our greenhouse gas emissions associated with colleague business miles. As we emerge from the pandemic, we will continue to use the technology to help reduce our environmental impact in the future. We have also reduced emissions through a programme of improved maintenance for the refrigeration used in our Food Retail estate.

Supporting community energy

To support broader low carbon initiatives, we have continued to supply community renewable energy through our Utilities business. Our Co-op Community Power Tariff invests in a range of community energy projects across the country, from solar panels on rooftops and wind turbines on farmland to hydropower from local rivers.



Plans for the coming year

With input from members and stakeholders, we have now finalised our five-year sustainability plan. This includes a target to halve our direct greenhouse gas emissions by January 2027 compared to 2019/20 levels.

To make this a reality, we have set up a Sustainability Steering Group to monitor progress and develop strategies to achieve this that work alongside the sustainability activities we already have in place. The Steering Group comprises a range of stakeholders, including colleagues from across our businesses and representatives from the Board, Member Engagement Committee and Young Co-operators Network. The Group will also search for ways to impact our indirect greenhouse gas emissions in conjunction with our members, colleagues, customers and suppliers as we work towards our net zero carbon ambitions.

During 2022 we are focusing on mapping out our indirect emissions, and look forward to providing an update on this in next year's Annual Report.

We published our first Climate Action Report during COP26. [You can read it here.](#)

Sustainability West Midlands

We work with Sustainability West Midlands to verify and support our carbon reduction activity.

Sustainability West Midlands is the not-for-profit government backed sustainability champion for the West Midlands, working with organisations in the private, public and third sectors.



Membership matters

51,000 

51,000 members involved in co-operative activity

ALMOST 57,000 

Almost 57,000 members downloaded our app

513  

513 members attended our AGM

333  

Half yearly meetings welcomed 333 members

Hearing from you

We have continued to engage our members in co-operative activity through online surveys and virtual member events.

Our Your Co-op Conversation virtual events have covered a diverse array of issues ranging from co-operative history, community defibrillators and re-building local communities, to Fairtrade Fortnight, a 'Life After Covid' mental health talk, and the chance for members to meet their elected Board directors. We had more than 600 members attend over 30 events during the year.

Young Co-operators Network

Our Young Co-operators Network has gone from strength to strength, hosting regular online events covering topics such as local sourcing, running monthly social media competitions and providing resources to help young people with CV writing and interview techniques.

For the first time three positions on our Member Engagement Committee were made available specifically for young members aged under 30.

We have also researched ways we can better engage with a younger demographic. As a result, we are now releasing regular podcast sessions.

As part of our schools' programme, our Co-operators of Tomorrow events, included:

- providing our partner primary schools with themed colouring templates for Remembrance Day and Halloween
- offering summer and winter holiday activity packs
- working with local authors to deliver online and live reading events
- online careers insight events, where young people could learn about colleagues' career path
- showcasing children's artwork in stores as part of our Stores as Galleries concept and offering our stores to be used as classrooms

Members' app

We launched the Your Co-op Member app in October 2021, delivering exclusive member deals and co-operative news stories straight to members' smartphones. This has driven increased member trade, especially in Food stores and has led to 26,000 new members signing up. We now have almost 57,000 app users and each month around 40-50% of members who shop in our food stores use an offer.

We also gave members access to their share of the profits pay out through the app, to make it easier for them to use their points on products in-store and online.

Co-operator of the Year

Our Chief Values Officer, Pete Westall, was named Co-operator of the Year at the Co-op of the Year awards. Pete has helped lead the movement's response to the Covid-19 pandemic and is heavily involved with the International Co-operative Entrepreneurship Think Tank (ICETT) a representative group of the International Co-operative Alliance.

Campaigning

Working with our members we have continued to campaign on issues in collaboration with the Co-op Party, including campaigning with others for an amendment to the Police, Crime, Sentencing and Courts Bill to give greater legal protection for shop workers.

We also continued to campaign for vaccine prioritisation for front line workers, particularly nursery workers, and made the case for additional government support for the childcare sector.



Our colleagues

Our colleagues demonstrate their commitment to supporting our members every day and so we do the same for them; whether it's through support for their wellbeing, ensuring that we have an inclusive culture or through the development we provide.



Colleague engagement

26



26 colleagues graduated from their apprenticeships

92



92 colleagues have begun new apprenticeship programmes

6,000



THANK YOU

6,000 colleagues now receive thank you vouchers through the members' app

Investing in our colleagues

We have partnered with our apprenticeship training providers to launch a bespoke Your Co-op 'LEAP' (Learning, Earning, Achieving and Progressing) development programme for colleagues ready to take the next step in their career. This new approach has started in our Food Retail group, with more than 100 colleagues making initial applications for the Future Team Leaders and Store Manager programmes. As part of the new approach, we have introduced a new application process, including video submissions, a skills scan and an online virtual challenge development centre, with colleagues receiving developmental feedback at each stage.

We continue to build leadership capability with a range of development opportunities aimed at all levels, such as the Leading a Successful Co-operative series of masterclasses with around 60 senior leaders joining each of our first three modules: The Co-operative Movement, Our Co-operative Culture and the Two Rules of Leadership.

During the year a further 154 managers have completed our Knowledge and Skills series, which is focused on building a relational, coaching style of leadership and having great conversations to drive best performance. This brings the total to 366 managers since we launched the programme in 2020. We also have 22 colleagues currently on our Senior Leaders programme, meaning 46 will have completed the programme by May 2022.

Quarterly Talking Talent reviews are now taking place across the Society, supported by the introduction of our Assessing Potential framework to identify and develop colleagues with the potential to do more or something different, and we continue to work on providing stretching development opportunities matched to their personal development plans.



Colleague wellbeing



We now have 12 Mental Health Champions

GOLD



We received the GroceryAid Gold Award for promoting colleague support available

NEW



Welcomed a new occupational health provider: Health Partners

Mental Health Champions

We now have 12 colleagues from across the Society who have taken on the role of Mental Health Champion – someone a colleague can call, email, or sit down and have a chat with. Whether a colleague wants to talk about things that are on their mind or feel they need some mental health support then the Mental Health champions are there for them. Each month we hold check in sessions for our Mental Health Champions to ensure their mental health is also supported, facilitated by our partner EveryMind.

Menopause

On World Menopause Day we raised awareness of this subject and how it affects colleagues and their loved ones. Three of our colleagues spoke openly about the effects the menopause has had on them personally and how they manage their symptoms. This was shared on the Society's [Colleagues Connect](#) website.

Following on from this we held a Menopause workshop facilitated by Springfield MIND. The workshop was available for all colleagues whether they were experiencing the menopause, affected by the menopause in a different way (such as a partner or colleague experiencing symptoms) or they simply wanted to learn more about it.

Men's Peer Support Group

We have recently introduced a Men's Peer Support Group as a safe space for our male colleagues to come together and discuss their feelings. The peer support group share their experiences with one another, aiming to provide a safe space where colleagues can feel accepted and understood and to give and receive support.

GroceryAid Gold Award

We are delighted to announce that the Society has received a Gold Award for our partnership with GroceryAid. GroceryAid is a national charity which provides support to those working in the grocery industry, including all colleagues across the Society's trading sites, giving them access to services such as a free 24/7 confidential helpline, financial support and mental health counselling.

To achieve gold status businesses must have demonstrated that they've taken part in seven activities across three pillars:

- raising awareness of the charity and the services that it can provide to colleagues
- fundraising for or supporting events that the charity is running
- volunteering or contributing resources to the charity.

Occupational health

The Society appointed a new occupational health provider, Health Partners. Health Partners was a natural fit given their desire to work collaboratively on supporting colleagues with their health and wellbeing. Health Partners also provides the Society with access to health and wellbeing materials, such as webinars and health guides that we have uploaded to Colleagues Connect for colleagues to refer to.

On World Menopause Day, three of our colleagues spoke openly the effects of the menopause on their health and wellbeing



Colleague diversity and inclusion



Launched EmbRACE, our ethnic minority group



Launched Co-op Pride, our LGBTQIA+ group



Men in Childcare and Women in Retail Steering Groups continue to promote balance

EmbRACE

The EmbRACE group includes colleagues from across the Society and meets monthly. It was formed to promote a greater understanding of different ethnicities and cultures through awareness and education. The group empowers colleagues, members, customers and stakeholders to develop an inclusive environment that we can all be proud of.

One of the many initiatives this group has introduced is Reverse Mentoring, where a senior individual is mentored by a junior colleague. It is our vision that this programme will enable our leaders to reflect on their own leadership to ensure they are being inclusive within the way that they lead and work with others.

Co-op Pride

Co-op Pride, which also meets monthly, has been established to foster an understanding of the issues faced by LGBTQIA+ colleagues and ensure that every colleague enjoys the same experiences, regardless of their sexuality. It also provides a safe, engaging space for colleagues to build new friendships and take part in events and social activities.

Men in Childcare

The Society believes that having gender balanced nurseries will support children in having an exceptional early education experience and provide them with a representative view of the communities they live in. Therefore, we have created a steering group to identify, support, share and ultimately increase male practitioners within the childcare group and sector as a whole. The steering group focuses on strategic and practical solutions that will make the sector an attractive career option and implements those that will have the biggest impact.

Women in Retail

To ensure our female colleagues in Food Retail have the same opportunities as our male colleagues we have formed a group that looks specifically at this. Last year saw us highlight the fantastic women we have across our Society by showcasing their careers at the Society, emphasising that progression is achievable regardless of gender.

We held two career roadshows to raise awareness of the opportunities within Food and as a result we have had a number of female colleagues progress into more senior roles.

We successfully trialled a Store Manager and Team Manager job share arrangement, something we now offer for all Store and Team Manager roles. We have also introduced 30-hour Store Manager contracts. Both of these developments have made strides in removing some of the barriers for female colleagues who want managerial roles.

Women in Retail roadshows raised awareness of the opportunities within Food



Service Recognition Awards

20
Years

Name	Store Name
Donna Watson	Diss Travel
Angela Edwards	Finlay Road Food
James Cantrill	Hollyfield Road Food
Jeanette Crane	Wern Food
Samantha Fordham	Lowestoft Travel
Susan Tanner	Seymour Road Food
Samantha Denson	Newbridge Food
Stuart Newman	Pharmacy Admin
Angela Cross	Bassett Avenue Post Office
Kelly Russell	Top Shop Pharmacy
Russell Dale	Travel Finance
Caroline Piper	Church Street Food
Benjamin Jones	Cavendish Square Food
Phil Gregory	Management Accounts & Tax
Simon Thomas	Highley Food
Dean Hajivasiliou	Leighton Buzzard Food
Gemma Creese	Hill View Food
Debbie May	Hawks Green Travel
Neeta Shaw	Lichfield Funeral
Gillian Murray	Finlay Road Food
Rick Lootes	Stow on the Wold Food
Wayne Baker	Bewdley Food
Amarkumar Shelat	Fullbrook Post Office
Beverley Burnham	Georgetown Food
Julie Desmond	Stourport Food
Sandra Ashmore	New Invention Post Office
Karen Bradley	Halesowen Travel
Michelle Hunt	Roughmoor Food
Matthew Edwards	Stanford in the Vale Food
Adrian Buck	Chorley Wood Foodstore
Yvonne Churm	Wednesfield Store Travel
Andrew Smith	Gorse Hill Food
Carol Wilkes	Burntwood Funeral
Deborah Ludlow	Thame Food
Helen Wheeler	Thame Food
Julie Wixey	Centrum Food
Colette Fitzgerald	High Street Food
Dawn Wiggins	Chipping Norton Post Office
Faye Harris	Cinderford Travel
Nicola Hutchinson	Abingdon Food
Susan Hunt	Ely Willenhall Funeral
Nicola Latham	Walsall Wood Nursery
Sarah Smith	Walsall Wood Nursery
Gillian Knight	Brewery Street Food
Sean Varney	Brewery Street Food
Christine Sefton	Hardwick Food
Claire Simmons	Stubby Lane Food
Mandy Bryan	Kings Sutton Food
Avril Cooknell	Woodford Halse Food
Parmjit Kalirai	Marketing
Kelly Day	Reading Nursery
Julie Handley	Brownhills Funeral
Caroline Williams	Kings Stanley Food
Matthew O'Brien	Bassett Avenue Food
Violet Gourlay	Chipping Norton Food
Samantha Goodall	Dothill Food
Siobhan Harper	Longlevens Food
David Johns	Leamington Spa Travel
Debbie Cash	Stubby Lane Food
Carol Smith	Penkridge Food
Rachel Clury	Bidford Food
Julie-Anne Chester	Cavendish Square Food
Daniel Parker	Milton-under-Wychwood Food
Simon Wagerfield	Queensway Food
Prabhjot Sandhu	Fullbrook Post Office
Rosemarie Vonk	Warden Hill Post Office
Lynn Ruffell	Cheslyn Hay Food
Natalie Davies	Stourbridge Funeral
Mark Fern	Retail Support
Julie Hall	Queensway Food
Sandra Brough	Cheslyn Hay Food
Clive Bosel	Churchstoke Food
Marilyn Fishbourne	Franchise Road Post Office
Janette Round	Hollyfield Road Food

Sarah Darnell	Chipping Norton Post Office
Louise Brown	Community & Co-op Development
Gillian Moore	Funeral Admin
Melanie Randall	Woodford Halse Food
Julie Simpkins	High Street Food
Russell Chapman	Cox Green Foodstore
Anna Denly	Upper Rissington Food
Michelle Whitehead	Vine Island Post Office
Anthony Raybould	Oxley Food
Jessica Rayne	Mitcheldean Food
Stuart Yeandel	Wotton-under-Edge Food
Laura Harper	Chase Terrace Travel
Elizabeth Davies	Atherstone Travel
Vicki Richardson	High Street Food
Susan Saunders	Vine Island Post Office
Andrea Harvey-Hall	Co-operative Memorials
Lesley Wright	Kidlington Travel

25
Years

Carolyn Kennedy	Burchester Food
Brenda Marsden	Ruscote Food
Sharon Gillott	Cainscross Food
Caroline Barr	Beechcroft Road Food
Rachel Adams	Chipping Norton Travel
Janice Brown	Franchise Road Food
Alexandra Boniface	Littlehampton Nursery
Jane Taylor	Albrighton Food
Zoe Ketch	A J Timmins Funeral
Lee Stapleton	Retail Support
Edwina McHugh	Retail Support
Cheryl Cipriano	Peterborough Travel
Sarah Chapman	Utilities
Eleanor Dickie	Coleford Food
Karen Atterbury	New Invention Food
Susan Hunt	Childcare Head Office
David Bartlett	Support Services
Karen Robinson	Kings Sutton
Sharon Reeves	Brewery Street Food
Michael Cronin	Travel Support
Jeanette Shiel	Cox Green Food
Lorraine Bateman	Rodbourne Cheney Food
Carol Parrott	Wombourne Post Office
Sarah Duckworth	Northway Food
Deborah Harvey	Lechlade Petrol Station
Michael Duppa	Church Stretton Food
Caroline Andrews	Berkeley Food
Anthony Watson	Co-operative Memorials
David Zasada	Upper Rissington Food
Theresa Bettington	Seymour Road Food
Linda Maybury	New Invention Food
Barbara Hastie	Bampton Food
Amanda Shadbolt	Centrum Food
Lynne McGraw	Lichfield Road Food
Christopher Chandler	Retail Support
Emma Ganner	Kingswinford Travel
Susan Robery	Brewery Street Food

30
Years

Marjorie Haynes	New Invention Food
Linda Morgan	Cinderford Food
Lindsey Mason	Wall Heath Travel
Claire Kelly	Travel Support
Janice Broome	Chinnor Food
Susan Rowan	Headless Cross Food
Clive Dudley	Trinders Banbury Funerals
Emma Pile	Travel Support
Peter Westall	Chief Values Officer
Jacqueline George	Cleobury Mortimer Food
Julie Gwynne	Stourport Food
Howard Ellis	Moreton-in-Marsh Food
Simon Thornley	Wern Food
Tracey Blundy	Nuneaton Food
David Elrington	Retail Support
Pamela Varley	Nailsworth Food
Jacqueline Carr	Stonehouse Food
Simon Frost	Cainscross Food
Glynis Crane	Codsall Post Office
Tracy Edwards	Food IT
Christine Phillips	Newent Food
Roslyn Lambden	Seventh Avenue Post Office

35
Years

Stephen Vaughan	Cinderford Food
Karen Sinnott	Cowley Centre Food
Jacqueline Mitchell	Parton Road Food
Mark Chapman	Besselsleigh Food
Sally Taylor	Coleford Food
Lisa McToal	Franchise Road Food
Jayne Williams	Wern Food
Marianne Law	Wombourne Petrol Station

40
Years

Susan Matthews	Pelsall Pharmacy
Gail Guest	Franchise Road Food
Roger Gay	Stonehouse Food
Elizabeth Lewis	Codsall Food
Stephanie Harding	Bath Road Food

Thank you
for your commitment to the Society

Congratulations!

