



The **Midcounties Co-operative**

We're
owned by you

www.midcounties.coop



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Who we are

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

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

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



DEMOCRACY

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



OPENNESS

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



EQUALITY

Recognising the contribution that everyone can make to develop the Society



SOCIAL RESPONSIBILITY

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

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

The Midcounties Co-operative OUR IMAGINED FUTURE



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



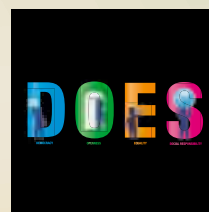
We put membership at the heart of all we do which is reflected in how we engage with members via a range of interactions.



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



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



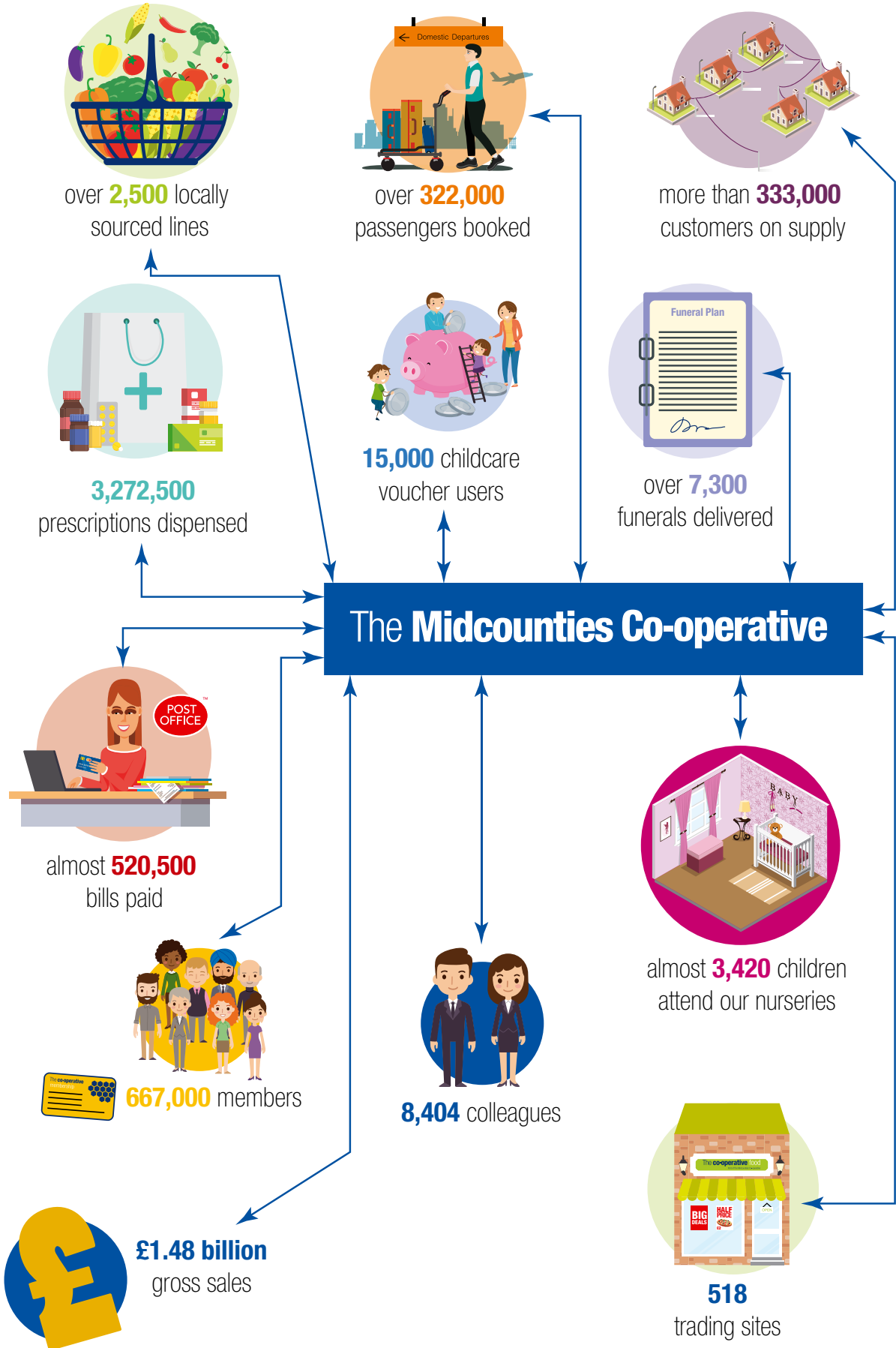
We are a commercially successful, sustainable, values driven business which is trusted by the public, loved by its members and supportive of its suppliers.



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

What we do

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



President's introduction



Reflecting on the achievements of the Society, it is easy to see why Midcounties' members can rightly be proud of the co-operative they own.

Helen Wiseman

It is a real honour and privilege to have been elected by my fellow directors to represent you, our members, as President this year.

Reading through the Annual Report and reflecting on the achievements of the Society, it is easy to see why Midcounties' members can rightly be proud of the co-operative they own.

You will see that three of our businesses have had record years – Travel, Funeral and Childcare – and our new supermarket at Bourton-on-the-Water has received international recognition.

On top of this strong business performance, we have been awarded, for the second year in a row, a 5-star accreditation by Business in the Community in its Corporate Responsibility Index, just one example of the recognition the Society's co-operative activity has achieved, and a clear demonstration that the co-operative model can produce real success.

A key component of this success comes from our colleagues who have given their time and energy to serving our members and customers, and delivering community projects and events. The reach of our Regional Communities has meant we engaged with over 21,000 members in Regional Community events last year, forging many local partnerships in the heart of the communities where we trade – right where we belong.

As well as this significant impact locally, we have looked to contribute to the thriving global co-operative movement, welcoming fellow co-operators from across the world and sharing ideas at events and conferences. In addition, Ben Reid, our Group Chief Executive, was re-elected to the board of the International Co-operative Alliance, the global voice of the co-operative movement which represents you and a further 1.2 billion members in over 2.6 million co-operatives around the world.

As part of this global family of co-operatives, we believe we can work together towards our mission of "creating a better, fairer world" both through our local communities and our national and international influence.

On behalf of the Board, I would like to thank our fantastic colleagues for their hard work, dedication and enthusiasm, without which we would not have had such a strong year, and also personally to thank my colleagues on the Board and the Executive team for their commitment, constructive challenge and co-operation.

A handwritten signature in black ink, appearing to read 'Helen Wiseman'. The signature is fluid and cursive, with a long horizontal flourish at the end.

Helen Wiseman
President

Group Chief Executive's overview



There were exceptional performances by Childcare, Funeral and Travel groups, each of which declared record levels of profit, increasing profits by 30% between them.

Ben Reid OBE

In addition, the cost of gas to companies supplying the domestic market has increased significantly following the introduction of a new gas settlement system during the summer. The impact of this unexpected increase in costs was approximately £2.1 million in the year. Without this additional charge our Energy business would have achieved its forecasted profit. This situation is currently under review by the regulator Ofgem and we await their findings with interest.

We continued to plan for the future by investing £25.1 million on site acquisitions, branch refurbishments and our IT infrastructure. The Society saw an increase in its net debt to £55.9 million at the year end, in line with our cash flow projections and comfortably within agreed facilities.

Looking ahead, the UK's decision to leave the EU continues as the backdrop to a challenging economic environment. This is reflected in our need to absorb additional cost pressures, such as the continued above inflation increases in the national living wage and further inflation within the food sector. However, our strong trading performance and the Board's continued commitment to invest in our businesses ensures that we are in a good position to face these challenges.

It is also pleasing to be able to report that our performance in promoting and developing our co-operative agenda has been strong. We now have over 667,000 members. The Regional Community programme continues to thrive, raising nearly £150,000 for local charity partners within our 20 Regional Community areas and we have assisted over 9,000 young people at our 50 partner schools.

We have explored innovative ways to engage with our members. This year we have developed a Members' App, and broadcast our AGM live on the internet. We also increased the number of Members' Days held to improve engagement with members.

Despite the challenges the retail sector faces, the Board continues to demonstrate its commitment to maintaining the focus of the Society on developing a strong co-operative business. Given this approach, I am confident the Society will thrive in the year ahead.

A handwritten signature in black ink, appearing to read 'Ben Reid'.

Ben Reid OBE, Group Chief Executive

I am delighted to report that the Society has delivered another excellent trading performance.

Our operating profit before significant items rose by 16.5% to £13.3 million, well ahead of both last year and our three year plan, and our revenues have increased with gross sales up by 10.2% to £1.48 billion.

There were exceptional performances by our Childcare, Funeral and Travel groups, each of which declared record levels of profit, increasing profits by 30% between them. Our Food business continued its strong performance with positive like-for-like sales performances in each quarter. Flexible Benefits also performed strongly with profits ahead of plan by nearly 70%.

However, neither Healthcare nor Energy achieved their budgets due to external factors which impacted their ability to deliver their anticipated profit.

Healthcare continues to be adversely affected by the reduction in funding for prescriptions as the government tries to balance the NHS budget. This has had a considerable impact on the profits generated by the group. The Energy sector remains very competitive with new entrants to the market offering heavily discounted tariffs creating considerable customer churn.

As an indication of our confidence in the Energy sector we have recently made an offer for Flow Energy, a domestic electricity and gas supplier with around 130,000 customers, reflecting our belief in the long term future of the Energy business.

Key achievements



We provided **36,600** volunteering hours over the last year, equivalent to a financial value of **£528,000**, as part of our co-operative commitment to social responsibility.

Our Energy business now supplies **100%** green electricity, sourcing from community generators including the UK's first solar co-operative.



Our Group Chief Executive Ben Reid was elected onto the Board of the International Co-operative Alliance, to help drive forward co-operative development across the world.

Our Travel business worked closely with the Travel Foundation to raise awareness of sustainable holiday options; customer donations to the charity increased by **64%**.



We ran over **300** member events celebrating our co-operative difference; many of which were part of our Regional Communities initiative.

As part of our successful Best of our Counties programme we have helped to set up the Cotswold Taste co-operative, which supports and promotes local businesses in the food sector.





Food Retail

and Post Office

Key facts

Gross sales: £572 million

(2016/17: £572 million)

Colleagues: 5,265 (2016/17: 5,613)

Sites: 301 (2016/17: 283)

Steering wheel: 52% of targets achieved
(2016/17: 59%)

“We are setting the standard for co-operatives through our new Bourton-on-the-Water store – recently named by leading retail experts IGD as one of just 14 ‘must see’ food stores in Europe.”

Our Food Retail Group has experienced nine consecutive quarters of like-for-like sales growth, the result of a significant investment programme to improve the store experience for our members and customers. The Group has also invested in three new stores in Bletchley, Upper Rissington, and Bourton-on-the-Water and completed 13 full refurbishments during the year, to help us provide a consistently strong offering. By focusing on why people want to shop with us and listening to our members, we have improved our food range and simplified our operations to make it easier for our colleagues to focus on providing great customer service.

The Best of our Counties range continues to grow and we now have exclusive products where local suppliers are collaborating to create entirely new food, such as cheese made with Hook Norton beer. The bestofourcounties.coop website is now live and showcases the Best of our Counties range, informing our shoppers on our locally sourced products and suppliers.

Our new flagship store in Bourton-on-the-Water opened in October 2017. The store has an interactive cooking area where shoppers can sample products, as well as an expanded deli counter full of locally sourced fresh produce. We have converted our Churchstoke Tuffins store into the Churchstoke Shopping Centre, featuring a Co-operative Food supermarket, local butcher, garden centre and an M&Co clothing store.

We continue to invest in our operations through our Customer First programme, introducing more self-scan checkouts across our stores, improving our shelf labelling to give shoppers clearer pricing and product information, and investing in our customer experience training programme for colleagues. Our Talk to Us online platform has received over

30,000 responses, including over 10,000 ‘wows’ where our colleagues are recognised for excellent customer service.

During the year we acquired two new Post Offices in Watlington and Wotton-under-Edge, as well as investing in updating our computer systems and an e-learning platform for colleagues. Our Post Office branches are also working with high street banks that are closing to ensure our members and customers know we can still support them in their communities with their banking needs.

Part of a thriving global co-operative movement

We are setting the standard for co-operatives through our new Bourton-on-the-Water store – recently named by leading retail experts IGD as one of just 14 ‘must see’ food stores in Europe. This eco-friendly store was the only supermarket in England to be recognised, due to our focus on sourcing over 800 local products from Gloucestershire and neighbouring counties.

We have been integral in helping a new co-operative with its business planning and achieving co-operative status. Cotswold Taste launched in 2017 and advises and promotes local Cotswold businesses.

As a co-operative we are committed to ensuring transparency in our supply chain and, as such, we have supported the Happerley Project since its inception. The project aims to empower consumers by allowing them to find out exactly where their food comes from. Six Midcounties suppliers are taking part in a pilot scheme with Happerley to track the provenance of their produce. Our Chief Executive - Trading, Phil Ponsonby sits on the project's Advisory Board.



Travel

Key facts

Gross sales: £363 million
(2016/17: £344 million)

Colleagues: 438 (2016/17: 435)

Sites: 57 (2016/17: 58)

Steering wheel: 81% of targets achieved
(2016/17: 75%)

“We are pleased to report that we have seen growth in all our trading divisions – Retail, Consortium and Personal Travel Agents.”

The Travel Group has enjoyed another excellent year, delivering record sales and profits despite a challenging background of terrorist attacks, natural disasters and the collapse of Monarch Airlines. We are pleased to report that we have seen growth in all our trading divisions – Retail, Consortium and Personal Travel Agents – and that our customer loyalty index has remained very high thanks to the continued great support provided by our colleagues to our customers when they need it most.

Retail has increased productivity and focused on key product areas. Both these initiatives have had a positive impact on results. We trialled a new concept at our Solihull branch which gave us some great insights as we look to develop our Retail offer. We have seen very positive support for Co-operative Holidays this year, with passenger numbers growing by 181% year-on-year, and bookings for Co-operative Rooms increasing by 4% year-on-year.

Our branches also received a number of awards including Midlands Agent of the Year at the Agent Achievement Awards, and High Street Agent of the Year at the National CLIA (Cruise) Awards. Special mention must go to our Walsall and Derby branches which were awarded Branch of the Year for Birmingham and East Midlands airports by Jet2, with Walsall winning the overall Branch of the Year.

Our Personal Travel Agents homeworking division and Consortium continued their sustained growth and delivered outstanding results. Our Consortium division relaunched its website and now supports 43 members operating from 56 branches, while productivity among our 160 Personal Travel

Agents has soared with six homeworkers individually breaking through the million pound turnover barrier.

Jet2 named our Personal Travel Agents as Best Homeworking Company, Gold Medal/Travel 2 presented us with the Homeworking Company of the Year award and we were very proud to see one of our PTAs, Joanne Saunders, receive a huge accolade when she was awarded National Leisure Agent of the Year at the Agent Achievement Awards.

Part of a thriving global co-operative movement

Support for The Travel Foundation, a sustainable travel charity, is continuing to grow with donations from our customers and members up 64% on the previous year. The Foundation attended our conferences to promote sustainable tourism and raise awareness of the effects tourism can have on local people and their environment. We have also installed permanent currency collection boxes in our Retail branches to raise further money for the charity.

We have delivered a sustainability lesson to 90 Walsall Academy students with the Travel Foundation and Just a Drop charities, and we provide regular work placements and careers training to local young people.

Our Retail and Travel head office colleagues provided 2,700 volunteering hours to our local communities, exceeding our target by 68%, and raising over £60 per full-time colleague for local good causes.



Energy

Key facts

Gross sales: £420 million
(2016/17: £295 million)

Colleagues: 459 (2016/17: 464)

Steering wheel: 44% of targets
achieved (2016/17: 56%)

“We are very pleased that 100% of the electricity we supply now comes from renewable sources.”

Despite a challenging year for the business and the energy industry as a whole, we are pleased to be reporting an increase in gross sales.

We now have 333,000 customers. As well as supplying their gas and electricity, we can also provide them with energy saving advice to help them reduce their household consumption. Additionally, through our Warm Home Discount scheme, we have provided over £4 million of support to 19,000 of our most vulnerable customers who are at risk of, or experiencing, fuel poverty.

We are very pleased that 100% of the electricity we supply now comes from renewable sources, including a number of local generators. We have made our offices more environmentally-friendly too, with Co-operative Energy Saving installing LED lighting across all four of our offices, saving over £29,000 of electricity and more than 110 tonnes of CO₂. Other projects include, for example, the installation of solar panels at The Co-operative Childcare in Stroud, saving around £1,000 a year.

We were delighted to win Utility Week’s prestigious Customer Care Award in recognition of our customer-focused approach when we took on GB Energy Supply. We were commended by the judges for the way we “took on a high-risk project, providing a retailer of last resort for customers who had nowhere else to turn”.

We have expanded our colleague development programme with the introduction of the Co-operative Difference Training

Course. All new colleagues now attend a 28-day training induction before working directly with customers.

To further strengthen our business we welcomed a new CEO, David Bird, and have expanded our senior leadership team to help deliver our business strategy over the coming years.

Part of a thriving global co-operative movement

Our Community Energy Conference brings together both big and small players in community energy to share best practice and lead the way. Entitled ‘Powering Together – taking control of the energy revolution’, the 2017 conference was jointly hosted with Community Energy England and explored topics such as overcoming planning obstacles and crowd-sourcing for finance.

We now have community energy Power Purchase Agreements (PPAs) in place with 42 green energy sites, an increase of 10 on last year. This includes two new sites that sit within our heartland areas. Westmill Solar near Swindon is the first community owned solar co-operative in the UK and Sandford Hydro in Oxford is a 400kW hydropower plant installed by Low Carbon Hub, a social enterprise in Oxfordshire. Our PPAs collectively produced 81,774 MWh of energy in 2017 – enough to power around 21,000 households.

Through Midcounties’ ‘Sustainable Communities’ programme, and in conjunction with Co-operative Energy Saving, we are delivering sustainability education sessions to a number of our partner schools. The programme will teach local schools how to generate their own energy. Five Regional Community areas will also benefit from community energy sessions to facilitate best practice.

Healthcare

Key facts

Gross sales: £32 million

(2016/17: £40 million)

Colleagues: 343 (2016/17: 426)

Sites: 30 (2016/17: 40)

Steering wheel: 47% of targets achieved
(2016/17: 60%)

“In November we launched cooppharmacy.coop, a fully integrated online pharmacy and doctor site.”



Healthcare has continued to reshape its business by disposing of branches that no longer fit co-operative and commercial criteria and developing an improved online presence to provide customers and members with a trusted, co-operative offer.

We now have 30 branches in our core trading estate, found within our food stores, community retail locations and health centres.

NHS trading was adversely affected during the year by several factors. These included further funding cuts, a reduction in the value we receive for supplying many commonly prescribed drugs, and an increase in the cost of the drugs themselves.

Income from services was up on last year, with fees for Medication Reviews increasing by 9% to generate £340,000.

This was the first year we were able to achieve payments for hitting quality criteria. The business maximised all the fees available, generating more than £200,000 during the year.

In November we launched cooppharmacy.coop, a fully integrated online pharmacy and doctor site. Customers can now buy both over the counter and prescription products on the same site allowing us to provide better clinical advice. The new site will also help us develop our NHS prescription services, increasing the number of ways we can dispense to customers.

Despite the challenges in the pharmacy sector our colleague engagement survey score remained stable and we were pleased to be shortlisted for three industry awards: Manager of the Year, Team of the Year and Pre-Registration Graduate of the Year. Our customer loyalty index score also remained strong.

Part of a thriving global co-operative movement

We aim to be the best provider of healthcare services and products in our local area and online. The introduction of the Quality Payment scheme in 2017/18 has provided further opportunity to achieve this. As part of the qualifying criteria all our eligible branches are now 'healthy living' pharmacies with trained colleagues recognised by the Royal Society of Public Health. This has given colleagues the skills and confidence to offer wellbeing products, advice and services to our members. We have attended a number of community health events to promote this.

Healthcare has played an active role in supporting Stroud Young Carers, Wolverhampton Dementia Action Alliance and Walsall Street Team as part of our Regional Community initiatives.

We have also continued to focus on the wellbeing and development of the younger members of our community through involvement with Walsall Community College; and one of our senior team members is now a governor at West Bromwich University Technical College.



Flexible Benefits

Key facts

Gross sales: £26 million
(2016/17: £29 million)

Colleagues: 4 (2016/17: 8)

Steering wheel: 85% of targets
achieved (2016/17: 100%)

“Our Flexible Benefits business has had another strong trading year – a great tribute to the hard work and dedication of the team.”

Our Flexible Benefits business has had another strong trading year – a great tribute to the hard work and dedication of the team’s small complement of colleagues.

The delay to the Government’s Tax Free Childcare scheme provided us with further opportunities to recruit new childcare voucher users within existing client organisations, as well as recruiting new businesses up until October 2018. However, now the scheme is largely in place this will restrict opportunities for development, leading to a natural decline in the business.

The business has over 1,000 clients. This year we have formed a partnership with a competitor to offer our Cycle 2 Work scheme to their clients. The scheme provides access to bikes, safety equipment and clothing, allowing employees to keep fit and helping to reduce congestion.

We have seen significant improvements to our systems, allowing more processes to be automated. This has been well received by clients given it cuts down the amount of printed material they need to work with, and has driven efficiencies, improved the customer journey and reduced our carbon footprint.

Flexible Benefits has also continued to improve customer satisfaction levels, evident from the 342 compliments received in the year and the consistently high customer loyalty score.

