



2022/23
Annual Report
and Accounts

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We have colour coded some of these sections for easier navigation

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Here are some key sections if you only have 15 minutes

Quick reads

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Front cover: Colleague at Botley food store

Remember to drink responsibly. For information on sensible drinking and to work out how many units are in each bottle or can, visit drinkaware.co.uk

be.drinkaware.co.uk

Who we are

The Midcounties Co-operative is a consumer co-operative owned and controlled by its members. We are part of the global co-operative movement and subscribe to co-operative values and principles that govern all co-operatives around the world.



Our roots

The idea of working together for better outcomes took hold in the mid-nineteenth century – the first ever co-op was set up in Rochdale in 1844, and others followed quickly right across the UK. From the perspective of Midcounties, Swindon Society formed in 1853, Gloucester in 1860, Kidderminster in 1865, Walsall in 1866 and Oxford in 1872. Through the twentieth century, these (and other) societies began to merge and eventually formed two major co-op societies, Oxford Swindon and Gloucester and West Midlands. In 2005, they too merged to become The Midcounties Co-operative – a large, regionally based consumer co-operative society.

What we do

We operate a range of businesses in Food, Travel, Childcare, Post Offices and Utilities. Our heartlands are in Oxfordshire, Gloucestershire, Buckinghamshire, Shropshire, Staffordshire, the West Midlands, Wiltshire and Worcestershire. However, we also trade in the surrounding counties and our Childcare, Travel and Utilities businesses trade across the UK.

Colleagues
6,618

Sites
422

Members
721,674

Looking to the future - redefining our Purpose

Our Society is based on the values and principles that have guided co-operatives for 160 years. We exist to serve our members and make a positive difference for them and their communities.

To inform everything we do, we use a set of strategic materials to guide our Society's thoughts and actions.

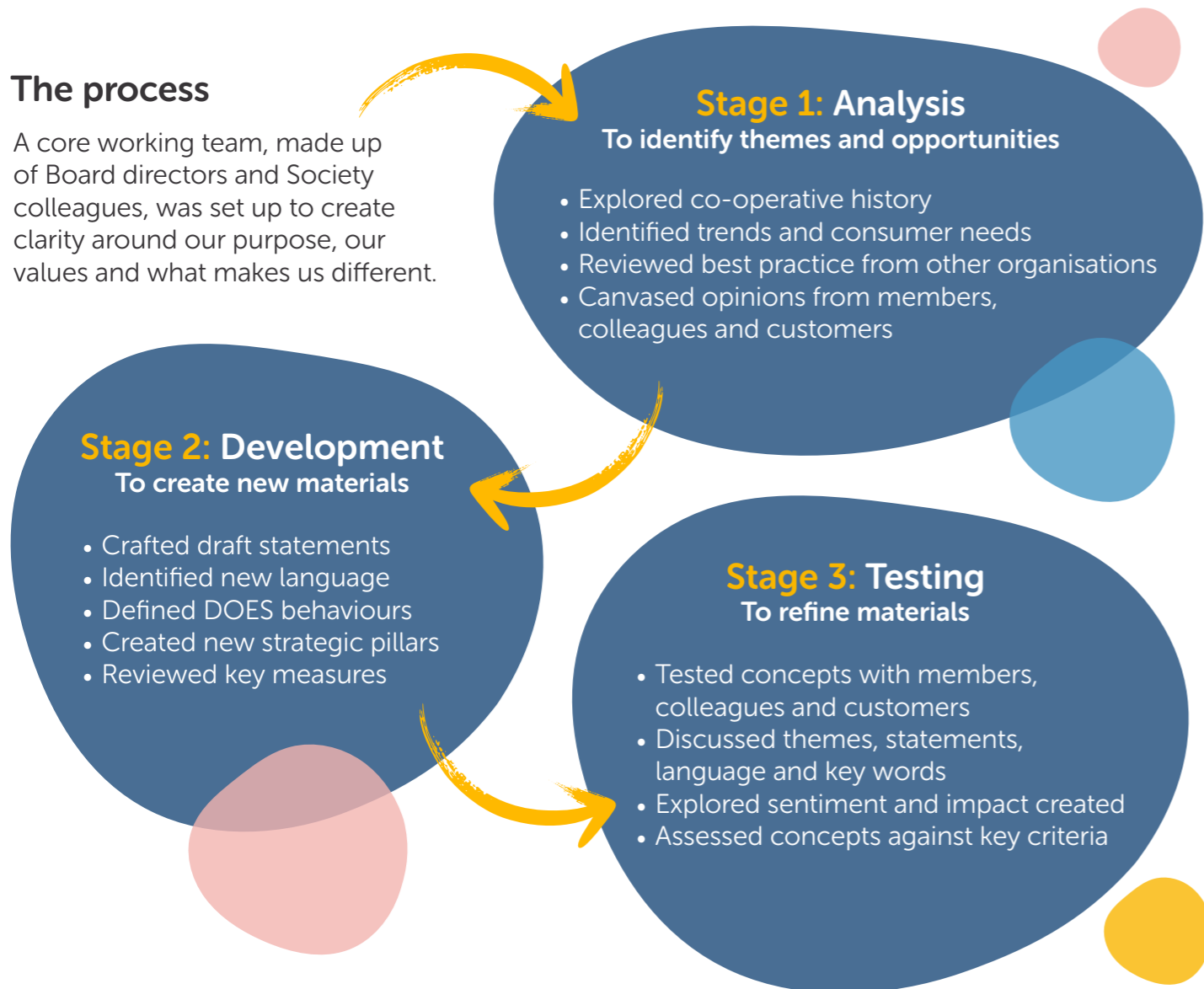
These currently include:



These were originally crafted in 2003 and have served us well over the past 20 years. However, as the world has changed the needs and priorities of our members have also changed. So, in 2021, our Board requested that we review and update, the existing materials to guide our Society for the next 20 years.

The process

A core working team, made up of Board directors and Society colleagues, was set up to create clarity around our purpose, our values and what makes us different.



Extensive Board consultation - to sharpen and gain agreement

Our refreshed Purpose

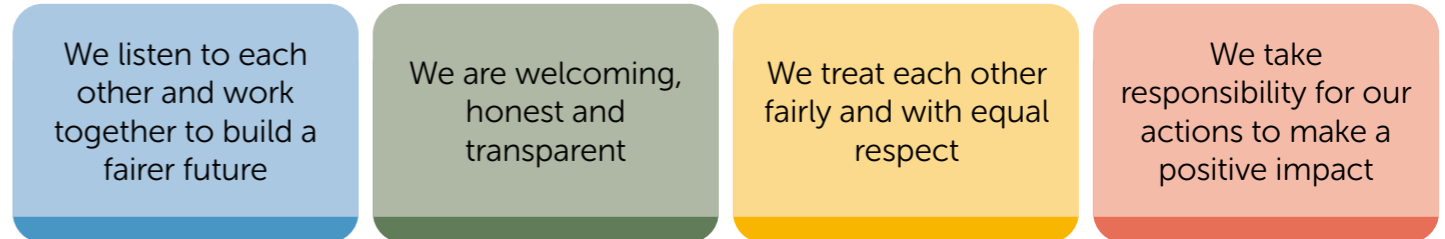
Through the power of co-operation, we're building a fairer, more sustainable, and ethical future.

Our refreshed DOES values and behaviours

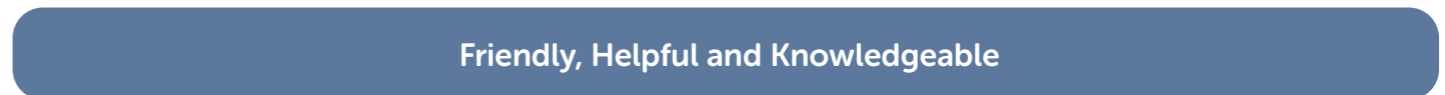
What we **believe** in...



How we **behave**...



How we are **seen**...



Our new strategic TRUST pillars

Thriving Co-operative

We are a commercially successful, values driven Society that champions ethical living every day.

Remarkable Colleagues

We help our colleagues to grow, do their best and recognise them for their remarkable service.

Uniquely Engaged Members

We are owned solely by our members, who guide everything we do.

Sustainable Impact

We collaborate with communities to make a sustainable difference locally and globally.

Thought - Leading Pioneers

We step up to tackle difficult challenges to build a fairer future for all and strive to be role models within the Co-operative movement.

The year at a glance

In 2022 we attracted

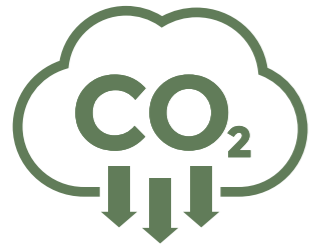
86,000

new members

14,000 under 30



Last year we donated
£143,000
 to 315 community groups



Since 2019 we have reduced our direct Greenhouse Gas emissions across our operations by **21%**.



8
new
 food stores
 opened



We source energy from
227
 community generators



Winner
 of Energy
 Project of
 the Year
 at the edie
 Sustainability
 Leaders Awards

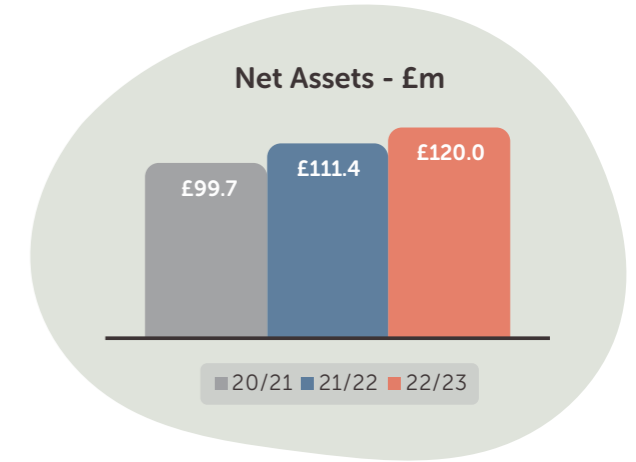
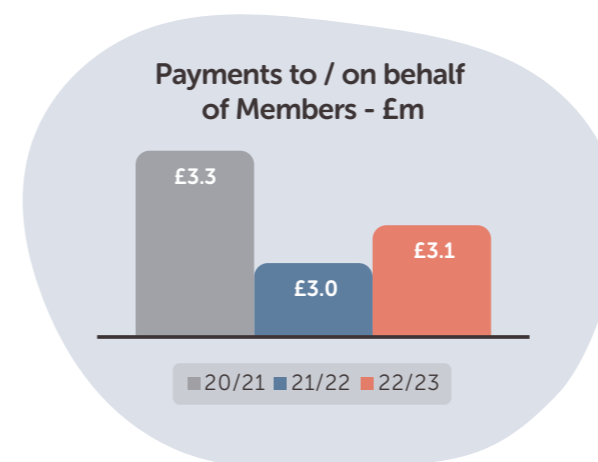
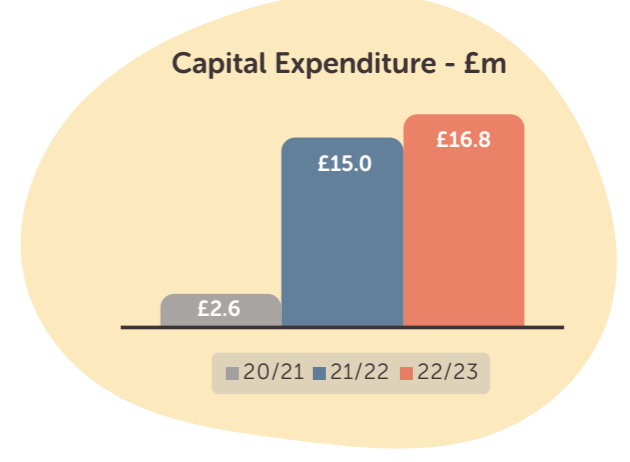
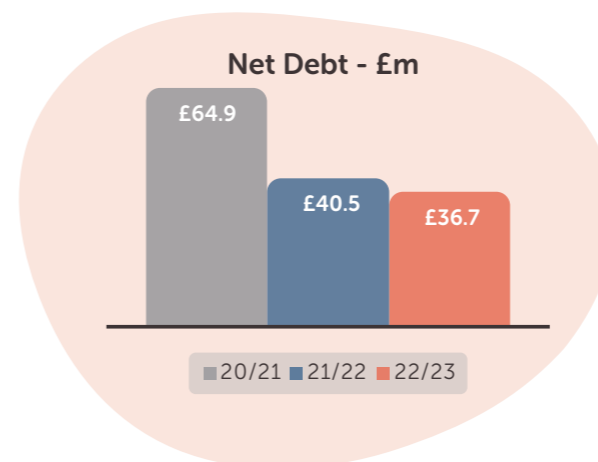
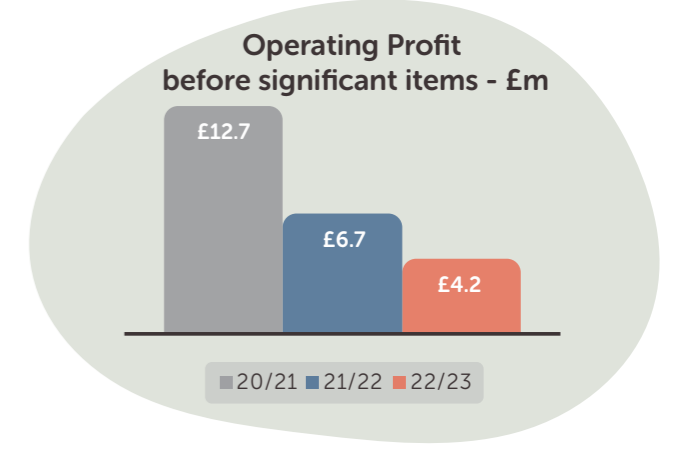
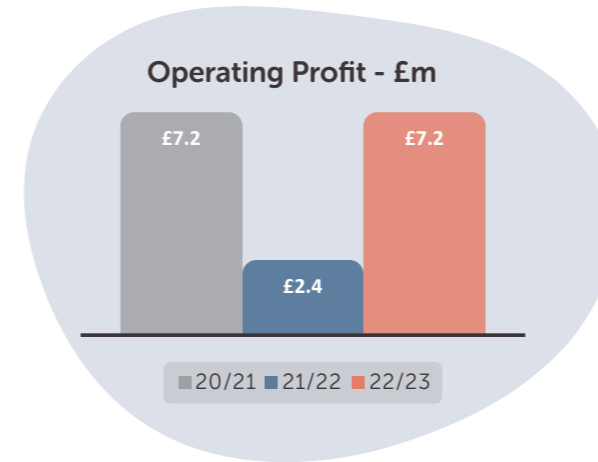
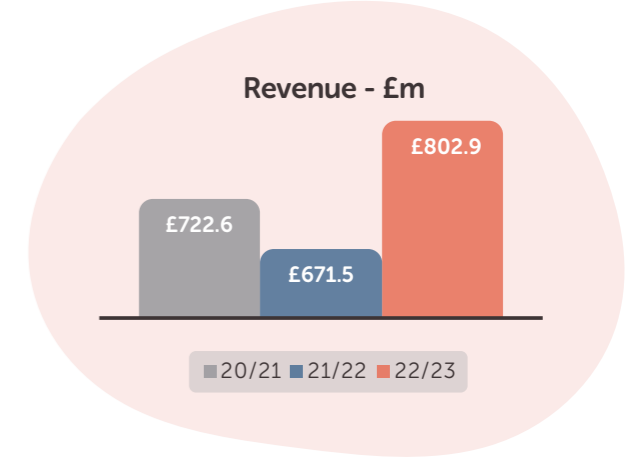
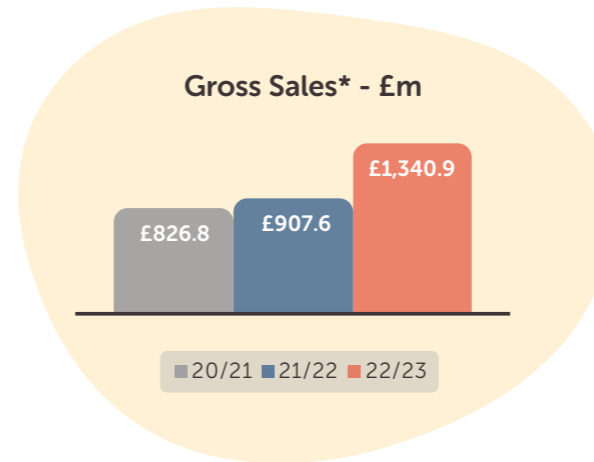
Childcare has had its
most profitable
 year ever



Travel sales have
increased
 threefold



Financial highlights



The Society's full Financial Statements are presented from page 77 onwards.

*Gross sales represents revenue plus agency fees, VAT and staff discount

Board of Directors



Helen Wiseman
President



Heather Richardson
Vice-President



Vivian Woodell
Vice-President



Olivia Birch



Ellie Boyle



Bernadette Connor



Evelyne Godfrey



Vicky Green



Harvey Griffiths



Stephen Hawksworth



Irene Kirkman



Matthew Lane



Paul Mather



Nick Milton



Barbara Rainford



Fiona Ravenscroft

Senior Management Team

The Executive



Phil Ponsonby
Chief Executive



Alison Bain
Chief Marketing
Officer



Sara Dunham
Chief Officer National
Businesses¹



Peter Kelly
Chief Financial
Officer



Edward Parker
Secretary & Head of
Governance



Peter Westall
Chief Values Officer



The position is
currently vacant

Chief People Officer

Senior Management Team



Sally Bonnar
Chief Operating
Officer,
Childcare



Jacob Isherwood
Head of IT



Kathryn Lyddon
Head of Property



Claire Evans
Chief Operating
Officer, Travel
Channels



Sarah Yates
Head of Trading,
Food Retail



Mark Taylor
Head of Operations,
Food Retail

¹ previously Chief Officer Travel & Leisure Services

President's introduction



We have always looked to strike the right balance between the needs of our members and customers and the financial sustainability of the Society while staying true to our co-operative values.

Helen Wiseman

It is my pleasure to introduce the Report & Accounts for the 2022/23 financial year.

Our performance underlines the continued strength and resilience of our Society in the face of the turmoil caused by the war in Ukraine and the resulting economic headwinds that have impacted throughout the year.

The Board is deeply conscious of the effect inflation is having on you and your households and has worked hard to provide members and colleagues with benefits, discounts and offers to support you through these challenging times. We have also been very aware of the impact of increasing costs and wholesale prices on the performance of our businesses and the challenges these have presented to management. We have always looked to strike the right balance between the needs of our members and customers and the financial sustainability of the Society while staying true to our co-operative values.

We took the opportunity this year to revisit our Society Purpose which has provided the vision and underpinning of our activity since 2003. We approached this in collaboration with groups of colleagues and members and I would like to thank all those who participated in the drafting, research and feedback. It is quite a task to encapsulate in just a few words a statement that describes the essence and spirit of our Society and what we are trying to achieve. The refreshed statement builds on our 2003 Purpose and provides a framework and inspiration for the next 20 years. Pages 4-5 of this report provide details on the steps we took to develop the 2023 Purpose.

Reading through the Annual Report, I am sure you will be struck by the range and depth of our non-financial reporting. From our steering wheel results, community and colleague engagement through to our contributions on sustainability, you will see how we have performed on a wide range of measures, both positive and negative. This openness and transparency is an essential part of who we are and how we operate and encompasses how we engage with you, our members.

So, as a director representing you, I am delighted that our Your Co-op Conversations have continued over this past year and am pleased that alongside these online events, we are planning more face-to-face opportunities in the coming year, giving you the chance to meet with us to challenge and share your views on your Society.

The desire for personal interaction was clearly in evidence at our AGM last May when we celebrated a return to an in-person meeting after two years confined to online meetings. This year I look forward to welcoming you to our Fairer Living Festival on 13 May which will incorporate our AGM. We are planning a day that brings to life our Purpose and helps showcase the power of co-operation.

I started with a comment on the strength and resilience of our Society. This is visible every day in the efforts of our amazing colleagues who continue to work hard and remain committed to support each other and bring real value to the communities in which they work. I am sure members will join me in this grateful endorsement of their fantastic contribution.

This teamwork is critical to our success and our Chief Executive, Phil Ponsonby, the Executive and senior leadership team working alongside the board of directors, have been unstinting in their efforts and commitment. I have the tremendous privilege to be part of that team and I extend my thanks to each and every one who has played their part.

Helen Wiseman
President

Chief Executive's overview



We have continued to invest in growth having spent £4.2m on eight new food stores and a new childcare site in Warwick

Phil Ponsonby

I am pleased to provide members with an overview of last year. Our results represent a resilient performance for your Society given the very significant world events and macro-economic challenges we faced. This is testament to the hard work and commitment of our brilliant colleagues who continue to support our members, customers and their communities while cementing and promoting our values in everything they do.

The financial year has been impacted by high inflation and a sharp increase in energy prices. We have tried to find the right balance between supporting members by providing meaningful discounts and offers while covering our increasing bills and wholesale costs.

Investing in energy efficiency projects, including installing LED lighting and improved refrigeration, has been a priority this year to bring down our energy bills and help reduce our carbon footprint. I am pleased that these initiatives have cut our energy use by 8.8%, saving the equivalent of 870 tonnes of CO₂ and £1.2m in energy costs. Our efforts here have been recognised nationally with the Society winning the prestigious Energy Project of the Year award at the edie Sustainability Leaders Awards.

We have continued to invest in growth having spent £4.2m on eight new food stores and a new childcare site in Warwick, following on from the two successful new settings we opened the previous year.

However, while driving our core businesses forward, we have also had to make some difficult decisions about our Healthcare division. In the second half of 2022, we completed a full strategic review of the business, choosing to step away from the sector. The business had been operating at a loss for some considerable time, and the Board felt that the investment and resources required

to grow it to a viable and competitive scale would be better focused on our core businesses and would benefit members more appropriately if channelled into these other areas of the Society.

Shortly after the financial year end, we agreed new funding arrangements with our existing long-term banking partners and welcomed a renewed partnership with the Co-operative Bank. These new arrangements increase our banking facilities and provide the Society with the financial stability to invest in our longer-term future. Pleasingly, they can be extended beyond the initial three-year term with the possibility of further lending if our performance meets certain thresholds. This reflects a welcome confidence in the Society and its strategic plans.

Financial overview

For the 2022/23 financial year, gross sales have returned to above the £1bn mark for the first time since the coronavirus pandemic, coming in at £1.34bn for the year. This is a 48% increase on last year's £907.6m. The uplift is mainly due to our Travel business recovering after the pandemic but was also supported by growth in our Food and Childcare businesses. Total revenue was up 20% on last year at £802.9m (2021/22: £671.5m).

Gross profit increased by 10% to £214.1m (£194.2m: 2021/22). However, our gross profit margin reduced to 26.7% (28.9%: 2021/22). Gross profit margins are lower in the Travel business as compared to Food and as such, the strong sales recovery in this business impacted the trading mix, accounting for the reduction in margin percentage.

Operating profit increased significantly from £2.4m (2021/22) to £7.2m reflecting an underlying profitable performance and additional profits from significant, one-off items as a result of reduced performance obligations associated with our former energy business.

The Society's net asset position has improved by £8.6m over the course of the year, largely reflecting a much improved position on the pension deficit. Net debt was at £36.7m (£40.5m: 2021/22). The Society's cash position has improved by 19.5m (2021/22 - £1.2m) in the year. This is mainly due to a working capital timing benefit which will reverse over the first quarter of 2023/4.

Steering Wheel developments

We have continued to improve overall benefit for our members and have seen the number of members shopping with us increasing year on year. Member trade now stands at 27.2% of all transactions compared with 24.6% last year, and 83% of members who shopped with us used a member offer saving a combined £1.4m.

Total membership is also up by 86,000; 131,000 members have now downloaded our membership app; and 55,000 members shared their views with us through member surveys and at membership events.

We have done a lot of work over the past few years to listen to and engage with our younger members. So, it is good to report that 14,000 of the members who joined the Society last year were under 30. This continues to be a focus as we welcome the next generation of co-operators.

To nurture our own young talent, I was pleased to accompany three of our entrepreneurial young colleagues to the Global Innovations Co-op Summit in Paris in September last year, to exchange co-operative business growth ideas with representatives from other co-operative organisations.

Colleague engagement and development remains high on our agenda, with new LEAP training programmes, already succeeding in Food and Childcare, being introduced into Travel. Our colleague satisfaction score has increased from 73 to 79, a sign that colleagues are feeling more valued in their roles.

Supporting some of the most vulnerable members of our community through meaningful partnerships we have worked with Bright Future Co-operative, which helps modern slavery survivors find new employment, by providing work experience and board-level guidance. Likewise, at our Walsall town centre food store, we have partnered with Miss Macaroon, one of our local suppliers, to transform our food store into a bespoke training store specialising in supporting young people with additional needs. The store will provide a work experience and learning space to allow a 'lived experience' approach to working in a retail environment.

We also donated £20,000 to our foodbank partners at the end of the year to fund their post-Christmas peak, kept almost 30,000 children fed during the school holidays through the HAF scheme, and worked with the co-operative community to support the DEC appeals for the earthquakes that hit Turkey and Syria, the floods in Pakistan, and the war in Ukraine.

Our Too Good to Go app continues to grow in popularity, saving 64,000 meals from going to landfill. Through initiatives such as reducing waste and our LED and refrigeration projects, we have cut our greenhouse gas emissions by 21% since 2019. In addition, our Yunity joint venture with Octopus launched a £1.5m Kickstarter Accelerator Fund to provide start-up loans for community energy projects. The first recipient, Bristol Energy Co-operative, is developing a 1MW rooftop solar energy project due for completion later this year. This forms part of our vision to use and supply green energy sourced from community-owned sustainable generators.

Demand for renewable energy is outstripping supply and the country's current system is not driving sufficient investment in generating the renewable energy we need if the UK is to achieve its net zero targets. We

therefore made the decision to stop purchasing energy with a Renewable Energy Guarantees of Origin (REGO) certificate, instead preferring to invest in tangible projects that lead to a reduction in carbon emissions. Along with other co-operatives and retailers we wrote to the government to lobby them to do more to support home-grown green energy projects, receiving a response from the Prime Minister asking us to collaborate with the government on green energy schemes.

Recognition

In addition to winning the Energy Project of the Year at the 2023 edie Sustainability Leaders Award for our energy reduction activities and community energy initiatives, it is particularly pleasing to report that the Society is just one of four businesses in the UK to achieve over 80% in Business in the Community's (BITC) Responsible Business Tracker. In their feedback, BITC called out our environmental initiatives, the community volunteering activity undertaken by our colleagues, and the ways we are working with disadvantaged people to get them back into work through our support for Bright Future and at our Walsall training store.

Looking to the future

Over the coming year we will strive to deliver a service that makes a difference to our members every day, from providing ethically sourced food to climate-friendly utilities and a wider choice of holidays, including more sustainable options. We will continue to reinvest the money our members and customers spend with us into our local communities, environmental initiatives and improving our operations and services.

I look forward to reporting to members this time next year with the further progress of your Society.



Phil Ponsonby
Chief Executive

Our Pledges

At our 2022 AGM we laid out 10 pledges for the coming five years. This is how we are progressing one year in:

1. Reduce direct greenhouse gas emissions by 50%

We have reduced our total greenhouse emissions by 21% since 2019. We have achieved this largely by reducing energy use across sites by 8.8% compared with the previous year saving 4.1 million kWh, equivalent to saving 870 tonnes of CO₂ and £1.2m in energy costs.

2. Support the creation of 50 new co-operatives

We have continued to work closely with Co-operative Futures and The Plunkett Foundation who support start up co-ops in our communities. As well as funding, we have helped them reach co-operators by inviting them to run events for our members and point fledgling co-ops in their direction.

3. Remove all remaining single use plastic from food stores

All Co-op own brand packaging is now recyclable, plastic has been removed from teabags and Easter egg packaging, and milk cartons have replaced bottles. All our carrier bags are compostable and we are also in the process of launching Your Co-op reusable bags to raise money for foodbanks.

4. Extend and improve colleague incentives on electric cars, mopeds and bikes

We offer a range of green transport options for colleagues, including EVSS (Electric Vehicle Salary Sacrifice) in partnership with Octopus. We have over 50 colleagues participating in EVSS and we are in discussion with other large co-ops about providing it to their colleagues. E-Mopeds will soon re-launch with a loan option for colleagues in partnership with the Co-op Credit Union and our Cycle to Work scheme now supports e-bike purchases.

