

central COOP

Annual Report

53 weeks ended 28 January 2023



About us, Our Values and Purpose



WE TRADE IN OVER
21
COUNTIES



WE EMPLOY OVER
7,500
PEOPLE



OUR PROUD
HERITAGE DATES
BACK ALMOST
180
YEARS

A Thriving, Community-based, Co-operative Business

Central England Co-operative (trading as Central Co-op) is a successful, independent, community-based co-operative business owned by its Members. We are a modern, forward-looking business, employing around 7,500 people and operating more than 460 trading outlets across 21 counties in Central England.

Our main business activities are food stores, petrol filling stations, funeral services and property investment.

We are proud of our heritage, which dates back almost 180 years, and have grown to become one of the largest and most successful co-operatives in the UK. Our colleagues are at the heart of our business and make a positive difference in the communities they serve. We focus continuously on being a great place to work by harnessing the talent, creativity and diversity of our colleagues.

What makes us different...

We have a purpose beyond profit that benefits our Members and local communities. A co-operative is a group of people acting together to meet the common needs of its Members, sharing ownership and making decisions democratically. We take a long-term approach to doing business and believe that we can maximise our performance and create value for our Members and local communities by behaving differently from our competitors. We are guided by our co-operative values and principles to achieve sustainable business success.

The 'Difference Makers', our superbly caring and community-minded colleagues and teams, are widely celebrated for their outstanding actions and contribution to the success of our Society.

Our Membership and Community Councils provide a diverse range of events and activities for our Members across the areas in which the Society trades.

We act responsibly and continually seek opportunities to address climate change and contribute to the wellbeing of local communities. We invested 1% of our trading profit into supporting local groups and good causes through our Community Dividend Awards and are delighted to continue our successful fundraising partnership with Dementia UK.

Quick reads

Here are some key sections in our Annual Report if you only have 15 minutes

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MESSAGE FROM OUR PRESIDENT

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Read more about us at:
www.centralcoop.co.uk

Our Purpose

The long-term strategic direction, shape, and relevance of our business, as well as how we operate as a Member-owned, community based co-operative Society, is guided by Our Purpose, '**Creating a sustainable Society for all**'. Our Purpose is underpinned by the internationally recognised co-operative values, together with our mission to provide a co-operative difference and Member benefit, with fully engaged and inspired colleagues who are intent on **making a difference** in our communities and in the operation of our business activities.



WE OPERATE OVER

460

TRADING
OUTLETS



Our Values

We are guided by the internationally recognised co-operative values.

- **Self-help**
people helping each other whilst helping themselves by working together for mutual benefit
- **Self-responsibility**
Members playing their part to make the Society a success
- **Democracy**
all Members are equal, one Member one vote
- **Equality**
each Member has equal rights and benefits
- **Equity**
Members are treated justly and fairly
- **Solidarity**
Members support each other and other co-operatives



OUR COLLEAGUES
ARE AT THE
HEART OF OUR
BUSINESS

What we do

Food




244
FOOD STORES

We continuously **invest in and improve our food stores** to provide **welcoming, energy efficient community stores** with a wide range of products and services to meet the needs of our Members and customers.

Food Distribution

Our **Food Distribution Centres** based in Leicester distribute over **32 million cases** annually to the Society's food stores, as well as those of two other neighbouring co-operative societies. To support our **strategy for future sustainability**, we recently agreed to join the LIDIA ('Logistics Integration and Development to Improve Availability') network in 2024, a national co-operative collective distribution and logistics operation, serving **4,000 stores** with **13 Distribution Centres** across the UK.




20
PETROL FILLING STATIONS

Our filling stations are a **key part of our food store estate**, where our Members can **earn membership points** every time they fill up.




6
INSOMNIA COFFEE SHOPS

Our **partnership with Insomnia** has enabled us to offer modern, local cafés for **our communities to enjoy**

Funeral




176
FUNERAL
HOMES

We believe every funeral should be a **unique and personal affair**. This year, we supported **20,078 families** with meaningful funerals that were right for loved ones lost and their families. In supporting our communities, we invested in our funeral estate to provide **modern, warm and inclusive funeral homes**, with our first transformation, Kettering, opened in November.

Central Co-op Funeral Plans

In July 2022, we launched an **FCA-regulated funeral planning business** to help people to plan ahead, so that they know when the time comes, their wishes will be respected.

Crematorium

Set in the countryside of Derbyshire, Bretby Crematorium offers a **peaceful haven for quiet contemplation and remembrance**. The crematorium is made up of two chapels, each with a separate and covered floral tribute area, and has been painstakingly designed to ensure that families can come together to say goodbye in the very best surroundings. The grounds are maintained as natural woodland, with no plaques, memorial stones or rose beds, and are **open to families 365 days a year**. Our Rainbow Garden has been created especially for families who lose a child. This special space has been attentively created so that our families can spend time here. There are chalkboards to leave temporary memorials and stones for families to paint and leave in memory under our rainbow bridge.




9
FLORIST
SHOPS

Our expert florists make **spectacular floral arrangements** ranging from bouquets, wedding flowers, even to a car which was created for an enthusiast's funeral. Our creative floral team support our funeral business, as well as assembling pop-up shop events in our stores.


2
MASONRY
SHOWROOMS

Our masons make, install, update and repair memorials, **supporting our families in finding a safe and peaceful space** to reflect, love and remember.



Coffin Manufacture

Over 41,000 coffins were made in the year, providing for our own funeral estate as well as other funeral directors. To support our sustainability agenda and widen client choice we launched a range of eco coffins and caskets including a natural pine coffin designed and developed by our Terry Smiths coffin factory.

Property Investment

Our investment property portfolio **represents an important part** of the Society's asset base, as well as generating **significant annual rental income**.


£120m
COMMERCIAL
& RESIDENTIAL
PROPERTY
PORTFOLIO

Society and Financial Highlights

CHANGED OUR
TRADING NAME AND
LOGO TO

central **COOP**



LAUNCHED
OUR NEW
MEMBERSHIP APP



NEW WEBSITE

launched our FCA-approved
Funeral transactional website,
offering funeral plans online

80,000+

NEW MEMBERS
JOINED OUR SOCIETY

CHRISTMAS TOY APPEAL

saw 7,000 toys
donated

Goodwill to All
campaign saw 200,000
hot meals provided
to those in need via
Fareshare Midlands



OUR PLANTING PROMISE

to plant a tree for
every funeral we
conduct is on target to
plant 13,000+ trees.



MEMBER DEALS

on everyday essentials drove
new membership to record
levels in recent history





INVESTMENT INTO
NEW REBRANDED
FUNERAL HOME IN
KETTERING AND
OUR CREMATORIUM
AT BRETBY



9

NEW FOOD STORES,
THREE NEW CAFÉS,
REGENERATION OF
25 STORES



OUR COMMUNITY DIVIDEND FUND

shared out £180,719
between 162 charities and
good causes



SOLAR ENERGY

significant investment in solar energy throughout
our estate to reduce our energy consumption and
increase our self-generation via an ambitious solar
photovoltaic roll-out programme



INVESTMENT
IN OUR NEW
SUPPORT CENTRE

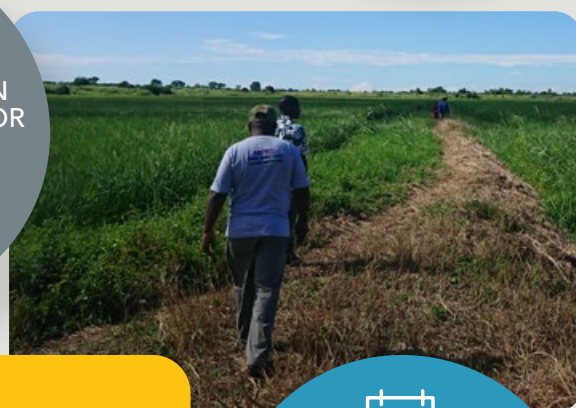


CONTINUED
ROLL-OUT OF
SELF-CHECKOUT
TILLS



CO-OP GENERATION
PANEL LAUNCHED FOR

18-25
YEAR OLDS



NEW CULTURE
CAMPAIGN

**THE
DIFFERENCE
MAKERS**



LAUNCHED OUR MALAWI PARTNERSHIP

A trading partnership with co-operative
producers and farmers in Malawi. 800
Malawi farmers trained to produce
organic fertiliser and planting of 400+
coffee trees



4/5

SUSTAINABLE SPACES
ACHIEVED TO DATE

Financial Highlights

Underlying Turnover

£953.9m

(2022: £874.7m)



Underlying Trading Profit

£14.9m

(2022: £19.9m)



Operating Profit

£19.8m

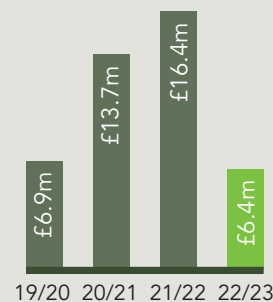
(2022: £23.2m)



Profit before tax and payments to and on behalf of stakeholders

£6.4m

(2022: £16.4m)



£3.2m

PAYMENTS TO AND
ON BEHALF
OF STAKEHOLDERS
(2022: £3.0M)



£28.0m

CASH GENERATED FROM
OPERATIONS (BEFORE
PENSION DEFICIT FUNDING)
(2022: £36.8M)



£19.6m

NET DEBT
(2022: £2.9M)



£36.5m

CAPITAL EXPENDITURE
(2022: £21.5M)



£272.1m

NET ASSETS
(2022: £275.4M)

Growing our business



25

STORE
REGENERATIONS



9

NEW FOOD
STORES

New stores and regenerations have been using new ways to showcase our great range of products to Members and customers.

Board of Directors



Jane Avery

President

(CD) (R) (S)



Tanya Noon

Vice-President

(elected 19 May 2022)

(C) (RP) (S)

Key

- (A) Audit & Risk Committee
- (C) Conduct Committee
- (CD) Community Dividend Selection Committee
- (MC) Membership & Community Strategy Committee
- (R) Remuneration Committee
- (RP) Rules & Practices Committee
- (S) Search Committee



Suzanne Bennett

(elected 29 April 2022)

(CD)



Marc Bicknell*

(A) (C)



John Chillcott

(R)



Danny Douglas

(elected 29 April 2022)

(R) (C) (MC)



Dave Ellgood

(R) (MC)



John Howells

(A) (R) (CD)



Mark Grayling

(elected 29 April 2022)

(A) (RP)



Maria Lee

(MC) (RP) (S)



Jody Meakin

(C) (S)



Sue Rushton

(A) (CD)



Bradley Tuckfield

(MC) (S)

Richard Bickle

(resigned 27 April 2022)

(A) (R) (RP) (C)

Marta Mayhew

(resigned 27 April 2022)

(A)

Elaine Dean

Vice-President
(resigned 27 April 2022)

(C) (MC) (RP) (S)

Rachel Wilkinson*

(resigned 27 April 2022)

(C) (R) (RP)

*Independent Non-Executive Director

Executive Team and our Society Secretary



Debbie Robinson
Chief Executive



Neil Robinson
Chief Financial Officer



Paul Dennis
Chief Operations Officer



Sarah Dickins
Chief People Officer



Andy Peake
Chief Commercial Officer

Our Society Secretary



Andrew Seddon
Society Secretary
(formally appointed
29 January 2022)

Liz Robson
Chief Technology Officer

Rajesh Gupta
Chief Member and
Customer Officer

James Watts
Society Secretary
(last working day 21 January/
retired 8 April 2022)

President's Overview

This past year has been one of **change** and there have been some tough **challenges** facing **our Society**.

To our Members,

It has been my pleasure and privilege to serve as Society President since 2020 and the past three years have flown by. In accordance with our Rules, the President may only serve for three consecutive years in office and so, this is my final President's Overview. My grateful thanks to my fellow Directors who were generous and kind when I first took on the role, for their continuing support, and to the Executive team who have been endlessly helpful. Special thanks to our Society Secretary, Andy Seddon, and his team, as well as his predecessor, Jim Watts.

Like many other co-operatives and other businesses, this past year has been one of change and there have been some tough challenges facing our Society. Debbie Robinson will expand on these changes and challenges within the business in her Chief Executive's Review. I would like to focus on how we wish to see our Society develop and grow in the future but I also wish to acknowledge here the difficult decisions that were made in the year and extend my thanks to our colleagues who have continued to support us in alternative roles, as well as to those who have left the Society, for their hard work and dedication during their careers with us.



Board Activity: our constitutional year began last May, when we welcomed Suzanne Bennett, Danny Douglas and Mark Grayling to the Board. We also welcomed back John Howells and Jody Meakin, who were both re-elected. All have settled well into the role and are part of a cohesive team whilst retaining their independent voices. In addition to attending monthly Board meetings and two annual strategy events, Board members undertook additional duties in relation to the governance and smooth running of the Society.

In July, we held our Strategy Day and the long-held aspirations of the Board to 'Make Membership Meaningful' began to crystallise into a concrete Action Plan. We knew why we wanted to do this – we were not clear how. Following the Strategy Day, Members will have noticed discounts available to them in stores at the point of sale. Our customers noticed too and have been joining our Society in droves. By the financial year end, we had over 87,500 more Members than last year. Investing in price reductions is the right way to help our Members as the cost-of-living crisis continues to impact on so many.

Membership: becoming a Member to get discounts is just one Member benefit though and we have ambitions to engage with our old and new Members alike, through a wide range of Member benefits, some of which will be announced at the upcoming Annual Members' Meeting in 2023. Co-operatives have a proud tradition of serving their Members' needs ... 'from the cradle to the grave', used to be the phrase and the Board is convinced that the future strength and stability of the Society lies with developing Member loyalty and meeting our Members' needs both now and into the future. We have worked hard to better understand these needs by setting up and engaging with the Membership Panel, as well as the phenomenal support and knowledge of our Member & Community Councils ('MCCs') and Membership & Community Relations Officers ('MCROs'). Our MCCs and MCROs have worked hard to respond to the difficulties and challenges currently being

"By the financial year end, we had over 87,500 more Members than last year. Investing in price reductions is the right way to help our Members as the cost-of-living crisis continues to impact on so many."

Jane Avery, President



experienced across the whole of society by providing and promoting health and wellbeing initiatives.

By building fair and sustainable communities with significant investment in solar panels, as well as promoting the platform for co-operatively-minded young people by launching the Young Members' Panel, we are committing to the Society's long-term success.

In addition to new benefits, Central Co-op continued to support member education, cultural and recreational activities, in conjunction with our local communities. The work of our dedicated and hard-working Membership and Community Relations Officers is carried out by Karen Bevan, Kym Cooper, James Knight and Tanya Noon, who are supported by Tami Evans and Jody Meakin. The large geographical spread of our MCCs covers Yorkshire, Northern, Southern, Western and Eastern regions, the latter splitting into two areas due to geographic challenges. Committee members are co-operative Members and colleagues who go the extra mile to Make Membership Meaningful and a full report of their activities is included later on in the Annual Report. As a Society, we are most grateful that over 60 Members and colleagues work to engage with our communities.

International Co-operation: I don't need to remind anyone how tough things are for people right now but it has never been the co-operative way to hunker down and look only inwards. We can make a difference beyond our small world by working together and I am very proud that our Society has taken the initiative and created a trading partnership with co-operative producers and farmers in Malawi. Malawi has been a member of the Commonwealth since gaining independence in 1964 and is a stable and democratic country. However, there is deep poverty there which people are addressing by forming co-operatives to share costs of production and marketing, whilst ensuring that the producers and farmers and their

communities share the wealth generated. Look out for Malawi products in our stores – the rice is particularly good and so is the peanut butter (and it doesn't contain palm oil!) and all profits from the sale of these items goes into an International Co-op Development Fund to facilitate new co-operatives or invest in schools and hospitals.

At the time of the 2021/22 Annual Report, the war in Ukraine had begun and I remember feeling helpless in the face of such aggression at international level. Making donations seemed the limit of what we could do, though this was not the case. With zero fanfare, colleagues at the Business Support Centre worked to secure the correct paperwork to get two families out of the war zone and to the UK. Furthermore, two women have been housed in two of our houses in Markfield and are now supporting their families by working as valued colleagues. It was practical support where and when it mattered – but I do hope the conflict ends soon.

Colleagues: thinking of others and finding co-operative solutions does not prevent us from focusing on the needs of our colleagues. I am equally proud that we have raised base-level pay to above the national living wage – and we have ambitions to do more for our colleagues. This is part of our strategy for creating a sustainable Society for All and has to be achieved through careful management of all our resources.

I hope you share my pride in what our Society does – for colleagues, for Members, for our own communities and for the global co-operative community, and for the environment and I thank you for supporting the Society to enable all of this good work to continue.

Jane Avery
President

£1.9m

RAISED FOR
DEMENTIA UK

30,000

ITEMS DONATED
TO THE EASTER
FOOD BANK
APPEAL

£28,000

DONATED TO
THE DISASTERS
EMERGENCY
COMMITTEE

100,000

MAGIC BAGS
CREATED

Chief Executive's Review

Our Members, customers and colleagues, are at the **heart of everything we do.**

I would like to begin with a heartfelt thank you to all our Members, customers, colleagues and our Board, for all your support and co-operation in achieving the great strides made in delivering our strategic priorities and changes over the past year. We've achieved so much – and as a co-operative – we've achieved it together and made a significant difference for our Members, customers and colleagues. Thank you!

External Context

2022 was yet another challenging year, with political and economic instability experienced across the UK and the world at large, impacting harshly upon society and everyday life. The tragic, ongoing invasion of Ukraine displaced families, disrupted supply chains, gave rise to an increase in cyber-attacks on businesses, brought about negative, global economic effect. More recently, we were devastated to see the colossal loss of life caused by the floods in Pakistan, as well as the earthquakes in Syria and Turkey, and we watch with hope as the UN endeavours to reunite families in the wake of the tragedies.

Once again, the co-operative movement took collective action to support the DEC Appeal, to deliver vital funds to people on the ground to help those in need.

At home, the UK economy stagnated in the final quarter of the year, narrowly avoiding a recession. Albeit this is a case of when, not if, it happens as a combination of double-digit inflation, high interest rates and less fiscal support means that household disposable income is likely to continue to shrink during the first half 2023. Remembering an extraordinary reign, we commemorated The Queen's Platinum Jubilee in June, and the nation celebrated her remarkable life at her State Funeral in September. The widening UK wealth gap gave rise to increased levels of industrial action in the rail services and public services sectors, including the first nurses strike in history.

Our Purpose and strategy – creating a sustainable Society for all: financial, human, environmental and inclusive

Against a backdrop of turbulence, change and the cost-of-living crisis, it became increasingly important that we focused on and considered the needs of our Members and our collective needs as a co-operative, as well as our role in wider society, ensuring we create a sustainable Society for all and for future generations. We must hold dear to our co-operative roots and nourish these to encourage new and healthy growth in order to be relevant and to flourish in the years to come.

Future success and sustainability means trading some meaningful and purposeful steps: providing our Members and customers with more **choice** on how they shop with us, promoting our **co-operative points of difference** in all we do, engagement with our **colleagues who make the difference**, to achieve good **commercial performance**. Our immediate focus is on delivering better value for our Members, to be a great place to work for colleagues, controlling costs and investing in our Society to build for the future.

We have a clear plan and exciting opportunities to grow our sales, increase membership, improve our efficiency and mitigate increasing costs. Our focus has been on driving down our costs to provide better service and offer value to our Members and customers, improve the terms and conditions for all our colleagues and mitigate the continuing fiscal headwinds. We have taken some difficult decisions in 2022, to set the path for future success and effectiveness. In July 2022 and January





2023, we announced key strategic changes necessary to meet our growth plan and widen our reach to Members and local communities, and plan for long-term financial sustainability. We took a carefully considered decision to make changes to our central support structure, as well as to invest in and modernise our Support Centre. Following collective consultation with USDAW, we successfully redeployed 33% of colleagues affected into alternative roles. I would like to thank all our colleagues for their support and professionalism throughout the difficult decisions – to those who have taken on new challenges – and to those who have moved on – for their hard work and dedication. I wish you all every success and happiness in your new journeys.

In addition to commercial investment into a new Support Centre, we also agreed to join the Co-operative Distribution Network, LIDIA, a national collective distribution and logistics operation, serving 4,000 stores with 13 distribution centres across the UK. The LIDIA network operates across our current store locations and future extended footprint, which will be key to success in our future growth plans and particularly relevant in improving our offer to Members and customers.

I am honoured to serve as Vice-President of Euro Co-op – keeping close to our European neighbours.

Executive Restructure

From February 2023, changes were made to our Executive team structure in order to best align our strategic direction and put Members and customers at the heart of everything we do. Sarah Dickins took on an expanded role as Chief Member, Customer & People Officer; Andy Peake, our Chief Commercial Officer, took on additional responsibilities for commercial marketing and digital; and the technology team now have a reporting line into Paul Dennis, our Chief Operations Officer.

We recently announced the imminent departure of Neil Robinson, who accepted a new role in another sector. I would like to thank Neil for his leadership in Finance and for orientating us through FCA accreditation, the set-up of our Funeral Plans business, the Midcounties funeral acquisition, as well as his continued assurance and guidance throughout the financial year-end. Liz Robson left the Society in February 2023, after leading our technology team and supporting our Society throughout the pandemic, pioneering the way for home-working for colleagues and self-scanning for our Members and customers, and protecting our IT infrastructure.

Rajesh Gupta left the Society in February 2023, after leading on Central Co-op rebrand, driving up membership participation, guiding our digital plan, and kindling our Malawi project. Neil, Liz and Rajesh, leave the Society with our sincere thanks and very best wishes for the future.

Our Business Performance

Trading performance over the past twelve months has been challenging due to increasing financial pressures on household budgets. Across the retail market, trading conditions are indicative of a broad trend of reduced profitability and are expected to continue into the next financial year. Notwithstanding the trading pressures and significant cost headwinds from increased energy prices and wage inflation, we achieved budget. Underlying turnover grew by 9.1% to £953.9m (2022: £874.7m). Underlying trading profit declined 25.2% to £14.9m (2022: £19.9m) primarily driven by the removal of government support for business rates, for which £4.5m was received last year, with wider cost headwinds being broadly offset by significant mitigating actions to maintain our profitability. Operating profit was £19.8m (2022: profit of £23.2m) and contained a number of one-off items, including restructuring provisions and a change in accounting estimate for funeral plan liabilities.

Cash generation from operating activities (before pension deficit funding) remains strong at £28.0m, although down 23.8% on last year (2022: £36.8m). Capital expenditure of £36.5m (2022: £21.5m) allowed us to open nine new stores, three new cafés, regenerate 25 stores, and invest in our new rebranded funeral home in Kettering, our crematorium at Bretby, continued roll-out of self-checkout tills, investment in our new Support Centre and the start of our roll-out of solar panels across our estate with the short to medium-term ambition of being **energy self-sufficient**, as well as a longer-term ambition of rolling out green energy to our communities, accelerating our actions and desire to combat the Society's climate footprint. Net debt of £19.6m increased compared to last year (2022: £2.9m) as a result of planned increases in capital investment but remained well within our £40m debt facility.

The Society's net assets show a steady position of £272.1m compared to last year (2022: £275.4m).

Chief Executive's Review

continued



Key trading events and innovative measures taken to achieve commercial sustainability resulted in increased sales and profit growth in all of our largest trading events, led by a strong Christmas trading period and a record day for sales on Christmas Eve, boosted by Members Star Deals in the build-up to Christmas. Improved ways of working across Central support and Field teams aided in activity being aligned and well planned to deliver. An increase in local buy activity in addition to FRTS plans has further supported our growth on key trading events. Introduction of Members Deals boosted new membership to record levels. The launch and growth of online sales such as Just Eat, Deliveroo and UberEats places the Society in a strong position to pursue turnover growth into the new financial year and further support on key trading events. Our pipeline of new food store sites is in good shape, and we successfully opened nine new stores, including our first railway station convenience store in Wolverhampton, providing Members and customers with fresher and lighter look stores, installation of new food-to-go sections, as well as introduction of new product ranges.