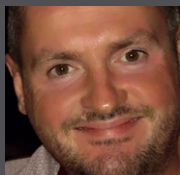
We asked some of our colleagues with Service Recognition Awards to tell us why they were proud to work for the Society.



Sarah Chapman
Utilities

25 Years

I started working at Oxford, Swindon & Gloucester Co-operative 25 years ago (now The Midcounties Co-operative) at Head Office in Oxford working for the Property & Development Manager. I now work in the Flexible Benefits Department, previously known as Imagine, and I have seen this department grow from day one. I am now looking forward to the integration into Business Solutions. There have been so many changes and I have got to know so many lovely people over the years. I love the fact our business supports the local community.

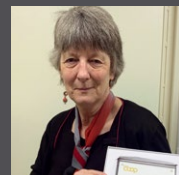


Michael Cronin
Travel

25 Years

I started my career aged 19 working for with Midlands Co-operative at the travel branch in Erdington Birmingham, back in 1997. I started in travel as junior travel consultant, which meant selling holidays and going the extra mile to make the customers happy, and of course learning how to make a good cup of tea for the boss.

Over the past 25 years what I love about the job and working for Midcounties with is that customers and colleagues are right at the centre of what we do.



Ros Lambden
Post Offices

30 Years

I started my Post Office career in 1979. I came to work in Lower Tuffley in 1991 before we were taken over by Oxford, Swindon & Gloucester Co-op, which then became Midcounties. I have seen many changes over the 30 years I have worked here. I remember many of my customers as babies and they now have families of their own. What I enjoy about working for the Post Office in Midcounties is being part of the community and supporting our members and customers. We are a lifeline to a lot of people, which was very evident during the pandemic.



Kelly Day
Childcare

20 Years

I have worked at the Society since August 2001 when I started my career as an apprentice in the preschool room. After gaining experience, I was promoted to room manager where I ran my own team.

After 10 years as the preschool room manager, I felt I needed a new challenge and wanted to learn about the business side of childcare. I was promoted to third in charge and, with the mentoring of my manager, later progressed to become Deputy Manager. I am also the nursery SENCO.

I now feel like I have the best of both worlds as my job gives me the opportunity to fulfil both business and childcare roles.



Liz Lewis
Food Retail

45 Years

I left school at 16 and immediately started work in the old West Midlands Co-op food store in Codsall, which is now our Post Office. It was meant to be a stop gap as I always wanted to go into nursing – I did, however, become a first aider. I have worked in many roles over the years, including store manager, but as I head towards retirement, I have reduced my hours and am currently a CSA. Midcounties is a great place to work and the colleagues and customers are part of my extended family. Even after 45 years, I still enjoy coming to work.



Parm Kalirai
Marketing

20 Years

How time flies when you're having fun! Looking back over the 20 years of working at Your Co-op, I have had the pleasure of meeting and working with some exceptional people who have helped me along the way. Having started off as a techie in the dot-com bubble, I have had the opportunity to not only work in IT and the world of e-commerce and marketing, but also gain experience in working for all of the diverse businesses that sit under Your Co-op.

Managing risk

Managing risk is an essential part of our business strategy. By identifying and analysing potential threats to the Society we reduce uncertainty and can build in countermeasures to mitigate them, minimising their impact on the business.



Risk management

As a Society we want to manage the risks and uncertainties that 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 both protect and 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 detailed 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 which is then reviewed by the Board. The key risks for the Society can be found on pages 40-43.

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, and the controls and procedures in place to mitigate and manage these risks. 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 the key risks facing the Society and the adequacy of mitigating control activity. Issues are escalated to the Board as required.

The Executive Risk Committee reviews the Society’s key risks on a monthly basis. During 2021 risk management methodology was incorporated into the assessment of the trading group and support function risks.

Our risk management framework

Policies and procedures

Our policies and procedures guide colleagues, and set out Society-wide standards for minimising risk. They are adapted to each business area as required.

Roles and responsibilities

The Society uses the three lines of defence methodology to manage risk:

- First line/frontline 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 frontline colleagues in managing risk.
- Internal Audit, as the third line, provides independent assurance and challenge of first and second-line of defence processes and activities.

Risk appetite

The Board, led by the Audit & Risk Committee, developed and formally approved the Society's appetite for risk in 2021. Risks were assessed across eight distinct and separate categories and quantified across five levels of risk appetite, as shown below:

Averse	Minimal	Cautious	Open	Hungry
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Risk appetite and tolerance parameters across the eight categories are detailed below.

STRATEGIC & BUSINESS	CAUTIOUS	In pursuit of our growth agenda, we are open to taking strategic risks in the event suitable opportunities arise, however, only in cases where the downside risk is sufficiently mitigated, and the level of financial risk fully understood. Risks and decision making should not undermine the Society's strategic objectives and risks will only be taken in a controlled manner.
REGULATION & COMPLIANCE	MINIMAL	Overall, we strive to be compliant with all relevant regulatory and legislative requirements. However, in exceptional circumstances the Society will accept that it may be impractical to fully comply with regulation/legislation and will be prepared to accept minimal compliance breaches.
BRAND & REPUTATION	MINIMAL	We are keen to expand and strengthen the brand to drive the future growth of the Society and we want to champion the views of our members and work towards a fair and sustainable future. While we will publicise our values and thought leadership to encourage debate, we will not take risks that undermine the Society's values or co-operative principles.
FINANCE & TREASURY	CAUTIOUS	We will accept moderate risk for moderate returns. We are prepared to accept the possibility of limited financial loss but will minimise participation in activities which could put the achievement of our budget and banking covenants significantly at risk. The Society has a minimal tolerance to the risk of financial loss due to fraud or control weakness.
OPERATIONAL & CUSTOMER	CAUTIOUS	We will focus on delivering the best value and service we can for our customers and members, while retaining balance in the delivery of good customer service standards and high-quality products. Our tolerance for risk taking is limited to those activities where there is a low level of risk to our operational resilience or ability to trade.
HEALTH & SAFETY	MINIMAL	We will focus on maintaining a suitable and safe environment for our colleagues, customers and visitors. The Society has a lower, averse tolerance to the possibility of serious or fatal injury. We will maintain our rigorous policies and procedures and will not take any decisions which would lead to an increased risk of serious or fatal injury to our colleagues, customers or visitors.
PEOPLE & RESOURCES	CAUTIOUS	We want to promote and foster a healthy organisational culture. We will not tolerate any behaviours or actions that are contrary to our policies and values. We will strive to be an employer of choice and find new ways of attracting, engaging and retaining colleagues. In order to do this, we will look to benchmark and where possible enhance our employee benefits proposition and take calculated risks to differentiate us as an employer.
INFORMATION TECHNOLOGY	CAUTIOUS	We adopt a balanced approach between cost and functionality, acknowledging this may result in some back-office systems that are sometimes less than ideal. We are open to taking considered risks relating to online platforms and future technology solutions if there are sufficient commercial or operational advantages. The Society has a minimal tolerance for risk taking relating to Information & Data Security. We have a particular focus on embedding controls which sufficiently protect the Society's commercially sensitive and personal data.

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 to our business 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 2021/22

The Society's trading groups and support functions regularly review and update their risk registers as part of ongoing management procedures.

We continued to refine and embed 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. In particular, our risk registers were improved during the year to incorporate risk appetite and tolerance functionality that allows us to identify those risks of most concern. The Executive Risk Committee reviews the key risks and themes arising from the risk updates provided by the trading groups and support functions. The output from these is incorporated into the top-level Society risk register which is reviewed and approved by the Audit & Risk Committee twice a year.

Covid-19 Impact

Responsible Exec:	Chief Executive Officer	Risk Category: Finance and Treasury	Risk Trend: Decreased	↓
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Significant business disruption arising from COVID-19, resulting in reduced profitability and cash flow Pressure on liquidity and funding headroom 	<ul style="list-style-type: none"> Uncertainty Volatility of risk and speed to react Availability of resources to manage disruption Contingent risk of 'knock-on' consequences Costs of mitigation and change 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Continued to utilise the UK government furlough and job retention schemes until their conclusion Reviewed each trading groups operating model to adapt to anticipated future levels of activity and executed required restructuring Undertook a review of central functions following the divestment of the funeral trading group and executed restructuring to realign resources with current requirements Continued to review our working capital and investment projects to optimise liquidity Maintained an ongoing dialogue with our lending banks 	<ul style="list-style-type: none"> Ongoing review of our trading group operating models to adapt to forecast future levels of activity Continue to review our working capital and investment projects to maximise liquidity Maintain an ongoing dialogue with our banks Disseminate COVID-19 'Lessons Learned' across the Society

BREXIT / Relationship with EU

Responsible Exec:	Chief Food Retail Officer	Risk Category: Finance and Treasury	Risk Trend: Decreased	↓
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Uncertainty Available resources to manage disruption Contingent risk of 'knock-on' consequences Costs of mitigation 	<ul style="list-style-type: none"> Business wide risk assessment of key vulnerabilities, with allocated Executive responsibility Regular communication and co-ordination with FRTS regarding EU supply chain contingency planning Formulating cost mitigation plans for anticipated tariff and FX cost inflation post Brexit Stock building of non-perishable goods in advance of 31 December deadline Sourcing alternative UK based suppliers particularly for perishable goods 	<ul style="list-style-type: none"> Maintained close review of logistics, product availability and pricing levels, particularly for those products sourced from the EU Further developed our local UK supply base 	<ul style="list-style-type: none"> Monitor relationship with EU and lobby on UK/EU issues affecting the Society Continue to 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 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Failure to comply with General Data Protection Regulation (GDPR) legislation 	<ul style="list-style-type: none"> Inadequate governance of data could lead to reputational damage and significant costs, including fines from the Information Commissioner's Office of potentially up to of 4% of annual revenue 	<ul style="list-style-type: none"> Data protection policy in place Risk assessed GDPR training for those functions handling personal data GDPR governance framework in place 	<ul style="list-style-type: none"> No significant changes to legislation or our internal control framework following gap analysis exercise completed in the year Completed GDPR and cyber security refresher training programmes across the Society 	<ul style="list-style-type: none"> Continuous improvement of GDPR governance framework

Operational Disruption				
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 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Severe operational issue causes risk of financial loss and reputational damage to the Society's brand 	<ul style="list-style-type: none"> Material impact on our ability to trade, e.g. severe supply chain disruption Serious health & safety incident to a customer, colleague or visitor Other major operational issue, e.g. theft/loss of data Significant non-compliance with our policies and procedures 	<ul style="list-style-type: none"> Close monitoring of operational performance metrics and effective response plans to emerging issues Health & Safety framework which includes an audit & compliance programme across all operations Compliance functions and senior management apply and oversee a broad suite of policies to protect the Society and comply with legal and regulatory requirements 	<ul style="list-style-type: none"> Maintained close review of logistics, product availability and pricing levels Further developed our local UK supply base Executive Risk Committee expanded to focus on IT security and Health & Safety risks Board approved formal Risk Appetite parameters during the year and incorporated these into operational risk management operations 	<ul style="list-style-type: none"> Continue to actively support FRTS's (the central co-operative buying group) development of the supply chain network A review of the Society compliance framework will continue during 2022/23 Increase focus and performance targets in our safety compliance programme Continuous improvement of the risk management process

Commercial Contracts				
Responsible Exec:	Secretary and Head of Governance	Risk Category: Operational & Customer	Risk Trend: Decreased	↓
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Inadequate/inappropriate contractual protection leads to risk of financial loss and reputational damage to the Society's brand 	<ul style="list-style-type: none"> Poor management oversight and compliance This could include but not be limited to: Modern slavery, Health & Safety, GDPR, financial stability, operational delivery or any other commercially sensitive area 	<ul style="list-style-type: none"> Legal review of contracts Procurement policies in place Contract sign-off process 	<ul style="list-style-type: none"> A review of contracting arrangements throughout the Group was undertaken during the year Implemented a new contract management system 	<ul style="list-style-type: none"> Complete the review of contracting arrangements and execute improvement plan to address identified weaknesses Fully embed the new contract management system