Part of a thriving global co-operative movement

Our Payroll Giving scheme has increased in popularity significantly, seeing a 25% growth in donations and a 42% increase in the number of donors against the previous year. We are proud to offer this scheme free of charge, where our competitors apply a fee, so demonstrating our commitment to the co-operative values.

During the year our small team completed 105 volunteering hours. This included helping young children with reading, collating and distributing food items at local food banks and supporting a local soup kitchen. Flexible Benefits also co-ordinated the food bank campaign over Christmas which resulted in almost 1,800 items being donated.

A colleague from Flexible Benefits is an ambassador for the Leamington and Warwick Regional Community and has been involved in many events. The flagship event brought together local employers and charities to help facilitate partnership opportunities.



Funeral

Key facts

Gross sales: £34 million

(2016/17: £31 million)

Colleagues: 351 (2016/17: 370)

Sites: 85 (2016/17: 84)

Steering wheel: 63% of targets achieved
(2016/17: 50%)

“Our Funeral business has delivered another strong performance, providing over 7,300 funerals – a record number.”

Our Funeral business has delivered another strong performance, providing over 7,300 funerals – a record number. In addition, over 3,000 members and customers purchased a pre-paid funeral plan to guarantee the cost of their funeral. This also means we have secured 3,000 additional funeral arrangements for the future.

It is estimated that by 2030, half of all funerals arranged in the UK will be funded by a pre-paid funeral plan, as more people choose to protect their family against rising funeral costs. Of the funerals we arranged in 2017, 23% of them were paid for by a funeral plan, which was higher than we anticipated and a clear indication of this changing trend in the marketplace. Our continued growth in funeral plan sales is therefore reassuring as we look to secure the future of our Funeral business for our members, colleagues and clients.

Following a £1 million investment into our flagship Wolverhampton and Walsall funeral homes, we made considerable improvements to the customer experience. The creation of Lullaby rooms offers a very comforting environment for bereaved parents and has received extremely positive feedback from the families we have supported.

The launch of a brand new funeral home in Sutton Coldfield also means we can better service the needs of our members and clients in this area.

Following the development of a Funeral-specific compliance and training framework, our Funeral business is well placed to stay ahead of future regulatory changes, and much of our colleague learning now takes place online through bespoke

e-learning modules, allowing colleagues to focus on delivering a high quality experience for our families.

Finally, in late 2017 we launched our Client First programme, which aims to improve ways of working for our colleagues so we can deliver the best possible experience for our members and clients. This will continue to deliver a number of operational and customer improvements in 2018.

Part of a thriving global co-operative movement

Our communities are at the heart of the service we provide and this year we volunteered a total of 4,525 hours to the local communities we support. Over 3,000 members and clients attended a total of 31 remembrance events as we brought our communities together at Christmas to remember their loved ones.

A number of our funeral homes now host support groups led by national bereavement charity Cruse Bereavement Care and 2018 will see this relationship develop further, with more of our community Funeral Directors working with the charity.

Our strategy in 2017 was to improve our eco-friendly funeral services and this was achieved by the introduction of a wider range of environmentally-friendly coffins and products and an innovative fully electric hearse which is now available for use by our members and clients in the Walsall community. 2018 will see us develop our eco-friendly proposition further through the availability of more electric hearses in a number of our other communities.



Childcare

Key facts

Gross sales: £32 million

(2016/17: £30 million)

Colleagues: 1,284 (2016/17: 1,317)

Sites: 45 (2016/17: 48)

Steering wheel: 73% of targets achieved
(2016/17: 20%)

“Childcare has experienced a record year, with sales increasing by 6.5%.”

Childcare has experienced a record year, with sales increasing by 6.5%. This is especially pleasing given the introduction of the government's enhanced funding scheme during the year, which saw a doubling of the free entitlement to 30 hours for three year olds. The Group continues to focus on ensuring the children have a positive experience in our nurseries and is looking to increase turnover and profitability in the coming year as demand for quality childcare increases.

This year we have seen a 5% increase in the number of our nurseries judged as Outstanding by Ofsted bringing the total to 40%. The colleague responsible for leading these quality improvements, Babita Saroy, won the Nursery Management Today sector award for Personality of the Year 2017 in recognition for her promotion of excellent care. These improvements were further supported by the roll out of iConnect and Parentzone, an online system that has brought efficiencies into the business, allowing child observations and planning without time away from children, and facilitating much easier access to key information for parents.

Improving colleague retention has been a key focus for 2017 and we have put personal development at the heart of delivering this objective. As well as a training schedule delivered through workshops, webinars and the attainment of Chartered Management Institute qualifications, a structured induction programme now sees every colleague complete two days of off-site training before they start work in a nursery,

enabling a better understanding of our policies and procedures as well as the co-operative difference. As a result, colleague turnover has dropped by 7% in the year and spend on temporary staff has fallen by 39%.

Part of a thriving global co-operative movement

The co-operative message has been at the heart of Childcare's external communications in 2017. A sponsor of the All-Party Parliamentary Group (APPG) on Childcare and Early Education, the Group has contributed to discussions surrounding sustainability within the sector and ways to work more collaboratively with other providers.

The Childcare Group also ran a round table session with the Childcare Minister, colleagues and members to discuss ways to improve the 30 hours free childcare scheme, including bridging the funding gap and requesting clearer communication about the nature of the funding.

The Group attended the International Co-operative Alliance conference in November to share ideas on ways to engage with the youngest of co-operators through the use of our Little Pioneers. In the coming year these five characters will be brought to life as the group undertakes a rebrand that will strengthen our co-operative difference further.

Childcare colleagues delivered 6,067 volunteering hours in their local communities, an 86% improvement on the amount delivered last year, thanks to our better colleague retention which has allowed us to maintain our ratios while colleagues take part in community activities.



Colleague and Co-operative Services

Key facts

- Members:** 667,000 (2016/17: 649,000)
- Member trade:** 42% (2016/17: 41%)
- Share of the profits:** £0.8 million (2016/17: £1.5 million)
- Recycling rate:** 97% (2016/17: 91%)
- Energy reduction:** 3.7% (2016/17: 4.0%)
- Colleague male to female ratio:** 30% male; 70% female (2016/17: 30% male; 70% female).
- Women in management grades:** 60% of management roles filled by women (2016/17: 53%).
- Colleague ethnic background:** 10% of colleagues have an ethnic minority background (10% in 2016/17)

The Society has organised all its membership, community and colleague activity into one area of responsibility, known as Colleague and Co-operative Services. This has helped sharpen our focus to ensure we are working together to achieve our Co-operative Blueprint. A Colleague Board has also been established to make sure we are aligned and consistent in our activity when it comes to the ways we interact with the people we work with.

Community and co-operative activity

To help build strong local communities our colleagues have provided 36,600 volunteering hours during the last year, equivalent to a financial value of £528,000. We have also distributed over £262,000 to 550 local community groups and good causes.

Our 20 Regional Community areas continue to thrive, working with members to create sustainable partnerships locally. Here are just some of the highlights from the past year:

- 73,000 products have been donated to Foodbanks, providing meals to 1,000 families in need
- we have engaged with over 21,000 members in Regional Community events and activities
- we raised almost £150,000 for our local charity partners
- we worked with over 9,000 young people at our 50 partner schools and educational establishments.

To help develop our community partnership work, the Society launched a 'Sustainable Communities' programme to engage our key community stakeholders. We have already achieved a range of positive impacts through this programme including:

- promoting the development of Community Renewable Energy
- helping alleviate fuel poverty through member education
- rolling out sustainability educational resources to our partner schools
- promoting Co-operative Energy products and services in the community.

We source much of our food range through Federal Retailing and Trading Services Limited (FRTS), the buying group of the co-operative movement, including Fairtrade products which we promote both in store and in the community.

We continue to provide grants to a number of co-operative organisations including, for example, Co-operative Futures. Our Society spend with other co-operative organisations was £435 million, compared to £407 million in 2016/17. Most of this spend was through FRTS, but we also spent with other smaller co-operatives.

In total our investment in community and co-operative initiatives came to £1.3 million (2016/17: £1.6 million). This figure includes the money given out as grants, the amount raised for local charity partners, the value of our volunteering work and our annual investment in co-operative initiatives.

International co-operation

We have continued to support co-operatives around the world, including hosting co-operators from ICoop Korea and 15 members of the Japanese apex organisation for consumer co-operatives.

Our Society joined an appeal during the year to raise funds for the flood and hurricane victims in South East Asia and the Caribbean. Thanks to the efforts and generous donations of members, colleagues and customers we raised £11,000 for the co-op reconstruction fund organised by Co-operatives UK. Also during the year, we carried out a Society-wide appeal to raise funds for the Grenfell Tower victims, donating £20,000 to the London Evening Standard Dispossessed Fund.

Membership developments

Our Membership Strategy Committee continues to drive member engagement across the Society, in particular with the successful development of Members' Days. Our membership continues to grow, and we now have 667,000 members.

We engaged with over 28,800 members across 300 events focusing on Fairtrade, local produce, health and our newly-launched history events which showcased the legacy and evolution of what is now The Midcounties Co-operative.

The Society's Fun Days in Churchstoke and Gloucestershire raised £50,000 for local good causes with almost 30,000

people attending across the two events during the summer. The Member App roll out continues across all areas of the business. Over 9,000 members have downloaded it to date.

Colleague initiatives

The Society's Colleague Engagement score increased to 84 in 2017 – our highest ever score. We have worked hard to enhance the Society's colleague development programme, including the introduction of updated Performance and Progression Reviews, allowing colleagues to assess their knowledge, skills and behaviours against what is expected from a Midcounties colleague.

Within the year we have published our Modern Slavery statement, setting out the steps the Society has taken and is continuing to take to ensure that modern slavery or human trafficking is not taking place within our business or supply chain. We also published our Gender Pay Gap Report in January which can be found on our website.

An award winning co-operative

In recognition of the Society's co-operative social responsibility activity we achieved a 5-star accreditation in Business in the Community's Corporate Responsibility Index for the second year in a row, with a score of 100%, our highest ever score. Five stars is the highest level a business can achieve, and we were one of only three businesses to achieve this level of accreditation in 2017.

The Society was also awarded the 2017 Black Country Chamber of Commerce 'Community Champion' award recognising our community achievements in the West Midlands area since introducing our Regional Communities initiative in 2015.

As a result of the Society achieving year-on-year energy savings and increasing recycling to 97% (from 21% in 2009) the Society was awarded the Carbon Trust Standard Award during the year.

Other significant accolades during the year included the recertification of the Fair Tax Mark, and awards from Business in the Community for Building Strong Local Communities, Responsible Products and Services, and the Education Award.



We have launched a free Member App which features:

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

Search for "MyMidCoop" in the App Store.



Reporting our Steering Wheel

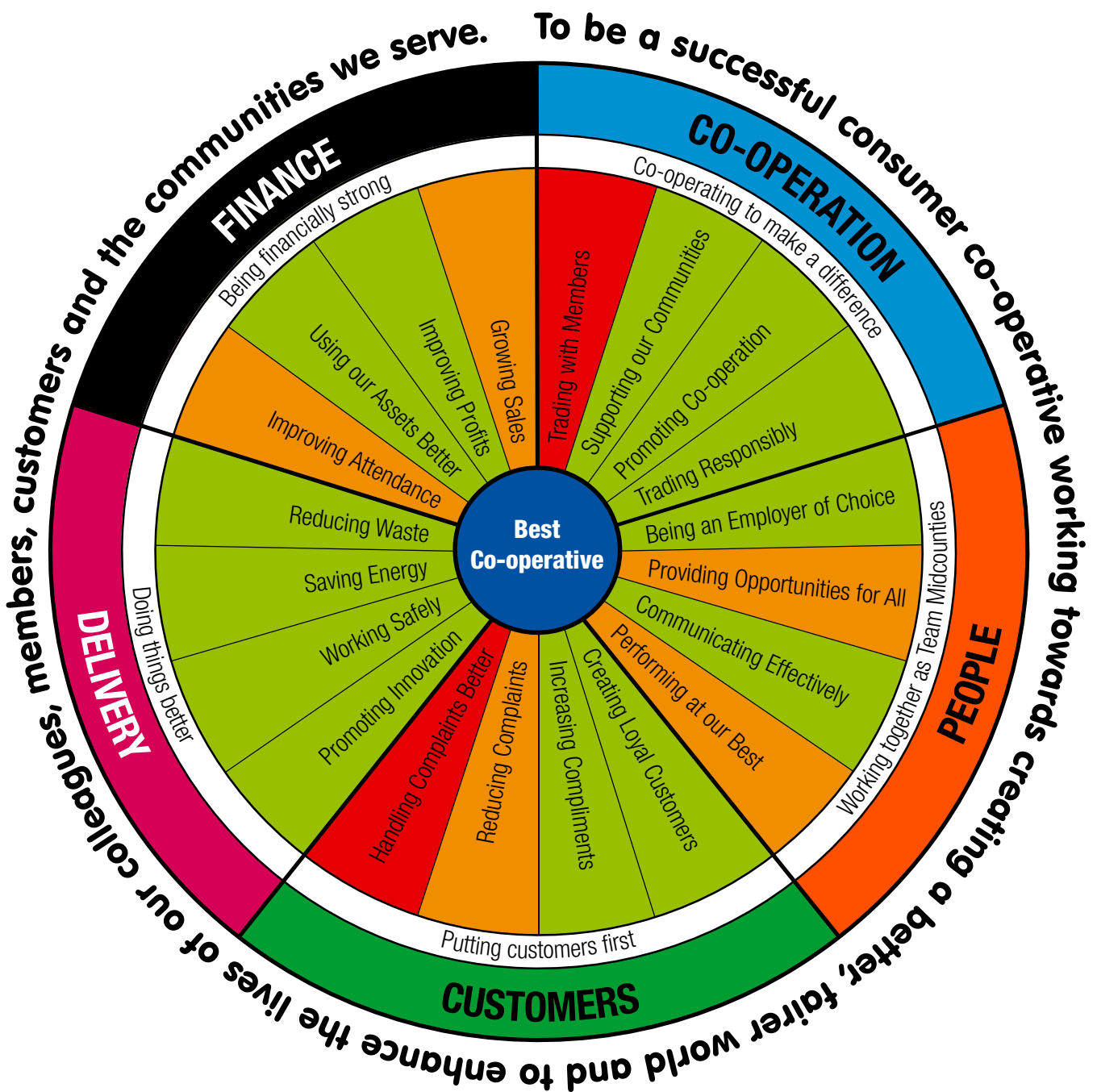
As a co-operative we believe there is more to being a successful business than just profits. So, as well as measuring our financial performance we use our Steering Wheel to measure our performance in the key areas of co-operation, people, customers and delivery. Each section of the wheel has a number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

The Steering Wheel below shows how we have performed against targets on these objectives during the 2017/18 financial year. The sections are coloured red, amber or green

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

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

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



Reporting our Steering Wheel

Co-operation

Trade with members

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

Trade with our members has increased slightly to 42% of sales (2016/17: 41%). We have a strong focus on encouraging member trade and have trialled a range of member benefits throughout our businesses in 2017 to help drive this forward. We will develop these concepts in 2018 with an aim to increase member trade further.

Supporting our communities

Hours volunteered in community by colleagues: 36,600 (last year: 36,000)

Our colleagues provided 36,600 volunteer hours (2016/17: 36,000 hours) to support their local communities. This equated to over £528,000 worth of colleague paid time.

Promoting co-operation

Number of members involved in co-operative activity: 28,800 (last year: 32,000)

693 members attended the AGM and 388 attended the Half Year meetings, a total of 1,081 (2016/17: 1,180). Overall we engaged with 28,800 (2016/17: 32,000) members at 300 various events and 849 members attended our Members' Days (2016/17: 743).

Trading responsibly

Value of Ethical Trade: £96 million (last year: £89 million)

Ethical sales have seen an increase of £7 million thanks to a number of initiatives across the business. These include the ongoing development of The Best of our Counties range in our Food group, which has proven to be very popular.

People

Being an employer of choice

Percentage colleague turnover as a moving annual total: 18% (last year: 20%)

Our colleague turnover has reduced from 20% to 18%. Our colleague engagement score has increased from 82 to 84, our highest ever score, thanks to continued investment in developing our colleagues through training and listening to their views. The average number of absence days per full time colleague was 8.6 days (last year 8.9 days).

Providing opportunities for all

Percentage of colleagues who have achieved a Level 2 qualification or above: 83% (last year: 78%)

We have seen a 5% increase on last year. We are committed to supporting colleagues to be the best they can be and look to ensure opportunities to attain qualifications are widely promoted.

Communicating effectively

Percentage attendance rate at Colleague Council meetings: 87% (last year: 86%)

Our colleague councils currently have 180 representatives. These colleagues have identified, shared and developed best practice that has made a difference across the Society in the last 12 months. Our colleague council reps are ambassadors for a number of their colleagues and are empowered to ensure effective communication across the Society.

Performing at our best

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

At the year end 94% of all colleagues had received an annual performance review. We continue to prioritise colleague reviews focusing on the quality of the review, the outcomes and identifying opportunities for development.

Customers

Creating loyal customers

Customer Loyalty Index: 81 (last year: 80)

Our customer loyalty score increased by 1 point to 81. Many of our trading groups saw increases in their scores this year, especially Energy, and received some really positive feedback. All groups, both trading and non-trading, continue to monitor their service performance levels closely.

Reducing complaints

Number of customer complaints: 16,244 (last year: 17,867)

We have seen a significant decrease in the number of complaints as we place an increased focus on training our customer-facing colleagues and improving our systems. Our Energy business in particular has seen a marked reduction and has won a number of customer service awards during the year.

Increasing compliments

Number of customers compliments: 13,467 (last year: 15,547)

We encourage customers to provide us with feedback to help us improve their experience. We continue to use a broad range of channels to capture these comments including face-to-face interviews, customer panels, web surveys and, increasingly, social media.

Handling complaints better

Percentage of customers who agreed we responded well to their complaint: 70% (last year: 74%)

We have seen a decrease in the number of customers that said we responded well to their complaint, which has largely been as a result of complaints relating to Energy, in particular, around billing related issues.

Delivery

Promoting innovation

Number of ideas implemented having a positive impact on another Steering Wheel Measure: 37 against a target of 10 (last year: 8)

The GIFTS (Growing Ideas for Tomorrow's Society) programme was relaunched in 2017 to make it more relevant and easier to submit ideas. Each business group now has its own GIFTS Champions. This has been received positively and is reflected in the increased number of ideas implemented.

Working safely

Number of accidents/incidents reported as a moving annual trend: 936 (last year: 853)

The number of accidents and incidents reported as a moving annual trend has increased during the year as reporting processes have continued to be altered to improve visibility across the Society, giving greater transparency and more accurate details. It is pleasing to note, however, that the total number of incidents reported under RIDDOR (Reporting of Injuries Disease and Dangerous Occurrences Regulations) reduced to 31 (2016/17: 41).

Saving energy

Energy reduction on prior year through electricity use (kw/h): 3.7% (last year: 4%)

Our focus on raising colleague awareness around energy saving resulted in the Society reducing energy use by 3.7%, ahead of our 3% target. This saved over 1,600 tonnes of CO₂. Our total CO₂ emissions for the year were 1.5 tonnes per £1 million gross sales (2016/17: 1.9 tonnes). This figure is calculated from our energy consumption (1,936 tonnes CO₂) and colleague business miles (328 tonnes CO₂). As the electricity we use comes from 100% green sources, our electricity use is not included in the figure.

Reducing waste

Percentage of waste recycled: 97% (last year: 91%)

During the year we produced 3,559 tonnes of waste (2016/17: 3,587 tonnes), a 1% reduction, and recycled 3,481 tonnes of waste. We recover the majority of our Food Retail waste from our retail stores and use a recycling collection company to collect and monitor waste from our other sites. We send the food waste from our Food Retail and Childcare sites to an anaerobic digester to produce energy.

Managing risk

As a Society we want to manage as best we can the risks and uncertainties that are likely to stop us achieving our business objectives and delivering on our co-operative values. We have put in place a monitoring structure to help achieve this and are always looking to improve our risk processes and controls to prevent, to the extent that we can, risks and uncertainties derailing the Society's plans.

Our risk control governance structure

There are three tiers to the Society's risk control governance structure.



Board of Directors

The Board sets the Society's overarching risk appetite and ensures that risk is appropriately managed across the Society. The Board delegates oversight of certain risk management activities to the Audit & Risk Committee. The Board undertakes a formal review of the Society's principal risks twice each year – a summary of the latest key risks schedule can be found at the end of this report. Directors also have the opportunity to review the principal risks in all the trading and support group functions on a monthly basis through the regular reporting structure.

Audit and Risk Committee

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

The Executive

The Executive takes day-to-day responsibility for implementing the Board's policies on risk management and internal control. It is accountable for the production of risk reporting and the adequacy of mitigating control activity. The Executive reviews, updates and challenges the individual group risk registers on a monthly basis and the overall Society risk register on a quarterly basis.



How we manage risk

In 2017 we have strengthened the Society's risk reporting mechanism based on a bottom up and top down approach:

- each trading group and support function has a risk register which sets out current and emerging risks and the mitigating control actions
- the Executive prepares a Society risk register which captures strategic risks for the Society as a whole, and the key risks within the trading groups which could impact the Society
- we have improved the way risk information is provided to the Board and the Audit & Risk Committee
- we have defined clearer risk roles and responsibilities and clearer ownership of risk management activities
- we have enhanced our risk based internal audit activity.

This focus will continue throughout 2018.

