

Central England Co-operative

**Annual Report &  
Financial Statements**

**52 weeks ended 25 January 2020**

## Contents

### Page

1	Board of Directors, Executive Team and Auditor
2	COVID-19 Update
5	About us, What makes us different, Our Values
6	What we do
7	Society & Financial Highlights
8	President's Overview
9	Obituary
10	Chief Executive's Review
12	Business Performance
17	Corporate Responsibility
20	Membership & Community
23	Our Colleagues
25	Corporate Governance
56	Statement of Directors' Responsibilities
57	Independent Auditors' Report
59	Accounting Policies
68	Group Income Statement
69	Group Statement of Comprehensive Income
70	Group Statement of Financial Position
71	Group Statement of Cash Flows
72	Group Statement of Changes in Equity
73	Notes to the Financial Statements

## Board of Directors, Executive Team and Auditor

<p><b>Board of Directors</b></p> <p><b>President:</b> Elaine Dean MC R RP S</p> <p><b>Vice-President:</b> Jane Avery C CD R S</p> <p>Richard Bickle A MC R RP Marc Bicknell * A John Chillcott CD MC Sean Clothier CD MC S John Howells Maria Lee MC RP Marta Mayhew Tanya Noon C S Sue Rushton A Paul Singh A C Rachel Wilkinson * C R RP</p> <p>* Independent Non-Executive Director</p> <p>A Audit &amp; Risk Committee C Conduct Committee CD Community Dividend Selection Committee MC Membership &amp; Community Strategy Committee R Remuneration Committee RP Rules &amp; Practices Committee S Search Committee</p>	<p><b>Executive Team</b></p> <p><b>Debbie Robinson</b> Chief Executive <b>Tracey Orr</b> Chief Operating Officer <b>Louise McFadzean</b> Chief Financial Officer</p> <p><b>James Watts</b> Society Secretary</p> <p><b>Auditor</b></p> <p>PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX</p> <p><b>Registered Office</b></p> <p>Central House Hermes Road Lichfield Staffordshire WS13 6RH</p> <p>Telephone: 01543 414140 Web: <a href="http://www.centralengland.coop">www.centralengland.coop</a> Facebook: <a href="https://www.facebook.com/centralenglandcooperative">centralenglandcooperative</a> Twitter: @mycoopfood</p> <p>Registered society under the Co-operative and Community Benefit Societies Act 2014</p> <p>Registered No. 10143R</p>
--	---

**ANNUAL REPORT FOR THE 52 WEEKS ENDED 25 JANUARY 2020**  
**UPDATE ON THE IMPACT OF COVID-19**

*Before sharing the Society's Annual Report and Financial Statements for the year ended 25 January 2020, we would like to update you on the impact of COVID-19.*

**Overview**

The Society's absolute priority in dealing with the exceptional challenges posed by COVID-19 has been to protect our colleagues and continue to serve our customers and members safely in the most demanding of circumstances.

At the beginning of March, the Society's Crisis Management Process was implemented to oversee, manage and document our responses and actions to the coronavirus outbreak across all parts of the business. This included daily calls seven days a week between the Crisis Management Team and the Executive, with weekly calls with the Board.

Whilst the scale of the coronavirus outbreak and related guidance have been constantly moving, the Society's approach has been to consider multiple inputs from the Government, trade bodies, academia and business partners including our banks and advisors to support our decision making.

All of the Society's Food stores have so far remained open and trading throughout the coronavirus outbreak.

The Board of Directors, Executive and Senior Leadership Team are immensely appreciative of the hard work, dedication, commitment and extraordinary efforts of the Society's colleagues, especially those working at the front line in our Food stores, Distribution Centres and Funeral business.

**Business Impact**

COVID-19 has had a significant impact on all of the Society's trading businesses. Our Food and Funeral businesses are experiencing increased demand whilst also incurring significant increases in operating costs. Conversely, our Travel and Property businesses are under extreme pressure from both a sales and profit perspective. The potential global recession could impact all areas of the business over the longer-term.

There continues to be a relatively high degree of uncertainty in both local markets and the global economy, and the Society continues to assess these changes on a regular basis. In this context, the Society has undertaken significant levels of review and scenario planning in order to assess, as far as is possible, the impact of Covid-19 on each part of the business.

**Cash Flow and Liquidity**

The Society has considered its cash flow requirements based on the updated 2020/21 forecast and concluded that, under a most likely scenario, it remains a going concern with a significant level of funding headroom available to finance its operations over the forthcoming 17 months (to August 2021).

The forecast projections have been stress-tested, and even in a reasonable worst-case scenario, there would still be significant headroom even before any mitigating action was taken. The risks and opportunities to the cash flow forecast have been evaluated, as far as possible, and appropriate mitigation identified.

## **Our Response to Date**

The Society has taken significant action across all areas of the Society in response to the coronavirus outbreak, of which some of the key points are as follows:

- Installed protective screens at checkouts and kiosks in all stores.
- Implemented Social Distancing measures in our Food stores, Distribution Centres and within our Funeral business.
- Recruited over 1,000 extra colleagues to support in Food stores.
- Sourced personal protective equipment including gloves, masks, safety glasses and protective suits for our Food stores, Distribution Centres and Funeral business.
- Deployed additional security guards and safety marshals at our Food stores and at our Distribution Centres to provide support and reassurance.
- Limited the number of customers in store and reduced opening hours to allow for deep cleaning and restocking to take place.
- Introduced a restriction of two items per customer on every product line. This restriction is now being relaxed as availability improves.
- Encouraged customers that can, to pay at the checkout by card.
- Implemented the new £45 contactless payment limit.
- Introduced arrangements to procure additional goods for resale from alternative or local suppliers to ensure our stores receive as much stock as possible.
- Launched a 10% discount scheme for NHS workers, together with priority access to our stores at all times.
- Engaged a third-party distribution operator to provide additional drivers, vehicles and a satellite distribution centre as well as extending our existing distribution operation to 7 days a week.
- Introduced operational changes within our Funeral business, including the development of an electronic funeral arrangement form and capacity 'App' to enable our funeral arrangers to work from home whilst supporting families.
- Increased production at our coffin factory to meet the needs of our Funeral business and other funeral directors, including the introduction of a night shift.
- Supported local authorities and coroners in the transportation and care of the deceased.
- Implemented home-working arrangements, with IT system access, for our Business Support Centre colleagues ahead of the announcement of the Government's coronavirus lockdown measures.

## **Supporting Our Colleagues**

In recognition of our colleagues' dedication and hard work at this very challenging time, the Society has:

- Applied the National Retail Agreement Pay Award and the Warehouse, Transport and Motor Vehicle Pay Award with effect from 8 March rather than 1 April 2020.
- Extended 20% (double) Colleague Discount from 25 March until 30 June 2020.
- Announced additional reward payments to store managers and front-line staff across the Food, Distribution and Funeral business.

## **Community Support**

The Society continues to work hard to support the most vulnerable in our communities to access the food and services they need. We have begun working with Local Councils to support home deliveries, continued to support foodbanks and made significant donations to Dementia UK, FareShare Midlands and local good causes to provide vital support in response to Covid-19.

## **Communication**

We have Implemented a comprehensive communication strategy, using various channels including social media, member and colleague email communications and PR activity to promote key messages and information.

This has included the launch our new 'Let's Co-operate' online hub to provide regularly updated content, information, advice and support.

## **Looking Ahead**

COVID-19 is having a material impact on the Society's business operations and we are managing through the coronavirus outbreak crisis in a measured and controlled way whilst recognising the opportunities to modernise the Society for the future.

The Society has a long and proud heritage. We are determined that the Society will emerge from the current crisis as a stronger co-operative business that has positively demonstrated our point of difference across the communities in which we trade.

April 2020

## About us

### A thriving, community-based co-operative business

Central England Co-operative is a successful, independent, community-based co-operative business owned by its members. We are a modern, forward-looking business, employing 8,000 people and operating more than 400 trading outlets across 16 counties in Central England.

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

We are proud of our heritage, which dates back over 165 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...

#### Purpose beyond profit

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.

Our Membership & 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 invest 1% of our trading profit into supporting local groups and good causes through our Community Dividend Awards and are proud to have extended our successful fundraising partnership with Dementia UK through to July 2020.

### 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 Strategy is to grow and invest

Our strategy is to grow and invest in our core business activities in order to strengthen the Society's impact and profile as a successful independent, co-operative business. Our focus to provide community trading locations through the operation of our food stores, funeral services and travel shops, supported by property investment activity, aims to play to our strengths so we can build a sustainable business for the future. Our co-operative values and principles offer something different to our members and customers by providing a credible, relevant alternative to our competitors.

The engagement and development of our people through leadership, development and talent management is critical to our success, with our colleagues being key advocates of what we stand for. Building a thriving membership base will increase loyalty, participation and strengthen engagement with the local communities in which we trade.

## **What we do**

### **Food**

#### **242 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.

#### **20 Petrol Filling Stations**

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

#### **Food Distribution**

Our Food Distribution Centres based in Leicester distribute 32 million cases annually to the Society's food stores, as well as those of two other neighbouring co-operative societies, providing consistent and reliable product availability for our customers and members.

### **Funeral**

#### **132 Funeral homes**

We are a leading provider of quality funeral services, conducting around 14,000 funerals in 2019/20. Our Funeral business also includes a crematorium at Bretby, located on the outskirts of Burton-on-Trent.