5. Introduce bursary scheme for struggling families in childcare nurseries

Childcare is undertaking a single site trial in 2023 to offer children who are only eligible for 15 hours of childcare funding from the government an additional 15 hours funded by the Society. This funding will stay in place until they leave for school. If the trial is successful we plan to extend this to other nurseries to enable more children from low income families to thrive.

6. Grow Co-op Holidays to half of total business and focus on sustainability

We have hired new colleagues specifically to manage and grow Co-op Holidays and have launched a new online platform to help our travel advisors better tailor holidays to members' needs. We continue to donate to our sustainability partners Ecologi for every Co-op Holidays trip booked and have also formed a partnership with Eurostar to help members holiday without flying.

7. Double the sales of Fairphone and switch Society mobiles over

Sales of Fairphone for Business have increased through 2022 and into 2023, with total sales of Fairphone 4 handsets in 2022/23 reaching 1,070. Overall we are the second largest re-seller of Fairphone in the UK. Our goal is to become number one. All new colleagues that require a Society mobile phone now receive a Fairphone. Colleague feedback on ease of use has been positive.

8. Go further in supporting people to sustain independent living

Working with Bright Future Co-operative to offer survivors of modern slavery work placements, including two in our Childcare division, and creating a training store in Walsall to help vulnerable young people gain work experience are two of the ways we have addressed this pledge during the year.

9. Give members even more reason to buy Fairtrade products

To encourage members to make ethical choices when shopping with us we introduced a 10% discount on all Fairtrade products. This resulted in 145,000 members using the offer to purchase Fairtrade goods, meaning a better deal for farmers and producers across the world. We also promote Fairtrade products during key seasonal events.

10. Continue to pay our colleagues at a higher level than the national living wage set by the Government

Given the rising cost of living, we have tried to balance supporting our colleagues with what's sustainable for us commercially. We therefore focused on raising the wages of our lower paid colleagues resulting in over half our colleagues receiving an average pay increase of 9.5% in 2022/23.

Food Retail

and Post Offices



Our Food Retail group has had a positive year in challenging circumstances. Gross sales grew by 3.5% to £664.4m (revenue £595.6m) and the business enjoyed a particularly strong festive trading period, delivering a like-for-like sales increase of 17.4% for the pre-Christmas week.

It is clear that the cost of living crisis has led many households to turn to discount retailers for their main shop to the detriment of mainstream food retail. However, in the last quarter of the financial year we have started to see consumers shifting back towards quality and convenience which has begun to benefit trade.

The business has faced three major challenges through the year: availability has been problematic, though the picture is now improving; wholesale cost price increases have come in well above inflation across most categories; and the marked increase in energy costs has hit our profit performance.

Investments
We have grown our core convenience estate, opening three new stores in Swindon, two in Wokingham, and one each in Leighton Buzzard, Twigworth (Gloucestershire) and Solihull. We have also continued with our restructure programme, making the difficult decision to close 11 stores that no longer fitted our longer term plans.

To create an enhanced shopping experience for members and help reduce our energy consumption, we have invested in more efficient refrigeration at 26 stores and agreed capital spend to convert all our food sites to LED lighting, converting 121 food sites to date. These projects have cut energy use by 8.8%, saving the equivalent of 870 tonnes of CO₂ and £1.2m in energy costs. We have also continued to roll out our Safe Stores programme, installing 335 new CCTV cameras and launching a new standard operating procedure to make life simpler and safer for colleagues.

More for members
We are delighted that more members have shopped with us this year. Member trade in Food now stands at 26.1% - an increase of 3.6% against January 2022. We welcomed 86,000 new members to our stores, and have looked to encourage loyalty through enhanced member offers and one-off promotions, such as the Swipe & Win campaign where two members a day could win the value of their shopping.

Working with our communities
Our locally sourced products continue to sell well, with like-for-like sales up 7.6% to £19m. We have introduced sushi and doughnuts into our Fresh Food to Go offer, as well as an enhanced cook from frozen range, both of which have proved popular.

Continuing our partnership with Too Good to Go has saved the equivalent of 64,000 meals from going to waste. We have provided almost 30,000 meals to vulnerable families as part of our ongoing support for the Government-led Holiday Activities and Food programme (HAF). We have also expanded our partnership with Uber Eats to make it easier for members to get their favourite products from our stores delivered direct.

Post Offices
It has been a tough year for Post Offices. The nationwide strikes in the run up to Christmas and the decision to close 11 of our branches both had a significant impact on our trading results for the year. However, moving into the new year, we have started to see some improvements in footfall, with January commission up against last year.

Travel



Demand for overseas holidays has taken off following the pandemic and the Travel business is feeling the benefit. Gross sales have risen almost threefold to £616.2m (£153.3m revenue). This compares with 2019 pre-pandemic gross sales of £554m (£145m revenue).

Reassuringly, fewer customers are cancelling compared with 2021 (although rates are still up on pre-pandemic levels) which ties to growing evidence that customers are prioritising holidays even in the midst of the cost of living crisis. Supporting this position, Travel had a particularly strong January (the business' peak selling period) generating gross sales of just under £100m in only one month. We have continued to work with smaller independent travel agents and homeworkers through our Consortium and Personal Travel Agent agreements.

This uplift in demand has brought its own challenges especially when combined with staff shortages across the sector, leading to delays, cancellations and negative press. Through the year our teams have supported customers when their holiday plans have had to change.

Investments
A key focus during the year has been growing our in-house tour operator, Co-op Holidays while maintaining our strong partnerships with third party tour operators. By creating our own holiday packages, we have greater freedom to tailor holidays to member preferences. It also means we see a better return, generating profits that we can then invest into causes members care about.

We have launched a new tour operator platform to support the growth of Co-op Holidays. This is allowing our retail colleagues, consortium members and Virtual Travel Experts (VTEs) to sell a wider range of holidays and products. The platform also highlights the sustainability credentials of the holidays on offer, allowing members to make more informed choices about their travel.

To support this new focus, we have made some changes to the business. This includes closing four branches, hiring colleagues to manage the Co-op Holidays tour operator

function and recruiting more VTEs to serve members remotely during extended hours.

Responsible travel
As part of our commitment to protecting the environment and backed by our co-operative values and the views of our members, we continue to look for ways to minimise our impact on the planet.

For every passenger that takes a Co-op Holiday our climate impact partner Ecologi plants a tree - an initiative that has so far resulted in 6,000 new trees being planted, and Co-op Holidays has recently launched train travel packages with Eurostar as an alternative to flying.

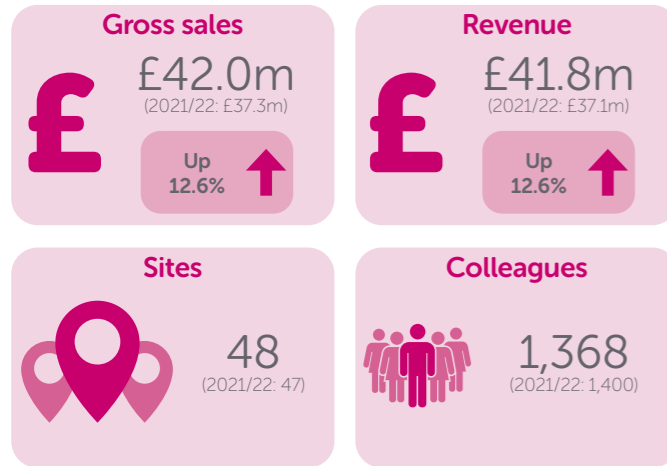
Working with our communities
Working with communities close to home, we continue to make a donation for every Co-op Holiday booking to Go Beyond, a charity that arranges much-needed short breaks for young people facing serious challenges at home.

Looking further afield, we have begun working closely with our tour operator partners to explore what more we can do to support responsible tourism by contributing to the local economies at some of our most popular holiday destinations.

More for members
Member trade through our branches averaged 55% through the year. We continue to provide members with exclusive offers, competitions and inspiration through our app and our member-exclusive bi-annual travel magazine.

Members also receive VIP rates on all major currencies, discounts on airport lounges, airport parking and airport hotels, and get 5% off UK short breaks.

Childcare



Childcare has had its most profitable year ever, with gross sales up 13% to £42.0m (revenue £41.8m). The number of available childcare places filled across the estate has increased from 64% in 2021/22 to 66%, and our new Little Pioneers nurseries in Bristol, Warwick and Cheltenham have all had very strong starts.

This encouraging picture is especially welcome given the pressures the Childcare sector is facing. The cost of living crisis has reduced demand as many families have cut the number of childcare hours required or removed their children from childcare entirely as they struggle to cover their household bills. In addition, rising energy and food costs have caused many providers to close, and recruitment and retention remains a real challenge, leading to an increased reliance on more costly agency staff.

The impact of these pressures has varied on a nursery-by-nursery basis. Around half our nurseries have now recovered to pre-pandemic occupancy levels, and in some cases, are exceeding them, while the remainder have yet to revive occupancy.

Investments

Our third purpose-built nursery opened in Warwick in September. This followed the model of our two Little Pioneers nurseries in Bristol and Cheltenham that opened in the previous financial year. Pleasingly, it is already fully subscribed.

We are continuing to roll out the Little Pioneers brand, rebranding nurseries in Sunderland, Newcastle and Wolverhampton this year. As part of the rebrand, we invest in extensive training for colleagues so they can deliver 'The Little Pioneers Way' curriculum to best effect, nurturing the next generation of caring, environmentally aware co-operators.

Campaigning

We continue to campaign with partners, including the Co-op Party, for increased support for the childcare sector. As part of that work we have met regularly with MPs to discuss the need to increase funding for the sector, especially as the cost of running a childcare business

continues to grow, and relaxing visa restrictions for childcare professionals to ease the labour shortage. Making childcare more affordable and more flexible will benefit the many families currently being priced out of using childcare.

Our work with the Co-op Party was reflected in their Steps to Success campaign, which shares both lessons from co-operative education providers and recommendations for sustainable childcare.

More for members

We have focused on member value, seeing member trade jump from 92% to 97%. By introducing a new onboarding journey we have also seen a 130% increase in new members downloading the member app.

To support our members with children transitioning into school, we offered them holiday care at a reduced daily cost while their children were in reception year. We have also done everything we can to offer members increased flexibility and choice about their childcare hours.

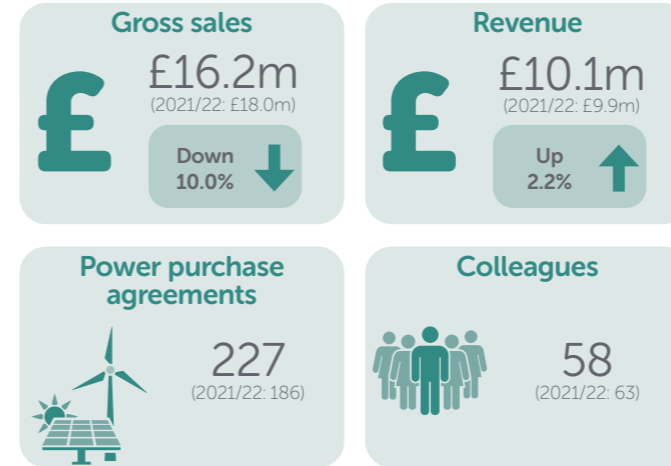
And we have also made life easier for parents by centralising our booking and invoicing onto a single easy-to-use system.

Working with our communities

We are pleased that our children have been able to spend time with their friends at local care homes again now that we have been able to resume our intergenerational care initiative that was paused during the pandemic.

To keep our children safe, all our established nurseries have again received the Millie's Mark accreditation and our three new sites are currently working towards achieving it. In addition, all but one of our sites now has Eco Green Flag status, empowering our Little Pioneers to take steps towards protecting the planet.

Utilities



The Utilities Group, which brings together our phone, broadband and flexible benefits businesses with Your Co-op Energy and Younity (our community energy joint venture with Octopus) has performed as expected in what has been a difficult market.

Younity

We have continued to invest in renewable, community-generated power through Younity which now sources energy from 227 community generators, representing over a third of community energy generation in the UK.

The joint venture celebrated its third anniversary with the launch of a Kickstarter Accelerator Fund to meet demand from community energy groups for temporary seed funding. The first loan was made to Bristol Energy Co-op to fund a large solar roof installation due for completion in late 2023.

Your Co-op Energy

Wholesale electricity and gas prices reached record highs during the year, exceeding the Government's Energy Price Guarantee. This has prevented us from signing up new customers to Your Co-op Energy since the early autumn of 2022. It is also clear that the cost of living crisis will drive customers to choose energy tariffs based purely on price, creating fierce competition between suppliers.

Phone and broadband

We have concentrated on driving more efficient customer service and lowering our operating costs. This has offset the decline in call revenue driven by the continuing trend for online communication. We have also continued to promote our green broadband offering and the sale of Fairphone handsets as part of our socially responsible, low-carbon lifestyle strategy. This has been complemented by our salary sacrifice electric vehicle scheme, offered to like-minded businesses to help encourage their employees to switch to more sustainable forms of transport.

Over 25% of our broadband and mobile member base has now signed up for climate positive products. By offering

preferential member pricing we hope to encourage more members to make the switch. The Members10 initiative, which provides members with 10% off when they sign up to climate positive broadband, also incentivised customers to become members.

Each month, through Ecologi, our climate impact partner, we fund carbon reduction projects to help partially offset carbon footprints of our members and customers. Our climate positive broadband and mobile products helped our customers and members to reduce their carbon footprint by 1,549 tonnes of CO₂e. We also planted 37,335 trees which will contribute to further carbon sequestration in years to come. This forms part of our commitment to the Million Trees Pledge to help address the climate crisis.

Flexible Benefits

The Flexible Benefits business, whose main revenue stream is the sale of childcare vouchers, continues to wind down now that the Government's Tax Free Childcare Scheme is in operation. While revenue has declined through the year as forecast, the release of unused vouchers in line with our policies has led to an improvement in the overall financial performance of the business.

Healthcare

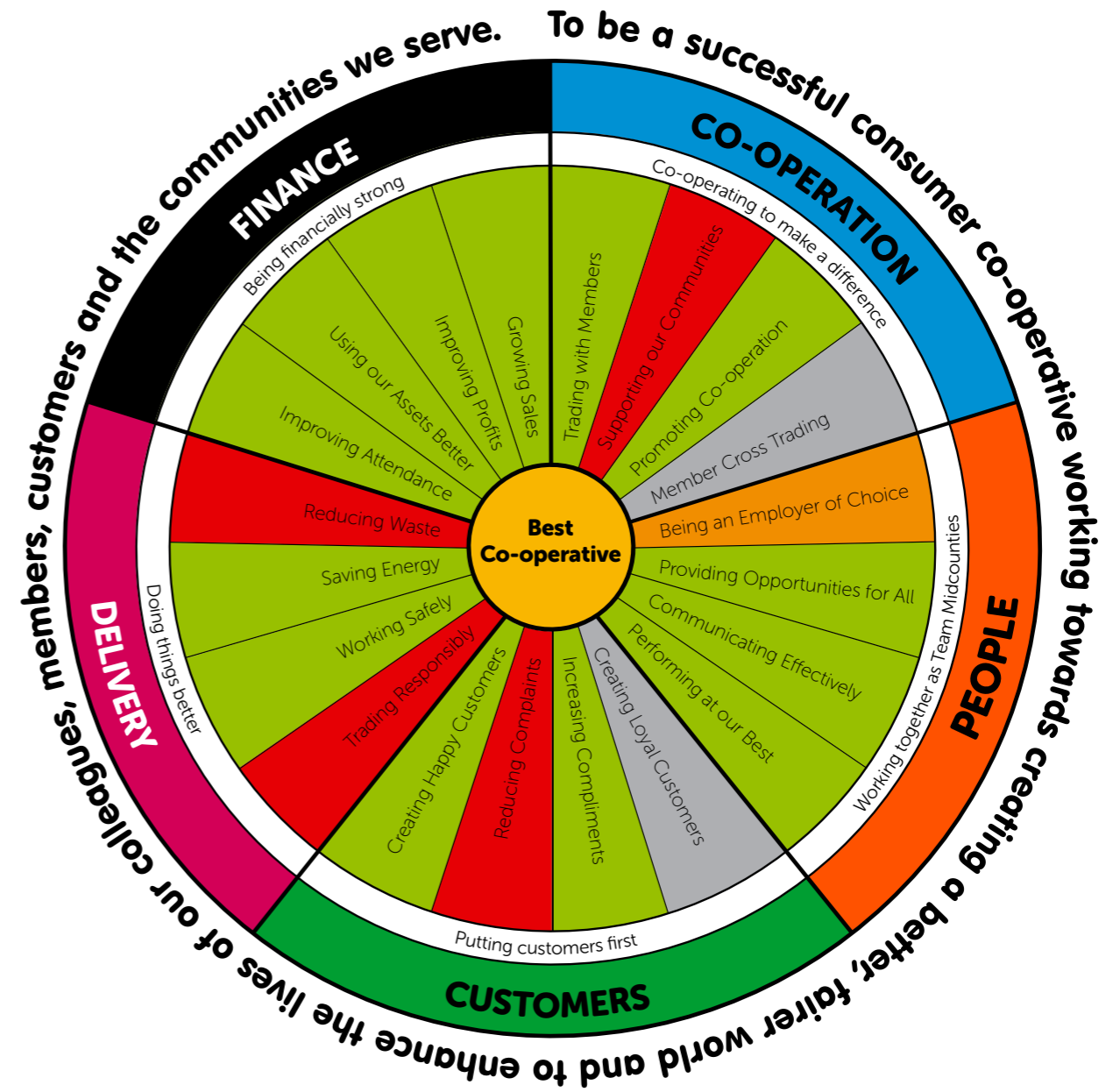


Following a strategic review of our Healthcare business last year, the Board took the decision to exit the business.

Our online Healthcare business traded throughout the majority of 2022 from our Pharmacy Hub in Walsall. During this period we introduced co-op ranges to the website, launched new subscription products around homecare and remote home monitoring in partnership with Careium (formerly Doro), and conducted free health checks for members at our AGM in May. However, despite these initiatives and an increase in prescriptions compared to the previous year, the business struggled to reach its sales targets.

As noted in the Chief Executive's report, the Board undertook a strategic review of the business in the late autumn, concluding that the capital and resource required to grow the business to a scale sufficient to be competitive and distinctively co-operative for the longer term could be better focused on our core businesses. Hence the Board took the decision to exit the business fully. The operations were wound down in January 2023.

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 above shows how we have performed on these objectives during the 2022/23 financial year. The sections are coloured red, amber or green to indicate whether results have fallen against last year (red), remained the same or almost the same as last

year (amber), or improved (green). The two grey sections are new measures this year so do not have comparators to last year.

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

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

The financial performance of the Society is included from page 77.

Reporting our Steering Wheel

Trade with members

% of trade with members



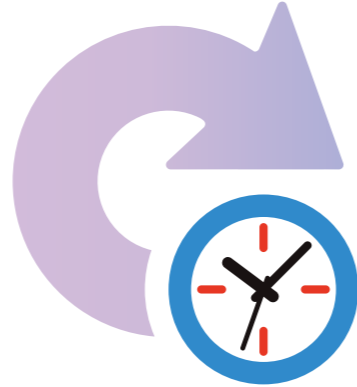
2022/23: 27%
2021/22: 25%



More of our members have taken up our increased offers and downloaded the app.

Supporting our communities

Hours volunteered in the community by colleagues



2022/23: 19,749
2021/22: 25,651



The decrease is due to the number of home deliveries made by colleagues reducing after the pandemic.

Being an employer of choice

% of colleagues employed over 3 years



2022/23: 56%
2021/22: 59%



We lost a number of long-standing colleagues through store closures and the Travel restructure, but we are pleased the number is still high.

Providing opportunities for all

% of colleagues who positively score the pulse survey question 'I have the opportunity to develop at Midcounties'



2022/23: 73%
2021/22: 67%



Lots of work has been done to support colleague development, including our LEAP programmes.

Co-operation

Promoting co-operation

Number of members involved in co-operative activity



2022/23: 55,629
2021/22: 51,293



As we continue to listen to your views, member surveys have helped boost engagement.

Member cross trading

NEW MEASURE

% of members trading across more than one group



2022/23: 4%
2021/22: n/a



Over time we will work to let new customers know about our family of businesses.

People

Communicating effectively

% of colleagues who positively score the pulse survey question 'I am satisfied with the way the Society communicates with me'



2022/23: 77%
2021/22: 72%



Investment in communications channels such as Colleagues Connect has helped to lift this score.

Performing at our best

% of colleagues who positively score the pulse survey question 'I have regular check-ins with my manager'



2022/23: 83%
2021/22: 79%



Our check-in process has been fully embedded this year, giving colleagues increased support at work.

Reporting our Steering Wheel

Creating loyal customers

NEW MEASURE

Net Promoter Score



2022/23: 62
2021/22: n/a

We didn't include our Net Promoter Score in the Steering Wheel last year, but we are pleased this result is well above the sector average.



Reducing complaints

Number of complaints received

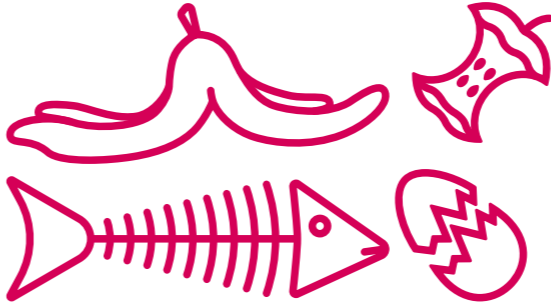


2022/23: 3,137
2021/22: 2,768

Most of the complaints we received were around availability in our food stores, an issue that we have looked to address.

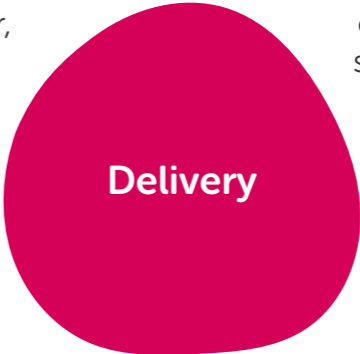
Trading responsibly

% reduction in controllable food waste from food stores



2022/23: 9%
2021/22: 14%

Range reviews have resulted in some food waste spikes during the year, bringing our score down.



Working safely

Number of injuries/incidents recorded as a moving annual total



2022/23: 476
2021/22: 512

It's pleasing to see the number of injuries and incidents falling as sites continue to adhere to health and safety guidelines.

Increasing compliments

Number of compliments received



2022/23: 32,815
2021/22: 30,010

We are pleased that more of our members shared their positive experiences with us.

Creating happy customers

Customer Satisfaction (C-Sat) Score



2022/23: 73
2021/22: 71

Increased customer support has led to more satisfied members and customers.

Saving energy

% reduction in greenhouse gas emissions across our operations



2022/23: 21%
2021/22: 17%

Improvements in stores, including LED lighting and refrigeration projects, have saved 4.1 million kWh.

Reducing waste

% waste reduction across our operations



2022/23: 9%
2021/22: 11%

As food waste is our most significant waste stream, this has been impacted by the food waste spikes noted above.



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

Sustainability

Our sustainability activity reflects the 'S' (for Social Responsibility) in our DOES values. It underpins so much of what we do as a co-operative that it feels right to report on this within our Annual Report rather than in a separate Sustainability Report.

More for members

UP 11%

Member trade up from 24.6% to 27.2%

APP USE UP 130%

131,000 members now use the members' app

661

members attended our formal meetings



We want to make Your Co-op membership as valuable as possible. To see how we are doing, we asked you, our members, for feedback on your experiences of membership. This told us that overall you are happy with the benefits you receive as a member, but that there are a number of areas we could work on. These have formed the focus of our membership activity this year.

Make the value clear

Members told us we could do more to make the value of membership clearer and more compelling. As a result, we have increased the number of member only offers, promoting them through the app and in member communications. This has worked well – 83% of members who shopped with us have used a member offer during the year, saving a combined £1.4m.

We know that ethical trade is close to members' hearts so we wanted to make it easier and more affordable to buy fairly traded goods. In June 2022, we introduced a 10% discount on all Fairtrade products. 145,000 members have taken advantage of this offer.

We also distributed £1.2m to members through our share of the profits payment made in November 2022. The payments could be used against purchases, put towards your energy bill or donated to charity.

These initiatives gave members even more reason to spend with our businesses and, as a result, member trade, one of our key metrics, now stands at 27.2% compared with 24.6% this time last year.

Make the experience more streamlined

We have continued to develop our membership app, improving the content and making it easier to use. Again, this is working well. 131,000 members now use the app, compared with 57,000 this time last year.

We issued our members' share of the profits through the app making it easier for many members to spend their payment.

Additionally, members can now add a virtual membership card to their Google or Apple Wallet, so they no longer need to open the app to use their membership card.

Make it easier to get involved

With the effects of the pandemic receding, we were able to hold a hybrid AGM (part online and part in person) last year. We also held four Half Year meetings. In total, 661 members attended these formal meetings. On top of this, we also hosted 20 online Co-op Conversations on a range of subjects including co-operative history and modern slavery, and we organised a number of in-store activities for members to allow them to get involved in membership activity at a location convenient to them.

These activities have proved popular, with over 3,200 members engaging with the Society during the year by attending events or voting, and a further 52,000 sharing their views through member surveys.

Make more of a positive impact

We continue to look for ways to communicate the difference we are making in partnership with and on behalf of our members. The following pages highlight some of the ways we have used the money members spend with us to benefit our communities and support the environment.

131,000 members now use the app, compared with 57,000 this time last year.



We supported the DEC Appeals for Ukraine, the floods in Pakistan and, more recently, the earthquake in Turkey and Syria.

Supporting our communities

41 
community
defibrillators fitted

19,700 
volunteer hours given

£143,000 
donated to good causes

Each year, we return some of our profits to the communities we serve, supporting good causes local to you. So every time you buy something from one of our businesses, you are putting food on tables, helping those in need and improving local communities.

Vital work experience

In the autumn last year we started on an exciting project at our Walsall town centre food store to create a training store designed to prepare young people with additional needs for jobs in retail.

The programme is being developed in conjunction with one of our local suppliers Miss Macaroon, who has long championed investing in young people who need a helping hand. We are working together to identify candidates with significant barriers to employment who will most benefit from this kind of immersive work experience.

As a founding member and business partner of Bright Future Co-operative, we have been pleased to support its growth this year. Bright Future matches charities and businesses to arrange four-week work experience placements for survivors of modern slavery, boosting their chances of finding new employment.

Our Chief Values Officer represents the Society on the Bright Future board, helping guide its development. During the year, Bright Future has expanded to work with 30 partner organisations, and welcomed Morrisons and Tideway Construction as new business partners. So far it has helped 75 survivors find life-changing stable employment.

Fighting food injustice

With the cost of living increasing so substantially during the year, the work we do with our foodbank partners has been more vital than ever. As well as donating food at our stores, members helped us raise over £20,000 through the Foodbank Fund over the Christmas period. The money raised was shared between our 61 foodbank partners to keep local people fed during their busiest time of year.

We have continued to support the Government-led Holiday Activities and Food programme (HAF) by delivering meal kits and recipes to almost 30,000 families in need during the school holidays working in partnership with Shropshire, Walsall and Dudley Councils.

Working with other co-ops

Working together with other co-operatives helps us make a bigger impact globally. Through the International Co-op

Working Group, part of Co-operatives UK, we have fundraised for the people of Ukraine, and explored employment opportunities for those fleeing the country due to the conflict with Russia. We also supported the DEC Appeals for Ukraine, the floods in Pakistan and, more recently, the earthquake in Turkey and Syria.

In the spirit of sharing best practice, members of our Executive team spent time with four Scandinavian co-operatives exchanging tips and advice on digital member engagement and reward.

More locally, as part of our pledge to enable the creation of 50 new co-ops, we have been working closely with The Plunkett Foundation to support the establishment of community-owned rural businesses, and we continue to support Co-op Futures in its work to develop new co-ops.

Recognition

We achieved our best ever score in Business in the Community's Responsible Business Tracker, one of the UK's leading programmes for responsible businesses, earning a score of 81% in 2022, up from 79% the previous year and well ahead of the cohort average of 47%.