Society key risks and mitigations

Risk	Category	Mitigating actions
Brand positioning	Brand and reputation	Ongoing review of the Society's brand following the rebranding by Co-operative Group.
Threats to profitability in Food Retail	Finance	A key strategic objective – 'Getting More from Today' with a focus on an accelerated development and acquisition programme and the disposal of loss making stores.
Increasing pension deficit payments	Finance	Close engagement between the Society and pension scheme trustees; a journey plan has been developed for the scheme's investments.
Implementation of General Data Protection Regulation (GDPR)	Legal and regulatory	Significant level of activity to ensure compliance by the implementation date of 25 May 2018.
Reputational damage	Brand and reputation	Controls at operational level; policies in place to protect legal and regulatory requirements.
Uncertainty arising from Brexit	Legal and regulatory	Monitor regulation and policies as they are formulated, engage with Co-operative MPs and key decision makers to influence where possible.
Serious breach of regulatory requirements	Legal and regulatory	Compliance teams and activity in place for all key areas.
Failure to maintain IT infrastructure and stability	Technology	Manual process to route the network traffic if a link fails; data centre in 6 degrees is ISO27001 compliant; scheduled backups available for all the identified critical systems.
Serious health and safety breach	Legal and regulatory	Robust Health & Safety framework, policies and procedures in place; monitoring through a risk-based audit programme.

Board of Directors



Helen Wiseman
President



Patrick Gray OBE
Vice-President



Vivian Woodell
Vice-President



Steve Allsopp



Olivia Birch



Clive Booker



Martin Cook



Judith Feeny



Ellie Freeman



Gary Hayes



Irene Kirkman



Matthew Lane



Donald Morrison



Jean Nunn-Price MBE



Barbara Rainford



Heather Richardson

The Executive



Ben Reid OBE
Group Chief Executive



Phil Ponsonby
Chief Executive - Trading



David Bird
Chief Executive - Energy



Alistair Rowland
Group General Manager -
Specialist Trading



Caroline Westall
Chief Information Officer



Edward Parker
Secretary & Head of
Governance



Kevin Brown
Group General Manager -
Specialist Services Group



Peter Dubois
Chief Financial Officer -
Finance



Peter Westall
Group General Manager -
Colleague and Co-operative Services

Chief Operating Officers



Adrian Wilkinson
Healthcare



Mark Adams
Funeral



Rad Sofronijevic
Travel



Sally Mayer
Childcare

Service Recognition Awards



Name	Store Name
Elaine Roffe	Cainscross Food
Mandy Taylor	Sedgley Food
Phyllis Campbell	Georgetown Food
Victoria Rogers	Church Stretton Food
Julie Lloyd	Nailsworth Food
Anne Jackson	Hollyfield Rd, Sutton Coldfield
Lucy Whitehouse	Co-operative Memorials
Christopher Catt	Kidlington Swift Food
Sandra Wood	Churchstoke Food
Caroline Brand	Cainscross Food
Linda West	Brewery St, Highworth
Alan Dominey	Bath Rd, Cheltenham
Elaine Harrison	Seymour Rd, Gloucester
Alison Baker	Hardwick Estate, Banbury
Tina Saunders	New Invention, Willenhall
Paula Hoskins	Cinderford Post Office
Claire Kynaston	Wem Food
Michael Leedham	Heath Farm, Shrewsbury
Annette Walker	Wellington Rd Nursery
Patricia Skulskjy	Bath Rd, Cheltenham
Yvonne Bevan	Cinderford Food
Caroline Nichols	Insurance & Exec Admin Support
Justine Smith	Cavendish Square, Swindon
Mark Hall	Gloucester Funeral
Lorraine Watton	Dudley Travel
Paula Pambianchi	Hucclecote Food
Graham Doody	Aldridge Vehicle Logistics Centre
Euphemia Barclay-Scragg	Rugeley Funeral
Simon Fisher	Funeral Management
Alison Newman	Gloucester Travel
Pardeep Badal	Dudley Road Pharmacy
Kelly Hedges	Kidlington Swift Food
Deborah Adams	Cavendish Square, Swindon
Jacqueline Osborn	Mandeville Road, Aylesbury
Helen Cox	Sutton Road, Walsall
Wendy Sheldon	Lichfield Travel
Hazel Sly	Tamworth Food
Emma Cox	Reading Nursery
Roslyn Young	Davies Road, Evesham
Julie Cutts	Buckingham Road, Bicester
Rachel Cartwright	Travel Admin
Ann Yeates	Lydney Food
Suzanne Bissell	St Edwards Nursery
Susan Field	Wotton-under-Edge Food
Philip Wilkins	Co-operative Memorials
Alison McShane	Abbotswood Food
Wendy Willis	Walsall Funeral
Hilary Collinson	Stonehouse Food
Steven Stanway	Wem Food
Helen Ramsell	Travel Admin
Tina Young	Stone House Farm Nursery
Gavin Bruce	Walsall Funeral
Trudy Smith	Lydney Food
Anita Wootten	Old Town, Swindon
Jane Wright	Watling Street, Towcester
Joanne Gratsa	Woodstock Food
Tracy Jones	Gorse Hill, Swindon
Mary Bourton	Beechcroft Rd, Swindon
Maria Hadley	Stourport Food

Tracy Moore	Stourport Food
Jennifer Harrison	Thame Food
Terri Price	Norton Canes Food
Rachel Hughes	Milton-under-Wychwood Food
Mary Tranter	Kingswinford Food
Balbir Dhatt	Dudley Road Pharmacy
Nicola Thompson	Lydney Food
Geraldine Pugh	Albrighton Food



Stephen Buxton	Trench Post Office
Samantha Beer	CIT
Doreen Tait	Northway Lane, Tewkesbury
Jacqueline Lane	Kingswinford Food
Joan Bartram	Lydney Food
Lyssa Hillhouse	Kidderminster Funeral
Deborah King	Codsall Travel
Caroline Hodgkiss	Radbrook Food
Janice Davies	Highley Food
Gwendolyn Ashworth	Cavendish Square, Swindon
Marie Ashcroft	Stourport Pharmacy
David Hogston	Grove Food
Sarah Russell	Great Missenden Travel
Lilian Burton	Cainscross Food
Jeanette Beardsmore	Finchfield Food
Linda Brown	Stevenon Food
Deborah Tingle	Cinderford Food
Rachel Franklin	Headington Food
Elaine Moss	Madley Park, Witney
Dawn Withers	Bloxwich Travel
Simon Hartland	Retail Support
Andrea Burgoyne	Hill Top Pharmacy
Christopher Webb	Watlington Food
Linda Capener	Seymour Rd, Gloucester
Christopher Gwilliam	Finlay Rd, Gloucester
Marion Casey	Winchcombe Food
Craig Gatfield	Longlevens Food
Gary Hayward	Coleford Food
Andrew Moss	Codsall Food
Alison Cox	Pattingham Food



Trevor Hemmings	CIT
Carolyn Doody	Oakengates Food
Ivonne Evans	Trench Food
Susan Reading	Franch Road Pharmacy
Margaret Evans	Sedgley Food
Mandy Siers	Sedgley Food
Andrea Chamberlain	Sedgley Food
Susan Dixon	Sedgley Food
Joan Jones	Sedgley Food
Linda Freeman	Finance
Jayne Morrish	Lydney Food
Jayne Palmer	PSG Operations
Tarra Simmons	Colleague Engagement

Claire Reynolds	High Street, Brackley
Bryan Kneba	Prestwood Food
Sharon Haines	Shrivenham Food
Maureen Smith	Seymour Rd, Gloucester
Lisa Ballard	Evesham Food
Julian Carr	Retail Support
Angela Walton	Wombourne Food
Matthew Pencherz	Chipping Norton Food
Darren Adams	Retail Management
Jillian Large	Crossways Food
Katie Savage	Berkeley Food
Sheila Mitchell	Winchcombe Food
Denise Powell	Cinderford Food
Nicola Trim	Lydney Pharmacy
Marcia Howard	Knighthon Food
Joan Bowen	Stourport Food
Jason Brown	Brockworth Food
Susan Tudor	Franch Road Food
Sharon Fleming	Kingswinford Food



Ben Reid	Group Chief Executive
Michael Rowe	Chinnor Food
Christine Sumner	Sutton Farm Shrewsbury
Hazel Miles	Milton-under-Wychwood Food
Wendy Dickinson	Blakenall Pharmacy
Christine Harris	Pattingham Food
Jane Sandalls	Evesham Food



Graham Thompson	Wymans Brook Food
Malcolm Hollywell	Cainscross Food
Robert Richens	Retail Management
Kevin Wainwright	Watery Lane Funeral
Ann Kovac	Stonehouse Food
Deirdre Williams	Cainscross Food
Christine Turley	Botley Food
Stephen Wood	CIT



Anthony Phelps	Newent Food
Carol Guest	Stourport Food

Thank you
for your commitment
to the Society

We asked some of our colleagues with Service Recognition Awards to tell us why they were proud to work for The Midcounties Co-operative.



Carol Guest

Food Retail

45 Years

I am very proud to have been with The Co-operative for 45 years. I first started at Kidderminster Co-operative Society and then moved to Franche where I made numerous friends. After 33 years at Franche Road I moved to Stourport Food, where I am still based after six years. I have really enjoyed my career with The Co-operative, and have found it very interesting to see the amount of changes that have happened in store, especially the uniforms.



Suzanne Bissell

Childcare

20 Years

Our nursery group transferred over to Midcounties a few years ago and so I wasn't expecting to receive anything but it was really nice to have my long service recognised. I love what I do and I'm really grateful for the opportunities my managers have given me to help me develop from a student into the deputy manager I am now.



Linda Freeman

Finance

30 Years

I am truly proud to work for The Midcounties Co-operative. 30 years is more than half of my life and it is a second home to me. The opportunities I have been given to widen my skills and knowledge throughout the business have been great. I always strive to do my best and go the extra mile. I can hand on heart say I am 100% committed to working for Midcounties and hope to still be with them for many years to come.



Stephen Buxton

Post Office

25 Years

I love working for Midcounties because it's a business that cares about its people and puts them at the heart of everything they do.



Pardeep Badal

Healthcare

20 Years

I have worked at the Dudley Road Pharmacy in Wolverhampton for the last 20 years and I am very proud to have the opportunity to help the local community with monitoring their health needs. It gives me great satisfaction that over the years I have built a trusting and friendly relationship with all my customers and the great team I have behind me allows me to implement the Midcounties Co-operative DOES values and principles.



Bob Richens

Food Retail

40 Years

I am proud to have worked for The Midcounties Co-operative for 40 years as I believe the real difference that the Society has made to our local communities embody who we are and why they should engage with us. I would like to thank all my colleagues and teams I have worked with over the years and look forward to building further on our co-operative difference in the future.



Dawn Withers

Travel

25 Years

I have worked for Midcounties for 25 years and have enjoyed job roles varying from travel consultant to branch manager. In this time I have been on maternity leave twice and both times they have been more than accommodating in my return to work, which I feel reflects the DOES values. I like being part of Team Midcounties as I enjoy the community element of my job.



Steve Wood

CIT

40 Years

I initially started my career in accountancy but quickly realised it was not for me, and more or less fell into convenience retailing. But when computers came to the business I finally found my real interest, switching to IT at that point and not looking back. Now I'm not just happy in my work, Midcounties' ethical stance makes me proud to work here too.



Wendy Willis

Funeral

20 Years

I'm proud to work for Midcounties because of the ethos and values of the Society, and I'm proud that our communities think well of us. I stay with Midcounties because they do such good work in the community and treat their staff very well.

Governance Report

The Board is pleased to present its governance report to members for the year to 27 January 2018. Good governance is an essential foundation for a co-operative society owned by its members. This has been a long held view within the Society, which the Board seeks to demonstrate by adhering to best co-operative governance practice.

The Board would welcome questions and comments from members on this report at the Society's Annual General Meeting, or at any other time. In the latter case, interested members should contact the Secretary.

Governance Code

This report is prepared in accordance with the Corporate Governance Code for Consumer Co-operative Societies issued by Co-operatives UK in 2013 (the Code). The Code sets out a framework for the governance of consumer co-operative societies. A copy can be found on the 'governance' pages at www.midcounties.coop.

Societies are required to disclose the extent to which they have followed the Code during the reporting period. The format is not prescribed, save that co-operatives must disclose where they have not complied with the Code's provisions and provide an explanation.

Contents

The Code is structured on three levels. First, a series of 'high level principles'. These set out the key principles of governance applicable to all co-operatives. They are listed in italics at the start of each section of this report. Second, each high-level principle has one or more 'supporting principles' which provide examples of what constitutes good governance compliance. Third, a series of 'provisions' to support each high-level principle. These cover the specific points all co-operatives must report on annually.

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

Society Rules and Blueprint

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

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

THE CODE

Members

Co-operatives are member-owned democratic organisations and the Board should promote the growth, development and diversity of their membership and encourage members to actively participate in their governance.

The Society's Blueprint states that "as a co-operative, membership lies at the heart of all that we do.

- we are a membership-based organisation where everyone is treated equally
- we work hard to ensure members are fully engaged democratically in the activity of the Society
- we want members to enjoy benefits, because they own the Society and particularly, because they trade with us."

Membership Strategy Committee

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

The Committee comprises eight members elected from the Society's membership and two directors appointed by the Board. Elections to the Committee are held during the autumn each year in conjunction with the Society's Board elections.

Anyone who has been a member of the Society for more than six months can stand for election. Terms of office are for three years.

Diversity

The Board approved a Diversity, Inclusion and Equality Policy in 2017 for implementation across the Society.

Voting opportunities and the Annual General Meeting

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

The Society's AGM and Half Yearly Meetings provide members with the opportunity to question the Board twice a year and participate in the formal affairs of the Society. The annual Board and Membership Strategy Committee elections allow members to determine who runs their Society. The Board views both the

meetings and the elections as fundamental building blocks of good co-operative governance.

The Society's Rules stipulate a notice period of 21 days for member meetings. The Society's AGM is held on a Saturday in a central location, while the Society's Half Year Meetings are held during the evening at a number of different locations to allow members to attend without having to travel far. 693 members attended the AGM and 388 attended the Half Year Meetings (2016/17: 663 and 517 members respectively).

Elections to the Board and Membership Strategy Committee are held once a year during the autumn. The elections are conducted by way of postal and online ballots. The Society uses Electoral Reform Services (ERS), an independent scrutineer, to administer its elections.

Candidates for the Board can write up to 250 words in support of their candidature and provide additional information on their co-operative experience and credentials. Candidates for the Membership Strategy Committee are free to write up to 150 words in support of their candidature. The information provided by candidates is published in a booklet and sent to all members, with their ballot paper, to help them make an informed decision when casting their vote. The same information is provided to members voting online.

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

At the 2017 Board election, 13 members put themselves forward for the six vacancies (2016: 13 members, five vacancies). At the 2017 Membership Strategy Committee election four candidates put themselves forward for the three vacancies (2016: seven candidates, four vacancies). Votes were cast by 49,263 members, giving a turnout of 8.0% (2016: 45,714 members, 8.2%).

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

The role of the Board

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

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

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

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

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

Board procedures

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

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

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

Insurance

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

The role of directors

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

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

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

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

Attendance

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

Directors	Board	Committees				
		Audit & Risk	Remuneration	Energy	Pension Trustee	MSC
Steve Allsopp	12 (12)	6 (6)	5 (5)		0 (1)	
Olivia Birch	11 (12)	2 (3)	4 (4)			
Clive Booker	12 (12)		5 (5)		4 (4)	
Bernadette Connor	8 (9)			4 (6)	3 (3)	3 (3)
Martin Cook	3 (3)			2 (2)		
Judith Feeney	12 (12)	3 (3)		2 (2)	4 (4)	
Ruth FitzJohn	7 (9)		4 (4)	4 (6)		
Ellie Freeman	10 (12)	6 (6)				
Patrick Gray	12 (12)		4 (5)	9 (9)	3 (4)	
Gary Hayes	3 (3)	0 (0)				0 (0)
Irene Kirkman	12 (12)	6 (6)				
Matt Lane	11 (12)		3 (5)	9 (9)		
Donald Morrison	12 (12)			8 (9)		
Jean Nunn-Price	11 (12)			2(5)		
Louise Pevreal	8 (9)	3 (3)				
Barbara Rainford	12 (12)					4 (4)
Heather Richardson	3 (3)	3 (3)				
Helen Wiseman	12 (12)	3 (3)	1 (1)	9 (9)		
Vivian Woodell	12 (12)			8 (9)		

Conflicts of interest

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

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

Board size

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

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

Board balance and independence

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

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

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

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

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

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

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

Co-option of professional external directors

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

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

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

The Chair

The Chair is responsible for the leadership of the Board and should ensure that the Board is in effective control of the co-operative's affairs and alert to its obligations to its members.

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

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

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

The Chief Executive

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

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

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

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

The Secretary

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

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

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

Election and renewal of the board and succession planning

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

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

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

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

Induction, information and ongoing professional development

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

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

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

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

In addition, the Group Chief Executive keeps the Board advised of matters affecting the Society at each Board meeting and more frequently if required, and on occasions, external specialists present to the Board on the wider issues impacting the business operations of the Society.

The Board is also conscious that directors may wish to update their skills. In this regard, directors are able to avail themselves of appropriate training should the need arise.

To ensure that Board meetings run well and decisions made are supported by full information, Board papers are circulated in two mailings prior to each Board meeting. A main mailing is sent out at least one week before the meeting. A second mailing is sent out at least three days before.

Independent professional advice

The Board should be well informed and have access to all the information and advice necessary to enable it to perform its role, to act in the best interests of the members and to protect their assets.

In addition to the measures set out in the previous section, it is notable that the Society's Rules prescribe that at least one-third of the Board can request independent professional advice funded by the Society on questions relating to the governance of the Society or the conduct of its affairs. Directors also have access to the advice and services of the Society's Secretary at all times and the Committees of the Board are able to obtain professional advice on any matters within their terms of reference.

Board performance evaluation

The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors to ensure that roles can be carried out effectively. The Chair should act on the results of the board

evaluation by recognising the strengths and weaknesses of the board and taking any appropriate action to address weaknesses.

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

Committees of the Board

The Board should establish committees to work on specialist aspects of its remit in order that it can be provided with sufficient information and ensure that it is able to carry out its role effectively.

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

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

The chairs of each committee are available at the AGM to answer questions from members.

The Search Committee

The Board should establish a Search Committee. However, if the Board is of the view that, owing to the size of the co-operative, a search committee is not necessary this section of the Code will not apply to it.

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

The Remuneration Committee

The Board should establish a Remuneration Committee.

The Board has a Remuneration Committee. The Committee's role is to provide robust, independent governance on the remuneration of members of the Executive. A full report on the activities of the Remuneration Committee is set out in the Remuneration Report found elsewhere in this Annual Report.

The Audit Committee

The Board should establish an Audit Committee.

Audit & Risk Committee

The Board has an Audit & Risk Committee which operates under

terms of reference approved by the Board.

These include:

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

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

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

The Committee's terms specify a Committee of at least four and no more than six directors. Terms of office on the Committee are for two years, which may be extended for two further two year periods. The terms prohibit the following individuals from standing on the Committee: the President of the Society, any director who is a current employee of the Society or has been so within the previous 12 months and any consultant. The Board reviews the Committee's terms on an annual basis.

Professional advice is available to the Committee if required. The Board has not made any provision for co-option to the Committee.

Meetings

The Committee met six times during the year under review and has five scheduled meetings for the 2018/19 financial year. The Board is apprised of the Committee's proceedings at the next Board meeting following a Committee meeting. The Committee's minutes are also made available to the Board.

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

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

Auditor independence

To ensure auditor independence and objectivity is safeguarded,

the Committee has a policy of awarding project work (save for tax related work) requiring the expertise of an audit firm to a firm other than the Society's auditors unless there is a strong reason to use the Society's auditors.

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

During the year, non-audit work undertaken by the Society's auditors amounted to £37,841.

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

Auditor review

The Society's Rules prescribe that the audit should be tendered at least once every 10 years. The last tender took place at the beginning of 2013 for the 2013/14 year end. KPMG were retained following a detailed review. Their appointment was considered by the Committee in December 2016, arising from which it was agreed to undertake a further review in 2018. The review was initiated on 10 April 2018.

Training

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

Internal audit

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

Internal control

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

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

The Board is responsible for the Society's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to

achieve the Society's objectives and can only provide reasonable not absolute assurance against material misstatement or loss.

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

Internal control framework

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

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

Control procedures

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

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

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

Risk management

The Board and the Executive have primary responsibility for identifying and controlling the key risks facing the Society. In this regard, the Society operates a risk management process that aims to identify the key risks in each business group and support function. The risks are reviewed by both the Executive and the Audit & Risk Committee.

Where weaknesses in controls are identified action is taken to implement control mechanisms. Matters are reported to the Board as appropriate.

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

Monitoring

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

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

Review processes

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

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

Opinion

The Audit & Risk Committee has reviewed the operation and effectiveness of the Society's internal control system during the year under review and through to the date of this report. The Committee considers there have been no weaknesses that have resulted in any material losses or contingencies which require disclosure.

Whistleblowing

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

Auditor's report to the Board

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

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

The annual report

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

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

POLITICAL SUPPORT

The Board recognises that co-operative societies often look to pursue a political agenda both locally and nationally to further the interests of co-operation. Recognising this, in 2013 members approved a statement on political engagement.

"The Midcounties Co-operative supports in letter and spirit the Principles set out in the Statement of Co-operative Identity of the International Co-operative Alliance and the Governance Code of Co-operatives UK to embrace all who accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

The Society recognises the important role that the Co-operative Party has played, and continues to play, in promoting the interests of co-operation in the political sphere and, with the endorsement of members as expressed at successive Annual Meetings, provides financial support for the work of the Party.