Our **rebrand** to **Central Coop** commenced in November, alongside adoption of the ICA ('International Co-operative Alliance') marque as part of our identity, the rebrand roll-out forms part of our ongoing regeneration and new store openings programme, implemented in the most efficient and sustainable fashion. Our new Society domain name is www.centralcoop.co.uk

Members, customers and colleagues at our heart

Our Members, customers and colleagues are at the heart of everything we do. In a year where the cost-of-living crisis has squeezed people to the highest level in 30 years, we positively rose to the shopping challenge. **Member Deals** available on **100+ products** included everyday essentials such as milk, bread and eggs, provided not only great value for Members but also helped to drive forward membership participation which we saw reach 22% on food products in the last period of the year, alongside a record year for new membership sign-ups! In other firsts, we launched our Membership Panel, as well as the Co-op Generation Panel for 18-25-year-olds, promoting our democratic difference and attracting a network of young voices to the movement, gaining valuable insight into key strategic projects. I am especially thrilled by the digital launch of our **new Membership App** in March 2023, offering easy online access to your membership and community activity. A special thank you to our wonderful Membership team for your hard work, innovation, and for rising to the challenge ... and most importantly for putting the **meaning into Membership**. The magnificent work of our Membership & Community Councils means that we have continued to set the standard in our communities – with **choice, creativity, connection and co-operation** at our core, we have made engaging difference to the lives of our Members, bringing people together to enjoy a wide range of activities to keep minds and bodies healthy and combat loneliness and social isolation.

"I am thoroughly proud of the significant progress and innovations made to not only embrace but also to a revolutionize our colleague cultural journey as a co-operative."

Debbie Robinson
Chief Executive

Our People – our amazing colleagues deserve the best that our Society has to offer – and our wonderful Society deserves the best people. I am thoroughly proud of the significant progress and innovations made to not only embrace but also to a revolutionise our colleague cultural journey as a co-operative. Developed in alignment with colleagues, we launched our **Making a Difference** cultural framework in May, to bottle the best of the Society.

We have focused on young people and created an early careers strategy in a variety of areas from community engagement, education partnerships, apprenticeships and work experience. Crucially, investment into our colleagues' wellbeing and livelihood yielded increased base rates of pay as our minimum pay rate was set at £10 per hour and we launched our difference makers hub, a reward and engagement platform, and our colleagues now have access to a holiday buy scheme. The safety and protection of our retail workers continues to be a priority and whilst we await the next stages of the Assaults on Retail Workers Bill, our investment in body cameras resulted in a 44% decrease on crime in stores where these are in situ.

Our Co-operative Difference

Working closely with our communities is a key part of our co-operative difference. On the International Day of the Co-operatives in July and in collaboration with the Co-op College, we launched an exciting and unique initiative to make positive changes to communities around the world. The **Co-operative International Trading Development Fund** has been established to make transformative difference in some of the world's poorest countries, starting with Malawi. Here, farmers' crops are vulnerable to changing weather patterns, especially drought. The new fund is boosted by the sales of a special range of products from suppliers with trading or product links to Malawi, on sale in our stores, as well as from sales of our Co-op Fairtrade range. To date, the fund has made a meaningful difference with c.4,000 macadamia trees, c.200 coffee trees planted and 800 farmers trained in production and use of organic fertiliser because of our support.

We are honoured to have supported with resettling two Ukrainian families into our residential properties and to see the circle complete as they have joined our co-operative family and are working with us as valued colleagues.

Celebration of the co-operative difference that our caring colleagues bring to our communities is recognised monthly in our Difference Makers nominations and annually at our Difference Makers Awards evening.

Our Board are passionately committed to investing in our future generations and the Society took its steer and made a significant step in the right direction by starting to invest in an ambitious photovoltaic roll-out programme across our estate to reduce our energy consumption and increase our self-generation.

Working Together for Our Future

As we emerge from two extraordinary and transformational years for the world at large, market trading conditions remain challenging and highly competitive. 2023 will remain a challenging year – the current cost-of-living crisis continues to drive historically low consumer confidence and reduced spending – we will continue the good work we are doing to safeguard and deliver a sustainable Society. We have great people and a wonderful ethos throughout our Society and we will welcome new talent and ideas in 2023, as we open our graduate scheme and internships, as well as working with our Board on its desire to drive engagement with co-operative young people and provide debt-free degrees. I would like to thank each and every colleague for their commitment and hard work. Together with our Members and Board, we will meet the challenges ahead.



Debbie Robinson
Chief Executive

Our Purpose – creating a sustainable Society for all

Our Purpose, creating a sustainable Society for all, flows throughout our strategy and informs our decision making. Our strategy is made up of four pillars, with Members and customers at the heart of everything we do.

Choice

With customer experience at the core, we focused on offering a welcoming and accessible experience in both physical and digital journeys for our Members and customers, offering choice on how our products and services are accessed, as well as how to engage with us.

Great strides were made in 2022, with the development of our FCA-regulated transactional website, selling funeral plans online, and by developing a new Membership App to best serve our Members in the future. In addition, we continued investment and roll-out of self-checkouts in stores, as well as the expansion of our home delivery network through a range of delivery partners. Our commitment to developing digital journeys to promote simplicity and choice will be tailored to reflect the diverse needs of all.

Colleagues

Recognising that our colleagues are the Difference Makers, we developed a new cultural framework that promotes our co-operative points of difference and aspiring the Society to be a great place to work for everyone. We increased focus on wellbeing and introduced new policies with a focus on reward, more flexible ways of working and creating a more inclusive workplace. We remain committed to campaigning for the protection of our valued front-line colleagues.

Commercial Performance

With a continued focus on growth in our trading estate, sales have grown, supported by the launch of new operating models.

In Funeral, this has been delivered by strong delivery of our value and choice as well as the continued successful integration of our new funeral businesses.

Food has seen a focused approach built around a more tailored leadership and retail strategy for both our large and local community stores.

Overall, commercial performance has been underlined by a technology and innovation strategy which has maximised our commercial performance by improving efficiency. This included the successful roll-out of self-checkout and improved customer service delivery for our Members and customers.

Co-operative Difference

Focusing on delivering value with co-operative difference, we will build on our successful regeneration and new store programme, opening new stores and driving forward the refurbishment of existing sites. This investment has transformed many of our locations, introduced the latest technology and new partnerships, to further improve the customer experience. Products and services were developed to reflect our co-operative difference, for example, growing our relationships with local suppliers, offering greater choice in supporting customer health and wellbeing, continuing to promote ethical and sustainable trading, and presenting the best value possible for our Members and customers.

We continued to invest in Member pricing across our food stores and adapt to the market environment in our funeral businesses, whilst providing exceptional care for our communities.





Our Food Business

We continued to **invest** in our stores by **adding** an additional nine **new** food stores and three cafés to our portfolio.

Following the lifting of Covid restrictions, store teams adjusted to the 'new normal' of living with the virus, with screens, sanitiser stands and additional cleaning being a permanent solution to maintain safe working environments for our colleagues, customers and Members.

The war in Ukraine impacted supply chains, seeing gaps in both food and fuel availability during the first half of the year as teams continued to utilise 'local ranges' and suppliers to support product volumes.

In a competitive marketplace, post pandemic, and with increasing costs in inflation and energy, the year became increasingly challenging. Teams were focused on showcasing the value of products and promotions with sales driving activity in stores creating theatre around big sales events.

A loyalty vouchering system was launched across all food and fuel sites to encourage customers and Members to spend with us more frequently and the start of Member-only offers were well received, resulting in 5%-6% increase in membership participation - driven by Member offers and loyalty vouchers.

We continued to invest in our stores by adding an additional nine new food stores and three cafés to our portfolio. Our partnership with Insomnia has continued to grow, taking the total number of Central Co-op run Insomnia coffee shops to six alongside an additional 25 stores also receiving investment through our regeneration programme.

Our self-scan checkout project completed with over 60% of our stores now offering this quicker payment option, usage has exceeded expectations with an average of 40% of customers using these tills each week.

Members and customers now have more choice in online home shopping as we have extended our delivery partnerships to Just Eat, Deliveroo and Uber Eats in over 80% of our stores by the end of the year.

We have been working hard at making process in stores easier for teams too, this year alongside our Risk team, we have introduced digital checks for most of the store compliance tasks, this has saved time and also vastly reduced the cost and use of paper record books.

As we tackled the energy crisis challenges, focus has been on reducing our energy bills. Investment into LED lighting, doors on refrigeration, smart technology to optimise equipment and temperatures have resulted in a reduction in electricity consumption by 10% compared to last year.

Solar installation has commenced with panels being added to the roofs of a number of our food stores to further support our utility costs. The panels are forecast to generate c.30% of each site's consumption, leading to energy cost savings in each of the stores which benefit from the green energy investment roll-out.

Along with the effects of the cost-of-living crisis, we saw a higher impact of stock loss through theft in stores during the second half of the year. Our stance is always to protect and keep our colleagues, customers and Members safe and so, we continued to roll out wearable technology for all of our teams in vulnerable, high-risk stores, with devices such as body cameras and headsets.

High fat, salt and sugar regulations came into effect from October 2022, the teams in stores of over 2,000 square feet have re-merchandised layouts to meet the new requirements.

9

NEW STORES

25

FOOD STORE
REGENERATION
PROJECTS AND
ONE STORE
RELOCATION

6,312

COLLEAGUES

3

NEW CAFÉS

Turnover (excluding VAT)



FOOD

£691.3m

2021/22: £667.3M



FUEL

£131.6m

2021/22: £93.7M



Our Funeral Business

We aim to **inspire** our clients with **new** and **exciting** products and unique ways to remember their **loved** ones, delivering **value** and choice.

In 2022, we kick-started our funeral development programme with the complete transformation of our funeral home in Kettering. The design, the basis for our future roll-out plans, was focused on our clients' core need: to feel comfortable and at ease. The home is warm, welcoming and modern, with a focus on personalisation.

Recognising the importance of our crematorium in Bretby and the impact that the environment can have on creating a good funeral experience, we invested c.£200,000 into the site, to make it more modern and comfortable, and for those families who suffer the loss of a child, we created a special memorial garden with a rainbow bridge, and stones for families to paint and leave under the bridge.

We continued to offer our free, online memorial services throughout the year, to mark special events such as Mother's Day, Father's Day, Baby Loss Awareness Week, and Christmas. This year, we had 17,000 online views and we will continue to offer these services in 2023, with a renewed focus on bereavement support for our clients.

As one of the UK's leading funeral plan providers and following 18 months of preparation, planning, and a significant programme of works, we were delighted that our new entity Central Co-op Funeral Plans, a trading name of Central England Co-operative Funeral Plans Limited, was authorised to sell funeral plans and regulated by the Financial Conduct Authority (FCA) on 29 July 2022. The new regulations provide all customers with a greater level of financial protection and greater confidence in their Central Co-op funeral plan.

Our digital journey commenced, becoming a truly omni-channel business as we developed Central Co-op's first ever transactional website. The site launched early in

2023, selling pre-paid funeral plans and was developed in line with FCA regulatory requirements. Our new site: www.centralcoopfuneralplans.co.uk laid the foundation for a programme of digital development work throughout 2023.

Following the introduction of the new CMA regulation in late 2021, we took the decision to review our overall funeral proposition to ensure our offer underpinned our funeral strategy. This focused on the simplification of our offer, transparent pricing, and provided for greater personalisation and a wider choice of sustainable options, supporting our clients to celebrate the life of their loved one in a way that is right for them. In April 2022, we also completed our first annual compliance statement back to the CMA confirming our adherence to all aspects of their market order.

To support our sustainability responsibilities and to widen client choice, we launched a range of eco coffins and caskets, including a natural pine coffin, designed and developed by our Terry Smiths coffin factory. From June 2022, we made a commitment to plant a tree for every funeral which we conduct.

As part of our ongoing strategy, we reviewed and relaunched our memorialisation range, introducing a dedicated 'Ways to Remember' brochure. We aim to inspire our clients with new and exciting products and unique ways to remember their loved ones, delivering value and choice.

In August 2022, we restructured our Funeral Leadership team to align with our core business areas of funeral operations, productivity, and change, removing complexity and layers from our previous structure. We also launched our Leadership Development programme for our Senior Funeral Leadership team.

UNDERLYING
TURNOVER
(EXCLUDING VAT
AND EXCEPTIONALS)
£60.6m
2021/22: £43.9M

ARRANGEMENTS
20,078
2021/22: 15,496

1,034
COLLEAGUES

OUR TREE PLANTING
PROMISE LAUNCHED

"In August 2022, we restructured our Funeral Leadership team to align with our core business areas of funeral operations, productivity, and change, removing complexity and layers from our previous structure."

Debbie Robinson
Chief Executive

Our Colleague Voice forum was launched in funeral with 15 colleagues participating, representing all areas of the funeral business. Colleague feedback has helped to shape many different policies and ways of working.

We made substantial investment in new stretchers to support our funeral teams with transfers and movements of bariatric deceased, and we invested in new moulding equipment for our Terry Smiths coffin factory, streamlining the process for adding trim details to our coffin ranges.

Throughout 2022, we invested in our funeral fleet, replacing and updating both ceremonial hearses and limousines, as well as our non-ceremonial vehicles. We replaced ten diesel pool cars with all-electric vehicles, a positive step towards being more environmentally friendly across our funeral fleet. We replaced 31 private ambulances, four of which being fully electric vehicles.

In November 2022, we purchased ten hearse and one limousine Ford Mondeo ceremonial fleets from a specialist funeral vehicle manufacturer. We have already placed forward-orders for their brand new 'Etive' Ford Puma conversions, the first all-electric ceremonial vehicles that we will purchase, due to arrive in summer 2023.



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Investment Property

Against the backdrop of difficult market conditions over the last twelve months, the **value** of our property **assets** has proven very **resilient**.

The UK commercial property market in 2022 continued to mirror the general downturn experienced in the wider UK economic environment, with a reduction in activity and confidence across most market sectors leading to falling property values.

The property sector, like most others, has not been immune to the challenges faced by society at large, over a number of tumultuous years, more recently created by political and economic instability, the cost-of-living crisis, spiralling inflation and disruptions to supply chains. The last couple of years have radically changed how people choose their work and home environments, as well as how they shop and spend their leisure time, leading to increased pressures for the property industry to adapt to such issues – sustainable buildings have become more commonplace and the changing nature of the high street has created increasing demand for property conversions and repurposing of use.

Against the backdrop of difficult market conditions over the last twelve months, the value of our property assets has proven very resilient. The year-end property valuation of £121.2m was a solid result, representing on a like-for-like basis less than a 1% decline on the previous year. We worked hard with our tenants to minimise the impact on them, as well as on our portfolio, resulting in relatively few tenant failures or tenants vacating properties on lease expiry. We continue to remain confident of steady progress in the coming year, as our property team has worked incredibly hard to put mitigations in place and reduce risk to ensure our estate is effectively managed and in robust condition for the continuing headwinds faced by all.

The main downward change in the valuation figure in comparison to the previous year has been due to the completion of three significant disposals during the year. Eight acres of land was sold to Avant Homes in Desborough (Northamptonshire), following the successful securing of planning permission for the development of up to 135 new homes in conjunction with the neighbouring land owner. A further two acres of land was sold to Bowbridge Homes and Grand Union Housing Group, also following the successful grant of planning permission for a development of up to 35 affordable homes. The sale of our former supermarket in Tamworth (Warwickshire) to the American investment fund, Reality Income Corporation, was also completed during the year, as the first part of the development process for the site. To be known as Tame Retail and Trade Park, we are now working with our development partner Hawkstone Vale to complete the development on the site, which will include occupiers such as Lidl, B&M, KFC, Starbucks, Greggs, Subway and Travis Perkins once complete in spring 2023. We also continue to work in conjunction with other land owners and housebuilders to promote land owned for future development, and have signed an agreement with Miller Homes to promote land owned around Raunds (Northamptonshire) for future development.

We have also continued to invest in the purchase of new property assets, including the exciting addition of Alexandra House in Lichfield, to our commercial property portfolio. The property is now being redeveloped to provide a new home to our support functions, as well as creating over 13,000 sq.ft of space which will be let to commercial tenant occupiers. It is a positive step towards our sustainability mission, aiming to reduce operating costs and a shift in gear towards the usage of more sustainable forms of energy consumption, in

RENTAL INCOME

£8.7m

2021/22: £7.7M

VALUATION

£121.2m

2021/22: £129.4M

OVER

500

INVESTMENT
PROPERTIES

"We continue to remain confident of steady progress in the coming year, as our property team have worked incredibly hard to put mitigations in place and reduce risk to ensure our estate is effectively managed."

Debbie Robinson
Chief Executive

addition to creating a more vibrant and welcoming collaborative space for our colleagues. We also acquired six development sites during the year, in Tuxford (Nottinghamshire), Great Sutton (Cheshire), Croston (Lancashire), Rainhill (Merseyside), Ellesmere Port (Cheshire) and Derby (Derbyshire). These will be developed in future years for new Society stores, once planning permissions are secured and other development pre-conditions are satisfied.

We have continued to let properties where market conditions have allowed. Twenty new lettings have been concluded in the commercial estate during the year, including lettings to national operators such as Handelsbanken in Stafford (Staffordshire) and Peacocks in Market Harborough (Leicestershire) and Eastwood (Nottinghamshire), as well as lettings to a number of small and local businesses, supporting local community interests. The Society also benefited from growth in income from its residential estate, breaking the £1m per annum mark from its 149 units for the first time during the year. With four new residential units under development in the Birmingham area, this is expected to rise further in 2023.

We were also delighted to welcome two Ukrainian families into our residential properties during the year, following extensive work with the Homes for Ukraine scheme. We are extremely grateful to our property team, who went above and beyond to support the families with visa applications, council tax and utility costs, furnishings and employment. It is our pleasure to welcome these families into our co-operative community.

334

COMMERCIAL
TENANTS

135

RESIDENTIAL
TENANTS



Strategic

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Our Future

Continuing our Digital Journey

The Society continues its strategic investment in technology, specifically in digital solutions and services that offer greater choice to our Members and customers.

Being relevant in how our Members and customers connect with us is ever more important as the market continues to offer a range of ways for customers to engage, whether this is in-store, in funeral homes, or in the digital space online. The Society's investment in technology continues to respond to current expectations and to anticipate the future of where and how our Members and customers will engage with us, in our Food and Funeral businesses, and how technology can improve efficiency and ways of working for our colleagues.

In our food stores, the Society has continued the roll-out of self-service capability for Members and customers in stores and this has seen average utilisation increase to 33% across all baskets in store. Over the last year, further investment in technology has seen the deployment of solutions to improve colleague ways of working that enable them to focus more on serving Members and customers in store – these include tablet technology to improve efficiency with store compliance processes and latterly the introduction of colleague headsets that enable swift communication between colleagues to respond to Member and customer queries, and also support colleague safety with immediate communication capability acting as a deterrent for aggressive or threatening behaviour towards our colleagues.

The Society's partnership with online home delivery providers has expanded over the last year, with the addition of Uber Eats and Deliveroo to our offering alongside Just Eat and Snappy Shopper. This portfolio of partners has, to date, enabled us to offer at least one delivery partner service from 205 of our 265 stores.

The Society's digital journey progresses with the launch of a new website that enables customers to purchase pre-need Funeral plans online. This capability will be further developed in 2023, to offer the ability to purchase memorialisation products and at-need celebration of life services. A new Membership App will be launched in early 2023 to enable new Members to join up online and have immediate access to Member offers, dividend balances and updates on Member community activities.

Further roll-out of Robotic Process Automation across the Society has seen continued improvements and efficiencies gained in our Support Centre operations by the replacement of repetitive manual processes with 'digital workers' robotics.

The successful launch of a new supplier management solution has transformed legacy manual processes with a digitally orchestrated workflow that manages the full lifecycle of purchase to pay and supplier administration.

Protecting our Society, Members and customers from cyber-attack continues to be of paramount importance. Ongoing improvement of cyber defence solutions and our continued partnership with information security experts enables the Society to remain ever vigilant and respond quickly to any new cyber threats that may emerge.

33%

INCREASE
IN BASKET
UTILISATION
IN STORE

205

STORES OFFERING
AT LEAST ONE
DELIVERY PARTNER
SERVICE

NEW MEMBERSHIP
APP LAUNCHED
IN 2023

Member

For
You

Our members receive
a share of our profits,
exclusive offers and access
to a diverse range of events
and activities

For
Wolverhampton

We'd like you to
in how we're run, and v
local groups and good c
should benefit from c
Community Dividend F

Self-Service
Checkout

Pay by card

Self-Service
Checkout

Pay by card

Self-Service
Checkout

Pay by card

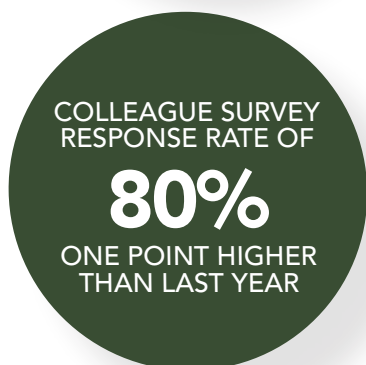
We accept payment by



We accept payment by



Our Colleagues



Our colleagues have continued to go **above and beyond** during the past 12 months, being a cornerstone of our Society, as well as their wider communities during the turbulent times experienced and felt so deeply by so many, impacted by the cost-of-living crisis. The Society invested in base rates of pay, increasing our minimum pay rate to £10 per hour to support colleagues through the cost-of-living crisis, and made an award of £50 to colleagues over the festive period.

Investing in our people and a focus on our culture continued to be at the forefront of strategic decisions made this year. The creation of our new cultural framework to ensure policies, tools and technologies enable our colleagues to perform at their best and positively contribute to and connect with co-operative values and principles.

Recognising talent in our colleagues resulted in the innovative launch of '**Get, Grow, Keep**', a foundation and framework to attract the best talent, encourage talent to thrive and make our Society a great place to work.

Our new recruitment system was embedded with leaders and followed up by the creation of new attraction resources across all sites to promote our people culture via the launch of '**We Are The Difference Makers**'. We were thrilled to celebrate and share stories of our colleagues' successes at the Difference Makers Awards in November 2022.

There was successful delivery on inclusive recruitment learning to all our hiring managers to bring focus on candidate journeys and encourage best practice to gear our colleague and talent base towards greater alignment with our communities.

Let's Learn launched – our new Learning Management System – to make learning accessible and engaging for all our teams. We were thrilled to see participation from 88% of our colleagues accessing the site and witnessed a significant improvement in the implementation of our compliance training. The education and development of our colleagues, with more than 23,000 learning hours and 741 professional qualifications achieved, is not only an investment in our colleagues but also a much-valued investment in our co-operative values and principles. This investment is further underpinned with our continuing commitment to our apprenticeships and development programmes.

Focusing on young people, we created an early careers strategy which included community engagement, education partnerships, apprenticeships and work experience and the new work experience toolkit was rolled out in December. We hope to see the fruitful outcome of these innovations in the next financial year with the development of graduate schemes and internships. We also initiated our Kickstart programme (a government scheme designed to get 16-24-year-olds on Universal Credit back to work) with seven roles in the Society. We were delighted that five of these young people have taken the decision to stay and grow their careers within the Society by taking permanent roles.

Our Warm Welcome, a new induction programme covering our co-operative history, strategy, culture, and a first 90-day plan for each business area, was launched with the ambition of fostering colleagues' right to support and thrive in our Society, as well as improving our 0-90 day turnover record.

We invested in a coaching programme and high performing teams' development for our executive team. **Our Difference Makers Leadership Development Programme** was also launched for our Funeral leadership teams to strengthen leadership capability and performance. We delivered our commitment to build bespoke training for Funeral colleagues supporting the new regulatory framework from the Financial Conduct Authority.

Inclusion is core to our Purpose and the Society invested in three new talent programmes with Diversity in Retail to grow a more diverse pool of leaders. In 2022, we had 13 leaders participating in inclusivity programmes such as Global Female Leadership, Senior Ethnic Leaders, and Ethnic Future Leaders. Our Inclusion Delivery Group, representing all business areas across the Society, meets monthly and is key to delivering our events programme. Their valued input and experiences have been fundamental in imparting personal insight and knowledge to all colleagues in celebrating Black History Month and National Inclusion Week, as well as designing engagement guides for religious festivals, including Diwali, Hanukkah and Chinese New Year. We also committed to supporting colleagues with new policy and support on trans and non-binary.