#### **6 Florist Shops**

Our team of florists provide services for all occasions and support the work of our funeral homes across the Society trading area.

#### **2 Masonry Showrooms**

Working alongside our funeral teams and other support services, our masonry outlets help to ensure that families are supported through every step of their journey.

#### **Coffin Manufacture**

The Society's coffin manufacturing business meets the needs of our funeral homes as well as supplying a number of other funeral businesses.

### **Travel**

#### **26 Travel Shops**

Our travel shops pride themselves on offering high quality travel advice and personal service to provide our members and customers with the right package to meet their individual preferences.

### **Property Investment**

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



## **Society Highlights: 2019**

- Introduction of a new look and feel to our food stores, with an innovative array of features and amenities for the local community
- Awarded three Carbon Trust Standards for the third time, in recognition of our efforts and progress in reducing the Society's carbon emissions, waste and water use
- Colleague safety remains a key priority to the Society, with the launch of a new campaign aimed at ending violence and aggression towards shop workers
- Our belief in co-operative values and principles showcased with our support of Fairtrade Fortnight and Co-operative Fortnight, inviting dozens of community groups into our stores to and participating in a wide range of community events
- Community Dividend grants of £180,000 awarded to 115 local groups and good causes
- Over 275,000 items donated to food bank collection points in-store by our members, customers and colleagues
- Our first ever Christmas Toybox Appeal resulted in over 12,000 presents and stocking fillers being shared out by 20 charities and organisations
- A range of important issues were raised and debated at pioneering Women's and Men's Voices events
- Our unique work with FareShare East Midlands continues to ensure that millions of items of unsold food are used to provide nutritious meals and do not go to waste
- Our partnership with corporate charity Dementia UK has now raised over £1.3 million
- Continued focus across the Society to raise awareness and champion the importance of positive mental health
- High response to our annual colleague survey, with engagement levels remaining strong
- Investment in learning and development with 49 colleagues achieving apprenticeships, the launch of a new 'Coaching with Confidence' initiative and achieving recognition for our 'Leading for our Future' programme

## **Financial Highlights**

- An encouraging financial performance against a backdrop of highly competitive market conditions, outperforming our annual targets
- Gross sales (excluding VAT) of £893m up 2.7% (2018/19: £869.9m)
- Strong sales in our small community stores and new openings, consistent with our long-term growth strategy
- Trading profit of £17.5m – ahead of our budget target – but marginally lower than the prior year (2018/19: £18.1m)
- Operating profit of £15.5m, up £3.6m (2018/19: £11.9m), largely reflecting the impact of a one-off exceptional pension scheme past service cost charged in the prior year
- Strong cash generation from our trading activities of £33.3m (2018/19: £28.6m) which supported capital investment of £22.1m (2018/19: £28.7m)
- Continuation of our growth strategy with the opening of 10 new food stores, 2 new funeral homes and significant refurbishment activity across the business
- Further progress on repositioning the Society's investment property estate as part of our long-term strategy to drive value from our property assets
- Net debt of £16.1m (2018/19: £20.6m) – well within our funding facility
- Payments to and on behalf of stakeholders of £3.2m (2018/19: £3.5m), maintaining our commitment to share the Society's success with our members, colleagues and local communities
- Decrease in net assets to £191.7m (2018/19: £216.1m), principally driven by an increase in the Society's net pension liability as a result of adverse movements in the external measures used to place a value on the pension scheme's liabilities, partially offset by gains in the fair value of scheme assets

## **President's Overview**

Dear Members,

I am honoured and privileged to present our Annual Report, covering the past 12 successful months for the Society in what has been a tough but rewarding period of trading. This will be my final report as President as I have reached the end of my fulfilling three-year term. During this time the Board has been working hard to shape our success, which led to the appointment of our new Chief Executive Debbie Robinson. Debbie's impact, belief and drive can already be seen with the fantastic new-look of our food stores and their development into our hubs for the community.

The Board, working with the new Executive team, has launched a detailed and comprehensive review of our strategy, purpose and vision, with the aim of confirming our ambition to be the best UK co-operative and respected leader in the movement.

The Board is pleased that our new Executive and senior leadership teams are working well to ensure we are well prepared to face the challenges of operating in an intensely competitive market and the uncertainty of Brexit.

We were delighted to appoint Marc Bicknell as an Independent Non-Executive Director, who has brought his financial and co-operative experience to help complement the diversity of skills on the Board. We would also like to take this opportunity to thank and acknowledge former Independent Non-Executive Director Martyn McCarthy and retired Employee Board Director Dave Ellgood for their valued contribution to the Board and the Society as a whole.

During the year, we were delighted to host visits from working co-operative peer Baroness Glenys Thornton and Co-op Group Board members Sir Christopher Kelly and Stevie Spring, allowing us to strengthen relationships within the co-operative movement and improve awareness of our activities and achievements.

We have held some fantastic innovative events including a highly successful Intergenerational Event looking at how nurseries can be paired with care homes and a very productive Food & Finance Justice Conference where those agencies helping fight poverty and homelessness came together to co-ordinate responses. We also held dozens of activities to celebrate Fairtrade and Co-operatives Fortnight.

Building on the success of our annual Women's Voices Event, we were proud to hold our first-ever Men's Event where over 100 men gathered together to talk about a range of matters such as mental and physical health and expectations of men today.

At Christmas time, Board and management attendees supported six Retired Employee Association events across the regions to show our appreciation for those who played a part in creating the wonderful co-operative business we have today. We also backed our Society's first-ever Christmas Toybox Appeal, which saw over 12,000 toys donated.

Our commitment to environmental initiatives is a continued source of pride for us all and progress, such as the recent reward of three Carbon Trust Standards, remains an important area of focus. We are always determined to demonstrate our unique co-operative difference for our members and communities.

I would like to thank my Board colleagues, the Executive and management team and all colleagues I have met across the Society for their courtesy and comradeship during my term as President. It has been a privilege and a pleasure.

**Elaine Dean**  
Society President

## **Obituary – Graeme Watkins**

Former Director Graeme Watkins sadly passed away in April 2019.

Graeme was first elected to the Board of Anglia Regional Co-operative Society in November 2003, where he played a full and active role. At one stage, Graeme served on seven of Anglia's eight Board Committees and was a founding member of Anglia's Climate Change Committee.

Graeme was subsequently elected to the Central England Board in May 2014 where he remained in post until April 2018. At Central England, Graeme served on the Audit & Risk Committee, Remuneration Committee, Rules & Practices Committee, Conduct Committee and for a short period, was a member of the Corporate Trustee body of the Society's Pension Scheme. Graeme was also a keen and active member of the Eastern Membership & Community Council and helped wherever he could, including washing-up at MCC events.

We all miss Graeme and his unique personality which included his attention to detail, being a stickler for rules and procedures and his unrelenting beliefs in social justice, democracy and co-operation. To this end, Graeme was a longstanding member and proud supporter of The Co-operative Party. We also remember Graeme's passion for sport, and particularly cricket and Hampshire County Cricket Club, together with his interests in travelling and photography.

Graeme is survived by his wife, Laura and their children John, Susan and Ian.

## Chief Executive's Review

I would like to start this, my first annual report as your Chief Executive, with a heartfelt thank you to our Central England Board, Members, colleagues and customers for their warm co-operative welcome and support.

In 2019 we focussed our attention on building a talented team to ensure we continue to thrive as a successful independent co-operative society. Firstly, we promoted the very talented Tracey Orr to the role of Chief Operating Officer, bringing her wealth of experience and sound judgement to our family of businesses. Louise McFadzean was promoted to the role of Chief Financial Officer, providing a high degree of technical expertise and governance to our Society. Our much-valued Society Secretary, Jim Watts, took on additional responsibility for our unique membership proposition. Our new Executive team has been in place since September 2019.

The recruitment and development of our senior leadership team was completed in early 2020. We have promoted a number of our high potential colleagues while introducing new talent and skills to the Society. We have the team in place to fulfil the potential within each of our businesses, with a focus on driving productivity and profitability.

Our performance over the past 12 months can be characterised in two halves. The first half of the year was steady with an uncertain economic environment due to Brexit, a Competition and Markets Authority investigation into the funeral market and a Financial Conduct Authority review of the sale of pre-paid funeral plans. Global, social and economic challenges including climate change and terrorism, along with a continually competitive market, continue to impact all of our businesses.

The second half of the year saw significant improvement particularly in our food business. We introduced a number of tactical sales initiatives, including seasonal activity and outdoor selling, generating incremental sales and profit. This strong trading saw the Society outperform sales in the overall convenience market.

We have tried a few new things during the year to position ourselves at the heart of the communities we serve. Being a good co-operative neighbour has improved the look and feel of our stores, using local materials, and opening up the windows to let in more natural light to create a better environment for our colleagues, members and customers. We have improved the facilities with indoor and outdoor seating, great toilets, baby changing and feeding areas, free water refills, cycle repair stations and improved ranges. We also trialled cross marketing activity featuring our travel business in our food stores.

Our investment property estate continued to support the overall financial strength of the business via planned disposals, securing planning consent on strategic landholdings and the completion of new commercial and residential lettings.

During the year and after very careful consideration, we announced the strategic disposal of a number of food stores. The sale of three large supermarkets will strengthen the Society's asset base and the disposal of 12 loss-making stores will improve our long-term profitability. In making these difficult decisions, we sought to maintain employment for many colleagues as possible, whilst also securing proceeds to enable further investment in the business.