The Society also seeks to engage with other political organisations which are active in its core trading area and which share its objective of working towards a society based on democracy, equal opportunities and social justice; and an economy where co-operative ownership plays an important and growing role in generating prosperity, genuine consumer choice and sustainable community development."

The Co-operative Party

In keeping with the above, the Society has been a long standing supporter of the Co-operative Party, the formal political arm of the Co-operative Movement. The Party aims to promote the principles of co-operation and all forms of co-operative organisation within political circles and is supported by the Society. The Party has a close and enduring relationship with the Labour Party. This includes a formal electoral agreement which allows Co-operative Party candidates to stand as Labour and Co-operative representatives in General and Local elections.

Campaigns Fund

In 2014, members approved the creation of a Campaigns Fund. The Fund is intended to support campaigning activity (primarily within the Society's core trading area) that promotes co-operation in the political arena and supports the objectives and priorities of the Society. The Fund is open to applications from any political organisation, including the Co-operative Party, active in the Society's heartland areas whose aims are sympathetic to the Society and the co-operative model.

At the 2017 Annual General Meeting members approved a distribution of £50,000 to the Campaigns Fund.

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

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

DECLARATION OF INTEREST

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

The Phone Co-op is a corporate member of the Society and has a share account with the Society. The balance on this account at 27 January 2018 was £750,000 (2016/17: £750,000) and interest earned during the year amounted to £15,000 (2016/17: £15,980); the difference in interest earned from the previous year is due to a change in the Society's interest rate from 2.5% to 2.0%.

The Phone Co-op also held a three-year Society Share Bond of £250,000, which matured in November 2017, and generated an interest payment of £29,202 on maturity. The Phone Co-op subsequently reinvested £250,000 in a new one-year Society Share Bond which, as at 27 January 2018, had accrued interest of £1,435.

The Society has a share account with The Phone Co-op. As at 27 January 2018 the balance was £162,064 (2016/17: £158,002). During the year, the Society received interest of £2,436 (2016/17: £2,529) on this account and a dividend of £1,625 (2016/17: £11,334).

In addition, the Society has a contract for telecommunication services with The Phone Co-op. The contract is at arm's length. The value of services including VAT provided under the contract during the year was £785,122 (2016/17: £918,278). The Phone Co-op made purchases of various goods and services from the Society amounting to £17,866 during the year (2016/17: £3,951).

Co-operative Renewables Limited has a contract with the Society for the maintenance of solar photovoltaic installations. The value of the services during the year was £6,324 (2016/17: £6,264)

SUPPLIER PAYMENT POLICY

Our policy is to agree terms of payment as part of the commercial arrangements with suppliers and to pay according to those terms once an invoice is received. Trade creditor days for the year were 27 days (2016/17: 31 days).

SOCIAL RESPONSIBILITY

Social Responsibility is one of the Society's four key values and an integral part of being a co-operative enterprise.

The Society undertakes a number of actions to ensure it supports its local and global communities and the environment.

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

- Pete Westall, Group General Manager, Colleague & Co-operative Services holds overall accountability for social responsibility.
- Phil Ponsonby, Chief Executive, Trading holds overall accountability for social responsibility in marketplace trading along with the other trading group general managers.

Most products in the Society's food stores are sourced through Federal Retail and Trading Services Limited (FRTS) the federal purchasing body of the co-operative retail movement. The Society adheres to the buying guidelines adopted by FRTS.

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

STATEMENT OF COMPLIANCE

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

Search Committee

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

Professional external directors

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

CONCLUDING REMARKS

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

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

On behalf of the Board



Helen Wiseman – President



Edward Parker – Secretary & Head of Governance

18 April 2018

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 Ltd – Director, Swindon Housing Company – Governor, Oaktree Nursery & Primary School (Swindon) – Trustee, Buckhurst Community Centre – Member, Swindon Borough Council
Olivia Birch	<ul style="list-style-type: none"> – Director, Revolver Co-operative Limited – Director, Revolver World Limited – Director & Secretary, Revolver Music Limited – Director, Heavy Metal Records Limited – Director, FM-Revolver Records Limited
Clive Booker	<ul style="list-style-type: none"> – Chair, Brownlow Community Centre, Whitchurch
Martin Cook	<ul style="list-style-type: none"> – Director, Co-operatives Futures
Patrick Gray	<ul style="list-style-type: none"> – Director & Secretary, Amaranta Ltd – Director, The Radical Party Ltd
Irene Kirkman	<ul style="list-style-type: none"> – Independent member, Buckinghamshire New University Council – Director, Buckinghamshire Education and Training Services – 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 Ltd – Director, WOO Cooking Oils Ltd
Jean Nunn-Price	<ul style="list-style-type: none"> – Director, Co-operatives South West – Director, Go-op Co-operative Limited – Director, Healthwatch Oxfordshire CIC – Director, Sustainable Wantage Community Benefit Society – Elected Parish Councillor, Grove (Oxon) – Elected Member, Wantage Town Council – Director, Co-operative Party Limited
Barbara Rainford	<ul style="list-style-type: none"> – Director, Co-operative Press Limited – Director, Co-operative Futures Ltd – Director, Go-op Co-operative Limited – Board member, Young Enterprise, Shropshire – Elected Parish Councillor for Prees, Shropshire
Vivian Woodell	<ul style="list-style-type: none"> – Chief Executive Officer, The Phone Co-op – Director, Avoco UK Limited – Director, Ecobilling Limited – Director, Phone Co-op Numbering Limited – Director, Co-operatives UK Limited – Director, Co-operative Renewables Limited – Director, West Oxfordshire Community Transport Limited

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

David Bird	<ul style="list-style-type: none"> – Director, 125 Management Company
Peter Dubois	<ul style="list-style-type: none"> – Chair, The Co-operative Loan Fund – Secretary, Didcot Congregation of Jehovah's Witnesses
Edward Parker	<ul style="list-style-type: none"> – Member of the Council, The Co-operative Group Limited
Phil Ponsonby	<ul style="list-style-type: none"> – Director, Association of Convenience Stores Limited – Director, Federal Retail & Trading Services
Ben Reid	<ul style="list-style-type: none"> – Chair, Shrewsbury and Telford NHS Trust – Vice-Chair, Wolverhampton University – Director, International Co-operative Alliance
Alistair Rowland	<ul style="list-style-type: none"> – Director, ABTA – Director, ABTA Benevolent Fund – Trustee, Travel Foundation
Peter Westall	<ul style="list-style-type: none"> – Chair, OUR Co-operative Academies Trust

Remuneration Report

INTRODUCTION

The Remuneration Committee is pleased to present its report to members for the year ended 27 January 2018.

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

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

The report has been prepared having regard to the reporting requirements that apply to UK Public Limited Companies (PLCs). Although the Society is not required to comply with these requirements, the Committee seeks to comply with governance best practice and has adopted these requirements where appropriate. The report will be put to an advisory vote at the Society's Annual General Meeting on 12 May 2018.

The report has three main sections:

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

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

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

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

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

The Society has performed well ahead of plan for the 2017/18 year, achieving an operating profit before significant items of £13.3 million. As a result, average bonuses of 17.4% of salary will be paid to members of the Executive in respect of the 2017/18 financial year (2016/17: 11.6%).

Over the last three years, the Society's performance has been strong on key non-financial performance measures and Executive members will be receiving a payment of 75% of the maximum available under the Society's Long Term Incentive Plan which matured at the 2017/18 year end. This equates to a payment of 15% of average salary over the three year plan period for the longer serving members of the Executive, with pro-rated amounts for those joining the Executive more recently.

In January 2018 the Society published its gender pay gap report. This can be found on the Society's website. The Committee and the Society's Board takes the matter of diversity, particularly with regard to ensuring senior female representation within the workforce, seriously and supports the diversity initiatives in place across the Society. The findings of the gender pay gap report will be considered as one input to the Board's planned discussion on the Society's reward philosophy to be held later in the year.

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



Matt Lane
Chair - Remuneration Committee
11 April 2018

REMUNERATION POLICY

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

Overall policy

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

The remuneration policy for the Executive aims to:

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

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

A description of how the Society intends to implement the policy above in 2018 is included in the Implementation section of the report.

Summary of the remuneration components

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

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Base salary	To pay a fair base salary, commensurate with the individual's role, responsibilities and experience, and having regard to market rates for similar roles in other retail businesses of equivalent size.	Normally increased annually in line with inflation; formally reviewed every two years to ensure market competitiveness (the last review was conducted in 2015 with changes taking effect at the start of the 2016/17 financial year). In reviewing salaries, the Committee also considers individual performance, the scope of each role and relativities to other roles within the Society.	Annual increases will normally be in line with the NACO ¹ agreement other than when there is a change in responsibilities or to realign executive pay with the market.	n/a

¹ NACO – National Association of Co-operative Officials

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Annual Bonus	To provide a performance-related reward aligned to targets set for the year. A highly 'geared' remuneration package is considered inappropriate and therefore the maximum annual bonus is at a level that is significantly lower than in equivalent PLCs.	Paid in cash. Non-pensionable.	Maximum 20% of base salary. On-target 8% of base salary. Amounts may differ for new joiners to the Executive.	Performance targets comprise a combination of financial and personal performance objectives. No bonus is payable unless a minimum level of financial performance has been achieved. Awards are subject to clawback.
Long-term incentive plan (LTIP)	To provide performance-related reward aligned to the long-term strategic goals of the Society. Award levels are set at a level that is significantly lower than in equivalent PLCs.	Awards are granted annually so that a new three year performance period begins at the start of each financial year. Participants are able to receive a cash award at the end of a three year performance period. The Committee sets targets at the time of the grant of each award.	The maximum payment is 20% of average base salary over the three year performance period. Amounts may differ for new joiners to the Executive.	Performance measures are based on key measures in the Society's steering wheel: ROCE; Corporate Reputation; Colleague Engagement; Customer Loyalty. The last of these has been replaced by an External Partnerships measures as from the 2017/18 grant. Awards are subject to claw back.
Pensions	To provide pension arrangements on similar terms to other colleagues in the Society.	Members of the Executive participate in the Society's pension arrangements on the same terms available to all Society colleagues. The defined benefit career average pension scheme (the CARE Scheme) closed to future accrual on 13 June 2014. A cash allowance is paid to certain members of the Executive in lieu of pension contribution.	The Society operates a defined contribution stakeholder scheme and a defined contribution scheme open to former members of the CARE Scheme.	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 provision of a company car or cash allowance, life insurance, long-term disability income protection, an annual health-check and colleague discount.	The amount of cash allowance under the Society's car policy is dependent on role; payments range from £900 to £1,600 per month. The value of other benefits is based on the cost to the Society and is not predetermined.	n/a

Incentive arrangements

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

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

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

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

Group Chief Executive – contract

In November 2016 Ben Reid took on a new part-time role as Group Chief Executive, entering into a new employment contract at the time. The new contract provides for a 15 hour working week. The contract was for a 12 month period to November 2017 but was extended in September 2017 and is now terminable on three months' notice from either party.

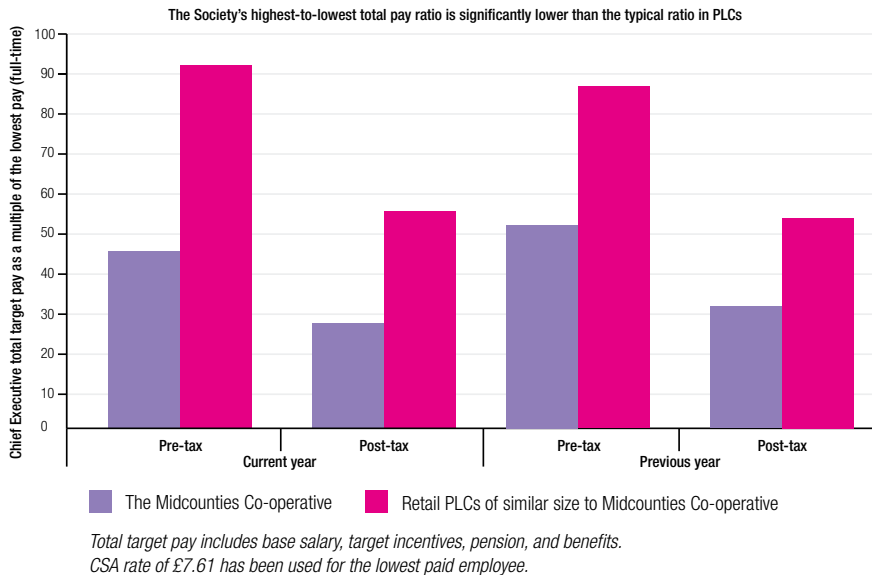
Under the contract, Ben Reid receives a salary equivalent to half his previous full-time salary as Chief Executive.

The contract recognises he is a 'good leaver' for the purposes of the LTIP thus allowing payment in full for the LTIP that matured at the end of the 2016/17 financial year and pro-rated payments for the two years thereafter. The Board has agreed that he is eligible to receive a bonus award of up to 20% of his base salary for 2017/18. The contract also provides that should the time he spend in his new role be considerably more than the 15 hour commitment provided, he would be able to put forward a case for additional payment. As a consequence, additional payments were made during the year totaling £59,788.

In addition, the contract provides that the Society gifts the car he has been driving on lease terms prior to or on expiry of its lease in November 2017. The car was gifted to him on expiry of the lease. The value of the gift was deemed at £51,700.

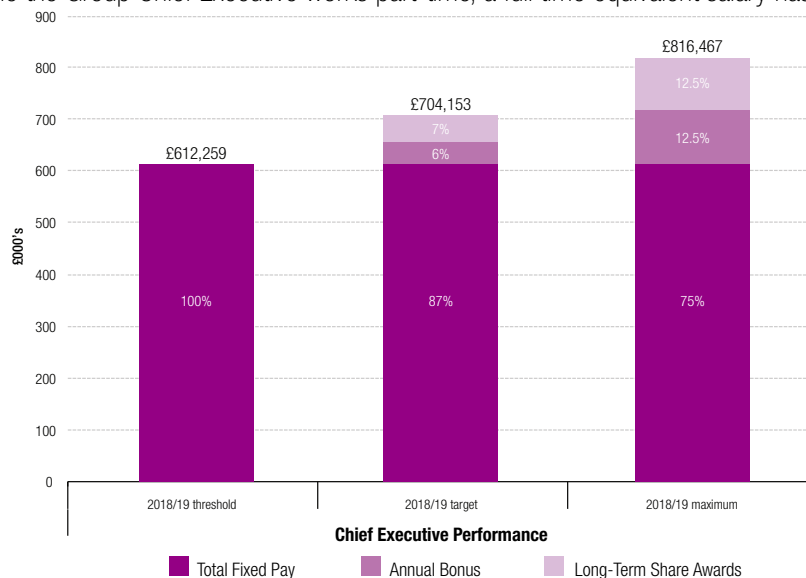
Group Chief Executive – pay ratio

The chart below shows, compared to 2016/17, the approximate ratio of the Chief Executive's base salary and total target remuneration, pre and post-tax, relative to the lowest rate of pay in the Society and compares this with typical ratios in the wider PLC retail sector. For ease of comparison, while the Group Chief Executive now works part-time, a full time equivalent salary has been used. The ratio for 2017/18 on pre-tax pay was x46 and on post-tax pay x28 (2016/17: x51 and x31 respectively).



Remuneration scenarios

The chart below demonstrates how the mix of the Group Chief Executive's remuneration package, compared to 2016/17, could vary at different levels of performance under the Society's remuneration policy in 2017/18. It shows the potential value of total remuneration in each scenario and the percentage of total remuneration accounted for by each element. Again, for ease of comparison, while the Group Chief Executive works part-time, a full time equivalent salary has been used.



Remuneration for other colleagues

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

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

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

Policy on payments for loss of office

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

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

In the case of 'good leavers', awards may still vest normally at the end of the performance period to the extent that the performance conditions have been achieved. A pro-rata reduction to reflect the length of period worked between grant and cessation of employment may be applied at the Committee's discretion.

Executives' service contracts

Executives have rolling service contracts, details of which are summarised below. The arrangements for the Group Chief Executive are disclosed earlier in this report (see section 'Group Chief Executive – contract', page 39).

Provision	Detailed terms
Notice period	The notice period for the Chief Executive, Energy is 12 months and for the Chief Executive, Trading six months. For the remainder of the Executive it is three months.
Payment in lieu of notice	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period plus the fair value of any contractual benefits. Following written notice of termination there is no entitlement to any further payment from the Society except those sums which may have accrued and are due at that time.
Termination payment	If the Society merges with another society any termination payments would be based on the terms agreed with NACO at the time.

Recruitment to the Executive

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

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

Benefits 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; fees and other costs incurred by the individual may also be paid by the Society.

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

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

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

Committee discretions

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

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

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

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

This section of the report explains how the Remuneration Committee has applied its remuneration policy during the 2017/18 financial year. It contains information about the Committee, details of the result of the vote on last year's Remuneration Report at the 2017 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 2017/18.

The Remuneration Committee

Composition

During the year, the Board agreed to reduce the number of directors serving on the Committee from six to five. 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. Olivia Birch served as the Committee's Chair until 20 November 2017 when she stood down from the Committee. Matt Lane has been elected Chair in her place.

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

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

Members

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

- Steve Allsopp
- Olivia Birch – stood down 20 November 2017
- Clive Booker
- Ruth FitzJohn – stood down 19 October 2017

- Patrick Gray – nominated Vice-President, ex officio
- Matt Lane
- Helen Wiseman – appointed 20 November 2017 – 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's terms of reference can be found on the governance section of the Society's website at www.midcounties.coop.

The Committee is accountable to the Board and reports on its activities at the Board meeting following each Committee meeting. Substantive decisions of the Committee are subject to Board endorsement before implementation.

External advice

The Committee receives external advice from independent remuneration consultants New Bridge Street (an Aon Hewitt company, part of Aon plc). New Bridge Street is a member of the Remuneration Consultants' Group and is a signatory to their Code of Conduct. New Bridge Street's fees for 2017/18 were £27,126 (2016/17: £9,281). Neither New Bridge Street nor any other part of Aon Hewitt provided other services to the Society during the year.

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

Meetings

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

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

- the award of bonus and LTIP payments
- the setting of targets for bonus and the LTIP grant
- salaries for newer members of the Executive and those whose roles had changed
- incentive arrangements and benefits for the Group Chief Executive
- review of the remuneration report
- the biennial review of remuneration for the Executive

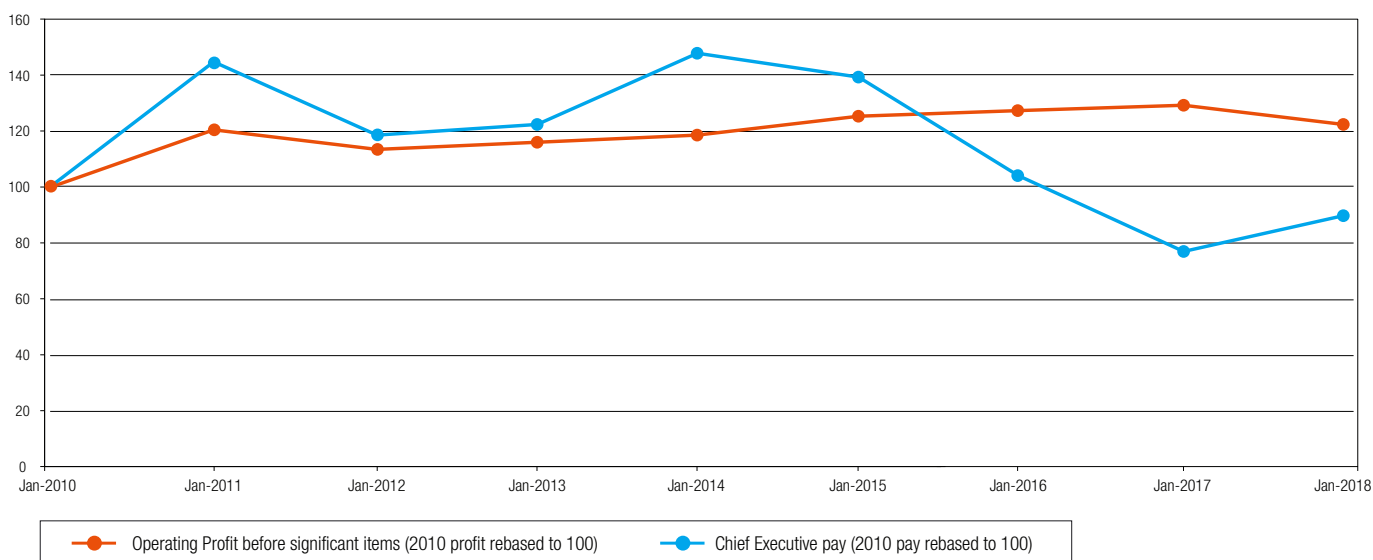
Member voting at the Annual General Meeting

An advisory vote on the remuneration report is held at each AGM. The table below sets out the result of the vote on the 2016/17 remuneration report at the May 2017 AGM.

	Total number of votes	% of votes
For	206	73.6
Against	49	17.5
Abstain	25	8.9
Total	280	100.0

Performance Graph

The graph below shows a comparison of the percentage change in the Society's operating profit before significant items since 2010 against the total remuneration received by the Group Chief Executive comprising base salary, benefits, pension, bonus and long-term incentive awards. Both figures have been rebased to 100 as measured from the financial year ended January 2010 to illustrate more clearly the relative movement in the Chief Executive's pay and Society profit performance. For ease of comparison, while the Group Chief Executive now works part-time, a full time equivalent salary has been used.