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 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Loss or theft of data and business interruption due to cyber-attack or inadequate IT disaster recovery plans and procedures 	<ul style="list-style-type: none"> Risk of IT systems and services not being recovered on a timely basis following a contingency event Risk of permanent data loss following a contingency event Theft risk of valuable and/or private data Risk of ransomware and business interruption 	<ul style="list-style-type: none"> 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 Day zero self-learning end point protection Security Incident management in place Patch management and regular penetration testing 	<ul style="list-style-type: none"> Appointed external cyber security partner, including provision of a virtual Chief Information Security Officer Completed Cyber security refresher training and rollout of Multi-Factor Authentication programme's across the Society Implemented multiple penetration testing and phishing exercises Identified improvement opportunities in the IT server estate and formulated plan to address 	<ul style="list-style-type: none"> Embed and fully leverage the capabilities of the new external cyber security provider Complete IT server improvement project Update and implement suite of IT security policies and procedures 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: Information Technology	Risk Trend: Increased	↑
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Risk of failure to deliver business plan sales growth and profitability targets Failure to manage and monitor the Society's working capital and cash positions 	<ul style="list-style-type: none"> Reduced profitability or lossmaking operations impacts our banking covenants and ability to pay share of the profits Reduced cash flow impacts our ability to invest, our banking covenants and our ability to pay our pension deficit contributions 	<ul style="list-style-type: none"> Monthly financial reviews give visibility to overall business plan delivery Quarterly forecasting process Daily cash flow monitoring Agreed headroom is maintained from the Society's formal facilities Rigorous capital allocation process Bank covenant position is reported monthly and regularly forecasted 	<ul style="list-style-type: none"> Improved cash forecasting procedures to reduce margin for error and improve funding efficiency Executed restructuring plans in the trading groups and support functions to reduce the fixed cost base 	<ul style="list-style-type: none"> Rigorous ongoing review of strategic plans Execute cost efficiency actions to protect margin and adapt to prevailing trading and inflationary conditions Review all available options to absorb or mitigate input cost inflation

People				
Responsible Exec:	Chief HR Officer	Risk Category: People & Resources	Risk Trend: Increased	↑
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Being unclear about the capabilities we require to deliver our 5 year plan Being unable to attract the appropriate skills and capability Being unable to retain the right people 	<ul style="list-style-type: none"> Ineffective selection and recruitment processes Talent attraction Need for greater diversity 	<ul style="list-style-type: none"> Pre-employment screening, culture fit assessment and induction for new hires Career framework to ensure that we can reliably benchmark the reward package against the broader labour market. Continue to embed diversity and inclusion Executive team have industry and professional expertise to identify missing capabilities 	<ul style="list-style-type: none"> Completed a review of our future talent strategy and succession planning Further embedded the new career framework Continued to build our bench strength of talent 	<ul style="list-style-type: none"> Create succession plans with structured development in place to grow capability Closely monitor and benchmark wage and salary levels to remain competitive in a high wage inflation environment Develop recruitment and retention strategies that leverage Co-operative strengths

Travel Duty of Care				
Responsible Exec:	Chief Officer Travel and Leisure	Risk Category: Operational & Customer	Risk Trend: Stable	→
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Failure to ensure the health and safety of customers while under our duty of care 	<ul style="list-style-type: none"> Package Travel regulations bring requirements for the Principal 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 	<ul style="list-style-type: none"> Supplier process and ATOL Approved List regularly updated New suppliers to market rigorously assessed Indemnity arrangements are reviewed annually Existing suppliers monitored and reviewed annually Tour operator's liability Insurance cover Crisis team to support handling of a major issue 	<ul style="list-style-type: none"> Completed a review of monitoring and diligence processes relating to suppliers and destinations Reviewed safety management procedures Lower volume of holidays reduced duty of care risk exposure 	<ul style="list-style-type: none"> Address all improvement opportunities identified in reviewing safety and supplier management procedures

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 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Failure to maintain IT infrastructure and stability Future data management strategy inconsistent with current Management Information/data systems 	<ul style="list-style-type: none"> Inability for Society or Trading groups to continue business leading to financial losses and customer detriment Online Capability - risk that inadequate IT and therefore commercial capability compared to our competitors leads to competitive disadvantage and customer losses Our ability to react to market dynamics and the possible requirement for a greater online operating model 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Accelerated roll out of Office 365 to facilitate remote working Accelerated patch management project to improve IT resilience Developed technology roadmap as part of the 5-year strategy review Continued roll out of Hand-Held Terminals (HHT) in Food Retail 	<ul style="list-style-type: none"> Our Food business is an integral part of Co-op Group's transformational programme to identify the next EPOS (Electronic Point of Sale) solution Project underway to identify single replacement ERP (Enterprise Resource Planning) system across the group All 2012+ servers will be updated and supported in a regular and controlled patch management cycle. Any out-of-support servers, applications and endpoints that cannot be patched will either be upgraded or decommissioned

Health & Safety				
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 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Health and Safety breach leading to major incident, injuries or fatalities 	<ul style="list-style-type: none"> Keeping our colleagues, members and customers safe UK Health & Safety Legislation Complexity of our business 	<ul style="list-style-type: none"> Health & Safety Framework in place across Society Midcounties Health & Safety Policy and Procedures Monitoring systems in place across Society through internal Health & Safety Audit programme 	<ul style="list-style-type: none"> Continued to refine our C365 Health & Safety management system to achieve full operational benefits Established a new Health & Safety Committee to improve identification of H&S trends and prioritise initiatives Expanded Health & Safety reporting to the Executive 	<ul style="list-style-type: none"> Increase focus and performance targets in our safety compliance programme Continuously improve our risk assessment and site audit programme, incorporating lessons learned from significant incidents Expand Health & Safety reporting to the Board

Pension Deficit				
Responsible Exec:	Chief Financial Officer	Risk Category: Operational & Customer	Risk Trend: Stable	➔
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Our Defined Benefit pension scheme liability is sensitive to changes in several factors. Adverse movements may require the Society to pay additional contributions 	<ul style="list-style-type: none"> Changes in interest rates Changes in inflation expectations Changes in expectations of future life expectancy Movements in market prices 	<ul style="list-style-type: none"> Regular monitoring of key assumptions, funding and risk positions Pension trustees regularly updated with information on Society performance and forecasts Investment strategy agreed with pension trustees Work with pension trustees covenant advisor to mitigate the impact of additional funding on the Society's growth strategy 	<ul style="list-style-type: none"> Engaged with the pension trustees to enhance the Investment Strategy Continued with the agreed Schedule of Pension Deficit Contributions 	<ul style="list-style-type: none"> Agree with the pension trustees the tri-annual valuation of the scheme Independent review of scheme investment strategy 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: Increased	⬆
Risk description	Reasons for risk	How we mitigate the risk	What changed during 2021/22	What do we plan to do in 2022/23
<ul style="list-style-type: none"> Need to monitor pricing, value proposition, market share and competitor behaviour to remain viable and innovative in our competitive landscape. 	<ul style="list-style-type: none"> Pricing pressures Market cost pressures Inefficient operations New entrants and market competition Innovation and market dynamics 	<ul style="list-style-type: none"> Monitoring of products, sales, margins and store profitability Regular market share and competitor analysis Responsive promotions and marketing responses Quarterly forecasting and monitoring processes Strategic plans include competitor activity mitigations 	<ul style="list-style-type: none"> Rationalisation of loss-making stores and continued new store openings in Food Retail Completed divestment of our Funeral trading group and Pharmacy estate Significant input cost inflation towards the end of the financial year led to a range of options to absorb or mitigate input cost inflation Continued price monitoring in all our trading groups, including price matching in Travel 	<ul style="list-style-type: none"> Accelerated store development programme and new site acquisitions where available Further store rationalisation programme Undertake regular benchmarking exercises to understand our competitive position and review all available options to maintain or improve our commercial offering Continue to improve our data management capabilities Continue to explore avenues for cross selling

Ongoing Russia/Ukraine conflict

The conflict in Ukraine has impacted on global commodity markets, gas and energy in particular, further fuelling rising inflation and compounding already disrupted supply chains. The Society is acting now to try and mitigate the immediate impact, but uncertainty as to the duration of, and damage from, the conflict means the longer-term impacts cannot be accurately assessed at this time.

The Society has classified the Ukraine conflict as an emerging principal risk, ensuring it receives close review from our Executive leadership team to monitor developments, identify trends and take further actions to mitigate impact as much as possible.

Further commentary on the impact of the ongoing conflict can be found in note 1 on pages 76-77.

Governance Report

Strong governance is critical for a co-operative society where members entrust the control and direction of their society to a board of elected directors. This section sets out our formal Governance report so members can see how the Society and Board is run.



Governance Report

The Board is pleased to present its governance report to members for the year to 22 January 2022.

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 2021/22 financial year, the Society had 640,989 members (2020/21: 722,000). In 2021, 513 members attended the AGM (2020: 620 members), and 333 members attended the Half Year Meetings (2020: 387).

At the 2021 elections, 13 members put themselves forward for the five vacancies on the Board (2020: 15 members, six vacancies), and 14 members put themselves forward for the seven vacancies on the Member Engagement Committee (2020: five members, three vacancies). Votes were cast by 35,464 members (2020: 44,985).

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 affected through a wide-ranging set of opportunities. For example, the ‘Your Co-op Voice’ surveys, the ‘Your Co-op Conversations’ engagement programme, regular member activity (albeit curtailed in 2020 and 2021 due to the restrictions in place on account of the pandemic), the Young Co-operators 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 ICA¹ 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 has approved a five-year strategic plan. This 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. This 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. The Committee comprises nine elected members, including three elected 'young members' (under the age of 30).

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 can serve for no more than 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 held 10 scheduled meetings during 2021/22. 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.

Directors	Board	Committees			
		1	2	3	4
Steve Allsopp*	6 (6)	3 (3)	3 (3)	3 (3)	
Ellie Boyle	10 (10)	3 (3)	1 (1)		
Olivia Birch	10 (10)	2 (2)			
Clive Booker	10 (10)	4 (5)			
Bernadette Connor	10 (10)				1 (1)
Evelyne Godfrey**	4 (4)	2 (2)			
Vicky Green	10 (10)		3 (4)		
Irene Kirkman	10 (10)			3 (4)	
Matt Lane	10 (10)		4 (4)		
Paul Mather	10 (10)	5 (5)			
Nick Milton**	4 (4)				
Kathy Petersen*	6 (6)	3 (3)			
Barbara Rainford	9 (10)				4 (4)
Fiona Ravenscroft	10 (10)	2 (2)		3 (4)	
Heather Richardson	10 (10)	3 (3)	4 (4)		
Wendy Willis	10 (10)				3 (3)
Helen Wiseman	10 (10)		4 (4)		
Vivian Woodell	10 (10)	2 (2)		4 (4)	

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

* Resigned October 2021

** Appointed October 2021

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 Services² 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, at the 2021 AGM the Board proposed and members approved a Rule change setting out the 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 make an informed choice on their vote. The nature of the information provided is reviewed at least every three years by the Board. Feedback on the level of the information provided is gathered from members after each election. 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

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

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 an annual review of its performance.

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
- reviewing the Society's business plans – the assumptions made; the risks and mitigations listed; the rigour of their composition; to assess them against the agreed strategies
- monitoring and reviewing the performance of the Society's Internal Audit function
- reviewing the Society's whistle blowing and speak in confidence procedures to support the prevention of wrongdoing and fraud.

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 induction training and has access to additional 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 2021/22. 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 Senior Legal Counsel 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 £30,000 were paid to the Society's auditor for non-audit work (2020/21: £40,000). 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.

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 budgets and forecasts are reported regularly to the Board throughout the year
- Board review and approval of the annual budget, plans and forecasts 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.

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 and maps these against the Society's risk appetite. The risks are reviewed by both the Executive and the Audit & Risk Committee, with oversight from the Board. Where weaknesses in controls are identified action is taken to implement control mechanisms.

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

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

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 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 reward strategy 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 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, whose aims reflect those of the Society and the co-operative movement.

At the 2021 Annual General Meeting members approved a distribution of £60,000 to the Campaigns Fund (2020: £45,000).

During the year the Fund made grants to the Co-operative Party nationally of £32,640, the Society's three local Co-operative Party Councils of £13,290 and three other campaigning bodies of £14,503.

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 24 days (2020/21: 21 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

3 May 2022

External directorships (or equivalent) held by members of the Board and Executive during the year	
Board	
Steve Allsopp	<ul style="list-style-type: none"> – Director, Co-operative Futures Limited – Director, Swindon Housing Company – Director, Public Power Solutions Limited
Olivia Birch	<ul style="list-style-type: none"> – Director, Revolver Co-operative Limited – Director, Revolver World Limited – Director & Secretary, Revolver Music Limited – Director, Heavy Metal Records Limited – Director, FM-Revolver Records Limited – Trustee, Revolver World Foundation – Committee member, Wolverhampton City Planning
Evelyne Godfrey	<ul style="list-style-type: none"> – Director, Uffington Heritage Watch Limited – Secretary, Oxford City of Sanctuary Limited
Vicky Green	<ul style="list-style-type: none"> – Director, Co-operative Press Limited
Irene Kirkman	<ul style="list-style-type: none"> – Deputy Chair & Independent member, Buckingham New University Council – Local Authority Governor of the Cherwell School Council, Oxford, part of the River Learning Trust
Matthew Lane	<ul style="list-style-type: none"> – Director, BeerBods Limited – Director, Drink Beta Limited – Director, MDNL Limited – Director, WOO Cooking Oils Ltd
Paul Mather	<ul style="list-style-type: none"> – Director, Moonlink Limited (Company dissolved 12 May 2021) – Director, Co-operative Futures Limited
Barbara Rainford	<ul style="list-style-type: none"> – Director, BCRS Ltd – Director, Co-operative Futures Limited – Prees Parish Councillor – Trustee, Shropshire Climate Action
Fiona Ravenscroft	<ul style="list-style-type: none"> – Director, Ravenscroft Ltd – Director, Osney Island Boat Club Ltd – Trustee, Long Mead Foundation
Heather Richardson	<ul style="list-style-type: none"> – Owner, Kestrel Equine and Gun Dogs – Chief Risk Officer, Bromford Housing Group
Helen Wiseman	<ul style="list-style-type: none"> – Club Welfare Officer, Bourton & Sherborne Hockey Club
Vivian Woodell	<ul style="list-style-type: none"> – 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 – Director, Westmill Wind Farm Co-operative Limited – Director, Cooperatives Europe asbl
Executive	
Current Executive	
Alison Bain	<ul style="list-style-type: none"> – Member of Supporter Advisory Group, Save the Children
Peter Dubois	<ul style="list-style-type: none"> – Director/Chair, The Co-operative Loan Fund
Sara Dunham	<ul style="list-style-type: none"> – Director, Consulting@ BeechesPond Ltd
Phil Ponsonby	<ul style="list-style-type: none"> – Director, Association of Convenience Stores Limited – Director, Federal Retail & Trading Services Limited – Board member, Happerley Food Provenance
Peter Westall	<ul style="list-style-type: none"> – Chair, Bright Futures Co-operative – Board member, BITC Regional Advisory Board – Council member, CBI Midlands Council – Council member, Co-operative Group National Member Council
Chief Operating Officers	
COOs	
Sally Bonnar	<ul style="list-style-type: none"> – Trustee, National Day Nurseries Association
Lizzie Hieron	<ul style="list-style-type: none"> – Non-Executive Director, Cottsway House Association
Former COOs	
Mark Adams	<ul style="list-style-type: none"> – Director, National Association of Funeral Directors Limited

Remuneration Report

It's important that members can see that the Executive team, the highest paid colleagues in the Society, are paid in line with the co-operative principles of fairness and equity. It's the job of the Remuneration Committee to oversee this. The following pages set out the Committee's formal annual report to members.