Feedback from our colleagues resulted in the creation of new or updated policies, to encourage best practice and promote the wellbeing of all colleagues, including: Bullying & Harassment, Hybrid Working, Transgender and Non-Binary Inclusion, Domestic Abuse, Expenses, and Absence Management.

Our focus on colleague wellbeing saw the introduction of a new flexible benefit, the **'Holiday Buy Back Scheme** – more time for you in 2022', allowing colleagues to buy up to five days' additional leave. We hosted seminars on Mental Resilience and on the Menopause, and the Society signed up to the Menopause Workplace Pledge.

'We Are The Difference Makers' Conference in October, 'Difference Makers Awards' in November at Birmingham, and Long Service Celebrations at Chatsworth House in July, were hosted both as a celebration of our colleagues' successes and incredible milestone 30-50 year work anniversaries.

A special Thank You to our colleagues was underpinned by investing in extending the duration of our 20% colleague discount in the period leading up to Christmas and £50 was uploaded to colleagues' membership cards at Christmas.

FORMATION
OF AN EARLY
CAREERS
STRATEGY

COMMENCEMENT
OF OUR DIFFERENCE
MAKERS LEADERSHIP
PROGRAMME
FOR FUNERAL
LEADERSHIP

INVESTMENT
INTO DIVERSITY
AND INCLUSION

ADOPTION OF NEW
POLICIES TO SUPPORT
THE HEALTH AND
WELLBEING OF
COLLEAGUES

Membership and Community

Central to the **success** of our Society are our **Members** and the **communities** we **serve**.

Central to the success of our Society are our Members and the communities we serve. By them continuing to shop with us, we are able to reinvest into our trading estate, provide Member rewards, support Member groups and activities, as well as fund local good causes and community projects through our Community Dividend Fund.

2022 saw the introduction of Member pricing in our food stores, offering Members exclusive savings across everyday essentials.

Our approach to supporting our Members and communities is underpinned by the five key strategic themes below.

Pathways to Member Participation

- Member and Community Relations Officers (MCROs) and Membership and Community Councils (MCCs) were on hand to celebrate membership at store launches and regenerations throughout the year.
- The expansion of our trading estate saw us connect with local communities on the Wirral with our new Eastham store, where local children from Heygarth Primary School were given a tour of their new community store and were thrilled to cut the ribbon for its grand opening. We welcomed new Members in the Sawbridgeworth community with MCROs and MCC members spending time in the local area prior to the store's reopening to get to know the community.
- Our ongoing efforts to celebrate diversity and inclusion are reflected in our participation in PRIDE events in Chesterfield, Leicester, Norwich, Belper and Birmingham. Around 200 colleagues and Members came together to show solidarity with the LGBTQIA+ communities across our trading area.
- We hosted a community day in Leicester at our Asian Funeral Home, where members of the local community could experience henna tattooing, support local businesses selling jewellery and clothing, enjoy beauty treatments, bike maintenance as well as food and fun for all the family.
- Working in partnership with the local authority and community groups we held a Community Health Day at our St. Ives Store which included health checks, food tastings and a mobile gym.
- Bollywood came to Derby as we held an event in partnership with local supplier Delhi Gin in the Insomnia Café in Littleover.
- Birmingham being home to the Commonwealth Games provided opportunities to host community events at our nearby Great Barr store celebrating the Game's Opening Ceremony. There were games, goodies and

giveaways to engage the local community. We also created a Co-op Fun Day during the Games which had members, communities and colleagues take part in a number of sports.

- *The Big Green Week* was supported with events and activities across our regions. In Market Harborough, MCC members joined funeral colleagues to promote eco-funerals, with many Members and clients considering the impact of funerals on the environment. The event showcased our electric hearse, horses and carriage, and plantable orders of service.

Health and Wellbeing

- International Women's Day was marked with an event to celebrate and discuss important issues, and, likewise, we held a Men's Voices event to discuss issues encountered by all genders on a day-to-day basis.
- We were delighted to partner with Magic Breakfasts, a charity tackling food insecurity aimed to end hunger as a barrier to education in six schools within our communities.
- Healthy choices workshops continued to be popular – thousands of community members of all ages engaged with us on important topics such as 'Five-a-day', food labelling, portion sizing and the Eatwell Guide.
- Mental health and wellbeing continue to be a focus for our MCROs and MCCs, delivering mental wellbeing sessions and supporting local community groups like Painting for Anxiety.
- A new partnership with St. Martin's School in Alvaston, Derby was created to help deliver programmes such as shopping on a budget, healthy choices and employability skills.
- We held our first Pause for a Moment event to cover menopause, health and wellbeing in the Littleover Insomnia Café supported and attended by the Derby County Community Trust.

Education, Culture and Recreation

- Member groups play a crucial role in our desire to deliver meaningful membership, providing Members with opportunities to learn new skills and meet new people. We offer a wide variety of classes across our trading areas, including Tai Chi, Painting, Dance, Keep Fit, Photography, Drama and the newly formed Tatting & Craft Group.
- We teamed up with Sustainable Schools Leicester during their Climate Change roadshow, to help schools identify pathways to sustainability in all that they do.
- Co-op Heritage Week was celebrated in September, with a history exhibition in our Whetstone store. Members and customers took a trip down memory



lane and shared co-op and community memories. Our Heritage visits have also been very popular this past year and included a visit to the Toad Lane Pioneers Museum in Rochdale.

- Western MCC supported The Woodland Games in South Birmingham, an art adventure that helped participants learn about ecology and provided an opportunity to get active in a co-operative sports day.
- We supported the Chesterfield Choral Society with their Mozart: Requiem Concert and Christmas Carol Concert.
- Alternative music fans in the Western region benefited from a co-op songwriting course in Birmingham. The four events were held at the Artefact Café, a worker co-op in the community.

Fair and Sustainable Communities

- In July, we marked the International Day of Co-operatives during Co-op Fortnight by launching the Co-operative International Trading Development Fund and *Our Malawi Partnership*, working with the Malawi Federation of Co-operatives (MAFECO) and Co-op College to support communities in Malawi. *Our Malawi Partnership* has so far seen 800 Malawi farmers being trained to produce organic fertiliser and the planting of 400+ coffee trees. Our Malawi Partnership has been shortlisted in the Retail Week Awards for the 'Sustainable Retailer of the Year' award.
- Colleagues teamed up with Southern MCC to support St. Matthew's Big Local, to cook and serve meals for the community during Easter, summer and festive holidays.
- During Fairtrade Fortnight we attended Oakham Fairtrade Market, provided Fairtrade wine and chocolate tastings, in-store ethical challenges, as well as assemblies and workshops at schools and community groups.
- We launched a new Fairtrade version of Snakes and Ladders, as a fun and interactive way to engage people in supporting Fairtrade.
- A number of great partnerships were developed with community cafés with special mention of West Raven Community Café and Gardens in Peterborough, where we have supported initiatives at the garden and are working together on a Cook It, Eat It project.
- We were particularly pleased with the event we held in Peterborough to celebrate Co-op Fortnight with the Mayor and local Councillors around food ecosystems. We talked about food justice and food miles and how co-operatives could play their part.
- From upcycling to bug hotel building, we delivered a series of programmes and events to support sustainability during Big Green Week.

- In Belper, we supported the 'Belper Goes Green' campaign and the Community Day in New Mill, enjoying seed planting, birdbox making and waste reduction activities.

Young People

- Co-op Generation launched – our new Young Members' Panel – calling 18-25-year-old people to share their voices on co-operation.
- Our Western MCC joined forces with the Sebbie Hall Kindness Foundation – Sebbie was our Young Co-operator of the Year in 2021 – and launched 'Sebbie Bears' as a way of spreading kindness and supporting vulnerable young people. We hosted a 'Teddy Bear Picnic' evening in our Boley Park community store and Insomnia café, joined by community Members and local dignitaries to make their own kindness bears. We've continued to support Sebbie's Foundation by selling the bears in stores local to the Lichfield area – all profits from the sales go directly to the Foundation.
- Support was given to a number of projects to support young people in the community, including refugee support programmes, a story trail with Get Suffolk Reading, and worked with numerous organisations geared to supporting vulnerable young people or young people with additional needs.
- Funding was provided for a Forest School in Rowlatts Hill, giving young people the opportunity to learn about the great outdoors.
- We attended the New College Suffolk Open afternoons, engaged with students, supported Eye Lantern Parade; Youth in Stilton Group with work experience and issues around anti-social behaviour.
- Employability events were delivered to the YMCA in Derby and included our 'Mind your Money' board game, developed to support money matters workshops in a fun and engaging way.
- Work was continued with fairandfunky in Yorkshire to develop Scrap that Plastic workshops with a focus on climate change.

Community Dividend Fund

Over the last 12 months, we have awarded £180,719 in Community Dividend Fund grants to 162 local groups and good causes. Groups can apply for funds ranging from £100 to £5,000 to support projects that aim to support access to food, health and wellbeing, inclusion and the environment.

A Responsible Co-operative Business

As a democratically owned co-operative, we are designed to be a responsive and responsible business and are guided by our co-operative values and principles for the shared benefit of our Members, colleagues and local communities.

Our ongoing commitment to creating a sustainable Society for all led to our successful completion of the Business in the Community Responsible Tracker for the first time this year. The tracker looks at all the ways we can impact positively upon the people and places we interact with and covers topics including climate action, inclusion, wellbeing and education.

We are happy to say, we are the difference makers:



CARBON REDUCTION

We have reduced our carbon footprint by 80% since 2011 through continued investment in our estate to reduce our energy consumption and increase our self-generation through our ambitious solar photovoltaic roll-out programme.



FIGHTING FOOD WASTE

840,000+ meals have been redistributed from store surpluses in partnership with FareShare Midlands.

In partnership with Too Good To Go, we have sold 154,875 Magic Bags, saving 387,188kg of CO₂e.

.

DEMENTIA UK

We have now raised c.£1.9m for Dementia UK, who continue to grow the Admiral Nurse team across our trading area. Admiral Nurses support those living with a diagnosis of dementia and their families, offering essential support from initial diagnosis to end-of-life care.



INCLUSION

We have launched new policies to ensure the wellbeing of all our colleagues affected by menopause, bullying and harassment, and our trans and non-binary colleagues.



PROTECTING OUR COLLEAGUES

The Police, Crime, Sentencing and Courts Act passed earlier in the year made abuse against individuals who serve the public an aggravated offence. This includes shopworkers and means harsher sentences for those found guilty of abuse against our colleagues.

To continue to support our colleagues on the shopfloor we've rolled out 312 bodycams across 96 of our retail sites.



SUSTAINABLE SPACES

We are progressing with our investment target of c.£350,000 from the carrier bag levy to create five community Sustainable Spaces. To date, we have launched three, at Dodworth, Desborough and Yaxley, and work will commence in the spring, in Dudley.

Measuring our Co-operative Difference

We report on our performance using the co-operative, environmental and social performance indicators set out by Co-operatives UK. Using these indicators ensures we report on our involvement with Members, our environmental actions and our community and co-operative investments – all important elements of being a co-operative.

Area	Description	Measurement	2022/23	2021/22
Member economic participation	Trade with Members	• Member sales in our food stores including fuel (£m)	£155.3m	£137.6m
		• Member sales as a % of total food and fuel sales	16.9%	16.2%
		• Member sales as a % for food sales only	18.7%	17.5%
Member democratic participation	Members taking part in the Society's democracy	• Number of Members voting in Society elections	3,801	2,888
		Member attendance at:		
		• Annual Meetings	1,480	587
		• Interim Meetings	464	1,395
Colleague engagement	Measurement of colleague satisfaction, feeling and enthusiasm	• Survey response rate	88%	79%
		• Engagement index	77	77
Considerations of ethical issues in procurement decisions	<ul style="list-style-type: none"> • We purchase the majority of our food products through Federal Retail and Trading Services Limited (FRTS) with the buying arrangements subject to high ethical standards and respect for human rights. • We also procure locally sourced products to complement our overall range. • We continue to support Fairtrade through the availability and promotion of Fairtrade products in our stores and providing education and awareness of Fairtrade by our Membership and Community Councils. • We operate a Procurement Policy which reflects our co-operative values and principles and a commitment to treat suppliers in a fair, objective and transparent manner. 			
Investment in co-operative and community initiatives	Community Dividend, Membership and Community funding, support for other co-operatives, grants, funds raised for charity and colleague volunteering	Annual funding and expenditure incurred	£1.626m	£1.343m
Net carbon dioxide (CO ₂) emissions arising from operations	Net tonnes of CO ₂ based on the Society's carbon footprint data	CO ₂ tonnes per £m Society Turnover	24.91	29.12
Proportion of waste recycled or reused	Waste collected and recycled from our Food stores	Percentage of waste recycled or reused	61%	63%

Our Environmental Impact

As a co-operative we have always had a purpose beyond profit and now, more than ever, we believe in developing and supporting sustainable communities.

In the face of a climate emergency and a broad range of other environmental issues, we are committed to playing our part, addressing the impact of our own business activities whilst also supporting the communities we operate in to become more sustainable. We have committed to reducing our carbon emissions by 90% for 2030 and have now included a carbon metric within the executive bonus structure, building on the successes of 100% renewable electricity, zero-waste to landfill, and our Carbon Trust Triple Standard.

Carbon Emissions

	01/02/22 – 31/01/23	01/02/21 – 31/01/22
UK greenhouse gas emissions and energy use data		
Energy consumption used to calculate emissions (kWh)	76,392,242	100,375,793
Energy consumption breakdown (kWh)		
• Gas	13,854,928	15,027,561
• Electricity	57,709,848	63,727,650
• Transport fuel	18,645,965	21,587,870
Scope 1 emissions in metric tonnes CO ₂ e		
• Gas consumption	2,552	2,752
• Owned transport fleet	5,300	5,108
• Refrigeration gas	3,720	3,289
• Total Scope 1	11,572	11,149
Scope 2 emissions in metric tonnes CO ₂ e		
• Purchased electricity	10,478	13,531
Scope 3 emissions in metric tonnes CO ₂ e		
• Purchased electricity transmission & distribution	893	1,197
• Employee business travel	191	114
• Total Scope 3 ¹	1,084	1,311
Total gross emissions in metric tonnes CO₂e	23,134	25,992
Carbon intensity ratio (tonnes CO₂e per £m turnover)	24.91	29.12
Carbon emission reduction (versus 2010 baseline)	82.12%	78.54%
Waste¹		
Food waste produced (tonnes)	1,846	1,718
Waste recycled or reused ³ (tonnes)	4,779	5,199
Total waste produced (tonnes)	7,779	8,203
Percentage of waste recycled or reused	61%	63%
Waste intensity ratio (tonnes per £m turnover)	7.94	9.19

¹ Scope 3 emissions are restricted to electricity transmissions & distribution and staff travel

² Totals do not include recycling figures from our Anglia retail region due to Co-operative Group collecting from this area

³ Waste not recycled or reused was sent to energy recovery facilities



Quantification and Reporting Methodology

Our reporting is in line with the 2019 HM Government Environmental Reporting Guidelines and the GHG Reporting Protocol – Corporate Standard. We used the 2022 UK Government's Conversion Factors, with electricity emissions calculated on 'market based' emissions factors.

Measures Taken to Reduce Our Environmental Impact

Further investment in energy efficiency measures and carbon reduction initiatives has continued to result in significant reductions of overall carbon emissions and a lower carbon footprint. Total GHG emissions from Scope 1-3 is 7% lower and total energy consumption (kWh) 24% lower than 2021/22. Our Scope 1 emissions see a slight increase from the prior year; however, further recommissioning work has resulted in a considerable reduction of our refrigerant gas (44%) and natural gas (15%) emissions against a 2020 baseline. An essential driver for change has been a reduction in electricity consumption. Scope 2 emissions are down with purchased electricity 23% lower than the prior year as a result of numerous projects, both ongoing and completed. The major energy projects across the business have been:

- Ongoing LED lighting upgrade programme across retail and funeral.
- Recommission and lockdown of the refrigeration systems across the Retail business
- Installation of solar panels at the first of a four-stage roll-out across our estate. Twenty-seven stores at end of year, with two trial stores of Dersingham and Weeping Cross installed in May 2022. Panels are forecast to generate circa 30% of each site's consumption.

- Successful trial and roll-out of Smartcool HVAC systems and control panels for 68 sites.
- Final steps in cold room curtain roll-out.
- Sustainability training across the business.
- Refrigeration system upgrades, including additions of chiller doors.

Scope 3 emissions are 18% lower than 2021/22. This is due to a decrease in purchased electricity transmission and distribution as a result of the changes made.

Employee travel increased on the previous year but is still significantly down on pre-Covid levels signifying changed ways of hybrid working. However, the increase may suggest a slow transition back to in-situ based work. These increases in transport and employee miles are offset by transport efficiency and decarbonisation schemes such as the further introduction of electric vehicles for home deliveries.

Food waste increased by 7% over the year versus 2021/22 as a result of increased average bin weights. Perhaps due to the further recovery of the hospitality industry from Covid-19. However, total waste produced across the business decreased by 6%. Food waste is still 20% lower than 2017, a reduction driven through better ordering and the roll-out of our FareShare food redistribution model that saves 100% of Best Before products that would usually be wasted, creating up to a million meals a year for those most in need within the communities we serve.

Our Approach to Taxation

As a responsible business, the Society is committed to paying the right amount of tax at the right time and disclosing all relevant facts and circumstances to the taxation authorities, as well as claiming reliefs and incentives where available. Each element of the Taxation Policy is consistent with the Society's values and, in particular, the value of openness and honesty, as a way of working.

Ultimate accountability for the Society's Taxation Policy and compliance rests with the Board. In managing the Society's affairs, the Chief Financial Officer has responsibility for implementing the Taxation Policy. The Audit & Risk Committee ('the Committee') receives an annual report on the management of the Society's taxation affairs with any major issues arising in the intervening period brought to the Committee's attention. The Taxation Policy is reviewed and approved by the Board on a regular basis and at least annually. The Policy set out below relates to the financial year 2022/23.

Policy

The Taxation Policy commits that the Society:

- takes a responsible and transparent approach to the management of its significant taxation issues;
- will not use contrived or artificial structures to reduce the Society's taxation liabilities;
- will only engage in reasonable taxation planning that is aligned with commercial and economic activity and does not lead to an abusive result;
- where appropriate, take advantage of taxation incentives and reliefs for the purpose for which they are intended, in order to act in the best interests of the Society as a whole and whilst at all times showing respect for the intention and letter of the law;
- maintains an open, honest and co-operative relationship with HMRC, particularly on matters of taxation uncertainty;
- ensures that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss any taxation issues arising at an early stage when submitting tax computations and returns to HMRC. Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified;

- has the relevant skills and knowledge on taxation matters and access to independent professional advice when necessary;
- will report to its Members, as soon as it is practicable, the Taxation Policy in order to foster a greater understanding of the Society's tax obligations;
- will seek to reduce the level of taxation risk arising from its operations as far as reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its taxation obligations;
- will provide appropriate training for colleagues who have responsibility for performing activities that relate to taxation processes.

The Society's Taxation Policy is published on our website.

Details of the Society's Corporation Tax charge in respect of the financial year ended 28 January 2023 are set out in the following areas of the Financial Statements:

- Income Statement – current year tax charge of £2,833,000 (2021/22: charge of £3,203,000)
- Statement of Cash Flows – corporation tax payments made in the year of £177,000 (2021/22: £987,000)
- Note 9 to the Financial Disclosures – details of the current tax and deferred tax charge. The tax charge in the Income Statement is higher than the standard rate of corporation tax of 19% (2022: 19%), and the note sets out the difference and an explanation of each item.

Note 14 to the Financial Disclosures – details of the Deferred Taxation Asset.



Governance Report

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This report outlines how the Board has ensured that an effective corporate governance framework, supported by robust procedures, is in place and maintained in order that the Society continues to be a successful independent co-operative for the benefit of its Members.



Corporate Governance Report

Message from the Society President – Jane Avery

I am pleased to introduce our Governance Report for the year ended 28 January 2023 on behalf of the Board of Directors.

This report outlines how the Board has ensured that an effective corporate governance framework, supported by robust procedures, is in place and maintained in order that the Society continues to be a successful independent co-operative for the benefit of its Members.

It is a privilege to report that your Board has ensured the continuance of the highest governance standards during the year. Hybrid working has been maintained to utilise the best of both worlds by meeting in person and online to best support the Board's effective oversight of the Society and endeavours to support the executive management team.

The Board would like to thank our wonderful colleagues across all parts of the Society for their continued commitment and hard work, which is recognised and greatly appreciated.



"The Board would like to thank our wonderful colleagues across all parts of the Society for their continued commitment and hard work, which is recognised and greatly appreciated."

Jane Avery
President



Democracy

Democratic Member control represents one of the key differentiating factors that the Society has from that of its competitors. The Society's Board of Directors is elected 'by and from the membership', this being one of the founding principles which unites co-operative organisations internationally.

In April 2022, elections were held for five positions on the Board which resulted in the following candidates being elected:

- Suzanne Bennett
- Danny Douglas (uncontested)
- Mark Grayling
- John Howells (re-elected)
- Jody Meakin (Employee Director) (uncontested and re-elected)

3,801 (2021: 2,888) Members participated in the 2022 Board election, which represented a 32% increase on the previous year. The 2022 Board election comprised two uncontested constituencies in the Eastern and Western regions, which returned Jody Meakin as Employee Director in Western, and also welcomed Danny Douglas in Eastern.

Given the importance that democracy has in establishing the top level of the Society's governance framework, the Board continues to actively review ways in which Member democratic participation, in terms of nominations, voting and attendance at Members' Meetings, can be increased to a level commensurate with that of an organisation the size of Central Co-op.

Corporate Governance Report

continued

Governance Framework

The Society strives for the highest professional standards and business performance and seeks to maintain these standards across all of its operations. The Society has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve the Society's objectives. The organisational structure has clearly defined lines of responsibility and of delegated authority. The Board has approved a Schedule of Matters Reserved for the Board which clearly defines those responsibilities reserved for the Board and those delegated to Executive Management. A high-level summary of the Society's governance framework is set out on page 41.

The Board is accountable to the whole membership and responsible for ensuring the Society carries out its commitment to be a successful co-operative business. The Board has a duty to act in the best interests of the Society for the benefit of its Members as a whole. In doing so, the Board must take into account the long-term consequences of any decision it makes, and the impact on the Society's stakeholders. This long-term, multi-stakeholder approach to decision-making is clearly

reflected in the Society's Purpose statement (see page 18) and the Board's rationale statement (see page 42) both of which aim to engender a common co-operative culture across the Society's trading operations and wider activities.

In carrying out its duties, the Board is collectively responsible for the control and direction of the affairs of the Society. The Chief Executive, with the Executive Team, is responsible for the day-to-day operation and management of the Society. Any decision which is likely to have a material impact on the Society from any perspective, including, but not limited to, financial, operational, strategic or reputational, is reserved for the Board.

The Board, in consultation with the Chief Executive and Executive Team, is responsible for setting the Society's strategy and monitoring delivery of the strategy by management, identifying key business risks facing the Society and for the development of policies and procedures to manage those risks.

Board Governance Activities during the Year

The main areas of focus for the Board and its Committees during the financial year have been:

1

The onboarding of the new Society Secretary, Andy Seddon. Weekly one-to-one meetings with the President, one-to-one meetings with all Board Directors, and regular contact and communications with the Chair of the various Board sub-committees. Andy and his Secretariat team are key to assisting the Board to deliver a robust and progressive governance framework for the future benefit of the Society and its stakeholders.

2

Continued oversight of the Society's strategic approach to FCA regulation of the pre-need funeral bond market, concluding in the successful FCA approval of Central England Co-operative Funeral Plans Limited being officially regulated on 29 July 2022.

3

Shaping, with the Executive Management Team, the strategic direction of the Society in the increasingly demanding and changing markets in which it operates.