Over the coming year we will continue to invest in new stores together with a major refurbishment programme aimed at improving our best performing existing stores.

The Society's total gross sales (excluding VAT), rose by 2.7% to £893m (2018/19: £869.9m). Trading profit of £17.5m was ahead of our annual budget target although was marginally lower than the prior year (2018/19: £18.1m).

Our operating profit of £15.5m shows a healthy improvement over the prior year (2018/19: £11.9m), with the increase principally reflecting the impact of a one-off exceptional pension scheme past service cost charged in the prior year.

Strong cash generation from our trading activities of £33.3m (2018/19: £28.6m) enabled capital expenditure of £22.1m (2018/19: £28.7m), which included the opening of 10 new food stores, two new funeral locations and significant refurbishment activity across the business.

The Society's net debt position of £16.1m at the year-end (2018/19: £20.6m) is well within our long-term funding facility.

The Society's net assets of £191.7m decreased by £24.4m compared to the position at January 2019 (£216.1m), which was largely attributable to a £29.9m increase in the net pension liability and primarily driven by an adverse movement in the external measures used to place a value on the pension scheme's liabilities.

Our co-operative difference is what sets us apart from other organisations.

The safety of our colleagues is our top priority. This is why we are working with East of England Co-operative Society to utilise its pioneering alarm response service, supporting a ground-breaking Offender to Rehab scheme and campaigning for a change in the law so an attack on a shop worker is deemed as serious as an offence against a member of the emergency services.

Our industry leading work with FareShare East Midlands is the foundation of efforts to try and end food poverty and removing single-use plastic bags from our stores is helping us lead the way in efforts to reduce the impact we are having on the environment.

We have a great team, an excellent Board and strong business. We will focus on delivering outstanding co-operative solutions across our family of businesses realising the full potential of our assets while meeting the Society's obligations.

**Debbie Robinson**  
Chief Executive

## **Business Performance**

### **Food**

**£743.1 million Gross Sales** (excluding VAT)

(2018/19: £728.0m)

**10 new Food Stores**

**6,298 Colleagues**

Our food stores performed well in 2019, with increased sales and profitability exceeding budget targets and the prior year.

Food sales in the first half of the year faced tough comparisons with the previous year which included the 2018 World Cup and extreme weather peaks such as the 'Beast from the East' and the prolonged hot summer. Trade recovered well in the second half of the year, assisted by strong sales initiatives which helped to drive performance.

Margins remain challenging in a very competitive market, but the continuation of transformational change programmes and careful management of our operating costs helped to mitigate the impact and pressures of the external environment.

### **Market**

The retail grocery market remains challenging and extremely competitive. Whilst the supermarket channel continued to hold the largest share of the market in 2019, large supermarket formats faced the on-going impact from online operators and the discounters, alongside a shift in consumer behaviour to smaller top-up shopping visits. We were pleased that whilst our supermarkets did not experience growth, they showed an improving trend in the second half of the year.

The risks arising from Brexit are common across most retail businesses and continue to be carefully monitored by the Society. These includes supply chain risks in terms of both product availability and price, and people related risks relating to the possibility of increased competition in the labour market for our current and future colleagues.

### **Investment in the right place**

In line with our strategy, we continue to invest in new local community stores in convenient locations. Top-up shopping and trading from strong community stores continues to underpin our success. During the year we opened 10 new food stores comprising eight convenience stores, one petrol filling station and one supermarket.

We also invested in 18 existing food stores to provide an enhanced proposition to our members and customers, in addition to improved colleague areas and facilities.

At the end of 2019 and after very careful consideration, the Society announced the disposal of three large supermarkets to Morrisons (at Glenfield in Leicester, Stirchley in Birmingham and Bradwell near Great Yarmouth). In addition, we also agreed the going concern disposal 12 loss-making stores. These decisions enabled the Society to maximise long-term value whilst also seeking to maintain employment for as many colleagues as possible. The disposal proceeds will support the Society's on-going growth strategy in 2020 and future years.

## **In the stores**

During the year we completed a £5m programme to upgrade all tills and software across the Society's food store estate to ensure we continue to provide the best service to our member and customers.

We also completed a £2.4m investment and roll-out of the Society's labour forecasting, scheduling and labour modelling system ('Our Time') across the food store estate. The new system is working well to effectively manage hours within store to maximise productivity and serve our members and customers.

We have introduced new shelf edge labels in our food stores which provide a simplified product description and increased font size of the product price to improve the clarity and visibility of information to customers.

## **Fit for the future**

We expect the UK grocery industry to remain highly competitive in terms of price, coupled with national living wage and overhead cost pressures and new in-store offerings of diversified products and services, in a bid to attract customers away from online operators.

In 2020, we will remain focused on enhancing the overall customer and member proposition, regeneration of store formats and expanding 'Food to Go' services.

We will also see our capital expenditure programme investing in our existing food store estate as well as achieving growth from new openings. This will include trialling new formats and different customer payment methods. We will continue to manage our cost base carefully and the shape and size of the Society's food store estate, whilst staying true to our co-operative ethos and ethical values.

## **Wholesale**

**£52.1 million Gross Sales** (excluding VAT)  
(2018/19: £50.6m)

The Society's Food Distribution Centres in Leicester remain an integral part of our successful food business, ensuring the smooth and continuous supply of products to our stores and those of Tamworth and Heart of England Societies. The Distribution Centres delivered over 32 million cases, an increase on the prior year, supporting the sales driving activities and new store openings. During the year we invested in 11 new HGV vehicles to upgrade the existing fleet.

The Distribution team was awarded 'Support Team of the Year' at the Society's 2019 Leading Brilliance Awards, in recognition of their consistent high service levels, collaborative ways of working and resilience.

In addition, the Distribution Centres have continued to facilitate the collection of unsold food from stores to FareShare East Midlands for redistribution to local charities throughout our trading area. The Distribution team also supported the collection of presents from across our family of businesses as part of the Society's first ever Christmas Toybox Appeal.

## Funeral

**£39.9 million Gross Sales** (excluding VAT)

(2018/19: £41.8m)

**Arrangements: 13,974** (2018/19: 14,858)

**2 new openings**

**848 Colleagues**

Our funeral business experienced a challenging year in 2019, with a decline in funeral arrangement numbers reflecting a significantly lower death rate in the first half of the year, and the impact of competitive market conditions across the Society's trading area. The death rate for the latter part of the year returned to expected levels but market conditions remained tough as competitors sought to regain volume.

Despite difficult trading conditions, our crematorium at Bretby reported strong growth in the year. Increased demand for direct 'unattended' funerals, as well as closer relationships with other co-operative societies, has seen an uplift in sales, with clients coming from both inside and outside our traditional trading areas. Whilst we saw growth in direct to crematoria services, the majority of families continue to choose traditional funeral ceremonies.

The funeral pre-paid plan market also remains highly competitive with funeral plan sales slightly lower compared to the previous year. In May, we introduced a lower priced 'Simple' plan that sits alongside our more traditional plans as well as the 'Bretby' unattended plan. The Society offers a comprehensive range of fully guaranteed plans which can cater for all client choices. During the year, several marketing campaigns took place which included excellent offers for members, such as £250 discount off the cost of plan.

On 28 March 2019, the Competition and Markets Authority (CMA) confirmed its widely anticipated full market investigation into the funeral and crematoria sector. The Society continues to support the CMA's investigation, along with the HM Treasury consultation on the funeral pre-paid plan sector, and we have provided input to both reviews. We remain committed to providing the highest standard of care and services to families, while offering transparency and choice for funerals that cater for the wide spectrum of communities we serve.

To ensure our business is responding to customer needs and is fit for the future, we introduced a new way of working to improve our 24/7 opening hours service. This has allowed us to maintain excellent services and quality of care, while driving operational efficiencies and improving colleague welfare. We have been able to ensure our costs are well controlled, which in turn, has allowed us to maintain Funeral prices at 2018 levels.

We are committed to investing in our family of businesses, and this year has been no exception. In 2019, we opened a new Funeral Booking Office in Lowestoft and relocated our Funeral home in Moseley. We have refurbished Funeral Homes in Birmingham, Derby, Leicester and Loughborough and improved facilities at both Bretby Crematorium and Terry Smith Coffin manufacturer.

The funeral business strives to be at the heart of the communities we serve, with many community-led activities and charity events taking place during the year. For the fifth year running, our funeral homes opened their doors to the public to host the annual fundraising 'coffee mornings' promoting Macmillan Cancer Support. Our colleagues also raised over £3,000 for Dementia UK from activities included a 26-mile sponsored walk in the Derbyshire area.



## **Travel**

**£49.2 million Gross Sales** (excluding VAT)

(2018/19: £40.2m)

**87 Colleagues**

Growth in niche specialist sectors continued in 2019, with escorted tours, cruise and worldwide tailor-made itineraries being an important feature of our offer. This key area is supported by good relationships with a wide selection of tour operator partners who provide access to products and services to meet customers' needs.

Our approach is designed to position us as a specialist holiday provider offering wide choice, value and a high-quality service for our members and customers.

Our trading platform saw a significant change in the market with the collapse of Thomas Cook and its Freedom Travel Consortium in September 2019. This was a challenging time, but through positive relationships with our tour operators and move to an alternative Consortia, we continued to trade and our travel teams supported 247 customers who were overseas, as well as supporting those due to travel in the future.