INTRODUCTION

The Remuneration Committee is pleased to present its report to members for the year ended 22 January 2022.

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
- does not exceed what is necessary to achieve the aims above.

The Committee also provides high-level input and oversight into the reward strategy 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 14 May 2022.

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

The level of fixed pay is reviewed formally once every two years. The last review took place in the autumn of 2021, concluding in January this year. In the intervening years, salaries are normally increased in line with increases negotiated by USDAW for the Society as a whole.

A reward update for the broader workforce is summarised at every Remuneration Committee meeting as a standing agenda item to ensure that the Committee is attuned to the position of colleagues when making Executive reward decisions.

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.

For the 2021/22 financial year, no bonus payments have been earned given that the Society's profitability fell below the threshold for bonus payments. However, members of the Executive have earned payments under the long-term incentive scheme.

In July 2021 the Society published its annual gender pay gap report together with its first ethnicity pay gap report and made these available on its website. The Committee and the Society's Board take the matter of diversity seriously including the issue of senior female representation within the workforce, an improved gender balance across all levels and disciplines and the promotion of an inclusive culture that respects everyone. The reports cover the period April 2020 to April 2021. The mean gender pay gap reduced from 17.3% to 13.8%. Our mean ethnicity pay gap was reported at 3.1%. Elsewhere in the directors report you can read about the Society's diversity and inclusion work.

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



Matt Lane
Chair - Remuneration Committee
5 April 2022

¹ fixed pay comprises base salary, pension contributions and benefits

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
- 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 2022 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 an equivalent size.	Normally increased annually in line with inflation; formally reviewed every two years to ensure market competitiveness (the last review concluded early in 2022, with changes taking effect at the start of the 2022/3 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 be replaced by an Executive Incentive Plan (EIP)	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 is being replaced by the EIP from the start of the 2022/23 financial year. The EIP provides a single five year plan offering the potential for interim payments annually and a final bullet payment at the end of the five year performance period if targets are met. The LTIP provided for three year awards, granted annually. Participants could receive a payment at the end of each three year award period if targets were met. The final award matured at the end of 2021/22.	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 for the EIP are based on key measures that form part of the five year plan – member trade, greenhouse gas emissions, colleague diversity and net assets. For the LTIP, performance measures were based on Financial Performance; Corporate Reputation; Member Value; Promoting Co-operation. Awards under both the EIP and the LTIP 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 some 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 £900 to £1,600 per month. The value of other benefits is based on the cost to the Society and is not predetermined.	n/a

Incentive arrangements

The Board believes having an element of pay linked to Society and/or individual performance 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.

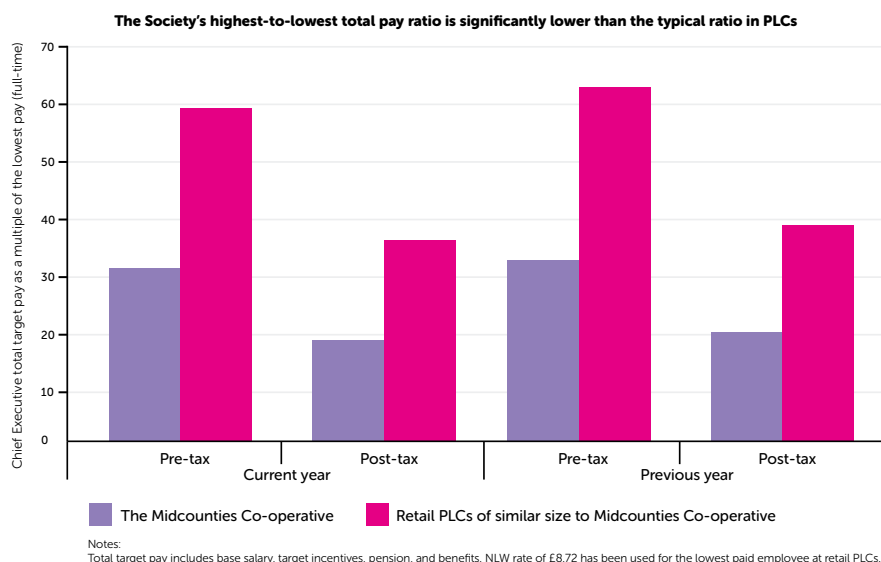
Members of the Executive are eligible to participate in the Society's STARS annual bonus scheme and a five year Executive Incentive Plan (EIP), a replacement to the Long Term Incentive Plan (LTIP). The STARS bonus scheme is currently available to more senior managers and colleagues within the Society.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

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. For 2021/22 just under 40% of the targets were for non-financial measures. 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 EIP is intended to focus the Executive on achieving longer-term performance and strategic goals. The performance metrics are member trade, greenhouse gas emissions, colleague diversity and net assets. 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 over the longer term.

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 2021/22 on pre-tax pay was x31 and on post-tax pay x19 (2020/21: x31 and x19 respectively).



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

	2021/2022			
	Salary		Total Compensation	
Top	£520,124	n/a	£590,163	n/a
75th	£20,280	26:1	£20,742	28:1
Median	£18,718	28:1	£18,783	31:1
25th	£18,718	28:1	£18,738	31:1
Lowest	£18,029	29:1	£18,029	33:1

Remuneration scenarios

The chart here demonstrates how the mix of the Group Chief Executive's annual remuneration package can vary at different levels of performance under the Society's remuneration policy in 2022/23. It shows the potential value of total remuneration in each scenario and the percentage of total remuneration accounted for by each element. The chart reflects the new long-term incentive arrangements under the EIP.



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 666 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 EIP/LTIP, other than in certain 'good leaver' circumstances (for example, ill-health and retirement) unvested 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 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 Executive's previous role will 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 on pages 54-56)
- 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 EIP/LTIP from year to year.

If an event occurs (for example, a material acquisition or divestment) which results in any of the measures, targets or conditions in the annual bonus or long term incentive plans no longer being appropriate, the Committee can make adjustments to these items provided that any changes it makes are not materially less difficult to achieve.

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 2021/22 financial year. It contains information about the Committee, details of the result of the vote on last year's Remuneration Report at the 2021 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 2021/22.

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 – stepped down October 2021
- Ellie Freeman – appointed October 2021
- 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 reward strategy 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. Fees paid for advice in 2021/22 amounted to £35,811 (2020/21: £4,998). Alvarez & Marsal did not provide any other services to the Society during the year.

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

Meetings

Four Committee meetings were held during the year. Attendance by Committee members at these meetings is reported in the Society's Governance Report. The 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 the STARS bonus
- the biennial review of remuneration for the Executive
- an overview of the reward review for Society colleagues
- review of Executive pay trends
- approval of the annual pay rise for the Executive (1.0%)
- review of the LTIP and approval of the EIP
- review of the Executive pay policy
- review of the Remuneration Report.

Member voting at the Annual General Meeting

An advisory vote on the Remuneration Report is held at each AGM. The table below sets out the result of the vote on the 2020/21 Remuneration Report at the May 2021 AGM.

	Total number of votes	% of votes
For	254	85.2
Against	20	6.7
Abstain	24	8.1
Total	298	100.0

Performance Graph

The following graph shows a 10-year comparison of the percentage change in the Society's operating profit before significant items (excluding discontinued operations) 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 2020/21 and 2021/22 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 Chief Marketing Officer	2020/21	76,156	-	101	5,077	-	-	81,334
	2021/22	181,777	-	1,320	12,000	-	6,090	201,187
Peter Dubois Group Chief Financial Officer	2020/21	219,667	-	15,862	18,665	-	21,297	275,491
	2021/22	237,312	-	16,577	18,670	-	-	272,559
Sara Dunham⁵ Chief Officer, Travel and Leisure	2020/21	-	-	-	-	-	-	-
	2021/22	183,627	-	915	11,077	-	6,700	202,319
Clare Moore Chief HR Officer	2020/21	187,259	-	1,314	12,000	-	7,060	207,633
	2021/22	196,661	-	1,320	12,000	-	13,112	223,093
Rupert Newman Chief Food Retail Officer	2020/21	216,353	-	1,314	12,000	-	8,156	237,823
	2021/22	227,214	-	1,320	12,000	-	15,149	255,683
Edward Parker Secretary & Head of Governance	2020/21	151,613	-	25,235	17,094	-	16,906	210,848
	2021/22	159,269	-	25,235	17,090	-	15,821	217,415
Phil Ponsonby Group Chief Executive	2020/21	465,545	-	-	19,200	-	49,525	534,270
	2021/22	520,124	-	-	19,200	-	50,840	590,163
Peter Westall Chief Values Officer	2020/21	171,011	-	11,654	14,879	-	18,020	215,564
	2021/22	192,000	-	11,660	14,878	-	16,805	235,343

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 as noted elsewhere in this report, one element of the LTIP maturing in January 2022 has yet to be determined

⁵ joined the Society on 15 February 2021

Application of the remuneration policy for 2021/22

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, given the impact of the pandemic the Executive waived the increase due in 2020/21 and took a reduced increase of 1.0% in 2021/22.

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 early in 2022 with changes taking effect at the start of the 2022/23 financial year. The next review will take place in the autumn of 2023.

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 2021 and 2022 financial years for members of the Executive. The increases shown were approved by the Committee in order to bring the salary levels of the Executive closer to the median position in line with the Committee's policy.

Executive	Salary as at 24 January 2021 £	Salary as at 23 January 2022 £	Change including 1.0% annual rise %	Change excluding 1.0% annual rise %
Alison Bain, Chief Marketing Officer	180,005	192,011	6.7	5.7
Peter Dubois, Group Chief Financial Officer	235,005	237,357	1.0	0.0
Sara Dunham ¹ , Chief Officer, Travel and Leisure	-	205,010	-	-
Clare Moore, Chief HR Officer	194,749	210,020	7.8	6.8
Rupert Newman, Chief Food Retail Officer	225,007	245,003	8.9	7.9
Edward Parker, Secretary & Head of Governance	157,718	165,018	4.6	3.6
Phil Ponsonby, Group CEO	515,071	520,223	1.0	0.0
Peter Westall ² , Chief Values Officer	192,477	184,000	-4.4	-5.4

¹ joined the Society on 15 February 2021

² salary at 24 January 2021 includes temporary acting up allowance while responsible for the funeral business

STARS bonus scheme performance targets

Members of the Executive, together with the Society's management grades 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 2021/22 these were focused on 'member trade' and 'great leadership' targets.

The maximum bonus opportunity for members of the Executive for 2021/22 was 20% of base salary (2020/21: 20%). Transitional arrangements apply to members of the Executive who have joined the Executive since 2019 as their incentive arrangements transition to full participation in the EIP/LTIP.

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 2021/22.

Long-term incentive arrangements

The 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.

As noted earlier in this report, the LTIP is to be replaced with the EIP from the start of the 2022/23 financial year. The EIP provides a single five-year plan. It has four performance metrics – member trade, greenhouse gas emissions, colleague diversity and net assets, and offers participants the potential for annual interim payments of up to 16% of salary and a final bullet payment of up to 34% of average salary over the five-year performance period if targets are met. The overall five-year targets are set at the start of the plan period. The interim targets are set annually.

2019/20 LTIP award

The 2019/20 LTIP award matured in January 2022. The results achieved are set out in the table below.

Performance measure	How measured?	Weighting	Threshold 40% payable	Target 90% payable	Maximum 100% payable	Result
1. Financial Performance	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 Responsible Business Tracker	25%	77%	80%	83%	Result not yet known
3. Promoting co-operation	The number of members involved in co-op activity over the year	25%	40k	45k	50k	51,293 Stretch achieved
4. Member value	Measured in annual survey score	25%	46.0%	47.5%	50.0%	56.0% Stretch achieved

¹ Business in the Community

Future awards

There are no further LTIP awards outstanding given the introduction of the EIP. The Committee is set to review the targets for the EIP at a meeting to be scheduled later in April 2022.

Clawback provisions

Payments made under the annual bonus and EIP/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 pension 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 EIP/LTIP awards.

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

- Alison Bain, Sara Dunham, 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
- 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.

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 2020/21 and 2021/22 financial years, compared with that of the average for all colleagues in the Society.

	% change in salary and incentive pay	
	2020/21	2021/22
Group Chief Executive	(4.0)	10.5
Average for colleagues	(8.3)	(2.7)

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	2021/22 £m	% change
Staff costs	131.9	128.3	(2.7)
Distributions	1.9	1.9	1.9
Operating profit before significant items	8.4	6.8	(19.5)

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 (ICA), 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 June 2022 when his term of office expires. The Board has agreed to nominate Mr Reid for re-election to the ICA Board. Should he be re-elected, the Society will fund the booking fees for the principal ICA conferences that Mr Reid will attend, but the consultancy agreement will fall away.

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, given the circumstances of the pandemic directors waived their increases due in 2020 and 2021.

Board/Committee	Role	Fees 2021/22 £	Fees 2020/19 £
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
Sustainability 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.

Director	Fees		Director	Fees	
	2021/22 £	2020/21 £		2021/22 £	2020/21 £
Steve Allsopp ¹	9,775	12,026	Paul Mather	10,722	2,778
Olivia Birch	10,057	2,629	Nick Milton ²	2,286	-
Clive Booker	10,554	10,764	Kathryn Petersen ¹	8,118	10,310
Ellie Boyle	10,653	10,436	Barbara Rainford	10,624	10,904
Bernadette Connor	10,057	2,629	Fiona Ravenscroft	11,779	11,703
Evelyne Godfrey ²	2,435	-	Heather Richardson	13,067	12,912
Vicky Green	10,554	10,310	Wendy Willis	10,684	10,555
Irene Kirkman	10,984	2,712	Helen Wiseman	14,695	14,280
Matthew Lane	10,554	10,372	Vivian Woodell	13,214	11,925

¹ resigned 14 October 2021

² appointed 14 October 2021

The role of a director

The Society is a large and complex organisation. It employs more than 7,000 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 5 April 2022.

A handwritten signature in black ink, appearing to read 'M. Lane', with a horizontal line drawn underneath.

Matt Lane
Chair – Remuneration Committee

5 April 2022

your
coop Little
Pioneers
nursery and pre-school



We opened two
purpose-built Little
Pioneers nurseries
during the year, each
delivering a child-centric
early years programme.



Our financial statements

The financial statements show the Society's financial position, operations results and cash flows for the financial year.



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 22 January 2022 have been prepared in accordance with UK adopted 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 for the 12 months through to the end of May 2023 arising from current performance, forecasts and known risks, including those likely to arise from a severe and plausible downside scenario, and takes into account risks as a result of the ongoing conflict in Russia/Ukraine and Covid-19.