4

Rebranding the trading name of the Society to Central Coop and adopting the globally recognised marque of co-operation to show our solidarity with the wider co-operative movement. The refresh of our identity reflects our ambition to be a modern, warm, relevant and inclusive Society – geared towards welcoming the next generation of co-operators.

5

Green energy – the Society has a strong reputation on sustainability, including its commitment to be carbon neutral by 2030. The Board has explored the potential for community energy generation in addition to generating our own energy for use in our trading sites. The Board approved an initial £3m investment in solar panels at 60 Food stores in July 2022 and noted the potential to roll out to 180+ Food stores in total, as well as opportunities in Funeral and the wider estate. There was a collective ambition by the Board and executive management team to do more in this space, but also ensure that the activity could be adequately funded.

The Board – the responsibilities of the Board as set out in the Society's Rules are as follows:

- To ensure that the Society's affairs are conducted in accordance with its Rules, the best interests of the Society and its Members and in accordance with the Co-operative Values and Principles.
- To determine the strategy and policy of the Society in consultation with the Chief Executive and the Executive Team.
- To determine the risk strategy of the Society and ensure that risk management is addressed.
- To oversee the work of the Chief Executive and Executive Team in the day-to-day management of the business of the Society.

Audit & Risk Committee

Responsible for overseeing the adequacy of the Society's system of internal controls relating to risk management, disclosure, financial reporting and for ensuring the effectiveness of the internal audit function.

Remuneration Committee

Responsible for determining the remuneration policy for the Management Executive and Secretary, overseeing its implementation and setting appropriate and supportable levels of reward for the Executive, aligned to the Society's strategy.

Rules & Practices Committee

Responsible for reviewing and monitoring the Rules and constitution of the Society and making any recommendations to the Board. Responsible for reviewing the Society's compliance with the Co-operative UK's Corporate Governance Code.

Search Committee

Responsible for keeping the effectiveness of the Board under review by ensuring the composition of the Board provides an appropriate balance of skills, experience and diversity to provide effective leadership and oversight of a society of the size and complexity of Central Co-op.

Conduct Committee

- Examination and oversight as and when required of any breaches of conduct relating to the actions of Board Directors.

Chief Executive

Leads the Executive Team and is responsible for conducting the day-to-day business affairs and executive management of the Society in accordance with the Society's Rules.

Executive Team

Manage the Society's business operations in pursuit of the Society's strategic objectives. The Executive Team provides leadership and direction to all colleagues to ensure the effective management and administration of the Society's trading activities and business affairs.

Capital Committee

Co-ordinates all requests and approvals for capital and significant revenue expenditure, including for onward presentation to the Board for consideration and approval in accordance with the Society's defined delegated authority limits.

Risk Management Committee

- To monitor the Society's risk framework.
- To provide summary reporting on Society risk.
- To provide recommendations to the Audit and Risk Committee on Risk Management policy and risk appetite.
- To communicate with the Leadership Group on changes to risk environment and progress against the risk frameworks.

Society Secretary

To advise and guide the Board and support the Society President in the effective implementation of the Board's duties.

Corporate Governance Report

continued

Board Rationale Statement

We are collectively the custodians of the Society, acting in accordance with co-operative values and principles for sustainable business success, to secure a co-operative business for future generations, by:

- working with the Executive to set and monitor the implementation of our strategy
- setting the ethos and culture of the Society
- fulfilling our obligations to Members and all stakeholders

Board Effectiveness Framework

Annual	Triennial
One-to-one appraisals for those elected Directors starting the second year of their tenure (typically this will be four Directors per annum), conducted by the President.	Independent Board effectiveness evaluation – to include a skills audit.
One-to-one appraisals with the Independent Non-Executive Directors conducted by the President.	
Board evaluation survey completed by all Directors, reviewed by the President and Secretary to identify key themes, areas for improvement and actions.	

Co-operative Corporate Governance Code

Co-operatives UK published the new Co-operative Corporate Governance Code ('the Code') in November 2019 and last updated in November 2020.

Under the terms of the Code's compliance assessment, the Board has a responsibility to ensure that the Society complies with those recommendations that are appropriate to its circumstances, or to explain its reasons where this is not the case.

The Code is available on Co-operatives UK's website (www.uk.coop).

The Society conforms to the majority of the current Code's provisions and principles and where this is not the case, a brief explanation is detailed below. By providing appropriate explanations, the Board is satisfied that it has fully complied with Code.

The following explanations are provided:

3. Roles and Responsibilities Provision 9 – an elected chair should have served at least one year of office as a director before being elected to the role. The term of office of the chair should be three years or less and may be renewed up to a total maximum service of six years consecutively.	Appointments are based on skills, knowledge and experience. Rule 87, 'No Director shall be President of the Board for a period exceeding three consecutive years'.
1. Board Composition, Succession and Evaluation Provision 10.a. – determining the co-operative's succession plan.	The Search Committee's Terms of Reference allow for Board succession planning as far as is possible. The Chief Executive is responsible for succession planning in respect of the Management Executive, with oversight provided by the Remuneration Committee.

Director Attendance at Meetings

The table below lists the attendance record of Directors for the year ended 28 January 2023 at meetings of the Board and those Committees (excluding the Conduct Committee due to the nature of its role) stipulated by the Rules of the Society.

The figures show the number of meetings attended with the number of meetings that the Director was eligible to attend included in brackets.

Directors	Meeting					
	Board	Audit & Risk Committee	Remuneration Committee	Search Committee	Rules & Practices Committee	Membership & Community Strategy Committee
Jane Avery	11(11)	–	4(4)	6(6)	–	1(1)
Suzanne Bennett ²	8(8)	–	–	–	–	–
Richard Bickle ¹	3(3)	1(1)	1(1)	–	1(1)	2(2)
Marc Bicknell	10(11)	4(4)	–	–	–	–
John Chillcott	10(11)	–	4(4)	–	–	–
Elaine Dean ¹	3(3)	–	–	2(2)	1(1)	2(2)
Danny Douglas ²	8(8)	–	3(3)	–	–	1(1)
Dave Ellgood	11(11)	–	–	–	1(1)	3(3)
Mark Grayling ²	8(8)	2(3)	–	–	–	–
John Howells	11(11)	3(3)	3(3)	–	–	–
Maria Lee	11(11)	–	–	6(6)	2(2)	3(3)
Marta Mayhew ¹	3(3)	0(1)	–	–	–	–
Jody Meakin	11(11)	–	–	3(3)	1(1)	0(1)
Tanya Noon	11(11)	–	–	3(3)	1(1)	–
Sue Rushton	11(11)	4(4)	–	–	–	–
Bradley Tuckfield	10(11)	–	–	3(3)	–	3(3)
Rachel Wilkinson ¹	3(3)	–	1(1)	–	–	–

¹ Resigned on 27 April 2022

² Appointed on 29 April 2022

Report of the Remuneration Committee



John Chillcott

Statement from Committee Chair

On behalf of the Remuneration Committee ('the Committee'), in my first year as Chair of the Committee, I am pleased to present the Remuneration Report for the year ended 28 January 2023.

The Committee's role is to provide independent, robust governance and oversight of Executive remuneration. When making decisions relating to Executive pay, the Committee pays particular attention to both best practice in the external remuneration landscape and developments in corporate governance, whilst ensuring that remuneration is aligned to the Society's values and principles.

As we look to the year ahead, we have announced changes to the Executive Team to simplify the structure and when making decisions relating to Executive pay, the Committee has considered the market benchmarking data provided by our Advisors, the growing challenge in the external market of recruiting and retaining our key talent alongside our current performance.

The Committee continues to seek to adopt best practice reporting requirements as set out in the UK Corporate Governance Code and these have been considered when producing this report.

Business Context

It has been another challenging year with unprecedented headwinds and with the ongoing commitment of our colleagues, customers and Members, we have delivered another strong set of results.

We value and appreciate the contribution of all our colleagues. Once again, they have made a huge difference to the Society and a key priority for us has been continued investment in pay, benefits and cost of living support. We were delighted to have made an extra pay award in November, to increase our base rates for all colleagues to a minimum of £10 per hour (with paid breaks this is the equivalent of £10.50 per hour).

During the year, we have offered double discount for our colleagues through the summer and over the Christmas period to support with the cost of living. Our colleagues have also benefited from the investment we have made in Member deals this year with an extra 20% off those lines. We launched a new reward and engagement platform for colleagues this year, our difference makers hub offers a range of discounts over and above anything on the high street. It's great to see how much money this is helping

our colleagues to save so far. And finally, as a thank you, we gave all our colleagues £50 on their membership card over the festive period.

I would like to take this opportunity to say thank you to all our colleagues for the part they have played in our success this year.

Changes to the Management Executive

At the start of the year, we welcomed Andy Seddon to the Society as our new Society Secretary. During the year, Neil Robinson (Chief Financial Officer) and Liz Robson (Chief Technology Officer) announced their resignation from the Society. I would like to express our thanks to both Neil and Liz for their contribution during the year.

Liz Robson left the Society on 28 March. Neil Robinson is currently working his notice whilst we conduct an external search for a new Chief Financial Officer.

As we look to the 2023/24 financial year, we have announced a simpler executive structure which aligns to our strategy and key priorities, as follows:

- Sarah Dickins has been appointed to Chief Member, Customer and People Officer.
- Andy Peake has been appointed to Chief Commercial Officer
- Paul Dennis has been appointed to Chief Operations Officer
- As a result of these changes, Rajesh Gupta has left the Society with our best wishes for the future. We appreciate everything he has done for the Society on the Central Co-op rebrand, driving our membership participation up to 22% (of food sales only) by the final period of this year, for all his work on our digital plan and for getting our Malawi project off the ground.

As outlined in the Remuneration Policy, the remuneration package for members of the executive management team reflects the individual's role, responsibilities and experience whilst considering the market rate and internal relativities. Details will be included in next year's report.

Report of the Remuneration Committee

Summary of Executive remuneration in 2022/23

Pay

The Committee agreed to apply a 2.8% increase, effective 30 January 2023, to the salaries of the Management Executive incumbent at the time. This reflected the annual increase that was applied to all other management colleagues as part of the 2022 annual wage settlement.

There have been salary adjustments for Sarah Dickins (Chief Member, Customer and People Officer), Andy Peake (Chief Commercial Officer) and Paul Dennis (Chief Operations Officer) with effect from 30 January 2023. As outlined in our Remuneration Policy, the salaries for these roles have been set to reflect the individual's role, responsibilities and experience whilst considering the market rate and internal relativities.

Incentives

Although there were no changes to executive incentives for 2022/23, the MEIS scheme and relative reward opportunities are currently under review for the 2023/24 financial year to closer align incentives to our strategic focuses and reward philosophy.

Colleague Pay

The Board remains committed to improving the pay rates of the Society's customer-facing colleagues, subject to important affordability considerations and the management of internal pay comparisons. The Society continues to pay above the National Living Wage ('NLW') and does not reduce rates for those colleagues under 25 years old. The Committee is pleased to confirm that the Society remains committed to these principles.

The Committee is pleased to report the following increases were awarded to all colleagues through the annual pay awards:

- The hourly rate of pay for Customer Service Assistants employed in food stores increased from £9.10 to £9.70 (6.6%) in April with a further increase to £10 (3%) in November 2022.
- The hourly rate of pay for Team Leaders employed in food stores increased from £10.35 to £11.05 (6.6%) in April with a further increase to £11.35 (2.7%) in November 2022.
- For colleagues employed in other roles, pay increased by 2.8%, subject to a minimum rate of pay of £10 per hour.

Gender Pay

We recognise the importance and benefits of an inclusive workforce and in 2022/23, our gender pay gap remains ahead of the median ONS benchmark of 14.9% in 2021/22. Our results are as follows:

Pay

- The Society has seen a 0.7% increase in the mean average pay gap to 15% in comparison to 2022.
- The Society's median average pay gap has increased by 4.4% to 10.1% in comparison to 2022.

Bonus

- The Society's mean bonus gap has increased by 16.6% to 81.7% compared to 2022.
- The Society's median bonus gap has increased by 3.9% to 32.9% compared to 2022.

Our results in the 2022/23 Gender Pay Gap report have improved on the prior year but have returned to pre-pandemic levels in 2019.

The full Gender Pay Gap report and our action plan can be found here: https://www.centralcoop.co.uk/assets/documents/Gender_Pay_Report_2022.pdf.

ONS Median Pay Gap Statistic

Changes to the Remuneration Committee

During the year, I was elected to Chair the Committee. Danny Douglas and John Howells both joined the Committee from our Board.

Committee Advisor

Willis Towers Watson were re-appointed by the Committee during the year. Willis Towers Watson are founders of the Remuneration Consultants' Group (RCG), and signatories of the RCG's Code of Conduct.

The Committee would welcome Members' support for this report when it is put to an advisory vote at the Society's forthcoming Annual Members' Meeting.

John Chillcott

Chair of the Remuneration Committee

Report of the Remuneration Committee continued

Remuneration Policy



This section of the report explains the Committee's policy for the remuneration of the Management Executive and the Society Secretary. It contains a description of the overall policy, a table summarising each remuneration component and a description of how the policy for the Management Executive compares to the policy for the Society's other employees.

Reward Philosophy

Our colleagues are central to the Society's ongoing success and the Society's overall reward strategy supports this. Our objective is to have a fair, sustainable and competitive total reward package which enables the Society to:

- **Attract** the right people that share our purpose and live our values
- **Motivate** our colleagues to collectively deliver the Society's goals
- **Recognise** our colleagues' advocacy and positive contribution to the Society
- **Retain** our colleagues who will enable the Society to deliver its long-term vision

The Remuneration Policy for the Management Executive and the Society Secretary aims to:

- Pay fair base salaries taking into account market benchmarking
- Provide an incentive for the Management Executive and the Society Secretary to drive both the short and long-term strategic goals of the Society
- Ensure that performance metrics are aligned to the Society's values and principles

The incentive opportunities for the Society's Management Executive and the Society Secretary are currently under review for the new financial scheme year but are deliberately pitched below market levels for executives in PLCs.

This approach, together with the measures under the Society's incentive plans, reflects the Society's commitment to reward executives for delivering our strategic goals and for creating a sustainable Society for all.



Report of the Remuneration Committee continued

Summary of Remuneration Components

	Purpose and link to strategy	Summary and operation
Base Salary	To pay a fair salary commensurate with an individual's role.	<p>Base salaries should be set taking account of the median level of market-based salaries for fully competent performance.</p> <p>Salaries are normally increased annually in line with formal agreements and to reflect affordability and economic circumstances and salary increases for all colleagues. Formal reviews may be conducted as required, such as a significant change in role responsibilities or to ensure market competitiveness in cases of potential 'flight risk'.</p>
Annual Incentive	To motivate and incentivise achievement of agreed performance measures.	<p>The performance metrics are set prior to, and measured over, the relevant performance year.</p> <p>All payments are paid in cash and are non-pensionable. If performance conditions have been met, payments are made within four months following the end of the financial year to which they relate. Payments made under the scheme are subject to clawback provisions.</p>
Long-term Incentive	To align the Management Executive interests with the long-term strategic goals of the Society.	<p>All LTIP awards are made annually, have a three-year performance period and are subject to performance measures. Any new joiners of the Management Executive will have any awards pro-rated to reflect the length of service.</p> <p>Performance measures are set at the start of each three-year award cycle and have historically comprised: Trading Profit (70% weighting); Customer Service (10% weighting); Colleague Engagement (10% weighting) and Corporate Responsibility (10% weighting)</p> <p>The Committee retains discretion to select the performance measures and their weighting to align with the Society's strategic priorities or for reasons including the measures can no longer be independently validated.</p> <p>In 2020, a new set of metrics was agreed by the Board for the launch of the 2021 grant: EBITDA (70%), Colleague Engagement (10%) Membership Participation in Food (10%) and Carbon Emissions (10%).</p> <p>All payments are paid in cash and are non-pensionable. If performance conditions have been met, payments are made within four months following the end of the financial year to which they relate. Payments made under the scheme are subject to clawback provisions.</p>
Pensions	To provide the same level of pension benefits to all other colleagues in the Society.	Members of the Management Executive are able to join the Society's Defined Contribution pension plan or receive a cash allowance in lieu of pension provision.
Benefits	To offer a competitive benefits package that is flexible and offers choice to colleagues.	<p>The benefits provided to our Management Executive will be in line with normal market practice and include a company car or cash allowance, a fuel benefit in certain cases, life insurance, permanent health insurance, private medical insurance and an annual medical examination.</p> <p>Members of the Management Executive are also able to take advantage of benefits offered to all colleagues, for example, a share incentive plan and colleague discount.</p>

Maximum opportunity

There is no formal maximum salary. When conducting formal salary reviews, the Committee will take into account market data, job scope, function, size and complexity of the business, along with internal relativities between other positions within the Society.

The amount payable under the scheme is the same for all members of the Management Executive and is dependent on the financial performance of the Society as follows:

- Threshold (achieve 95% of budgeted trading profit**): 6.25% of base salary*
- On Target (achieve 100% of budgeted trading profit**): 12.5% of base salary*
- Stretch (achieve 105% of budgeted trading profit**): 25% of base salary*

* Base salary is defined as the rate of annual base salary as at the last day of the relevant financial year

** These thresholds need to be met after deducting the payment of the Management Executive Incentive Scheme itself

The percentage payable under the scheme is the same for all members of the Management Executive and is dependent on the achievement of performance measures as follows:

- Threshold (achieve 90% of performance measures**): 6.25% of base salary*
- On Target (achieve 100% of performance measures**): 12.5% of base salary*
- Outstanding (achieve 110% of performance measures**): 25% of base salary*

* Base salary is defined as the rate of annual base salary at the time that the colleague is notified of the grant (i.e. in the first year of the relevant three-year performance period)

** These thresholds need to be met after deducting the payment of the Management Executive Incentive Scheme itself

The following options are available:

- Defined Contribution employer pension % determined by date of employment.
- Cash alternative

There is no formal cap on the level of benefits that can be provided as the cost of providing these varies year to year; however, this will represent a small proportion of the total remuneration.

Performance Measures and Targets

The Committee reviews and approves the performance measures each year to ensure they are aligned to the Society's overall strategy, following consultation with the Chief Executive.

In February 2020, the Board approved the Committee's recommendation that two new performance metrics were introduced in respect of the 2021 LTI grant: Membership Participation in Food (10%) and Carbon Emissions (10%), with EBITDA (70%) replacing Trading Profit as the financial metric. The 'Let's Listen' annual survey continues as the Society's measure on Colleague Engagement (10%).

In March 2022, targets were agreed for the Membership Participation and Carbon Emissions metrics for the year 2022/23 and payout levels have been based on delivery against these targets.

Changes to Remuneration Policy

There were no changes made to the Remuneration Policy during the 2022/23 financial year.

The MEIS scheme and relative reward opportunities are currently under review for the 2023/24 financial year to closer align incentives to our strategic focuses and reward philosophy.

Report of the Remuneration Committee continued

CEO Pay Ratio

Overview

Central Co-operative is committed to openness with our stakeholders and aims to reflect good governance in our reporting and policies. The Society has consistently and voluntarily disclosed the pay ratio between the Chief Executive and colleagues.

Results are generated by comparing the base salary¹ and total pay² amounts for the CEO with colleagues³ at the lower quartile (25th percentile)⁴, median (50th percentile)⁵ and the upper quartile (75th percentile)⁶.

Set out below is the Society's CEO pay ratio at the statistical points highlighted above, alongside the average (for information only).

	CEO Pay ⁷	P25 (lower quartile)	P50 (median)	P75 (upper quartile)	Average
Base salary	£514,386	£20,280	£20,280	£21,314	£22,715
Total pay	£698,590	£20,280	£20,888	£22,308	£23,647
Total pay ratio	–	34:1	33:1	31:1	30:1

¹ 'Base salary' excludes pension contributions and benefit

² 'Total pay' is annual salary plus any incentive payments, pension contributions and benefits

³ Includes all colleagues employed by the Society as at 31 December 2022 and reflects the full-time equivalent salary

⁴ The '25th percentile' is a statistical measure identifying the colleague placed ¼ of the way along a ranking of 'total pay' amounts ranked from low to high

⁵ The '50th percentile' is the same statistical measure as above but ½ of the way along

⁶ The '75th percentile' is the same statistical measure as above but ¾ of the way along

⁷ Reflects the value of the CEO's current annual remuneration arrangements

In 2022, the average CEO pay ratio remained at 30:1 which is the same as 2021 and compared with 33:1 in 2020. The CEO pay ratio for 2022 shows P25 and P50 quartiles have reduced with P75 remaining the same. The reduction in our lower quartiles is reflective of the investment the Society has made in colleague base pay over the year for our lower paid colleagues.

Loss of Office

The employment agreement for the Chief Executive is terminable on 12 months' notice by the Society. Other Management Executive employment agreements are terminable on six months' notice by the Society. No contracts provide an entitlement to the payment of a pre-determined amount on termination of employment in any circumstances.

The Management Executives' employment agreements contain provisions for payment in lieu of notice in respect of base salary and contractual benefits only. Termination payments will be made in line with the terms agreed with USDAW's professional and managerial arm SATA (Supervisory, Administrative and Technical Association) at the time and those stated in the Management Executives' contracts.

Upon termination, no payment under the annual incentive scheme will be paid under the scheme rules, unless employed on the date of payment or the reason for termination is due to retirement, death, disability, redundancy or any other circumstances at the Committee's discretion. Anyone deemed by the Committee as a 'good leaver' will be entitled to an incentive prorated to the period of service during the relevant financial year. The Committee has the discretion to reduce the entitlement of a 'good leaver' in line with performance and the circumstances of the termination.

Employment Contracts

The Chief Executive is entitled to 12 months' notice as described above. All other Management Executive and the Society Secretary are entitled to six months' notice.

Dates of appointments to the Management Executive are included in the Executive Total Earnings table displayed further on in this report.



Committee Discretions

The Committee abides by the policy for all components of the remuneration package (unless otherwise stated); however, it has discretion when agreeing and recommending the components of a settlement agreement for a member of the Management Executive.

The Committee operates the Society's annual incentive 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:

- Agreeing the participants in the plans on an annual basis.
- Determining the timing of grants of awards and/or payments.
- Determining the quantum of awards and/or payments (within the limits set out in the policy table above).
- Making the appropriate adjustments required in certain circumstances (for example, change of control and restructuring events).

- Determining 'good' or 'bad' leaver status for incentive plan purposes and applying the appropriate treatment.
- Undertaking the annual review of weighting of performance measures and setting targets for the annual incentive plan and long-term incentive plan from year to year.

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

Report of the Remuneration Committee continued

Implementation Report 2022/23

This section of the report explains how the Remuneration Committee has applied its Remuneration Policy during the Society's 2022/23 financial year. It contains a summary of how the remuneration of the Chief Executive, Management Executive and Society Secretary has varied dependent on Society performance and full details of the remuneration received by members of the Executive during 2022/23.