Executives' emoluments (audited)

The table below provides details of the remuneration and pension benefits received by Executives for the 2016/17 and 2017/18 financial years. These figures have been prepared in accordance with the reporting regulations set out by the Department for Business, Innovation and Skills.

	Year	Salary ¹ £	Bonus £	Pension ² £	Benefits-in-kind ³ £	Other payments ⁴ £	LTIP payment £	Total £
Mike Abbott GGM Childcare (5)	2016/17	129,918	8,149	6,484	14,013	n/a	24,073	182,637
	2017/18	48,316	n/a	2,030	3,484	148,124	14,702	216,656
David Bird CEO Energy (6)	2016/17	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2017/18	281,264	44,252	48,750	10,800	102,417	56,253	543,736
Kevin Brown GGM Property & Specialist Services	2016/17	132,389	19,146	371	9,624	n/a	24,504	186,034
	2017/18	143,453	28,704	388	10,777	n/a	19,800	203,122
Peter Dubois Chief Financial Officer	2016/17	125,006	18,911	8,750	19,230	n/a	8,338	180,235
	2017/18	153,210	34,135	10,629	15,970	n/a	13,907	227,851
Simon Fisher GGM Funeralcare (7)	2016/17	128,778	16,901	20,604	15,658	n/a	25,337	207,278
	2017/18	105,510	n/a	19,812	8,077	175,462	17,592	326,453
Edward Parker Secretary & Head of Governance	2016/17	146,166	11,480	23,431	15,915	n/a	28,794	225,786
	2017/18	141,381	29,002	22,621	16,706	n/a	21,993	231,703
Phil Ponsonby CEO Trading	2016/17	205,965	46,734	n/a	9,624	77,110	13,800	353,233
	2017/18	280,990	48,148	n/a	14,189	n/a	24,469	367,796
Ben Reid Group CEO (8)	2016/17	468,786	44,153	73,827	20,536	n/a	100,801	708,103
	2017/18	315,048	63,010	40,841	20,056	51,700	42,800	533,455
Alistair Rowland GGM, Specialist Retail	2016/17	166,817	25,858	11,591	9,624	n/a	30,421	244,311
	2017/18	179,313	28,056	12,440	11,954	n/a	25,306	257,069
Caroline Westall CIO	2016/17	135,004	22,233	371	9,624	n/a	9,005	176,237
	2017/18	149,722	30,302	388	10,777	n/a	14,233	205,422
Pete Westall GGM Colleague & Co-operative Services (9)	2016/17	142,812	5,676	9,922	15,242	n/a	26,486	200,138
	2017/18	155,710	26,241	10,215	14,552	n/a	21,899	228,617

(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 salary supplement in lieu of pension contributions

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

(4) The figures shown cover:

- relocation expenses for David Bird and Phil Ponsonby
- payments made on account of redundancy for Mike Abbott and Simon Fisher
- the value of the gift of a car for Ben Reid

(5) Left the Society on 12 May 2017 due to redundancy

(6) Joined the Society on 24 April 2017

(7) Left the Society on 20 October 2017 due to redundancy

(8) Moved to a part-time position in November 2016; see section 'Group Chief Executive - contract' earlier in this report

(9) Changed role to Group General Manager, Colleague & Co-operative Services on 23 April 2017

Application of the remuneration policy for 2017/18

Base salary

It is the Committee's policy that the salaries of members of the Executive are normally increased in line with the increase agreed with NACO for the Society's senior management grades. In 2017/18 this was 2.5%.

Levels of fixed pay are reviewed formally every two years to ensure market competitiveness and benchmarking against the median position. The last review took place in late 2017 with changes taking effect at the start of the 2018/19 financial year. The next review will take place in late 2019. Where appropriate, the Committee reviews levels of fixed pay at other times, particularly for more recent recruits to the Executive or where there has been a substantial development in role given growth or other changes in the business. In such instances the Committee will take into account the median benchmark position.

Executive	Salary as at 29 January 2017 £	Salary as at 28 January 2018 £	Increase excl. 2.5% annual increase %	Increase incl. 2.5% annual increase %
Mike Abbott, Group General Manager (1)	131,982	131,982	0.0	0.0
David Bird, CEO Energy (2)	375,018	375,018	0.0	0.0
Kevin Brown, GGM Property & Specialist Services	140,013	157,008	12.1	12.1
Peter Dubois, Chief Financial Officer	150,011	176,010	17.3	17.3
Simon Fisher, Group General Manager, Funeral (3)	128,778	128,778	0.0	0.0
Edward Parker, Secretary & Head of Governance	146,442	150,113	0.0	2.5
Phil Ponsonby, Chief Executive, Trading	275,017	281,892	0.0	2.5
Ben Reid, Group Chief Executive	255,260	255,260	0.0	0.0
Alistair Rowland, Group General Manager, Specialist Retail	175,016	179,397	0.0	2.5
Caroline Westall, Chief Information Officer	150,011	161,003	7.3	7.3
Pete Westall, Group General Manager, Energy (4)	142,812	160,009	12.0	12.0

(1) Left the Society on 12 May 2017; salary at date of leaving is shown in column 2

(2) Joined the Society on 24 April 2017; salary at date of joining is shown in column 1

(3) Left the Society on 20 October 2017; salary at date of leaving is shown in column 2

(4) Changed role to Group General Manager, Colleague & Co-operative Services from Group General Manager, Energy on 23 April 2017

Annual bonus plan performance targets

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

The maximum bonus opportunity for members of the Executive for 2017/18 was 20% of base salary (2016/17: 20%). For members of the Executive promoted to the Executive in 2016, the maximum bonus opportunity for 2017/18 was 25% of base salary reflecting the maximum opportunity available to them before their promotion. This will reduce to 20% from the financial year 2018/19 as their incentive arrangements transition to include full participation in the LTIP.

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

The annual bonus plan for 2018/19 will operate on the same basis as 2017/18. Targets consist of a mix of financial objectives at Society and trading/support group level, and personal objectives.

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

In 2018/19, the performance measures and weightings for the annual bonus plan will be as follows:

Measure	Executives with Trading Group responsibilities	Executives with Support Group responsibilities
	%	%
Society profit	7.0	7.0
Trading Group profit	8.0	n/a
Support Group cost	n/a	5.0
Personal objectives	5.0	8.0
Total	20.0	20.0

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

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

The Committee met on 11 April 2018 to review performance against the 2017/18 annual bonus targets and approve the payment of bonuses. The Society's profit performance was above the stretch target.

The following table shows the performance scales and actual outcomes for 2017/18 for the various elements of the bonus:

Performance scales	Bonus payable for				
	Group Chief Executive	Members of the Executive with		Recently promoted members of the Executive	Chief Executive, Trading
		Trading Group	Support Group		
		responsibilities			
(% of base salary)					
Society profit					
Stretch 115% of budgeted profit	20.00	7.00	7.00	8.75	9.33
On-target 100% of budgeted profit	8.00	2.80	2.80	3.50	3.73
Threshold 95% of budgeted profit	4.00	1.40	1.40	1.75	1.7
Less than 95% of budgeted profit	0.00	0.00	0.00	0.00	0.00
2017/18 result	20.00	7.00*	7.00*	8.75*	9.33
Trading Group profit					
Stretch 115% of budgeted profit	n/a	8.00	n/a	n/a	10.66
On-target 100% of budgeted profit	n/a	3.20	n/a	n/a	4.26
Threshold 95% of budget profit	n/a	1.60	n/a	n/a	2.13
Less than 95% of budgeted profit	n/a	0.00	n/a	n/a	0.00
2017/18 result	n/a	2.67*	n/a	n/a	4.75
Support Group cost					
Stretch 95% of budgeted cost	n/a	n/a	5.00	6.25	n/a
On-target 97.5% of budgeted cost	n/a	n/a	2.00	2.50	n/a
Threshold 100% of budgeted cost	n/a	n/a	1.00	1.25	n/a
More than 100% of budget	n/a	n/a	0.00	0.00	n/a
2017/18 outcome	n/a	n/a	5.00*	6.25*	n/a
Personal objectives					
Stretch	n/a	5.00	8.00	10.00	6.67
On-target	n/a	2.00	3.20	4.00	2.67
Threshold	n/a	1.00	1.60	2.00	1.33
2017/18 outcome	n/a	4.05*	6.57*	6.20*	3.00
Total	20.00	13.72*	18.57*	21.20*	17.08
Maximum available	20.00	20.00	20.00	25.00	26.60

*denotes average

Long-Term Incentive Plan (LTIP)

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

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

2015/16 LTIP award

The 2015/16 LTIP grant matured in January 2018.

Members of the Executive who have been on the Executive for the full three year LTIP period will receive a payment of 15.0% of their average salary over this period. Members joining the Executive in 2016 will receive a payment of 10.0% of their salary. Phil Ponsonby, Chief Executive, Trading who joined the Society part way through 2015 will receive a payment of 10.05%. David Bird, Chief Executive, Energy who joined the Society in 2017 will receive a payment of 15.0% per the terms of his contract.

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

Performance measure	How measured?	Weighting	Performance targets			Performance achieved	Payout % of salary
			Threshold 40% payable	Target 90% payable	Maximum 100% payable		
Return on capital employed	Cumulative trading profit relative to 3 year plan	25%	95% of 3 year plan cumulative trading profit	100% of 3 year plan cumulative trading profit	115% of 3 year plan cumulative trading profit	below the Threshold target	0.0
Corporate reputation	From Business in the Community's Corporate Responsibility index	25%	4 stars at end of the LTIP period	4 stars in years 2 and 3 of the LTIP period	Maintain 4 stars for the full 3 year LTIP period	2015 – 4.5 stars 2016 – 5 stars 2017 – 5 stars	5.0
Colleague engagement	Measured through the Society's annual colleague survey	25%	79 2017/18 score	80 2017/18 score	81 2017/18 score	84 2017/18 score	5.0
Customer Loyalty Index	Measured through customer satisfaction surveys	25%	Average score in 2017/18			2017/18 average score 81	5.0
			71	74	77		
Total							15.0

2018/19 LTIP award

The Remuneration Committee has agreed that the performance measures for the annual grant to members of the Executive under the LTIP for the 2018/19 year are to be based on four measures - ROCE, Corporate Reputation and Colleague Engagement, and a new External Partnerships measure, introduced into the LTIP at last year's grant. Each measure will be weighted the same and the maximum award available will be set at 20.0% of average salary over the three year vesting period.

Summary of outstanding LTIP awards

The table below summarises the principal terms of the LTIP grants currently outstanding. All grants allow for a maximum payment of 20% of average salary over the three year performance period.

Grant	Payment	Performance measure	How measured	Weighting	Members of Executive eligible for an award
2016/17	January 2019	1. Return on capital employed	Cumulative trading profit relative to 3-year plan	25%	David Bird Kevin Brown Peter Dubois Edward Parker Phil Ponsonby Alistair Rowland Caroline Westall Peter Westall Ben Reid ¹
		2. Corporate reputation	From Business in the Community's Corporate Responsibility index	25%	
		3. Colleague engagement	Measured through the Society's annual colleague survey	25%	
		4. Customer Loyalty Index	Measured through customer satisfaction surveys	25%	
2017/18	January 2020	Measures 1., 2. and 3. above together with: 5. External Partnerships	Measured through four key questions	25%	

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

Clawback provisions

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

Pension

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

The L & G Scheme was set up on closure of the Society's career average defined benefit scheme (the CARE Scheme) in June 2014. Only members of the CARE Scheme at the time of closure were eligible to join the L & G Scheme. The CARE Scheme had previously operated on a final salary basis. 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 Allowance or Annual Allowance limits and individuals who transfer their deferred benefits out of the CARE Scheme.

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

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

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

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

Two individuals left the Executive during 2017:

- Mike Abbott left the Society due to redundancy. At the time he left he was a deferred member of the CARE Scheme with career average benefits and a normal retirement age of 65; he participated in the L & G Scheme
- Simon Fisher left the Society due to redundancy. At the time he left he received the cash alternative as earlier in the year he had transferred his pension arrangements out of the CARE scheme.

Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary and bonus between the 2016/17 and 2017/18 financial years, compared with that of the average for all colleagues in the Society.

	% change in salary and incentive pay	
	2016/17	2017/18
Group Chief Executive	(5.3)	(31.4)
average for colleagues	5.5	0.14

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.

	2017/18 £m	2016/17 £m	% change
Staff costs	138.4	138.0	0.3
Distributions	2.6	3.6	(27.8)
Operating profit before significant items	13.3	11.4	16.7

Loss of office payments

The position of Group General Manager, Funeral and Group General Manager, Childcare held by Simon Fisher and Mike Abbott respectively were made redundant during the year. Redundancy payments of £137,010 (Simon Fisher) and £104,722 (Mike Abbott) were made in accordance with the Society's redundancy policy, together with pay in lieu of notice payments of £27,242 (Simon Fisher) and £35,696 (Mike Abbott), and payments to cover untaken holiday, car allowance and pension contributions of £11,210 (Simon Fisher) and £7,706 (Mike Abbott). No other payments for loss of office were made during the year. The principles governing compensation for loss of office are set out earlier in this report.

Payments to past Executives

Payments under the LTIP granted in 2015/16 that matured in January 2018 are to be made to the following former members of the Executive who have been classed as 'good leavers' under the rules of the LTIP: Steve Ridler, who retired from the Society in December 2015, will receive a payment of £12,857; Ramsay Dunning, who retired from the Society in July 2017 will receive a payment of £17,884; Mari Frost who left the Executive at the end of the 2016/17 financial year but has continued to work for the Society will receive a payment of £11,506; Mike Abbott and Simon Fisher whose roles on the Executive were made redundant during 2017 will receive payments of £14,702 and £17,592 respectively.

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

BOARD DIRECTOR FEES

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

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

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

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

All the fees listed are increased each year by the same inflation-related increase negotiated with NACO that is awarded to the Society's senior management grades. This was 2.5% in 2017/18 (2016/17: no increase applied given an increase in fee levels approved by members that year).

Board/Committee	Role	Fees 2017/18 £	Fees 2016/17 £
Board	President	13,202 (40% above Director fee)	12,880
	Vice-Presidents	11,316 (20% above Director fee)	11,040
	Director	9,430	9,200
Energy Committee	Chair	3,690 (20% above Director fee)	3,600
	Director	3,075	3,000
Audit & Risk Committee	Chair	738	720
	Vice-Chair	677	660
	Committee member	615	600
Environmental Steering Group	Board representative	615	600
Membership Strategy Committee	Committee member	615	600
Pension Trustee Board	Trustee director	1,025	1,000
Remuneration Committee	Committee member	615	600

Expenses

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

Benefits

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

Directors' remuneration table (audited)

The following table lists the fees paid to the directors of the Society who served during the year under review.

Director	Fees	
	2017/18 £	2016/17 £
Stephen Allsopp	10,545	9,197
Olivia Birch	10,952	10,243
Clive Booker	11,273	2,474
Bernadette Connor ¹	10,682	11,422
Martin Cook	2,903	n/a
Judith Feeney	11,763	10,721
Ruth FitzJohn	13,237	14,160
Ellie Freeman	9,997	9,947
Patrick Gray	16,653	12,935
Gary Hayes ²	-	n/a
Irene Kirkman	10,392	2,460
Matthew Lane	12,978	9,776
Donald Morrison	13,000	9,325
Jean Nunn-Price	12,671	10,258
Louise Pevreal	7,982	9,588
Barbara Rainford	12,002	10,773
Heather Richardson	2,532	n/a
Helen Wiseman ¹	15,257	11,791
Vivian Woodell	13,172	9,475

¹ member of the Society's closed Career Average pension scheme

² Gary Hayes has waived his director fee

The role of a director

The Society is a large and complex organisation. It employs nearly 9,000 people in a number of consumer oriented businesses and plays an important social role in the community. It is owned and controlled by its members, a fundamental principle of co-operation, and co-operative values underpin all its activity.

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

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

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

It also involves a commitment of time to other areas of the Board's work. For example, by standing on committees and working groups set up by the Board, and, more widely, by representing the 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 11 April 2018.

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

Matt Lane
Chair – Remuneration Committee

11 April 2018

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement on going concern

The Society has procedures for assessing its capital and funding requirements which are monitored regularly. The day to day working capital needs are met through a number of facilities. The Society has prepared detailed forecasts and projections for the period to January 2021 which, taking account of possible changes in trading performance in the current economic environment, show that the Society should be able to operate within the level of its current available facilities.

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

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

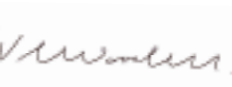
The Financial Statements are signed on behalf of the Board of Directors.



Helen Wiseman
President



Patrick Gray
Vice-President



Vivian Woodell
Vice-President



Edward Parker
Secretary

18 April 2018

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

Opinion

We have audited the financial statements of The Midcounties Co-operative Limited for the year ended 27 January 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Society's affairs as at 27 January 2018 and of the income and expenditure of the Society for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

Matters on which we are required to report by exception

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

- the Society has not kept proper books of account; or
- the Society has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Society's books

of account; or

- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As more fully explained in their statement set out on page 56 the Society's directors are responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

Chartered Accountants

One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

18 April 2018

Consolidated Statement of Comprehensive Income

For the year ended 27 January 2018

	Note	2017/18 Before significant items £'000	2017/18 Significant items £'000	2017/18 Total £'000	2016/17 Before significant items £'000	2016/17 Significant items £'000	2016/17 Total £'000
Revenue	1	1,094,784		1,094,784	979,232		979,232
Cost of sales		(838,638)		(838,638)	(731,186)		(731,186)
Gross profit		256,146		256,146	248,046		248,046
Operating expenses	2.1/2.2	(242,825)	(1,118)	(243,943)	(236,608)	(3,280)	(239,888)
Operating profit		13,321	(1,118)	12,203	11,438	(3,280)	8,158
Finance costs	2.3	(5,264)		(5,264)	(4,561)		(4,561)
Profit before payments to and on behalf of members		8,057	(1,118)	6,939	6,877	(3,280)	3,597
Payments to and on behalf of members	2.4	(2,639)		(2,639)	(3,572)		(3,572)
Profit before tax		5,418	(1,118)	4,300	3,305	(3,280)	25
Income tax (expense) / credit	2.5	(2,150)	1,003	(1,147)	(423)	1,097	674
Profit for the year		3,268	(115)	3,153	2,882	(2,183)	699
Other comprehensive income							
Items that will not be reclassified to the income statement in future periods:							
Revaluation (loss) / gain of property, plant and equipment				(181)			1,517
Remeasurement of defined benefit liability	4.4			6,689			(13,322)
Income tax on other comprehensive income	2.5			(1,207)			1,903
Dormant share accounts to reserves				189			118
Other comprehensive income / (expense) for the period, net of income tax				5,490			(9,784)
Total comprehensive income / (expense) for the period				8,643			(9,085)

Consolidated Statement of Financial Position

As at 27 January 2018

	Note	2017/18 £'000	2016/17 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	200,080	199,380
Intangible assets	3.2	104,646	92,551
Investment property	3.3	16,108	12,422
Other investments	3.4	55,970	50,652
Deferred tax assets	3.6	3,806	4,862
Total non-current assets		380,610	359,867
Current assets			
Other investments	3.4	4,421	4,011
Other financial assets	3.5	-	69
Stocks	3.7	24,441	24,805
Trade and other receivables	3.8	219,481	208,773
Cash and cash equivalents	3.9	13,202	41,805
Current tax recoverable		438	1,854
Assets held for sale	3.10	2,994	3,092
Total current assets		264,977	284,409
TOTAL ASSETS		645,587	644,276
LIABILITIES			
Current liabilities			
Loans and borrowings	4.1	14,662	4,806
Trade and other payables	4.3	283,709	281,669
Provisions		1,290	17,196
Total current liabilities		299,661	303,671
Non-current liabilities			
Loans and borrowings	4.1	54,482	55,171
Other payables	4.3	57,723	52,297
Provisions		2,259	1,979
Pension obligations	4.4	48,549	59,026
Total non current liabilities		163,013	168,473
TOTAL LIABILITIES		462,674	472,144
NET ASSETS		182,913	172,132
EQUITY			
Share capital		56,413	53,150
Other reserves		43,380	43,631
Retained earnings		83,120	75,351
TOTAL EQUITY		182,913	172,132

Consolidated Statement of Changes in Equity

For the year ended 27 January 2018

	Share Capital £'000	Revaluation reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 23 January 2016	44,642	43,068	86,085	173,795
Profit for the year	0	0	699	699
Other comprehensive income:				
Revaluation of property, plant and equipment	0	1,517	0	1,517
Realised on disposal of properties	0	(1,001)	1,001	0
Actuarial loss on defined benefit pension plans	0	0	(13,322)	(13,322)
Dormant share accounts to reserves	(118)	0	118	0
Income tax on other comprehensive income	0	47	1,856	1,903
Total other comprehensive expense	(118)	563	(10,347)	(9,902)
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	8,626	0	0	8,626
Members' share interest	0	0	(1,086)	(1,086)
Total contributions by and distributions to members	8,626	0	(1,086)	7,540
Balance at 28 January 2017	53,150	43,631	75,351	172,132
Profit for the year	0	0	3,153	3,153
Other comprehensive income:				
Revaluation of property, plant and equipment	0	(181)	0	(181)
Actuarial loss on defined benefit pension plans	0	0	6,689	6,689
Dormant share accounts to reserves	(189)	0	189	0
Income tax on other comprehensive income	0	(70)	(1,137)	(1,207)
Total other comprehensive income	(189)	(251)	5,741	5,301
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	3,452	0	0	3,452
Members' share interest	0	0	(1,125)	(1,125)
Total contributions by and distributions to members	3,452	0	(1,125)	2,327
Balance at 27 January 2018	56,413	43,380	83,120	182,913

Consolidated Statement of Cash Flows

For the year ended 27 January 2018

	Note	2017/18 £'000	2016/17 £'000
Cash flows from operating activities			
Profit for the period		3,153	699
Adjustments for:			
Depreciation	3.1	10,195	10,611
Amortisation of intangible assets	3.2	3,438	906
Gain on sale of property, plant and equipment	2.2	(3,347)	(3,632)
Impairment of property, plant and equipment	2.2	478	0
Change in fair value of investment property	2.2	389	(56)
Change in fair value of trading property	2.2	1,055	824
Net finance expense	2.3	5,264	4,561
Payments to and on behalf of members	2.4	2,639	3,572
Income tax expense / (credit)	2.5	1,147	(674)
		24,411	16,811
Change in:			
Stocks		364	1,005
Trade and other receivables		(17,514)	(27,918)
Trade, other payables and provisions		(15,114)	53,257
Payments to the pension fund		(6,332)	(4,611)
		(38,596)	21,733
Income tax received / (paid)		392	(296)
Net cash from operating activities		(13,793)	38,248
Cash flows from investing activities			
Interest received		134	667
Proceeds from:			
Sale of investment properties, property, plant and equipment, intangible assets and assets held for sale		4,429	8,852
Purchase of:			
Property, plant and equipment	3.1	(17,756)	(13,935)
Intangible assets	3.2	(7,376)	(5,937)
Investment property	3.3	(10)	0
Business acquisitions (net of cash acquired)	6.1	0	(9,975)
Net cash used in investing activities		(20,579)	(20,328)
Cash flows from financing activities			
Proceeds from issue of share capital		11,412	11,235
Repayment of share capital		(8,913)	(3,607)
Proceeds from new loans		27,000	15,000
Loan arrangement fees		(541)	0
Interest paid on borrowings		(2,525)	(3,160)
Repayment of bank facilities	4.1	(31,250)	(12,249)
Repayment of finance lease liabilities	4.1	(743)	(990)
Payments to and on behalf of members and share interest paid		(3,043)	(3,381)
Net cash used in financing activities		(8,603)	2,848
Net increase in cash and cash equivalents		(42,975)	20,768
Cash and cash equivalents at start of period		41,805	21,037
Cash and cash equivalents at end of period		(1,170)	41,805

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 27 January 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

b) Basis of preparation

The financial statements are presented in thousands of pounds sterling.