The increase in sales during 2019/20 included the impact of a full year's trading of the six Travel shops transferred from Thomas Cook in October 2018. In January 2020 we relocated our Alvaston branch in Derby to nearby Allenton.

Further changes are ahead with the news received on 20 January 2020 regarding Beales Department Stores going into administration. The Society operates travel concessions in six Beales Department Stores and we are currently investigating the most appropriate options for these stores. We are also facing into the challenges brought about by the coronavirus outbreak and its impact on international travel and confidence in holiday bookings. We continue to focus on the benefits and security associated with booking through a trusted travel agency.

We opened our stores on Sundays during the peak trading times in December 2019 through to February 2020 and continue to review our opening hours to provide greater opportunities for customers to discuss their holiday ideas and travel plans.

During the year we were nominated for two awards: ATAS (Association of Touring and Adventure Suppliers) – Best Large Agency Central England and East of England categories along with nominations at the Travel Weekly AAA's (Agent Achievement Awards) for Best Large High Street Agency in Central England and East Anglia categories.

## **Investment Property**

### **Rental Income £8.7 million**

(2018/19: £8.7 million)

### **Investment Property Valuation £130.6 million**

(2018/19: £133.1 million)

In 2019 we maintained focus on the three core pillars of the Society's property strategy:

- Support the strategic objectives of the trading businesses
- Optimise performance of the property portfolio
- Create value through effective asset management

Our Property team has continued to work hard to manage the Society's property assets to ensure sites are occupied and value opportunities created. A total of 49 new commercial and residential lettings were completed during the year, generating total annual rental income of £587,000 (2018/19: £530,000) with 86% of the Society's property portfolio being occupied at the end of the year. The Society's residential portfolio had a particularly strong year, with income from the Society's 137 residential properties having increased to £820,000, a rise of 3% on the previous year. Total rental income of £8.7m was in line with the prior year (2018/19: £8.7m).

A significant focus during the year has been supporting the strategic objectives of the Society's trading businesses. Following a review of the trading portfolio the property team project managed the disposal of six retail stores that were not strategically aligned. Contracts were also exchanged on the sale of a further nine stores which are due to complete in the first part of 2020, including three supermarkets sold to Morrisons. The proceeds will be reinvested by the Society to support future growth through new stores along with investment within the existing estate.

We have continued to reposition the investment estate by disposing of assets with no strategic purpose or where value has been maximised. The disposal of nine investment properties was completed during the year with gross proceeds of £5.0m (2018/19: £4.5m). This included the disposal of 28 acres of farmland at Raunds in Northamptonshire to Bowbridge Homes where, together with neighbouring land, the Society had previously secured planning consent for 215 new homes, a nursing home and 20,000 sq.ft of new commercial space. Bowbridge Homes has already commenced building on site and will deliver much needed new housing for the local community, including 66 affordable homes.

A number of developments were also completed during the year including: the demolition of a former garage and bungalow at Stowupland in Suffolk to enable a major redevelopment of the Society's petrol filling station and building a new food store; the redevelopment of a former industrial unit at Alfreton in Nottinghamshire to create two new retail units, one of which has been let to Scarsdale Vets; the conversion of a former industrial unit at Burbage in Leicestershire into two new apartments and the conversion of a former travel shop in Anstey in Leicestershire to create a new unit to let to QD Stores. The Property team also secured planning consent for up to 135 new homes on land owned in Desborough together with a neighbouring land owner, which the Society will be marketing and seeking to sell for housing development in 2020.

Looking ahead, the Property team will focus on maximising the value of the property portfolio and the management of various development opportunities to support the Society's long term aims and objectives.

## **Corporate Responsibility**

As a responsible business we believe in having a purpose beyond profit, steered by our co-operative values and principles.

Corporate Responsibility (CR) allows us to take a long-term approach to doing business, ensuring that we maximise performance and create value for our members and local communities. Environment, communities and ethical trading are the three core elements that form our CR framework.

### **Pioneering programmes help us make a real difference**

In 2019, we embarked on a pioneering project aiming to help prolific shoplifters turn their lives around. We linked up with West Midlands Police to support a unique project helping offenders rehabilitate and transform their lives while also reducing crime rates.

This project provided the opportunity for two Birmingham men, James Kelly and Paul Brookes, to join the Offender to Rehab programme and support them with the help needed to turn their backs on crime. James and Paul between them carried out nearly 200 known offences – including shoplifting – and served several prison sentences, all to fund their heroin and crack cocaine addictions.

Paul and James have now successfully completed their programmes, at Livingstone House, a residential drug and rehabilitation programme in Small Heath, Birmingham, and have been clean for nine and seven months respectively.

The two men are now in aftercare in dry houses and are enjoying working on their relationships with their families.

Furthermore, our successful project with FareShare East Midlands to redistribute unsold food from stores is now donating the equivalent of nearly 4,600 meals to people in need every day – over 1 million meals a year, helping almost 170,000 people a year.

A total of 230 food stores across 14 counties now send all ‘best before’ food items and non-food goods that cannot be sold to our Food Distribution Centre. The food is then delivered to FareShare East Midlands who send it to support dozens of local charities across the same area. The project is estimated to save the charities over £52,000 a month. A pilot scheme is now under way to extend the scheme into Yorkshire and East Anglia.

### **Supporting good causes**

The past 12 months have seen us enter the third year of our corporate charity partnership with Dementia UK – with the fundraising total now at the £1.3m mark since the partnership began in August 2017.

Colleagues, customers and members have done everything from putting money into collection tins to running the London Marathon to support this vital cause. Over £800,000 has been donated to date via fundraising activity, with a further £500,000 given to the charity from the 5p Carrier Bag Levy.

The funds raised have helped to pay for the creation of new Admiral Nurses, training and development, the Admiral Nurse Dementia Helpline and much needed clinics.

Last December, we organised our first ever Christmas Toybox Appeal and over 12,000 brand new presents and stocking fillers were donated. The items were dropped off at special donation points located across our family of businesses and support centres, or donated at special events held across our trading estate. The presents were shared out via local charities, community groups and food banks as well as hospitals and hospices who gifted them to as many children as possible, ensuring they had something special to open on Christmas Day.

The Society also continued its work with local food banks and facilitated the handover of over 275,000 items to more than 60 projects. Over 95% of our stores now have a food bank collection point and all take part in specialist campaigns at Easter, Summer and Christmas. Plans are currently under way to expand the successful food bank campaign into our Funeral homes, Travel shops and Florists.

## **Protecting the environment**

The Society was delighted to be awarded three Carbon Trust Standards for reducing its carbon emissions, waste and water use for the third time. We demonstrated our ongoing commitment to the environment by achieving the standards, which are internationally recognised environmental certifications for reducing organisational water use, waste and carbon outputs. This means that Central England Co-operative sits alongside only three other retailers – wholesaler Booker and department stores Harrods and Selfridges.

We secured the standards for a third time due to our long-term efforts to improve sustainability across our business operations. Initiatives have included the installation of new energy efficient refrigeration, LED lighting and changes to the funeral and distribution network which reduced road miles and increased fuel efficiency. These measures have helped reduce our carbon footprint by 61% since 2010.

We have phased out single-use carrier bags, taking them out of circulation entirely. This has allowed us to save 12 million pieces of single-use plastic per year. Customers are now offered a 10p biodegradable bag for life as an alternative or, where local council refuse collections can accommodate, a compostable bag.

## **Mental health and wellbeing**

The mental health and wellbeing of our colleagues, at both work and home, continues to be a vital area of focus for us.

In October 2019 we held a 'Big Brew' event across our business with every colleague receiving a Fairtrade tea bag to help encourage them take part, along with hints and tips on how to get support if they need it.

Over 400 colleagues have attended mental health first aid training courses, dementia friendly awareness sessions and mindfulness workshops. There are over 50 mental health and wellbeing champions in the business and we offer a colleague assistance programme, which is a 24-hour, seven day a week, confidential helpline.

## **Looking ahead**

Following a successful 12 months, the Society is looking forward to spearheading a range of exciting future projects allowing us to use our expertise for maximum impact in the areas where we trade, that need it the most.

## **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	2019/20	2018/19
Member economic participation	Trade with members	<ul style="list-style-type: none"> <li>Member sales in our food stores (£m)</li> <li>Member sales as a proportion of total food store sales</li> </ul>	£132.6m 16.7%	£142.5m 17.8%
Member democratic participation	Members taking part in the Society's democracy	<ul style="list-style-type: none"> <li>Number of Members voting in Society elections</li> </ul> Member attendance at: <ul style="list-style-type: none"> <li>Annual Meetings</li> <li>Interim Meetings</li> </ul>	2,896  1,121 979	3,982  1,192 1,074
Colleague engagement	Measurement of colleague satisfaction, feeling and enthusiasm	<ul style="list-style-type: none"> <li>Survey response rate</li> <li>Engagement index</li> </ul>	79% 75	76% 77
Considerations of ethical issues in procurement decisions	<ul style="list-style-type: none"> <li>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.</li> <li>We also procure locally sourced products to complement our overall range.</li> <li>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 &amp; Community Councils.</li> <li>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.</li> </ul>			
Investment in co-operative and community initiatives	Community Dividend, Membership & Community funding, support for other co-operatives, grants, funds raised for charity and colleague volunteering	Annual funding and expenditure incurred	£1.305m	£1.190m
Net carbon dioxide (CO <sub>2</sub> ) emissions arising from operations	Net tonnes of CO <sub>2</sub> based on the Society's carbon footprint data	CO <sub>2</sub> tonnes per £m Society Turnover	42.00	57.26
Proportion of waste recycled or reused	Waste collected and recycled from our Food stores	Percentage of waste recycled or reused	58.0%	56.3%

## **Membership and Community**

Our members and the communities we trade in are vital to the success of our Society. By continuing to shop with us, our members allow us to invest back into our trading estate, support member groups, events and activities and fund local good causes via our Community Dividend Fund.