Management Executive Total Earnings

Year 2022/23	Basic salary ¹	Taxable benefits ²	Annual incentive ³	Vested LTIP ⁴	Pension benefits ⁵	Total	Total fixed remuneration	Total variable
Deborah Robinson Chief Executive	£524,278	£16,817	£72,014	£70,258	£15,728	£699,095	£556,823	£142,272
Andrew Seddon Society Secretary	£103,094	£10,192	£14,159	£14,280	£2,687	£144,412	£115,973	£28,439
James Watts Society Secretary	£35,386	£4,924	£0	£0	£3,539	£43,849	£43,849	£0
Neil Robinson Chief Financial Officer	£187,210	£11,967	£0	£0	£5,616	£204,794	£204,794	£0
Andy Peake Chief Commercial Officer	£187,746	£12,698	£25,779	£25,704	£5,632	£257,561	£206,077	£51,483
Paul Dennis Chief Operating Officer	£187,746	£13,277	£25,779	£25,704	£5,632	£258,139	£206,656	£51,483
Liz Robson Chief Digital Officer	£166,409	£12,892	£0	£0	£4,992	£184,293	£184,293	£0
Rajesh Gupta Chief Member and Customer Officer	£187,210	£12,822	£25,714	£25,704	£5,616	£257,066	£205,649	£51,418
Sarah Dickins Chief People Officer	£207,846	£12,546	£28,540	£28,560	£6,235	£283,728	£226,628	£57,100
Louise McFadzean Chief Financial Officer	£0	£0	£0	£0	£0	£0	£0	£0
Tracey Orr Chief Operating Officer	£0	£0	£0	£0	£0	£0	£0	£0
Total 2022/23	£1,786,925	£108,138	£191,986	£190,210	£55,680	£2,332,937	£1,950,742	£382,195

¹ Basic salary incorporates any pay increases throughout the financial year and therefore shows the amount earned as salary during the financial year. Note this also includes 53 weeks of the financial year for 2022/23

² Taxable benefits include the provision of a car or a cash alternative, fuel and private healthcare

³ The annual incentive payment relates to cash payments due to be paid in 2023 under the 2022/23 scheme of 14.00% and does not include any payments received relating to previous financial years. An annual incentive payment of 19% was paid in 2022 in relation to the performance of the relevant metrics for the 2021/22 financial year

⁴ LTIP award relates to cash payments of 14.28% due to be paid in 2023 in relation to the performance of the relevant metrics over the three years ended in January 2023. An LTIP payment of 14.90% was paid in 2022 in relation to the performance of the relevant metrics over the three years ended in January 2022

⁵ Pension benefit figures show either the value of contribution made by the Society to the individual's defined contribution pension arrangement, or the value of salary supplement in lieu of pension contributions

Loss of Office Payments

No compensation for loss of office was paid to any member of the Executive during the year.

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

Executive	Role	Company	Date of Appointment
Debbie Robinson Chief Executive	Director ¹	British Retail Consortium	May 2017
	Director and Chair ^{1,2}	Association of Convenience Stores Limited	September 2011
	Director ¹	Cult Status Limited	May 2018
	Director ¹	Federal Retail and Trading Services Limited	April 2019
	Vice-President ¹	Euro Coop	December 2020
Sarah Dickens Chief People Officer	Director ¹	Ranmoor Homes & Developments Ltd	July 2019
Paul Dennis Chief Operations Officer	Non-Executive Director ¹	St Giles' Hospice	August 2021
Rajesh Gupta ³ Chief Member & Customer Officer	Non-Executive Director	Habinteg Housing Association	January 2022

¹ The executive receives no remuneration in respect of these appointments

² Resigned from office on 18 August 2022

³ Formally resigns from office on 5 May 2023

Board Director Fees

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

In accordance with the Society's rules, the Members are required to approve the level of fees paid to the Society's Directors, and this should be done, at a minimum, at least every three years. Director fees, including the adoption of a new committee fee structure, was approved by Members at the October 2019 Interim Members' meeting.

Board/Committee	Role	Fees 2022/23	Fees 2021/22
Board	President	£18,237	£17,392
	Vice-President	£13,677	£13,044
	Director	£9,118	£8,696
Audit & Risk Committee	Member	£645	£615
	Chair	£774	£738
Remuneration Committee	Member	£645	£615
	Chair	£774	£738
Rules & Practices Committee	Member	£645	£615
	Chair	£774	£738
Search Committee	Member	£645	£615
	Chair	£774	£738
Conduct Committee	Member	£215	£205
	Chair	£258	£246
Community Dividend Selection Committee	Member	£430	£410
Membership & Community Strategy Committee	Member	£430	£410
Other working groups		£22.44	£21.97

Report of the Remuneration Committee continued

Implementation Report 2022/23

Expenses

Directors are reimbursed all reasonable expenses incurred whilst carrying out their duties for the Society. In addition, delegation fees (of £40.32 for up to five hours or £80.61 for five hours or more; including travel time) are payable per day where Directors are formally appointed to represent the Society at pre-approved events, such as Co-operative Congress and the annual Co-operative Retail Conference. The Society also operates a policy to reimburse Directors who incur loss of income (from regular or part-time employment) in carrying out their Board duties.

Benefits

The Society's colleague discount scheme is available to Directors and their partners. Employee Directors are also entitled to other benefits, such as pension membership, in accordance with the standard terms and conditions of employment with the Society. Director fees do not qualify for Society pension contributions for any Board Directors.

Directors' Remuneration Table

The table below lists the fees paid to the Directors of the Society who served during the year under review:

Director	Fees	
	2022/23	2021/22
Jane Avery (President)	£19,914	£19,155
Elaine Dean (Vice President) ¹	£4,048	£15,053
Richard Bickle ¹	£2,909	£10,991
*Marc Bicknell ^{3,4}	£10,021	£9,639
Suzanne Bennett ²	£6,986	–
John Chillcott	£9,758	£9,493
Danny Douglas ²	£7,508	–
*David Ellgood ^{3,4}	£9,858	£9,106
Mark Grayling ²	£7,247	–
John Howells	£10,249	£9,106
*Maria Lee ³	£10,745	£10,337
Marta Mayhew ¹	£2,505	£9,311
Jody Meakin	£10,640	£9,106
Tanya Noon (Vice President) ⁵	£12,975	£9,516
Sue Rushton	£10,106	£9,721
Brad Tuckfield	£9,878	£9,106
Rachel Wilkinson ¹	£2,758	£10,254

* See 'Other Payments' in respect of fees in connection with CECFPL

¹ Resigned on 27 April 2022

² Appointed on 29 April 2022

³ Appointed a Member-Nominated Director of Central England Co-operative Funeral Plans Limited

⁴ Appointed to the Audit and Risk Committee of Central England Co-operative Funeral Plans Limited

⁵ Appointed on 19 May 2022

Other Payments

With the exception of the Member-Nominated Directors of Central England Co-operative Funeral Plans Limited ('CECFPL'), no additional payments were made to Directors during the year, other than Board Director fees and the reimbursement of expenses incurred or in respect of any loss of income.

Fees in connection with the Audit Chair and Member-Nominated Director appointments to the CECFPL board were paid with effect from 21 April 2022. Appointments to the audit committee for CECFPL were paid with effect from 20 September 2022. Fees were agreed as follows:

	Fees	
	2022/23	2021/22
Audit Chair	£2,100	–
Member-Nominated Director	£2,100	–
Audit Committee Chair uplift	£752	–
Audit Committee member	£627	–

Marc Bicknell, Dave Ellgood and Maria Lee receive an additional fee of £2,100 per annum as Non-Executive Directors of Central England Co-operative Funeral Plans Limited.

Marc Bicknell receives an additional fee of £752 per annum as Chair of the Audit & Risk Committee of Central England Co-operative Funeral Plans Limited. Dave Ellgood receives an additional fee of £627 per annum as a member of the Audit & Risk Committee of Central England Co-operative Funeral Plans Limited.

For details of fees paid to Independent Non-Executive Directors on the board of Central England Co-operative Funeral Plans Limited please see the relevant accounts which are available on request from the Society Secretary.

Tenure

In accordance with the Society's Rules, the normal period of office for elected Directors is three years which expires at the conclusion of the final Members' meeting at the end of their three-year term. Directors cannot serve for more than nine consecutive years without a break of service of at least one year. In addition, the Board may appoint up to two Independent Non-Executive Directors whose length of appointment is determined by the Board. Independent Non-Executive Directors are remunerated on the same basis as the elected Directors. Any such appointments are subject to annual review by the Board and are submitted for ratification at a meeting of the Members of the Society.

External Directorships and other Relevant Appointments

Director	Role	Organisation
Jane Avery	Director and Employee	LCDDA Management Co-operative (trading as CASE Limited)
	Elected Independent Society Member	The Co-operative Group National Members' Council
	Director	Leicester Rape Crisis
Richard Bickle	Director	Revolver Co-operative Limited
	Director	Birmingham Co-operative Film Society Limited
	Director and Secretary	Friends of the Earth (Birmingham) Limited
	Secretary	Co-operative Press Limited
John Chillcott	Director	Parity Finance Limited (Dormant)
	Director	Chillcott Consultancy
Marc Bicknell	Director	Railway Enginenen's Assurance Society Limited
Elaine Dean	Director and Vice Chair	RamsTrust
	Elected Independent Society Member	The Co-operative Group National Members' Council (from Co-operative Press Ltd)
	Director and Chair	Co-operative Press
Danny Douglas	Director	Social East of England Enterprise
	Director	Innate Wellbeing CIC
Mark Grayling	Director	Director of Mark Grayling Management (Dormant)
	Non-Executive Director	Board of Trustees Teesside University Students' Union
Maria Lee	Elected Independent Society Member	The Co-operative Group National Members' Council
Rachel Wilkinson	Director and employee	R W Legal Limited
	Director	Catalyst Science Discovery Centre and Museum Trust Ltd (Registered charity)
	Company Secretary	The Landing at MediaCityUK Limited
	Company Secretary	Cheshire Shutters Limited
	Company Secretary	IntoAfrica UK Limited
	Company Secretary	Derive (Salford) Limited
	Company Secretary	Derive RP Limited
	Company Secretary	Grand National Archery Society
Tanya Noon	Director	Kandaroo CIC
	Non-Exec Director	Co-operatives UK
	Director	Rams Trust
	Elected Member	The Co-operative Group National Members' Council and Member of The Senate (as an individual Member of The Co-operative Group)



Audit & Risk Committee Report



Marc Bicknell

Chair of the Audit & Risk Committee

I am pleased to introduce the report of the Audit & Risk Committee for the financial year ended 28 January 2023.

The Co-operatives UK Corporate Governance Code for Consumer Co-operatives requires the Board of Directors to review the effectiveness of the Society's system of internal control. This review covers all controls including financial, operational, compliance and risk management.

The Board of Directors is ultimately responsible for the Society's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Executive Team is responsible for the implementation, day-to-day operation and management of the Society's system of internal control.

The Audit & Risk Committee is a sub-committee of the Board, full details of its duties can be found in the Committee's Terms of Reference which is available on request.

Members of the Committee

The Audit & Risk Committee comprises four Directors; the normal term of office is two years. The President, Vice-President and Employee Directors are precluded from serving on the Committee.

The Directors who served on the Committee during the year and a record of their attendance at meetings can be found on page 43.

Audit & Risk Committee meetings were also attended by:

- Chief Financial Officer
- Society Secretary
- Head of Financial Control
- Head of Risk and Regulatory Compliance
- Senior Internal Audit Manager
- Representatives from the Society's Auditor
- Attendance by Society management (from time to time and as required).

Committee Activity in 2022

Meeting	
March	<ul style="list-style-type: none">• Review of the draft Annual Report and Financial Statements for the year ended 22 January 2022 and ancillary documentation.• The Society's Treasury and Taxation reports.• Stakeholder Payments for the year ended 22 January 2022 and proposed distributions from Trading Surplus.• Received reports relating to Risk Management, Compliance matters and Internal Audit.
June	<ul style="list-style-type: none">• Received reports relating to Risk Management, Compliance matters, Internal Audit and External Audit Update, and an audit tender report.
September	<ul style="list-style-type: none">• Review of the Society's financial information for the 28 weeks ended 8 August 2022.• Received reports relating to Risk Management, Compliance matters and Internal Audit.• Review of external audit fees and 2023 Audit Strategy Memorandum.
November	<ul style="list-style-type: none">• Review of audit retender report, participation in audit tender proposals and scoring matrix.
December	<ul style="list-style-type: none">• Financial Statements January 2023 and Related Matters, including Key Judgements and Estimates December 2022, Taxation Report, Treasury Report and Accounting Policy, and Changes to Funeral Accounting Policy.• Received reports relating to Risk Management, Compliance matters, Internal Audit, External Audit Update and Audit Tender exercise update and proposal to appoint new external auditors.

During the year and in accordance with corporate governance best practice and the Committee's Terms of Reference, the Committee met with the external Auditor and separately with the Society's Senior Internal Audit Manager in private session without the presence of management.

Search Committee



Jane Avery
Chair of the Search Committee

I am pleased to introduce the report of the Search Committee.

The Search Committee is a sub-committee of the Board, full details of its duties can be found in the Committee's Terms of Reference which is available on request.

Members of the Committee

The Search Committee comprises the Society President and three Directors, who can serve on the Committee for a period of up to two years – which may be extended for a maximum further period of up to two years, provided the Director still meets the criteria for membership of the Committee.

The Directors who served on the Committee during the year and a record of their attendance at meetings can be found on page 43.

Search Committee meetings were also attended during the year by the Society Secretary, the Assistant Society Secretary and Deputy Society Secretary.

Committee Activity in 2022

Meeting	
January	<ul style="list-style-type: none">• Independent Non-Executive Director Appraisals and Appointments.
April x 2	<ul style="list-style-type: none">• Member Elected Non-Executive Director Appointments to the Central England Co-operative Funeral Plans Limited board.• Review of candidates for the Chair and Independent Non-Executive Director for the board of Central England Co-operative Funeral Plans Limited.
June	<ul style="list-style-type: none">• Board Committee appointments.• Appointments to external organisations and other bodies.• Chair and Independent Non-Executive Director Appointments to Central England Co-operative Funeral Plans Limited board.
October	<ul style="list-style-type: none">• Review of Director Performance Appraisals and Board Development Framework Proposal.• Board Evaluation 2022.• Review of Succession Planning.

Rules & Practices Committee



Tanya Noon

Chair of the Rules & Practices Committee

I am pleased to introduce the report of the Rules & Practices Committee.

The Rules & Practices Committee is a sub-committee of the Board, full details of its duties can be found in the Committee's Terms of Reference which is available on request.

Members of the Committee

The Rules & Practices Committee comprises the Society President or Vice President and three Directors, one of whom should be an independent non-executive director, who can serve on the Committee for a maximum of nine consecutive years (subject to being re-elected to the Board every three years and re-appointed to the Committee every two years).

The Directors who served on the Committee during the year and a record of their attendance at meetings can be found on page 43.

Rules & Practices Committee meetings were also attended by the Society Secretary and Assistant Society Secretary.

Committee Activity in 2022

Meeting	
February	<ul style="list-style-type: none"> Annual Review of Co-operative Governance Compliance 2021/22.
July	<ul style="list-style-type: none"> Review of Member Democratic Engagement. Review of the Canvassing Code of Practice.

Conduct Committee

The Conduct Committee is a sub-committee of the Board, full details of its duties can be found in the Committee's Terms of Reference which is available on request.

Members of the Committee

The Conduct Committee comprises not less than four Directors. The normal term of office is two years. The President is precluded from serving on the Committee.

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

- Richard Bickle (until April 2022)
- Marc Bicknell
- Elaine Dean (until April 2022)
- Tanya Noon
- Rachel Wilkinson (until April 2022)
- Danny Douglas
- Mark Grayling
- Jody Meakin

The Committee met once during the year, in April 2022, as part of the Society's standard process to review the operation of the annual Board elections and immediately prior to announcing the results of the election.

Membership & Community Strategy Committee



Bradley Tuckfield

Chair of the Membership & Community Strategy Committee

I am pleased to introduce the report of the Membership & Community Strategy Committee.

The Membership & Community Strategy Committee is a sub-committee of the Board. The Committee's purpose is to strengthen membership and community engagement across all parts of the Society and monitor the effectiveness and operation of the Society's Membership and Community Councils (MCCs) in the context of the Society's wider Membership & Community strategy. Full details of the Committee's duties can be found in the Committee's Terms of Reference which is available on request.

Members of the Committee

The Membership & Community Strategy Committee comprises five Directors.

The Directors who served on the Committee during the year and a record of their attendance at meetings can be found on page 43.

Membership & Community Strategy Committee meetings were also attended by:

- Chief Executive
- Society Secretary
- Membership and Community Relations Officers
- Head of Digital Marketing, Membership & PR
- MCC representatives

Committee Activity in 2022

Meeting	
February	<ul style="list-style-type: none"> • Review of Membership strategy and Update of Activity Plan. • Review of Membership-related Marketing Activities and Quarterly Trends. • Review of MCC Fees.
April	<ul style="list-style-type: none"> • Review of Activity Plan Update. • Review of MCC/Co-option Waiver Proposal.
June	<ul style="list-style-type: none"> • Review of Membership strategy and Activity Plan Update. • Review of Membership-related Marketing Activities and Quarterly Trends. • Review of Interim Members' Meeting Proposal.

Other Committees Attended by Directors

Directors are also appointed to the Society's Membership & Community Councils ('MCCs') which, in addition to attending meetings, involves participating in the MCCs' events and activities.

Region	Covering	Appointed Directors
Northern	Derbyshire Nottinghamshire	Mark Grayling
Southern	Leicester/ Leicestershire East/South Leicestershire Northamptonshire North Warwickshire	Jane Avery and Maria Lee
Eastern	Peterborough, The Fens Norfolk Suffolk Cambridgeshire and surrounding counties	Danny Douglas, John Howells and Bradley Tuckfield
Western	Birmingham West Midlands and surrounding counties Staffordshire	David Ellgood and Jody Meakin
Yorkshire	West and South Yorkshire	Sue Rushton

Five Directors serve on the Society's Community Dividend Selection Committee. The Committee meets on a bi-monthly basis to review grant applications. The Directors who served on the Community Dividend Selection Committee during the year were:

- Jane Avery
- Suzanne Bennett
- John Howells
- Jody Meakin
- Sue Rushton

The Committee is also attended by the Secretariat Advisor and management representatives.

The Society also participates on the governance bodies of a number of organisations in which it holds a corporate shareholding. Once a Director has been appointed to the respective governance body, their fiduciary duties are owed to that organisation and not the Society. The Directors involved receive fees from the relevant organisation, in accordance with the particular arrangements of those organisations.

Organisation	Role	Director
The Co-operative Group's National Members' Council	Elected Independent Society Member	Maria Lee Jane Avery
Co-operatives UK	Director	Tanya Noon

Risk

The Society operates a risk management process, which involves colleagues from across the Society, that identifies the key and emerging risks facing each part of the business.

These are then documented in the Society's Corporate Risk Register. The Risk Register is formally reviewed by the Head of Risk and Regulatory Compliance every quarter with input from each risk owner and discussions around any new or emerging risks. Reports are presented to the Society's Risk Management Committee which in turn is accountable to the Board, via the Audit & Risk Committee, for the appropriate management of risk.

The Risk and Compliance team has operational responsibility for the management of health and safety, risk and insurance, General Data Protection Regulations (GDPR) and FCA compliance, and works closely with the Loss Prevention and Internal Audit functions to provide an integrated approach to risk mitigation and assurance.

Society management recognise the risks attendant on all areas of business resulting from operating in increasingly competitive and changing marketplaces and continue to review processes and procedures with the objective of ensuring effective controls are maintained, overcoming any identified weaknesses and achieving business efficiencies. Where problems do arise, positive action is taken to implement appropriate control mechanisms.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Society during the year under review and up to the date of approval of the Annual Report and Financial Statements. This process, which includes the prioritisation of key risks, is regularly reviewed by the Audit & Risk Committee on behalf of the Board.

The Society's Internal Audit department performs independent reviews of regulatory, operational and financial control procedures across the business and reports its findings into the Audit & Risk Committee. Progress against management action plans to overcome internal control weaknesses and business risks is also monitored and reported to the Audit & Risk Committee.

Accordingly, the Board of Directors confirms that the effectiveness of the system of control for the year commencing 23 January 2022 and ending on 28 January 2023 has been reviewed in line with the criteria set out in Corporate Governance Code for Consumer Co-operatives.



Principal Risks and Uncertainties

The Society's risk management process is closely linked to the Society's long-term strategy. Risk is an inherent part of doing business. The management of these risks is based on a balance of risk and reward determined through careful assessment of both the potential likelihood and impact. Consideration is given to both financial as well as reputational impact. Each principal risk and uncertainty is considered in the context of how it relates to the Society's Purpose and Cooperative Values and Principles.

The risk assessment process includes consideration of both the gross and net risk, where gross risk reflects the risk exposure and risk landscape before considering the mitigations in place, and net risk being the residual risk after mitigations.

Risk	Description and Potential Impact	Mitigation
Business Continuity	A major disruption to the society's infrastructure could have a serious impact on the Society's ability to trade. The Society's systems, people and distribution facilities are fundamental to the continuity of the business.	The Society has a Crisis Management Plan in place which is supported by Incident Management Response Teams who have the authority to make decisions in the event of a potentially disruptive incident having been identified. The plan was periodically tested. In addition, each business area has detailed Business Continuity and Disaster Recovery plans in place which cover buildings, systems, colleagues and key suppliers.
Business Strategy and Change	<p>If the Society were to pursue the wrong business strategy or fail to execute its strategy effectively, the business could be negatively impacted in a highly competitive market.</p> <p>The Society has a number of change programmes and a failure to manage, prioritise and deliver them in an effective way could have a negative financial impact on the Society.</p>	The Executive Team met biannually with the Board to review, monitor and, where necessary, update the Society's strategy. Progress in delivering strategy and change is reviewed regularly as part of the Society's governance process, with updates provided to the Board, including a quarterly health check on financial outlook and business change activities.
Co-operative Principles	The Society has an underlying purpose beyond profit. If the Society was to operate or behave in a manner inconsistent with its core values and principles the Society's reputation would be impacted negatively.	<p>The Board sets the tone in this area ensuring that significant decisions are evaluated against co-operative values and principles. Members have the opportunity to influence the Society's approach to the application of these values and principles through attendance and participation at Members' meetings.</p> <p>Evidence of the Society's purpose beyond profit can be seen in its Sustainability strategy, Membership & Community activities and events, Community Dividend Awards and support for other co-operatives alongside ongoing work in areas such as:</p> <ul style="list-style-type: none"> • Corporate Responsibility • Human sustainability • Financial sustainability • Environmental sustainability

Risk	Description and Potential Impact	Mitigation
Colleague Engagement, Capability and Succession	<p>The Society employs over 7,000 colleagues who are pivotal to its future success.</p> <p>Attracting the best people, recognising diversity and investing in colleague learning and development are essential to the sustainability and future success of the Society's operations.</p>	<p>The Society has a clear people plan to focus on:</p> <ul style="list-style-type: none"> • Attracting the right talent (GET) • Being a place where our talent thrives (GROW) • Being a great place to work for everyone (KEEP) <p>GET</p> <p>In 2022, we embedded our new recruitment system and created new attraction resources for our sites to promote our culture with the launch of 'we are the difference makers'. We launched our new culture in November.</p> <p>GROW</p> <ul style="list-style-type: none"> • In 2022, we launched a new Learning Management System – Let's Learn – to make learning accessible and engaging for all our teams. • Let's Talk – our annual and mid-year conversations to focus on performance, development and careers. • Biannual talent reviews to look at succession planning and future talent needs. <p>KEEP</p> <ul style="list-style-type: none"> • Annual review of policies, rewards and benefits to ensure that they remain competitive in the marketplace. • Annual Let's Listen surveys to listen to our colleagues and improve engagement. • We invested in base rates of pay and launched our difference makers hub – a new reward and engagement platform for all our colleagues. • Colleague wellbeing – we have an EAP and also a regular programme to support Wellbeing Wednesdays.
Commercial	<p>The Society operates in a very competitive food and funeral sector. Failure to ensure we offer the right products and services, to the right quality and price, risks customers taking their business elsewhere. Our channels to market must be relevant and adapt.</p> <p>Food safety legislation has expanded to include greater information on allergens and significant new rules came into force in 2022 around the sale of products containing high fats, sugars and salts.</p> <p>The sale of funeral plans from July 2022 came under the supervision of the Financial Conduct Authority (FCA).</p>	<p>The Society actively monitors and manages its commercial activities. Performance and external market conditions were monitored weekly.</p> <p>Regeneration programmes ensure we keep our trading sites relevant and up to date.</p> <p>Our Commercial Team works closely with suppliers, national and local, to ensure our food products meet the high standards expected and are sold in line with legislation.</p> <p>In 2022, the Society achieved FCA authorisation status for its dedicated Funeral Planning business (Central England Co-operative Funeral Plans Limited) and has built FCA compliant processes to ensure funeral plans are sold in line with regulation.</p> <p>Following our announcement that our Distribution facility will transition across to the Co-operative Group network in 2024, we focused on ensuring appropriate risk mitigations will be in place throughout 2023 to ensure there is no service interruption to our deliveries into our retail store network.</p>