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

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

c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about areas of estimation, uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

	Section
Valuation of trading properties	3.1
Measurement of the recoverable amounts from cash generating units containing goodwill	3.2
Valuation of investment properties	3.3
Valuation of assets held for sale	3.10
Measurement of pension obligations	4.4
Business combinations	6.1
Valuation of financial instruments	4.2, 4.5
Valuation of insurance contracts	6.2

d) Basis of consolidation

The consolidated financial statements include the Society and its subsidiary undertakings. Subsidiaries are entities controlled by the Society. Control exists when the Society has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

e) Significant items

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

f) Changes in accounting policies

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

g) New standards and interpretations not adopted

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

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12).
- Disclosure Initiative – Amendments to IAS 7.

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

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

• IFRS 15 Revenue from Contracts with Customers

The Group is required to adopt IFRS 15 Revenue from Contracts with Customers from 28th January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group has assessed the estimated impact that the initial application of IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of this standard on the Group's equity as at 27th January 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standard at 28th January 2018 may change because the Group has not finalised the testing and assessment of all income streams and controls over its IT and reporting systems.

Travel - Dynamically Packaged Bookings

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

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

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

Payments to and on behalf of members

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

All other Trading Groups

No material impacts are expected to other trading groups due to the new IFRS 15 requirements.

Transition

The Group plans to adopt IFRS 15 using the retrospective method.

• IFRS 9 Financial instruments

The Group is required to adopt IFRS 9 Financial Instruments from 28th January 2018. We provide here an explanation of the likely effect of its adoption on the financial statements. In summary, whilst there will be changes in disclosure, there are not expected to be any material changes in the quantification or measurement of financial assets or financial liabilities.

Financial assets

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

Impairment of financial assets

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

Energy

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

• IFRS 16 Leasing

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

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

The Group is conducting an initial assessment of the potential impact on its consolidated financial statements.

Transition

As a lessee, the Group can apply the standard using either a retrospective approach or a modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases. The Group plans to apply IFRS 16 initially on 27th January 2019, with a preference of using the retrospective approach. In this case, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 27th January 2018, with a restatement of comparative information. Whilst the Group is confident of being able to apply a retrospective approach, due to the number and age of our leases we may have insufficient historical data to meet the requirements of the standard which would preclude the retrospective approach being taken. Should this be the case then a modified retrospective approach will be adopted where the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 27th January 2019, with no restatement of comparative information.

• Other standards not yet endorsed by the EU.

The following amended standards and interpretations are not expected to have a material impact on profit or net assets:

Transfers of Investment Property (Amendments to IAS40)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Notes to the Financial Statements

Keeping it simple

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

Section 1 - Revenue

In this section

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

Keeping it simple – Sales

Gross sales represents the amount of money customers pay or are liable to pay at the point of sale and delivery. Revenue consists of gross sales less agency fees, VAT and staff discount.

Accounting Policy:

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

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

The following criteria must be met before revenue is recognised:

Class of revenue	Recognition criteria
Sale of goods and rendering of services	Point of sale and provision of services
Travel agency fees and commissions	Gross commission earned recognised on booking
Flexible benefits commissions	Gross commission recognised at the point of payment
Energy	Revenue on energy sales comprises sales to retail end-user customers including an estimate of the value of electricity and gas supplied to customers between the date of the last meter reading and the year end. Unread energy sales are estimated using historical consumption patterns taking account of industry volume reconciliation processes.
Rental income arising from operating leases	Straight line over the term of the lease

1. Revenue

	2017/18 Gross sales £'000	2017/18 Revenue £'000	2016/17 Gross sales £'000	2016/17 Revenue £'000
Food	568,802	515,513	569,321	516,960
Funeral	34,066	33,589	31,407	30,899
Healthcare	32,243	31,804	40,409	39,842
Travel	362,894	74,578	343,774	71,392
Childcare	31,920	31,863	29,847	29,786
Energy	420,070	399,664	295,310	281,456
Post Offices	2,891	2,869	2,868	2,847
Flexible benefits	25,852	1,270	28,828	2,289
Other	50	50	156	89
Retail revenue	1,478,788	1,091,200	1,341,920	975,560
Property rentals	3,590	3,584	3,680	3,672
	1,482,378	1,094,784	1,345,600	979,232

Keeping it simple – Cost of sales

Costs of sales are the costs we incur in buying the goods and services we provide to our customers.

Cost of sales are measured at the cost of goods purchased for resale and delivery net of rebates.

Cost of sales for energy supply includes the cost of gas and electricity purchased during the year taking into account the industry reconciliation process for total gas and total electricity usage, and related transportation and distribution costs.

Section 2 - Expenses

In this section

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

2.1 Operating expenses before significant items

Keeping it simple - Operating expenses

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

	Note	2017/18 £'000	2016/17 £'000
Operating costs	2.1.1	104,221	98,482
Personnel costs	2.1.2	138,409	137,969
Transactions with directors	2.1.3	195	157
		242,825	236,608

2.1.1 Operating costs

		2017/18 £'000	2016/17 £'000
Hire of plant and equipment - operating leases		372	409
Hire of land and buildings - operating leases		14,418	14,398
Depreciation of owned assets - property, plant and equipment	3.1	9,586	10,112
Depreciation of owned assets - intangibles	3.2	3,438	906
Depreciation of assets held under finance leases	3.1	609	499
Fees paid to auditors:			
Audit		224	240
Other		38	18
Other expenses		75,536	71,900
		104,221	98,482

2.1.2 Personnel costs

		2017/18 £'000	2016/17 £'000
Wages and salaries		128,504	128,322
Compulsory social security payments		8,481	8,182
Expenses related to defined contribution pension schemes	4.4	1,424	1,465
		138,409	137,969

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

	Number	Number
Full time	4,385	4,346
Part time	4,278	4,446
	8,663	8,792

2.1.3 Transactions with directors

Keeping it simple - Transactions with directors

This section represents any payments made to directors for their role in the Society.

	2017/18 £'000	2016/17 £'000
Directors' fees and expenses	195	157

2.2 Significant items

Keeping it simple - Significant items

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

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

		2017/18 £'000	2016/17 £'000
Analysis of significant items:			
Items included within operating expenses:			
Net gain on disposal of property, plant, equipment, investment properties and assets held for sale	a	3,347	3,632
Change in fair value of trading properties	a	(1,055)	(824)
Change in fair value of investment properties	a	(389)	56
Expense of business acquisitions and disposals	b	(402)	(136)
Impairment of property, plant and equipment	c	(478)	0
Restructuring costs	d	(1,709)	(745)
Energy customer experience costs	e	0	(3,716)
Onerous lease	f	(432)	(1,547)
		(1,118)	(3,280)
Tax on significant items	g	1,003	1,079
Significant items after tax		(115)	(2,201)

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 impairment of property, plant and equipment was significant in value in 2017/18 and its volatility would distort the underlying financial performance. It is in relation to an increase in the impairment provision on loss-making sites.

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

e - In 2016/17 the Society incurred significant one-off costs in relation to improving the experience of energy customers and the payment of compensation to customers affected by a reduction in service. The reduction in service was the result of the introduction of a new IT system in March 2015. Since then, Ofgem have reported that the Society has worked well with them and has restored customer service levels.

f - The onerous lease cost is significant in 2017/18 and is predominantly due to the increase of a provision for a vacated office building with a long lease.

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

2.3 Finance costs

Keeping it simple - Finance costs

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

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

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

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

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

	Note	2017/18 £'000	2016/17 £'000
Finance income	2.3.1	134	667
Finance expenses	2.3.2	(5,398)	(5,228)
		(5,264)	(4,561)

2.3.1 Finance income

	2017/18 £'000	2016/17 £'000
Interest income on available for sale financial assets	112	89
Interest income on bank deposits	22	578
	134	667

2.3.2 Finance expense

	2017/18 £'000	2016/17 £'000
Net interest on defined benefit liability	2,544	1,775
Interest expense on bank loans	2,462	3,081
Interest expense in respect of finance lease liabilities	63	76
Loan arrangement fees expensed	329	296
	5,398	5,228

2.4 Payments to and on behalf of members

Keeping it simple - Payments to and on behalf of members

We return some of the profits earned each year to our members. We also support a range of co-operatives and other organisations through grants and donations.

Payments to and on behalf of members, includes dividends, grants to community projects and payments in support of co-operative development. These are recognised as a liability when approved by members in general meetings and are treated as an appropriation of profits. Where payments to employee members in their capacity as employees are non-contractual and distinguishable from the operating activities of the business and payment is dependent on, and subject to, member approval in a general meeting, these payments are included in 'Payments to and on behalf of members'.

	Note	2017/18 £'000	2016/17 £'000
Members' dividend	5.1	840	1,461
Grants and other member benefits		1,352	1,452
Employee member benefits		447	652
Charitable donations		0	7
		2,639	3,572

2.5 Income tax expense

Keeping it simple - Income tax expense

This section shows adjustments which are made to the profits to calculate how much tax we have to pay.

Income tax expense comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity through other comprehensive income, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and the differences relating to the investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

	2017/18 Before significant items £'000	2017/18 Significant items £'000	2017/18 £'000	2016/17 Before significant items £'000	2016/17 Significant items £'000	2016/17 £'000
Current tax expense:						
Current period	452	(452)	0	161	(913)	(752)
Adjustment for prior periods	760	0	760	443	335	778
	1,212	(452)	760	604	(578)	26
Deferred tax expense:						
Origination and reversal of temporary differences	1,142	(245)	897	958	130	1,088
Adjustment for prior periods	(204)	(306)	(510)	(908)	(641)	(1,549)
Effects on deferred tax of change in tax rate	0	0	0	(231)	(8)	(239)
	938	(551)	387	(181)	(519)	(700)
Total income tax expense / (credit)	2,150	(1,003)	1,147	423	(1,097)	(674)

In order to understand how, in the income tax statement, a tax charge of £1.147 million (2016/17: tax credit £0.674million) arises on a profit before tax of £4.3 million (2016/17: £0.025 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual charge as follows:

	2017/18 Before significant items	2017/18 Significant items	2017/18	2016/17 Before significant items	2016/17 Significant items	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Factors affecting the tax charge for the period:						
Profit before taxation	5,418	(1,118)	4,300	3,305	(3,280)	25
Income tax using the Society's domestic tax rate of 19.17% (2016/17: 20.00%)	1,039	(214)	825	661	(656)	5
Expenses not deductible for tax purposes	556	151	707	458	304	762
Profit on sale of properties subject to indexation and rollover relief	0	(634)	(634)	0	(431)	(431)
Effects on deferred tax of change in tax rate	0	0	0	(231)	(8)	(239)
Adjustment for prior periods (current plus deferred tax expense)	555	(306)	249	(465)	(306)	(771)
Total income tax expense	2,150	(1,003)	1,147	423	(1,097)	(674)

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

	2017/18 £'000	2016/17 £'000
Total recognised directly in equity:		
Members' share interest	(267)	(272)
Total recognised in other comprehensive income:		
Revaluation of property, plant and equipment	70	(47)
Actuarial gains/(losses) on defined benefit pension plans	1,137	(1,856)
	1,207	(1,903)
Deferred tax:		
Net asset at start of period	4,862	2,347
Deferred tax charge in revenue account for the period	(387)	700
Deferred tax recognised directly in equity	538	0
Movement on pension liability deferred tax	(1,137)	1,856
Other deferred tax recognised in other comprehensive income	(70)	47
Acquisition	0	(88)
Net asset at end of period	3,806	4,862

"A reduction in the UK corporation tax rate from 20% (effective from 1 April 2015) to 17% (effective from 1 April 2020) with an interim reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015 and 15 September 2016. This will change the Society's future current tax charge accordingly. The deferred tax assets at 27 January 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

The Society will respect all tax laws and will not structure transactions in a way which does not reflect genuine commercial reasons. This includes establishing operations in other jurisdictions for the purpose of evading or avoiding the tax laws of the United Kingdom.

	2017/18 Before Significant Items £'000	2017/18 Significant Items £'000	2017/18 Total £'000	2016/17 Before Significant Items £'000	2016/17 Significant Items £'000	2016/17 Total £'000
Profit before taxation	5,418	(1,118)	4,300	3,305	(3,280)	25
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.17% (2016/17: 20.00%)	1,039	(214)	825	661	(656)	5
Depreciation in excess of capital allowances	a 279	0	279	458	0	458
Pension movements	b (726)	0	(726)	(567)	0	(567)
Expenses not deductible for tax purposes	c (140)	0	(140)	(391)	0	(391)
Change in fair value of trading properties	c 0	201	201	0	165	165
Change in fair value of investment properties	c 0	75	75	0	(11)	(11)
Expense of business acquisitions and disposals	c 0	29	29	0	20	20
Capital gains	c 0	(634)	(634)	0	(431)	(431)
Impairment of property, plant and equipment	c 0	91	91	0	0	0
	452	(452)	0	161	(913)	(752)
Adjustments to tax charge in respect of previous periods	760	0	760	443	335	778
Reported current tax charge and effective rate	1,212	(452)	760	604	(578)	26
Depreciation in excess of capital allowances	a 426	0	426	173	0	173
Pension movements	b 644	0	644	510	0	510
Expenses not deductible for tax purposes	d (196)	(245)	(441)	275	130	405
Adjustments to tax charge in respect of previous periods	64	(306)	(242)	(908)	(641)	(1,549)
Effects on deferred tax of change in tax rate	0	0	0	(231)	(8)	(239)
Reported total tax charge and effective rate	2,150	(1,003)	1,147	423	(1,097)	(674)

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

b - A tax deduction is obtained for pensions when payments are made into the scheme. Deferred tax arises on the difference between the pension accounting and the payment scheme and disposals and changes in the fair value of properties.

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

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

Section 3 - Assets

In this section

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

Keeping it simple

An asset is something which is used by the Society in order to generate financial benefit. For example, stock is an asset because we will sell it to generate income, similarly we use our properties to enable our trading outlets to trade and consequently generate income.

After initial recognition, classes of assets valued under the cost model are carried at cost less any accumulated depreciation and any accumulated impairment losses. Classes of assets valued under the revaluation model are carried at a revalued amount, being their fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation, less estimated residual value, in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depreciation rates used are as follows:	
Freehold buildings	2% per annum
Leasehold buildings	Over the unexpired term of the lease
Plant, fixtures and fittings	5% to 33.3% per annum
Vehicles	12.5% to 33.3% per annum

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

Impairment: A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

3.1 Property, plant and equipment

Keeping it simple - Property, plant and equipment

These are the sites that the Society trades in and the fixtures and fittings within these sites.

	Land & buildings £'000	Plant, fixtures & fittings £'000	Vehicles £'000	Total £'000
Cost or valuation:				
At 23 January 2016	168,959	130,084	789	299,832
Additions	3,550	10,901	0	14,451
Acquisitions	950	417	7	1,374
Revaluation	782	0	0	782
Disposals	(4,929)	(44,720)	(643)	(50,292)
Transfer from assets held for sale	1,279	44	0	1,323
Transfers	840	(6,940)	0	(6,100)
At 28 January 2017	171,431	89,786	153	261,370
Additions	4,006	13,692	58	17,756
Impairment provision	0	(478)	0	(478)
Revaluation	(1,236)	0	0	(1,236)
Disposals	(1,261)	(377)	0	(1,638)
Transfers	(4,415)	0	0	(4,415)
At 27 January 2018	168,525	102,623	211	271,359
Accumulated depreciation:				
At 23 January 2016	7,026	88,840	687	96,553
Provided	810	9,773	28	10,611
Disposals	(41)	(44,302)	(643)	(44,986)
Transfers	(415)	225	2	(188)
At 28 January 2017	7,380	54,536	74	61,990
Provided this year	633	9,529	33	10,195
Disposals	(73)	(833)	0	(906)
At 27 January 2018	7,940	63,232	107	71,279
Carrying amount				
At 28 January 2017	164,051	35,250	79	199,380
At 27 January 2018	160,585	39,391	104	200,080

The gross book value of assets held under finance leases shown within additions is £nil (2016/17: £516,000).

The net book value of assets held under finance leases is £1,451,000 (2016/17: £2,071,000).

Plant, fixtures and fittings include assets in the course of construction of £5,349,000 (2016/17: £4,895,000)

Security

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

Valuations

The property valuations in January 2018 are based on Market Value. The valuations were carried out by Chartered Surveyors, VSL and Partners, Richard Holmes (Property Consultants) and Eddisons Taylors in accordance with the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards. In the case of newly built properties, where the fair value method does not provide the most reliable value or there is no market based evidence of the fair value due to the specialised nature of the Property, an alternative method 'Value in Use' is used to account for any such properties. The value in use is arrived at by reviewing the recoverable amount of the cash-generating unit to which the assets being valued relate to.

The properties are valued individually, and yields are therefore varying on a property by property basis. Yields range from 5.5% to 11% (2016/17: 5.5% to 11.0%)

3.2 Intangible assets

Keeping it simple - Intangible assets

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

Goodwill

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

Other intangibles

Intangible assets acquired by the Society are measured at cost less accumulated amortisation and impairment losses. Pharmacy licences are deemed to have indefinite lives and are tested annually for impairment. Post Office licences are amortised over various periods depending on the revenue earned and customer relationships are amortised over 3 years as set out in this section.

Fair value measurement

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

Impairment

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

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

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

		Purchased goodwill £'000	Licences and brand £'000	Customer Relationships £'000	Total £'000
Cost:					
At 23 January 2016		60,180	8,078	359	68,617
Acquisition	6.1	13,512	1,226	8,346	23,084
Additions		0	5,937	0	5,937
Disposals		(850)	(184)	0	(1,034)
Transfers		(1,952)	7,176	(54)	5,170
At 28 January 2017		70,890	22,233	8,651	101,774
Additions	6.1	8,157	7,376	0	15,533
At 27 January 2018		79,047	29,609	8,651	117,307
Accumulated amortisation:					
At 23 January 2016		8,982	337	359	9,678
Charge for the year		0	906	0	906
Disposals		(43)	0	0	(43)
Transfers		(1,957)	716	(77)	(1,318)
At 28 January 2017		6,982	1,959	282	9,223
Charge for the year		0	1,750	1,688	3,438
At 27 January 2018		6,982	3,709	1,970	12,661
Carrying Amount					
At 28 January 2017		63,908	20,274	8,369	92,551
At 27 January 2018		72,065	25,900	6,681	104,646

Licences relate to the Pharmacy, Energy, Post Office businesses and software.

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

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

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

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

Impairment testing compares the recoverable amount of goodwill with the book value. Recoverable amount is calculated by discounting future cash flows of the divisional trading groups. The key factors are future growth rates and discount rates which are based on a market participants cost of capital for each business and range from 8.9% to 9.4%. Business specific growth rates are used to extrapolate cash flows for a period of 19 years, beyond a detailed budget at a rate between 0.8% and 3.0%. The growth rates have been derived using historical analysis and future plans of the business. They do not exceed the long-term growth rates for the relevant industries.

3.3 Investment property

Keeping it simple - Investment property

Investment property is property held by the Society which is not used by one of our trading groups. Properties used for the day to day trade of the business (such as our food stores, nurseries, funeral branches, etc) are detailed in section 3.1.