Our approach to supporting our members and our communities is underpinned by five key themes:

- Education, culture and recreation
- Encouraging member participation
- Health and wellbeing
- Food poverty
- Engaging young people

### **Education, culture and recreation**

The Society organised two unique events in 2019 aimed at shining a light on female equality and empowerment and raising awareness around the challenges that men face in the modern world.

To celebrate International Women's Day, the fourth Co-operative Women's Voices Event saw prominent women from across the co-operative movement come together to take part in a range of seminars, workshops and roundtable discussions tackling a range of subjects. The event also included a one-person show looking at the suffragette story along with discussions on women in leadership, career progression, gender equality and ending violence against women.

A total of 80 people attended the event, which also included a display of a unique project marking 100 years since women received the vote in the form of 50 life-size cut outs created by local people.

Later in November 2019, our Men's Voices Event took place at Burton Albion's Pirelli Stadium featuring workshops on subjects including mental health, physical health and lifestyle. TV star Des Coleman took time out from his acting, singing and TV weather presenter role to talk about his career and the importance of discussing the topics raised at the event. Over 100 people attended the event that was held on International Men's Day.

The continuing importance of co-operative values and principles and Fairtrade were showcased by a wide range of activities and projects including both Fairtrade and Co-operative Fortnight.

Across the country, the Society supported a range of great activities, hosting events such as a charity Fairtrade Football Tournament in Birmingham, supporting sports days, carnivals and educational workshops for children. We also showed our co-operative spirit by taking on some great volunteering opportunities during the campaign.

During Fairtrade Fortnight we held events from Fairtrade tea dances to Fairtrade school assemblies and workshops, as well as plenty of other opportunities for young and old to find out more about why Fairtrade is so important.

Co-operative Fortnight was a perfect example of our community ethos as the Society backed the two-week annual event by giving dozens of its own member groups, community groups, local projects and good causes the opportunity to come into our food stores to raise awareness and gather support for their local causes.

### **Encouraging member participation**

Member engagement and participation is at the core of our Society and we remain committed to supporting our Members with groups, classes and educational visits. Our activities aim to reward trading loyalty, provide social interaction, create new friendships and combat loneliness.

We again operated a full and successful programme of member events and activities in 2019 which were planned, organised and facilitated by our Member and Community Relations Officers (MCROs) and Membership and Community (MCC) members.

In August 2019, our MCROs and MCC members teamed up with the Co-operative Party at the Greenbelt Festival to highlight the issue of food justice and campaign for change. The annual three-day event at Broughton House in Northamptonshire is an arts, faith and justice festival that welcomes crowds of over 10,000 people.

We hosted a stand at the event to encourage people to back the campaign, based around highlighting the issues of poverty across the UK and tackling hunger at home through the launch of a Food Bill in England and in Scotland, and also to offer a range of talks on everything from our FareShare food redistribution project to co-operative values and principles.

During 2019, we awarded £180,000 in Community Dividend Fund grants to 115 local groups and good causes, reminding our Members that shopping with us allows them to have a say in how we reinvest our surplus into our communities.

In Cambridgeshire, lifesavers from Magpas Air Ambulance are now wearing brand new flight suits when heading across the East of England and beyond to support the emergency services after receiving £2,000. In Leicestershire, a total of £5,000 was handed to St Matthews Big Local to help the community hub completely rebuild its toilets to help more than 2,000 residents and 200 volunteers who use the building all year round.

In Norfolk and Suffolk, £4,420 was handed to Edfords Care Farm, in Mautby, to build a bespoke area of the site to cater for youngsters with special education needs. In Northamptonshire, Action for Asperger's, based in Corby, was awarded £4,050 to pay for the creation of special bags filled with sensory toys as part of its work offering specialist autism counselling for all ages.

Birmingham Crisis Centre has used £3,500 to pay for the complete refurbishment of one of its accommodation units, which provide a kitchen, bathroom and bedroom for female victims of domestic abuse and their children.

### **Health and wellbeing**

As food retailing sits at the core of our trading activities, we truly understand the need to highlight the importance of health and wellbeing.

Our commitment in this area was highlighted by the fact that in 2019, we put over 6,000 youngsters through one of our Healthy Choices Workshops, led by our MCROs and MCCs.

The Society also helped deliver two great events that saw over 1,000 children get fit and active. We teamed up with the Triathlon Trust to support Mini Tri activities in both Staffordshire and Great Yarmouth. Both events saw youngsters take on the challenge of a 75m swim, a 1km bike ride and a 500m run.

Equally as important was an extraordinary project that worked to bring two age generations together for a multitude of benefits.

The Joining the Generations project saw children from Little Stars Nursery in Melton Mowbray make weekly visits to nearby Gretton Court Care Home. The two generations joined together for inspiring sessions of intergenerational play, where the children and residents enjoy music, singing and a range of other activities. The sessions have proved a major success bringing health and wellbeing benefits for the residents and developing empathy and communication skills in the youngsters.

The project was such a success that in November 2019 the Society hosted and organised a special conference to showcase the benefits to other residential care homes and nurseries.

## **Food poverty**

Aside from our direct work to address the issue of people in need via our food bank campaigns, we also hosted a conference in the East Midlands bringing together key figures from food banks, credit unions and local authorities to look at how greater co-operation could help in the fight for food and finance justice.

Speakers included the Society's President Elaine Dean and Chief Executive Debbie Robinson, while our Vice-President Jane Avery, Tim Adkin from Action Homeless, Councillor Sam Webster from Nottingham Credit Union and Nigel Adams from Hope Nottingham Food Bank also took to the stage to speak on a variety of issues on the subject.

## **Engaging young people**

We continued to take part in several events throughout the year designed around helping to target and educate 15 to 17 year olds about the importance of co-operatives.

The Co-operative Masterclasses revolved around the business case for co-operatives and involved asking students to identify if there was a gap in the market for co-operatives for young people. The students were split into groups and tasked with putting together a business idea demonstrating the co-operative values and principles, before presenting their ideas to their peers at the end of the day.

The events saw colleagues from across the Society and Membership and Community Council members donate their time to help youngsters come up with ideas for their own co-ops including one which took the idea of a food bank and developed it to offer a 'hygiene bank', giving people in poverty access to toiletries, hot showers, medical and dental care and even haircuts.



## **Our Colleagues**

- Over 7,900 colleagues
- £725,000 awarded to colleagues in our Colleague Share of the Profits
- 79% of colleagues took part in our annual colleague survey
- 72 colleague mental health champions
- Silver Award in the Training Journal Awards 2019 for 'Best Leadership Development Programme'
- 66 colleagues with a combined service length of 2,195 years celebrated long service milestones of 30 and 40 years

The Society provides employment for over 7,900 colleagues and remains committed to offering colleagues job security and a fulfilling career against a landscape of uncertain and challenging times in the UK. Our activities and initiatives aim to keep our colleagues engaged, motivated, productive and happy.

## **Colleague engagement**

Two Society conferences took place focusing on 'The Big Sales Difference' across our family of businesses. Over 500 colleagues attended each event, inspiring colleagues to take action to make the most of the sales opportunities during the summer and through the 'golden quarter' at the end of the calendar year.

Utilising videos as a way of communicating to colleagues continues to be an effective channel. A new monthly 'Your Co-op Huddle' was introduced to share the latest Society news and results to keep colleagues updated on what's going on. The huddle takes place in a different business location each time.

'Your Co-op Magazine' remains a key communication channel, featuring colleague stories, our range of products and services, colleague discounts and news about our community initiatives.

We recognise the importance of diversity and inclusion and mental health which contribute to our culture. Our 'Stronger Together' story about building a diverse and inclusive workplace has a dedicated area on our intranet. An animation was created to help educate and raise awareness and was used as part of an online learning module which 2,496 colleagues completed.

Our 72 mental health champions continue to raise awareness, signposting colleagues that need assistance and advocating for wellbeing. We have also supported and encouraged our colleagues to talk about mental health issues by taking part in events such as 'Time to Talk' day. 240 colleagues attended a one-day course 'Understanding Mental Health for Line Managers'. In addition, we continue to actively promote our Colleague Assistance Programme and encourage participation of the service.

The Society's colleague engagement remains strong. Our annual colleague survey 'Bee Heard' was completed by 79% of colleagues, a 3% increase on the previous year. This resulted in an engagement index score of 75, just two points lower than 2018. This score was viewed positively given the level of change our colleagues experienced during 2019, with programmes such as introducing a workforce management system in our Food stores and changing the operating model in the Funeral business.

## **Reward and Recognition**

As part of our co-operative difference, our colleagues once again received a pay-out from the Society's annual trading surplus. Our 'Colleague Share of the Profits' paid out over £725,000 in recognition of their contribution in helping drive the Society's continued success. Over 6,400 colleagues qualified to receive a payment.