An assessment of these likely impacts is shown on pages 76-77.

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 cash inflows 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

3 May 2022

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 22 January 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- 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 22 January 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 12 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 & 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

In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the Governance Report.

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 industries 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 focused on areas that could give rise to a material misstatement in the Society 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;
- 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.

DocuSigned by:

412CEE2A993940D...

Laurie Hannant (Senior Statutory Auditor)
BDO LLP, Statutory Auditor
Birmingham, UK
3 May 2022

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 22 January 2022

	Note	2021/22 £'000	2020/21 £'000
Revenue	1	676,459	693,188
Cost of sales		(479,951)	(495,992)
Gross profit		196,508	197,196
Other operating income	2.1	356	5,002
Operating expenses		(193,131)	(199,155)
Operating expenses excluding significant items	2.1	(189,491)	(193,761)
Operating profit before significant items		7,373	8,437
Operating expenses - significant items	2.2	(3,640)	(5,394)
Operating profit		3,733	3,043
Finance income	2.3	558	202
Finance expense	2.3	(10,424)	(11,094)
Loss before payments to and on behalf of members		(6,133)	(7,849)
Payments to and on behalf of members	2.4	(1,895)	(1,859)
Loss before tax		(8,028)	(9,708)
Income tax (charge) / credit	2.5	(180)	2,312
Loss for the year from continuing operations		(8,208)	(7,396)
Profit for the year from discontinued operations, net of tax.	2.6	3,463	6,976
Loss for the year		(4,745)	(420)
Other comprehensive income			
Items that will not be reclassified to the income statement in future periods:			
Revaluation gain of property, plant and equipment		4,579	763
Realised on disposal of properties		-	-
Remeasurement of defined benefit liability	4.5	6,921	(6,920)
Income tax on other comprehensive income	2.5	747	1,591
Other comprehensive income / (expense) for the period, net of income tax		12,247	(4,566)
Total comprehensive income / (expense) for the period		7,502	(4,986)

The Group has disclosed a single amount of post-tax profit or loss of discontinued operations in the statement of comprehensive income. Details of discontinued operations are presented in note 2.6 of the annual report.

Consolidated Statement of Financial Position

As at 22 January 2022

	Note	2021/22 £'000	2020/21 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	147,799	155,177
Intangible assets	3.2	71,980	71,209
Investment property	3.3	12,834	13,001
Right of use assets	3.4	108,025	115,362
Other investments	3.5	3,792	80,443
Other debtors	3.8	7,310	5,973
Deferred tax assets	3.6	12,700	14,169
Total non-current assets		364,440	455,334
Current assets			
Other investments	3.5	-	9,584
Stocks	3.7	25,695	24,542
Trade and other receivables	3.8	77,868	84,519
Cash and cash equivalents	3.9	9,492	7,843
Assets held for sale	3.10	19,087	17,536
Total current assets		132,142	144,024
TOTAL ASSETS		496,582	599,358
LIABILITIES			
Current liabilities			
Loans and borrowings	4.1	13,126	12,671
Trade and other payables	4.2	172,571	177,427
Lease liabilities	4.3	11,736	14,785
Current tax payable		11	124
Liabilities held for sale	3.10	3,297	-
Total current liabilities		200,741	205,007
Non-current liabilities			
Loans and borrowings	4.1	36,832	60,101
Other payables	4.2	896	71,619
Lease liabilities	4.3	111,028	115,253
Provisions	4.4	756	-
Pension obligations	4.5	34,917	47,708
Total non current liabilities		184,429	294,681
TOTAL LIABILITIES		385,170	499,688
NET ASSETS		111,412	99,670
EQUITY			
Share capital		85,198	78,991
Other reserves		41,553	39,030
Retained losses		(15,339)	(18,351)
TOTAL EQUITY		111,412	99,670

The financial statements were approved by the Board of Directors on the 3 May 2022

			
Helen Wiseman President	Heather Richardson Vice-President	Vivian Woodell Vice-President	Edward Parker Secretary

Consolidated Statement of Changes in Equity

As at 22 January 2022

	Share Capital £'000	Revaluation reserve £'000	Retained (losses) / Earnings £'000	Total Equity £'000
Balance at 26 January 2020 (restated)	75,153	41,126	(13,657)	102,622
Loss for the year	-	-	(420)	(420)
Realised on disposal of properties	-	(2,286)	2,286	-
Other comprehensive income:				
Revaluation of property, plant and equipment	-	763	-	763
Actuarial loss on defined benefit pension plans	-	-	(6,920)	(6,920)
Income tax on other comprehensive loss (Note 2.5)	-	(573)	2,164	1,591
Total other comprehensive loss	-	190	(4,756)	(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
Loss for the year	-	-	(4,745)	(4,745)
Realised on disposal of properties	-	(2,011)	2,011	-
Other comprehensive income:				
Revaluation of property, plant and equipment	-	4,534	45	4,579
Actuarial gain on defined benefit pension plans	-	-	6,921	6,921
Income tax on other comprehensive loss (Note 2.5)	-	-	747	747
Total other comprehensive income	-	4,534	7,713	12,247
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	6,207	-	-	6,207
Members' share interest	-	-	(1,967)	(1,967)
Total contributions by and distributions to members	6,207	-	(1,967)	4,240
Balance at 22 January 2022	85,198	41,553	(15,339)	111,412

Consolidated Statement of Cash Flows

For the year ended 22 January 2022

	Note	2021/22 £'000	2020/21 £'000
Cash flows from operating activities			
Loss for the period		(4,745)	(420)
Adjustments for:			
Depreciation	3.1	6,484	8,062
Amortisation of intangible assets	3.2	417	1,081
Depreciation IFRS16 right of use assets	3.4	12,296	13,629
Loss / (Gain) on sale of property, plant and equipment	2.2	335	(1,737)
Gain on transfer of engagement	2.6	(2,711)	-
Change in fair value of investment property	2.2	838	1,461
Change in fair value of trading property	2.2	(690)	1,461
Funeral Plan net finance (income) / expenses		(33)	(2,837)
Finance expense		5,544	6,123
Finance income	2.3	(558)	(202)
IFRS 16 finance expense		4,880	4,971
Payments to and on behalf of members	2.4	1,895	1,859
Income tax (credit) / expense		2,677	(2,318)
		26,629	31,133
Change in:			
Stocks		(1,153)	23
Trade and other receivables		4,949	9,378
Trade, other payables and provisions		4,202	(34,344)
Payments to the pension fund	4.5	(8,348)	(7,946)
		(350)	(32,889)
Income tax		(113)	(185)
Cash generated from / (used in) operating activities		26,166	(1,941)
Cash flows from investing activities			
Interest received		558	202
Payments to new investments	3.5	(3,496)	(1,346)
Proceeds from investments		5,145	5,638
Proceeds from:			
Sale of investment properties, property, plant and equipment, intangible assets and assets held for sale		9,892	17,422
Transfer of engagements	2.6	22,174	-
Purchase of:			
Property, plant and equipment		(13,951)	(2,440)
Intangible assets	3.2	(935)	-
Investment property	3.3	(85)	(136)
Business acquisitions (net of cash acquired)	6.1	-	229
		19,302	19,569
Net cash generated from investing activities			
Cash flows from financing activities			
Proceeds from issue of share capital		51,120	36,571
Repayment of share capital and share interest		(47,342)	(34,962)
Proceeds from loans		146,133	165,804
Repayments of loans		(169,402)	(161,310)
Loan arrangement fees		(149)	(154)
Interest paid on borrowings	4.3	(2,587)	(2,593)
Repayment of lease interest		(4,880)	(4,971)
Lease payments		(15,453)	(9,474)
Payments to and on behalf of members		(1,691)	(2,055)
Net cash used in financing activities		(44,251)	(13,144)
Net increase in cash and cash equivalents		1,217	4,484
Cash and cash equivalents at start of period		(5,056)	(9,540)
Cash and cash equivalents at end of period	3.9	(3,839)	(5,056)

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

Accounting Policies

1. Basis of Preparation

a) Statement of compliance

The Midcounties Co-operative Limited is a Co-operative Society domiciled in the United Kingdom. The Group financial statements for the year ended 22 January 2022 have been prepared in accordance with UK adopted 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 £4.7m for the year to 22 January 2022 (2020/21: £0.4m loss) and has net assets of £111.4m (2020/21: £99.7m). The Society meets its day to day working capital requirements from a series of committed, bank facilities comprising a fixed term loan, revolving credit facilities and overdrafts in addition to cash balances maintained.

As at 22 January 2022, the Society had total drawings of £56.8m under its bank loans and revolving credit facilities. The bank facilities are subject to continued compliance with both financial and administrative covenants. The Society has bilateral and syndicated club facilities amounting to £106.0m with its three long-term partner banks. These credit facilities will mature in August 2023. The Society has commenced work to determine the level of credit facilities needed beyond this period and intends to complete a re-financing by the end of 2022.

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 the end of May 2023 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 economic environment and the ongoing conflict in Russia / Ukraine and recovery from 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 the going concern assessment. Whilst the Directors consider there are uncertainties, they do not consider the uncertainties to be material uncertainties that may cast significant doubt on the Society's ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.

Recovery from Covid-19

The impact of Covid-19 upon the Society has been significant in the year reported but is expected to have a lesser impact in the year ahead. We expect a recovery in the Travel sector through 2022 and a widespread re-commencement of travel plans. We also expect working patterns to gradually return to pre-pandemic norms and customer behaviours to impact the performance across many of our other businesses.

During periods of lockdown and partial lockdown, the Society witnessed significant reductions in its Childcare and Travel businesses but has benefitted from stronger trading in Food Retail.

Government guidance to work from home coupled with flexible hybrid working arrangements resulted in childcare occupancy levels falling to 68% on average throughout 2021/22 compared with an expected 78%. We forecast a recovery in occupancy levels this year but not to pre-pandemic levels, see 'Childcare' below.

Restrictions on international travel and the closure of our retail estate significantly curtailed travel plans across the year resulting in high levels of holiday cancellations and re-bookings. The year ahead will see a recovery of this sector and pent up demand we expect to drive a significant upturn, see 'Travel' below.

During periods of lockdown and low consumer confidence, our Food Retail business has benefited from additional footfall and basket spend. People have been restricted from eating out, attending workplaces and travelling and as such, they have stayed at home. We expect this benefit to unwind in the year ahead, and return to pre pandemic levels, as restrictions are lifted and people have more confidence to return to more 'normal' work / leisure patterns.

Travel

In Travel, our base budget assumes that the market overall returns to approximately 90% of the pre-pandemic level (2019). This is in line with overall industry expectations and research undertaken and published by Mintel. We expect a significant number of cancellations in Q1 (to end April 22), to reflect the impact of ongoing testing and changes to plans made on re-bookings made throughout the pandemic. These cancellations are expected to slow through Q2 and return to pre-pandemic levels (c.5%) in H2 2022/23.

To test our financial resilience against further material risks we have assumed an additional 25% downturn in booking activity across the year. This test assumes that the market performs at 67.5% of the pre-pandemic (2019) levels and volumes are reduced accordingly across the year.

In terms of Government support we have assumed that none is offered in any scenario.

The Travel business benefits from strong underlying working capital. However, the extensive curtailment of travel over the past 12 months has meant that working capital balances have been significantly lower than expected. We expect pressure on working capital to continue throughout 2022 and as such have not assumed any significant increase in the year ahead.

The business does not assume that the travel sector will return to normal booking and departure profiles until at least financial year 2023/24.

Childcare

In Childcare, we have assumed that occupancy levels increase in line with the easing of lockdown restrictions and return to historic levels by the end of 2022/23. This division has seen an improvement in occupancy since September and the budget assumes an average occupancy of 73% over the year compared with 68% last year. Pre-pandemic performance would deliver occupancy levels of 76%-78% across the year.

Reasonable downside modelling has been undertaken to demonstrate the impact of a decline in children attending based on our experience throughout 2021. As such we have modelled a scenario whereby 2021's occupancy at 68% is repeated into 2022 and that there is no year-over-year growth.

Food Retail & Post Offices

Our modelling assumes that we return to pre-pandemic levels of trade over the course of 2022/23 and that sales grow in line with inflation and new sales initiatives. We have also modelled a partial offset to this caused by a slight channel-shift whereby some customers increase their spend with grocery discounters.

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 or sales dip significantly below expectations or that margin is not achieved at the levels budgeted. Specifically, we have modelled a 1% reduction in like-for-like sales.

Our budget assumes that the availability issues experienced through the supply chain in H2 2021/22 continue into Q1 but then recover to normal levels thereafter. We have also assumed that commodity cost price increases are in the main passed through to pricing.

Ukraine Crisis and Energy Prices

Management has performed an assessment of the direct and indirect impact on the Society of the ongoing conflict in Ukraine.

The main impact is in relation to the worldwide price of energy. The Society buys its energy through a variable hedging basket provided by Co-op Power. Based on the current hedged position our analysis predicts that energy costs will double throughout 2022/23 and are only offset through committed energy efficiency investments, primarily LED and refrigeration. This additional cost has been applied to all areas of the Society.

The impact will also be felt in our Travel business albeit this is expected to be limited. We expect no sales to be made in the territories directly impacted and some curtailment in neighbouring countries such as Poland. We do not expect a material downturn in other countries at this stage and believe our 'material downturn' assessment in Travel overall will accommodate any impact arising.

We have witnessed a rise in food price inflation over recent months and expect this to continue throughout 2022/23. Our current assumption is that we will pass through the majority of this increase to customers and potentially make minor tactical investments in price. We expect the grocery sector to take a broadly similar approach.

Mitigation

The Directors have identified a number of mitigating actions which are modelled in the severe but plausible downside. These include but are not limited to; capital investment restrictions/deferments, central cost reductions and increased sale and leaseback 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 have provided additional cash headroom in 2021/22 and are expected to contribute again in 2022/23.

The Directors believe it remains appropriate to prepare the financial statements on a going concern basis due to the availability of its committed banking facilities and 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.

c) Use of estimates and judgements

The preparation of financial statements in conformity with applicable accounting standards 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
Recognition of pension obligations	4.5

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. The financial statements of the parent entity are prepared and filed separately.

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 2021

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 22 January 2022 are:

Interest Rate Benchmark Reform – IBOR 'phase 2' (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021.

The amendments provide relief to Group in respect of certain loans whose contractual terms are affected by interest benchmark reform.

This change had no impact on the Society's financial statements for the current financial year.

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:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

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

Notes to the Financial Statements

Keeping it simple

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

Section 1 - Revenue

In this section

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

Keeping it simple – Sales

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

Revenue consists of gross sales less agency fees, VAT, discounts and member share of profits.

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, discounts and member share of profits.