Accounting Policy:

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties are measured at fair value with any change in value recognised in the income statement. Investment property additions/disposals are recognised when there has been an unconditional exchange of contracts.

When the use of a property changes such that it is reclassified as property, plant and equipment its fair value at the date of reclassification becomes its cost for subsequent accounting.

Determination of fair values

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate amount of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

When appropriate valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation; the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Society and the lessee and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and when appropriate counter-notices, have been served validly and within the appropriate time.

	2017/18 £'000	2016/17 £'000
Cost or valuation:		
At start of year	12,422	13,538
Additions	10	0
Transfer to assets held for sale	0	(275)
Revaluation	(389)	55
Disposals	(350)	(320)
Transfers	4,415	(576)
At end of year	16,108	12,422

Investment properties are not depreciated.

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

Valuations

The property valuations in January 2018 are based on Market Value. The valuations were carried out by Chartered Surveyors, VSL and Partners, Richard Holmes (Property Consultants) and Eddisons Taylors in accordance with the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards.

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

Yields range from 4.0% to 12.0% (2016/17 : 3.5% to 12.0%), with a mean yield for commercial investment property of 8.9% (2016/17 : 9.1%) before costs and 7.6% (2016/17 : 7.4%) before costs for residential investment property.

3.4 Other investments

Keeping it simple - Other investments

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

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

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

Determination of fair values

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

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

	2017/18 £'000	2016/17 £'000
Non current investments:		
Available for sale financial assets	2,320	2,252
Financial assets designated at fair value through the Income Statement	53,650	48,400
	55,970	50,652
Are held as follows:	£'000	£'000
Co-operative Group shares	1,562	1,562
Other I&P Societies shares	330	328
Other investments	428	362
Total available for sale financial assets	2,320	2,252
Funeral prepayment plans	53,650	48,400
	55,970	50,652
Current investments:	2017/18 £'000	2016/17 £'000
Financial assets designated at fair value through the income statement	4,421	4,011

Moneys received in respect of funeral prepayments plans are invested under the terms of custodian arrangements with the State Street Bank and from 1 January 2002, in individual whole of life insured arrangements with the Royal London Mutual Society Limited. Interest earned on such investments is reinvested. An appropriate proportion of the investments (including accrued interest) is withdrawn when each funeral plan is invoked by the clients representative.

Available for sale financial assets are held at fair value.

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

3.5 Financial assets - derivative financial instruments

Keeping it simple - Other financial assets

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

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

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

Note	2017/18 £'000	2016/17 £'000
Financial Assets relating to energy contracts	4.2 0	69

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	2017/18 £'000	2016/17 £'000
Deferred tax liability in respect of property, plant and equipment		(5,795)	(5,851)
Short term temporary differences		0	(435)
Deferred tax liability		(5,795)	(6,286)
Intangible assets		1,013	1,114
Deferred tax asset in respect of pension obligations		8,253	10,034
Short term temporary differences		335	0
Deferred tax asset		9,601	11,148
Net deferred tax asset	2.5	3,806	4,862

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

	Assets		Liabilities	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Property, plant and equipment	0	0	(5,795)	(5,851)
Intangible assets	1,013	1,114	0	0
Pension obligations	8,253	10,034	0	0
Other items	335	0	0	(435)
Tax assets / (liabilities)	9,601	11,148	(5,795)	(6,286)

There are £Nil unrecognised deferred tax assets (2016/17: £Nil).

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

	At 28 January 2017 £'000	Recognised in Income statement £'000	Recognised in equity/ other comprehensive income £'000	At 27 January 2018 £'000
Property, plant and equipment	(5,851)	126	(70)	(5,795)
Intangible assets	1,114	(101)	0	1,013
Pension obligations	10,034	(644)	(1,137)	8,253
Other items	(435)	232	538	335
Tax assets	4,862	(387)	(669)	3,806

As at 27 January 2018, total deferred tax assets are £9.601 million (2016/17: £11.148 million) and total deferred tax liabilities are £5.795 million (2016/17: £6.286 million).

The deferred tax balance relates to:

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

3.7 Stocks

Keeping it simple - Stock

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

Accounting Policy:

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

Determination of fair values

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

	2017/18 £'000	2016/17 £'000
Goods for resale	24,441	24,805
	24,441	24,805

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £385 million (2016/17: £389 million).

The year-end stock provision is £440,000 (2016/17: £669,000).

Stock writedowns in the year were £196,000 (2016/17: £167,000)

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.

	2017/18 £'000	2016/17 £'000
Trade receivables	157,213	150,138
Prepayments and accrued income	16,785	14,895
Accrued income for Energy customers	33,549	33,028
Other receivables	11,934	10,712
	219,481	208,773

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

3.9 Cash and cash equivalents

Keeping it simple - Cash and cash equivalents

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

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

	2017/18 £'000	2016/17 £'000
Cash and cash equivalents	12,343	29,970
Short-term deposits	859	11,835
	13,202	41,805

Bank overdrafts of £14,372,000 are included in loans and borrowings note 4.1.

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

3.10 Assets held for sale

Keeping it simple - Assets held for sale

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

Re-measurement and impairment

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

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

Impairment losses on initial classification as held for sale, and subsequent gains or losses on remeasurement, are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

	2017/18 £'000	2016/17 £'000
Assets classified as held for sale:		
Land and buildings	3,194	3,292
Estimated costs to sell	(200)	(200)
	2,994	3,092

Section 4 - Liabilities

In this section

This sections shows the liabilities incurred in order for the Society to carry out its trading activities.

Keeping it simple - Liabilities

A liability is generated when the Society has carried out an activity which results in expense that will be paid in the future. This includes loans from the banks and amounts owed to suppliers for goods or services it has received.

4.1 Loans and borrowings

Accounting Policy:

This note provides information about the contractual terms of the Society's interest-bearing loans and borrowings that are measured at amortised cost. Leases under which the Society assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases, are not recognised on the Society's Statement of Financial Position. For more information about the Society's exposure to interest rate and liquidity risk see note 4.5.

	2017/18 £'000	2016/17 £'000
Current liabilities:		
Bank overdraft	14,372	0
Current portion of secured bank loans (see notes 3.1 & 3.3)	(107)	3,957
Current portion of finance lease liabilities	397	849
	14,662	4,806
Non current liabilities :		
Secured bank loans (see notes 3.1 & 3.3)	54,227	54,625
Finance lease liabilities	255	546
	54,482	55,171

Bank overdraft incurs interest at 2.25% per annum and is repayable on demand. Terms and conditions of outstanding loans were as follows:

	Rate	Nominal interest rate	Year of maturity	2017/18 £'000	2016/17 £'000
Royal Bank of Scotland loan	Fixed	5.73%	2022	25,983	26,000
Royal Bank of Scotland loan	Variable	1.42%	2022	1,624	1,625
Revolving credit facility	Variable	2.25%	2022	11,294	9,906
Revolving credit facility	Variable	2.25%	2022	1,964	4,953
Revolving credit facility	Variable	0.00%	0	0	2,724
Lloyds Bank loan	Variable	0.00%	0	0	13,374
Revolving credit facility	Variable	2.25%	2022	13,255	0
Total interest bearing liabilities				54,120	58,582

The loans are shown net of an unamortised arrangement fee of £505,000 (2016/17: £293,000)

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2017/18 £'000	Present value of minimum lease payments 2017/18 £'000	Future minimum lease payments 2016/17 £'000	Present value of minimum lease payments 2016/17 £'000
Less than one year	403	397	873	848
Between one and five years	114	108	420	407
More than five years	598	147	609	140
	1,115	652	1,902	1,395

Finance leases were taken out during the year at a gross value of £nil (2016/17: £516,000). These leases were secured against the assets acquired.

4.2 Other Financial Liabilities

Keeping it simple - Other Financial liabilities

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

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

Financial Liabilities relating to energy contracts

2017/18 £'000	2016/17 £'000
0	0

4.3 Trade and other payables

Keeping it simple - Trade, other payables and provisions

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

Current liabilities:

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

2017/18 £'000	2016/17 £'000
222,865	212,236
23	24
17,317	13,261
20,984	29,144
4,700	4,250
17,820	22,754
283,709	281,669

Non current liabilities:

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

£'000	£'000
56,431	50,922
1,020	1,104
272	271
57,723	52,297

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

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

4.4 Pension obligations

Keeping it simple - Pension obligations

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

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

Accounting Policy:

Defined contribution plans

The Society operates a defined contribution scheme for all employees. All costs relating to the defined contribution schemes are charged to the income statement as incurred. Contributions to the defined contribution scheme in the year were £1,424,000 (2016/17: £1,465,000) and were charged through the Income Statement.

Defined benefit plans

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

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

Full actuarial valuations of the scheme was carried out at 31 December 2015 and were updated to 27 January 2018 by a qualified independent actuary.

Plan Assets comprise:

	2017/18 £'000	2016/17 £'000
Equities:		
Developed equities		
Emerging market equities	30,031	40,541
Senior Secured Loans	0	1,649
Alternative credit		
Global corporate credit	21,586	20,767
Global sovereign credit	3,539	3,393
High quality bonds	11,127	10,617
Other	69,443	52,905
Property		
Diversifying strategies	22,176	17,692
Cash and cash equivalents	45,962	46,384
Other:	6,085	6,746
Listed infrastructure	9,997	11,426
Other	3,764	5,505
	223,710	217,625

	2017/18 £'000	2016/17 £'000
Actual return on plan assets	13,065	49,585
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.		
	2017/18 £'000	2016/17 £'000
Change in defined benefit obligation		
Defined benefit obligation at beginning of year	276,651	218,422
Current service cost	0	0
Past service cost	0	0
Gain on curtailment of pension scheme	0	0
Interest cost	7,978	8,285
Insurance premium	0	0
Plan participants' contributions	0	0
Actuarial losses	59	56,397
Benefits paid	(12,430)	(6,453)
Defined benefit obligation on plans that are wholly or partly funded	272,258	276,651
Change in plan assets		
Fair value of plan assets at beginning of year	217,625	170,151
Interest income	6,317	6,510
Actuarial gains	6,748	43,103
Administration expenses	(883)	(297)
Insurance premium for risk benefits	0	0
Employer contribution	6,332	4,611
Plan participants' contributions	0	0
Benefits paid	(12,430)	(6,453)
Fair value of plan assets at end of year	223,709	217,625
Net pension obligation		
Funded status	(48,549)	(59,026)
Unrecognized net actuarial losses/(gains)	0	0
Unrecognized past service cost/(benefit)	0	0
Net amount recognised	(48,549)	(59,026)
Components of pension cost	£'000	£'000
Current service cost	0	0
Interest cost	7,978	8,285
Expected return on plan assets	(6,317)	(6,510)
Administrative expenses and taxes	883	297
Total pension cost recognised in the Income statement	2,544	2,072
Actuarial losses/gains immediately recognised in other comprehensive income:	£'000	£'000
Effect of changes in demographic assumptions	(6,686)	(1,912)
Effect of changes in financial assumptions	6,745	55,523
Effect of experience adjustments	0	2,786
Return on plan assets (excluding interest income)	(6,748)	(43,075)
Total pension (income)/cost recognised in other comprehensive income	(6,689)	13,322
Cumulative amount of actuarial losses immediately recognised	72,931	79,620

Weighted average assumptions used to determine defined benefit obligations:

	2017/18	2016/17
Discount rate	2.65%	2.95%
Inflation	3.10%	3.25%
Rate of increase to pensions in payment (pre July 2006)	2.90%	3.05%
Rate of increase to pensions in payment (post July 2006)	2.00%	2.15%

Weighted average assumptions used to determine net pension cost:

	2017/18	2016/17
Discount rate	2.95%	3.85%
Inflation	3.25%	3.00%
Future salary increases	N/A	N/A
Rate of increase to pensions in payment (pre July 2006)	3.05%	2.80%
Rate of increase to pensions in payment (post July 2006)	2.15%	2.15%

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

	Males		Females	
	2017/18	2016/17	2017/18	2016/17
The average life expectancy of an individual retiring at age 65	22.2	22.3	24.0	24.3
The average life expectancy of an individual aged 40 retiring at age 65	24.0	24.5	25.9	26.7

Two year history

	2017/18	2016/17
Benefit obligation at end of year	£'000 (272,258)	£'000 (276,651)
Fair value of plan assets at end of year	223,709	217,625
Deficit	(48,549)	(59,026)
Difference between expected and actual return on scheme assets:		
Amount (£'000)	6,748	43,103
Percentage of scheme assets	3%	20%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	0	2,786
Percentage of scheme assets	0%	1%

Sensitivity analysis

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

	Total deficit	change in reported deficit
Minus 0.25% discount rate	63,583	(15,034)
Plus 0.25% discount rate	34,584	13,965
Minus 0.25% inflation rate	34,868	13,681
Plus 0.25% inflation rate	63,179	(14,630)
Mortality rate -1 year	57,552	(9,003)
Mortality rate +1 year	39,163	9,386

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 27 January the Trustee comprises of four member nominated representatives and four employer nominated representatives. The Trustee is required to act in accordance with legislation and in the best interests of the Scheme members. The Trustee is responsible for agreeing the funding of the Scheme with the Society, setting the investment strategy and administering the benefits.

The Trustee is responsible for investing the Scheme's assets after consultation with the Society. The investment strategy is managed within a framework that has been developed to achieve long-term investment returns that are in line with the obligations of the Scheme. Within this framework, the long-term objective is to match assets to the pension obligations by investing in assets that match the benefit payments as they fall due as far as possible whilst achieving an acceptable level of return.

The Trustee is responsible for agreeing the Scheme's funding arrangements with the Society. Every three years, the Trustee carries out an actuarial valuation of the Scheme for funding purposes using the assumptions set out in the Scheme's Statement of Funding Principles. If the funding valuation discloses a deficit within the Scheme, the Trustee and Society agree a recovery plan to rectify the deficit. Following the 31 December 2015 valuation of the Scheme, the Society is currently contributing £6.0 million per annum in deficit recovery contributions. The active employees and the Society also contribute to the Scheme on a regular basis to cover the cost of benefits continuing to accrue.

The Scheme exposes the Society to risks such as longevity risk, interest rate risk, inflation risk and investment risk and an illustration of the impact of small changes in these is shown

At 27 January 2018, 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%.

4.5 Financial instruments and derivatives

Keeping it simple - Financial instruments and derivatives

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

Credit risk:

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

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

	Note	2017/18 £'000	2016/17 £'000
Available for sale financial assets	3.4	2,320	2,252
Financial assets at fair value through the income statement	3.4	58,071	52,411
Trade and other receivables	3.8	202,696	193,878
		263,087	248,541

The ageing of trade receivables at the reporting date was:

	Gross 2017/18 £'000	Impairment 2017/18 £'000	Gross 2016/17 £'000	Impairment 2016/17 £'000
Not overdue	143,071	(140)	154,173	(164)
Overdue 0-30 days	34,564	(580)	21,966	(493)
Overdue 31-120 days	9,873	(1,263)	6,774	(68)
121 days to one year	10,280	(5,115)	5,091	(4,700)
More than one year overdue	8,317	(8,245)	14,835	(14,248)
	206,105	(15,343)	202,839	(19,673)

Liquidity risk:

Borrowing requirements are managed in line with a three year cash flow forecast revised annually and reviewed against the Society's debt portfolio and maturity profile. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
27 January 2018							
Secured bank loans	54,120	63,103	1,060	1,060	2,119	58,864	0
Finance lease liabilities	652	1,115	223	180	80	34	598
Trade and other payables	341,432	341,432	281,359	2,350	4,678	13,190	39,855
Provisions	3,549	4,202	813	477	384	635	1,893
	399,753	409,852	283,455	4,067	7,261	72,723	42,346
	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 -12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
28 January 2017							
Secured bank loans	58,582	67,488	3,152	3,152	3,526	30,033	27,625
Finance lease liabilities	1,395	1,902	436	437	386	34	609
Trade and other payables	333,966	333,966	279,104	2,565	3,969	11,907	36,421
Provisions	19,175	19,772	13,355	3,841	166	597	1,813
	413,118	423,128	296,047	9,995	8,047	42,571	66,468

Interest rate risk:

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

	Carrying amount	
	2017/18 £'000	2016/17 £'000
Fixed rate instruments:		
Financial liabilities	(25,983)	(26,000)
Variable rate instruments:		
Financial assets	13,202	41,805
Financial liabilities	(42,509)	(32,582)

Commodity price risk:

The Society's operations results in exposure to fluctuations in energy prices. Management monitors energy prices and will initiate instruments to manage exposure when it is deemed appropriate.

Foreign currency risk:

The Society is exposed to foreign currency risk on currencies held in travel branches for resale. The currencies giving rise to this risk are primarily Euros and US Dollars.

Any adverse movements on these exchange rates would not have a material impact on the Society.

Capital management:

The Society's policy is to maintain a strong capital base to sustain business performance and future development. Capital consists of total equity, loans and borrowings and at 27 January 2018 amounted to £237,685,000 (2016/17: £232,109,000).

Guarantees:

In the course of conducting its operations, the Society has issued a few bank guarantees in favour of counter-parties. The total amount of bank guarantees outstanding is £5,594,000 (2016/17: £2,436,000).

Fair values:

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

	Note	2017/18		2016/17	
		Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Available for sale financial assets	3.4	2,320	2,320	2,252	2,252
Financial assets designated at fair value through the income statement	3.4	58,071	58,071	52,411	52,411
Trade and other receivables	3.8	219,481	219,481	208,773	208,773
Cash and cash equivalents	3.9	13,202	13,202	41,805	41,805
Energy trading contracts: Assets	3.5	0	0	69	69
Energy trading contracts: Liabilities	4.2	0	0	0	0
Secured bank loans	4.1	54,120	58,519	58,582	59,597
Finance lease liabilities	4.1	652	652	1,395	1,395
Bank overdraft	4.1	14,372	14,372	0	0
Trade and other payables	4.3	341,432	341,432	333,966	333,966

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Financial assets designated at fair value through the Income statement and available for sale assets are carried at fair value. Under IFRS 7 Financial Instruments disclosures, such assets are classified by the way in which their fair value is calculated. All of the assets are level 2 assets under IFRS 7. IFRS 7 defines level 2 assets as, inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Interest-bearing loans and borrowings

Fair values have been determined by discounting future cash flows at 1.63% (2016/17: 2.01%) The basis of the interest rate was the London interbank offered rate (LIBOR) plus a margin available to the society for bank borrowings at the year end.

Available for sale financial assets

The carrying value of available for sale financial assets is taken by comparing the value of the investments held to their current market value.

Energy trading contracts

The fair value of the energy trading contracts is deemed to be equal to the amount that has been contracted at the reporting date.

Financial assets designated at fair value through the income statement

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

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

Details of the assumptions made in reaching the fair value are included in note 6.2.

Section 5 - Equity

In this section

This section contains details of the share capital invested by members through their membership and any share accounts held with the Society.

5.1 Capital and Reserves

Keeping it simple - Capital and Reserves

The Society's share capital is raised via contributions from members, comprising money paid into member share accounts and shares. A dividend distribution, or share of profits, is made to members yearly based on membership points earned within the period. The value apportioned per point is agreed by the members of the Society.

Accounting Policy:

The revaluation reserve is not distributable to members until it has been realised on the sale of the property it relates to.

Included within retained earnings there are reserves related to the recognition of the changes in the fair value of investment properties. This is not distributable to members until it has been realised through a sale.

Share capital is comprised entirely of equity shares of £1 each (as defined by IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments).

Shares currently attract interest at rates between 0% and 2%.

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

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

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

Dividends are paid to members, either directly into their share account, or in vouchers which can be spent or exchanged for cash in trading outlets, or donated to specific charities. Dividends are based on purchases made by members at a rate proposed by the Board and subject to approval at a members meeting.

This Society follows a Code of Practice and has to provide a statement to its members of the nature of their share holding investment and any change affecting it. The statement is set out here.

As a member you are a shareholder of The Midcounties Co-operative Limited. If the Society is unable to meet its debts and other liabilities, you will lose the whole amount held in shares, hence it is known as risk capital. This may make it inappropriate as a place to invest savings. The Financial Services Compensation Scheme, which applies to bank and building society accounts and to some investments, does not apply to your share account. The Society, unlike banks and building societies and investment firms, is not 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 following dividends were declared and paid by the Society: Final Dividend 2016/17 (Approved May 2017)

£'000

840

840

Section 6 - Other notes

In this section

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

6.1 Acquisitions

Keeping it simple - Acquisitions

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

Accounting Policy:

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

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

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

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

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

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

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

Acquisitions

Acquisitions

	2016/17 Total fair value £'000
Property, plant and equipment	1,374
Other Intangibles	9,572
Stock	147
Debtors	20,532
Creditors	(35,075)
Deferred tax	(87)
Cash	18
Net assets	(3,519)
Goodwill	13,512
Purchase Price	9,993
	9,993

Consideration

Purchase price

In 2016 the Group acquired 156,000 GB Energy customers in a supplier of last resort process. Consideration of £1,550,000 was paid and the following balances recognised within the accounts, Other Intangibles of £9,572,000, Debtors of £22,563,000 and Creditors of £36,867,000, generating Goodwill of £6,282,000. During 2017 further information became available so the fair values were reconsidered within the hindsight period. An additional £8,157,000 of goodwill has been recognised due to a change in value to be received from a debtor and a change in the credit balances on customer accounts.