Our Regional Community activity

Local community grants

We have 20 Regional Communities across our core trading areas. Each one has its own local charity partner that local trading sites raise money for, volunteer and partner with.

As well as this main partnership, our Regional Communities distribute low level funding to help charities, community groups and organisations support members at a local level through the Your Community Fund. During the year we capped funding at £500 per organisation to make sure that as many groups as possible could benefit from funding.



£143,000

distributed through grants and funding

315

community groups supported

A few examples of how this funding has benefited our communities in the past year include:

- Branching Out Drama Society in Chipping Norton purchased new costumes to boost the confidence of the young people performing with them.
- Charity Areterra based in Kidderminster, which supports adults with profound learning disabilities, developed a vegetable patch and erected a small shed.
- Falcon Boat Club in Oxford used their grant to update their equipment to help more young people enjoy the river.
- Swindon Carers Centre gave 150 parent carers and their families the chance to come together and support one another at a local soft play centre.

Donation follow up visit by Phil Ponsonby

"I had the chance to visit Swindon 105.5FM following on from our £500 grant donation. It went towards the creation of a new radio show 'Spectrum' which is mostly run by young people with autism. Their values really do align with ours being a community radio station and while I was there I saw how this linked in with the local community. It was also great to meet Shirley and the team on the day."

Watch the video of Phil's visit [here](#)

"We'd like to say a huge thank you to the team at Midcounties who gave up their time to help raise important funds for us as part of our partnership. The funds raised will go towards activities for the children for the rest of this year and into next year."

Sarah Blake

Aston Project, Cheltenham

The charity works with young people to inspire positive futures



"The work we do is so incredibly vital as early urological cancer diagnosis really does save lives, and the funding has enabled us to collaborate with more people and communities that really need our input. Thank you so much for making this happen!"

Gemma Crane

Lead Community Nurse at UCARE, Abingdon

The charity aims to improve the treatment and care of cancer patients through research and education.

[Watch these videos](#) to see some of the activities our Regional Communities have been involved with during the year.

Read more about some of the community groups we've helped in the past year [here](#).

Protecting the environment

edie WINNER

Winner of an edie Sustainability Leaders Award

21% 

reduction in greenhouse gas emissions since 2019

8.8% 

drop in energy use

We continue to progress our Sustainability Plan laid out in partnership with members. Our current priorities focus around the environment and energy consumption. Our Sustainability Steering Group, which includes board representation, drives and monitors activity to help us achieve our targets.

Saving energy

During the year we rolled out energy-reduction initiatives across our estate, cutting energy use by 8.8% compared with this time last year, a saving of 4.1 million kWh, equivalent to 870 tonnes of CO₂ and £1.2m in energy costs.

We installed energy efficient LED lighting at 121 sites and improved refrigeration at 26 food stores. We also set up an Energy Reduction Steering Group to help lead on a wide variety of energy saving initiatives. For example, the introduction of advanced energy use reports, issuing bespoke energy checklists to all sites and creating tutorial videos featuring energy saving tips.

Working with the wider co-operative community, including the Co-op Retail Society Environmental Sustainability Group, we have shared best practice to maximise energy savings. We presented at Co-op Congress on what we and other co-ops are doing to save energy and ran a workshop for community retailers in partnership with The Plunkett Foundation to help them cut their own energy use.

Lobbying for green energy

Our Chief Executive joined other leading retail names in signing a letter calling on the Government to 'green the energy grid' by investing more in renewable energy. The letter urged the Government to prioritise incentives that encouraged investment in green energy, including an overhaul of the planning regime to bring in new wind and solar schemes more quickly. We have also moved away from purchasing REGOs in favour of investing in home-

grown green energy projects, such as investing in a Bristol Energy Co-op solar initiative through our Yunity Kickstarter Accelerator Fund run in partnership with Octopus Energy.

Lobbying for these changes is particularly important to our Society, given how closely we work with a wide range of community green power generators through our Yunity joint venture with Octopus Energy. Community generated power plays an important part in helping the UK reduce reliance on power from overseas, a particular issue currently given the war in Ukraine.

We have 227 power purchase agreements in place with community generators. These produce enough energy to power around 61,500 homes. We are always looking to work with new community based suppliers.

Recognition

We are delighted to have won the 2023 edie Sustainability Leaders Award for Energy Project of the Year in recognition of our in-house energy efficiency activities and our support for community renewable energy through Yunity.

Our Chief Executive joined other leading retail names in signing a letter calling on the Government to 'green the energy grid'

We have 227 power purchase agreements in place with community generators. These generate enough energy to power around 61,500 homes.



We installed energy efficient LED lighting at 121 sites and improved refrigeration at 26 food stores.

Carbon reporting



Electricity and gas

10,163 tonnes CO₂e in 2022/23



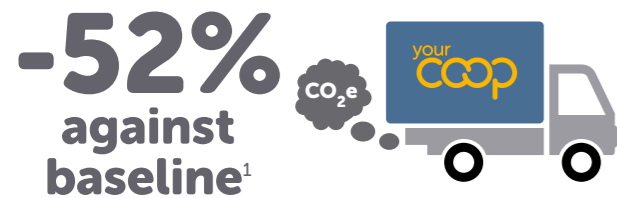
Refrigerant gas

6,902 tonnes CO₂e in 2022/23



Transport emissions

154 tonnes CO₂e in 2022/23



We were invited to present at Co-op Congress 2022 on what we and other co-ops are doing to save energy.

How we have reduced our greenhouse gas emissions

The Streamlined Energy and Carbon Reporting regulations require large UK organisations to report on their carbon emissions each year. The following two pages set out our current progress and what we have done this year to cut our emissions.

Tracking our performance

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

Additionally, this year we set up an Energy Reduction Steering Group that meets on a weekly basis to assess our progress and plan next steps.

Saving Energy

We have taken action to reduce energy usage across our operations during the year. This has been driven by a combination of energy saving property projects and colleague behaviours.

We have installed energy efficient LED lighting in 121 sites and new energy efficient refrigeration in 26 food stores, which has cut energy use by 8.8%.

To get a better idea of how much energy we are using and when, we have begun tracking energy use at site level and

comparing nighttime and daytime use. These reports will help us take more targeted action to cut energy use in the future.

Engaging our colleagues

Encouraging colleagues to take steps to reduce their site's energy use is crucial in bringing down our carbon emissions. Each site has been issued with an energy saving checklist and bespoke diagrams have been produced for each trading group.

To help bring these steps to life, we created videos giving practical examples of energy saving top tips and shared these with our colleagues.

The continued adoption of online meeting technology and the roll-out of electric company vehicles has significantly reduced our greenhouse gas emissions associated with colleague business miles.

Sharing best practice

Working with other co-operatives and businesses to share best practice has helped us gain new ideas for ways we can reduce our energy and support others in making beneficial changes.

We are part of the Co-op Retail Society Environmental Sustainability Group and were invited to present at Co-op Congress 2022 on what we and other co-ops are doing to save energy.

To help rural co-ops and community retailers improve their sustainability, we put on an energy saving workshop in partnership with the Plunkett Foundation. The session included examples of energy efficiency activities that our business had carried out over the last year.

Supporting community energy

We have continued to supply community renewable energy through our Utilities business and our Co-op Community Power Tariff funds a range of community energy projects across the country.

Through our Yunity joint venture with Octopus, we launched a £1.5m Kickstarter Accelerator Fund to bridge vital project start-up costs for community energy projects. The first recipient was the Bristol Energy Co-operative and their 1MW rooftop solar energy project at Bottle Yard Studios in Bristol, due for completion later this year.

During the year, our Chief Executive signed a letter along with other co-operative and major retailers to the Prime Minister calling on the government to 'green the energy grid' by powering investment in renewable energy. The letter urged the government to prioritise incentives to encourage investment in renewable energy, including an overhaul of the planning regime to fast-track new wind and solar schemes and create fairer pricing for green energy for households and industry.

Plans for the coming year

Working with the Sustainability Steering Group we aim to further reduce our greenhouse gas emissions by 40% by January 2026 (compared to 2019 levels) across like-for-like sites.

To do this we will continue to focus on energy saving, taking particular action to:

- continue to monitor and report energy use across our sites.
- raise awareness of energy saving actions to continue to drive positive behaviours.
- deliver agreed energy saving property projects and identifying further opportunities.
- share energy saving best practice within our business, other Co-ops, contractors and business partners.



Our colleagues

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



Colleague engagement

Supporting our colleagues in their work and personal lives, as well as offering a fulfilling and engaging career path, is essential to the success of our Society and delivering the best possible service to our members.

Colleague development

To help colleagues reach their full potential, we have expanded our LEAP development programme, introduced successfully into Food, to other areas of the business. Childcare was the first to join with 85 applications during the year. Travel also began offering both Travel Consultant and Team Leader programmes in the second half of the year, with 15 colleagues applying to take part.

Colleague surveys

To make sure our colleagues feel fully supported, we now conduct 'pulse' surveys every four weeks, inviting colleagues to share their honest and anonymous feedback. We also carried out three additional wellbeing surveys to assess the mental and physical health of our colleagues. Thanks to our new self-service platform, colleague feedback can now be viewed monthly by managers, helping them create action plans to tackle issues or concerns swiftly.

We have used the findings from these surveys to review our wellbeing support. In addition to the EveryMind app available to colleagues, we are planning to provide colleagues with access to a financial wellbeing app, giving them full visibility of their pay and spending in one place to help them confidently take control of their finances.

Colleague Councils

Our Colleague Councils continue to meet regularly to share suggestions for ways we can improve the Society and consult with leaders on planned initiatives or new ways of working. They have been instrumental in helping to shape an enhanced colleague benefits package giving colleagues greater support as they face the challenges the rising cost of living is bringing.

Global Innovations

To engage our younger colleagues, our Young Co-operators Network launched a Global Innovations competition. Colleagues aged 16-30 were invited to share their ideas for new or improved products or services we could offer to members. The winners were invited to accompany CEO Phil Ponsonby to the Global Innovations Co-op Summit in Paris. The winning ideas ranged from a pet sitting service for members who had booked a holiday through our Travel business to a national co-operative skills swap.

Two of our young colleagues were also invited to present on entrepreneurial innovation at the Co-operative Europe Conference: Young People & the Future of European Co-operation.

Three of our colleagues accompanied CEO Phil Ponsonby to the Global Innovations Summit in Paris.



All colleagues have access to GroceryAid's webinars, as well as the EveryMind app



Colleague wellbeing

The wellbeing of our colleagues underpins so much of what we do as a Society, because happy and healthy colleagues love what they do and bring that passion and enthusiasm to work with them every day.

Access to resources

All colleagues have access to GroceryAid's webinars, as well as the EveryMind app, which covers topics ranging from nutrition and resilience to hybrid working and financial wellbeing.

The Society also has its own wellbeing content for colleagues, hosted on our Colleagues Connect website. This is often created for national awareness events such as World Health Day, Mental Health Awareness Week and Domestic Violence Awareness Month. Partners including Business in the Community and the Heartbeat Trust regularly provide useful resources to mark these occasions which we often promote to colleagues.

To help colleagues access this content a new area of Colleagues Connect is being created to house past webinars and event recordings, making it easier for colleagues to find what they are looking for when they need it.

Mental Health Champions

During the first half of the year, we signed up to the Mental Health at Work Commitment. This outlines what organisations can do to improve and support the mental health of colleagues. The actions include promoting an open culture around mental health, providing tools and support, and reporting for transparency.

To support this, during Mental Health Awareness Week in May, our Mental Health Champions visited trading sites and hosted Teams chats with colleagues to highlight the wellbeing support available to them as well as giving colleagues the chance to talk about their mental health concerns.

In the second half of the year, we refreshed our Mental Health Champions' training to make sure they were fully equipped to provide the best advice and guidance to colleagues who come to them with an issue. Our Champions were also invited to attend drop-in sessions with a representative from EveryMind to ask specific questions that may not have been addressed through their training. EveryMind also offers regular training and support for Champions, as well as guidance on how to deal with less common issues.

Colleague diversity and inclusion

The communities we support couldn't be more diverse and we believe our workforce should reflect that diversity. We have worked hard to make sure the Society's recruitment, support and progression for colleagues is as fair as possible, supported by our diversity and inclusion groups.

Driving change

To drive positive change, we set ourselves a five year target to increase the percentage of colleagues with an ethnic minority background to 16%. We beat our target for the year, ending the year at 11%.

We are also pleased that the hard work of our Women in Retail group is paying off as we have seen a 5% increase in the number of women in retail leadership roles since 2021.

Diversity education and research

With support from Business in the Community (BITC), we held a workshop on Diversity & Inclusion Day to raise awareness of the issues surrounding diversity and inclusion. BITC delivered a powerful session on 'Why Diversity Matters'. The Co-op Pride group also organised training workshops and welcomed guest speakers covering issues such as allyship and gender equality.

In October, two colleagues from our Co-op Pride and EmbRACE networks represented the Society at the Diversity & Inclusion in Grocery LIVE event where they were able to share best practice with other businesses in the retail sector.

To better understand the demographics of our local communities, the EmbRACE group has undertaken a pilot with local schools and colleges in Shirley and Solihull to gather a clearer picture of the ethnic profile of these areas.

This information will be used to explore ways to tailor local services to the needs of our members in these communities. If the pilot is successful, we will look to extend the research across our other communities.

Taking action

This year, the Women in Retail group ran two career roadshows to highlight opportunities and introduce a number of job shares allowing colleagues to balance caring responsibilities with their careers. We now advertise flexible working arrangements for all our store manager positions and have a gender balanced interview panel when recruiting for those positions.

To tackle the issue of invisible disabilities, we have pledged to deliver a set of commitments as signatories of the Invisible Disabilities campaign, appointing an Invisible Disabilities Champion to drive these changes. We have already taken steps to address most of the nine pledges, including adding signs stating 'not all disabilities are visible' on disabled toilet doors.

To ensure our job role profiles and recruitment paperwork are free from bias, the EmbRACE group has been conducting a thorough review of the documents we use to remove any racially biased or gender specific language or references.

To drive positive change, we set ourselves a five year target to increase the percentage of colleagues with an ethnic minority background to 16%. We beat our target for the year, ending the year at 11%.



Service recognition awards

20
Years

Name	Store Name
Sylvia Lucas	High Street Food
Caroline Ellis	Bloxwich Food
Linda Green	Cinderford Food
Joyce Hill	Cowley Centre Food
Benjamin Lovett	Travel Admin
Sarah Bolger	Food Markets Bidford
Claire-Louise Elson	Norton Canes Food
Linda Webb	Food Markets Bidford
Lorraine Shrimpton	Buckingham Road Food
Brenda Wilcox	Abbotswood Food
Christopher Watts	Abbotswood Food
Martin Hodges	Cherwell Heights Food
Josephine Hirrell	Bewdley Food
Caroline Jackson	Seymour Road Food
Kay Brazier	Haslucks Green Food
Alison Jones	Coleford Food
Zaina Hussain	Burchester Food
Jacqueline Poffley	Georgetown Food
Lee Johnson	Sutton Road Food
Siobhan Griffin	Highworth Post Office
Emma Bowman	Littlehampton Nursery
Kathryn Herbert	Headington Food
Bridget Wilkinson	Stourbridge Travel
Tina Bolton	Lydney Food
Kiran Bashir	Kidlington Food
Joanne Mundy	Brewery Street Food
Azhar Khan	Food Market Botley
Fiona Hudson	Knighton Post Office
Peter Thurman	Rodbourne Cheney Food
Susan McGhee	Food Markets Bidford
Elsa Arnold	Rose Avenue Food
Susan Walters	Bletchington Food
Daniel Farmer	Retail Support
Maxine Saunders	Kings Lynn Travel
Julie McDermott	Radbrook Food
Jason Bowhill	Finance
Claire France	Kingswinford Travel
Kimberley Roberts	Stourport Travel
Sheila Kimber	High Street Food
Jacqueline Sarahs	Bampton Food
Samantha Goodacre-Hunt	Ibstock Travel
Melissa Millard	Wednesfield Travel
Sylvia Neesham	Codsall Food
Oliver Wiltshire	Retail Support
Tammy Goss	Worcester Travel
Deborah Hobbs	High Street Food
Samantha Butler	Brewery Street Food
Theresa Twine	The Heights Food
Frances Atkinson	Berkeley Food
Julie Orr	Stonehouse Food
Susan Boddison	Codsall Food
Carol Harper	Codsall Food
Doreen Long	Codsall Food
Martin Fisher	Copthorne Food
Glenn Perkins	New Invention Food
Karen Evans	Property
Simon Overend	Food Market Botley
Natasha De Michelis	Headington Travel
Kathleen Ayres	Brewery Street Food
Catherine Hopkins	Bath Rd Food
Sarah Perry	Sussex University Nursery
Carole Fletcher	Codsall Food
Angela Eckley	Newent Food
Julieanne Giles	Drybrook Food
Jason Short	Chipping Norton Food
Sarah McAliece	Wall Heath Food
Karen Podmore	Finchfield Nursery
Debbie Jones	Albrighton Food
Selina Tinton	Nuneaton Food
Charles Bayliss	Stubby Lane Food
Kim Churchill	High Street Food
Susan Harney	Walsall Town Centre Food
Ian Goldthorp	Wombourne Post Office
Lee Kent	Rose Hill Food

Christine Tyreman	Cowley Centre Food
Nicola Holloway	Knighton Food
Rebecca Garrett	Crossways Food
Julie Griffin	Penkridge Post Office
Carrie Hurst	Travel Admin
Aaron Gee	Cowley Centre Food
Sheila Kear	Coleford Food
Imteyaz Akhtar	Park Hall Food
Maureen Bond	New Invention Food
Helen Taylor	Walsall Town Centre Food
Miranda Alcock	Penkridge Food
Stephen Rainbow	Kidlington Swift Food
Tracy Sheldon	Evesham Travel
Sarah Whitney	Brockworth Food
Debra Martin	Chinnor Food
Jamie Parker	Brewery Street Food
Mary Constanza	Street Travel
Donna Gibbs	Risk, Audit and Compliance
Karen Beaman	Oakengates Post Office
Lorna Painter	Wednesbury Travel
Peter Hopkins	Retail Support
Claire Painting	Manchester House Food
Linda Wynne	Trench Food
Tracy Rundle	Swindon Hospital Nursery
Vicky Brown	Sussex University Nursery
Clair Sherwood	Moreton-in-Marsh
Edward Parker	Secretariat
Wesley Clifford-Turner	Leamington Spa Travel
Toni Bennett	Brewery Street Food
Linda Breakspear	Brewery Street Food
Tracy Lewis	Finance
Sarah Dixon	Eynsham Food

25
Years

Victoria Rogers	Church Stretton Food
Anne Jackson	Hollyfield Road Food
Christopher Catt	Madley Park Food
Caroline Brand	Cainscross Food
Sandra Wood	Churchstoke Food
Alan Dominey	Bath Road Food
Alison Baker	Kings Sutton Food
Tina Saunders	New Invention Food
Claire Kynaston	Wem Food
Michael Leedham	Heath Farm Food
Patricia Skulskij	Bath Road Food
Yvonne Bevan	Cinderford Food
Caroline Nichols	Risk, Audit and Compliance
Lorraine Watton	Dudley Travel
Paula Pambianchi	Salisbury Avenue Food
Alison Newman	Gloucester Travel
Sarah Maltby	Market Deeping Travel
Kelly Hedges	Kidlington Swift Food
Deborah Adams	Cavendish Square Food
Emma Cox	Reading Nursery
Roslyn Young	Davies Road Food
Laura Bone	Kings Lynn Travel
Rachel Cartwright	Finance
Ann Yeates	Lydney Food
Alison McShane	Abbotswood Food
Steven Stanway	Wem Food
Tina Young	Stone House Farm Nursery
Anita Wootten	High Street Food
Tracy Jones	Gorse Hill Food
Joanne Gratsa	Woodstock Food
Tracy Moore	Stourport Food
Maria Hadley	Stourport Food
Melanie Stevens	Beccles Travel
Rachel Hughes	Davies Road Food
Mary Tranter	Kingswinford Food

Thank you
for your commitment to the Society

30
Years

Samantha Beer	Finance
Jacqueline Lane	Kingswinford Food
Deborah King	Codsall Travel
Caroline Hodgkiss	Radbrook Food
Lilian Burton	Cainscross Food
Linda Brown	Steventon Food
Rachel Franklin	Headington Food
Dawn Withers	Aldridge Travel
Simon Hartland	Retail Support
Christopher Webb	Watlington Food
Linda Capener	Seymour Road Food
Christopher Gwilliam	Abbotswood Food
Craig Paintner	Longlevens County Food
Gary Hayward	Coleford Food
Donna Barratt	Whetstone Travel
Andrew Moss	Codsall Food
Alison Cox	Pattingham Food

35
Years

Carolyn Doody	Oakengates Food
Trevor Hemmings	CIT
Linda Freeman	Finance
Jayne Palmer	HR Operations
Tarra Simmons	Colleague Engagement
Claire Reynolds	Middleton Cheney Food
Sharon Haines	Shrivenham Food
Julian Carr	Property
Angela Walton	Wombourne Petrol Station
Matthew Pencherz	Chipping Norton Food
Darren Adams	Retail Support
Katie Savage	Berkeley Food
Marcia Howard	Knighton Food
Jason Brown	Barnwood Food

40
Years

Michael Rowe	Chinnor Food
Christine Sumner	Shrewsbury Sutton Food
Hazel Miles	Milton-under-Wychwood Food
Christine Harris	Pattingham Food

45
Years

Graham Thompson	Wymans Brook Food
Deirdre Williams	Cainscross Food
Christine Turley	Food Market Botley
Stephen Wood	CIT

50
Years
Congratulations!

Anthony Phelps	Lydney Food
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We asked some of our colleagues to tell us why they were proud to work for the Society.



Ian Goldthorp
Post Office
20 Years

For me, it's all about the team work. I enjoy working with a team that is proactive and strives to be the best that it can be.

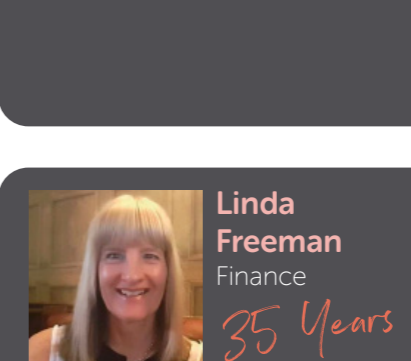
Also, the first-rate relationship that I have with the community that I have served since moving to the area is so important to me.



Emma Cox
Childcare
25 Years

I started working at Reading nursery in 1997, working in the baby room after qualifying at college. I started as a practitioner and then became a room manager a few years later; I was also third in charge of the nursery. I have had two children who both attended the nursery and I have been lucky enough to be able to work flexibly when needed.

I love working at the nursery and being able to support the development of the children and preparing them for their journey in life, it is such a rewarding job.

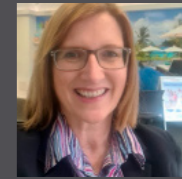


Linda Freeman
Finance
35 Years

I was employed by the Co-op on 23 March 1987 at the Hawks Green Food Store, which was opened by Mike Baldwin from Coronation Street just a week later.

I initially started on a 16-hour contract in Food Retail on the tinned veg aisle and also worked on the checkouts. I have worked in many areas of the business during my time with the Society, including Travel, Retail, CIT and as the Office Manager at our Walsall Head Office. For the last 13 years I have worked from home as an Accounts Payable Clerk.

I am proud to work for Midcounties and hope to still be working here for many years to come.



Deborah King
Travel
30 Years

I have worked for the Co-op now for over 30 years. I started as a manager at this branch in Codsall and was lucky to be able to return to the same branch after maternity leave.

Over the years I have seen many changes to staff, management, new systems and a branch move, not to mention several uniform changes. This is one of the reasons I like working for the Society as things are constantly changing and they keep up with trends and technology.

There have been many disasters that we have had to deal with in travel but none has hit us as hard as Coronavirus. I was very grateful to the Society for giving us so many options during this difficult time.



Deidre Williams
Food Retail
45 Years

I started my career in our Stonehouse branch in 1977. I worked two evenings a week and a Saturday morning as I was a young mum with two small children. Then, in 1985, our new Cainscross store opened and I transferred over to be the till supervisor.

The changes I have seen have been massive, from having to price stock with a pricing gun to having headsets where you can communicate instantly! I love my job because every day brings a new challenge. The one thing that has kept me here for that past 45 years is the people, our lovely customers and of course my colleagues too.

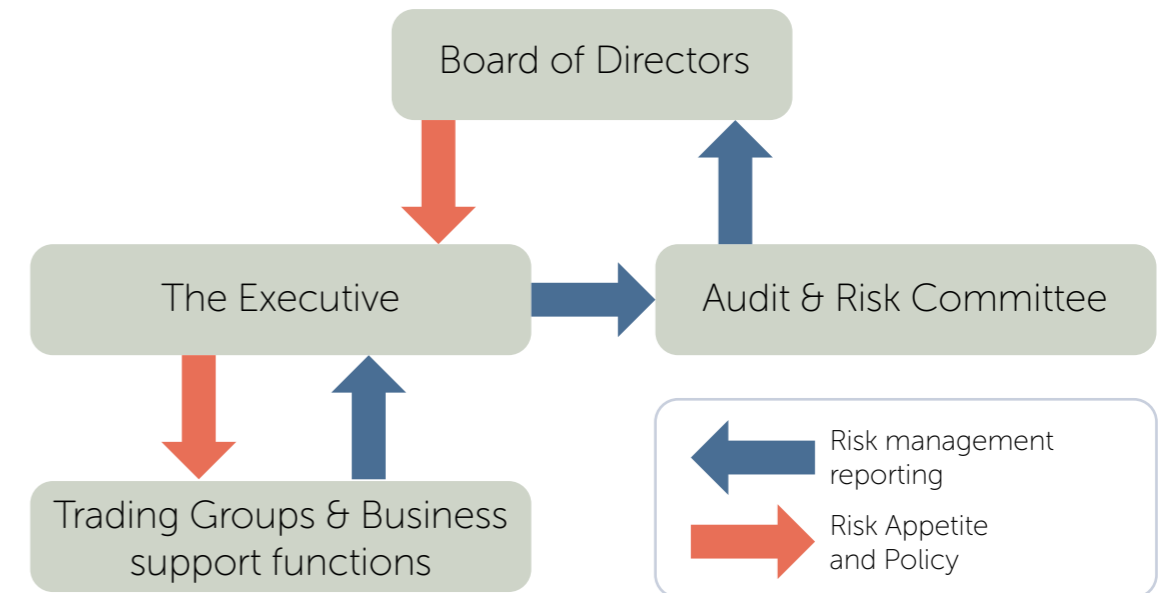
Managing risk

For us to achieve our strategic objectives, we have to accept a certain amount of risk. Managing the risk we take and ensuring we act in accordance with our values is an essential part of our business strategy. By identifying and analysing potential threats to the Society we can reduce uncertainty and take proportionate action to minimise the potential impact.

Risk management

As a Society we want to manage the risks and uncertainties that could stop us from achieving our business objectives and delivering on our co-operative values. Dealing with risk in the right way allows us to both protect and create value for our members and communities. We have put in place a risk management structure to help achieve this and continue to look at ways to improve our risk processes and plans. Our risk management processes help to ensure that risk is considered as part of our day-to-day operations and before we embark on any new venture or major project.

Risk Management and Governance Structure



Board of Directors

The Board sets the Society's overarching risk appetite and policy, it is ultimately responsible for ensuring that risk is appropriately managed across the Society. The Board delegates detailed oversight of risk management activities to the Audit & Risk Committee.

Audit and Risk Committee

The Audit & Risk Committee is charged with monitoring the effective operation of the Society's risk management process. The Committee undertakes a detailed review of the Society's principal risks twice each year and makes a formal report to the Board. The Committee also receives updates on improvement actions the Society is taking to reduce its risk profile and reporting on key operational risks such as Health & Safety. The key risks for the Society can be found on pages 44-47.

The Executive

The Executive takes day-to-day responsibility for implementing the Board's policies on risk management and internal control. It is accountable for the identification and assessment of the key risks facing the Society and the adequacy of mitigating control activity.

The Executive is also responsible for defining the risk management processes which ensure that day-to-day risk management activities of the trading groups and support functions are undertaken effectively.