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	Point of sale
Post Office	Commission earned is recognised when transaction takes place
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 (see below)
Travel principal revenue	Recognised on departure date of holiday (see below)
Travel foreign exchange	Commission recognised at point of sale (see below)
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
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

Travel agency fees and commissions revenue is where the society acts as a travel agent to book the holiday. The Society has varying routes to market include consortium, retail stores and personal travel assistants. Revenue represents the commission for the sale of holidays excluding value added tax and less a provision for cancellation. Revenue is recognised at the point of booking and the provision for cancellations is based on the Society's expectation of future holiday cancellations which will result in the refund of commission earned on the booked holiday. Revenue recognised but not collected in cash are present in Trade receivables less appropriate expected credit loss provisions. From the sale of holidays, the Society receives part payment from the customer of the holiday by way of a deposit and payments on account until the date of departure. Payments received in excess of revenue earned and payments collected on behalf of the Principal to the holiday are presented as a Travel payments on account within trade and other payables.

Travel principal revenue is where the Society acts as the principal tour operator. The Society is a principal where it has control over the asset before it is delivered to the customer as a package holiday. Revenue is recognised net of discounts and valued added tax and is measured as the aggregate amount earned from holidays. Revenue from the sale principal holidays is comprised of one performance obligation and the transaction price is recognised at the point of departure. For the sale of holidays, the Society receives part payment from the customer of the holiday by way of a deposit and payments on account until the date of departure. Payments received in excess of revenue earned are presented as a Travel payments on account within trade and other payables. Trade receivables connected to Travel principal revenue only become due from the customer 14 weeks before the date of departure. At this date, a Trade receivable is recognised less any cumulatively payments on account received from the customers. For principal arrangements payments are made in advance to secure hotels, flights and other elements of a holiday and these are presented within Prepayments & deposits within Trade and Other receivables until due. Trade payables connected to Travel principal bookings only become due to the supplier 8 weeks before the date of departure. At this date, a Trade payable is recognised less any cumulatively payments on account made to suppliers.

Where the Society acts as travel foreign currency provider, revenue represents the difference between the cost and selling price of the currency (the translation margin). Travel foreign exchange is recognised at the point of sale to the customer.

1. Revenue

	Note	2021/22 Gross sales* £'000	2021/22 Revenue £'000	2020/21 Gross sales* £'000	2020/21 Revenue £'000
Food		638,431	575,595	676,965	608,454
Healthcare		5,307	5,002	20,684	20,313
Travel agency fees and commissions		188,650	23,718	28,035	4,980
Travel principal revenue		20,024	20,024	15,179	15,179
Travel Foreign exchange		365	365	413	413
Childcare		37,279	37,064	27,709	27,550
Post Offices		3,328	3,286	3,152	3,109
Phone and broadband services		8,730	8,675	10,495	10,434
Energy white label		331	329	710	706
Flexible Benefits commissions		8,899	879	12,330	636
Other		74	74	101	100
Property rentals		2,741	2,659	2,434	2,576
		914,159	677,670	798,207	694,450
Members share of profits		(1,211)	(1,211)	(1,262)	(1,262)
Total revenue		912,948	676,459	796,945	693,188
Discontinued operations	2.6	23,235	22,800	29,890	29,453

* 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 are earned as part of the membership offer and 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.

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 service. Cost of Sales for principal travel sales are deferred until the specified due date of revenue before departure.

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. Bonuses and LTIPs are accrued as earned.

	Note	2021/22 £'000	2020/21 £'000
Operating costs	2.1.1	71,081	74,258
Personnel costs	2.1.2	128,297	131,911
Transactions with directors	2.1.3	195	176
		199,573	206,345
Discontinued operations included above	2.6	10,082	12,584
Continuing operations		189,491	193,761

2.1.1 Operating costs

		2021/22 £'000	2020/21 £'000
Hire of plant and equipment - Short Term leases		400	354
Hire of land and buildings - Short term leases		2,644	1,754
Depreciation of owned assets - property, plant and equipment	3.1	6,484	8,062
Amortisation of owned assets - intangibles	3.2	417	1,081
Depreciation of right of use assets	3.4	12,296	13,629
Fees paid to auditors:			
Audit		430	430
Other		30	40
Occupancy Costs		21,688	15,778
Other expenses		26,692	33,130
		71,081	74,258

Other operating income of £0.356 million (£5.002 million) is proceeds from insurance claims.

2.1.2 Personnel costs

		2021/22 £'000	2020/21 £'000
Wages and salaries		119,843	128,628
Social security payments		7,911	8,412
Expenses related to defined contribution pension schemes	4.5	2,311	2,530
Coronavirus Job Retention Scheme income		(1,768)	(7,659)
		128,297	131,911

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

	Number	Number
Full time	2,212	2,929
Part time	5,091	4,945
	7,303	7,874

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.

	2021/22 £'000	2020/21 £'000
Directors' fees and expenses	195	176

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.

		2021/22 £'000	2020/21 £'000
Analysis of significant items:			
Items included within operating expenses:			
Net (loss) / gain on disposal of property, plant, equipment, investment properties and assets held for sale	a	(335)	1,737
Change in fair value of trading properties	a	(838)	(1,461)
Change in fair value of investment properties	a	690	(1,461)
Expense of business acquisitions and disposals	b	(458)	(1,266)
Reorganisation costs	c	(1,329)	(2,217)
Right of use asset impairment	d	11	(301)
Banking arrangements	e	(516)	-
Business restructure review	f	(865)	-
Coronavirus expenditure	g	-	(425)
Significant items		(3,640)	(5,394)
Tax on significant items continuing operations	h	1,179	2,312
Significant items after tax		(2,461)	(3,082)

- 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 83.
- d - Reversal of the impairment element of IFRS 16 right of use assets.
- e - Cost relating to changes to banking arrangements.
- f - Cost relating to external consultants reviewing the strategic position of the Society.
- g - Expenditure primarily related to protective screens purchase and initialisation as a result of Covid-19.
- h - The tax credit relates to tax on significant items.

Reorganisation costs further breakdown

Division	£'000	Description
Executive Team & Senior Management	120	Reorganisation of roles and responsibilities within the Executive team and senior management roles across the Society's divisions.
Trading Division	968	Reorganisation costs in relation to site closures, site relocations and change in management structure within food stores.
Other Divisions (Non Trading)	241	Costs to align structure across all trading groups.
Total Restructuring Costs	1,329	

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.

Finance expenses comprise interest expense on borrowings.

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

	Note	2021/22 £'000	2020/21 £'000
Finance income	2.3.1	558	202
Finance expenses	2.3.2	(10,424)	(11,094)
Total finance costs		(9,866)	(10,892)
Discontinued operations	2.6	33	2,837
Total finance costs		(9,833)	(8,055)

2.3.1 Finance income

		2021/22 £'000	2020/21 £'000
Other Interest income		555	103
Interest income on bank deposits		3	99
Total finance income		558	202
Discontinued operations	2.6	1,279	4,878
Total finance income		1,837	5,080

2.3.2 Finance expense

		2021/22 £'000	2020/21 £'000
Net interest on defined benefit liability	4.5	2,478	2,652
Interest expense on bank loans		2,894	2,672
Interest expense in respect of IFRS 16	4.3	4,880	4,971
Loan arrangement fees expensed		172	799
Total finance expense		10,424	11,094
Discontinued operations	2.6	1,246	2,041
Total finance expense		11,670	13,135

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'.

	2021/22 £'000	2020/21 £'000
Grants and other member benefits	1,452	1,396
Employee member benefits	432	450
Charitable donations	11	13
	1,895	1,859

2.5 Income tax

Keeping it simple - Income tax

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.

	2021/22 Before significant items £'000	2021/22 Significant items £'000	2021/22 £'000	2020/21 Before significant items £'000	2020/21 Significant items £'000	2020/21 £'000
Current tax expense:						
Current period	689	(689)	-	988	(988)	-
	689	(689)	-	988	(988)	-
Deferred tax expense:						
Origination and reversal of temporary differences	614	(385)	229	138	(1,382)	(1,244)
Adjustment for prior periods	3,544	(114)	3,430	(547)	-	(547)
Effects on deferred tax of change in tax rate	(991)	9	(982)	(585)	58	(527)
	3,167	(490)	2,677	(994)	(1,324)	(2,318)
Total income tax	3,856	(1,179)	2,677	(6)	(2,312)	(2,318)

In order to understand how, in the income tax statement, a tax charge on continuing operations of £0.180m (2020/21: a tax credit of £2.312 million) arises on a loss before tax of £8.028 million (2020/21: a loss before tax of £9.708 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual charge as follows:

	2021/22 Before significant items £'000	2021/22 Significant items £'000	2021/22 £'000	2020/21 Before significant items £'000	2020/21 Significant items £'000	2020/21 £'000
Loss from Continuing operations	(4,388)	(3,640)	(8,028)	(4,314)	(5,394)	(9,708)
Profit from Discontinued operations	3,249	2,711	5,960	7,132	(162)	6,970
Total loss before taxation	(1,139)	(929)	(2,068)	2,818	(5,556)	(2,738)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2020/21: 19.00%)	(216)	(177)	(393)	25,362	(50,004)	(521)
Tax effect of:						
Expenses not deductible for tax purposes	1,520	(314)	1,206	591	(737)	(146)
Profit on sale of properties subject to indexation and rollover relief	-	(584)	(584)	1,105	(577)	528
Effects on deferred tax of change in tax rate	(991)	9	(982)	(585)	58	(527)
Adjustment to prior periods (current plus deferred tax expense)	3,544	(114)	3,430	(547)	-	(547)
Total income tax expense	3,857	(1,180)	2,677	25,926	(51,260)	(2,318)
Total income tax on continuing operations	1,360	(1,180)	180	-	(2,312)	(2,312)
Total income tax on discontinued operations	2,497	-	2,497	(6)	-	(6)
	3,857	(1,180)	2,677	(6)	(2,312)	(2,318)

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

	2021/22 £'000	2020/21 £'000
Total recognised directly in equity:		
Members' share interest	(461)	(423)
	£'000	£'000
Total recognised in other comprehensive income:		
Revaluation of property, plant and equipment	-	573
Actuarial gains on defined benefit pension plans	(747)	(2,164)
	(747)	(1,591)
Deferred tax:	£'000	£'000
Net asset at start of period	14,169	9,837
Deferred tax charge / (credit) in revenue account for the period	(180)	2,312
Deferred tax recognised directly in equity	461	423
Movement on pension liability deferred tax	747	2,164
Other deferred tax recognised in other comprehensive income	-	(573)
Discontinued operations	(2,497)	6
Net asset at end of period	12,700	14,169

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. This change was substantively enacted on 24 May 2021 and therefore deferred tax has been calculated at a rate of 25%.

		2021/22 Before Significant Items £'000	2021/22 Significant Items £'000	2021/22 Total £'000	2020/21 Before Significant Items £'000	2020/21 Significant Items £'000	2020/21 Total £'000
Loss before tax on continuing operations		(4,388)	(3,640)	(8,028)	(4,314)	(5,394)	(9,708)
Profit before tax on discontinued operations		3,249	2,711	5,960	7,132	(162)	6,970
Loss before taxation		(1,139)	(929)	(2,068)	2,818	(5,556)	(2,738)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2020/21: 19.00%)		(216)	(177)	(393)	(820)	(1,025)	(1,845)
Tax effect of:							
Depreciation in excess of capital allowances	a	1,625	-	1,625	1,499	-	1,499
Pension movements	b	(1,115)	-	(1,115)	(1,006)	-	(1,006)
Expenses not deductible for tax purposes	c	396	-	397	3	-	3
Change in fair value of trading properties	c	-	159	159	-	278	278
Change in fair value of investment properties	c	-	(131)	(131)	-	278	278
Expense of business acquisitions and disposals	c	-	43	43	-	90	90
Capital gains	c	-	(584)	(584)	-	(577)	(577)
Utilisation of current year losses					1,312	(32)	1,280
Reported current tax charge and effective rate		689	(689)	-	988	(988)	-
Depreciation in excess of capital allowances	a	(1,098)	-	(1,098)	(1,057)	-	(1,057)
Pension movements	b	1,115	-	1,115	900	-	900
Expenses not deductible for tax purposes	d	597	(385)	212	296	(1,383)	(1,087)
Adjustments to tax charge in respect of previous periods		3,544	(114)	3,430	(547)	-	(547)
Effects on deferred tax of change in tax rate		(991)	9	(982)	(585)	58	(527)
Reported total tax charge and effective rate		3,856	(1,179)	2,677	(5)	(2,313)	(2,318)
Reported total charge for continuing operations		1,359	(1,179)	180	-	(2,312)	(2,312)
Reported total tax charge for discontinued operations		2,497	-	2,497	(6)	-	(6)
Reported total tax charge and effective rate		3,856	(1,179)	2,677	(6)	(2,312)	(2,318)

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

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

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

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

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 November 2021 the Society transferred its funeral business for a cash consideration of £22.174m. Prior to the disposal the Society hived up assets and liabilities relating to the funeral business into The Midcounties Co-operative Funeral Limited which is the entity presented as a discontinued operation.

The post-tax gain on disposals of discontinued operations was determined as follows:

	2021/22 £'000	
Cash consideration received	22,174	
Total consideration received	22,174	
Cash disposed of	-	
Net cash inflow on disposal of discontinued operation	22,174	
Net assets disposed (other than cash)		
Property, plant and equipment	(7,405)	
Intangibles	(47)	
Trade and other receivables	(2,238)	
Other financial assets	(85,966)	
Other financial liabilities	76,023	
Trade and other payables	170	
	(19,463)	
Pre-tax gain on disposal of discontinued operation	2,711	
Related tax expense	-	
Gain on disposal of discontinued operation after tax	2,711	

Midcounties Co-operative disposed of its Funeral business to Central England Co-operative under the Co-operative 'disposal of assets on union, amalgamation or transfer of engagements' rules. There is a specific capital gains tax rule (s217D TCGA 1992) for relevant bodies (including co-operative and community benefit societies) that allows for the transfer of engagements to take place at nil gain nil loss for chargeable gains purposes and unlike with the transfer of assets within a chargeable gains group the two societies do not need to be connected in order for the transfer to take place at nil gain nil loss. The transfer of Midcounties chargeable assets (including goodwill) did not result in a chargeable gain that was subject to corporation tax. Furthermore the statutory instrument (SI 2009/2971) that sets out the rules for the transfers of business of mutual societies clarifies that when there is a transfer of engagements then no de-grouping charges arise. This means that there are no clawback provisions which would seek to charge the transfers to corporation tax.