Principal Risks and Uncertainties

continued

Risk	Description and Potential Impact	Mitigation
Data Management	The Society creates, captures and uses a significant amount of data in its business operations. Failure to keep data secure, up to date and relevant, or use personal data where there is no consent or legitimate reason, can result in breach of confidential information, harm to individuals, reputational damage and/or financial penalties under General Data Protection Regulations (GDPR).	<p>Policy, processes and controls are in place to ensure data is appropriately captured, maintained and used as permitted. A Compliance Framework has been developed to achieve the standards required for GDPR.</p> <p>The Society has a Data Protection Advisor and the Information Governance Committee is responsible for monitoring the Society's performance in this area. It reviews:</p> <ul style="list-style-type: none"> • Data management policies and practices, • Colleague awareness and training • Data breaches and prevention controls <p>Data held within information systems are protected by information security controls as defined in the Information Security risk below.</p>
Finance and Treasury	The Society is reliant on a combination of internally generated cash and bank borrowing to fund its business strategy, thus any material downgrade in trading cash flows may impact the deliverability of the Society's strategy.	<p>The Society maintains a rolling two-year cash flow forecast supplemented with a daily cash flow forecast to manage this risk. This forecast has been informed by the annual budget and quarterly reforecast processes together with a rolling capital expenditure forecast.</p> <p>In addition, the Society conducts an annual Four-Year Financial Plan process which allows it to confirm that medium-term cash requirements are within committed bank funding levels. Bank covenant compliance is reviewed quarterly and reported to the Board.</p>
Health and Safety / Food Safety	The prevention of injury or illness to colleagues, Members, customers and the general public is of paramount importance to the Society. Any failure in this regard would significantly reduce customer and colleague confidence.	<p>Policies, procedures and colleague engagement plans are in place detailing the controls required to manage health and safety and food safety risks across the Society.</p> <p>Colleague-based Health and Safety forums were introduced in our Retail, Funeral and Distribution business functions which supported the Health and Safety Advisory Committee where health and safety matters were actively discussed and mitigations agreed.</p> <p>The Society's internal Health & Safety Advisors and Loss Prevention Advisors work proactively on strategy and controls to protect our colleagues on all safety matters, including the threat of violence and aggression which colleagues face on a day-to-day basis.</p> <p>In 2022, a new Delivery Risk Assessment was put in place across the retail estate and the masonry and coffin factories. Controls around food safety and trading standards risks have been enhanced through introduction of the Food Safety and Trading Standards Committee and a new Food Safety Advisor role.</p>

Risk	Description and Potential Impact	Mitigation
Information Security	<p>The Society is increasingly reliant on technology. As technology usage in the business increases so does the risk of data breaches and cybercrime which is fast becoming one of the biggest global threats to business.</p> <p>Cybercrime can create significant business interruption or reputational damage through loss of confidence by customers and stakeholders.</p>	<p>The Society's IT Security team and our third-party security managed service partners provide a broad range of cyber resilience capabilities that allow us to detect and respond to security-related incidents efficiently. Ongoing investment in this area has been key to ensuring we have the right controls in place to provide assurance that we are keeping the organisation's systems and data safe and secure. Cybercrime is evolving all the time and it's our job to keep ahead of the curve by introducing and maintaining measures through technology, compliance, awareness and continual improvement through security reviews, penetration testing, vulnerability management and internal and external audits. All of these initiatives and our security roadmap provided the business with confidence that we take cyber security seriously as a society.</p>
Pensions	<p>The Society has a significant deficit in its closed defined benefit pension scheme. There is a risk that the obligation to fund this deficit will deprive the Society's trading businesses of investment funding.</p>	<p>The Society works closely with its advisors and the Pension Scheme Corporate Trustee to ensure that deficit recovery plans are both affordable to the Society and offer sufficient funding to the Pension Scheme in order to continue to reduce the deficit.</p> <p>The funding position improved significantly over the last couple of years, and a de-risking strategy was implemented for investment assets to increase the likelihood of achieving the deficit recovery plan.</p>
Regulation / Legislation	<p>Failure to comply with relevant legislation could damage the Society's reputation as well as resulting in significant financial penalties or sanctions.</p>	<p>Assurance over key regulatory and legislative matters was put in place across the business as part of the Society's risk and compliance framework. Updates on positive assurance was provided to various governance committees: Food Safety Governance, Health and Safety, Information Governance, Executive Risk Management, and Audit & Risk Committee on a quarterly basis.</p> <p>The Society implemented new processes to ensure the selling of funeral plans met FCA regulatory requirements.</p> <p>External as well as internal expertise was utilised to 'horizon scan' and provide insight to the Society regarding any future legislative changes.</p>

Principal Risks and Uncertainties

continued

Risk	Description and Potential Impact	Mitigation
Trading	<p>There continued to be the significant macroeconomic uncertainties around the level of inflation, high energy prices, pressure on wage growth alongside increasing commodity prices. All these were hitting consumers' ability to spend, and the Society's membership and community activities may not provide a sufficient point of difference to attract customers to our stores.</p> <p>The cost of energy for the Society increased significantly during 2022 and it is uncertain what the cost will be in 2023.</p> <p>Competition by supermarkets and discounters has increased with online and home delivery platforms growing at a fast pace. Product availability has also been a challenge for all food retailers.</p> <p>In the funeral sector the impact of regulation under the CMA and FCA has been felt and will continue to drive significant change alongside the need to break with traditional ways of working.</p>	<p>To help customers and Members, the Society implemented several initiatives to drive membership participation and improve commercial performance; for example, Member discounts on over 100 products and a new value range.</p> <p>The Society is committed to environmental sustainability and reducing our environmental impact. A number of initiatives are being accelerated to reduce this impact, such as the roll-out of solar panels and fridge replacement to improve energy efficiency.</p> <p>The Society continued to adapt to the changing market forces to provide customers with what they require. Alternative and increased use of local suppliers ensured availability issues were minimised.</p> <p>We actively monitored the performance of all our trading sites and continually reviewed the external market conditions both nationally and locally.</p> <p>As external product and operating costs have increased, the Society's trading teams have actively focused on efficiency improvements and simplifying our process to release focus to optimise Member and customer service as well as keep costs under control.</p>

Other Corporate Matters

Political Subscriptions and Donations

The Society welcomes into membership people who use its services and subscribe to the values and principles of the co-operative movement, irrespective of their personal religious or political beliefs or personal characteristics.

At the Society's Interim Members' Meeting(s) held in October 2022 Members approved a resolution for the Society to set aside funding for political purposes in furtherance of co-operative values and principles, amounting to 0.6% of trading profit (to not exceed £120,000 per annum) for each of the next three financial years, ending January 2024, January 2025 and January 2026.

During the course of the year Central Co-op's long-standing affiliation to the Co-operative Party was maintained to secure a co-operative voice in the political arena in furtherance of the Society's, and the movement's, wider interests. This comprised paying a national subscription and also funding and participating in Society Co-operative Party Councils in our trading area.

The Group Income Statement for the year ended 28 January 2023 (Note 8 to the accounts) reports that £92,000 (2021/22: £104,000) was paid by the Society in respect of political subscriptions and related funding. This included support at national level for the Co-operative Party and grants to four Society Party Councils.

Withdrawable Share Capital

The Society follows Co-operatives UK's Code of Best Practice on Withdrawable Share Capital (WSC) where it is applicable to Central England Co-operative. The Society's Terms and Conditions provide Members with full details about the nature of their shareholding and its legal status as withdrawable share capital. The Terms and Conditions are available on the Society's website (or available from the Secretary, on request). Members may withdraw money from their share accounts at any time, unless the Board of Directors has removed the facility in accordance with procedures set out in the Society's Rules.

Members share capital is risk capital and, therefore, if the Society is unable to meet its debts and liabilities, Members risk losing some or all of their shares held. The Financial Services Compensation Scheme (FSCS) does not apply to Members' share accounts and, therefore, Members are not eligible to claim compensation under the FSCS in the event of the Society not being able to meet requests for withdrawal of shares.

The Society is not subject to supervision by the Prudential Regulation Authority or by the Financial Conduct Authority in relation to withdrawable share capital. The Financial Ombudsman Service does not apply to withdrawable share capital or the relationship between Members and the Society.

Statement of Directors' Responsibilities

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

Co-operative and Community Benefit Society law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under Co-operative and Community Benefit Society law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting 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.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware, there is no relevant audit information of which the Society's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Board Certification

These financial statements are hereby signed on behalf of the Board of Directors pursuant to the requirements of the Co-operative and Community Benefit Societies Act 2014.



Jane Avery
Society President



Debbie Robinson
Chief Executive



Tanya Noon
Vice President



Andrew Seddon
Society Secretary

14 April 2023

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL ENGLAND CO-OPERATIVE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Central England Co-operative Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 28 January 2023 and of its income and expenditure and cash flows for the 53 weeks ("period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

We have audited the financial statements, included within the Annual Report for the 53 weeks ended 28 January 2023 (the "Annual Report"), which comprise: the Group Statement of Financial Position as at 28 January 2023, and the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity and the Group Statement of Cash Flows for the period then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 group's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

Independent Auditors' Report

continued

In preparing the financial statements, the Directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the group, we identified that the principal risks of non-compliance with laws and regulations related to employment regulations, health and safety legislation, FCA regulations and food safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud.
- Review of meeting minutes for the society's Board of Directors and Audit and Risk Committee.
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements (due to the susceptibility of these areas to management bias).
- Testing of journals posted to revenue that have unusual account combinations.

- Performance of 'unpredictable procedures' designed to vary our audit approach to test balances and processes not otherwise tested as part of our core audit approach.
- Review of financial statement disclosures to ensure consistency with the findings of our detailed audit work.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the group's members as a body in accordance with Section 98 (7) of the Co-operative and Community Benefit Societies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Co-operative and Community Benefit Societies Act 2014 exception reporting

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Other matter

This audit report does not extend to the financial statements of the Society itself. A separate report will be issued on the financial statements of the Society in due course.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Birmingham

14 April 2023

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Registered society under the Co-operative and
Community Benefit Societies Act 2014

Registered No. 10143R

Financial Statements

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These consolidated Group financial statements for the 53 weeks ended 28 January 2023 (2022: 52 weeks ended 22 January 2022) have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and applicable United Kingdom accounting standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.



Accounting Policies

For the 53 weeks ended 28 January 2023

1 General information

Central England Co-operative Limited (the 'Society') is a registered society under the Co-operative and Community Benefit Societies Act 2014. The address of the Society's registered office is Central House, Hermes Road, Lichfield, Staffordshire WS13 6RH.

Central England Co-operative Limited now trades as Central Co-op.

2. Basis of preparation

Statement of compliance

This consolidated Group Annual Report for the 53 weeks ended 28 January 2023 (2022: 52 weeks ended 22 January 2022) has been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and applicable United Kingdom accounting standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The Annual Report has been prepared under the historical cost convention except for modification to the revaluation of certain land and buildings; and to fair value for certain financial instruments, funeral bonds and investments as specified in the accounting policies below. The Annual Report is presented in pounds sterling and amounts have been rounded to the nearest thousand pounds (£'000).

Basis of consolidation

The consolidated Annual Report incorporates the Annual Report of Central England Co-operative Limited and all of its subsidiary undertakings. The results of transfers of engagement and subsidiary undertakings are included in the Group Annual Report from the date on which control transferred to the Society or, in the case of disposals, up to the effective date of disposal. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. The individual results of Central England Co-operative Limited are not presented within this Annual Report and are filed separately.

Investment in subsidiaries

The consolidated Annual Report incorporates the Annual Reports of the Society and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent.

Going concern

The directors are required to assess whether the Society has adequate resources to continue in operational existence for the foreseeable future. The Annual Report has been prepared on the assumption that the Society remains a going concern.

The Society currently meets its day to day working capital requirements through utilising its cash reserves and bank facilities. The bank facilities consist of a revolving credit facility of £40.0m and a bank overdraft of £10.0m, both of which expire in November 2024. There are two financial covenants attached to the revolving credit facility which are tested on a quarterly basis, neither of which are expected to be breached in the twelve months from the date of signing this Annual Report.

The repayment terms and details of the revolving credit facility are detailed in note 16 to the Annual Report.

As part of the Society's budget and forecasting process, on an annual basis the Society prepares a four-year financial plan, taking account of reasonable possible changes in trading performance. The Society anticipates it will operate within the available banking facility during this four-year period.

The Directors have also reviewed the forecasts for the current and upcoming financial period, with specific consideration of macro-economic factors, including increases in inflation, and considering specific areas such as potential issues in the supply chain and a decrease in sales volume. A range of downside scenarios have been considered, including a combination of risks which are considered to be a severe but plausible scenario, and the Directors have concluded that, under these scenarios, and after implementing some mitigating actions which are available at short notice, the Society can continue as a going concern. The Society also has opportunities to implement further mitigating actions if required. The Society has sufficient resources with its current bank facilities to continue operating for the foreseeable future. On this basis the Directors continue to prepare the Annual Report as a going concern.

Accounting Policies continued

For the 53 weeks ended 28 January 2023

3. Significant judgements and estimates

The Group makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions may not equal the related actual results but are based on historical experience and expectations of future events.

The key judgements that have a significant impact in the Annual Report are discussed below:

Impairment of goodwill and tangible fixed assets

The Group assesses individual cash generating units or groups of cash generating units for indication of impairment. Impairment is recognised based on the higher of value in use and fair value less costs to sell. The value in use calculation requires the estimation of the present value of discounted future cash flows. Actual outcomes could vary from these estimates.

Impairment models are continually reviewed to ensure data and assumptions are appropriate. The accuracy of any such impairment calculation will be affected by unexpected changes to the economic situation, and assumptions which differ from actual outcomes. As such, judgement is applied when determining the levels of provisioning.

The approach considers a central overhead allocation on EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), and the budgeted profitability of each site for next year (2023/24).

In the 53 weeks ended 28 January 2023, an impairment of £5,283,000 (2022: £2,577,000) has been recognised in relation to tangible fixed assets and goodwill. Due to this being a significant area of estimation in calculating the impairment value, it is sensitive by nature.

Pension costs

The Group operates a defined benefit scheme for some of its employees, which is closed to future accrual and new entrants. The present value of the scheme's liabilities recognised at the reporting date and the net financing charge recognised in the income statement are dependent on interest rates of high quality corporate bonds. Other key assumptions within this calculation are based on market conditions or estimates of future events, including discount rate, inflation assumptions and mortality rates, as set out in note 18.

Any changes to assumptions used will impact the carrying value of the retirement benefit obligation. The retirement benefit obligations are most sensitive to changes in the discount rate.

Supplier rebates

The Group receives supplier rebate income from the buying group, Federal Retail Trading Services ('FRTS'). At year end, the Group is required to estimate supplier income due from annual agreements for marketing and promotion costs and volume rebates which span across the year end date.

Estimates are required due to the fact that final confirmation of amounts due is often received after the year end date. All rebate income is received from third parties via the supplier agreements with FRTS. The estimates for this income are prepared following discussions with FRTS throughout the period and are regularly reviewed by senior management.

A forecast is received quarterly for the income that is expected and this is recognised in accordance with paragraph 23.3 of FRS 102 across the period to which it relates.

Investment properties

Properties held for long-term investments are recognised as investment properties, initially recognised at cost, and are subsequently measured at market value. The market value is determined on an annual revaluation by external valuers in accordance with the RICS Valuation - Professional Standards January 2014 (the 'Red Book') prepared by the Royal Institution of Chartered Surveyors (the 'RICS'), using appropriate judgements that incorporate market conditions which are subject to fluctuations. The value of future disposals may differ from the valuation depending on market conditions as at the date of disposal. The valuation of investment properties held as at 28 January 2023 is £121,171,000 (2022: £129,415,000).

Funeral Plans liabilities

During the year, a subsidiary of the Group, Central England Co-operative (Funeral Plans Limited) was regulated under the Financial Conduct Authority (FCA). As a result, the Society has reviewed and changed its accounting treatment of funeral plan liabilities.

As part of the transition to be compliant with FCA rules, funeral contracts were modified resulting in a remeasurement of the liability.

The Society is now accounting for funeral plan liabilities using the deferred revenue method and refers to FRS102 for guidance on the framework for revenue recognition and borrowing rates. Where more detail is required, IFRS 15 is referred to (Revenue from Contracts with Customers).

When a plan is taken out by a customer, the plan value is held on the balance sheet as deferred income within liabilities. Due to the nature of this transaction it is necessary to increase this deferred revenue liability annually to reflect the fact that costs will increase to fulfil the performance obligation. An incremental borrowing rate (SONIA plus the margin the Society is charged on its loan facility) has been used to calculate this increase on an annual basis, which is charged to the income statement each year.

The new accounting treatment is considered to be a significant area of judgement and consideration was given as to whether it was a change in accounting policy or a contract modification giving rise to a remeasurement of the liability.

The Society has deemed that it is a contract modification leading to a change in measurement of liability. It is an adjustment to the carrying amount of the plan liabilities resulting from reassessing the future obligations associated with the liability due to a prospective change resulting from FCA regulation in 2022.

No restatement of prior year numbers is therefore required as contract liability changes are accounted for through a cumulative catch-up adjustment.

Following the Financial Conduct Authority (FCA) regulations and modification in contracts, the remeasurement of the fair value has been taken to the income statement in the current year against revenue and included as an exceptional item due to the size and non-recurring nature.

4. Principal accounting policies

Gross sales

Gross sales is a memorandum disclosure and represents the total transaction value of all the Group's services. The gross value of sales includes amounts recognised in respect of sales made on an agency basis, principally relating to concessions in supermarkets and certain petrol stations.

Gross sales is a non-GAAP measure, i.e. it does not follow the criteria for revenue recognition under FRS102. This is a voluntary memorandum disclosed in order to provide additional information to the reader of the Annual Report.

Turnover

Turnover is measured at fair value of the consideration received or receivable, net of VAT, discounts and incentives.

Retail turnover

Turnover through retail outlets are shown net of returns, employee discounts, vouchers and sales made on an agency basis. Commission income is recognised in revenue based on the terms of the contract.

Wholesale turnover

Turnover from the provision of distribution services to third party independent Co-operative Societies are recognised at the point when the customer has signed for the delivery of the goods.

Funeral turnover

Revenue from funeral operations comprises the amount recoverable from clients for the provision of funerals, income from crematoria and other services, to the extent that those services have been performed or goods supplied.

Pre-need funeral plans

The Society sells pre-arranged funeral plans, with monies received from selling funeral plans being invested with Royal London. The sale of a pre-need plan is considered to have a single performance obligation, fulfilled by the delivery of the funeral service.

Amounts received from plan holders are deferred on the balance sheet within contract liabilities until the related funeral is performed or the plan cancelled.

For the majority of plans where the service as per the funeral plan is expected to be performed, the deferred amount is subject to an adjustment to reflect a significant financing component.

This significant financing component, which has been calculated based on a relative borrowing rate would be reflected in a separate financing transaction between the Society and the plan holder at contract inception and is charged to the income statement as a finance cost until the performance obligation is satisfied.

The rate applied is fixed for the duration of each plan at inception.

All costs in respect of the administration of the pre-need funeral plans are expensed in the Society's income statement as incurred.

The Group pays certain disbursements such as crematoria fees, cemetery fees, Ministers' fees and doctors' fees on behalf of clients. These amounts are recovered as part of the invoicing process. These amounts are not included within turnover as they are simply passed on to clients at cost.

Rental income

Rental income is generated from the Group's investment property portfolio, with receivables being recognised on a straight-line basis over the lease term. The cost of lease incentives is recognised as a reduction to rental income over the lease term on a straight-line basis.

Accounting Policies continued

For the 53 weeks ended 28 January 2023

4. Principal accounting policies continued

Investment income

Interest receivable is accounted for on an accruals basis. Dividends are accounted for when the right to receipt is established.

Growth in the fair value of the funeral plan assets invested is recognised within Other Income on redemption of pre-arranged funeral plans.

Trading profit

The Society uses trading profit as a measure to provide additional information to its Members on the core operations of the business to generate a profit. This does not include any financing-related income or expenses.

Employee benefits

Short-term employee benefits and contributions to defined contribution pension plans are recognised as an expense in the period in which they are incurred.

Long Term Incentive Plan

The Group has a long-term scheme in place to incentivise the Management Executive within the Society. An expense is recognised over the vesting period of three years based upon meeting specific targets and objectives.

Exceptional items

Exceptional items are disclosed separately as they are significant to the Group or non-recurring in nature and require further explanation, such as transfer of engagements and costs arising from reorganisation of business.

Payments to and on behalf of stakeholders

The surplus shown in the income statement is not considered to be attributable solely to the Members, but also to various stakeholders including the Group's employees, charitable institutions or other organisations with objectives or purposes consistent with those of the Group.

Payments to and on behalf of stakeholders are recognised in accordance with the Group's rules to include approved dividends, Member relations costs, subscriptions and grants to the Co-operative Party. Payments to and on behalf of stakeholders are recognised in the income statement in the period in which they are approved by Members.

Intangible fixed assets

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the fair value of the consideration of the business combination over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated amortisation and impairment losses, and is amortised evenly over its useful economic life.

Computer software

Computer software and licences are carried at cost less accumulated amortisation and any provision for impairment. Computer software is amortised on a straight-line basis over the useful economic life of between three and ten years.

Investment properties

Properties held for long-term investments are recognised as investment properties, initially recognised at cost, and are subsequently measured at market value. The market value is determined on an annual revaluation by external valuers in accordance with the RICS Valuation - Professional Standards January 2014 (the 'Red Book') prepared by the Royal Institution of Chartered Surveyors (the 'RICS').

All surpluses and deficits arising on revaluation to market value are taken to the income statement. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years remaining on the lease.

Tangible fixed assets and depreciation

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all tangible fixed assets, other than investment properties, properties under development, assets in the course of construction and freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings:	2% – 10% per annum
Leasehold properties:	Over the unexpired part of the lease
Plant & machinery, fixtures & fittings:	6.7% – 33.3% per annum
Petrol station decommissioning costs:	2% per annum
Fleet vehicles and other transport:	10% - 50% per annum

Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount (higher of value in use or fair value less costs to sell). An impairment assessment is triggered by loss making units, and impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units, and then to reduce the carrying value of other fixed assets.

Assets leased to the Group

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at the fair value of the leased assets (or if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining liability. The outstanding commitment is analysed between current and long-term liabilities.

Assets held under finance leases are included in tangible fixed assets and are depreciated in accordance with the Group's normal accounting policy.

The aggregate benefit of lease incentives are recognised as a reduction to the expense over the lease term on a straight-line basis.

Rentals due under operating leases are charged to the income statement over the lease term on a straight-line basis.

Investments

Investments in shares and funeral plan investments are measured at fair value. Changes in the fair value are recognised in the income statement in the period in which they occur.

Investments in the withdrawable share capital of other Co-operatives are held at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the FIFO (first in, first out) method. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

Debtors and other debtors

Debtors and other debtors, as basic financial instruments, are initially measured at the transaction price. Such assets are subsequently measured at amortised costs less any impairment. At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment, any impairment loss identified is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial liabilities

Basic financial liabilities, including creditors and other creditors and bank loans, are initially recognised at transaction price.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives held by the Society amount to an interest rate swap. As defined by FRS102 this is not seen as a basic financial instrument. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement as finance costs or finance income as appropriate, unless they are included in a hedging arrangement. The Society has not applied hedge accounting in the current or prior period.

Financial liabilities are derecognised when the liability is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

Taxation

Current tax

Current tax is accounted for on the basis of tax laws enacted or substantively enacted at the reporting date. Current tax is charged or credited to the income statement.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

Accounting Policies continued

For the 53 weeks ended 28 January 2023

4. Principal accounting policies continued

Deferred tax is charged or credited to the income statement, except when it relates to items charged to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income respectively.

Funeral plans

The performance obligation to deliver the funeral is treated as a contract liability (deferred income) and is held on the balance sheet as deferred income within current liabilities as a contract liability until the delivery of the funeral at which point the revenue is recognised and the liability is discharged.