The Trading Groups and Support Functions

Risk management is the responsibility of all colleagues within the Society. Our Trading Groups and Support Functions are responsible for the day-to-day control and monitoring activities which help ensure that the Society's risks are appropriately managed. These teams also generate the data and reporting over key risks which are used to inform the Executive and Audit & Risk Committee on the effectiveness of our risk management activities.

Each Trading Group and Support Function also maintains its own risk register. These capture the risks and associated mitigations that are relevant to that part of the Society. They form the basis of the Society's overall risk register.

Our risk management framework

Policies and procedures

Our risk management policy sets out the Society's approach to managing risk and setting its risk appetite. The policy is approved by the Board and reviewed regularly to ensure it remains relevant and appropriate for the Society's needs.

Our risk management processes and procedures guide colleagues and set out Society-wide standards for minimising risk. They are adapted to each business area or new project as required to ensure they effectively implement our policy.

Roles and responsibilities

The Society uses the three lines of defence methodology to manage its key risks:

- First line/frontline colleagues, managers and leaders perform control activities as part of their day-to-day routine, guided by policies, procedures and training as appropriate.
- Second line teams, such as those within the support functions, provide guidance, oversight and compliance activities to ensure that control activities are undertaken in a timely and accurate manner and to assist frontline colleagues in managing risk.
- Third line assurance providers, deliver independent assurance and challenge of first and second-line of defence processes and activities. Third line assurance providers include the Society's Internal Audit function and external regulatory bodies.

Risk appetite

The Board, led by the Audit & Risk Committee, developed and formally approved the Society's appetite for risk in 2021. Risks were assessed across eight distinct and separate categories and quantified across five levels of risk appetite, as shown below. The Board will reperform this categorisation and assessment activity in 2023.

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

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

Risk management process

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



1. Identify Risk

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

2. Assess Risk

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

3. Mitigate & Manage Risk

- We manage the risks to our business by ensuring the appropriate mitigation and resources are in place
- We regularly adapt as risks evolve

4. Monitor & Report Risk

- We regularly monitor and update our risks and mitigation
- We regularly report our risks for review and challenge

How we managed risk in 2022/23


The Society's trading groups and support functions regularly review and update their risk registers as part of their day-to-day management processes. We have continued to refine and embed our risk identification, monitoring and reporting mechanisms to ensure risk is appropriately managed within the Society.


We have focused on improving the robustness of our bottom-up risk management process across the Society during the year. The Society's Head of Audit, Risk and Assurance has met with all risk owners one-to-one to provide guidance and challenge on the appropriateness of risks and the strength of mitigating activities. Our risk registers were also improved to help users better describe their risks in terms of their causes and consequences. The Executive Risk Committee reviewed the key risks and themes arising from the risk updates provided by the trading groups and support functions. The output from these registers was then incorporated into the top-level Society risk register which was reviewed and approved by the Audit & Risk Committee during the year.


Over the course of 2022 and into 2023, the conflict in Ukraine and subsequent changes in the macro-economic environment have impacted on several of our principal risks, most notably Consumer Confidence and Spending. In light of the on-going economic uncertainty, four new risks were added compared to 2021 / 2022 - Geopolitical Uncertainty; Business Reliance; Cyber Security and Funding and Liquidity.


No risks were retired during the year, albeit the risk factor of some risks was reclassified to a "reducing" trend to reflect the latest position e.g. improved pension funding deficit and removal of Government Covid related restrictions in the UK. Six risks fell outside our risk appetite and are receiving additional attention so they are managed as effectively as possible. Most of these reflect changes in the wider macro-economic environment.


A summary of the key risks facing the Society and the actions taken to manage them is presented on the following pages.


Operational Resilience		
Risk Category: Operational & Customer		Risk Trend: Increased 
Risk Description	Our Current Mitigations	Latest Developments
<p>Severe operational issue such as a serious health & safety incident, theft/loss of data or supply chain disruption in Food Retail causes risk of financial loss and reputational damage to the Society brand.</p> <p>A significant business interruption event that is not addressed effectively could impact on the Society's ability to trade or put customers or colleagues at risk of harm.</p>	<p>Management teams have a proven ability to react to operational issues and receive regular reporting over operational performance.</p> <p>The Society has a business continuity plan in place and individual trading groups have nominated crisis management teams who would be called upon if a significant event were to occur.</p> <p>Compliance functions and senior management apply and oversee a broad suite of policies to comply with legal and regulatory requirements.</p> <p>Risk management processes are reported annually to the Board via the Audit & Risk Committee.</p>	<p>Operational impact of Covid-19 disruption has continued to reduce during the year, however operational issues have impacted Food Retail relating to supply chain resilience, this has been caused by cost inflation, particularly in energy putting pressure on our supplier base.</p> <p>A working group is in place to review the overall Business Continuity Planning methodology and to link the Society-wide response to the activities within the individual Trading Groups.</p> <p>Training, decision support documentation and key contacts lists will all be refreshed as part of the rollout of the new methodology in 2023/24.</p>


Talent Acquisition and Retention		
Risk Category: People & Resources		Risk Trend: Stable 
Risk Description	Our Current Mitigations	Latest Developments
<p>Being unclear about the capabilities we require to deliver the long-term strategy.</p> <p>Being unable to attract the appropriate skills and capability.</p> <p>Being unable to retain the right people, particularly key senior personnel and deliver a greater diversity in our workforce.</p>	<p>Pre-employment screening, culture fit assessment and induction for new hires.</p> <p>Career framework to ensure that we can reliably benchmark our reward packages against the broader labour market.</p> <p>Continuing to embed diversity and inclusion and to position the Society as a values-based employer.</p> <p>Executive team has industry and professional expertise to identify missing capabilities.</p>	<p>The aftermath of Covid-19 and wage inflation has led to a challenging labour market in which to recruit.</p> <p>The Society has made a number of improvements to its recruitment process and search partners to increase its attractiveness and credibility to candidates. Agile working is also now in place to expand the Society's potential talent pool.</p> <p>During 2023/24 a review of the recruitment function and model will aim to deliver a more creative 'Attraction Strategy' which will make Midlands even more competitive in the job market.</p>


Consumer confidence and spending power		
Risk Category: Operational & Customer		Risk Trend: Increased 
Risk Description	Our Current Mitigations	Latest Developments
<p>The economic backdrop of a cost of living crisis driven by sharply rising energy, fuel and food prices will persuade consumers to change their purchasing behaviour; potentially reducing 'convenience' spend in favour of the major discounters and reducing/cancelling discretionary holiday spend.</p>	<p>Monitoring of products, sales, margins and store profitability bolstered by responsive promotions and marketing activity.</p> <p>Strategic plans include competitor activity mitigations and a quarterly forecasting and monitoring processes to assess effectiveness.</p> <p>Regular market share and competitor analysis.</p>	<p>Rationalisation of loss-making / non-strategic stores and continued new store openings in Food Retail is progressing and will continue into 2023/24. Exploration of further partnerships (e.g. Post Office, Evri, Costa Coffee) as a way to drive revenue growth and store profitability.</p> <p>Continued price monitoring and matching in Travel. The Childcare business is considering changes to their pricing models to better and more flexibly support parents.</p> <p>Customer First Programme, Right Range Right Store, Self-Check Outs and Perpetual Inventory initiatives are all budgeted for 2023/24 supported by improvements in our data management capability and single view of member data to enhance our cross marketing capability.</p>

Geopolitical uncertainty		
Risk Category: Operational & Customer		Risk Trend: Stable 
Risk Description	Our Current Mitigations	Latest Developments
<p>Ongoing conflict in the Ukraine and disruption in other parts of the world causes added cost-price inflation of certain key inputs to the business, notably energy, grain and oil-based products.</p> <p>Resulting pressure on margins could ultimately impact on the Society's ability to deliver its business plans.</p> <p>Supply chain disruption could impact product availability.</p>	<p>Monthly financial reviews give visibility to overall business plan delivery.</p> <p>Rigorous quarterly forecasting process.</p> <p>Regular communication and co-ordination with FRTS regarding supply chain contingency planning for key items.</p> <p>Sourcing alternative UK-based suppliers for key product lines.</p>	<p>The Executive leadership team will continue to monitor developments, identify trends and take further actions to mitigate impacts as much as possible.</p>

Health and Safety		
Risk Category: Operational & Customer		Risk Trend: Stable 
Risk Description	Our Current Mitigations	Latest Developments
<p>The varying nature and complexity of our business, combined with a significant public footfall on our estate places the Society at risk of a Health & Safety breach leading to a major incident, injuries or fatalities.</p>	<p>Health & Safety Framework in place across the Society.</p> <p>Health & Safety policy and procedures.</p> <p>Monitoring systems in place across the Society through the internal Health & Safety audit programme which is reported to the Executive Risk Committee.</p>	<p>The implementation of a new system for Health & Safety task management will allow improved performance monitoring and compliance oversight.</p> <p>Roll out of an enhanced one-stop training programmes for all colleagues to help improve overall Health & Safety and fire safety awareness.</p>

Pandemic Event		
Risk Category: Finance & Treasury		Risk Trend: Decreased 
Risk Description	Our Current Mitigations	Latest Developments
<p>Significant business disruption arising from a Covid-19-type pandemic event, resulting in reduced profitability and cash flow and increased pressure on liquidity and funding headroom.</p>	<p>Operating a portfolio of businesses in different markets to diversify risk.</p> <p>Proactive communication with banks to ensure funding headroom and lending covenants maintained.</p>	<p>It is considered unlikely that further significant lockdowns will result from Covid-19. In addition, the levels of sickness absence resulting from Covid-19 are normalising and can now be better handled as part of resource planning. The Society will continue to review working capital and capital projects to maximise liquidity.</p>

Commercial Contracts		
Risk Category: Operational and Customer		Risk Trend: Decreased 
Risk Description	Our Current Mitigations	Latest Developments
<p>Inadequate/inappropriate contractual protection caused by poor management oversight and compliance in the contracting process leads to risk of financial loss and reputational damage to the Society.</p>	<p>The Contract Management Project has improved all stages of the contract lifecycle, including initiation, retention and operational delivery. This is supported by a new contract database, contract management process and supporting documents.</p> <p>More formal structure of Contract Managers/Champions with accountability to promote a culture of proactive contract management.</p> <p>Legal review and advice on key contractual provisions. External legal advice sought as necessary. Negotiation skills training provided to Contract Champions.</p>	<p>Implementation and embedding of the contract management process via the Contract Champions.</p> <p>Legal function to perform an audit of key contracts to identify any Society-level risks.</p> <p>Legal & Procurement teams are developing guidance to support proactive management of live contracts.</p>

Cyber and Data Security		
Risk Category: Information Technology		Risk Trend: Decreased 
Risk Description	Our Current Mitigations	Latest Developments
<p>An unforeseen event such as ransomware, other cyber attack or hardware failure results in a loss of data or temporary inability to trade normally.</p> <p>Loss or theft of data and business interruption at a key supplier (e.g. Kronos).</p> <p>Inadequate IT disaster recovery plans and procedures result in IT systems or services not being recovered in a timely manner following the loss or theft of data.</p>	<p>Business Impact analysis to understand the key systems with documented testing strategies and procedures.</p> <p>Ongoing patching of systems to eliminate vulnerabilities and transition of legacy estate onto supported platforms</p> <p>Cyber security training for colleagues.</p> <p>Annual penetration tests for all critical systems and websites.</p> <p>Security incident management in place.</p>	<p>The Society's IT disaster recovery framework has been strengthened and will be further built on in 2023/24 with the addition of a cyber security incident playbook.</p> <p>Improved testing procedures of IT estate for security weaknesses have been developed.</p> <p>An overall a cyber plan is being followed to improve the Society's security posture. This includes mandatory cyber security training and test phishing exercises to test colleague awareness.</p> <p>Continued decommissioning of legacy estate and transition onto supported platforms.</p>

Failure to deliver Business Plans		
Risk Category: Finance and Treasury		Risk Trend: Stable →
Risk Description	Our Current Mitigations	Latest Developments
<p>Risk of no 'portfolio effect' in performance of trading groups, i.e. all trading groups fail to deliver business plan sales growth and profitability targets with no mitigating upside.</p> <p>Failure to manage and monitor the Society's working capital and cash positions.</p> <p>Reduced profitability and cashflow could impact the Society's ability to meet its banking covenants, make investments or reduce the pension deficit.</p>	<p>Monthly financial reviews give visibility to overall business plan delivery supported by rigorous quarterly forecasting process and daily cash flow monitoring.</p> <p>Agreed headroom is maintained from the Society's formal facilities and the bank covenant position is reported monthly and regularly forecasted.</p> <p>The Society operates a rigorous capital allocation process.</p>	<p>Increasing input cost inflation in Food Retail continues to impact margin and puts upward pressure on other employment costs (via increases in National Minimum / Living Wage and other salaries).</p> <p>The Society closely reviews spend and manages the collective target deliverables overcoming any shortfalls in any one or more business areas.</p> <p>The Society's Strategic plans for both its Travel and Childcare businesses include considerable growth in these areas.</p> <p>The Society is executing a capital investment strategy geared towards greater efficiency.</p>

General Data Protection Regulation (GDPR) and Data Privacy		
Risk Category: Regulatory & Compliance		Risk Trend: Decreased ↓
Risk Description	Our Current Mitigations	Latest Developments
<p>The Society processes a large amount of personal data, if not handled in accordance with legal requirements this could lead to loss of this data and reputational damage or significant costs, including fines of up to 4% of group annual revenue.</p>	<p>GDPR compliance framework is in place with Data Protection Champions (DPC) appointed for each area of the business and Data Protection Steering Group meetings held every six months.</p> <p>Policies, procedures and guidance in place, and maintained to ensure they are up to date and communicated via DPCs.</p> <p>Updated mandatory e-learning launched in 2022 along with enhanced induction introduced for DPCs and deputy DPCs.</p> <p>Controller and processor arrangements with third parties are reviewed by the Legal team.</p> <p>Audit & Risk Committee updated on key data protection compliance matters quarterly as a standing agenda item.</p>	<p>The recommendations from the recent internal audit of data protection have been fully implemented.</p> <p>Audits of Data Security and Member Data are planned.</p> <p>Likely closure of the Northway archiving site in 2023/24 and implementation of alternative storage arrangements for documentation.</p> <p>The Data Protection Officer to track the progress of the Data Protection and Digital Information Bill working its way through Parliament. The impact of any changes will be assessed and policy, procedures and guidance updated as appropriate.</p>

Travel Duty of Care		
Risk Category: Operational and Customer		Risk Trend: Stable →
Risk Description	Our Current Mitigations	Latest Developments
<p>Package Travel regulations bring requirements for the Principal Tour Operator to ensure passenger safety.</p> <p>A failure to ensure the health and safety of customers while under our duty of care could lead to significant cost and reputational damage to the Society.</p>	<p>New suppliers to the market are rigorously assessed and compared to the ATOL Approved List. Existing suppliers monitored and reviewed annually.</p> <p>Indemnity arrangements are reviewed annually and Tour Operator's liability insurance cover is in place.</p> <p>Crisis team to support handling of a major issue is defined.</p>	<p>Increased disruption as a result of significant aviation and airport staff shortages and/or industrial action.</p> <p>Review of monitoring and diligence processes relating to suppliers and destinations to be undertaken in 2023/24 alongside a review of safety management procedures in advance of summer holiday season.</p>

IT Capability		
Risk Category: Information Technology		Risk Trend: Stable →
Risk Description	Our Current Mitigations	Latest Developments
<p>Failure to maintain adequate IT infrastructure and data management could lead to an inability to trade or a lack of competitiveness in the Society's online capability leading to a strategic disadvantage and loss of market share.</p>	<p>Robust IT resilience at key sites reduces risk of disruption to the Society's IT infrastructure.</p> <p>Patching in place for all key systems.</p> <p>Cisco-based networks installed at all main hubs.</p>	<p>Established a technology roadmap as part of the 5-year strategy review.</p> <p>Patch management project is on going. Process has been documented and will be presented and agreed with the business areas.</p> <p>Continuing to update or upgrade our IT infrastructure.</p>

Pension Deficit		
Risk Category: Finance & Treasury		Risk Trend: Decreased ↓
Risk Description	Our Current Mitigations	Latest Developments
<p>Our Defined Benefit liability is sensitive to changes in several factors beyond the Society's control including: interest rates, inflation expectations and changes in life expectancy. Adverse movements in these factors may mean the Society has to pay additional contributions into the scheme.</p>	<p>Regular monitoring of key assumptions, funding and risk positions.</p> <p>Investment strategy agreed with pension trustees.</p> <p>Work with pension trustees' covenant advisor to mitigate impact of additional funding on the Society's growth strategy.</p>	<p>The increase in interest rates in the latter part of 2022 has increased bond yields leading to an improved pension deficit position.</p> <p>The Society continues to monitor key pension assumptions, funding and risk positions and to proactively challenge Investment Advisors' performance.</p> <p>There is ongoing engagement with the pension trustees and their advisors to ensure appropriate strategies are in place to meet the Society's obligations.</p>

Post-Brexit/uncertainty of relationship with EU		
Risk Category: Finance & Treasury		Risk Trend: Stable →
Risk Description	Our Current Mitigations	Latest Developments
<p>Significant business disruption and financial cost from Brexit.</p> <p>Inflationary impact from import tariffs and devalued sterling reducing both profitability and cash flow.</p> <p>Pressure on liquidity and funding headroom.</p>	<p>Business-wide risk assessment of key vulnerabilities, with allocated Executive responsibility.</p> <p>Regular communication and co-ordination with FRTS (the joint co-operative buying group) regarding EU supply chain contingency planning.</p> <p>Formulating cost mitigation plans for anticipated tariff and foreign exchange cost inflation post-Brexit.</p> <p>Sourcing alternative UK-based suppliers particularly for perishable goods.</p>	<p>Price inflation on products sourced from the EU and on UK products due to lack of temporary workers traditionally from EU leading to increased labour costs.</p> <p>The Society closely monitors pricing, supply chain product availability, lead-times and logistics.</p> <p>In 2023/24 the Society will further focus on strengthening relationships with our local UK supply base.</p>

Brand Positioning		
Risk Category: Finance & Treasury		Risk Trend: Stable →
Risk Description	Our Current Mitigations	Latest Developments
<p>Risk that brand positioning and brand identity between Co-op Group and the Society is not differentiated by the public. There is, therefore, no deliberate choice to be a member, customer or stakeholder of the Society.</p> <p>Member sales are a key strategic driver - poor membership performance will stifle growth aspirations. Members and colleagues spend significantly more with the Society per capita than non-members.</p> <p>Risk that action by another Co-op brand damages the reputation of the Society by association.</p>	<p>Routinely generating actionable insights which are used to inform thinking, guide decision making and improve performance.</p> <p>Brand purpose and proposition is approved by the Board.</p> <p>Developing a centrally led marketing strategy and building function capability.</p>	<p>Work to improve the quality, consistency and effectiveness of marketing within current budgetary constraints is ongoing.</p> <p>Centralised marketing function is in development and the programme is to be completed in 2023/24.</p> <p>Begin to implement Member First propositions - increased focus and prioritisation of digital.</p>

Environmental Obligations		
Risk Category: Brand and Reputational		Risk Trend: Stable →
Risk Description	Our Current Mitigations	Latest Developments
<p>Not acting in line with our environmental and future sustainability obligations, and not living up to our Society's environmental credentials could lead to lost sales, reduced membership and reputational damage.</p>	<p>Fixed environmental targets in place through the Society Steering Wheel.</p> <p>Sustainability Steering Group in place with Board representation to oversee the Society's ESG activity.</p> <p>Annual benchmarking through BITC's Responsible Business Tracker, and third-party auditing of relevant Steering Wheel data.</p>	<p>The Society will continue training and monitoring of environmental issues and extend a watching brief to forthcoming legislation in the light of the agreed COP26 obligations for business. Initial discussions will be at the FTSE 100 level, but legislation will in time extend to FTSE250 and other businesses like the Society.</p>

Governance Report

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



Governance Report

The Board is pleased to present its governance report to members for the year to 28 January 2023.

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

Governance code

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

Contents

The Code is structured into six sections:

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

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

1. Member Voice, Participation and Engagement

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

Formal structures

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

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

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

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

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

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

At the end of the 2022/23 financial year, the Society had 721,674 members (2021/22: 640,989). In 2022, 394 members attended the AGM (2021: 513 members), and 267 members attended the Half Year Meetings (2021: 333).

At the 2022 elections, 13 members put themselves forward for the five vacancies on the Board (2021: 13 members, five vacancies), and four members put themselves forward for the three vacancies on the Member Engagement Committee (2021: 14 members, seven vacancies). Votes were cast by 34,221 members (2021: 35,464).

Member engagement and participation

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

This is affected through a wide-ranging set of opportunities. For example, the 'Your Co-op Voice' surveys, the 'Your Co-op Conversations' engagement programme, 'meet your elected member' sessions, other regular member activity, the Young Co-operators Network, through opportunities to engage on Society campaigns, and through the Society's Regional Community activity. Examples of such activity can be found elsewhere in this Annual Report.

2. Co-operative Leadership and Purpose

As will be seen elsewhere in this Annual Report, during the year the Board has reviewed the Society's Purpose Statement, DOES values and other key strategic materials that underpin the Society and its activity to ensure they are relevant and continue to resonate with members and other stakeholders.

A refreshed Purpose Statement is to be launched at the AGM on 13 May 2023:

"Through the power of co-operation, we're building a fairer, more sustainable and ethical future".

At the same time, the Society's DOES values have undergone some minor revisions, and a set of 'strategic pillars' have been agreed to help ensure the principles in the Purpose Statement are fully reflected into the Society's day-to-day activity.

The Board has approved a five-year strategic plan. The strategy and plans for each of the Society's trading groups and support functions feed directly into this overarching strategy.

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

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

"Our first responsibility is to represent the members who own and control the Society and that the Society is a co-operative, subscribing to co-operative values and principles which underpin all that we do".

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

3. Roles and Responsibilities

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

In addition, given the distinctive nature of co-operative societies, the Board must ensure the Society remains true to its purpose and adheres to the co-operative values and principles set out by the ICA¹.

The Board has a long-standing Member Engagement Committee responsible for influencing and reviewing the Society's member engagement strategy. The Committee comprises nine elected members, three elected 'young members' (under the age of 30), and two directors appointed by the Board.

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 Chief Executive to meet these aims. The President also sets the tone and culture for the Board which permeates throughout the Society.

The Society's Rules provide that the President cannot be an employee of the Society and can serve for no more than

six years in any rolling 12-year period. The Board would not expect to appoint as President a director who had served less than one term of office. However, the Rules do not prevent this from occurring.

The Board held 11 scheduled meetings during 2022/23. It also met on other occasions and in private session without the presence of management as required.

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

Directors	Board	Committees			
		1	2	3	4
Ellie Boyle	10 (11)	1 (2)	6 (6)		
Olivia Birch	10 (11)	5 (6)			
Clive Booker ¹	7 (7)	3 (4)			
Bernadette Connor	10 (11)			4 (4)	
Harvey Griffiths ²	4 (4)				
Evelyne Godfrey	11 (11)	6 (6)			
Stephen Hawksworth ²	3 (4)				
Vicky Green	9 (11)		6 (6)		
Irene Kirkman	10 (11)				4 (4)
Matt Lane	9 (11)		6 (6)		
Paul Mather	11 (11)	6 (6)			
Nick Milton	10 (11)				
Barbara Rainford	11 (11)			4 (4)	
Fiona Ravenscroft	10 (11)	5 (6)			4 (4)
Heather Richardson	10 (11)		6 (6)		
Wendy Willis ¹	7 (7)				
Helen Wiseman	10 (11)		5 (6)		
Vivian Woodell	11 (11)	6 (6)			4 (4)

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

¹ Resigned October 2022
² Appointed October 2022

The Board receives a regular set of information to allow it to monitor the Society's activity and performance with an appropriate level of scrutiny. At each of its meetings it receives reports from management on trading and other matters, reviews the performance of the Society and considers papers presented for decision or information. In addition, the Board discusses and approves the Society's strategy and annual budgets at appropriate points during the year.

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

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

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

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

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

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

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

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

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

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

4. Board Composition, Succession and Evaluation

The Board comprises 16 directors elected by and from the Society's members. The Board believes this to be an appropriate size in a co-operative context to ensure democratic accountability and a diversity of member representation while still allowing for effective decision taking.

As the Board believes in the primacy of member control and the democratic process, the Society operates a set of well-established procedures providing for the annual election of members to the Board. The elections are administered by Civica Election Services Limited² to ensure due process is followed. They have been contested for at least the last 20 years. Terms of office for directors are for three years.

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

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

Nonetheless, recognising the Code states that a director should stand down after a period of nine consecutive years in office, in 2021 members approved a Rule change setting out the measures the Board must take to encourage members to stand for election in the event that, for two consecutive elections, the number of candidates standing is less than one and a half times the number of vacancies.

The Society's election procedures seek to ensure that a sufficient level of information on the candidates standing for election is provided to members to allow them to make an informed choice on their vote. The nature of the information provided is reviewed at least every three years by the Board. Feedback on the level of the information provided is gathered from members after each election.

The current arrangements for the induction of new directors involve meetings with the Society's Secretary and members of the Executive and a series of site visits. Additionally, new directors are encouraged to visit Co-operatives UK

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

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

and the Rochdale Pioneers Museum to gain an insight into the wider co-operative movement. A full induction pack is also provided.

The Board is aware of the need for directors to be kept informed of the strategic issues facing the Society and its businesses, as well as more detailed operational matters. As such, the Board has adopted a training programme comprising:

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

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

During the year, the Board undertook an annual review of its performance.

5. Risk, Financial Management and Internal Controls

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

Audit & Risk Committee

The Audit & Risk Committee operates under terms of reference approved by the Board. The terms include:

- monitoring the integrity of the Society's financial statements;
- reviewing the effectiveness of the Society's internal control and risk management systems;
- monitoring and reviewing the work of the Society's external auditors and assessing their independence;
- reviewing the Society's business plans – the assumptions made; the risks and mitigations listed; the rigour of their composition; their adherence to agreed strategies;
- monitoring and reviewing the performance of the Society's Internal Audit function; and
- reviewing the Society's whistle blowing and speak-in-confidence procedures to support the prevention of wrongdoing and fraud.

Significant decisions by the Committee are referred to the Board for consideration. The Committee has the right to report to members if the Board overrides a decision or recommendation it has made.

Between four and six directors can serve on the Committee. Terms of office are for two years and Committee members

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

Professional advice is available to the Committee if required.

The Committee receives induction training and has access to additional training sessions. In addition, the Committee is given updates on relevant matters at its meetings, and presentations from management on significant issues as they arise.

The Committee held six scheduled meetings during 2022/23. It meets on other occasions and in private session without the presence of management as required.

The Board is apprised of the Committee's proceedings at the next Board meeting following a Committee meeting. The Committee's minutes are also made available to the Board.

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

The Chief Financial Officer and Head of Audit, Risk & Assurance attend the Committee's meetings. The Senior Legal Counsel acts as Secretary to the Committee.

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

The spend on non-audit work undertaken by the Society's auditors is monitored carefully. To reflect current best practice, the policy in respect of non-audit work by the external auditor was amended in September 2022. The updated policy requires all non-audit engagements, irrespective of cost, to be formally approved by the Committee. This removed the previous threshold where non-audit work costing less than £10,000 did not require approval.

During the year, no fees were paid to the Society's auditor for non-audit work (2021/22: £30,000).

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

Internal control and risk management

This section sets out the Society's approach to internal control and the measures taken to review its effectiveness. The Code charges the Board to review the effectiveness of the Society's system of internal control and risk

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

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

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

Internal control framework

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

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

Control procedures

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

Measures taken include physical controls, segregation of duties and reviews of processes by management, the Risk, Audit & Assurance function, and the external auditors.

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

Monitoring

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

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

Review processes

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

- review of the external and internal audit work plans;
- consideration of reports from the Risk, Audit & Assurance 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; and
- review of the effectiveness of the Society's risk management processes.

Opinion

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

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

Risk management

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

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

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

Withdrawable share capital, distributions, and share interest

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

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

The Society's Rules provide that any surplus arising from a solvent dissolution of the Society would either be

transferred to a member(s) of Co-operatives UK with similar Rule provisions as to the distribution of surplus on dissolution, or would be paid or transferred to Co-operatives UK.