In December 2019, to recognise the hard work and commitment from all colleagues and as a thank you before the festive period, all colleagues received £10 on their membership card.

A new colleague incentive was launched inviting colleagues to find potential new sites or existing businesses that could support our growth and investment strategy. For each site that successfully passed the 'Spot-a-Site' Team's initial review, colleagues were awarded with £10 on their membership card. For any site that passes a more specialised location and demographic examination and leads to us ultimately opening, colleagues will receive a payment of £2,500.

In July 2019, 66 Society colleagues with a combined service length of 2,195 years, and their guests, were invited to our long service celebration in July to recognise service milestones of 30 and 40 years.

In November 2019, at our annual awards ceremony 'Leading Brilliance Awards' we recognised colleagues who have delivered outstanding service and commitment to customers, members and the community. Over 300 nominations were received from colleagues across 10 award categories.

We are committed to improving the reward of our lower paid colleagues. During 2019 our Customer Service Assistants received an hourly rate increase of 4% and Team Leaders received an hourly rate increase of 3.6%.

## **Leadership and Learning**

To support colleagues developing the right skills, knowledge, and behaviours to succeed in their roles and progress their careers, we continue to invest in learning and development, providing a blended approach of learning interventions.

A significant area of learning in 2019 was to support the implementation of the workforce management system 'Our Time' in our food stores together with supporting the behavioural change that the new ways of working required. Recognising the important role of leadership in enabling change and transformation, our 'Leading For Our Future' programme concluded during the year and the skills developed by the 300 leaders were critical in the successful implementation of the 'Our Time' system. This innovative programme was externally recognised at the Training Journal awards, achieving a silver award for 'Best Leadership Development Programme'.

A 'Coaching with Confidence' programme was introduced, designed to create an internal pool of 12 qualified coaches (Level 3 Coaching accreditation with the European Mentoring and Coaching Council) to strengthen the coaching capability of leaders.

We were pleased that 49 colleagues achieved an Apprenticeship, including our first cohort of seven learners who graduated in the Level 5 Higher Diploma in Leadership and Management. There are currently 51 colleagues undertaking an Apprenticeship.

# Corporate Governance

## Message from the Society President – Elaine Dean

I am pleased to introduce our Governance report for the year ended 25 January 2020 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.

This will be my last report as President. It has been a great privilege to serve as President for the past three years. During my tenure I have strived to increase the Society's presence and profile within the wider co-operative movement and ensure that Central England Co-operative is a key voice in helping to shape and support a thriving co-operative sector for the future.

I would like to thank my Board colleagues for their support and wise counsel during my tenure which was characterised by significant political and economic uncertainty. I would also like to thank our tremendous colleagues for their continued commitment and hard work which is recognised by the Board.

## 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 2019 elections were held for four positions on the Board which resulted in the following candidates being elected to serve for a period of three years:

- Richard Bickle (Uncontested)
- Dave Ellgood (Employee Director)
- John Howells
- Marta Mayhew

Max Hunt was unsuccessful in his re-election to the Board with John Howells taking his position. The Board wishes to record its sincere thanks to Max for his valued input and contribution to the Society during his tenure.

The Society's 2019 Board election attracted voting participation from 2,896 Members (2018: 3,982 Members), representing a 27% decrease on the previous year. The Board is disappointed with the reduced level of participation and recognises that it represents a low turn-out when considered in the context of the total number of Society Members who are eligible to vote. Fewer candidates stood in the 2019 election with one vacancy being uncontested (Western Lay Member). Feedback from the Society's independent election services provider, Civica Election Services, indicated that there is a correlation between fewer candidates standing for an election and lower voter participation.

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 England Co-operative.

## **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 the following page.

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 as a whole and protect of the assets of the Society on behalf of the members. In carrying out its duties, the Board is collectively responsible for the control and direction of the Society's affairs. 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.

## 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 Management Executive;
- To determine the risk strategy of the Society and ensure that risk management is addressed;
- To oversee the work of the Chief Executive and the Management Executive 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 England Co-operative.

### 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-ordinate 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.

## **Board Governance Activities during the Year**

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

1. Oversight of the re-structuring of the Executive team and senior management positions following the appointment of the Society's new Chief Executive, Debbie Robinson,
2. On-going work to refresh the Society's Purpose, Vision and Values.
3. The selection and appointment of a new Independent Non-executive Director, Marc Bicknell.
4. The implementation of an externally facilitated Board evaluation exercise.

Items one and two are covered in more detail earlier in the report in the President's Overview.

Following a thorough process, the Board was delighted to appoint Marc Bicknell as an Independent Non-Executive Director to succeed Martyn McCarthy. Marc is a qualified Chartered Accountant (ACA) and is Chief Executive of the Railway Enginemen's Assurance Society (a long-established mutual business that provides its members across the UK with savings, investment, life assurance and protection products).

Marc has a strong understanding of the co-operative movement and was previously an elected member of the Co-operative Group from 2005 to 2018. This included service as a Co-op Group Board Director and member of the Group's Audit Committee. Marc's career has included experience in internal audit, external audit and senior management roles.

Engagement with key stakeholders continued to be an important area of Board focus during 2020 with the Society hosting visits from:

- Simon Parkinson, Chief Executive and Principal, Co-operative College
- Stevie Spring, Independent Non-Executive Director, The Co-operative Group
- Sir Christopher Kelly, Senior Independent Non-Executive Director, The Co-operative Group
- Baroness Glenys Thornton, Labour and Co-operative member of the House of Lords

## 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.	

During 2019, Co-operatives UK was engaged to conduct an external evaluation of the Board, in line with the Board's Effectiveness Framework. The review consisted of quantitative and qualitative feedback from Directors in the form of a survey and one-to-one interviews. The survey was structured into themes designed to give an insight into Directors' views on key areas of the Board's remit:

- Board Role and Composition
- Board Committees
- Board Meetings:
  - Board Meeting Preparation and Structure
  - Board Meeting Effectiveness and Decision Making
  - Board Meeting Follow-up and Continuous Improvement
- Behaviours and Rationale
- Board and Executive Relationship
- Strategy and Focus
- Risk
- Succession Planning
- External Relationships

The final report will be submitted to the President in Spring 2020 and will inform the programme of Board training for 2020/21, as well as identifying other areas for focus.

## Corporate Governance Code for Consumer Co-operatives

As a Registered Society, Central England Co-operative is not required to comply with the provisions of the UK Corporate Governance Code, which applies to listed companies. However, Co-operatives UK has published a Code of Best Practice for Consumer Co-operatives, which is based on the UK Corporate Governance Code, but applicable to the particular governance circumstances of a Co-operative Society.

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 version of the Corporate Governance Code applicable to the current reporting period is The Corporate Governance Code for Consumer Societies, which was revised and published by Co-operatives UK in 2013 (the Code). The Code is available on Co-operatives UK's website.

The Society conforms to the majority of the 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 the Code.

The following explanations are provided:

Principle	Explanation
<b><i>Principle H – The Chair</i></b>  <i>Provision 68 - “A chair should have served at least one term of office as director before being appointed to the role.”</i>	The Board appoints the Chair based on the relevant skills, knowledge and experience to fulfil the role.
<i>Provision 73 – “The Board has agreed a mechanism for removing a poorly performing chair.”</i>	No formal mechanism has been adopted by the Board. The Chair/President is appointed for a one-year term after which the position is reviewed by the Board and an alternative Chair can be appointed. A vote of no confidence can be held at any time with a simple majority and carried by a simple majority.
<b><i>Principle P – The Search Committee</i></b>  <i>Provision 102 – “The Search Committee should formulate plans for succession for the board and members of the management executive.”</i>	Partial compliance – 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.



<p><b>Principle R – The Audit Committee</b></p> <p><i>Provision 130 – “The audit committee should have the right to report any decision by the board to override its recommendations to the external auditors and to the members.”</i></p>	<p>In accordance with the Audit &amp; Risk Committee’s Terms of Reference, the Committee meets the external auditor at least once each year in private session and without the presence of management. The Committee also meets the Internal Audit Manager at least once each year without the presence of management. The Board and Audit &amp; Risk Committee are satisfied that these arrangements, coupled with the Committee’s clear Terms of Reference, provide a rigorous and robust approach to the oversight of the Society’s system of internal controls.</p>
--	---

The Board recognised that Co-operatives UK formally published the new Co-operative Corporate Governance Code (the Code) in December 2019. The publication followed a detailed review process which considered:

- The Financial Reporting Council’s revised UK Corporate Governance Code published in July 2018 (which applies to listed companies and effective from accounting periods beginning on or after 1 January 2019); and
- The Wates Corporate Governance Principles for Large Private Companies published in June 2018.

The new Code will be reported against in the Society’s financial statements for the year ending 23 January 2021.