Amounts received in advance for funeral plans are recorded at fair value of the investment held as assets on the statement of financial position.

All money received for funeral plans is paid into a contract for whole of life insurance policy on the life of the customer for the purpose of providing the funeral and disclosed within investments at fair value using the valuation provided by the insurance policy provider. The values reflect the amount the policy provider would pay on redemption of the policy at the valuation date. This investment strategy complies with the provisions of the Financial Service and Markets Act 2000.

The liability is apportioned into less than and more than one year based upon the Group's experience of funerals carried out under its pre-payment plans over the last five years.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows. The unwinding of the discount is recognised as interest payable in the income statement.

The Group provides for the following short and long-term liabilities:

Holiday pay provision

The Group recognises a provision for annual leave accrued by employees as a result of service rendered in the current period, but has not been taken by the reporting date, and which employees are entitled to carry forward and use within the next two months. The Group also recognises a provision for certain employees who have unused annual leave entitlement under the holiday banking scheme not utilised by the reporting date. The provision is measured at the total salary cost payable and national insurance for the period of absence.

Onerous lease provisions

Where the Group is committed to future rental payments on a property that are in excess of income received, an onerous lease provision is made. The provision is discounted at the risk-free rate.

Decommissioning provision

Provisions are made in respect of decommissioning obligations for petrol filling stations. The amounts provided are based on the Group's best estimate of the present value of costs to be incurred to decommission the petrol tanks in the future.

Retail stores dilapidation provision

A dilapidation provision is recognised for sites where there is reasonable certainty that the Society will exit the lease. The provision relates to costs for returning the property to the same condition it was when the lease commenced.

Other provisions

Other provisions such as property provisions or site closures are recorded when the contractual obligation arises.

Pension costs

The Group currently operates a defined benefit pension scheme, the Central England Co-operative Society Limited Pension Scheme, which is closed to future accrual and new entrants.

The assets of the scheme are held in a separate trustee administered fund.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Society agrees with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective.

The comprehensive actuarial valuation is updated by an independent qualified actuary to the reporting date, allowing for cash flows in and out of the Scheme and changes to assumptions over the period.

The deficit on the defined benefit scheme is recognised in full on the statement of financial position and represents the difference between the fair value of the assets and the present value of the defined benefit obligation at the reporting date.

Finance cost is recognised in the income statement based on the interest on pension assets less the interest on pension scheme liabilities.

Differences between the interest and actual return on assets, experience gains and losses and changes in actuarial assumptions are included directly in other comprehensive income.

The Group also operates a defined contribution scheme. The contributions payable to the scheme in respect of the accounting period are charged to the income statement.

Share interest

The Group's Members' share capital maintains a fixed nominal value and attracts interest. Share interest is disclosed as a movement in equity and within the reconciliation of movements in Members' funds.

Reserves

The revenue reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

5. Changes in accounting policy

In the previous year, the Group implemented a number of changes in accounting policy in order to provide more relevant information for the Group's Members and users of the accounts. These changes are described in more detail below.

Capitalised labour

In the prior year, the Group implemented a policy of capitalising internal labour costs where they are directly attributable to bringing an asset into use. This has been applied to IT projects and store regeneration projects in the current period, where appropriate.

Management believe that the change in policy gives a more accurate reflection of the long-term benefits of the labour costs incurred, and therefore better information to the readers of the Annual Report.

Costs are depreciated in line with the depreciation policy on the associated asset.

The number of hours worked on capital projects was not recorded prior to this policy being implemented in the prior year. As a consequence of this, no restatement has been made to prior years for this change in policy as limited information made it impracticable to do so. It is not believed that the impact of any restatement would have been material to the readers of the Annual Report.

Pension deficit funding

During the current period, management has reclassified the cash flows relating to the pension deficit funding from cash flows from financing activities to cash flows from operating activities. Management believes that the change in policy aligns better with the balance sheet classification of the Central Assets Reserves liability within Creditors. There is no impact on the net assets of the Group as a result of the change in accounting policy, or on the income statement for current or prior periods.

Group Income Statement

For the 53 weeks ended 28 January 2023

		2023 53 weeks			2022 52 weeks		
		Underlying results	Exceptional Items (Note 5)	Total	Underlying results	Exceptional Items (Note 5)	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
TURNOVER	1	953,912	21,851	975,763	874,735	–	874,735
Cost of sales		(680,789)	–	(680,789)	(626,169)	–	(626,169)
GROSS PROFIT		273,123	21,851	294,974	248,566	–	248,566
Administrative expenses		(264,016)	(10,972)	(274,988)	(232,794)	4,175	(228,619)
Other income	2	5,746	–	5,746	4,085	–	4,085
Trading profit		14,853	10,879	25,732	19,857	4,175	24,032
Profit on disposal of fixed assets and businesses		237	–	237	637	–	637
Impairment of fixed assets		(5,283)	–	(5,283)	(2,577)	–	(2,577)
(Loss) / Profit on revaluation of investment properties	11	(870)	–	(870)	1,130	–	1,130
OPERATING PROFIT	3	8,937	10,879	19,816	19,047	4,175	23,222
Profit on financial assets at fair value	25	442	–	442	408	–	408
Interest and dividends receivable	6	301	–	301	167	–	167
Other finance cost	18	(2,176)	–	(2,176)	(3,325)	–	(3,325)
Interest payable*	7	(11,951)	–	(11,951)	(4,031)	–	(4,031)
PROFIT BEFORE TAX AND PAYMENTS TO AND ON BEHALF OF STAKEHOLDERS		(4,447)	10,879	6,432	12,266	4,175	16,441
Payments to and on behalf of stakeholders	8	(3,227)	–	(3,227)	(3,021)	–	(3,021)
Taxation	9	(113)	(2,720)	(2,833)	(3,203)	–	(3,203)
RETAINED PROFIT FOR THE FINANCIAL PERIOD		(7,787)	8,159	372	6,042	4,175	10,217

* Interest payable £11,951,000 includes a finance cost of £6,850,000 due to the contract modification on funeral plans that has occurred this year. The core underlying interest costs in respect of bank interest and finance leases come to £5,101,000. Please refer to note 7 for details.

Group Statement of Comprehensive Income

For the 53 weeks ended 28 January 2023

	Note	2023 53 weeks £'000	2022 52 weeks £'000
Retained profit for the period		372	10,217
Actuarial (loss)/gain on pension scheme	18	(3,521)	69,999
Movement on deferred tax		333	(12,887)
Total comprehensive (expense)/income for the period		(2,816)	67,329

Group Statement of Financial Position

As at 28 January 2023

	Note	28 January 2023		22 January 2022	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	10		34,088		35,531
Tangible assets	11		381,202		381,519
Investments	12		255,048		251,193
			670,338		668,243
CURRENT ASSETS					
Stocks	13	45,396		40,890	
Debtors: due within one year	14	39,849		32,260	
Debtors: due after one year	14	5,085		7,585	
Cash at bank and in hand		12,913		13,922	
		103,243		94,657	
CREDITORS: DUE WITHIN ONE YEAR					
Creditors	15	(125,891)		(119,157)	
Borrowings	16	(272)		(315)	
		(126,163)		(119,472)	
NET CURRENT LIABILITIES			(22,920)		(24,815)
TOTAL ASSETS LESS CURRENT LIABILITIES			647,418		643,428
CREDITORS: DUE AFTER ONE YEAR					
Creditors	15	(284,844)		(299,162)	
Borrowings	16	(32,281)		(16,484)	
			(317,125)		(315,646)
Provisions for liabilities and charges	17		(12,859)		(5,560)
Net pension liability	18		(45,303)		(46,842)
NET ASSETS			272,131		275,380
CAPITAL AND RESERVES					
Share capital	19		22,696		22,909
Revenue reserve			249,435		252,471
MEMBERS' FUNDS			272,131		275,380

The Financial Statements on pages 75 to 105 were approved by the Board of Directors on 6 April 2023 and signed on its behalf by



Jane Avery, Director



Tanya Noon, Director

Group Statement of Cash Flows

For the 53 weeks ended 28 January 2023

	Note	2023 53 Weeks		2022 52 Weeks (Restated)	
		£'000	£'000	£'000	£'000
Net cash generated from operating activities	20		13,583		18,843
Cash flows from investing activities					
Proceeds from disposal of tangible assets		10,443		3,092	
Purchase of tangible assets		(36,967)		(21,648)	
Interest received		301		167	
Cash acquired on acquisition		–		8	
Purchase of business	23	(3,000)		(20,842)	
Net cash flows used in investing activities			(29,223)		(39,223)
Cash flows from financing activities					
Draw down of bank loans	16	16,000		16,000	
Repayment of bank loans		–		–	
Decrease in share capital		(433)		(36)	
Interest paid		(690)		(293)	
Repayment of finance lease obligations		(246)		(203)	
Net cash flows generated from financing activities			14,631		15,468
Net decrease in cash and cash equivalents			(1,009)		(4,912)
Cash and cash equivalents at beginning of the period			13,922		18,834
Cash and cash equivalents at end of the period			12,913		13,922

Group Statement of Changes in Equity

For the 53 weeks ended 28 January 2023

	Share capital £'000	Revenue reserve £'000	Total £'000
At 23 January 2021	22,716	185,371	208,087
Profit for the financial year	–	10,217	10,217
Other comprehensive gains:			
Actuarial gains on pension scheme	–	69,999	69,999
Movement on deferred tax relating to pension scheme	–	(12,887)	(12,887)
Total comprehensive income for the period	–	67,329	67,329
Share capital contributions	481	–	481
Share capital withdrawals	(517)	–	(517)
Share interest	229	(229)	–
At 22 January 2022	22,909	252,471	275,380
Profit for the financial period	–	372	372
Other comprehensive gains:			
Actuarial loss on pension scheme	–	(3,521)	(3,521)
Movement on deferred tax relating to pension scheme	–	333	333
Total comprehensive loss for the period	–	(2,816)	(2,816)
Share capital contributions	249	–	249
Share capital withdrawals	(682)	–	(682)
Share interest	220	(220)	–
At 28 January 2023	22,696	249,435	272,131

Notes to the Annual Report

For the 53 weeks ended 28 January 2023

The 'Keeping it Simple' boxes are additional information to assist with the readers' understanding and interpretation of the Group's Annual Report.

1. Underlying Turnover and Gross sales reconciliation

Turnover represents the income received by the Group.

	Gross Sales Reconciliation 2023 53 Weeks £'000	Gross Sales Reconciliation 2022 52 Weeks £'000
Gross sales including VAT	1,065,129	975,356
less:		
VAT	(110,220)	(100,324)
Concessions	(997)	(297)
Underlying Turnover	953,912	874,735
	Underlying Turnover 2023 53 Weeks £'000	Underlying Turnover 2022 52 Weeks £'000
Retail – Food	691,328	667,267
Retail – Fuel	131,553	93,711
Wholesale	61,772	62,092
Funeral	60,561	43,935
Rent received from investment properties	8,698	7,730
Total	953,912	874,735

Exceptional revenues are in note 5

Underlying Turnover consists of sales made in the United Kingdom and is analysed by category as follows:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Sales of goods	884,895	825,077
Rendering of services	56,571	38,233
Commission	3,748	3,695
Rent received from investment properties	8,698	7,730
	953,912	874,735

2 Other income

Other income represents the total amount the Group has received or earned from activities that are outside the normal trading activities.

	2023 53 Weeks £'000	2022 52 Weeks £'000
Funeral Plan investment income	5,746	4,085

Notes to the Annual Report continued

For the 53 weeks ended 28 January 2023

3. Operating profit

This is the profit the Group has made after accounting for all direct costs incurred in providing goods and services delivered to customers. These costs include the amounts paid to colleagues and the costs of running the trading businesses.

Operating profit is stated after charging:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Bad debt provision movement	588	472
Operating lease rentals:		
– Plant and machinery	649	588
– Land and buildings	7,672	6,942
Intangible assets (note 10)		
– Amortisation	4,023	3,225
– Impairment	1,530	22
Tangible assets (note 11)		
– Depreciation on owned assets	20,358	20,290
– Depreciation on assets held under finance leases	276	220
– Impairment	3,753	2,555
Auditors' remuneration	343	265

During the prior year, the Society received £4,538,000 of rates relief, as part of Covid-19 Government Assistance. No such income has been received in the current year.

Fees payable to the Society's auditors

	2023 53 Weeks £'000	2022 52 Weeks £'000
Fees payable to the Group's auditors for the audit of the Group's annual statement	171	151
– The audit fees of the Society's subsidiaries	172	114
Total audit fees	343	265

The Group's auditors provided no additional non-audit services to the Group in the current or prior period.

4. Staff number and costs

These are the costs associated with paying colleagues, including employer taxes and pension contributions.

The average number employed by the Group was:

	2023 53 Weeks Number	2022 52 Weeks Number
Full-time	2,458	2,425
Part-time	5,191	5,274
	7,649	7,699

4. Staff number and costs continued

The average number of full-time equivalent employees during the 53 weeks ended 28 January 2023 was 4,678 (2022: 4,668).

	2023 53 Weeks £'000	2022 52 Weeks £'000
Aggregate amounts paid in respect of:		
Wages and salaries	131,725	123,684
Social security costs	9,119	7,940
Defined contribution pension scheme costs	5,283	5,166
	146,127	136,790

Details on the Management Executive total earnings and information on Directors' remuneration are included in the Governance reports from the Remuneration Committee.

5. Exceptional items

These items are treated as exceptional because they do not form part of the Group's normal day-to-day trading business. By highlighting these items separately, the Group's underlying performance is clearer.

	2023 53 Weeks £'000	2022 52 Weeks £'000
Funeral contract modification adjustment	(21,851)	–
Depot closure costs	8,672	–
Costs arising from the reorganisation of business	2,269	384
Project costs	31	758
Credit for pension past service cost	–	(3,444)
Legal settlement	–	(1,226)
ATM Rates refund	–	(647)
	(10,879)	(4,175)

In July 2022, the funeral plan business became regulated under the FCA. Due to the changes in the terms and conditions in funeral plans, the Society reviewed and changed the accounting treatment for funeral plan liabilities. Due to the change in accounting treatment all plan liabilities were recalculated, resulting in a release of £21,851,000. This relates to contract modifications. Due to this being a one-off calculation reassessing the liability, this has been classed as an exceptional item.

A provision of £8,672,000 has been made in the current year relating to the future closure of the distribution business in 2024. This was announced on 18 January 2023. The provision consists of redundancy costs and property and vehicle exit costs.

Costs of £2,269,000 (2022: £384,000) were incurred relating to the reorganisation of the business support centre in July 2022, this included one-off external consultancy fees, redundancy and personnel costs.

The effect on tax of the exceptional items in the financial year is a tax charge of £2,720,000.

During the prior year, one-off project costs of £758,000 were incurred in relation to the defined benefit pension scheme for the design and implementation of new Member options to manage the pension deficit whilst giving added flexibility to members of the scheme. £31,000 of costs were incurred this year relating to the same project.

During the prior year, changes in past service cost for the defined benefit pension scheme resulted in gains of £3,444,000. No such gain has occurred in the current year.

The Society reached an agreement during the prior year for an ongoing legal case under which the Society received a settlement payment of £1,226,000 after accounting for legal costs. No such payments have been received this year.

During the prior period, the Society received refunds of £647,000 for the outcome of the Government Automated Teller Machines (ATM) rates appeal. It was announced that ATMs are not liable to rates and therefore the Government is required to repay rates paid since 2010. In the current year no such refunds were recognised.

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For the 53 weeks ended 28 January 2023

6. Interest and dividends receivable

This is the dividend the Group has received from investments and interest received on cash balances.

	2023 53 Weeks £'000	2022 52 Weeks £'000
Interest receivable	194	60
Dividends receivable	107	107
	301	167

7. Interest payable

This is the amount of interest the Group has paid on bank loans and for any assets purchased under finance lease agreements. It also includes interest charges in relation to the Group's pension arrangements and in relation to the accounting for provisions.

	2023 53 Weeks £'000	2022 52 Weeks £'000
Interest payable on bank loans	860	289
Interest payable on finance leases	14	14
Interest unwind on the Central Asset Reserve	4,083	3,728
Unwinding of discounted provisions	144	–
	5,101	4,031
Finance cost on funeral plans	6,850	–
	11,951	4,031

8. Payments to and on behalf of stakeholders

The Group returns some of the profits earned each year to its members and colleagues as well as supporting other Co-operatives and organisations with a similar purpose through grants and donations.

	2023 53 Weeks £'000	2022 52 Weeks £'000
Member benefits	20	12
Membership & Community funding and other grants	540	487
Members' dividend	1,497	1,276
Total Member distributions	2,057	1,775
Co-operative Party	92	104
Community dividend	155	179
Employee dividend	923	963
	3,227	3,021

9. Taxation

This explains the adjustments which are made to the profits or losses to calculate the tax and deferred tax charge for the period. Deferred tax arises due to timing differences in accounting standards treatment and when tax amounts are physically paid over to the authorities.

	2023 53 Weeks £'000	2022 52 Weeks £'000
Current tax:		
Provided on chargeable income and gains in the period	–	–
Adjustment to tax charge in respect of prior periods	–	674
	–	674
Deferred taxation:		
Origination and reversal of timing differences	1,963	3,404
Impact of changes in tax rates	485	(554)
Adjustments in respect of prior periods	385	(321)
	2,833	2,529
Total taxation	2,833	3,203

The standard rate of tax applied to reported profit on ordinary activities is 19% (2022: 19%).

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 28 January 2023 has been calculated based on this rate unless otherwise stated.

There is no expiry date on timing differences, unused tax losses or tax credits.

Factors affecting the tax charge for the period

The tax assessed for the period is higher (2022: higher) than the effective rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Profit before taxation	3,205	13,420
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	609	2,550
Effects of:		
Fixed asset differences	2,245	1,579
Expenses not deductible for tax purposes	250	80
Income not taxable	(219)	(341)
Capital allowances super deduction	(922)	(464)
Adjustment to current tax in respect of prior periods	–	674
Adjustment to deferred tax in respect of prior periods	385	(321)
Impact of changes in tax rates	485	(554)
Tax charge for the period	2,833	3,203

Fixed asset differences

The accounting treatment of capital assets differs from the tax treatment. For accounting purposes an annual rate of depreciation is applied to capital assets and charged to the profit and loss account. For tax purposes the depreciation charge is added back and instead a tax capital allowance is claimed on assets qualifying for capital allowances, a relief provided by law.

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For the 53 weeks ended 28 January 2023

9. Taxation continued

Expenses not deductible for tax

Some expenses incurred by the Society and included in its Annual Report are not allowable as a deduction against taxable income when calculating the Society's corporation tax liability. Examples of these include: entertaining, abortive project costs, lease surrender premiums and certain legal and professional fees.

Capital allowances super deduction

The Government announced in 2021 a capital allowances super deduction which both accelerates and enhances the capital allowances available when entities invest in qualifying assets between 1 April 2021 and 31 March 2023. Due to the level of investment the Group makes in capital projects it is expected that increased tax deductions will be available as a result of this.

Additional deductible expenditure

There are expenses which are not included within the income statement but are tax deductible for the Society. This includes an element of a discount unwind related to the Society's pension scheme and interest paid on the Society's shares. This movement is partly offset by the unwind of fair value movements following business combinations.

Prior period adjustment

Adjustments to tax charges in earlier years arise because the current and deferred tax charge in the Annual Report are an estimate that is prepared before the detailed tax computations are required to be submitted to HMRC, which is 12 months after the year end. HMRC also have a period of time after the year end to raise queries on the tax returns submitted (ordinarily 12 months) and this may also result in a prior period adjustment.

Impact of changes in tax rates

Deferred tax is recognised on the balance sheet at a rate of 25%. This amount relates to the income statement impact of the rate change from 24.5% in the prior year to 25.0% in the current year. In addition, there is also an element going through reserves in relation to the pension scheme which is directly linked to the pension movement.

10. Intangible assets

An asset is something used by the Group to generate financial benefit. An intangible asset is an asset that cannot be physically touched, such as computer software.

Cost	Software £'000	Goodwill £'000	Total £'000
At 23 January 2022	16,965	67,882	84,847
Additions	1,143	125	1,268
Business combinations (note 23)	–	3,000	3,000
Disposals	(271)	(568)	(839)
At 28 January 2023	17,837	70,439	88,276
Accumulated amortisation			
At 23 January 2022	12,846	36,470	49,316
Provided this period	1,195	2,828	4,023
Impairment	–	1,530	1,530
Disposals	(113)	(568)	(681)
At 28 January 2023	13,928	40,260	54,188
Net book value			
At 28 January 2023	3,909	30,179	34,088
At 23 January 2022	4,119	31,412	35,531

11. Tangible assets

Tangible assets are used by the Group to generate financial benefit and include property, plant and equipment and vehicles.

Investment properties are those held by the Group for the purpose of generating rental income and not used by the Group for trading. Trade properties include the Group's retail sites and funeral homes and are the sites that the Group trades from. All of the fixtures and fittings within these sites are included within plant and machinery.

Transport includes vehicles used within the Group, such as for the distribution network or within the funeral business.

	Investment properties £'000	Trade properties £'000	Plant & machinery, fixtures & fittings £'000	Fleet vehicles and other transport £'000	Total £'000
Cost or valuation					
At 23 January 2022	129,415	270,810	228,813	17,680	646,718
Additions	534	11,876	22,857	–	35,267
Transfers	1,399	(1,399)	–	–	–
Disposals	(9,335)	(958)	(3,955)	(239)	(14,487)
Revaluation	(842)	–	–	–	(842)
At 28 January 2023	121,171	280,329	247,715	17,441	666,656
Accumulated depreciation					
At 23 January 2022	–	77,081	173,390	14,728	265,199
Provided this period	–	4,737	14,884	1,013	20,634
Impairment	–	2,771	982	–	3,753
Transfers	(28)	28	–	–	–
Disposals	–	(478)	(3,443)	(239)	(4,160)
Revaluation	28	–	–	–	28
At 28 January 2023	–	84,139	185,813	15,502	285,454
Net book value					
At 28 January 2023	121,171	196,190	61,902	1,939	381,202
At 23 January 2022	129,415	193,729	55,423	2,952	381,519

Colliers International, independent qualified valuers, (Simon Summerby-Bent BSc (Hons) MRICS and James Cubitt BSc (Hons) MRICS) have valued all investment properties as at 28 January 2023. Of the investment properties, one-fifth have been inspected and the remainder have been valued by Colliers International at 28 January 2023 based on information provided by the Group. The valuation has been prepared in accordance with the RICS Valuation – Professional Standards January 2014 (the 'Red Book') prepared by the Royal Institution of Chartered Surveyors (the 'RICS').

These valuations have been incorporated into the Annual Report and the resulting revaluation adjustments have been taken to the income statement. The revaluations during the period resulted in a revaluation loss of £870,000 (2022: revaluation gain of £1,130,000).

Tangible fixed assets with a carrying value of £52,766,000 (2022: £53,365,000) are pledged as security for the Group's bank loans.

Assets in the course of construction included within trade properties amounts to £10,862,000 (2022: £3,880,000). Assets under construction are not depreciated.

The Group no longer capitalises borrowing costs connected to the purchase of a fixed asset. The cumulative value of finance costs previously capitalised and included within fixed assets (cost or valuation) amounts to £1,382,000 (2022: £1,382,000).

Notes to the Annual Report continued

For the 53 weeks ended 28 January 2023

11. Tangible assets continued

Included within fixed assets are assets with a net book value of £503,000 (2022: £778,000) relating to assets held under finance lease. Depreciation charged on these assets amounted to £276,000 (2022: £220,000) during the period.

Transfers arise to reflect the most appropriate class for each asset and include sites transferring from trade to investment and sites transferring from investment to trade.

In line with the Group's accounting policies, an impairment review of loss-making units was performed during the period and gave rise to an impairment of £5,283,000 (2022: £2,577,000) including £1,530,000 (2022: £22,000) relating to intangible assets.

Retail sites which have been operational for three years and generate a negative contribution, after removing any benefits of government support received and allocating a share of central overheads, were reviewed for impairment. Impairment losses were recorded on loss-making stores to reduce the carrying value of a trading unit to its recoverable value. The fair value of property assets was based on an assessment by independent qualified valuers.