6. Remuneration of the Board and Executive Leadership

A full report on the activities of the Remuneration Committee is set out in the Remuneration Report found on page 57 of this Annual Report.

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

POLITICAL ENGAGEMENT

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

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

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

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

The Co-operative Party

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

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

Campaigns Fund

In 2014, members approved the creation of a Campaigns Fund. The Fund is intended to support campaigning activity that promotes co-operation in the political arena and supports the objectives and priorities of the Society.

The Fund is open to applications from any organisation, including the Co-operative Party, whose aims reflect those of the Society and the co-operative movement.

At the 2022 Annual General Meeting members approved a distribution of £60,000 to the Campaigns Fund (2021: £60,000).

During the year the Fund made grants to the Co-operative Party nationally of £33,434 and the Society's three local Co-operative Party Councils totalling £14,944.

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

SUPPLIER PAYMENT POLICY

The Society's policy is to agree terms of payment as part of the commercial arrangements with suppliers and to pay according to those terms once an invoice is received. Trade creditor days for the year were 16 days (2021/22: 24 days).

CONCLUDING REMARKS

The sound governance of any organisation is critical to ensure it has a clarity of purpose and appropriate levels of accountability, transparency and control. This is particularly so for a co-operative society where members entrust the control and direction of their society to a board of elected directors.

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

On behalf of the Board



Helen Wiseman – President



Edward Parker – Secretary & Head of Governance

2 May 2023

External directorships (or equivalent) held by members of the Board and Executive during the year

Board

Olivia Birch	<ul style="list-style-type: none"> – Director, Revolver Co-operative Limited – Director, Revolver World Limited – Director & Secretary, Revolver Music Limited – Director, Heavy Metal Records Limited – Director, FM-Revolver Records Limited – Trustee, Revolver World Foundation – Committee member, Wolverhampton City Planning
Harvey Griffiths	<ul style="list-style-type: none"> – Director, Anglo Chesham Management Limited – Director, Anglo Industrial Holdings Ltd – Director, Broadgate Freeholds Limited – Director, Energy Capital Advisers Ltd – Secretary, Grip Star Holdings Limited – Director, Horizon (GP) Limited – Director, Horizon Development Capital Limited – Director, Horizon Development Finance Limited – Director, Horizon Housing REIT Plc – Director, Horizon Hudson Holdings Limited – Director, Horizon Infrastructure Partnership Limited – Director, Horizon Investment Holdings (One) Limited – Director, Horizon Investment Holdings (Two) Limited – Director, Horizon Investments (One) Limited – Director, Horizon Investments (Two) Limited – Director, Horizon Scotland (GP) Limited – Director, Housing Investment Finance Ltd – LLP Designated Member, Infrastructure Partnership LLP – Secretary, Just Property Management Ltd – Director, Sustainable Infrastructure Partnership Ltd – Non-executive director, West Hertfordshire Teaching Hospitals NHS Trust – Adviser, Everton Football Club Company, Everton Stadium Development Limited, Blue Heaven Holdings Limited, Blue Horizon Investments Limited, Bluesky Capital Limited
Evelyne Godfrey	<ul style="list-style-type: none"> – Director, Uffington Heritage Watch Limited – Secretary, Oxford City of Sanctuary Limited
Vicky Green	– Council Member, Co-operative Group National Members' Council
Stephen Hawksworth	– Director, S.C. Hawksworth Ltd
Irene Kirkman	<ul style="list-style-type: none"> – Deputy Chair & Independent member, Buckingham New University Council – Local Authority Governor of the Cherwell School Council, Oxford, part of the River Learning Trust
Matthew Lane	<ul style="list-style-type: none"> – Director, BeerBods Limited – Director, Drink Beta Limited – Director, MDNL Limited – Director, WOO Cooking Oils Ltd – Director, Perrfectdraft UK Limited
Paul Mather	<ul style="list-style-type: none"> – Director, Co-operative Futures Limited – Director, Industrial Common Ownership Fund PLC – Director, Industrial Common Ownership Finance Limited
Barbara Rainford	<ul style="list-style-type: none"> – Director, BCRC Ltd – Director, Co-operative Futures Limited – Trustee, Shropshire Climate Action – Prees Parish Councillor
Fiona Ravenscroft	<ul style="list-style-type: none"> – Director, Ravenscroft Ltd – Director, Osney Island Boat Club Ltd – Trustee, Long Mead Foundation – Director, Co-operatives UK
Heather Richardson	<ul style="list-style-type: none"> – Owner, Kestrel Equine and Gun Dogs – Chief Risk Officer, Bromford Housing Group Limited
Helen Wiseman	– Club Welfare Officer, Bourton & Sherborne Hockey Club
Vivian Woodell	<ul style="list-style-type: none"> – Director, West Oxfordshire Community Transport Limited – Director, Lawrence Home Nursing Team Limited – Director, Student Co-operative Homes Limited – Director, The Co-operative Loan Fund Limited – Chief Executive and Secretary, The Phone Co-op Foundation for Co-operative Innovation Limited – Director, Westmill Wind Farm Co-operative Limited – Director, Cooperatives Europe asbl

Executive	
Current Executive	
Alison Bain	– Member of Supporter Advisory Group, Save the Children
Sara Dunham	– Director, Consulting@ BeechesPond Ltd
Phil Ponsonby	– Director, Association of Convenience Stores Limited – Director, Federal Retail & Trading Services Limited
Peter Westall	– Director/Chair, Bright Future (Co-operative) Limited – Board Member, BITC Regional Advisory Board – Board Member, CBI Employment & Skills Board – Council member, Co-operative Group National Members' Council – Director/Chair, Co-op Community Energy Limited (Younity)
Former Executive	
Peter Dubois	– Director/Chair, The Co-operative Loan Fund

Senior Management Team	
Sally Bonnar	– Trustee, National Day Nurseries Association
Kathryn Lyddon	– Director, KML Digswell Limited
Former Senior Management Team	
Lizzie Hieron	– Non-Executive Director, Cottsway Housing Association Limited



Remuneration Report

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

INTRODUCTION

The Remuneration Committee is pleased to present its report to members for the year ended 28 January 2023.

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

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

The Committee also provides high-level input into and oversight of the reward strategy implemented by management for all Society colleagues.

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

The report will be put to an advisory vote at the Society's Annual General Meeting on 13 May 2023.

This report is structured into three sections:

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

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

The level of fixed pay is normally reviewed formally once every two years. The last review took place in the autumn of 2021, concluding in January 2022. In the intervening years, salaries are normally increased in line with increases negotiated with USDAW for the Society as a whole. The Committee has decided to delay the next review, which would have been scheduled for the autumn of 2023, by a year given the settled position of Executive remuneration in the Society.

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

The Committee also operates annual and longer-term incentive plans aligned to the Society's objectives and co-operative values to ensure that total pay is not guaranteed and varies with performance. The Committee would stress that incentive pay for the Executive is around 40-60% lower than for executives in comparable PLCs. This lower incentive pay means that total remuneration for the Executive is also significantly below that found in PLCs.

For the 2022/23 financial year, no bonus payments have been earned given that the Society's profitability fell below the threshold for bonus. However, members of the Executive have earned payments under the long-term incentive scheme.

The Society has published its second joint gender and ethnicity pay gap report. The Committee and the Society's Board take the matter of diversity seriously including the issue of senior female representation within the workforce, an improved gender balance across all levels and disciplines and the promotion of an inclusive culture that respects everyone. The report covers the period April 2021 to April 2022. The mean gender pay gap has increased from 13.8% to 14.9% mainly because a higher proportion of men in lower paid roles have left the Society. However, the longer term trend shows a reduction in the gap. The mean ethnicity pay gap has also increased from 3.1% to 4.3%, given an increase in ethnic minority colleagues in lower paid roles compared to last year. The Committee will continue to monitor the actions being taken by management in these areas. Elsewhere in the directors report you can read about the Society's diversity and inclusion work.

The Committee is very aware of the impact of cost of living issues on colleagues. In addition to improving core elements of the benefits package, for example, around maternity/paternity and adoption leave, and improving sick pay, in November 2022 the Society introduced enhanced discount arrangements for colleagues, extending these to the end of June 2023, and has continued to support the provision of financial well-being tools for use by colleagues linked to the partnership the Society has with GroceryAid a charity providing a range of emotional, practical and financial support to those working in the grocery sector. The Society will also be introducing a facility that allows colleagues to access their pay as they earn it rather than waiting until pay day.

¹ fixed pay comprises base salary, pension contributions and benefits

At its meeting held on 18 April 2023, the Committee approved pay increases for members of the Executive team for the 2023/4 financial year of 4.0%, against a backdrop of a 4.5% investment in pay increases for salaried colleagues and an overall Society-wide percentage uplift of 7.4%.

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



Ellie Boyle
Chair - Remuneration Committee
18 April 2023

REMUNERATION POLICY

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

Overall policy

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

The remuneration policy for the Executive aims to:

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

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

A description of how the Society intends to implement the policy above in 2023 is included in the Implementation section of the report.

Summary of the remuneration components

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

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Base salary	To pay a fair base salary, commensurate with the individual's role, responsibilities and experience, and having regard to market rates for similar roles in other retail businesses of an equivalent size.	Normally increased annually taking account of inflation; formally reviewed every two years to ensure market competitiveness. The last review concluded early in 2022, with changes taking effect at the start of the 2022/23 financial year. In reviewing salaries, the Committee also considers individual performance, the scope of each role, relativities to other roles within the Society and trends in executive remuneration generally.	Annual increases will normally be in line with the standard rate increases applied to colleagues across the Society other than when there is a change in responsibilities or to realign executive pay with the market.	n/a

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Annual Bonus	To provide a performance-related reward aligned to targets set for the year. A highly 'geared' remuneration package is considered inappropriate and therefore the maximum annual bonus is at a level that is significantly lower than in equivalent PLCs.	Paid in cash. Non-pensionable. Discretionary.	Maximum 20% of base salary. On-target 8% of base salary. Amounts may differ for new joiners to the Executive, but would normally be no higher than for existing executives.	Performance targets comprise a combination of financial and non-financial elements. No bonus is payable unless a minimum level of financial performance has been achieved. Awards are subject to clawback.
Executive Incentive Plan (EIP)	To provide performance-related reward aligned to the long-term strategic goals of the Society. Award levels are set at a level that is significantly lower than in equivalent PLCs.	The EIP provides a single five year plan. It offers the potential for interim payments annually and a final bullet payment at the end of the five year performance period if targets are met. The EIP succeeds the LTIP which provided for three year awards, granted annually. The final award under the LTIP matured at the end of 2021/22. As with the LTIP, the EIP operates on a discretionary basis.	The maximum payment for each annual interim payment is 16% of annual salary. A bullet payment worth a maximum of 34% of average base salary over the five year performance period is available at the end of the five year EIP. Amounts may differ for new joiners to the Executive.	Performance measures for the EIP are based on key measures that form part of the five year plan – member trade, greenhouse gas emissions, colleague diversity and net assets. For the LTIP, performance measures were based on financial performance; corporate reputation; member value; and promoting co-operation. Awards under both the EIP and the LTIP are subject to claw back.
Pensions	To provide pension arrangements on similar terms to other colleagues in the Society.	Members of the Executive can participate in the Society's pension arrangements on the same terms available to all Society colleagues. A cash allowance is paid to some members of the Executive in lieu of pension contribution.	The Society operates a defined contribution scheme and a scheme that meets the auto-enrolment requirements. The Society previously operated a defined benefit career average pension scheme; this closed to future accrual in 2014.	n/a

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Benefits-in-kind	To provide benefits-in-kind broadly in line with market practice.	The main benefits provided are the provision of a car or a cash allowance, life insurance, long-term disability income protection, an annual health-check and colleague discount. Relocation benefits may be provided where necessary.	The amount of cash allowance under the Society's car policy is dependent on role; payments range from £900 to £1,600 per month. The value of other benefits is based on the cost to the Society and is not predetermined.	n/a

Incentive arrangements

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

Members of the Executive are eligible to participate in the Society's STARS (the Society Target Achievement Reward Scheme) annual bonus scheme and a five-year Executive Incentive Plan (EIP) which replaced the Long Term Incentive Plan (LTIP) at the start of the financial year. Both these plans operate on a discretionary basis.

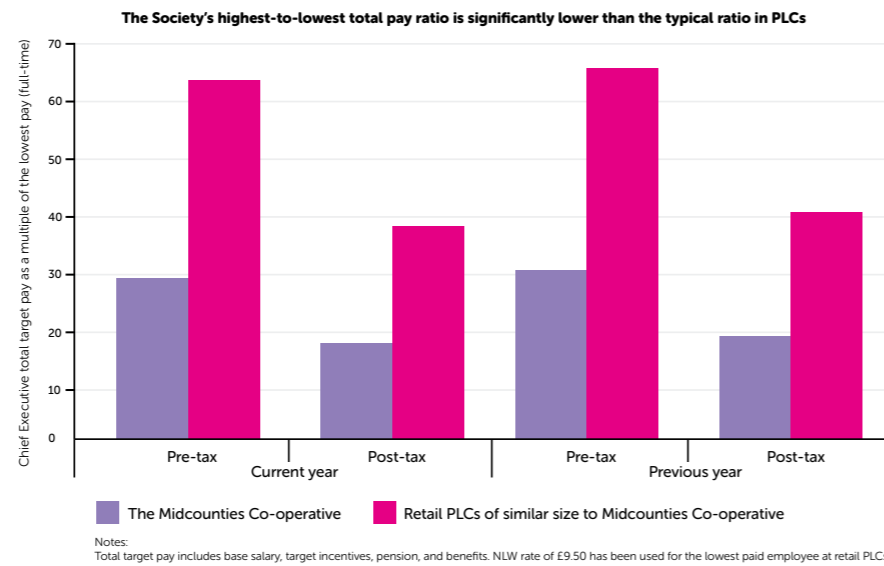
The STARS bonus scheme is currently available to more senior managers and colleagues within the Society. It has payments linked to performance over the relevant financial year. Payments under the EIP are linked to performance over a five year period. Those under the LTIP were linked to performance over a period of three financial years. Targets for all incentive arrangements are set by the Committee at the start of each year.

The STARS metrics comprise a mix of financial and non-financial objectives reflecting the key annual priorities of the Society. For members of the Executive, the weighting between financial and non-financial metrics can vary. For 2022/23 just under 40% of the targets were for non-financial measures. The financial measures are focused on profit, a key measure of the Society's trading performance. The inclusion of non-financial metrics reflects the Society's co-operative ethos by measuring success on more than financial metrics.

The EIP is intended to focus the Executive on achieving longer-term performance and strategic goals. The four performance metrics are member trade, greenhouse gas emissions, colleague diversity and net assets. These measures are designed to complement the measures used in the bonus plan and are key to the broader performance of the Society over the longer term.

Chief Executive – pay ratios

The chart here shows the approximate ratio of the Chief Executive's annual base salary and total target remuneration, pre- and post-tax, relative to the lowest rate of pay in the Society and compares this with typical ratios in the wider PLC retail sector. The ratio for 2022/23 on pre-tax pay was x29 and on post-tax pay x18 (2021/22: x31 and x19 respectively).

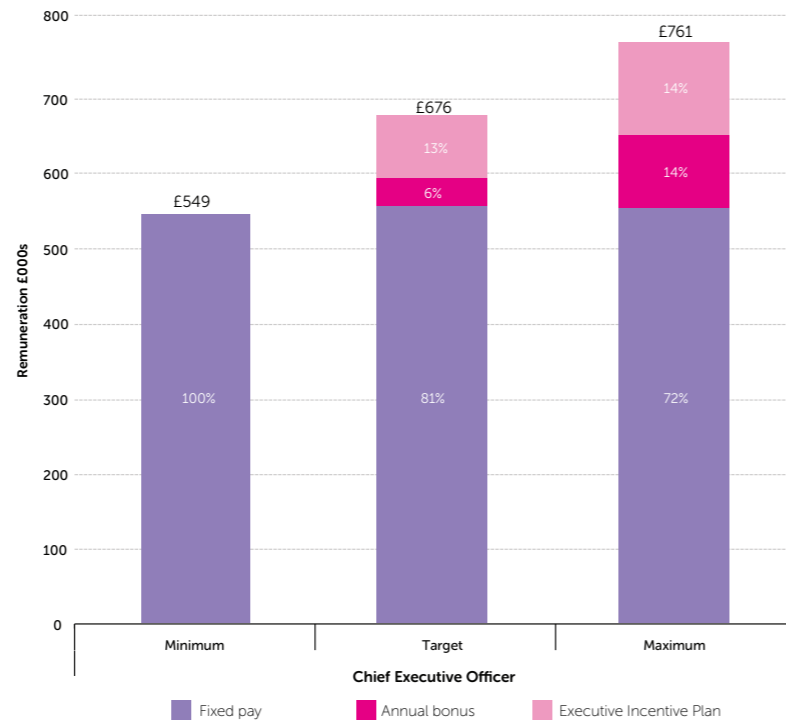


The table here shows the pay ratios between the Chief Executive and qualifying colleagues on the 75th, median, 25th percentiles and the lowest paid colleagues.

	2022/2023			
	Salary		Total Compensation	
Top	£529,876	n/a	£634,434	n/a
75th	£20,280	26:1	£20,819	30:1
Median	£19,266	28:1	£19,550	32:1
25th	£18,718	28:1	£18,773	34:1
Lowest	£18,718	28:1	£18,713	34:1

Remuneration scenarios

The chart here demonstrates how the mix of the Chief Executive's annual remuneration package can vary at different levels of performance under the Society's remuneration policy in 2023/24. It shows the potential value of total remuneration in each scenario and the percentage of total remuneration accounted for by each element.



Remuneration for other colleagues

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

The Society provides all colleagues with a package of benefits. This includes access to a pension, an Employee Assistance Programme, enhanced family friendly benefits, Society and other retailer discounts, and voluntary salary exchange benefits such as cycle to work and an electric car and moped vehicle scheme. Colleagues also receive a colleague dividend if approved by the Society's members at the AGM. Over 600 colleagues were eligible for the STARS annual bonus scheme.

Executives' service contracts

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

Provision

Notice period
Payment in lieu of notice

Detailed terms

Six months.
Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period plus the fair value of any contractual benefits. Following written notice of termination there is no entitlement to any further payment from the Society except those sums which may have accrued and are due at that time.

Termination payment

If the Society merges with another society any termination payments would be based on the terms agreed at the time.

Policy on payments for loss of office

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

Unless the Board determines otherwise, when an Executive's employment ceases, no bonus is payable and there is no entitlement to any further payment from the Society except for such sums as have accrued for services provided and are due and payable on the date of cessation. For the EIP, other than in certain 'good leaver' circumstances (for example, ill-health and retirement) unvested awards lapse. In the case of 'good leavers', awards may still vest normally at the end of the performance period to the extent that the performance conditions have been achieved. A pro-rata reduction to reflect the length of period worked between grant and cessation of employment may be applied at the Committee's discretion.

Recruitment to the Executive

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

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

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

The aggregate incentive opportunity offered to a new member of the Executive will normally be no higher than that offered to existing members of the Executive.

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

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

Committee discretions

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

These include but are not limited to:

- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payments;
- determining the quantum of awards and/or payments (within the limits set out in the summary remuneration components table on pages 59-61);
- 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; and
- undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and EIP from year to year.

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

IMPLEMENTATION – 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 2022/23 financial year. It contains information about the Committee, details of the result of the vote on last year's Remuneration Report at the 2022 AGM, a summary of how the remuneration of the Chief Executive has varied with Society performance and full details of the remuneration received by members of the Executive during 2022/23.

The Remuneration Committee

Composition

There are five directors on the Committee. The President and one Vice-President (as chosen by the Board) hold ex-officio positions. The remaining Committee positions are elected from the Board. Terms of office are for three years. No director can serve for more than nine consecutive years.

The Committee's Chair is elected annually by the Committee.

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

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

Members

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

- Ellie Boyle – appointed Chair 23 January 2023
- Vicky Green
- Matt Lane – resigned as Chair 23 January 2023
- Heather Richardson – nominated Vice-President, ex officio
- Helen Wiseman – Society President, ex-officio

Responsibilities

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

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

The Committee is also responsible for providing high-level input into and oversight of the reward strategy for all Society colleagues.

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

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

External advice

The Committee receives external advice from independent remuneration consultants Alvarez & Marsal. Alvarez & Marsal is a member of the Remuneration Consultants' Group and is a signatory to their Code of Conduct that requires its advice to be objective and impartial. Fees paid for advice in 2022/23 amounted to £8,198 (2021/22: £35,811). Alvarez & Marsal did not provide any other services to the Society during the year.

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

Meetings

Six Committee meetings were held during the year. Attendance by Committee members at these meetings is reported in the Society's Governance Report. The Chief HR Officer attends Committee meetings on a standing basis, and there is an open invitation to the Chief Executive to attend Committee meetings. Neither are present when their own remuneration is determined.

No Executive plays any part in deciding his or her remuneration.

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

- award of LTIP payments;
- setting of targets for the STARS bonus for the year;
- review of the Committee's terms of reference;
- continued oversight of reward across the Society;
- approval of the annual pay rise for the Executive (2.0% for 2022/23);
- approval of targets for the EIP;
- approval of redundancy terms for the Chief Financial Officer and Chief Retail Officer roles;
- review of the Remuneration Report; and
- review of pay for the Chief Financial Officer and Chief Retail Officer Travel & Leisure.

Member voting at the Annual General Meeting

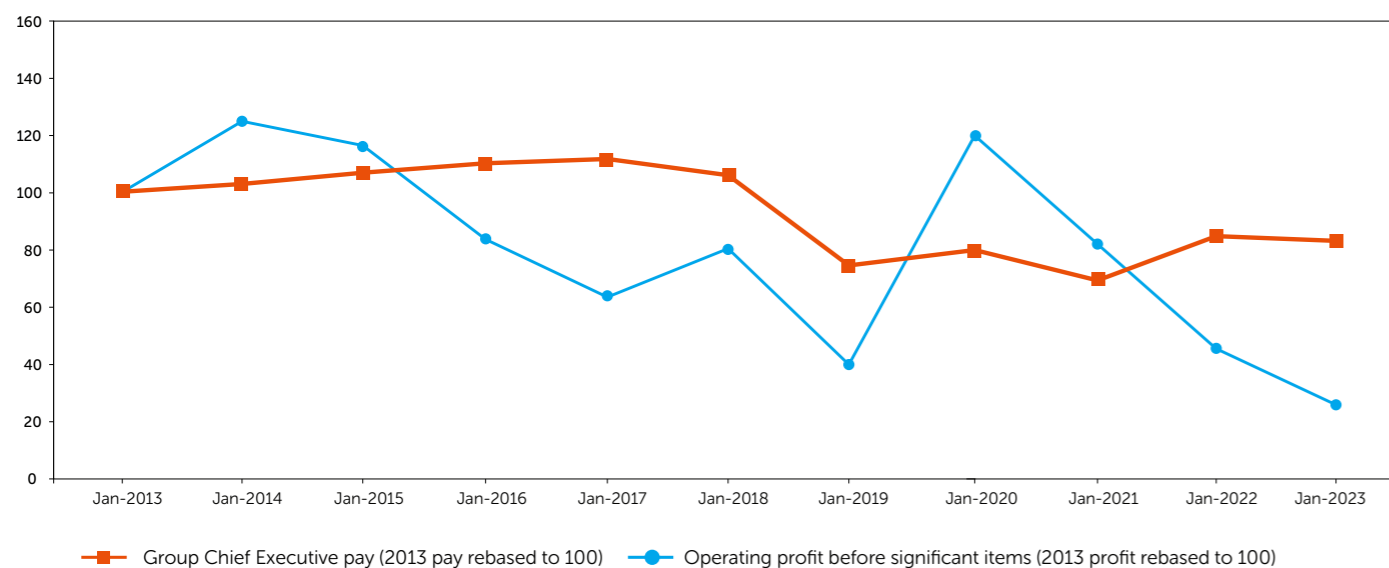
An advisory vote on the Remuneration Report is held at each AGM. The table below sets out the result of the vote on the 2021/22 Remuneration Report at the May 2022 AGM.

	Total number of votes	% of votes
For	249	81.1
Against	32	10.4
Abstain	26	8.5
Total	307	100.0

Performance Graph

The following graph shows a 10-year comparison of the percentage change in the Society's operating profit before significant items (excluding discontinued operations) relative to the total remuneration received by the Chief Executive, comprising base salary, benefits, pension, bonus and long-term incentive awards.

Chief Executive Pay and Operating Profit before significant items



Executives' emoluments

The table below provides details of the remuneration and pension benefits received by Executives for the 2021/22 and 2022/23 financial years. These figures have been prepared with regard to the reporting regulations applicable to listed PLCs.

Executive

Executive	Year	Salary ¹ £	Bonus £	Pension ² £	Benefits-in-kind ³ £	LTIP payment ⁴ £	Total £
Alison Bain Chief Marketing Officer	2021/22	181,777	-	1,320	12,000	6,090	201,187
	2022/23	195,034	-	1,321	12,100	25,460	233,915
Peter Dubois ⁵ Group Chief Financial Officer	2021/22	237,312	-	16,577	18,670	-	272,559
	2022/23	92,286	-	6,984	7,218	-	106,488
Sara Dunham Chief Officer National Businesses	2021/22	183,627	-	915	11,077	6,700	202,319
	2022/23	208,582	-	1,321	12,000	27,316	249,219
Peter Kelly ⁶ Chief Financial Officer	2021/22	-	-	-	-	-	-
	2022/23	157,294	-	1,321	12,646	18,246	189,507
Clare Moore ⁷ Chief HR Officer	2021/22	196,661	-	1,320	12,000	7,060	217,041
	2022/23	123,325	-	711	7,460	-	131,496
Rupert Newman ⁸ Chief Food Retail Officer	2021/22	227,214	-	1,320	12,000	15,149	255,683
	2022/23	236,992	-	1,118	11,077	-	249,187
Edward Parker Secretary & Head of Governance	2021/22	159,269	-	25,235	17,090	15,821	217,415
	2022/23	167,803	-	25,235	17,188	26,853	237,079
Phil Ponsonby Group Chief Executive	2021/22	520,124	-	-	19,200	50,840	590,164
	2022/23	529,876	-	-	19,350	85,208	634,434
Peter Westall Chief Values Officer	2021/22	192,000	-	11,660	14,878	16,805	235,343
	2022/23	186,639	-	11,661	14,922	29,498	242,720

1. shows the amount received as salary during the financial year

2. the figures show either:

- the value of the contribution made by the Society to the individual's defined contribution/auto-enrolment pension arrangement, or
- the value of the cash alternative in lieu of pension provision

3. benefits-in-kind include the provision of a car or a cash alternative, travel payments made to colleagues affected by the relocation of the Society's Head Office in 2011, and payments under the Society's 'refer a friend' policy made to Alison Bain (£100), Clare Moore (£75) and Phil Ponsonby (£150)

4. the amount shown comprises the 2022/23 interim payment under the EIP and the final element of the LTIP that matured in January 2022; further details can be found in the 'long term incentive arrangements' section later in this report

5. left the Society due to redundancy on 20 May 2022; details of the loss of office payments made can be found in the 'loss of office payments' section later in this report

6. appointed to the Executive on 22 May 2022

7. left the Society on 13 August 2022

8. left the Society due to redundancy on 30 November 2022; details of the loss of office payments made can be found in the 'loss of office payments' section later in this report

Application of the remuneration policy for 2022/23

Base salary

It is the Committee's policy that salaries for members of the Executive are normally increased in line with the standard rate increase applied to colleagues in support roles across the Society. Given the impact of the pandemic, the Executive waived the increase due in 2020/21 and took a reduced increase of 1.0% in 2021/22. In 2022/23 the increase was 2.0%.

Levels of fixed pay are reviewed formally every two years to ensure market competitiveness and benchmarking against the median position. The last review took place early in 2022 with changes taking effect at the start of the 2022/23 financial year. The Committee has agreed to defer the next review by a year. The review will now take place in the autumn of 2024 rather than 2023.

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

The table below shows the base salary at the start of the 2022 and 2023 financial years for members of the Executive. The increases shown beyond the annual 2.0% rise were approved by the Committee to recognise changes in role. All salaries are at the median position in line with the Committee's policy.

