

The Midcounties Co-operative Limited

Special general meetings – 27 January and 15 February 2022

Explanatory note

Members may be aware that the Society has recently sold its funeral business. Most of the funeral homes and all the Society's pre-paid funeral plans were sold to Central England Co-operative¹. This transaction completed in early November.

The rationale for the sale was set out in the Half Year Report published in early October – there are extracts from the report in the appendices.

There remains one item that needs attention in order to finalise the above. This involves the transfer of the pre-paid funeral plans.

The Society and Central need to be absolutely sure that everything to do with the pre-paid plans including all of the Society's legal and other obligations have been transferred fully to Central England Co-operative. The agreement that was signed with Central in November set out to achieve this.

However, a very exacting legal interpretation of the transfer arrangements could lead to the view that the Society still retains some residual contractual liability under the pre-paid plans. This means that in the future the Society, rather than Central England Co-operative, could still be considered legally responsible for the plans.

Understandably, neither the Society nor Central want that situation to arise. In addition, neither does the Financial Conduct Authority (the FCA).

¹ a small number of homes were sold to Southern Co-operative, one was sold to Heart of England Society, one to an independent funeral director, and a few of the smallest homes were closed.

The views of the FCA matter here because under new regulations being introduced by the government that come into effect in July this year, organisations that sell pre-paid funeral plans must be registered with the FCA.

The FCA can see that it makes no sense for the Society to be deemed to have any involvement in the pre-paid plans going forward given that they were transferred to Central in November.

The best way to ensure that no residual liability for the plans whatsoever remains with the Society is to action a 'partial transfer of engagements' – a formal process that allows co-operative societies to transfer parts of their business to other co-operative societies.

Under a partial transfer of engagements, a society holds two member meetings:

- at the first meeting, members are asked to approve a resolution transferring whatever parts of the co-operative society's business the society is wishing to transfer to the other co-operative society. In this case, the Society will be asking members to approve the transfer of its pre-paid funeral plan business to Central.
- at the second meeting members are asked to confirm the resolution passed at the first meeting. This meeting has to be held between 14 days and one month after the first meeting.

Assuming that the resolution is passed at the first meeting and confirmed at the second meeting, the FCA is then in a position to register the partial transfer, at which point the transfer takes effect.

Given all the above, the Board has convened the two required member meetings – on 27 January and 15 February 2022. The notice of the meetings is attached. Also, the formal resolutions that the Board will be proposing to members.

If you have any questions on the above, please contact the undersigned.

We hope to see you at the meetings.

Edward Parker
Secretary & Head of Governance

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Appendices

1. Rationale for the sale of the Funeral business – extracts from the Half Year Report 2021

Chief Executive's review

“The Board has been considering for some time the best way to ensure a strong and sustainable co-operative offering for our Funeralcare clients. Central England Co-operative operates a Funeralcare offering twice the size of our own operation and if this transfer is approved, our Board feels it will result in greater investment and focus for our homes and significant support for our colleagues to take the business forward. Crucially, Central England Co-operative shares our co-operative values and, like us, puts its members and colleagues at the heart of what it does. Therefore, it was clear that this agreement would represent the best outcome for our members, clients, and colleagues.”

Funeral trading group review

“Our Funeral Group has performed well during the pandemic, but longer-term market shifts are squeezing profitability and we have to consider how best to serve our members in the future. Simplified and ‘direct to crematorium’ services are on the increase, new technologies and operating models are attracting lower-cost operators and there is the potential for the Competition & Markets Authority to introduce price capping. All of these would impact us, a mid-size operator, the hardest.

Central England Co-operative operates a much larger funeral operation, and has its own crematorium, both of which contribute significantly towards their overall revenue and contribution. Our business will fit well into their operation and be able to flourish. The transfer will allow a co-operative offering for our members to continue and we have agreed that members will still receive their usual member benefits on Central England funeral services. Colleagues from our two vehicle logistics centres in our north sector, 50 funeral homes and funeral support office are proposed to transfer over to Central England. Our remaining 17 funeral homes are being marketed for sale and we will be closing our stone masonry business. We are doing everything we can to support our colleagues during this time of transition in line with our co-operative values.”

2. Notice of meetings



Notice of member meetings

Special Meetings

27 January &
15 February 2022

Special meeting

27 January 2022, 6.15pm

Notice is given that a special meeting of the Society will be held on 27 January 2022 at 6.15pm to consider and, if thought fit, pass a special resolution to finalise completion of the sale of the Society's pre-paid funeral plans to Central England Co-operative Limited by way of a 'partial transfer of engagements'.

The meeting will be held on Microsoft Teams.

Advance notice of second special meeting

15 February 2022, 6.15pm

On the basis that the above special resolution is passed, notice is given that a second special meeting will be held on 15 February 2022 at 6.15pm to consider and, if thought fit, pass an ordinary resolution confirming the special resolution.

The meeting will be held on Microsoft Teams.

An explanatory paper can be found at the web address below.

**To book your place please
visit www.midcounties.coop/membership/events/
or scan this code**



On behalf of the Board
Edward Parker
Secretary & Head of Governance
The Midcounties Co-operative Limited
5 January 2022

Please note, in accordance with the Rules of the Society, you must have been a member on or before 27 July 2021 in order to vote at the meeting on 27 January 2022, and 15 August 2021 in order to vote at the meeting on 15 February 2022.

Display until 16 February 2022

3. Member resolutions

First member meeting

That this meeting of the members of The Midcounties Co-operative Limited hereby resolves to transfer engagements consisting of:

- (1) the whole of the benefit and the burden of (including all rights, title and interest under or pursuant to) all Funeral Bond Contracts (as defined in an agreement dated 14 June 2021 for the sale and purchase of part of the funeral business carried on by The Midcounties Co-operative Limited made between The Midcounties Co-operative Limited and others (1) The Midcounties Co-operative Funeral Limited (2) and Central England Co-operative Limited (3), as varied on 5 November 2021) (the "Funeral Bond Contracts"); and
- (2) all data held by The Midcounties Co-operative Limited in relation to the Funeral Bond Contracts and the relevant customers; and
- (3) all management and administrative responsibilities in relation to the Funeral Bond Contracts;

to Central England Co-operative Limited in consideration of Central England Co-operative Limited paying to The Midcounties Co-operative Limited the sum of £1 when the transfer of engagements becomes effective.

Second member meeting – confirmatory resolution

That the resolution adopted on 27 January 2022 transferring the engagements of and in relation to the Funeral Bond Contracts to Central England Co-operative Limited is hereby confirmed.