The carrying value of land and buildings comprises:

	2023 £'000	2022 £'000
Investment properties:		
Freehold	115,816	123,604
Leasehold	5,355	5,811
	121,171	129,415
Trade properties:		
Freehold	177,397	176,425
Leasehold	18,793	17,304
	196,190	193,729
Total properties:		
Freehold	293,213	300,029
Leasehold	24,148	23,115
	317,361	323,144

Included in the carrying values of land and buildings is £62,126,000 (2022: £60,260,000) relating to land which is not depreciated.

The historical cost of investment properties now included at valuation:

	2023 £'000	2022 £'000
Cost	125,836	131,578
Accumulated depreciation	(17,340)	(19,601)
Net book value	108,496	111,977

12. Investments

Investments include shares held in other businesses and investment of monies received for funeral pre-payment plans.

	2023 £'000	2022 £'000
The Co-operative Group Limited – shares	2,684	2,684
Other societies – shares	3	3
Companies – not quoted	7	7
Funeral plans	252,354	248,499
	255,048	251,193

12. Investments continued

The following analysis shows the movement in the year on investments held during the period ended 28 January 2023:

	Co-operative Group Limited £'000	Other Societies £'000	Unquoted shares £'000	Funeral plans £'000
Carrying amount				
At 23 January 2022	2,684	3	7	248,499
Additions	–	–	–	11,374
Disposal and redemptions	–	–	–	(20,011)
Change in fair value	–	–	–	12,492
At 28 January 2023	2,684	3	7	252,354

13. Stocks

Stock are goods purchased by the Group for resale to customers.

	2023 £'000	2022 £'000
Goods for resale	45,396	40,890

14. Debtors

A debtor is an amount owed by a person or business that has received goods or services from the Group but has not yet paid for them.

	Due within one year		Due after one year	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade debtors	12,473	7,762	–	–
Other debtors	18,740	17,105	–	–
Prepayments and accrued income	8,636	7,393	–	–
Deferred tax	–	–	5,085	7,585
	39,849	32,260	5,085	7,585

Trade debtors are stated after a provision for impairment of £2,813,000 (2022: £2,769,000).

The Society holds an interest rate swap with a principal value of £12,000,000 (2022: £12,000,000), which matures on 14 November 2024. The market value of the interest rate swap at the balance sheet date is an asset of £840,779 (2022: asset of £402,000) which is included in other debtors. See note 25 for further details.

Deferred tax arises because accounting and tax rules are different. A deferred tax asset occurs because a tax saving will be made in the future as a result of transactions that have already happened. A deferred tax liability occurs when tax will be due in the future as a result of transactions which have already happened.

The deferred taxation asset comprises:

	2023 £'000	2022 £'000
Accelerated capital allowances	(670)	2,199
Capital gains	(2,614)	(1,427)
Pension scheme	2,970	2,984
Unutilised losses	3,594	4,095
Business combinations	–	(576)
Other timing differences	1,805	310
	5,085	7,585

Notes to the Annual Report continued

For the 53 weeks ended 28 January 2023

15. Creditors

Creditors are amounts owed by the Group to other parties. They are created when the Group carries out an activity, which results in a cost that will be settled at a later date.

	Due within one year		Due after one year	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade creditors	64,088	62,767	–	–
Central Asset Reserve liability	7,604	7,242	65,862	69,344
Funeral plans	18,262	19,371	218,772	229,591
Taxation and social security	5,272	4,588	–	–
Other creditors	2,351	2,410	–	–
Accruals and deferred income	25,073	19,956	210	227
Payments to and on behalf of stakeholders	3,241	2,823	–	–
	125,891	119,157	284,844	299,162

16. Borrowings

This represents the total cost that the Group will have to pay in the future for the amounts borrowed in respect of its Bank loan and for settlement of its finance leases.

	Within one year		After one year	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Bank loan	–	–	32,000	16,000
Finance lease obligations (note 21)	272	315	281	484
	272	315	32,281	16,484

Interest payable on the bank loan for the 53 weeks ended 28 January 2023 was £860,000 (2022: £289,000). Interest payable on finance lease obligations was £14,000 (2022: £14,000).

	2023 £'000	2022 £'000
Borrowings falling due within:		
One year	272	315
Between one and two years	32,281	484
Between two and five years	–	16,000
	32,553	16,799

The Society's bank loan is a revolving credit facility of £40,000,000 (2022: £40,000,000) which is repayable on 14 November 2024. £32,000,000 (2022: £16,000,000) of the facility was drawn down at the year end. The facility has two financial covenants: interest cover and leverage ratio. The interest rate incurred on the loan is driven by the outcome of the leverage ratio.

17. Provisions for liabilities and charges

Provisions represent the Group's estimate of the cost of a future liability.

	Onerous leases £'000	Other provisions £'000	Total £'000
As at 23 January 2022	4,480	1,080	5,560
New provisions created in the period	–	9,213	9,213
Reassessment on brought forward provision	145	–	145
Utilised this period	(1,012)	(309)	(1,321)
Released this period	(554)	(184)	(738)
As at 28 January 2023	3,059	9,800	12,859

The onerous lease provision represents an assessment of the costs to cover rent and rates for leasehold premises where the Group is committed to future rental payments on properties that are in excess of incomes received, taking account of the anticipated period until the leases are assigned or reassigned. The assessment, which is undertaken at the end of each accounting period, is made on a property by property basis. The provision is expected to be utilised within the next 7 years (2022: 8 years).

Other provisions represent an assessment of costs associated with the decommissioning of petrol filling stations of £332,000 (2022: £332,000), property provisions of £665,000 (2022: £485,000), provision for the closure of the distribution centre of £8,672,000 (2022: £nil) and other provisions of £131,000 (2022: £263,000).

18. Employee benefits

The Society operates a defined benefit pension arrangement called the Central England Co-operative Limited Pension Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The value of these benefits (the 'liabilities') is currently significantly more than the value of the Scheme assets.

Defined Benefit Pension Scheme

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, the Society must agree with the Trustees of the Scheme the contributions to be paid to meet any shortfall against the Statutory Funding Objective.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 31 December 2020 and the next valuation of the scheme is due as at 31 December 2023. In the event that the valuation reveals a larger deficit than expected, the Society may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected, it's possible that contributions may be reduced.

The Society implemented a pension deficit reduction arrangement (Central Asset Reserve) which has resulted in additional scheme assets of £74,244,000 (2022: £96,738,000) being recognised. The scheme assets are underpinned by way of subordinated pledges given by Central Midlands Estates Limited, a subsidiary of the Society.

The Society expects to pay deficit reduction contributions of £4,000,000 in the period to 27 January 2024. Furthermore, during the period to 27 January 2024, contributions to the Scheme will be paid from the Central Asset Reserve (CAR). 31% of the CAR contributions are deemed as contributions whilst 69% is treated as investment returns. Therefore, the Society expects a further £3,000,000 of contributions from the CAR, giving total contributions of £7,000,000 during the period.

The Scheme is managed by a Corporate Trustee with Directors appointed in part by the Society and in part from elections by members of the Scheme. The Trustee has responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustee delegates some of these functions to professional advisors where appropriate.

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For the 53 weeks ended 28 January 2023

18. Employee benefits continued

A requirement of FRS102 is to include the value of all insurance policies and the related obligations held covering pensions in payment. However, where the insurance policy (annuities) exactly matches the related obligation they have been excluded from the gross disclosures since this information is not readily available and its inclusion would have a neutral effect on the overall FRS102 financial position.

The following amounts are recognised in the balance sheet:

	2023 £'000	2022 £'000
Fair value of assets	545,439	811,600
Present value of funded obligations	(590,742)	(858,442)
Deficit in the scheme	(45,303)	(46,842)

The following amounts are recognised in the income statement:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Administration cost	1,236	1,476
Interest on liabilities	18,096	13,496
Interest on assets	(17,156)	(11,647)
Other finance cost	2,176	3,325
Past service costs	–	(3,444)

During the prior year, the Society undertook a GMP conversion exercise as well as a bulk Pension Increase Exchange (PIE) exercise and introduced a number of embedded member options. A gain of £3,444,000 relating to the impact of the GMP conversion and bulk PIE exercises was recognised as a past service cost and credited to exceptional items. No such items have occurred in the current year.

The remeasurements over the period are as follows:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Loss/(gain) on scheme assets in excess of interest	261,341	(31,867)
Experience loss on liabilities	46,166	10,466
(Gain)/loss from changes to demographic assumptions	(12,465)	888
Gain from changes to financial assumptions	(291,521)	(49,486)
Total remeasurement loss/(gain)	3,521	(69,999)

The movement in the balance sheet over the period was:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Deficit at the start of the period	(46,842)	(128,042)
Other finance costs	(2,176)	(3,325)
Past service cost	–	3,444
Society contributions	7,236	11,082
Total remeasurements	(3,521)	69,999
Deficit at the end of the period	(45,303)	(46,842)

18. Employee benefits continued

The movement in the assets over the period was:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Opening fair value of scheme assets	811,600	784,640
Interest on assets	17,156	11,647
Society contributions	7,236	11,082
Benefits paid	(27,976)	(26,160)
Administrative costs	(1,236)	(1,476)
(Loss)/return on assets less interest	(261,341)	31,867
	545,439	811,600

The movement in the defined benefit obligation over the period was:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Opening obligation	858,442	912,682
Interest cost	18,096	13,496
Benefits paid	(27,976)	(26,160)
Experience gain on defined benefit obligation	46,166	10,466
Changes to demographic assumptions	(12,465)	888
Changes to financial assumptions	(291,521)	(49,486)
Past service costs	–	(3,444)
Closing obligation	590,742	858,442

The major categories of assets as a percentage of total assets are as follows:

	2023	2022
LDI *	45%	22%
Debt	12%	9%
Property & Infrastructure	19%	12%
Cash/Cash Equivalents	11%	12%
Other	13%	39%
Equities	0%	6%
	100%	100%

* Inclusive of bonds at 82% and repurchase agreements at -36.5% (2022: bonds at 22%, repurchase agreements 0%).

The amounts do not include the Central Asset Reserve asset.

The actual return on the Scheme's assets over the period to the review date, net of investment expenses but including the Central Asset Reserve, was a loss of (£244,185,000) (2022: £43,514,000) which corresponds to a -36% (2022: 6%) return over the period.

The assets do not include any investment in shares of the Society.

The principal assumptions used to calculate the Scheme's liabilities include:

	2023	2022
Discount rate - per annum	4.45%	2.10%
Inflation assumption (RPI) - per annum	3.40%	3.50%
Inflation assumption (CPI) - per annum	2.95%	3.00%
RPI max 5.0% pension increases in payment - per annum	3.25%	3.35%
RPI max 2.5% pension increases in payment - per annum	2.30%	2.30%
CPI max 3.0% pension increases in payment - per annum	2.40%	2.40%
Members assumed to take maximum tax free cash	90%	90%
Increase for post PIE (CPI max 5%)	2.85%	N/A
Increase for post PIE (CPI max 2.5%)	2.15%	N/A

Revaluation in deferment is based on the relevant inflation assumption and subject to relevant caps.

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18. Employee benefits continued

The mortality assumptions used are based on 95% of the S3PA_H tables for males and 105% of the S3PA_H tables for females (2022: 95% of the S3PA_H tables for males and 105% of the S3PA_H tables for females) with an allowance for future mortality improvements using the CMI 2021 projections with a long-term rate of improvement of 1.25% per annum in both the current and prior year. The initial addition is 0.00% per annum (2022: 0.00% per annum). The Central Asset Reserve asset value is assumed to be 69% of Trustees' valuation as at 31 December 2022, adjusted for significant changes to 28 January 2023 (2022: 69% of Trustees' valuation as at 31 December 2021).

Under the adopted mortality tables, the future life expectancy at age 65 is as follows:

	2023	2022
Male currently age 45	21.6	21.7
Female currently age 45	24.3	24.3
Male currently age 65	20.2	20.2
Female currently age 65	22.8	22.7

Defined Contribution Scheme

The Group also operates a defined contribution scheme.

The contributions payable to the defined contribution scheme in respect of the accounting period are charged to the income statement, which amounted to £5,283,000 (2022: £5,166,000).

19. Share capital

This section contains information about share capital which is money invested by Members into their share accounts.

	2023 53 Weeks £'000	2022 52 Weeks £'000
Contributions	249	481
Withdrawals	(682)	(517)
	(433)	(36)
Interest	220	229
Movement in period	(213)	193
Opening balance	22,909	22,716
Closing balance	22,696	22,909

At 28 January 2023, the Society had a total of 1,700,050 (2022: 1,647,150) Members, each entitled to one vote. The total number of Members, including those who are not eligible to vote, at the reporting date was 2,007,747 (2022: 1,919,321). At the reporting date the whole of the share capital comprises non-equity shares of £1 each, attracting interest at rates between 0% and 2.5% (2022: between 0% and 2.00%).

Share capital is generally withdrawable on demand; however, in accordance with the Society rules, the Board may suspend the right of withdrawal for a limited time and may impose a notice period for withdrawals should they consider it to be in the best interests of the Society. The Society rules for the distribution of the final surplus in the event of winding-up after repayment of the paid-up share capital state that such assets shall not be paid to or distributed among the Members of the Society but shall be:

- transferred to one or more other societies in membership of the Co-operatives UK Limited having the same or similar rule provisions as regards surplus distribution as this rule, as may be determined by the Members at an ordinary or special meeting; or
- if not so transferred shall be paid or transferred to the Co-operatives UK Limited.

Dividends to Members are paid by way of e-dividend redeemable against purchases.

The Group operates a Share Incentive Plan (SIP) to benefit colleagues. Colleagues can invest a proportion of their salary which may not exceed the lower of £1,800 or 10% of a colleague's pay, on which they earn a return of 2.25% in that period. Interest earned is recognised in the share capital note. Shares withdrawn after a five-year period are paid free of income tax and national insurance.

19. Share capital continued

The Society is allowed to allocate matching shares under rules governed by HMRC. As an incentive to colleagues to join and remain in the SIP, the Society will match the first £10 paid in by each colleague for the purchase of partnership shares in the first year of the scheme by awarding £10 in matching shares. Each year colleagues who continue to contribute will receive a further £10 in matching shares for the first £10 of partnership shares acquired in later years. A year for the purposes of matching shares will be the Society's financial year.

As long as the matching shares are held for at least five years, they can be redeemed with the Society free of income tax and national insurance contributions. If they are redeemed before this date, income tax and national insurance contributions will normally be payable. The issue of matching shares is discretionary. The Society therefore reserves the right to amend or withdraw the issuing of matching shares at its discretion.

20. Cash flow statement

This is the analysis of the total cash flow earned from the Group's operating activities.

	2023 53 Weeks £'000	2022 52 Weeks (Restated) £'000
Profit for the financial period	372	10,217
Adjustments for:		
Gain on financial assets at fair value	(442)	(408)
Net interest expense	6,976	7,189
Payments to and on behalf of stakeholders	3,227	3,021
Taxation	2,833	3,203
Operating profit	12,966	23,222
Adjustment for:		
Loss/(profit) on revaluation of investment properties	870	(1,130)
Profit on disposal of fixed assets and businesses	(237)	(637)
Depreciation and impairments	24,387	23,065
Amortisation and impairment of goodwill	5,553	3,247
Payments to and on behalf of stakeholders	(2,808)	(2,805)
Fair value movements	442	408
Net movement on funeral plan asset and liability	(15,782)	(731)
Taxation	(177)	(987)
(Increase)/decrease in debtors	(7,155)	258
Increase in creditors	7,033	1,802
Increase in stocks	(4,506)	(3,817)
Increase/(decrease) in provisions	7,299	(1,667)
Other non-cash movements	135	–
Pension past service cost	–	(3,444)
Net cash generated from operating activities before pension deficit funding	28,020	36,784
Pension deficit funding	(14,437)	(17,941)
Net cash generated from operating activities after pension deficit funding	13,583	18,843

As at 28 January 2023, the Group had a net debt position of £19,640,000 (2022 net debt of £2,877,000).

	2023 £'000	2022 £'000
Cash at bank and in hand	12,913	13,922
Debt due after one year	(32,000)	(16,000)
Net debt excluding lease liabilities	(19,087)	(2,078)
Lease liabilities	(553)	(799)
Net debt	(19,640)	(2,877)

Notes to the Annual Report continued

For the 53 weeks ended 28 January 2023

20. Cash flow statement continued

Analysis of changes in net debt

	Cash at bank and in hand £'000	Debt due after one year £'000	Lease liabilities £'000	Total £'000
At 23 January 2022	13,922	(16,000)	(799)	(2,877)
Cashflows	(1,009)	(16,000)	246	(16,763)
Lease liabilities acquired	–	–	–	–
At 28 January 2023	12,913	(32,000)	(553)	(19,640)

21. Financial commitments

Finance leases

A finance lease is where the Group will either own the asset at the end of the lease payments or that the lease is substantially for the whole of the life of the asset.

The minimum finance lease payments to which the Society is committed in future years are:

	2023 £'000	2022 £'000
Within one year	272	315
In the second to fifth year inclusive	281	484
	553	799

Obligations under finance leases are shown as part of borrowings in note 16.

Operating leases – receivable

These leases are termed as operating since they generally have shorter terms and the Group does not lease the asset for the whole of its life.

The future minimum operating lease payments to the Group under non-cancellable leases are:

	Land & Building 2023 £'000	Land & Building 2022 £'000
Operating leases expiring:		
Within one year	8,381	7,731
In the second to fifth year inclusive	15,002	13,924
Over five years	11,137	11,584
	34,520	33,239

21. Financial commitments continued

Operating leases – payable

This is where rent is paid by the Group to use an asset it does not own such as a property or equipment.

The minimum operating lease payments to which the Group is committed in future years are:

	Land & Building 2023 £'000	Land & Building 2022 £'000	Other 2023 £'000	Other 2022 £'000
Operating leases expiring:				
Within one year	7,427	6,361	947	1,633
In the second to fifth year inclusive	23,222	19,071	2,177	2,766
Over five years	32,898	26,751	1,366	490
	63,547	52,183	4,490	4,889

Included within the minimum operating lease payments are onerous lease and discontinued operation commitments of £3,344,000 (2022: £4,413,000) which are fully provided for as described in note 17.

In prior years the Society has given certain guarantees in respect of rental and other expenses in the event of default by Anglia Home Furnishing Limited. These guarantees expired in April 2022.

Capital commitments

This is the value the Group has committed to spend on assets after the year end.

Amounts contracted for but not provided for in the Annual Report were £19,089,000 (2022: £4,660,000).

22. Subsidiaries and associates

These are separate legal entities that are wholly owned, managed and controlled by the Society.

Entity	% of Equity owned	Principal activity
Central Midlands Estates Limited	100	Property Management
Terry Smith Limited	100	Coffin Manufacturer
Oakwell Stores Society Limited	100	Corporate Trustee
Midlands Co-op Scottish Limited Partnership	77	Investment in Corporate Bonds
Midlands Co-op General Partner Limited	100	Partnership Administration
Advantage Motor Group Limited	100	Non-Trading
Metro Discount Stores (Midlands) Limited	100	Non-Trading
Anglia Co-operative Properties Limited	100	Property Management
Central England Co-op Pension Trustee Limited	100	Dormant
CEC Optical Limited (formerly Westgate Optical Limited)	100	Non-Trading
Yaxley Farm Limited *	100	Non-Trading
Central England Dersingham Limited *	100	Non-Trading
James Retail Holdings Limited	100	Non-Trading
More Thought For Food Limited	100	Non-Trading
Central England Co-operative Funeral Plans Limited	100	Funeral plan provider

* Held wholly or partly by subsidiary undertaking.

Notes to the Annual Report continued

For the 53 weeks ended 28 January 2023

22. Subsidiaries and associates continued

Funeral plan provider

Central England Co-operative Funeral Plans Limited was registered under the Co-operative and Community Benefit Societies Act 2014 on 11 November 2021.

All subsidiaries are registered within the United Kingdom. The registered address for the above entities with the exception of Midlands Co-op Scottish Limited Partnership and Midlands Co-op General Partner Limited is Central House, Hermes Road, Lichfield, Staffordshire WS13 6RH. The registered address for Midlands Co-op Scottish Limited Partnership and Midlands Co-op General Partner Limited is Citypoint, 65 Haymarket Terrace, Edinburgh EH12 5HD.

Subsidiary audit exemptions

Central England Co-operative Limited has issued guarantees over the liabilities of the following companies at 28 January 2023 under section 479 of Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual annual report by virtue of section 479A of the Act.

Company Name	Company Number
Terry Smith Limited	02095147
Midlands Co-op General Partner Limited	SC410710
Advantage Motor Group Limited	05800376
CEC Optical Limited (formerly Westgate Optical Limited)	07526437
Yaxley Farm Limited	02553217
Central England Dersingham Limited	04827499
James Retail Holdings Limited	09613820
More Thought For Food Limited	06029567

23. Business Combinations

These are the details of any transactions the Group has undertaken during the year to acquire new businesses.

On 24 October 2022, the Society purchased a new lease agreement for a going concern Budgens supermarket, situated on London Road, Sawbridgeworth. The fair value of the total consideration was cash of £3,000,000, this amount included £69,000 of transactions costs

The acquisition has been accounted for under the acquisition method. The consideration paid related to the goodwill attached to the Budgens store.

	2023 £'000
Goodwill	3,000
Total consideration paid	3,000

The goodwill arising on the acquisition is attributable to the established nature of the profitable and cash generative business acquired and the anticipated future revenue. The store is located in a very affluent catchment area.

24. Related party transactions

These are transactions between the Society and individuals, organisations or other parties who are connected to the Society.

There have been no related party transactions requiring disclosure identified in the current or prior period.

25. Financial instruments

This section details the value of the Group's financial assets and liabilities recorded in the annual report. This is either cost (i.e. the transaction value) or fair value (i.e. its value in the market) at the balance sheet date.

The carrying value of the Group's financial assets and liabilities are summarised by category below:

	2023 £'000	2022 £'000
Financial assets measured at fair value through profit or loss		
Unquoted investments	7	7
Interest rate swap	841	402
Funeral plans	252,354	248,499
Financial assets measured at amortised cost		
Trade debtors and other debtors	30,373	24,466
Equity instruments measured at cost less impairment		
Fixed asset investments	2,687	2,687
Total financial assets	286,262	276,061

Credit Risk

Funeral plans are invested in whole-of-life insurance policies which pay-out a lump sum when the insured person dies. The provider of these policies to the Group must be authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

	2023 £'000	2022 £'000
Financial liabilities measured at fair value		
Interest rate swap	–	–
Funeral plans	–	248,962

During the year, the Society changed its accounting on the valuation of the funeral plan liabilities.

Financial liabilities – Deferred income

Funeral plans	237,034	–
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During the year, the Society changed its accounting on the valuation of the funeral plan liabilities. Funeral plans have been valued using a different accounting method than in previous years. No restatement of prior year numbers were needed.

For more information please refer to the accounting policy section on page 76–77 and page 80.

Financial liabilities measured at amortised cost		
Finance lease payables	553	799
Bank loan	32,000	16,000
Trade creditors and other creditors	74,952	72,588
Total financial liabilities	344,539	338,349

The Group's income, expenses, gains and losses in respect of financial instruments are summarised below:

	2023 53 Weeks £'000	2022 52 Weeks £'000
Fair value gains	442	408
Interest expense	(874)	(303)

The interest rate swap settles on a quarterly basis. The floating rate on the interest rate swap is SONIA. (2022: 3 months SONIA plus CAS). CAS (Credit Adjustment Spread) is the adjustment made to equate the previously used LIBOR rate, to the SONIA rate to be used going forward. The Group settles the difference between the fixed and floating interest rate on a net basis.

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure, resulting from variable interest rates on borrowings. The hedge cash flows are expected to occur and to affect the profit or loss over the period to maturity of the interest rate swap.



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.



Registered Office:
Central House, Hermes Road, Lichfield,
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Registered society under the Co-operative
and Community Benefit Societies Act 2014
Registered No 10143R