Executive	Salary as at 23 January 2022 £	Salary as at 29 January 2023 £	Change including 2.0% annual rise %	Change excluding 2.0% annual rise %
Alison Bain, Chief Marketing Officer	192,011	195,844	2.0	0.0
Peter Dubois ¹ , Group Chief Financial Officer	237,357	-	-	-
Sara Dunham ² , Chief Officer National Businesses	205,010	225,007	9.8	7.8
Peter Kelly ³ , Chief Financial Officer	-	240,014	-	-
Clare Moore ⁴ , Chief HR Officer	210,020	-	-	-
Rupert Newman ⁵ , Chief Food Retail Officer	245,003	-	-	-
Edward Parker, Secretary & Head of Governance	165,018	168,324	2.0	0.0
Phil Ponsonby, Chief Executive Officer	520,223	530,626	2.0	0.0
Peter Westall, Chief Values Officer	184,000	187,671	2.0	0.0

¹ Left the Society on 20 May 2022

² Pay increased to take account of increased responsibilities

³ Appointed to the Executive on 22 May 2022

⁴ Left the Society on 13 August 2022

⁵ Left the Society on 30 November 2022

STARS bonus scheme performance targets

Members of the Executive, together with the Society's management colleagues participate in the Society's STARS annual bonus scheme. Targets consist of a mix of financial objectives at Society and trading group level, and two key Society-based non-financial objectives. For 2022/23 these were 'member trade' and 'great leadership'.

The maximum bonus opportunity for members of the Executive for 2022/23 was 20% of base salary (2021/22: 20%). Transitional arrangements apply to members of the Executive who have joined the Executive since 2020 as their incentive arrangements transition to full participation in the EIP.

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

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

The Committee has recently reviewed these safeguards. For 2023/24, it will remain the case that all bonus payments are self-funding, but participants will only start to earn a bonus at the point the Society reaches its budgeted profit.

As discussed elsewhere in this Annual Report, the Society's profit performance has been adversely affected by the impact on the global economy of the war in Ukraine and the consequent cost of living crisis in the UK. As a result, no payments under the STARS bonus scheme were earned for 2022/23.

Long-term incentive arrangements

The EIP provides a single five-year plan. It has four performance metrics – two financial (net assets and member trade), and two non-financial (greenhouse gas emissions and colleague diversity). Each measure is equally weighted in the plan. It offers participants the potential for annual interim payments of up to 16% of salary (4% per target) and a final bullet payment of up to 34% of average salary over the five-year performance period (8.5% per target) if targets are met. The overall five-year targets were set at the start of the plan period. The interim targets are set annually. The table below carries the detail.

EIP targets	Weighting	2022/23		2023/24 targets	2026/27 Five year overall targets
		target	result		
Financial measures					
- Net assets, excluding movement in pension liability and revaluations of property/plant/equipment	25%	£147.277m	£140.040m 0% payment achieved	To be determined	£186.633m
Baseline – £143.728m					
- Member trade - % of transactions completed by members	25%	28.0%	27.2% 3.6% payment achieved	35.0%	50.0%
Baseline – 19% (position prior to launch of the member app in Oct 2021)					
Non-financial measures					
- % reduction in Greenhouse Gas emissions across our operations	25%	10.0%	21% 4.0% payment achieved	25%	50.0%
Baseline – 2019 position					
- % workforce belonging to an ethnic minority group	25%	11.0%	11.0% 4.0% payment achieved	12.0%	16.0%
Baseline – 10.5%					

2019/20 LTIP – award of final element

The 2019/20 LTIP award matured in January 2022. The results for three of the four measures were reported in last year's Remuneration Report. The score for the fourth measure, Corporate Reputation, remained to be determined as the results of the BITC¹ tracker score that formed the measure were not available at the time the Report was published. This score has since been confirmed and is reported below. Based on the result achieved, payments amounting to 4.67% of annual average salary over the three year performance period were made to Phil Ponsonby, Edward Parker and Pete Westall. Executives who had been with the Society less than three years received pro-rated amounts – Rupert Newman received 3.13%, and Alison Bain and Sara Dunham each received 1.56%. These payments are included in the table of Executive emoluments on page 66.

Performance measure	How measured?	Weighting	Threshold 40% payable	Target 90% payable	Maximum 100% payable	Result
Corporate reputation	From BITC's Responsible Business Tracker	25%	77%	80%	83%	81%

Future awards

There are no further LTIP awards outstanding under the LTIP. As noted earlier in this report, the EIP is a single five year plan which ends in January 2027.

Clawback provisions

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

Pension

The Society operates a defined contribution pension run by Legal & General (the L & G Scheme), and a scheme that complies with the government's auto-enrolment requirements. Under the former, the Society matches contributions made by colleagues up to 7.0% of pensionable pay. Under the latter, the Society contributes 3.0% of pensionable pay and colleagues contribute at 5.0% of pensionable pay.

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

The Society offers the option of a cash alternative in lieu of pension contribution for those affected by the Lifetime/Annual Allowance limits, and for those who have chosen to opt out of the L & G Scheme and the previous CARE Scheme. The amount varies depending on the circumstances agreed at the time.

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

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

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

Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary and incentive pay between the 2021/22 and 2022/23 financial years compared with the average for all colleagues in the Society.

	% change in salary and incentive pay		
	2020/21	2021/22	2022/23
Chief Executive	(4.0)	10.5	7.5
Average for colleagues	(8.3)	4.9	10.2

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 Chief Executive's overview found earlier in this Annual Report contains more detail on the Society's performance for the year.

	2021/22 £m	2022/23 £m	% change
Staff costs	128.3	126.0	(1.8)
Distributions	1.9	2.0	5.3
Operating profit before significant items	6.7	4.2	(37.3)

Loss of office payments

The principles governing compensation for loss of office are set out earlier in this report. During the year, the roles of Group Chief Financial Officer held by Peter Dubois and Chief Food Retail Officer held by Rupert Newman were made redundant. The incumbents agreed exit terms and left the business effective 20 May 2022 (Peter Dubois) and 30 November 2022 (Rupert Newman). Payments of £276,202 (Peter Dubois) and £64,160 (Rupert Newman) were agreed in accordance with the Society's redundancy policy, together with pay in lieu of notice of £131,705 (Rupert Newman) and other contractual payments of £49,297 (Peter Dubois) and £29,989 (Rupert Newman).

¹Business in the Community

Payments to past Executives

Ben Reid, the Society's former Group Chief Executive, who retired in 2018, represents the Society on the Board of the International Co-operative Alliance (ICA), the apex body for co-operatives globally. Effective from 30 July 2018, the Board agreed a consultancy arrangement for this whereby Mr Reid received £10,000 p.a. until June 2022 when his term of office expired. Mr Reid was nominated to stand for election to the ICA by the Society for a second term and re-elected. The Society has agreed to fund the booking fees for the principal ICA conferences that Mr Reid will attend, but the consultancy agreement has fallen away.

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

DIRECTORS' FEES

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

Fees

The Rules of the Society require that the fees and expenses paid to directors are approved by the Society's members. Proposals are put forward by the Board to members on a periodic basis. Proposals were last approved by members at the Half Year meetings held in October 2022.

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

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

Fees are normally increased each year by the same inflation-related increase awarded to colleagues in support roles across the Society. Given the impact of the pandemic, directors waived their increases in 2020/21 and 2021/22. In 2022/23 an inflation related increase of 2.0% was applied to all fees save that at the Half Year meetings in October 2022 members gave specific approval to increase the fees payable to members of the Audit & Risk Committee and Pension Trustee board beyond this amount to take account of the increased responsibilities and time commitment required for those serving on these two bodies. The notes to the table on the next page carry the detail.

Expenses

Directors are reimbursed all reasonable expenses incurred while carrying out their duties for the Society. In addition, an attendance allowance of £42.50 per half day can be claimed by directors who participate in pre-approved external meetings and events, for example, Co-operative Congress and Consumer Council meetings.

Benefits

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

Board/Committee	Role	Fees 2022/23 £	Fees 2021/22 £
Board	President	14,147 40% above Director fee	13,870
	Vice-Presidents	12,126 20% above Director fee	11,889
	Director	10,105	9,907
Audit & Risk Committee¹	Chair	1,508 40% above Director fee	775
	Vice-Chair	1,185 10% above Director fee	711
	Committee member	1,077	646
Pension Trustee Board¹	Trustee Chair	2,100 40% above Director fee	1,508
	Trustee director	1,500	1,077
Environmental steering group	Board representative	659	646
Member Engagement Committee	Committee member	659	646
Remuneration Committee	Committee member	659	646

¹ at the Half Year meetings held in October 2022, increases to the Audit & Risk Committee and Pension Trustee fees beyond the standard inflation-related increase were agreed; the fees prior to these increases are detailed below.

Audit & Risk Committee

Chair - £791
Vice-Chair - £725
Committee member - £659

Pension Trustee Board

Chair - £1,538
Trustee director - £1,098

Directors' remuneration table

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

Director	Fees	
	2022/23 £	2021/22 £
Olivia Birch	10,653	10,057
Clive Booker ¹	8,930	10,554
Ellie Boyle	10,872	10,653
Bernadette Connor	11,148	10,057
Harvey Griffiths ²	2,286	-
Evelyne Godfrey	10,933	2,435
Vicky Green	10,693	10,554
Stephen Hawksworth ²	2,286	-
Irene Kirkman	11,082	10,984

Director	Fees	
	2022/23 £	2021/22 £
Matthew Lane	10,553	10,554
Paul Mather	11,498	10,722
Nick Milton	10,047	2,286
Barbara Rainford	11,313	10,624
Fiona Ravenscroft	12,553	11,779
Heather Richardson	12,535	13,067
Wendy Willis ¹	8,206	10,684
Helen Wiseman	14,516	14,695
Vivian Woodell	15,354	13,214

¹ resigned 19 October 2022

² appointed 19 October 2022

The role of a director

The Society is a large and complex organisation. It employs more than 6,000 people in a number of consumer-oriented businesses and plays an important social role in the community. It is owned and controlled by its members, a fundamental principle of co-operation, and co-operative values underpin all its activity.

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

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

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

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

While, the amount of time a director contributes to their duties will vary considerably according to factors such as which 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 18 April 2023.



Ellie Boyle
Chair – Remuneration Committee

18 April 2023

Our financial statements

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



Statement of Directors' responsibilities in respect of the financial statements

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

Co-operative and Community Benefit Society law requires the Directors to prepare financial statements for each financial year. The Group financial statements for the year ended 28 January 2023 have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014.

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

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

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

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

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

Going concern

The Board has considered the cash flow projections for the 12 months through to the end of May 2024 arising from current performance, forecasts and known risks, including those likely to arise from a severe and plausible downside scenario, and has taken into account risks as a result of the ongoing conflict in Russia/Ukraine and the cost of living crisis. An assessment of these likely impacts is shown on pages 81-82.


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

Disclosure of information to auditors

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

Approval

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



Helen Wiseman
President



Heather Richardson
Vice-President



Vivian Woodell
Vice-President



Edward Parker
Secretary

2 May 2023

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

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 28 January 2023 and of its loss for the period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

We have audited the financial statements of The Midcounties Co-operative Limited (the "Society") for the period ended 28 January 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation

Consolidated Statement of Comprehensive Income

For the 53 weeks ended 28 January 2023

of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We focused on areas that could give rise to a material misstatement in the Society Financial Statements. Our testing included, but was not limited to:

- enquiries of management;
- review of minutes of Board meetings throughout the year;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;

- identifying and testing a sample of journal entries, to identify any outside of the normal course of business or indicative of manipulation of the financial statements;
- verification of the consolidation and, in particular, manual or late journals posted at consolidated level;
- challenge of key estimates and judgements, applied by management in the financial statements to check that they are free from management bias;
- consideration of management's assessment of related parties and any other unusual transactions and evaluated the process for identifying and monitoring any such transactions;
- testing supplier and employee payment detail irregularities.

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

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

Use of our report

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

DocuSigned by:

Laurie Hannant
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Laurie Hannant (Senior Statutory Auditor)
BDO LLP, Statutory Auditor
Nottingham, UK
2 May 2023

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

	Note	2022/23 £'000	2021/22 £'000
Revenue	1	802,891	671,457
Cost of sales		(588,744)	(477,305)
Gross profit		214,147	194,152
Other operating income	2.1	378	356
Operating expenses		(207,355)	(192,147)
Operating expenses excluding significant items	2.1	(210,340)	(187,764)
Operating profit before significant items		4,185	6,744
Operating income/(expenses) - significant items	2.2	2,985	(4,383)
Operating profit		7,170	2,361
Finance income	2.3	244	558
Finance expense	2.3	(10,321)	(10,424)
Loss before payments to and on behalf of members		(2,907)	(7,505)
Payments to and on behalf of members	2.4	(1,961)	(1,895)
Loss before tax		(4,868)	(9,400)
Income tax credit/(charge)	2.5	2,594	(1,103)
Loss for the year from continuing operations		(2,274)	(10,503)
(Loss)/Profit for the year from discontinued operations, net of tax	2.6	(2,451)	5,758
Loss for the year		(4,725)	(4,745)
Other comprehensive income			
Items that will not be reclassified to the income statement in future periods:			
Revaluation gain of property, plant and equipment	3.1	10,765	4,579
Remeasurement of defined benefit liability	4.5	12,509	6,921
Income tax on other comprehensive income	2.5	(5,714)	747
Other comprehensive income for the period, net of income tax		17,560	12,247
Total comprehensive income for the period		12,835	7,502

The Group has disclosed a single amount of post-tax profit or loss of discontinued operations in the statement of comprehensive income. Details of discontinued operations are presented in note 2.6 of the annual report. Prior year results have been restated to reflect the discontinued activity of the healthcare division.

Consolidated Statement of Financial Position

As at 28 January 2023

	Note	2022/23 £'000	2021/22 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	158,849	147,799
Intangible assets	3.2	71,426	71,980
Investment property	3.3	12,643	12,834
Right of use assets	3.4	99,332	108,025
Other investments	3.5	4,509	3,792
Other debtors	3.8	1,233	7,310
Deferred tax assets	3.6	9,095	12,700
Total non-current assets		357,087	364,440
Current assets			
Stocks	3.7	28,585	25,695
Trade and other receivables	3.8	75,502	77,868
Cash and cash equivalents	3.9	15,669	9,492
Assets held for sale	3.10	12,240	19,087
Total current assets		131,996	132,142
TOTAL ASSETS		489,083	496,582
LIABILITIES			
Current liabilities			
Loans and borrowings	4.1	52,326	13,126
Trade and other payables	4.2	187,296	172,571
Lease Liabilities	4.3	10,294	11,736
Current tax payable		-	11
Liabilities held for sale	3.10	723	3,297
Total current liabilities		250,639	200,741
Non-current liabilities			
Loans and borrowings	4.1	-	36,832
Other payables	4.2	170	896
Lease Liabilities	4.3	98,285	111,028
Provisions	4.4	3,034	756
Pension obligations	4.5	16,937	34,917
Total non current liabilities		118,426	184,429
TOTAL LIABILITIES		369,065	385,170
NET ASSETS		120,018	111,412
EQUITY			
Share capital		82,796	85,198
Other reserves		46,153	41,553
Retained (losses)		(8,931)	(15,339)
TOTAL EQUITY		120,018	111,412

The financial statements were approved by the Board of Directors on the 2 May 2023.






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

Consolidated Statement of Changes in Equity

As at 28 January 2023

	Share Capital £'000	Revaluation reserve £'000	Retained (losses) / Earnings £'000	Total Equity £'000
Balance at 23 January 2021	78,991	39,030	(18,351)	99,670
Loss for the year	-	-	(4,745)	(4,745)
Realised on disposal of properties	-	(2,011)	2,011	-
Other comprehensive income:				
Revaluation of property, plant and equipment (Note 3.1)	-	4,534	45	4,579
Actuarial gain on defined benefit pension plans	-	-	6,921	6,921
Income tax on other comprehensive income (Note 2.5)	-	-	747	747
Total other comprehensive income	-	4,534	7,713	12,247
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	6,207	-	-	6,207
Members' share interest	-	-	(1,967)	(1,967)
Total contributions by and distributions to members	6,207	-	(1,967)	4,240
Balance at 22 January 2022	85,198	41,553	(15,339)	111,412
Profit for the year	-	-	(4,725)	(4,725)
Realised on disposal of properties	-	(3,578)	3,578	-
Other comprehensive income:				
Revaluation of property, plant and equipment (Note 3.1)	-	10,765	-	10,765
Actuarial gain on defined benefit pension plans	-	-	12,509	12,509
Income tax on other comprehensive loss (Note 2.5)	-	(2,587)	(3,127)	(5,714)
Total other comprehensive income	-	8,178	9,382	17,560
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	(2,402)	-	-	(2,402)
Members' share interest	-	-	(1,827)	(1,827)
Total contributions by and distributions to members	(2,402)	-	(1,827)	(4,229)
Balance at 28 January 2023	82,796	46,153	(8,931)	120,018

Consolidated Statement of Cash Flows

For the 53 weeks ended 28 January 2023

	Note	2022/23 £'000	2021/22 £'000
Cash flows from operating activities			
Loss for the period		(4,725)	(4,745)
Adjustments for:			
Depreciation	3.1	9,985	6,484
Amortisation of intangible assets	3.2	521	417
Depreciation IFRS16 right of use assets	3.4	12,652	12,296
Gain on sale of property, plant and equipment	2.2	(3,352)	335
Change in fair value of investment property	2.2	(636)	(690)
Change in fair value of trading property	2.2	3,342	838
Gain on transfer of discontinued operation	2.6	-	(2,711)
Gain on overprovision of performance obligation	2.2	(7,847)	-
Funeral Plan net finance expenses	2.3	-	(33)
Finance expense	2.3	5,403	5,544
Finance Income	2.3	(244)	(558)
IFRS 16 finance expense	2.3	4,918	4,880
Payments to and on behalf of members	2.4	1,961	1,895
Income tax (credit) / expense	2.5	(2,594)	1,103
		19,384	25,055
Change in:			
Stocks		(2,890)	(1,153)
Trade and other receivables		8,668	4,949
Trade, other payables and provisions		13,171	4,202
Overprovision of performance obligation released from other payables	2.2	7,847	-
Payments to the pension fund		(7,786)	(8,348)
		19,010	(350)
Income tax		474	1,461
Cash generated from operating activities		38,868	26,166
Cash flows from investing activities			
Interest received	2.3	244	558
Payments to new investments		(727)	(3,496)
Proceeds from investments		31	5,145
Proceeds from:			
Sale of investment properties, property, plant and equipment, intangible assets and assets held for sale		7,475	9,892
Transfer of engagement	2.6	-	22,174
Purchase of:			
Property, plant and equipment	3.1	(16,761)	(13,951)
Intangible assets	3.2	(10)	(935)
Investment property	3.3	-	(85)
Net cash generated (used in) / from investing activities		(9,748)	19,302
Cash flows from financing activities			
Proceeds from issue of share capital		47,294	51,120
Repayment of share capital and share interest		(51,523)	(47,342)
Proceeds from loans	4.1	170,962	146,133
Repayment of loans	4.1	(155,353)	(169,402)
Loan arrangement fees		(115)	(149)
Interest paid on borrowings		(3,184)	(2,587)
Repayment of lease interest	4.3	(4,918)	(4,880)
Repayment of lease liabilities	4.3	(10,866)	(15,453)
Payments to and on behalf of members and share interest paid		(1,909)	(1,691)
Net cash used in financing activities		(9,612)	(44,251)
Net increase in cash and cash equivalents		19,508	1,217
Cash and cash equivalents at start of period		(3,839)	(5,056)
Cash and cash equivalents at end of period	3.9	15,669	(3,839)

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

Accounting Policies

1. Basis of Preparation

a) Statement of compliance

The Midcounties Co-operative Limited is a Co-operative Society domiciled in the United Kingdom. The Group financial statements for the 53 weeks ended 28 January 2023 have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Co-operative and Community Society Act 2014.

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

b) Basis of preparation

The financial statements are prepared on a going concern basis. The Society has reported a loss of £4.7m for the year to 28 January 2023 (2021/22: £4.7m loss) and has net assets of £120.0m (2021/22: £111.4m). The Society meets its day to day working capital requirements from a series of committed, bank facilities comprising a fixed term loan, revolving credit facilities and overdrafts in addition to cash balances maintained. As of 28 January 2023, the Society had total drawings of £57.3m under its bank loans and revolving credit facilities. Throughout the financial year these bank facilities were subject to continued compliance with both financial and administrative covenants. The Society had bilateral and syndicated club facilities amounting to £105.9m with its three long-term partner banks.

These credit facilities were due to mature in August 2023. Subsequent to the year end, on 22 February 2023, the Society executed a new three-year £112.6m Revolving Facility Agreement replacing all previous arrangements. As per the previous facilities, the new arrangement is subject to ongoing compliance with specific financial, operational and sustainability covenants which are measured on a quarterly basis.

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

As part of the Society's Strategic Planning Cycle, detailed annual budgets and 5-year plans have been prepared through to January 2028. These plans inform the Going Concern assessment alongside a rigorous assessment of current and future trading and consideration of the current economic environment together with the Society's Principal Risks. The scenarios outlined below are deemed to represent a severe and plausible test on the Society's ability to continue to adopt the going concern basis.

Following this analysis, the directors have concluded that the Society has adequate resources and will comply with its covenant requirements, to allow it to continue in operational existence for the period of the going concern assessment. Whilst the Directors consider there are uncertainties, we do not consider the uncertainties to be material uncertainties that may cast significant doubt on the Society's ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.

Macro-Economic Factors

COVID-19

As expected, the impact of Covid-19 upon the Society continued to reduce throughout 2022 with working patterns stabilising, the Travel sector rebounding and general customer behaviour increasingly influenced by other new factors such as cost of living and a return to higher inflation and rising interest rates. For the year ahead we anticipate customer travel plans remain unaffected by Covid-19 and although nursery settings may not yet return to pre-pandemic levels, hybrid working is now well established, and we are able to plan for modest increases in occupancy accordingly.

Cost of Living

The ongoing cost of living crisis driven by high inflation, interest rate rises and the conflict in Ukraine triggering higher energy costs and supply chain challenges continues to influence customer behaviour. We have seen shopping habits changing in Food with average basket sizes declining and with much of the UK population looking to trim their expenditure, inevitably this means that some parents will reassess their childcare provision and passengers may reconsider their travel plans. Across the wider industry the outlook in Travel remains more positive than might be expected with booking volumes at their highest levels since the pandemic and customers seemingly willing to cut back in other areas in order to preserve their holiday.

Inevitably we are not able to absorb all cost increases and we do seek to recover some of these through pricing but with a sharpened focus on projects that help us trade more efficiently and provide help where needed. As a Society we have made a concerted effort through initiatives such as member promotions and offers to help our customers manage increasing food bills and will continue to focus on this in the year ahead, so that customers continue to see value in shopping with us, remaining loyal and returning on a regular basis. As a society our investments in energy efficiency programmes such as new refrigeration and LED lighting lessened some of the impact of rising energy costs in 2022 and with the programmes rolling out further in 2023, we'll see additional financial and sustainability benefits.

Travel

In Travel, our baseline budget is formed on latest industry expectations and research published by Mintel. With the Travel industry still recovering from the effects of COVID in 2020 and 2021, growth assumptions continue to be expressed with reference to 2019. Mintel's research indicated that in 2022 the Travel industry transacted c.75% of 2019's volume whereas our own performance was c. 95%. We believe that some of this outperformance is a consequence of the demise of Thomas Cook (c.20% share of UK market in 2019) pushing share to other continuing UK Travel Agents but Midcounties will also have performed more favourably due to the older demographic of the Society's customers. We assume this outperformance continues in 2023 with our sales volumes returning to 2019 levels vs a Mintel prediction of 80%. A trending decline in cancellations is budgeted to return to 2019 levels of 5% in H2 2023/24 and average holiday sales prices are assumed to remain broadly stable.

To test our financial resilience against further material risks we have reviewed the impact of zero growth in bookings next year but with continued supply chain and employment cost increases and slower growth in our new initiatives. This test assumes that whatever the driver, the market performs at 75% of pre-pandemic (2019) levels with Society volumes static at 95% and with no Government or support offered. The travel business model benefits from strong underlying working capital and after the extensive curtailment of travel in the prior year led to significant working capital outflows we saw a return to cash generation this financial year. We expect only modest working capital enhancements to continue throughout 2023.

Childcare

In Childcare, we have assumed that occupancy levels increase year on year as a result of building on the run rate established at the end of 2022/23. The budget assumes an average occupancy increase of 2% except for those sites already operating at capacity. The division ended the year with average occupancy of 68%, in line with last year.

A downside scenario has been undertaken to model the impact of occupancy remaining flat year over year with the inability to pass on price increases to offset a higher cost base driven by wage and supply chain inflation.

Food Retail & Post Offices

There has been a noticeable shift in consumer shopping habits over the last 12 months with value retailers and discounters taking market share from the larger supermarkets and with shoppers planning their purchases more carefully, leading to fewer trips and fewer items in their baskets. Our baseline budget is based on industry research and like-for-like (L4L) growth assumptions for the convenience sector published by IGD of 2.1% with only modest additional growth coming from new store openings and new partnerships.

Our downside modelling assumes a more pronounced shift to competitors, creating lower footfall and fewer purchases. Specifically, we have modelled a 1% reduction in L4L sales, circa 50% of the budget.

Ongoing Russia / Ukraine Conflict

Although the scale of the impact on the Society of the ongoing conflict in Ukraine has reduced over the course of the year, Management continues to appraise the conflict's direct and indirect effects on two key areas. The main impact remains in relation to the worldwide price of energy. Although there has been a recent softening in wholesale prices, our baseline budget uses a conservative estimate with improvements only occurring from the second year of our five-year plan. The Society buys its energy through variable hedging basket provided by Co-op Power and Total Energy. Energy costs increased by more than double throughout 2022/23 and were only offset through committed energy efficiency investments, primarily LED and refrigeration. These investments will continue through 2023/24 to reduce consumption further and we have taken advantage of lower base energy prices to hedge 75% of the expected volume for the rest of 2023/24 and Q1 2024/25.

Food price inflation and product availability has affected the whole sector and we expect this to continue to some degree throughout 2023/24. Product availability challenges are expected to ease only slightly over the course of the next 12 months and supply chain cost increases are assumed to be recovered through pricing with further investments in offers and promotions to support existing and new members.

Mitigation

As in prior years, the directors have identified a number of mitigating actions which are modelled in the severe but plausible downside scenarios. These include but are not limited to capital investment restrictions/deferments, central cost reductions and increased sale and leaseback deals. In addition, the Society continues to implement its strategy to divest non-strategic property assets and, while these are not included in stress-test scenarios, disposals have provided additional cash headroom in 2022/23 and are expected to contribute again in 2023/24.

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

c) Use of estimates and judgements

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

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

Estimates and judgements used in valuations of trading properties

For the current financial year the Society appointed CBRE to value certain trading properties. CBRE specialise in the valuation of petrol filling stations and therefore has provided a favourable uplift to these sites as opposed to previous years where these were valued more as a food retail site rather than a petrol filling station. The Society does not believe that this has resulted in understatements of the sites in previous years and this uplift is due to a change in judgement of the valuer. See note 3.1 for further information regarding the revaluations of trading properties.

	Section
Valuation of trading properties and impairment of assets	3.1
Measurement of the recoverable amounts from cash generating units containing goodwill	3.2
Valuation of investment properties	3.3
Valuation of pension obligations	4.5

d) Basis of consolidation

The consolidated financial statements include the Society and its subsidiary undertakings. Subsidiaries are entities controlled by the Society. Control exists when the Society is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the parent entity are prepared and filed separately.

e) Significant items

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

f) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

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

g) Changes in accounting policies

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

h) New standards and interpretations

New standards, interpretations and amendments adopted from 1 January 2022

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 28 January 2023 are:

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Society has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments to IAS 37.68A clarify that the costs relating directly to the contract consist of both:

- the incremental costs of fulfilling that contract- e.g. direct labour and material; and
- an allocation of other costs that relate directly to fulfilling contracts: e.g. allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Society, prior to the application of the amendments, did not have any onerous contracts. As a result of the amendments, certain other directly related costs have now been included by the Group in determining the costs of fulfilling the contracts.

Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end consolidated financial statements of the Society as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Annual improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1m IFRS 9, IFRS 16 and IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

None of the above changes have had a material impact on the Society.

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2023:

- disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- definition of Accounting Estimates (Amendments to IAS 8); and
- deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Society does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Society.

Notes to the Financial Statements

Keeping it simple

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

Section 1 - Revenue

In this section

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

Keeping it simple – Sales

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

Accounting Policy:

Revenue is recognised in line with IFRS 15 (Revenue from Contracts with Customers). Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates.

The Society does not have contracts with variable consideration.

Revenue is recognised when the control is transferred to the customer upon performance obligation being satisfied, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

The revenue recognition criteria for each key revenue stream is summarised below:

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

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

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

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

1. Revenue

Food and fuel
Travel agency fees and commissions
Travel principal revenue
Travel foreign exchange
Childcare
Post Offices
Phone & Broadband Services
Energy White Label
Flexible benefits commissions
Other
Property rentals

Members share of profits
Total revenue

Discontinued operations

*Reconciliation of gross sales to revenue

Gross Sales
Principal vs Agent Adjustment
Flexible Benefit Commissions
Discounts
VAT

Total revenue

Members share of profits

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

Keeping it simple – Cost of sales

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

Cost of sales are measured at the cost of goods purchased for resale and delivery net of rebates and labour costs to deliver goods and service. Cost of sales for principal travel sales are deferred until the specified due date of revenue before departure.

Supplier income is recognised as a deduction from cost of sales on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued incentives, rebates and discounts receivable at year end are included within trade and other receivables (note 3.8).

Section 2 - Expenses

In this section

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

2.1 Operating expenses before significant items

Keeping it simple - Operating expenses

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

Note	2022/23 Gross sales* £'000	2022/23 Revenue £'000	2021/22 Gross sales* £'000	2021/22 Revenue £'000
	661,059	592,280	638,431	575,595
	512,803	49,947	188,650	23,718
	102,104	102,104	20,024	20,024
	1,288	1,288	365	365
	42,006	41,761	37,279	37,064
	3,333	3,309	3,328	3,286
	8,651	8,597	8,730	8,675
	432	430	331	329
	7,088	1,073	8,899	879
	25	22	74	74
	3,370	3,325	2,741	2,659
	1,342,159	804,136	908,852	672,668
	(1,245)	(1,245)	(1,211)	(1,211)
	1,340,914	802,891	907,641	671,457
2.6	1,041	982	28,542	27,802

2022/23 £'000	2021/22 £'000
1,340,914	907,641
(462,528)	(164,680)
(6,009)	(8,014)
(3,698)	(3,783)
(65,788)	(59,707)
802,891	671,457

	Note	2022/23 £'000	2021/22 £'000
Operating costs	2.1.1	85,815	71,081
Personnel costs	2.1.2	125,993	128,297
Transactions with directors	2.1.3	196	195
		212,004	199,573
Discontinued operations included above		1,664	11,809
Continuing operations		210,340	187,764

2.1.1 Operating costs

		2022/23 £'000	2021/22 £'000
Hire of plant and equipment - Short Term leases		466	400
Hire of land and buildings - Short term leases		3,010	2,644
Depreciation of owned assets - property, plant and equipment	3.1	9,985	6,484
Amortisation of owned assets - intangibles	3.2	521	417
Depreciation of right of use assets	3.4	12,652	12,296
Fees paid to auditors:			
Audit		424	430
Other		33	30
Occupancy Costs		31,794	21,688
Other expenses		26,930	26,692
		85,815	71,081

Other operating income of £0.378m (2021/22 - £0.356m) is proceeds from insurance claims.

2.1.2 Personnel costs

		2022/23 £'000	2021/22 £'000
Wages and salaries		116,063	119,843
Social security payments		7,847	7,911
Expenses related to defined contribution pension schemes	4.5	2,083	2,311
Coronavirus Job Retention Scheme income		-	(1,768)
		125,993	128,297

Key management personnel

Remuneration of Key Management Personnel for the year amounted to £1.920m (2021/22 £2.431m) including National Insurance contributions. For further details in relation to key management personnel remuneration please refer to the remuneration report on page 63.

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

	Number	Number
Full time	2,295	2,212
Part time	4,215	5,091
	6,510	7,303

2.1.3 Transactions with directors

Keeping it simple - Transactions with directors

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

	2022/23 £'000	2021/22 £'000
Directors' fees and expenses	196	195

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

2.2 Significant items

Keeping it simple - Significant items

These are unusual because they are not generated by our day to day trading and due to their size, volatility and nature are separately shown to help show a view of the Society's underlying performance.

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

		2022/23 £'000	2021/22 £'000
Analysis of significant items:			
Items included within operating expenses:			
Net gain/(loss) on disposal of property, plant, equipment and other investments	a	3,352	(1,079)
Change in fair value of trading properties	a	(3,342)	(838)
Change in fair value of investment properties	a	636	690
Expense of business acquisitions and disposals	b	(181)	(458)
Reorganisation costs	c	(2,257)	(2,193)
Right of use asset impairment	d	(58)	11
Refinancing	e	(1,427)	(516)
Distribution centre pre-opening costs	f	(1,194)	-
Closure costs relating to Queen's Funeral	g	(391)	-
Over provision relating to settlements of performance obligations	h	7,847	-
Significant items		2,985	(4,383)
Tax on significant items continuing operations	i	512	1,180
Significant items after tax		3,497	(3,203)

- a - Gains and losses on disposal of property, plant and equipment and other investments are one-off in nature and can be significant in terms of size and volatility. Similarly, changes in fair values of the trading and investment properties as part of the annual revaluation process are significant as they depend on market conditions at the time of valuation and therefore can be volatile as well as significant in size.
- b - In accordance with IFRS 3 revised, expenses related to business acquisitions are expensed to the income statement. They are significant as they are one-off in nature and potentially also in size. In the current year and prior year this mainly relates to legal costs incurred in relation to acquisitions and disposals.
- c - The Society continues to assess the structure within all trading groups. This resulted in a one-off cost related to a number of groups.
- d - (Charge)/reversal of the impairment element of IFRS 16 right of use assets
- e - Cost relating to refinancing of banking facilities
- f - Costs relating to the setup of a new shared Distribution Centre
- g - Expenditure relating to the closure of sites in order to observe the Queen's Funeral.
- h - The release of the over provision relating to the settlement of specific performance obligations in Co-operative Energy Limited relating to continuing licence commitments.
- i - The tax credit relates to tax on significant items.

Reorganisation costs further breakdown

Division	£'000	Description
Executive Team & Senior Management	766	Reorganisation of roles and responsibilities within the Executive team and senior management roles across the Society's divisions.
Trading Division	849	Reorganisation costs in relation to site closures, site relocations and change in strategy.
Other Divisions (Non Trading)	158	Costs to align structure across all trading groups.
Consultancy fees	484	Costs relating to professional fees in relation to the restructure of the Society.
Total Restructuring Costs	2,257	

2.3 Finance costs

Keeping it simple - Finance costs

This is the amount of money we have paid out or received from our loans and investments. We include interest received on bank accounts and pension obligations and interest paid on loans held and overdraft facilities used. As well as fair value gains and losses on funeral assets and finance cost relating to funeral revenue.

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

Finance expenses comprise interest expense on borrowings.

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

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

	Note	2022/23 £'000	2021/22 £'000
Finance income	2.3.1	244	558
Finance expenses	2.3.2	(10,321)	(10,424)
Total finance costs		(10,077)	(9,866)
Discontinued operations	2.6	-	33
Total finance costs		(10,077)	(9,833)

2.3.1 Finance income

		2022/23 £'000	2021/22 £'000
Other Interest income		162	555
Interest income on bank deposits		82	3
Total finance income		244	558
Discontinued operations	2.6	-	1,279
Total finance income		244	1,837

2.3.2 Finance expense

		2022/23 £'000	2021/22 £'000
Net interest on defined benefit liability	4.5	2,315	2,478
Interest expense on bank loans		2,883	2,894
Interest expense in respect of lease liabilities	4.3	4,918	4,880
Loan arrangement fees expensed		205	172
Total finance expense		10,321	10,424
Discontinued operations	2.6	-	1,246
Total finance expense		10,321	11,670

2.4 Payments to and on behalf of members

Keeping it simple - Payments to and on behalf of members

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

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

Grants and other member benefits

Employee member benefits

Charitable donations

	2022/23 £'000	2021/22 £'000
Grants and other member benefits	1,503	1,452
Employee member benefits	450	432
Charitable donations	8	11
	1,961	1,895

2.5 Income tax

Keeping it simple - Income tax

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

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

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

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

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

	2022/23 Before significant items £'000	2022/23 Significant items £'000	2022/23 £'000	2021/22 Before significant items £'000	2021/22 Significant items £'000	2021/22 £'000
Current tax expense	(165)	165	-	614	(689)	-
Current period	-	-	-	-	-	-
Adjustment for prior periods	(165)	165	-	689	(689)	-
Deferred tax (credit)/charge:						
Origination and reversal of temporary differences	29	(677)	(648)	616	(385)	229
Adjustment for prior periods	(1,032)	-	(1,032)	3,544	(114)	3,430
Effects on deferred tax of change in tax rate	-	-	-	(991)	9	(982)
	(1,003)	(677)	(1,680)	3,167	(490)	2,677
Total income tax on continuing operations	(2,082)	(512)	(2,594)	2,102	(999)	1,103
Total income tax on discontinued operations	914	-	914	1,755	(181)	1,574
Total income tax	(1,168)	(512)	(1,680)	3,857	(1,180)	2,677

In order to understand how, in the income tax statement, a tax credit on continuing operations of £2.594m (2021/22: a tax charge of £1.103m) arises on a loss before tax of £4.878m (2021/22: a loss before tax of £9.400m), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual charge as follows:

	2022/23 Before significant items £'000	2022/23 Significant items £'000	2022/23 £'000	2021/22 Before significant items £'000	2021/22 Significant items £'000	2021/22 £'000
Factors affecting the tax charge for the period:						
(Loss)/profit from Continuing Operations	(7,853)	2,985	(4,868)	5,017	(4,383)	(9,400)
(Loss)/profit from Discontinued Operations	(1,504)	(33)	(1,537)	3,878	3,454	7,332
Total Loss before taxation	(9,357)	2,952	(6,405)	(1,139)	(929)	(2,068)
Income tax using the Society's domestic tax rate of 19.00% (2021/22: 19.00%)	(1,778)	561	(1,217)	(216)	(177)	(393)
Expenses not deductible for tax purposes	1,642	(39)	1,603	1,520	(310)	1,207
Profit on sale of properties subject to indexation and rollover relief	-	(84)	(84)	-	(584)	(584)
Effects on deferred tax of change in tax rate	-	-	-	(991)	9	(982)
Adjustment for prior periods (current plus deferred tax expense)	(1,032)	-	(1,032)	3,544	(114)	3,429
Utilisation of brought forward losses	-	(950)	(950)	-	-	-
Total income tax on continuing operations	(2,082)	(512)	(2,594)	2,102	(999)	1,103
Total income tax on discontinued operations	914	-	914	1,755	(181)	1,574
Total income tax (credit)/expense	(1,168)	(512)	(1,680)	3,857	(1,180)	2,677

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

	2022/23 £'000	2021/22 £'000
Total recognised directly in equity:		
Members' share interest	(429)	(461)
Total recognised in other comprehensive income:		
Revaluation of property, plant and equipment	2,587	-
Actuarial gains on defined benefit pension plans	3,127	(747)
	5,714	(747)
Deferred tax:		
Net asset at start of period	12,700	14,169
Deferred tax credit / (charge) in revenue account for the period	2,594	(1,103)
Deferred tax recognised directly in equity	429	461
Movement on pension liability deferred tax	(3,127)	747
Other deferred tax recognised in other comprehensive income	(2,587)	-
Discontinued operations	(914)	(1,574)
Net asset at end of period	9,095	12,700

The March 2021 Budget announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023.

	2022/23 Before Significant Items £'000	2022/23 Significant Items £'000	2022/23 Total £'000	2021/22 Before Significant Items £'000	2021/22 Significant Items £'000	2021/22 Total £'000	
(Loss)/profit before tax on continuing operations	(7,853)	2,985	(4,868)	(5,017)	(4,383)	(9,400)	
(Loss)/profit before tax from discontinued operations	(1,504)	(33)	(1,537)	3,878	3,454	7,332	
Loss before taxation	(9,357)	2,952	(6,405)	(1,139)	(929)	(2,068)	
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.00% (2021/22: 19.00%)	(1,778)	561	(1,217)	(216)	(177)	(393)	
Depreciation in excess of capital allowances	a	1,509	-	1,509	1,625	-	1,625
Pension movements	b	(1,039)	-	(1,039)	(1,115)	-	(1,115)
Expenses not deductible for tax purposes	c	1,143	-	1,143	395	-	395
Change in fair value of trading properties	c	-	636	636	-	159	159
Change in fair value of investment properties	c	-	(121)	(121)	-	(131)	(131)
Expense of business acquisitions and disposals	c	-	123	123	-	44	44
Profit on sale of properties subject to indexation and rollover relief	c	-	(84)	(84)	-	(584)	(584)
Utilisation of brought forward losses	e	-	(950)	(950)	-	-	-
Reported current tax charge and effective rate		(165)	165	-	689	(689)	-
Reported current tax charge		(165)	165	-	689	(689)	-
Depreciation in excess of capital allowances	a	(1,407)	-	(1,407)	(1,098)	-	(1,098)
Pension movements	b	1,369	-	1,369	1,115	-	1,115
Expenses not deductible for tax purposes	d	67	(677)	(610)	597	(385)	213
Adjustments to tax charge in respect of previous periods		(1,032)	-	(1,032)	3,543	(114)	3,429
Effects on deferred tax of change in tax rate		-	-	-	(991)	9	(982)
Reported total charge for continuing operations		(2,082)	(512)	(2,594)	2,102	(999)	1,103
Reported total charge for discontinued operations		914	-	914	1,755	(181)	1,574
Reported total tax (credit)/charge		(1,168)	(512)	(1,680)	3,857	(1,180)	2,677

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

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

c - Some expenses the Society incurs are appropriate for accounting purposes but are not allowed to be offset against taxable income when calculating the Society's tax liability. Examples include legal expenses for business acquisitions and disposals and changes in fair values of properties. These costs are included in the category expenses not deductible for tax purposes or identified separately. The material amounts included within the category for the year are tax losses carried forward for future use (£0.650m - see footnote e for explanation below) and interest not allowed to be offset against taxable income by way of the Corporate Interest Restriction of £0.425m.

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

e - Subject to certain rules, tax losses from earlier periods can be carried forward and relieved against future profits, so that the correct amount of tax is applied to the overall historic profits generated, and not just for that period. Once the tax losses have all been used, tax will then become chargeable on the profits generated thereafter. The brought forward tax losses arose from our energy business and have been utilised in the current year against the over provision relating to settlements of performance obligations (note 2.2).

2.6 Discontinued operations

Keeping it simple - Discontinued operations

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

In November 2021 the Society transferred its funeral business for a cash consideration of £22.174m. On 28 January 2023 the Society agreed to cease trading of its Healthcare division. The cessation of trade did not result in a sale of the division and therefore no consideration was received. All assets were wound up on discontinuation.

The post-tax (loss)/gain on disposals of discontinued operations was determined as follows:

	2022/23 £'000	2021/22 £'000
Cash consideration received	-	22,174
Total consideration received	-	22,174
Cash disposed of	-	-
Net cash inflow on disposal of discontinued operation	-	22,174
Net assets disposed (other than cash)		
Property, plant and equipment	-	(7,405)
Intangibles	(130)	(47)
Trade and other receivables	(439)	(2,238)
Other financial assets	-	(85,966)
Other financial liabilities	-	76,023
Trade and other payables	-	170
	(569)	(19,463)
Pre-tax (loss)/gain on disposal of discontinued operation	(569)	2,711
Related tax expense	-	-
(Loss)/Gain on disposal of discontinued operation	(569)	2,711

The post-tax (loss)/gain on disposal of discontinued operations was determined as follows:

	2022/23 £'000	2021/22 £'000
Result of discontinued operations		
Revenue	982	27,802
Expenses other than finance costs	(2,519)	(20,503)
Finance Income	-	1,113
Finance costs	-	(1,080)
Tax expense	(914)	(1,574)
(Loss)/Profit for the year	(2,451)	5,758
Statement of cash flows		
The statement of cash flows includes the following amounts relating to discontinued operations:		
Operating activities	48	1,668
Financing activities	-	(1,636)
Net cash from discontinued operations	48	32

Section 3 - Assets

In this section

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

Keeping it simple - Assets

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

3.1 Property, plant and equipment

Keeping it simple - Property, plant and equipment

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

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

The corresponding liability is recognised within provisions. After initial recognition, all categories excluding land and buildings are valued under the historical cost model are carried at cost less any accumulated depreciation and any accumulated impairment losses. Land and Buildings is valued under the revaluation model are carried at a revalued amount, being their fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Depreciation rates used are as follows:	
Freehold buildings	50 Years
Plant, fixtures and fittings	3 to 20 years
Vehicles	3 to 8 years

Fair value measurement:

Property valuations are valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as:

The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The market value of items, of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Property disposals:

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

Impairment:

Assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An asset is considered to be impaired if evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of an asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Significant assets are tested for impairment at the lowest identifiable CGU or individual basis. Discount rates applied range between 10.8% - 15.2% and are applied by division. Assumed discount rates are based on Midcounties' weighted average cost of capital plus readily available market information.

All impairment losses are recognised in the income statement. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

	Land & Buildings £'000	Plant, fixtures & fittings £'000	Vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation:					
At 23 January 2021	137,977	104,362	64	961	243,364
Additions	-	355	-	13,924	14,279
Revaluation	3,319	-	-	-	3,319
Disposals	(6,763)	(12,612)	(57)	-	(19,432)
Transfer from assets under construction	-	13,044	-	(13,044)	-
Transfer to assets held for sale	(3,594)	-	-	-	(3,594)
Transfers to Right of use assets	(598)	(1,553)	-	-	(2,151)
Transfers to investment property	(615)	-	-	-	(615)
Transfer to intangible assets	-	(510)	-	-	(510)
At 22 January 2022	129,726	103,086	7	1,841	234,660
Additions	-	43	-	16,718	16,761
Revaluation	7,492	-	-	-	7,492
Disposals	(2,695)	(283)	(7)	-	(2,985)
Transfer from assets under construction	-	14,660	-	(14,660)	-
Transfer to assets held for sale	(2,473)	-	-	-	(2,473)
Other movements	-	-	-	739	739
At 28 January 2023	132,050	117,506	-	4,638	254,194
Accumulated depreciation:					
At 23 January 2021	8,391	79,757	39	-	88,187
Provided this year	1,245	5,235	4	-	6,484
Disposals	(1,073)	(6,700)	(37)	-	(7,810)
At 22 January 2022	8,563	78,292	6	-	86,861
Provided this year	487	9,498	-	-	9,985
Disposals	(1,304)	(191)	(6)	-	(1,501)
At 28 January 2023	7,746	87,599	-	-	95,345
Carrying amount					
At 22 January 2022	121,163	24,794	1	1,841	147,799
At 28 January 2023	124,304	29,907	-	4,638	158,849

Security

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

Valuations

The property valuations undertaken in January 2023 were valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as:

The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The valuations were carried out by Chartered Surveyors, CBRE & Eddisons Taylors. CBRE have valued the properties on a vacant possession basis and Eddisons Taylors have used a business use basis.

The properties are valued individually, and yields are therefore varying on a property by property basis. Yields range from 4.9% to 16.0% (2021/22: 5.5% to 12.0%).

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

Had the revalued land and buildings been measured on a historical cost basis, their net book value would have been £78.151m (2021/22: £79.610m).

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

Valuation changes recognised in other comprehensive income are:

Revaluation gains and losses on Property, Plant and Equipment¹
 Revaluation gains and losses on Investment Property (note 3.3)
 Revaluations gains and losses on Investment Property after utilisation of reserves (note 2.2)
 Other revaluation movements

	2022/23 £'000	2021/22 £'000
Revaluation gains and losses on Property, Plant and Equipment ¹	10,834	4,157
Revaluation gains and losses on Investment Property (note 3.3)	567	739
Revaluations gains and losses on Investment Property after utilisation of reserves (note 2.2)	(636)	(690)
Other revaluation movements	-	373
	10,765	4,579

¹ Includes £3.342m (2021/22 - £0.838m) of losses charged to profit and loss

3.2 Intangible assets

Keeping it simple - Intangible assets

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

Goodwill

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

Other intangibles

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

Fair value measurement

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

Impairment

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of tangible assets and intangible assets with a finite life are reviewed should there be an indication of impairment at the balance sheet date. The recoverable amount is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Discount rates applied range between 10.8% - 15.2% and are applied by division. For the purpose of impairment testing assets are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or groups of assets. These are known as the cash generating unit (CGU). Management have determined that in most cases the cash generating units are individual branches. However, goodwill impairment testing is carried out at a divisional level being the lowest level at which goodwill is monitored.

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

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

	Purchased goodwill	Licences, brand and computer software	Total
	£'000	£'000	£'000
Cost:			
At 23 January 2021	74,989	3,092	78,081
Additions	495	440	935
Disposals	(110)	(245)	(355)
Transfers from property, plant and equipment	-	510	510
At 22 January 2022	75,374	3,797	79,171
Additions	-	10	10
Disposals	(43)	-	(43)
At 28 January 2023	75,331	3,807	79,138
Accumulated amortisation:			
At 23 January 2021	5,756	1,116	6,872
Charge for the year	-	417	417
Disposals	-	(98)	(98)
At 22 January 2022	5,756	1,435	7,191
Charge for the year	-	521	521
At 28 January 2023	5,756	1,956	7,712
Carrying Amount			
At 22 January 2022	69,618	2,362	71,980
At 28 January 2023	69,575	1,851	71,426

Licences relate to software. Computer Software is amortised over 3-10 year period.

Components of Goodwill:

Cash Generating Unit (CGU)

	At 28 January 2023	At 22 January 2022
	£'000	£'000
Food and Post Office	56,559	56,602
Travel	1,088	1,088
Childcare	11,898	11,898
Other	30	30
Carrying Amount	69,575	69,618

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

Impairment Review:

Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit, or group of cash-generating units, to which the goodwill relates. The impairment review completed compares the recoverable amount of goodwill with the book value. The 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 10.8% to 15.2% (2021/22 - 7.9% to 11.2%). Business specific growth rates are used to extrapolate budgeted cash flows into perpetuity, beyond a detailed 5 year plan at a rate of 2.0% - 3.0%. The terminal growth rates have been derived using historical analysis and future plans of the business. Tax rates used in the calculation are maintained at the current rate of 25% and capital expenditure is set to be equal across the five year plan as is forecast for the next 12 months. They do not exceed the long-term growth rates for the relevant industries. Following the impairment analysis no impairment charge was required (2021/22: no impairment charge was required).

To understand the impact of reasonable change to the assumptions used, sensitivity analysis was completed moving one of the assumptions by +0.5% or -0.5% (whilst holding the other assumptions constant). All movements to assumptions had no impact on the impairment.

Impairment Sensitivity Analysis:

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

	2022/23				2021/22			
	Cost of Capital		Terminal growth rates		Cost of Capital		Terminal growth rates	
	Current	Movement	Current	Movement	Current	Movement	Current	Movement
Food	10.8%	4.7%	2.0%	-6.0%	7.9%	+2.5%	2.0%	-2.5%
Travel	15.2%	28.3%	3.0%	-47.5%	11.2%	+7.5%	3.0%	-7.5%
Childcare	11.0%	13.5%	3.0%	-22.5%	8.1%	+20.5%	3.0%	-26.0%
Utilities	11.8%	10.2%	2.0%	-17.0%	9.2%	+2.5%	2.0%	-3.0%

3.3 Investment property

Keeping it simple - Investment property

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

Accounting Policy:

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties are measured at fair value with any change in value recognised in the income statement. Investment property additions/disposals are recognised when there has been an unconditional exchange of contracts. When the use of a property changes such that it is reclassified as property, plant and equipment its fair value at the date of reclassification becomes its cost for subsequent accounting.

Determination of fair values

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

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

Cost or valuation:

At start of year

Additions	-
Revaluation	567
Disposals	(65)
Transfer to assets held for sale	(693)
Transfers from trade properties	-

At end of year

Investment properties are not depreciated.

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

Valuations

The property valuations undertaken in December 2022 were valued assuming vacant possession on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as: The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The valuations were carried out by Chartered Surveyors, CBRE (formerly VSL and Partners) (2021/22: VSL and Partners).

The properties are valued individually and yields are therefore varying on a property-by-property basis. Yields range from 2.3% to 9.2% (2021/22 : 5.5% to 10.0%), with a mean yield of 5.7% (2021/22 : 8.1%) before costs.

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

Upon valuation gains and losses are taken directly to the income statement unless there has been a change in use of the asset and reserves had accumulated whilst the property was deemed to be Property, Plant and Equipment, in such circumstances losses are taken against the reserve balance until it is fully utilised and then subsequent gains and losses are taken the profit and loss. No gains once the asset is considered investment property add to any revaluation surplus.

During the year £3.325m (2021/22 - £2.659m) was recognised in the consolidated statement of comprehensive income in relation to rental income from investment properties. Direct costs relating to investment properties during the year amounted to £0.935m (2021/22: £0.855m).

2022/23	2021/22
£'000	£'000
12,834	13,001
-	85
567	739
(65)	(841)
(693)	(765)
-	615
12,643	12,834

3.4 Right of use assets

Keeping it simple - Right of use assets

Right of use assets has been created due to the Society's adoption of IFRS16 on 27 January 2019. IFRS 16 seeks to align the presentation of leased assets more closely to owned assets

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

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

	Land & Buildings £'000	Plant, Fixtures & Fittings £000's	Vehicles £'000	Total £'000
Cost or valuation:				
At 23 January 2021	125,412	8,965	6,130	140,507
Additions	9,734	-	625	10,359
Impairment	837	-	-	837
Transfers from Property, Plant and Equipment	598	1,553	-	2,151
Effects of modification of lease terms	2,060	-	26	2,086
Disposals	(7,965)	-	(4,855)	(12,820)
At 22 January 2022	130,676	10,518	1,926	143,120
Additions	6,802	-	-	6,802
Impairment	(518)	-	-	(518)
Transfers from Other Debtors	-	-	269	269
Disposals	(3,100)	-	-	(3,100)
At 28 January 2023	133,860	10,518	2,195	146,573
Accumulated depreciation:				
At 23 January 2021	20,705	2,165	2,275	25,145
Provided this year	9,199	1,951	1,146	12,296
Disposals	(805)	-	(1,541)	(2,346)
At 22 January 2022	29,099	4,116	1,880	35,095
Provided this year	10,351	2,135	166	12,652
Disposals	(506)	-	-	(506)
At 28 January 2023	38,944	6,251	2,046	47,241
Carrying amount				
At 22 January 2022	101,577	6,402	46	108,025
At 28 January 2023	94,916	4,267	149	99,332

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

	Land & Buildings	Plant, Fixture & Fittings	Vehicles	Total
Number of leases at 22 January 2022	328	7	128	463
Number of leases 28 January 2023	335	7	34	376
Material number of Subleased Leases at 22 January 2022	11	-	-	11
Material number of Subleased Leases at 28 January 2023	7	-	-	7
Term of leases	2 to 1000 Years	1 to 5 Years	1 to 8 Years	

Income from material subleased finance leases

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

	2022/23 £'000	2021/22 £000's
6 months or less	77	785
6-12 months	77	785
1-2 years	237	2,565
2-5 years	166	2,235
More than 5 years	61	1,637
Total Present value of minimum lease payments receivable	618	8,007
Of which are:		
Current Lease receivables	154	1,570
Non Current Lease receivables	464	6,437
	618	8,007

Impairments are recognised when the value of a lease exceeds its benefit to the Society. The asset is written down to its fair value and a provision recognised for the reduction in the asset value. Movements on the provision are recognised in the income statement.

Please refer to note 4.3 for details on the lease liabilities in relation to these right of use assets, note 2.1.1 Operating costs for details on short term leases and note 6.2 for details on rental income.

3.5 Other investments

Keeping it simple - Other investments

Other investments are predominantly shares held in other businesses.