The post-tax gain on disposal of discontinued operations was determined as follows:

Result of discontinued operations	2021/22 £'000	2020/21 £'000
Revenue	22,800	29,453
Cost of sales	(9,502)	(12,573)
Operating expenses excluding significant items	(10,082)	(12,585)
Significant items	-	(162)
Net finance costs	33	2,837
Tax (expense)/credit	(2,497)	6
Gain on disposal of discontinued operation after tax	2,711	-
Profit for the year	3,463	6,976
Statement of cash flows	2021/22 £'000	
The statement of cash flows includes the following amounts relating to discontinued operations, excluding cash on disposal:		
Operating activities	1,668	
Financing activities	(1,636)	
Net cash from discontinued operations	32	

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 and carried at cost less any accumulated depreciation and any accumulated impairment losses. Land and Buildings is valued under the revaluation model and 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. Assets under construction, once completed, are transferred to the appropriate category of property, plant and equipment and are subsequently adjusted in accordance with the relevant policy for the category transferred in to.

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. Assets with impairment triggers are tested for impairment on an individual basis. Discount rates applied range between 7.9% to 11.2% 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	Assets under construction £'000	Total £'000
Cost or valuation:					
At 25 January 2020 (restated)	155,017	105,181	81	1,552	261,831
Additions	-	1,359	-	1,081	2,440
Acquisitions	-	216	-	-	216
Impairment reversal	-	104	-	-	104
Revaluation	(752)	-	-	-	(752)
Disposals	(4,803)	(2,498)	(17)	-	(7,318)
Transfer from assets under construction	-	1,672	-	(1,672)	-
Transfer to assets held for sale	(12,358)	(248)	-	-	(12,606)
Transfers to Right of use assets	-	190	-	-	190
Transfers to investment property	(741)	-	-	-	(741)
Transfer PPE category	1,614	(1,614)	-	-	-
At 23 January 2021	137,977	104,362	64	961	243,364
Additions	-	355	-	13,924	14,279
Revaluation	3,319	-	-	-	3,319
Disposals	(6,763)	(12,612)	(57)	-	(19,432)
Transfer from assets under construction	-	13,044	-	(13,044)	-
Transfer to assets held for sale	(3,594)	-	-	-	(3,594)
Transfers to Right of use assets	(598)	(1,553)	-	-	(2,151)
Transfer to intangible assets	-	(510)	-	-	(510)
Transfers to investment property	(615)	-	-	-	(615)
At 22 January 2022	129,726	103,086	7	1,841	234,660
Accumulated depreciation:					
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
Provided this year	1,245	5,235	4	-	6,484
Disposals	(1,073)	(6,700)	(37)	-	(7,810)
At 22 January 2022	8,563	78,292	6	-	86,861
Carrying amount					
At 23 January 2021	129,586	24,605	25	961	155,177
At 22 January 2022	121,163	24,794	1	1,841	147,799

Security

Bank loans and overdraft are fully secured by a legal charge on certain trading and investment properties owned by the Society, also certain properties are charged in favour of the pension scheme.

Valuations

The property valuations undertaken in January 2022 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. VSL and Partners 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 12.0% (2020/21: 5.5% to 13.0%).

The fair value of land and buildings is categorised as recurring fair value measurement (level 2 inputs). Fair values are based on an active market and no significant unobservable inputs.

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.

Had the revalued land and buildings been measured on a historical cost basis, their net book value would have been £76.291 million (2020/21: £91.308 million).

Valuation changes recognised in other comprehensive income are:

Revaluation gains on Property Plant and Equipment
Other revaluation movements

£'000
4,201
333
4,534

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.

Fair value measurement

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

Impairment

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

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

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

Cost:

At 25 January 2020

Acquisitions

Disposals

Transfers to assets held for sale

At 23 January 2021

Additions

Disposals

Transfers from property, plant and equipment

At 22 January 2022

Accumulated amortisation:

At 25 January 2020

Charge for the year

Disposals

At 23 January 2021

Charge for the year

Disposals

At 22 January 2022**Carrying Amount**

At 23 January 2021

At 22 January 2022

Purchased goodwill	Licences, brand and computer software	Total
£'000	£'000	£'000
82,700	3,773	86,473
177	-	177
(6,052)	(681)	(6,733)
(1,836)	-	(1,836)
74,989	3,092	78,081
495	440	935
(110)	(245)	(355)
-	510	510
75,374	3,797	79,171
5,756	637	6,393
-	1,081	1,081
-	(602)	(602)
5,756	1,116	6,872
-	417	417
-	(98)	(98)
5,756	1,435	7,191
69,233	1,976	71,209
69,618	2,362	71,980

Licences relate to the Pharmacy and Post Office businesses and software. Computer software is amortised over 3-10 year period.

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 as part of the Food and Post Office cash generating unit.

Components of Goodwill:**Cash Generating Unit (CGU)**

Food and Post Office

Travel

Childcare

Other

Carrying Amount

At 22 January 2022	At 23 January 2021
£'000	£'000
56,602	56,304
1,088	1,019
11,898	11,879
30	31
69,618	69,233

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. 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 participants cost of capital for each business and range from 7.9% to 11.2%. 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 (2020/21: no impairment charge was required).

Impairment Sensitivity Analysis:

For an impairment to be recognised the cost of capital and growth rates would need to move from their current rates as follows:

	Cost of Capital		Growth Rates	
	Current	Movement	Current	Movement
Food	7.9%	+2.5%	2.0%	-2.5%
Travel	11.2%	+7.5%	3.0%	-7.5%
Childcare	8.1%	+20.5%	3.0%	-26.0%
Utilities	9.2%	+2.5%	2.0%	-3.0%

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 and generates rental income. Properties used for the day to day trade of the business (such as our food stores, nurseries, 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.

	2021/22 £'000	2020/21 £'000
Cost or valuation:		
At start of year	13,001	12,814
Additions	85	136
Revaluation	739	(1,408)
Disposals	(841)	(202)
Transfer from / (to) assets held for sale	(765)	920
Transfers from trade properties	615	741
At end of year	12,834	13,001

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, also certain properties are charged in favour of the pension scheme.

Valuations

The property valuations undertaken in January 2022 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 (2020/21: VSL and Partners).

The properties are valued individually and yields are therefore varying on a property-by-property basis. Yields range from 5.5% to 10.0% (2020/21: 6.0% to 12.0%), with a mean yield of 8.1% (2020/21: 7.9%) before costs.

The fair value of investment property is categorised as recurring fair value measurement (level 2 inputs).

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.

During the year £2.659 million (2020/21: £2.576 million) was recognised in the consolidated statement of comprehensive income in relation to rental income from investment properties. Direct costs relating to investment properties during the year amounted to £0.855 million (2020/21: £0.952 million).

3.4 Right of use assets

Keeping it simple - Right of use assets

Right of use assets are leased assets which the Society does not own but controls. Therefore presented more in line with our owned assets.

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.

	Land & Buildings £'000	Plant, Fixtures & Fittings £000's	Vehicles £'000	Total £'000
Cost or valuation:				
At 25 January 2020	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
Additions	9,734	-	625	10,359
Transfers from PPE	598	1,553	-	2,151
Impairment	837	-	-	837
Effects of modification of lease terms	2,060	-	26	2,086
Disposals	(7,965)	-	(4,855)	(12,820)
At 22 January 2022	130,676	10,518	1,926	143,120
Accumulated depreciation:				
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
Provided this year	9,199	1,951	1,146	12,296
Disposals	(805)	-	(1,541)	(2,346)
At 22 January 2022	29,099	4,116	1,880	35,095
Carrying amount				
At 23 January 2021	104,707	6,800	3,855	115,362
At 22 January 2022	101,577	6,402	46	108,025

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 23 January 2021	329	6	198	533
Number of leases 22 January 2022	328	7	128	463
Material number of Subleased Leases at 23 January 2021	11	-	-	11
Material number of Subleased Leases at 22 January 2022	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 sub-leases some of its non-occupied leased properties and motor vehicles. The Society classifies the sub-lease as a finance lease, where the period of the sublease is for substantially the remaining term of the head lease. Material subleases are leases which the Society recovers over 75% per annum of the rent payable on the property lease through sublease income and generate a substantial rental income for the Society. 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.

	2021/22 £'000	2020/21 £000's
6 months or less	785	402
6-12 months	785	402
1-2 years	2,565	775
2-5 years	2,235	1,924
More than 5 years	1,637	2,172
Total Present value of minimum lease payments receivable	8,007	5,675
Of which are:		
Current Lease receivables	1,570	804
Non Current Lease receivables	6,437	4,871
	8,007	5,675

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 6.3 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 sold funeral pre-payment plans which had not yet been used.

The Society accepted risks from another party (the policyholder) by agreeing to compensate the policyholder in respect of an uncertain future event by offering funeral prepayment plans.

For further information on the disposal of The Midcounties Co-operative Funeral Limited see note 2.6.

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

Determination of fair values 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 it 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 finance income as they arise.

	2021/22 £'000	2020/21 £'000
Non current investments:		
Other Financial Assets	3,792	3,691
Financial assets designated at fair value through the Income Statement	-	76,752
	3,792	80,443
Are held as follows:	£'000	£'000
Co-operative Group shares	1,588	1,562
Other I&P Societies shares	1,501	181
Other investments	703	1,948
Total Other Financial Assets	3,792	3,691
Funeral prepayment plans	-	76,752
	3,792	80,443
Current investments:	2021/22 £'000	2020/21 £'000
Financial assets designated at fair value through the income statement	-	9,584

Movement in Funeral Plan Contract Assets for the year

	Note	2021/22 £'000	2020/21 £'000
Opening Balance		86,336	85,750
Redeemed in the year		(5,145)	(5,638)
New plans in the year		3,496	1,346
Investment Change	2.3.1	1,279	4,878
Transfer of engagement	2.6	(85,966)	-
Closing Balance		-	86,336

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 client's representative.

For further information on the transfer of engagement to dispose of the funeral business see note 2.6.

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	2021/22 £'000	2020/21 £'000
Deferred tax liability in respect of property, plant and equipment		(772)	(465)
Short term temporary differences		-	(120)
Deferred tax liability		(772)	(585)
Intangible assets		895	793
Deferred tax asset in respect of pension obligations		8,730	9,098
Short term temporary differences		99	-
Tax losses		3,748	4,863
Deferred tax asset		13,472	14,754
Net deferred tax asset	2.5	12,700	14,169

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

	Assets		Liabilities	
	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000
Property, plant and equipment	-	-	(772)	(465)
Intangible assets	895	793	-	-
Pension obligations	8,730	9,098	-	-
Other items	99	-	-	(120)
Tax losses	3,748	4,863	-	-
Tax assets / (liabilities)	13,472	14,754	(772)	(585)

There are £15.412 million unrecognised deferred tax assets (2020/21: £11.429 million) relating to Childcare and discontinued operations in Energy.

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

	At 23 January 2021 £'000	Recognised in Income statement £'000	Recognised in equity/ other comprehensive income £'000	At 22 January 2022 £'000
Property, plant and equipment	(465)	(307)	-	(772)
Intangible assets	793	102	-	895
Pension obligations	9,098	(1,115)	747	8,730
Other items	(120)	(242)	461	99
Tax losses	4,863	(1,115)	-	3,748
Tax assets	14,169	(2,677)	1,208	12,700

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 costs to sell. Provision is made where necessary for slow moving and defective stocks.

Goods for resale

2021/22 £'000	2020/21 £'000
25,695	24,542
25,695	24,542

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £380.343 million (2020/21: £424.838 million).

The year-end stock provision is £nil (2020/21: £0.224 million).

Stock write-downs in the year were £nil (2020/21: £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.

Accounting Policy:

The carrying value of trade and other receivables classified at amortised cost approximates fair value. The Society applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

Current Assets - Trade & Other Receivables

Trade receivables

Prepayments & deposits

Accrued Income

Rental Income receivable

Other receivables

Note

2021/22 £'000	2020/21 £'000
22,554	40,254
23,921	19,398
8,144	4,128
1,570	805
21,680	19,934
77,868	84,519
6,437	4,870
873	1,103
7,310	5,973

Non-Current Assets Other Receivables

Rental Income receivable

Other receivables

6.3

Included within prepayments and deposits is £18.347 million worth of prepaid travel bookings (2020/21 £15.249 million), which could be reimbursed to customers upon booking cancellation.

A breakdown of the expected credit loss provision can be seen in note 4.6

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. The Society recognises cash from credit card transactions at the point of sale.

	Note	2021/22 £'000	2020/21 £'000
Cash and cash equivalents		9,489	7,840
Short-term deposits		3	3
Cash and cash equivalents in the statement of financial position		9,492	7,843
Bank overdraft	4.1	(13,331)	(12,899)
Cash and cash equivalents in the statement of cash flows		(3,839)	(5,056)

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

3.10 Assets and liabilities held for sale

Keeping it simple - Assets and liabilities held for sale

If a decision has been made to sell a non-current asset or non-current liability, 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.

	2021/22 £'000	2020/21 £'000
Assets classified as held for sale:		
Land and buildings, goodwill & other assets	19,087	17,536
	19,087	17,536
Liabilities classified as held for sale:		
Funeral plans	3,297	-
	3,297	-

Amounts included in assets held for sale relate to non-strategic properties. Amounts included in liabilities held for sale relate to funeral bonds. These sales are expected 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. For more information about the Society's exposure to interest rate and liquidity risk see note 4.5.

	Note	2021/22 £'000	2020/21 £'000
Current liabilities:			
Bank overdraft	3.9	13,331	12,899
Current portion of secured bank loans (see notes 3.1 & 3.3)		(205)	(228)
		13,126	12,671
Non current liabilities:			
Secured bank loans (see notes 3.1 & 3.3)		36,832	60,101
		36,832	60,101

Terms and conditions of outstanding loans were as follows:

	Rate	Nominal interest rate	Year of maturity	Utilised 2021/22 £'000	Total facility 2021/22 £'000	Utilised 2020/21 £'000	Total facility 2020/21 £'000
Royal Bank of Scotland loan	Fixed	5.73%	2023	23,343	23,497	23,468	23,467
Royal Bank of Scotland loan	Variable	LIBOR + 0.90%	2023	-	-	467	467
Revolving credit facility Barclays	Variable	SONIA + 2.25%	2023	16,832	26,118	15,245	26,448
Revolving credit facility Lloyds	Variable	SONIA + 2.75%	2023	9,783	24,339	25,657	26,702
Multi-Currency Revolving Facility	Variable	SONIA + 2.75%	2023	-	32,000	7,935	23,702
Total interest bearing liabilities				49,958	105,954	72,772	100,786

The loans are shown net of an unamortised arrangement fee of £0.321 million (2020/21: £0.244 million)

The total facilities available to the Society as at 22 January 2022 were £106.0 million.

The utilised facilities above include the bank overdraft of £13.331 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
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
Loan proceeds	146,133
Loan repayments	(169,402)
Net Loan agreement fees (non-cash)	-
At 22 January 2022	36,832

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.