## Director Attendance at Meetings

The table below lists the attendance record of Directors for the year ended 25 January 2020 at meetings of the Board and those Committees (excluding the Conduct Committee due 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
Jane Avery	12(12)		7(7)	4(5)	
Richard Bickle	12(12)	4(4)	7(7)		2(2)
Marc Bicknell <sup>1</sup>	3(4)	1(1)			
John Chillcott	11(12)				
Sean Clothier	12(12)			3(3)	
Elaine Dean	12(12)		7(7)	5(5)	2(2)
Dave Ellgood <sup>2</sup>	6 (12)				
Max Hunt <sup>3</sup>	3(3)				
John Howells <sup>4</sup>	9(9)				
Maria Lee	12(12)			2(2)	1(2)
Marta Mayhew	12(12)				
Martyn McCarthy <sup>5</sup>	7(8)	3(4)			
Tanya Noon	12(12)			5(5)	
Sue Rushton	10(12)	4(4)			
Paul Singh	12(12)	4(4)			
Rachel Wilkinson	10(12)		7(7)		2(2)

## Notes

- 1 Marc Bicknell was appointed to the Board in September 2019.
- 2 Dave Ellgood retired as a Society Employee on 31 December 2019 and his position as an Employee Director ended on that date.
- 3 Max Hunt's tenure as a Board Director ended in April 2019 following the Board election.
- 4 John Howells was elected to the Board in May 2019.
- 5 Martyn McCarthy's tenure on the Board ended in September 2019

## Report of the Remuneration Committee

### Statement from Committee Chair

#### Introduction

I am pleased to present the Committee's Remuneration Report for the year ended 25 January 2020.

The Remuneration Committee (the Committee) recognises that executive pay and reward can be an emotive topic. The Committee's long-standing approach is to manage executive remuneration in a fair and responsible way and to ensure that reward is aligned to performance and the values of the Society. The Committee is committed to reporting executive remuneration transparently and complying with best practice wherever possible.

The Committee constantly reviews current trends, best practice and corporate governance developments in the external executive remuneration landscape and takes these into account when determining the Society's executive remuneration policy and in its reporting. The Committee will continue to monitor developments in executive remuneration in 2020, in line with the Committee's commitment to continuous improvement.

The Directors who served on the Remuneration Committee during the year and a record of their attendance at meetings can be found on page 32.

#### Structure of this report

The Remuneration Report is divided into the following sections:

- The **Remuneration Policy** section outlines the Remuneration Committee's policy for the Management Executive and the Society Secretary
- The **Implementation Report** section sets out how the Policy has been applied during the 2019/20 financial year
- The **Board Director Fees** section provides details on the fees, expenses and benefits for the Society's Board of Directors

#### Summary of Executive Remuneration in 2019/20

##### 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 pay rates for those colleagues under 25 years old. The Committee is pleased to confirm that the Society remains committed to these principles.

##### Gender pay

As a co-operative, equity and equality are part of our core values. The Society has again published its Gender Pay report ahead of the statutory deadline and reported that:

- The Society has seen a 0.07% improvement in the mean average pay gap in comparison to our 2018 figure.
- The Society's median average pay gap has slightly increased by 0.85% compared to the previous year. The movement reflects the introduction of a change in the Society's Food Retail Pay structure and the introduction of a 'duty cover' pay element to reward Customer Service Assistant colleagues for the added responsibility of performing the Duty Manager role. The median average pay gap has increased due to the gender imbalance in those completing the Duty Manager training.

- The Society's average bonus gap has increased by 2.06% compared to the previous year, due to the non-inclusion of a management incentive payment for the Trading Executive in 2018.

The Society acknowledges that there is more work to do in this area. The Society is committed to taking action to close the gap in a range of areas including recruitment activity, development and talent management initiatives. We believe in a fair approach to pay for all of our colleagues and are confident that men and women are paid equally for the same roles across the Society, supported by robust pay structures.

## **Pay ratios**

As explained in last year's report, new legislation now requires listed companies to report CEO pay as a ratio against employees' pay. Although not subject to the regulation, the Society has voluntarily reported the CEO pay ratio in previous years and has done so again this year. For each colleague, total pay is calculated and then ranked from highest to lowest. The total pay of the colleague who is at the mean, median and lower and upper quartile is then compared with total pay of the CEO (see page 38).

In 2019 the average CEO pay ratio was 26:1 which compares with 38:1 in 2018. The narrowing of the ratio from last year is a consequence of the change in CEO and an increase in colleague pay.

## **Annual Incentive & Long-Term Incentive Schemes**

The Society performed well in 2019/20 in a challenging retail environment, achieving trading profit ahead of budget, together with positive movements in our long-term performance measures. Payments to participants are due to be paid under both the Annual and the Long-Term Incentive (LTI) elements of the Management Executive Incentive Scheme, totalling 21.76% of base salary.

## **Management Executive**

As reported last year, a working group of the Committee was convened to conduct the search and selection for our new CEO, Debbie Robinson. Since Debbie's appointment there have been changes to the Management Executive through internal promotions. Tracey Orr has been appointed into the role of Chief Operating Officer and Louise McFadzean appointed, via the Society's Executive Team succession plan, into the role of Chief Financial Officer. Both have structured their teams accordingly.

## **Committee Advisor**

During the year, the Committee undertook a review of the advice it receives from its independent remuneration consultant, to ensure it was receiving the best value for money in this important area. Following a competitive tender process, Willis Towers Watson were appointed as the independent Committee adviser. Willis Towers Watson are signatories and founding members of the Remuneration Consultation Group's Code of Conduct.

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

## **Rachel Wilkinson**

Chair of the Remuneration Committee

## **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 which 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 deliberately pitched below market median levels for executives in PLCs. This approach reflects the Society's commitment to providing an incentive for the right behaviours to drive sustainable business success, whilst operating a reward framework which is proportionate and is also transparent to our members.

## Summary of Remuneration Components

Base Salary	
Purpose and link to strategy	To pay a fair salary commensurate with an individual's role.
Summary and operation	<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>
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.
Annual Incentive	
Purpose and link to strategy	To motivate and incentivise achievement of agreed performance measures.
Summary and operation	<p>The performance metrics are set prior to, and measured over, the relevant performance year.</p> <p>All payments are made on a self-funding basis, 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>
Maximum opportunity	<p>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:</p> <ul style="list-style-type: none"> <li>• Threshold (achieve 95% of budgeted trading profit): 6.25% of base salary*</li> <li>• On Target (achieve 100% of budgeted trading profit): 12.5% of base salary*</li> <li>• Stretch (achieve 105% of budgeted trading profit): 25% of base salary*</li> </ul> <p><i>* Base salary is defined as the rate of annual base salary as at the last day of the relevant financial year</i></p>
Long-term Incentive	
Purpose and link to strategy	To align the Management Executive interests with the long-term strategic goals of the Society.
Summary and operation	<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 ordinarily comprise: Trading Profit (70% weighting); Customer Service (10% weighting); Colleague Engagement (10% weighting) and Corporate Responsibility (10% weighting). These performance measures were applied for the 2017 LTIP grant that vested in January 2020 as part of a transitional arrangement prior to the planned introduction of revised set of measures in 2020. The new measures will be applied to the LTIP grants agreed in 2018 and 2019.</p> <p>The Committee retains discretion to change the performance measures and their weighting if it considers a change necessary, to align with the Society's strategic priorities or for reasons including the measures can no longer be independently validated.</p>

	All payments are made on a self-funding basis, 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.
Maximum opportunity	<p>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:</p> <ul style="list-style-type: none"> <li>• Threshold (achieve 90% of performance measures): 6.25% of base salary*</li> <li>• On Target (achieve 100% of performance measures): 12.5% of base salary*</li> <li>• Outstanding (achieve 110% of performance measures): 25% of base salary*</li> </ul> <p><i>* 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 3-year performance period)</i></p>

## Pensions

Purpose and link to strategy	To provide the same level of pension benefits to all other colleagues in the Society.
Summary and operation	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.
Maximum opportunity	<p>The following options are available:</p> <ul style="list-style-type: none"> <li>• Defined Contribution employer pension % determined by date of employment.</li> <li>• Cash alternative</li> </ul>

## Benefits

Purpose and link to strategy	To offer a competitive benefits package that is flexible and offers choice to colleagues.
Summary and operation	<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 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.

The Committee has agreed a transitional arrangement in respect of the 2017 LTI grant which vested in January 2020. The measures for two of the three non-financial metrics (in relation to Customer Satisfaction and Corporate Responsibility) are no longer available and therefore it was agreed that the Committee will:

- Establish a new set of LTI metrics for the future
- Work with a transitional arrangement in respect of the 2017 LTI grant to pay out the same percentage that vested in January 2019 for both the Customer Satisfaction and Corporate Responsibility metrics

Further work will be undertaken to propose targets for future grants. The grants agreed in 2018 and 2019 will be updated to include the new metrics when vesting in January 2021 and January 2022.

## Changes to Remuneration Policy

There were no changes made to the Remuneration Policy in 2019/20.

## CEO Pay Ratio

### Overview

Central England 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 salary<sup>1</sup> and total pay<sup>2</sup> amounts for the CEO with colleagues<sup>3</sup> at the lower quartile (25<sup>th</sup> percentile)<sup>4</sup>, median (50<sup>th</sup> percentile)<sup>5</sup> and the upper quartile (75<sup>th</sup> percentile)<sup>6</sup>.

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

	CEO pay <sup>7</sup>	P25 (lower quartile)	P50 (median)	P75 (upper quartile)	Average
Base Salary	£480,000	£17,137	£17,137	£19,165	£19,558
Total Pay	£508,785	£17,137	£17,137	£19,165	£19,834
Total Pay Ratio		30:1	30:1	27:1	26:1

In 2019 the average CEO pay ratio was 26:1 which compares with 38:1 in 2018. The narrowing of the ratio from last year is a consequence of the change in CEO and an increase in colleague pay. The median Society ratio was 30:1 which is similarly lower than 2018 (44:1). This compares with a median CEO pay ratio of 93:1 for listed retailers<sup>8</sup> and 60:1 for listed companies who reported in 2019.