6.2 Insurance contracts

Keeping it simple

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

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

Assets	Note	2017/18 £'000	2016/17 £'000
Funeral prepayment plans - current	3.4	4,421	4,011
Funeral prepayment plans - non-current	3.4	53,650	48,400
Funeral bond liability - current	4.3	(4,700)	(4,250)
Funeral bond liability - non-current	4.3	(56,431)	(50,922)
Net		(3,060)	(2,761)

The assumptions used for the funeral bonds are as follows, discount rate 2.65% (2016/17: 2.95%), cost increase of 4.38% (2016/17: 4.45%), bond growth 3.73% (2016/17: 3.86%) and expected life expectancy for males is 83.9 (2016/17: 83.9) and 86.4 (2016/17: 86.4) for females.

Movement in net liability for year ended 27 January 2018

	2017/18 £'000
Net asset and liability at the start of the year	(2,761)
Net movement	(299)
Net assets and liability at the end of the year	<u>(3,060)</u>

6.3 Operating leases

Keeping it simple - Operating leases

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

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

Non-cancellable operating lease rentals are payable as follows:

	2017/18 £'000	2016/17 £'000
Less than one year	12,758	12,876
Between two and five years	45,171	46,451
Greater than five years	93,614	102,400
	<u>151,543</u>	<u>161,727</u>

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

	2017/18 £'000	2016/17 £'000
Less than one year	2,171	2,275
Between two and five years	7,062	7,433
Greater than five years	4,446	5,871
	<u>13,679</u>	<u>15,579</u>

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.

	2017/18 £'000	2016/17 £'000
Expenditure contracted but not provided for	<u>16,464</u>	<u>19,817</u>

6.5 Related party transactions

Keeping it simple - Related party transactions

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

The Society has a contract for telecommunication services with The Phone Co-op Limited, a co-operative organisation whose chief executive for part of the year was Vivian Woodell, a Society director.

Vivian Woodell was also a director of Co-operative Renewables Limited for part of the year, a registered Co-operative that supplied the Society with a service contract in the year. Barbara Rainford and Jean Nunn-Price are both also directors of Go-op Co-operative Ltd. Olivia Birch is also a director of Revolver Co-operative Ltd.

Details of transactions are in the table below:

	2017/18 £'000	2016/17 £'000
Services supplied to Midcounties (including VAT) by Co-op renewables Ltd	6	6
Services supplied to Midcounties (including VAT) by Phone Co-op Ltd	785	918
Services supplied to The Phone Co-op	18	4
Products supplied to Midcounties (including VAT) by Revolver Co-operative Ltd	23	0
Interest held by The Phone Co-op Ltd in Midcounties Co-operative Society		
Share account	750	750
Interest earned on share account	15	16
Share bond	250	250
Interest earned on Share bond	10	10
Interest held by Midcounties Co-operative Society in The Phone Co-op Ltd		
Share account	162	158
Interest earned on Share account	2	3
Dividend received	2	11
Interest held by Go-op Co-operative Ltd in Midcounties Co-operative Society		
Share bond	105	0

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

	2017/18 £'000	2016/17 £'000
Commissions paid to the Society	77	72

6.6 Post balance sheet event

On 10 April 2018 conditional exchange of contracts for the acquisition of Flow Energy Ltd took place, a 100% owned subsidiary of Flow Group Plc. Flow Energy Ltd is a domestic energy supplier with around 130,000 customers. The acquisition will support the ongoing development strategy of our Energy business. The headline purchase price is £9.25 million, subject to adjustments to reflect the crystallisation of payments to suppliers, working capital and other matters. It is conditional on the approval of shareholders of approving the transaction and on the execution of a revised supply agreement between the Society and Shell Energy Europe Limited ("Shell") in respect of the future terms of energy supplied by Shell. Subject to these conditions being met, it is anticipated that completion will take place on 30 April 2018.

6.7 Wholly owned subsidiaries

Keeping it simple – Wholly-owned subsidiaries

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

As at 27 January 2018, the Group consisted of The Midcounties Co-operative Limited and the wholly owned subsidiaries and companies listed below, which are registered at Co-operative House, Warwick Technology Park, Warwick, CV34 6DA except where stated below.

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

The following were not trading throughout the year:

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

The Society also owns a 75% of Co-operative Holidays Limited, and 20% of Co-operative Web Limited, which is registered at 2 Devon Way, Longbridge, Birmingham, B31 2TS.

Regional Communities support

During the year we gave almost £262,000 to 550 good causes. Here are just a few examples of the groups we've helped. On the following pages you can see who has benefited from these donations.



Central Oxford

Colleagues and members in Central Oxford have been working with Aspire, a charity that helps vulnerable members of the community become self-sufficient, by offering work experience in a retail environment. Our first client successfully completed the programme, receiving a certificate of competence, and gained full time employment shortly afterwards. We're now looking to replicate this success across the area.

Wolverhampton

In the West Midlands 70 colleagues and members have been helping to raise awareness of dementia with a sponsored walk across West Park, Wolverhampton and hosting Dementia Awareness Days at a number of our trading sites. We've been working closely with Alz Dementia Cafe which provides a meeting place for people with dementia or memory loss and have also trained colleagues as dementia friends so they can provide training to others across the area.

Gloucestershire

Forest of Dean, Stroud and Cheltenham colleagues and members have fundraised and volunteered for Gloucestershire Young Carers (GYC), supporting events such as the Gloucestershire Fun Day, where over £13,000 was raised for charity, and GYC's Super Heroes weekend. Food and childcare colleagues also took part in a careers day called 'Young Adult Carers Futures' for carers aged 16 to 24 who are making life decisions about their futures and education.

Shrewsbury

Our colleagues and members in Shrewsbury have been helping to support families on low incomes by donating 21,620 food and other items in the Food Bank bins located in Bicton Heath, Radbrook, Copthorne, Heath Farm and Sutton Farm food stores. A low level grant was awarded to Shrewsbury Ark Homeless shelter to buy additional warm clothing for homeless people during the cold snap in December 2017.



Gloucester Fun Day



Bicton Food Bank



Who we funded during the year



Achieving Results in Communities CIC
Active Youth Outreach Services CIC
AFC Solihull
Age UK Oxfordshire
Albrighton & District Civic Society
Albrighton & District Swimming Club
Alexander Devine Children's Hospice
All Saints Church Trysull
All Saints Church, Croughton, Northants
Alzheimer's Society
AQ Youth Club
Arkeil Community Centre Trust
Arts Trail Studio
Ashfield Gardens, Berith and Camphill Partnership
Aspire Oxford
Aynho Church and Village Fete
Banbury Restore
Bantock Primary School
Bayston Hill Juniors Football Club
Bentley West Women's Group
Bicester Green
Bicton CE Primary School and Nursery
Bilbrook Juniors North U9s
Bilbrook South Under 10s
Black Country Foodbank
Blackbird Leys Adventure Playground
Bladon Junior Church
Blue Coat Plus (Breakfast, After School & Holiday Club)
Bradmore (St. Philips) War Memorial
Breaking Free Female Support Charity
Brewood Bowling Club
British Heart Foundation
Brockworth Hedgehog Rescue Centre
Brockworth Youth Trust
Brownhills Community Association
BucksVision, Visual Impairment Charity
Bure Park Primary School

Burford Festival
Burford Scout Group
Burntwood & District Community First Responders
Burntwood Lions
Busy Bees Evesham
Carers Advice and Resource Establishment, Sandwell (CARES)
Carmel Village Hall
Castle Hill School
Cedar Park Super 5
Central Ajax Football Club
Cerebral Palsy Today (Coventry & Warks)
Chadlington Playgroup
Chalgrove & Watlington Children's Centre
Charlbury Community Centre Appeal
Charlbury Pre-School
Charlie's
Charlton Kings Senior Citizens Welfare Committee
Children Come First (Daventry)
Chiltern MS Centre
Chipping Campden Preschool Playgroup
Chipping Norton Health Centre (Patient Participation Group)
Chipping Norton School
Churchdown Scout Group
Churchstoke Over Sixties
Cinderford & District Chrysanthemum Society
Cinderford Bowling Club
Citizens Advice Wyre Forest
Class Act
Clayhanger Methodist Church
Claypits Community Allotment Association
Cleobury Mortimer Friendship Club
Cleobury Mortimer Horticultural Society
Codsall Community High School
Coleford Bowls Club
Community Heartbeat Trust
Cookley Phoenix Under 14s
Cotswold Marathon - Gloucester District Scouts

County Community Projects
Coven Playground Fund
Covingham Parish Council
Crafty Visually Impaired People
Create Community Hub/Create & Play
Creative Sustainability CIC
Croughton Playing Fields & Village Hall
Cuddesdon Village Hall
Cuttlebrook Conservation Volunteers
Daybreak (Lilacs Club)
Deddington Day Centre
Deddington Primary School
Dementia Oxfordshire/Age UK Oxfordshire
Digital Writes-Development & Publishing CIC
Dorchester St. Birinus CE School
Dorchester-on-Thames Parish Council
DOT (Dorchester on Thames) Tots
Downley 5K Run Committee
Drybrook and District Male Voice Choir
Drybrook Rugby Football Club Limited
Easington Sports FC U11s
Eastcott Community Organisation
Elderberries Hanborough and District Day Centre
Elmtree Community Playgroup
Enstone Pre-School
Evenley Village Hall Management Committee
Evesham and District Mental Health Support Services
Exotic Zoo
Fairplay Social Justice Network
Finchampstead Allotment Association
First Netherton Old Scouts
Fiseye Film Festival
Food for Charities (Botley Community Fridge)
Footsteps Foundation
Forest Carers Support Group
Forest Fighting Fit Gym
Forest of Dean Local History Society
Forest Road Unemployed Community Centre
Forget Me Knot Cafe
Friends of Dawley Park
Friends of Didcot Girls' School
Friends of Enstone
Friends of Fort Royal Primary School

Friends of Gosford Hill School
Friends of Hill End
Friends of Peatmoor Community Primary School
Friends of Sheepscombe School
Friends of St. Laurence
Friends of St. Lawrence
Friends of St. Luke's Primary School
Friends of St. Thomas More School
Fritwell Forget Me Not Club
Garden City Football Club
Glebe Chapel
Glory Farm Primary School
Gloucester Young Carers
Gloucestershire Wildlife Trust
Graiseley Primary School
Grangehurst Primary School
Grovelands Pre-School
Guide Dogs
Happy Circle Club
Hawkins Falcons Sport FC
Hawkins LK09 FC
Hazlemere Free Methodist Church
Hazlemere Community Association
Hazlemere Fete
Hazlemere Good Neighbours
Headway
Hednesford Town Girls FC Under 11s
High Acres Community Association
High Horse Showing Society
Highley Community Primary School
Highworth Town Football Club



Hill Top Rangers U16s
Holy Apostles Youth Group
Holy Rood Catholic Primary School
Holy Trinity CE Primary School
Home Farm Trust
Home-Start Birmingham North West
Hook Norton Harriers
Interfaith Wolverhampton
Jack and Jill Pre-School
John Taylor Hospice
Justice in Motion
Katharine House Hospice
Keech Hospice Care
Keep Safe Keep Active CIC
Kidderminster 1st Sea Scouts KD1
Kidderminster Horticultural Society
Kidderminster Lions U12s Girls
Kidlington Good Neighbour Scheme
Kingham Primary School Parent Teachers Association (KPSA)
Kings Sutton Preschool
Kinver Community Library
Kinver Edge Advisory Committee
Knighton Tree Allotments Trust
Ladybirds Pre-School
Ladygrove Park Primary School
Lane Head Rockets FC
Lea Village Hall
Leamington Old Town L & D
Lechlade Music Festival
Leighton/Linslade Woodcraft Folk
Lightbourne and Lawrence Educational Foundation
Lions Club of Chipping Norton
Lydney Community Centre & The Kings Arms Church
Maidensbridge Primary School
Malvern Hills Group Riding for the Disabled Association
Marah Trust
Mary's Garden
Mayfair Community Centre
Mechanics' Institution Trust
Medical Detection Dogs
Megan Baker House
Meole Brace School
Merridale Primary School



Messy Church (St. Michael's Church, Chirbury)
Minsterley Show Society
Mitcheldean Welcome Club
Monday Club (Age Concern Chipping Norton)
Moreton School Football Academy
Naunton Area Residents Association
Navigate Co-operative Ltd
Newent Association for the Disabled
Newton Community and Recreation Association
North Hinksey Pre-School
North Leigh Youth Project
North Oxford Association
North Shropshire Community First Responders
North Walsall Food Bank
Oakmeadow CE Primary & Nursery School
Omega-The National Association for End of Life Care
Our Bus Bartons LTD
Our Place Community Hub
Oxford Baby Cafes Group
Oxford Hindu Temple & Community Centre Project
Oxford International Women's Festival
Park Hall Community Association
Patients Participators Group & Friends of Poplar Grove Surgery
Pebble Brook School
Pegasus Primary
Pensnett Panthers FC
Perry Hall Primary School
Perry RDA Ltd
Populate Co-operative
Prestwood Events

PS Olympic FC Panthers U12s
Pye Green Valley Academy
Recovery Near You
Red Kite Family Centre
Relate Worcestershire
Rose Hill Methodist Church/ "Allsorts" Mother & Toddler Playgroup
Rotary Club of Bloxwich Phoenix
Royal British Legion Cleobury Mortimer
Royal Regiment of Fusiliers Museum
Rushall Cricket Club
Ruspidge Memorial Hall
Sandwell Parents for Disabled Children
Sedgley Archives Group
Severn View Primary Academy
SHARP Life and Learning Skills
Shawbury PCC
Shenstone Community Library Association
Shirley Horse & Pony Rescue
Shirley Royal British Legion
Shrewsbury Rotary (Darwin Club)
Shropshire Disability Network
Shropshire Wildlife Trust
Shropshire Young Carers
Sibford Village Hall
SMASH
SMILE
Snuffles Hedgehog Rescue
Sophia Pregnancy Loss Support Group
St. Bartholomew's Church - Arley Kings
St. Francis CofE Primary School
St. Giles Hospice
St. Giles Junior School
St. John's Church, Pleck and Walsall
St. Leonards Church
St. Luke's Association
St. Margaret's Church, Wolston
St. Mark's, Pensnett
St. Mary's Church, Kidlington
St. Mary's Friendship Club
St. Mary's the Mount Church
St. Michael's Christian Pre-School
St. Michael's Church, Stourbridge
St. Paul's Church 'POP IN'

St. Peter & St. Paul Church Fundraising & Social Committee
St. Peter's Church and Parish Room
St. Thomas of Canterbury Catholic Primary School
St. Whites Primary School PTFA
Stanford in the Vale CE-Gardening Club
Steventon Darby & Joan Club
Stoke Mandeville Wheelchair Rugby (SM Maulers)
Stone Fete Committee
Stourport-on-Severn Civic Society
Stow-on-the-Wold and District RFC
Stratton St. Margaret Parish Council/Beechcroft Library
Street Teams
Summertown and St. Margaret's Neighbourhood Forum
Sunny Skies Nursery
Sutton Coldfield Baptist Church Foodbank
Swindon 105.5
Swindon Civic Voice
Swindon Sea Cadets
Tea @ Three
Terrence Higgins Trust
Thame Horse & Country Show
The Albrighton Trust
The Codsall Christmas Fair
The Community Centre Yorkley
The Coseley Comets
The Cotswold School
The FASD Trust
The Firefighters Charity
The Forest Foodbank
The Friends of Grove Library
The Friends of Hednesford Park



The Friends of St. Andrew's CE School
The Gap/The Packmores Community Centre
The Gatehouse
The Glebe Centre
The Haven Wolverhampton
The Open Door (Swindon & Dist) Ltd
The Parish of St. Thomas More 'Kidlington & High of Lincoln Woodstock
The Shop Resource Centre
The Shrewsbury Ark
The Thomas Ball Children's Cancer Fund
The Ups of Downs
The Venture: Whitecity
The Victoria Centre
The Village Hall Bishopstone
The Whitby's British Boy Scouts Association
The Women & Families Resource Centre
The Wychwoods Day Centre LTD
Thomas Gifford Trust
Toad Oxfordshire Limited
Together In Matson
Towcester District Girl guiding
Towcester Scout Hall Pre-School
Towcester Youth Coffee House
Townswomen's Guilds. Oakengates, Telford Branch
Trax
Trinity Methodist Church
U3A Kinver (University of the 3rd Age)
VECTA (Vale of Evesham Commerce and Tourism Association)
Volunteers Shrewsbury Hospital
Wake Green Juniors Under 9's
Walsall Friendship Circle
Walsall Pensioners' Convention
Watlington District Age Concern
Watlington Hospital Charitable Trust
Watlington Royal British Legion
Watlington Volunteer Drivers
WCAVA
Welcome to Wem Community Group
Wellington Cottage Care Trust
Wem Carnival
Wem Swimming and Lifestyle Club
Wem Tennis Club

Wem Youth Club
West Bromwich United Under 10's
Whaddon Way Church
Wild Hogs Hedgehog Rescue
Wiltshire Law Centre
Wiltshire Treehouse
Wings Support Group
Wolverhampton Alz Café
Wolverhampton Fairtrade Partnership
Wolverhampton Methodist Circuit-Fairtrade Steering Group
Wolverhampton Samaritans
Woodford Cum Membris Bowls Club
Woodford Halse Primary Academy Swimming Pool Fund
Woodstock Youth Club
Wordsley Wasps Under 10's East
Wycombe Futsal
Wyldwoods CIC (creativity for well being)
Wyre Forest Nightstop and Mediation Scheme
Wyre Forest Reaching Out
Wyrley Juniors FC Panthers u12 Girls
YMCA
Young Gloucestershire
Swindon Old Town Festival
Swindon Phoenix Rotary Club
Tackley Village Hall
Tamworth Wellbeing & Cancer Support Centre
Telford Priory School
Thame Show
Thame Youth Café
Thame Youth Centre
Thame Youth Projects Group
The Ace Children's Centre
The Albrighton Trust
The Archway Foundation
The Briars School
The Children's Trust
The Codsall Christmas Fair Group
The Croft Primary School PTA
The Firefighters Charity
The Forest Community Café
The Forest of Dean & District Hard of Hearing Club
The Friends of Christ Church
The Friends of Hednesford Park

The Friendship Project for Children
The Grove Scout Group
The Haven Wolverhampton
The Lantern Club
The League of Friends of Fairford Hospital
The Melville Club
The Nexus Group - Community Youth Café Highworth
The October Club
The Open Door Centre
The Pied Piper Appeal
The Rewild Project
The Russell School
The Thomas Ball Children's Cancer Trust
The Upper Tettenhall Friendship Club
The Venture, White City
The Village Threaders
The Well Food Bank
Thomas Gifford Trust (Charlbury Community Centre Appeal)
Tigglywinkles Animal Rescue
Tipton Food Bank
Toddle-In
Touching Hearts
Towcester Food Bank
Towcester Museum
Towcester Scout Hall Preschool
Towcester Youth Coffee House
Transition Evesham Vale
Trinity Toddlers
Tuffley Tenants & Residents Association
Vale Wildlife Hospital
VECTA (Evesham regeneration group)
Wall Heath Village People
Wallheath Association
Walsall Council-Green and Green Services
Walsall Fibro and ME Link
Walsall North Food Bank
Walsall Tennis Club
Wantage Betjeman Literary Festival
Wednesfield Warriors FC
Wednesfield Wolves
Wellington Cottage Care Trust
Wem Baptist Church (Holiday Bible Club)
Wem Cricket Club

Wem Labour Members & Supporters
Wem Swimming and Lifestyle Centre
Wem Town Junior FC
Wessex Primary School PTA
West Gloucestershire Neighbourhood Watch Assoc
West Kidlington Friends
West Mercia Search & Rescue Charity
Wheatley Scout Group
Wheatley United Reformed Church (Care For The World Team)
White City Adventure
White House Cancer Support Group
Whitgreave Junior School
Willenhall Town Centre Partnership Ltd
Winchcombe School Association
WINGS
Witney 1st District Girlguiding
Wolvercote and Wytham Midsummer Festival
Wolverhampton Fairtrade Partnership & Fairtraid
Wolverhampton Methodist Circuit Fair Trade Steering Group
Wolverhampton Samaritans
Wolverley Village Players
Wombourne Bowls Club
Wood Farm Parent & Toddler Group
Woodford Halse Primary Academy
Wooton Edge Brownies
Wotton under Edge Historical Society & Heritage Centre
Wychwood Sapling
Wycombe District Neighbourhood Watch Association
Wyre Forest Dial-a-Ride
Wyre Forest Nightstop and Mediation Scheme
Y Plas Machynlleth
Yarnton Senior Folks Club
Yewtree Primary School
Young Gloucestershire
Ysgol Maes Y Felin
1st Aylesbury Scout Group
1st Berinsfield Scout Group
1st Berryfield Scour Group
1st Brackley Guides
1st Byfield Scout Group
1st Charlbury Scout Group
1st Didcot Girls Brigade
1st Elmore Brownies

1st Fordhouses Scout Group
1st Heath Hayes Scout Group
1st Stanford in the Vale Scout Group
1st Wolverley Brownies
2nd Brewood Scout Group
2nd Coleford Guide Company
2nd Great Wyrley (St. Thomas More) Scout Group
2nd Kingswinford Scout Group
2nd Mitcheldean Scout Group
3rd Highworth Brownies
3rd Kennington Brownies
4th Towcester Guides
6th Chipping Norton Scout Group
8th High Wycombe Scouts
8th Kidderminster (St. John's) Scout Group
21st Gloucester Brownies
21st Kidderminster (Brinton Park) Beavers
21st Wolverhampton Lea Road Brownies
24th Cheltenham Scout Group
33rd Oxford (Kidlington) Scout Group





The **Midcounties Co-operative**

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We are happy to provide publications in alternative formats

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