	2021/22 £'000	2020/21 £'000
Current liabilities:		
Trade payables	122,049	103,086
Other payables	16,136	15,045
Travel payments on account	13,185	28,192
Deferred income - Funeral Bonds	-	9,033
Deferred income - Other	1,562	3,949
Accrued charges	19,639	18,122
	172,571	177,427
Non current liabilities:		
Deferred income - Funeral Bonds	-	70,179
Deferred income - Other	896	213
Other payables	-	1,227
	896	71,619

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 payables is £49.778 million (2020/21: £38.631 million) of pipeline monies due to the Society's tour operators relating to sales made by the Society acting as an agent. Balances in other payables of £13.185 million (2020/21: £28.192 million) represent payments on account due to the Society's suppliers relating to sales made by the Society acting as a principal.

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 liability of the Society for lease payments due on Right of Use assets presented in note 3.4.

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 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 Society's 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, Fixtures & Fittings £000's	Vehicles £'000	Total £'000
At 25 January 2020 (restated)		111,307	3,716	2,610	117,633
Additions		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
Additions	3.4	9,734	-	625	10,359
Transfers from property, plant and equipment		598	1,553		2,151
Interest Expense		4,285	472	123	4,880
Lease Payments		(16,701)	(2,401)	(1,231)	(20,333)
Effect of modification of lease terms		2,060	-	26	2,086
Disposal		(6,417)	-	-	(6,417)
At 22 January 2022		112,773	6,680	3,311	122,764
Of which are:					
Current Lease liabilities		8,291	2,262	1,183	11,736
Non Current Lease Liabilities		104,482	4,419	2,127	111,028
		112,773	6,681	3,310	122,764

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

4.4 Provisions

Keeping it simple - Provisions

Provisions are amounts set aside to allow the Society to provide for future liabilities of uncertain timing or amount.

At 23 January 2021

Transfers from accrued charges
Credited to profit and loss

At 22 January 2022

Due within one year or less
Due after more than one year

Leasehold dilapidations £'000	Total £'000
-	-
781	781
(25)	(25)
756	756
-	-
756	756
756	756

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

4.5 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 £2.311 million (2020/21: £2.530 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 22 January 2022 by a qualified independent actuary.

Plan Assets comprise:

Equities:

Developed equities

Senior secured loans:

Alternative credit

High quality bonds

Other - Emerging market debt

Property

Diversifying strategies

Cash and cash equivalents

Other:

Listed infrastructure

Other

Annuity policy

2021/22 £'000	2020/21 £'000
39,199	34,720
27,378	26,809
72,292	93,237
9,429	9,528
43,482	42,527
37,295	37,591
25,057	2,503
10,507	12,474
4,239	4,266
720	861
269,598	264,516

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

Actual return on plan assets

2021/22 £'000	2020/21 £'000
6,313	13,306

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

Change in defined benefit obligation

Defined benefit obligation at beginning of year

Interest cost

Actuarial (gains) / losses

Benefits paid

Annuity policy

Defined benefit obligation on plans that are wholly or partly funded

2021/22 £'000	2020/21 £'000
312,224	300,928
4,768	5,162
(4,860)	15,817
(7,476)	(9,577)
(141)	(106)
304,515	312,224

Change in plan assets

Fair value of plan assets at beginning of year

Interest income

Actuarial gains

Administration expenses

Employer contribution

Benefits paid

Annuity policy

Fair value of plan assets at end of year

2021/22 £'000	2020/21 £'000
264,516	254,846
4,077	4,409
2,061	8,897
(1,787)	(1,899)
8,348	7,946
(7,476)	(9,577)
(141)	(106)
269,598	264,516

Net pension obligation

2021/22 £'000	2020/21 £'000
(34,917)	(47,708)

Components of pension cost

Interest cost
Expected return on plan assets
Administrative expenses and taxes
Total pension cost recognised in the Income statement

£'000	£'000
4,768	5,162
(4,077)	(4,409)
1,787	1,899
2,478	2,652

Actuarial losses/(gains) immediately recognised in other comprehensive income:

Effect of changes in demographic assumptions
Effect of changes in financial assumptions
Effect of experience adjustments
Return on plan assets (excluding interest income)
Total pension cost/(income) recognised in other comprehensive income

£'000	£'000
(533)	(445)
(4,327)	16,197
-	65
(2,061)	(8,897)
(6,921)	6,920

Cumulative cost of actuarial losses immediately recognised

76,812	83,908
--------	--------

Weighted average assumptions used to determine defined benefit obligations:

Discount rate
Inflation
Rate of increase to pensions in payment (pre July 2006)
Rate of increase to pensions in payment (post July 2006)

2021/22	2020/21
1.95%	1.55%
3.15%	2.70%
3.05%	2.65%
2.00%	1.90%

Weighted average assumptions used to determine net pension cost:

Discount rate
Inflation
Future salary increases
Rate of increase to pensions in payment (pre July 2006)
Rate of increase to pensions in payment (post July 2006)

2021/22	2020/21
1.55%	1.75%
2.70%	2.65%
N/A	N/A
2.65%	2.60%
1.90%	1.90%

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

	Males		Females	
	2021/22	2020/21	2021/22	2020/21
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	23.6	23.7	25.7	25.6

Two year history

Benefit obligation at end of year
Fair value of plan assets at end of year
Deficit

2021/22	2020/21
£'000	£'000
(304,515)	(312,224)
269,598	264,516
(34,917)	(47,708)

Difference between expected and actual return on scheme assets:

Amount (£'000)
Percentage of scheme assets

2,061	8,897
1%	3%

Experience gains and losses on scheme liabilities:

Amount (£'000)
Percentage of scheme assets

-	65
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	50,667	(15,750)
Plus 0.25% discount rate	20,245	14,672
Minus 0.25% inflation rate	25,038	9,879
Plus 0.25% inflation rate	46,057	(11,140)
Mortality rate -1 year	46,400	(11,483)
Mortality rate +1 year	23,618	11,299

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 22 January the Trustee comprises of three member-nominated representatives and three 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 2018 valuation of the Scheme, the Society is currently contributing £8 million 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 22 January 2022, the weighted average duration of the defined benefit obligation was approximately 21 years.

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

4.6 Financial instruments and derivatives

Keeping it simple - Financial instruments and derivatives

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

Credit risk:

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

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

	Note	2021/22 £'000	2020/21 £'000
Cash & Cash equivalents (excluding overdrafts)	3.9	9,492	7,843
Other Financial Assets	3.5	3,792	3,691
Financial assets at fair value through the income statement	3.5	-	86,336
Trade and other receivables	3.8	45,804	60,993
		59,088	158,863

The ageing of trade receivables at the reporting date was:

	Gross 2021/22 £'000	Impairment 2021/22 £'000	Gross 2020/21 £'000	Impairment 2020/21 £'000
Not overdue	15,622	-	33,052	-
Overdue 0-30 days	6,592	(37)	6,476	(193)
Overdue 31-120 days	381	(150)	884	(300)
121 days to one year	552	(413)	567	(305)
More than one year overdue	264	(257)	347	(274)
	23,411	(857)	41,326	(1,072)

Movement in Trade receivables Impairment for the year

Impairment balance as at 23 January 2021
Utilised for continuing operations
Utilised for discontinued operations
Provision created in the year
Impairment balance as at 22 January 2022

£'000
(1,072)
51
235
(71)
(857)

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 Covid-19 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:

	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
22 January 2022							
Secured bank loans & Overdraft	49,958	53,630	14,169	838	38,623	-	-
Lease liabilities	122,764	152,860	8,131	8,198	15,045	36,676	84,810
Trade and other payables	172,571	172,571	172,571	-	-	-	-
	345,293	379,061	194,871	9,036	53,668	36,676	84,810
23 January 2021							
Carrying amount £'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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

Interest rate risk:

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

	Carrying amount	
	2021/22 £'000	2020/21 £'000
Fixed rate instruments:		
Financial liabilities	(23,343)	(23,468)
Variable rate instruments:		
Financial assets	6,867	7,843
Financial liabilities	(23,988)	(49,304)

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 22 January 2022 amounted to £161.370 million (2020/21: £172.442 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 £11.717 million (2020/21: £10.982 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	2021/22		2020/21	
		Carrying amount	Fair value	Carrying amount	Fair value
		£'000	£'000	£'000	£'000
Other Financial assets	3.5	3,792	3,792	3,691	3,691
Financial assets designated at fair value through the income statement	3.5	-	-	86,336	86,336
Trade and other receivables	3.8	85,178	85,178	90,492	90,492
Cash and cash equivalents	3.9	9,492	9,492	7,843	7,843
Secured bank loans & overdraft	4.1	49,958	53,630	72,772	69,649
Lease liabilities	4.3	122,764	122,764	130,038	130,038
Trade and other payables	4.2	171,009	171,009	165,672	165,672

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% (2020/21: 2.21%). The basis of the interest rate was the London Inter-Bank 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 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:

The Final Dividend for 2020/21 was declared and approved (October 2021) by the Society:

The Dividend was paid in December 2021.

£'000
1,100

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 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.

Acquisitions

The Group made no acquisitions in the current year.

	Note	2021/22 Total fair value £'000	2020/21 Total fair value £'000
Assets acquired			
Property, plant and equipment	3.1	-	216
Other Intangibles		-	-
Stock		-	-
Debtors		-	2,090
Creditors		-	(2,712)
Deferred tax		-	-
Cash		-	470
Net assets		-	64
Goodwill	3.2	-	177
Cash		-	241
Consideration			
Cash		-	241

In November 2020, the Society acquired certain assets from Central England Co-operative 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.

6.2 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.

During the year the Society discontinued operations of the funeral business. For further detail on the discontinued operation see note 2.6.

Accounting Policy

Revenue from Funeral plans

Up to the point of transfer of engagement funeral plans when a customer took out a plan, the monies were invested in whole of life policies where by 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. The Society recognised investment gains in the income statement as they arose 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 grew over time by a rate which reflected a financing rate between the Society and the customer. Any investment gains and losses from our whole of life policies were measured at fair value through our income statement in accordance with IFRS 9 rather than being taken at net through operating profit. Revenue was considered to be the amounts we received from the customer in accordance with IFRS 15. Under this policy, payments were received from the customer in advance of a funeral being performed and so recognised an effective interest charge on the monies received from a customer in each year until the plan was redeemed at which point the revenue was 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 have been recognised within our finance income or finance costs each year. 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 82.3 (2020/21: 84.1) and 85.8 (2020/21: 86.5) 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 borrowing rates available to the Society at the point of time the funeral plan is taken out.

	Note	2021/22 £'000	2020/21 £'000
Assets			
Funeral prepayment plans - current	3.5	-	9,584
Funeral prepayment plans - non-current	3.5	-	76,752
Funeral bond liability deferred income - Current	4.2	-	(9,033)
Funeral bond liability deferred income - non-current	4.2	-	(70,179)
Net		-	7,124

Movement in deferred income for the year

	2021/22 £'000	2021/22 £'000
Opening Balance	79,212	80,865
Redeemed in Year: Revenue	(4,599)	(5,048)
Net Interest	1,246	2,042
New plans in year	164	1,353
Disposed on transfer of engagement	(76,023)	-
Closing Balance at the end of the year	-	79,212

For further information on the disposal of the disposal of The Midcounties Co-operative Funeral Limited see note 2.6

6.3 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.

	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
22 January 2022							
Operating leases	-	2,845	523	454	109	927	832
Finance Leases	8,007	8,754	785	785	2,551	2,828	1,805
	8,007	11,599	1,308	1,239	2,660	3,755	2,637
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	687	644	985	802	-
Finance Leases	5,675	6,661	402	403	804	2,152	2,900
	5,675	9,779	1,089	1,047	1,789	2,954	2,900

6.4 Capital commitments

Keeping it simple - Capital commitments

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

	2021/22 £'000	2020/21 £'000
Expenditure committed but not provided for	4,489	1,386

6.5 Related party transactions

Keeping it simple - Related party transactions

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

Vivian Woodell is Director of Student Co-operative Homes which received support of £6,000 in 2021/22 from the Co-operative and Social Economy Development Fund run by the Society, as part of agreed funding of £18,000 over three years. He is also a Trustee of The Co-operative College Trust and a Director of Co-operatives UK Limited.

Olivia Birch is Director of Revolver Co-operative Limited.

Steve Allsopp, Paul Mather, Barbara Rainford are directors of Co-operative Futures Ltd during the year.

Barbara Rainford and Victoria Green are also a Directors of Co-operative Press.

	2021/22 £'000	2020/21 £'000
Products or services supplied to Midcounties by		
Revolver Co-operative Ltd	44	35
Co-operative Press	16	12
Co-operative Colleges Trust	-	1
Co-operative Futures Ltd	48	49
Co-operatives UK	286	262

The Society was reimbursed £1.222 million (2020/21 £1.114 million) by Premier Pensions in relation to pension scheme costs paid for by the Society.

Remuneration of key management personnel for the year amounted to £2.431 million (2020/21 £1.876 million) including National Insurance contributions. For further details in relation to key management personnel remuneration please refer to the Remuneration Report on page 52.

6.6 Wholly owned subsidiaries

Keeping it simple - wholly owned subsidiaries

These are separate legal entities that form part of The Midcounties Co-operative which are owned, managed and controlled by the Society.

As at 22 January 2022, 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
Kenmare Estates Limited	Property Management
The Midcounties Co-op Travel Ltd	Travel

The following were not trading throughout the year:

Avoco UK Limited	The Midcounties Co-operative Willow Limited
BCOMP 527 Limited	Kwik Travel Limited
Buffer Bear Limited	Needham Hall Limited
Buffer Bear Nurseries Limited	Oakshower Services Limited
Co-op Energy Limited	Phone Co-op Numbering Limited
Co-op Travel Direct Limited	Places for Children (PFP) Limited
Co-op Travel Limited	Reeves & Pain Limited
Countrystore (Maidenhead) Limited	Rusts Limited
Early Birds Nursery School Limited	The Co-operative Childcare Limited
Ecobilling Limited	The Green Energy Co-op Limited
Energy Coop Limited	The Midcounties Co-operative Developments Limited
First Steps Children's Nursery (Group) LTD	The Midcounties Co-operative Estates Limited
First Steps Childrens Nursery Limited	The Midcounties Co-operative Pension Trustee Limited
First Steps Childrens Nursery (Rathvilly) Limited	Thomas Ely Limited
First Steps Children's Nursery (St Edwards) LTD	Tuffin (Investments) Limited
First Steps (Stonehouse Farm) Limited	Volt Energy Supply Limited
Floridian Homes Ltd	Warners Retail (Bidford) Limited
Harry Tuffin Limited	Warners Retail (Moreton) Limited
Hubcentre Limited	
The Midcounties WR1 Limited	
The Midcounties WR2 Limited	
Tavistock House Day Nursery Limited	

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



The Midcounties Co-operative Limited
Co-operative House, Warwick Technology Park
Warwick, CV34 6DA

0800 435902
member.communications@midcounties.coop

Registered under the Co-operative and Community Benefit Societies Act 2014
Registered number: 19025R

www.midcounties.coop