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

Determination of fair values of Funeral Plans

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

Funeral prepayment plans under which the Society accepts risk from another party (the policyholder) agree to compensate the policyholder in respect of an uncertain future event.

In November 2021, the Society disposed of its funeral plan business and all assets were disposed of via a transfer of engagement.

	2022/23 £'000	2021/22 £'000
Non current investments:		
Other Financial Assets	4,509	3,792
	4,509	3,792
Are held as follows:	£'000	£'000
Co-operative Group shares	1,588	1,588
Other I&P Societies shares	1,471	1,501
Other investments	750	603
Younity (Co-op Community Energy)	700	100
Total Other Financial Assets	4,509	3,792

The results of the joint venture are trivial to the Society and therefore are recognised within operating expenses. The profit for the year was £0.048m (2021/22 - loss of £0.092m).

Movement in Funeral Plan Contract Assets for the year

	Note	2022/23 £'000	2021/22 £'000
Opening Balance		-	86,336
Redeemed in the year		-	(5,145)
New plans in the year		-	3,496
Investment Change	2.3.1	-	1,279
Transfer of engagement	2.6	-	(85,966)
Closing Balance		-	-

In November 2021, the Society disposed of its funeral plan business and all assets were disposed of via a transfer of engagement. To the date of disposal monies received in respect of funeral prepayments plans were invested under the terms of custodian arrangements in individual whole of life insured arrangements with the Royal London Mutual Society Limited. Interest earned on such investments was reinvested. An appropriate proportion of the investments (including accrued interest) is withdrawn when each funeral plan was invoked by the clients representative.

The Society's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 4.6.

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.

Deferred tax assets are comprised mostly of gains relating to our Property portfolio which can be utilised against future property disposals.

	Note	2022/23 £'000	2021/22 £'000
Deferred tax liability in respect of property, plant and equipment		(1,224)	(772)
Short term temporary differences		(1,047)	-
Deferred tax liability		(2,271)	(772)
Intangible assets		747	895
Deferred tax asset in respect of pension obligations		4,234	8,730
Short term temporary differences		-	99
Tax losses		6,385	3,748
Deferred tax asset		11,366	13,472
Net deferred tax asset	2.5	9,095	12,700

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

		Assets		Liabilities	
		2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Property, plant and equipment	a	-	-	(1,224)	(772)
Intangible assets	b	747	895	-	-
Pension obligations	c	4,234	8,730	-	-
Other items	d	-	99	(1,047)	-
Tax losses	e	6,385	3,748	-	-
Tax assets / (liabilities)		11,366	13,472	(2,271)	(772)

a - This amount is made of two components:

i) a deferred tax asset on capital allowances arising from the tax value of assets being higher than the accounts value of the same fixed assets. This has arisen due to the Society not making claim to its maximum entitlement to capital allowances since 2019 due to reduced levels of taxable trading profits in the intervening years. Impairment, disposals and depreciation have continued to reduce the accounts value of our assets. The Society expects to use these capital allowances incrementally to reduce future taxable trading profits.

ii) a deferred tax liability on the theoretical amount of tax that would be payable by the Society on chargeable gains arising from the sale of all its investment and trade properties. Investment and trade properties are measured at fair value in the accounts, which is different to their cost or value for tax purposes.

b - The amount relates historic acquisitions of goodwill as at September 2005 which have been elected to be written down per year for tax purposes on a 4% basis. This differs from the amortisation policy for the intangible assets in the accounts. The £148,000 decrease in the year relates to the amount utilised against trading profits in the year. The Society expects to use the remaining deferred tax balance to reduce future taxable trading profits incrementally.

c - The amount represents the theoretical future tax benefit to the Society in respect of the current pension scheme deficit. A tax deduction is obtained for pension obligations when payments are made, and the value of payments can be different to costs recognised in the accounts. The Society's future cash tax bills will be reduced if additional payments are made to reduce the scheme deficit. The deferred tax asset decrease for 2023 was £4.496m. This is due to the movement in the schemes deficit in the year.

d - The amount relates historic acquisitions of goodwill which have been elected to be written down per year for tax purposes on a 4% basis. This differs from the amortisation policy for the intangible assets in the accounts, and the Society expects the deferred tax balance to reverse over the goodwill's useful life, these are partially offset by a deferred tax asset in respect of provisions. Expenses that have not yet been incurred are able to be recorded in the accounts as provisions. However, of these certain expenses don't receive tax relief until they have been paid for and so the related tax relief is delayed to a future period.

e - The Society has incurred trading losses that were in excess of taxable profits in the past. These losses can be used to reduce future trading profits and capital gains which are included in future tax forecasts for the Society. The restriction on the amount of losses that can be used in any one year post 1 April 2017, being £5m plus 50% of any surplus taxable profits above this amount, is not expected to limit the use of these losses other than extend the time over which they will be claimed.

There are £17.964m unrecognised deferred tax assets (2021/22: £15.412m) relating to the childcare division and discontinued operations in energy.

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

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

	At 22 January 2022	Recognised in Income statement	Recognised in equity/ other comprehensive income	Acquisitions/ Transfer of engagements	At 28 January 2023
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(772)	2,135	(2,587)	-	(1,224)
Intangible assets	895	(148)	-	-	747
Pension obligations	8,730	(1,369)	(3,127)	-	4,234
Other items	99	(1,575)	429	-	(1,047)
Tax losses	3,748	2,637	-	-	6,385
Tax assets	12,700	1,680	(5,285)	-	9,095

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.

	2022/23 £'000	2021/22 £'000
Goods for resale	28,585	25,695
	28,585	25,695

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £414.403m (2021/22: £400.685m).

The year-end stock provision is £2.092m (2021/22: £nil).

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

3.8 Trade and other receivables

Keeping it simple - Trade and other receivables

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

Accounting Policy:

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

Current Assets - Trade & Other Receivables

	Note	2022/23 £'000	2021/22 £'000
Trade receivables		22,637	22,554
Prepayments		4,171	5,573
Accrued Income		1,840	8,144
Rental Income receivable	6.2	154	1,570
Other receivables		22,319	21,680
Deposits		24,381	18,347
		75,502	77,868

Non-Current Assets Other Receivables

	Note	2022/23 £'000	2021/22 £'000
Rental Income receivable	6.2	464	6,437
Other Debtors		769	873
		1,233	7,310

Deposits represents amounts due on holiday bookings.

Rental income receivable relates to subleased properties. During the year a significant sub lease was exited, for more detail on subleases see note 3.4.

Provisions matrix has not been disclosed as the provisions held are not significant. A breakdown of the expected credit loss provision can be seen in note 4.6

3.9 Cash and cash equivalents

Keeping it simple - Cash and cash equivalents

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

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

	2022/23 £'000	2021/22 £'000
Cash and cash equivalents	12,145	9,489
Short-term deposits	3,524	3
Cash and cash equivalents in the statement of financial position	15,669	9,492
Bank overdraft	-	(13,331)
Cash and cash equivalents in the statement of cash flows	15,669	(3,839)

The Society's exposure to interest rate risk is disclosed in note 4.6.

3.10 Assets and liabilities held for sale

Keeping it simple - Assets and liabilities held for sale

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

Re-measurement and impairment

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

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

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

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

	2022/23 £'000	2021/22 £'000
Assets classified as held for sale:		
Land and buildings	12,240	19,087
	12,240	19,087
Liabilities classified as held for sale		
Bonds	723	3,297
	723	3,297

Amounts included in assets held for sale relate to non strategic properties and utilities assets. Amounts included in liabilities held for sale relate to funeral bonds. These sales are expected complete in the next 12 months.

An impairment loss of £2.052m (2021/22 - £nil) was recognised on Assets held for sale during the year.

The property valuations undertaken in January 2023 were valued on a "Fair Value" basis as defined in the RICS Valuation - Global Standards January 2017 incorporating the IVSC International Valuation Standards as: The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13). The valuations were carried out by Chartered Surveyors, CBRE & Eddisons Taylors. CBRE have valued the properties on a vacant possession basis and Eddisons Taylors have used a business use basis. The fair value of land and buildings is categorised as recurring fair value measurement (level 2 inputs). Fair values are based on an active market and no significant unobservable inputs.

Section 4 - Liabilities

In this section

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

Keeping it simple - Liabilities

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

4.1 Loans and borrowings

Accounting Policy:

This note provides information about the contractual terms of the Society's interest-bearing loans and borrowings that are measured at amortised cost. For more information about the Society's exposure to interest rate and liquidity risk see note 4.6.

Current liabilities:
Bank overdraft
Current portion of secured bank loans (see notes 3.1 & 3.3)

2022/23 £'000	2021/22 £'000
-	13,331
52,326	(205)
52,326	13,126
-	36,832
-	36,832

Non current liabilities :

Secured bank loans (see notes 3.1 & 3.3)

Terms and conditions of outstanding loans were as follows:

	Rate	Nominal interest rate	Year of maturity	Utilised 2022/23 £'000	Total facility 2022/23 £'000	Utilised 2021/22 £'000	Total facility 2021/22 £'000
Royal Bank of Scotland loan	Fixed	5.73%	2023	23,050	23,105	23,343	23,497
Revolving credit facility Barclays	Variable	SONIA + 2.25%	2023	8,376	23,465	16,832	26,118
Revolving credit facility Lloyds	Variable	SONIA + 2.75%	2023	9,400	19,421	9,783	24,339
Multi-Currency Revolving Facility	Variable	SONIA + 2.75%	2023	11,500	31,380	-	32,000
Total interest bearing liabilities				52,326	97,371	49,958	105,954

The loans are shown net of an unamortised arrangement fee of £0.116m (2021/22: £0.321m)

The total facilities available to the Society as at 28 January 2023 were £97.4m (2021/22 - £106.0m)

The utilised facilities above include the bank overdraft of £nil (2021/22 - £13.331m). The overdraft value is recognised as current liability as it is repayable on demand.

Post balance sheet event

On 22 February 2023 the Society agreed new banking facilities worth £112.6m. The facility is in place for three years with an option to extend the arrangement for a further 12 months in the Society's favour. The interest rates agreed are Sterling Overnight Index Average (SONIA) plus a margin set by the lender.

Notes supporting statement of Cashflows

	Non-current loans and borrowings (excluding bank overdrafts) £'000
At 23 January 2021	60,101
Loan proceeds	146,133
Loan repayments	(169,402)
	36,832
At 22 January 2022	
Loan proceeds	170,962
Loan repayments	(155,353)
Loan agreement fees	(115)
At 28 January 2023	52,326

4.2 Trade and other payables

Keeping it simple - Trade, other payables and provisions

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

Accounting Policy:

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement. For more information about the Society's exposure to interest rate and liquidity risk see note 4.6.

	2022/23 £'000	2021/22 £'000
Current liabilities:		
Trade payables	105,672	122,049
Other payables	32,823	16,136
Travel payments on account	28,805	13,185
Deferred income - Other	1,016	1,562
Accrued charges	18,980	19,639
	187,296	172,571
	£'000	£'000
Non current liabilities:		
Deferred income - Other	170	896
	170	896

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

Held within trade payable is £38.414m (2021/22: 49.122m) worth of pipeline monies received in advance from customers due to the Society's tour operator suppliers.

The Society's exposure to liquidity risk related to its trade and other payables is disclosed in note 4.6.

4.3 Lease Liabilities

Keeping it simple - Lease Liabilities

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

Accounting Policy:

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

Short-term leases and leases of low-value assets

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

Note	Land & Buildings £'000	Plant, Fixtures & Fittings £000's	Vehicles £'000	Total £'000
At 23 January 2021	119,214	7,056	3,768	130,038
Additions	9,734	-	625	10,359
Transfers from property, plant and equipment	598	1,553	-	2,151
Interest expense	4,285	472	123	4,880
Lease payments	(16,701)	(2,401)	(1,231)	(20,333)
Effect of modification of lease terms	2,060	-	26	2,086
Disposal	(6,417)	-	-	(6,417)
At 22 January 2022	112,773	6,680	3,311	122,764
Additions	6,802	-	-	6,802
Interest Expense	4,478	383	57	4,918
Lease Payments	(12,660)	(2,438)	(686)	(15,784)
Disposal	(7,691)	-	(2,430)	(10,121)
At 28 January 2023	103,702	4,625	252	108,579
28 January 2023				
Of which are:				
Current Lease liabilities	8,605	1,573	116	10,294
Non Current Lease Liabilities	95,097	3,052	136	98,285
	103,702	4,625	252	108,579

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

4.4 Provisions

Keeping it simple - Provisions

Provisions are amounts set aside from the society's profits to cover an expected liability or a decrease in the value of an asset, even though the specific amount might be unknown.

	Leasehold dilapidations £'000	Total £'000
At 23 January 2021	-	-
Other increases	781	781
Charged to profit and loss	(25)	(25)
At 22 January 2022	756	756
Reclassification from accrued charges	2,278	2,278
At 28 January 2023	3,034	3,034
28 January 2023		
Due within one year or less	-	-
Due after more than one year	3,034	3,034
	3,034	3,034
22 January 2022		
Due within one year or less	-	-
Due after more than one year	756	756
	756	756

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. Dilapidation provisions accrue from the point at which the Society realises a cost to return a property to its original state will arise based on reasonable estimates.

4.5 Pension obligations

Keeping it simple - Pension obligations

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

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

Accounting Policy:

Defined contribution plans

The Society operates a defined contribution scheme for all employees. All costs relating to the defined contribution schemes are charged to the income statement as incurred. Contributions to the defined contribution scheme in the year were £2.083m (2021/22: £2.311m) and were charged through the Income Statement.

Defined benefit plans

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

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

Full actuarial valuations of the scheme were carried out at 31 December 2018 and were updated to 28 January 2023 by a qualified independent actuary.

	2022/23 £'000	2021/22 £'000
Plan Assets comprise:		
Equities:		
Developed equities	10,367	39,199
Senior secured loans:		
Alternative credit	10,395	27,378
High quality bonds	74,675	72,292
Other - Emerging market debt	4,892	9,429
Property	30,820	43,482
Diversifying strategies	18,871	37,295
Cash and cash equivalents	18,519	25,057
Other:		
Listed infrastructure	2,758	10,507
Other	1,967	4,239
Annuity policy	787	720
	174,051	269,598

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

	2022/23 £'000	2021/22 £'000
Actual return on plan assets	(93,104)	6,313

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

Change in defined benefit obligation

	2022/23 £'000	2021/22 £'000
Defined benefit obligation at beginning of year	304,515	312,224
Interest cost	5,840	4,768
Experience adjustments	15,850	-
Actuarial gain	(126,682)	(4,860)
Benefits paid	(8,602)	(7,476)
Annuity policy	67	(141)
Defined benefit obligation on plans that are wholly or partly funded	190,988	304,515

Change in plan assets

	2022/23 £'000	2021/22 £'000
Fair value of plan assets at beginning of year	269,598	264,516
Interest income	5,219	4,077
Actuarial (losses)/gains	(98,323)	2,061
Administration expenses	(1,694)	(1,787)
Employer contribution	7,786	8,348
Benefits paid	(8,602)	(7,476)
Annuity policy	67	(141)
Fair value of plan assets at end of year	174,051	269,598

Net pension obligation

Funded status	(16,937)	(34,917)
Net amount recognised	(16,937)	(34,917)

Components of pension cost

	2022/23 £'000	2021/22 £'000
Interest cost	5,840	4,768
Expected return on plan assets	(5,219)	(4,077)
Administrative expenses and taxes	1,694	1,787
Total pension cost recognised in the Income statement	2,315	2,478

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

	2022/23 £'000	2021/22 £'000
Effect of changes in demographic assumptions	(6,276)	(533)
Effect of changes in financial assumptions	(120,406)	(4,327)
Effect of experience adjustments	15,850	-
Return on plan assets (excluding interest income)	98,323	(2,061)
Total pension income recognised in other comprehensive income	(12,509)	(6,921)

Cumulative cost of actuarial losses immediately recognised

	71,399	83,908
--	---------------	---------------

Weighted average assumptions used to determine defined benefit obligations:

	2022/23	2021/22
Discount rate	4.60%	1.95%
Price inflation rate (RPI)	3.00%	3.15%
Price inflation rate (CPI)	2.50%	2.55%

Weighted average assumptions used to determine net pension cost:

	2022/23	2021/22
Discount rate	1.95%	1.55%
Future salary increases	N/A	N/A
Price inflation rate (RPI)	3.15%	2.70%
Price inflation rate (CPI)	2.55%	2.10%

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

	Males		Females	
	2022/23	2021/22	2022/23	2021/22
The average life expectancy of an individual retiring at age 65	22.2	22.2	23.9	23.9
The average life expectancy of an individual aged 40 retiring at age 65	23.6	23.7	25.7	25.6

Two year history

	2022/23 £'000	2021/22 £'000
Benefit obligation at end of year	(190,988)	(304,515)
Fair value of plan assets at end of year	174,051	269,598
Deficit	(16,937)	(34,917)
Difference between expected and actual return on scheme assets:		
Amount (£'000)	(98,323)	2,061
Percentage of scheme assets	(56)%	1%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	15,850	-
Percentage of scheme assets	9%	0%

Sensitivity analysis

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

	Total deficit	Change in reported deficit
Minus 0.5% discount rate	32,158	(15,221)
Plus 0.5% discount rate	3,401	13,536
Minus 0.5% inflation rate	7,803	9,134
Plus 0.5% inflation rate	27,514	(10,577)
Mortality rate -1 year	22,046	(5,109)
Mortality rate +1 year	12,053	4,884

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 28 January 2023 the Trustee board comprises three Society trustees and three member nominated representatives along with an independent professional trustee. 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. The 31 December 2021 valuation of the Scheme was signed off in November 2022 and as a result the Society is currently contributing £7.79m per annum in deficit recovery contributions and running costs of the scheme. 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 28 January 2023, the weighted average duration of the defined benefit obligation was approximately 16 years.

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

4.6 Financial instruments and derivatives

Keeping it simple - Financial instruments and derivatives

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

Credit risk:

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

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

	Note	2022/23 £'000	2021/22 £'000
Cash & Cash equivalents (excluding overdrafts)	3.9	15,669	9,492
Other Financial Assets	3.5	4,509	3,792
Trade and other receivables	3.8	44,760	45,804
		64,938	59,088

The ageing of trade receivables at the reporting date was:

	Gross 2022/23 £'000	Impairment 2022/23 £'000	Gross 2021/22 £'000	Impairment 2021/22 £'000
Not overdue	20,712	-	33,052	-
Overdue 0-30 days	895	-	6,476	(193)
Overdue 31-120 days	688	(7)	884	(300)
121 days to one year	672	(274)	567	(305)
More than one year overdue	688	(386)	347	(274)
	23,655	(667)	41,326	(1,072)

Movement in Trade receivables impairment for the year

Impairment balance as at 22 January 2022	(857)
Utilised for continuing operations	23
Utilised for discontinued operations	2
Reduction in provision for the year	165
Impairment balance as at 28 January 2023	(667)

Liquidity risk:

Borrowing requirements are managed in line with a three year cash flow forecast revised annually and reviewed against the Society's debt portfolio and maturity profile. Further detail of the Society's facilities and response to Coronavirus is presented in the going concern section of the basis of preparation, see note 1.b. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	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 2023							
Secured bank loans & overdraft	52,326	52,326	-	52,326	-	-	-
Lease liabilities	108,579	154,656	7,719	7,719	15,024	32,857	91,337
Trade and other payables	187,296	187,296	187,296	-	-	-	-
	348,201	394,278	195,015	60,045	15,024	32,857	91,337
22 January 2022							
Carrying amount £'000		Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans & overdraft	49,958	53,630	14,169	838	38,623	-	-
Lease liabilities	122,764	152,860	8,131	8,198	15,045	36,676	84,810
Trade and other payables	172,571	172,571	172,571	-	-	-	-
	345,293	379,061	194,871	9,036	53,668	36,676	84,810

Interest rate risk:

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

	Carrying amount 2022/23 £'000	Carrying amount 2021/22 £'000
Fixed rate instruments: Financial liabilities	(23,050)	(23,343)
Variable rate instruments: Financial assets	15,669	9,492
Financial liabilities	(29,276)	(26,615)

For details surrounding the Society's interest rates attached loans see note 4.1

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 28 January 2023 amounted to £172.343m (2021/22: £161.370m).

Guarantees:

In the course of conducting its operations, the Society has issued bank guarantees in favour of counter-parties. The total amount of bank guarantees outstanding is £18.168m (2021/22: £11.717m).

Fair values:

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

Note	2022/23		2021/22 Restated	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Other Financial assets	3.5	4,509	3,792	3,792
Trade and other receivables	3.8	72,564	79,605	79,605
Cash and cash equivalents	3.9	15,669	9,492	9,492
Secured bank loans & overdraft	4.1	52,326	49,958	53,630
Lease liabilities	4.3	108,579	122,764	122,764
Trade and other payables	4.2	167,849	152,220	152,220

The directors have identified an error in the classification of financial assets and liabilities and restated the prior year disclosure to reflect this. The impact of the correction of the error result in Trade and other receivables being reduced by £5.573m from £85.178m to £79.605m and Trade and other payables being reduced by £18.789m from £171.009m to £152.220m in the prior year comparative. This change has had no impact on the reported net assets, cash flows or profits of the current or prior year.

Estimation of fair values

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

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

Interest-bearing loans and borrowings

Fair values have been determined by discounting future cash flows at 2.39% (2021/22: 2.21%) The basis of the interest rate was the Sterling Overnight Index Average (SONIA) plus a margin available to the Society for bank borrowings at the year end.

Section 5 - Equity

In this section

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

5.1 Capital and Reserves

Keeping it simple - Capital and Reserves

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

Accounting Policy:

The revaluation reserve holds unrecognised gains on properties. This reserve is not distributable to members until the gain is realised upon the sale of the property it relates to.

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

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

Shares currently attract interest at rates between 0% and 6.00%.

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

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

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

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

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

As a member you are a shareholder of The Midcounties Co-operative Limited. If the Society is unable to meet its debts and other liabilities, you will lose the whole amount held in shares, hence it is known as risk capital. This may make it inappropriate as a place to invest savings. The Financial Services Compensation Scheme, which applies to bank and building Society accounts and to some investments, does not apply to your share account. The Society, unlike banks and building societies and investment firms, is not authorised and supervised by the Financial Services Authority (although it may be registered by it). Therefore you cannot claim compensation under this Scheme in the event of the Society not being able to pay out your share capital. You may withdraw money from your share account at any time unless the board of directors have removed the facility under the Society's rules. Withdrawable share capital does not characterise an investment in the conventional sense. The withdrawable share capital held in your share account may receive interest but the shares do not increase in value. It is primarily for the purpose of supporting your Society rather than making an investment. The Financial Ombudsman Service does not apply to your share account or your relationship with the Society but under the Society's rules any dispute may be subject of arbitration.

Dividends:	£'000
The Final Dividend for 2021/22 was declared and approved (October 2022) by the Society:	1,100

The Dividend was paid in December 2022.

Section 6 - Other notes

In this section

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

6.1 Prepaid Funeral plans

Keeping it simple - Funeral prepayment plans

The Society discontinued operations of its Funeral business in November 2021. This note is now for comparative purposes only. When a customer bought a funeral plan from the Society, we invested the money they gave us, and we recognised that we had an obligation to provide a funeral in the future. We included a liability on our balance sheet for these, under deferred income, and we recognised an effective interest charge on the monies received from a customer in each year until the plan was redeemed at which point the revenue was recognised as the total of the monies received from the customer and the interest charged. This note shows these liabilities and how they have changed during the period.

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

Accounting Policy

Revenue from Funeral plans

Prior to discontinuation, the Society recognised the investment gains in the income statement as they arose in accordance with IFRS 9. Consequently, because payments were received in advance of the delivery of a funeral a financing transaction was recognised, such that the payments received from the customer grew over time by a rate which reflected a financing rate between the Society and the customer.

Any investment gains and losses from our whole of life policies were measured at fair value through our income statement in accordance with IFRS 9 rather than being taken at net through operating profit.

Revenue was considered to be the amounts we received from the customer in accordance with IFRS 15 rather than current costs of a funeral. Under this policy, payments were received from the customer in advance of a funeral being performed and so we recognised an effective interest charge on the monies received from a customer in each year until the plan redeemed at which point the revenue was recognised as the total of the monies received from the customer and the interest charged. The gains or losses arising from movements in the fair value of funeral plan investments were recognised within our finance income or finance costs each year.

A significant accounting estimate was present in deriving a suitable financing rate to apply to the monies received from a customer. This financing rate was fixed for the duration of the plan. The rate applied was based on an estimated borrowing rate between the customer and the Society at the point the contract was entered and reflected the security over our customers' plans through the whole of life policies we had in place.

Ageing of policies is based on national statistic life expectancy against the age of the plan holder. Life expectancy for males was 82.3 in the prior year and 85.8 for females.

Determination of interest rate: Funeral prepayment plans

As noted above, a significant accounting estimate was present in deriving a suitable interest rate to apply to the monies received from a customer when they purchased a funeral plan. The interest rate was required to reflect the borrowing rate that would be applied between the Society and the customer in a separate financing transaction reflecting similar credit characteristics and similar security at the point the contract was entered into. These rates were then fixed for the duration of the plan. We derived the relevant interest rates by looking at the borrowing rates available to the Society at the point of time the funeral plan was taken out.

Movement in deferred income for the year

	2022/23 £'000	2021/22 £'000
Opening Balance	-	79,212
Redeemed in Year: Revenue	-	(4,599)
Net Interest	-	1,246
Closing Balance at the end of the year	-	-

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

6.2 Rental income

Keeping it simple - Rental income receivable

An rental income receivable is where rent is received to allow use of an asset that we own, for example, a property.

The Society leases out its investment property. The Group classifies some leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets or are short term (less than 12 months) or have low rental income value (£5,000 or less). The remaining leases are seen as finance leases as substantially all of the risks and rewards incidental to the ownership of the assets are transferred to the lessee. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

As the Society also sub-leases some of its non-occupied leased properties, the table also includes sub-leased income for details of subleased rental income please refer to note 3.4.

	Carrying amount £'000	Present Value £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
28 January 2023							
Operating leases	-	1,104	739	280	56	29	-
Finance Leases	618	718	83	83	266	202	84
	618	1,822	822	363	322	231	84
22 January 2022							
	Carrying amount £'000	Present Value £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Operating leases	-	2,845	523	454	109	927	832
Finance Leases	8,007	8,754	785	785	2,551	2,828	1,805
	8,007	11,599	1,308	1,239	2,660	3,755	2,637

6.3 Capital commitments

Keeping it simple - Capital commitments

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

Expenditure committed but not provided for

	2022/23 £'000	2021/22 £'000
Expenditure committed but not provided for	3,633	4,489

6.4 Related party transactions

Keeping it simple - Related party transactions

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

During the year:

- Vivian Woodell was Director of Student Co-operative Homes which received support of £6,000 in 2022/23 from The Co-operative and Social Economy Development Fund run by the Society, as part of agreed funding of £18,000 over 3 years. He was also a Trustee of The Co-operative College Trust and a Director of Co-operatives UK Limited. Co-operative Europe, where Vivian Woodell is a Director, received £3,000 from the Society in the year.
- Fiona Ravenscroft was a Director of Co-operatives UK Limited.
- Olivia Birch was Director of Revolver Co-operative Limited and Matthew Lane was Director of Woo Cooking Oils Limited.
- Paul Mather and Barbara Rainford were Directors of Co-operative Futures Limited.
- Victoria Green and Nick Milton were Directors of Co-operative Press Limited.

Products or services supplied to Midcounties by

Revolver Co-operative Limited
Co-operative Press Limited
Co-operative Futures Limited
Co-operatives UK Limited

	2022/23 £'000	2021/22 £'000
Revolver Co-operative Limited	82	44
Co-operative Press Limited	20	16
Co-operative Futures Limited	40	48
Co-operatives UK Limited	259	286

The Society was reimbursed £1.021m (2021/22 £1.222m) by Premier Pensions in relation to pension scheme costs paid for by the Society.

6.5 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 28 January 2023, the Group consisted of The Midcounties Co-operative Limited and the wholly owned subsidiaries and companies listed below, which are registered in England except where stated below.

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

The following were not trading throughout the year:

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

The Society also owns 50% of Co-op Community Energy Limited and 33% of The Co-operative Renewables Limited.



your
COOP

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

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