## New Executive Appointments

The remuneration package for any new members of the Management Executive would include the same elements and be subject to the same constraints as those of existing members. Salaries will be set to reflect the individual's role, responsibilities and experience whilst taking into account the market rate and internal relativities.

## Loss of Office

The employment agreements for all members of the Management Executive and the Society Secretary, including the Chief Executive, are terminable on 12 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.

<sup>1</sup> 'Base salary' excludes pension contributions and benefits.

<sup>2</sup> 'Total pay' is annual salary plus any incentive payments, pension contributions and benefits.

<sup>3</sup> Includes all colleagues employed by the Society as at 31 December 2019 and reflects the full-time equivalent salary

<sup>4</sup> The '25<sup>th</sup> percentile' is a statistical measure identifying the colleague placed  $\frac{1}{4}$  of the way along a ranking of 'total pay' amounts ranked from low to high.

<sup>5</sup> The '50<sup>th</sup> percentile' is the same statistical measure as above but  $\frac{1}{2}$  of the way along.

<sup>6</sup> The '75<sup>th</sup> percentile' is the same statistical measure as above but  $\frac{3}{4}$  of the way along.

<sup>7</sup> Reflects the value of the CEO's current annual remuneration arrangements and does not include any payments relating to the LTIP or Annual Incentive Scheme as the CEO was not eligible to receive these during the financial year 2019/20

<sup>8</sup> Based on 71 listed companies who published their CEO pay ratio in 2019 and six listed retailers



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 pro-rated 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**

All members of the Management Executive and the Society Secretary, including the Chief Executive, are entitled to 12 months' notice as described above.

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.

## **Implementation Report 2019/20**

This section of the report explains how the Remuneration Committee has applied its Remuneration Policy during the Society's 2019/20 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 2019/20.

## Management Executive Total Earnings

	Year	Basic salary <sup>1</sup> £	Taxable Benefits <sup>2</sup> £	Annual Incentive <sup>3</sup> £	Vested LTIP <sup>4</sup> £	Pension Benefits <sup>5</sup> £	Total £
Deborah Robinson <i>Chief Executive Officer</i>	2019/20	436,480	12,964	72,020	-	11,507	532,971
	2018/19	-	-	-	-	-	-
Tracey Orr <i>Chief Operating Officer</i>	2019/20	253,920	23,159	41,897	10,179	22,313	351,468
	2018/19	216,843	19,179	30,965	25,296	18,723	311,006
Louise McFadzean <i>Chief Financial Officer</i>	2019/20	121,450	9,401	20,039	5,535	11,890	168,315
	2018/19	-	-	-	-	-	-
James Watts <i>Society Secretary</i>	2019/20	143,130	10,986	23,616	6,563	14,147	198,442
	2018/19	133,188	10,949	18,988	16,310	13,319	192,754
Martyn Cheadle <i>Former Chief Executive</i>	2019/20	163,071	5,669	-	-	16,307	185,047
	2018/19	524,024	12,443	74,708	66,861	52,402	730,438
Matt Birch <i>Former Trading Executive</i>	2019/20	73,137	3,965	-	-	5,851	82,953
	2018/19	300,000	20,128	-	-	24,000	344,128
David Grady <i>Former Corporate Services Executive</i>	2019/20	90,348	4,887	-	-	7,228	102,463
	2018/19	242,031	9,578	34,325	28,560	16,696	331,190

### Notes:

<sup>1</sup> Basic salary incorporates any pay increases throughout the financial year and therefore shows the amount earned as salary during the financial year.

<sup>2</sup> Taxable Benefits include the provision of a car or a cash alternative, fuel and private healthcare.

<sup>3</sup> The Annual Incentive payment relates to cash payments due to be paid in 2020 under the 2019/20 scheme of 16.50% and does not include any payments received relating to previous financial years. An Annual Incentive payment of 14.25% was paid in 2019 in relation to the performance of the relevant metrics for the 2018/19 financial year.

<sup>4</sup> LTIP award relates to cash payments of 5.26% due to be paid in 2020 in relation to the performance of the relevant metrics over the three years ended in January 2020. An LTIP payment of 13.33% was paid in 2018 in relation to the performance of the relevant metrics over the three years ended in January 2019.

<sup>5</sup> 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 Executive during the year. No other payments were made to former members of the Executive during the year.

## Executive External Directorships

Executive	Role	Company	Date of Appointment
Tracey Orr <i>Support Services Executive</i>	Chair and Director <sup>1</sup>	Co-operative Employers Association	Until Dec 2019
	Committee Member <sup>1</sup>	Selly Oak School, Trust Body	Until Dec 2019
	Associate Non-Executive Director <sup>2</sup>	Dudley and Walsall Mental Health Partnership NHS Trust	Until Dec 2019
Debbie Robinson <i>Chief Executive</i>	Director <sup>3</sup>	British Retail Consortium	May 2017
	Director and Chair <sup>3</sup>	Association of Convenience Stores Limited	September 2011
	Director <sup>3</sup>	Cult Status Limited	May 2018
Louise McFadzean <i>Chief Financial Officer</i>	Independent Non-Executive Director Finance <sup>4</sup>	Triathlon England	August 2017

### Notes to Table

<sup>1</sup> Tracey Orr received no remuneration in respect of these appointments.

<sup>2</sup> Tracey Orr received £6,000 per annum in respect of this appointment.

<sup>3</sup> Debbie Robinson receives no remuneration in respect of these appointments.

<sup>4</sup> Louise McFadzean receives no remuneration in respect of this appointment.

## **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 that this should be done, at a minimum, at least every three years. Directors fees, including the adoption of a new committee fee structure was approved by members at the October 2019 interim members' meetings.

<b>Board / Committee</b>	<b>Role</b>	<b>Fees 2019/20</b>	<b>Fees 2018/19</b>
Board	President	£16,554	£16,230
	Vice-President	£12,415	£12,172
	Director	£8,277	£8,115
Audit & Risk Committee	Committee member	£827	£811
Remuneration Committee	Committee member	£346	£340
Rules & Practices Committee	Committee member	£408	£400
Search Committee	Committee member	£408	£400
Conduct Committee	Committee member	£136	£133
Community Dividend Selection Committee	Committee member	£127	£125
Other working groups	Committee member	£20.91 per meeting	£20.50 per meeting

## **Expenses**

Directors are reimbursed all reasonable expenses incurred while carrying out their duties for the Society. In addition, delegation fees (of £36.60 for up to five hours or £73.20 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	
	2019/20	2018/19
Elaine Dean (President)	£17,709	£17,360
Jane Avery (Vice President)	£13,427	£11,680
Maria Lee	£8,823	£10,262
Richard Bickle	£9,446	£9,255
Sean Clothier	£8,667	£8,236
David Ellgood <sup>1</sup>	£7,993	£8,244
Max Hunt <sup>2</sup>	£2,669	£8,481
Marta Mayhew	£8,274	£8,111
Martyn McCarthy <sup>3</sup>	£7,124	£8,921
Tanya Noon	£8,817	£8,517
Sue Rushton	£9,100	£8,921
Paul Singh	£9,236	£9,054
Rachel Wilkinson	£9,163	£8,983
John Chillcott	£8,401	£6,036
John Howells <sup>4</sup>	£5,921	
Marc Bicknell <sup>5</sup>	£2,976	

1. Dave Ellgood retired from the Society on 31 December 2019.

2. Max Hunt term as a Board Director ended on 1 May 2019.

3. Martyn McCarthy term as a Board Director ended on 19 September 2019.

4. John Howells joined as Board Director on 3 May 2019.

5. Marc Bicknell joined as Board Director 20 September 2019.

## Other Payments

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.

## 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
Elaine Dean	Director and Vice Chair Elected Independent Society Member	RamsTrust The Co-operative Group National Members' Council (from Co-operative Press Ltd)
Jane Avery	Director and Employee Elected Independent Society Member Director	CASE Limited The Co-operative Group National Members' Council  Leicester Rape Crisis
John Chillcott	Non-Exec Director Non-Exec Director	SEEE (Social Enterprise East of England) Co-operatives UK
Marc Bicknell	Director	Railway Enginemmen's Assurance Society Limited
Maria Lee	Elected Independent Society Member	The Co-operative Group National Members' Council
Paul Singh	Director Non-Executive Director	Co-operatives UK Limited Accord Housing Association
Rachel Wilkinson	Director and employee Director  Company Secretary Company Secretary Company Secretary Company Secretary Company Secretary	R W Legal Limited Catalyst Science Discovery Centre and Museum Trust Ltd (registered charity)  The Landing at Mediacity UK Limited Cheshire Shutters Limited Intoafrica UK Limited Derive (Salford) Limited Grand National Archery Society
Richard Bickle	Director Director Director and Secretary Secretary	Revolver Co-operative Limited Birmingham Co-operative Film Society Limited Friends of the Earth (Birmingham) Limited Co-operative Press Limited
Tanya Noon	Director Director Elected Member	RamsTrust Revolver Co-operative Limited 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 25 January 2020.

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 Management Executive 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 role can be found in the Committee's Terms of Reference which are available on the Society's website.

### **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 Audit & Risk Committee during the year and a record of their attendance at meetings can be found on page 32.

Audit & Risk Committee meetings were also attended by:

- Chief Financial Officer (formerly Corporate Services Executive)
- Society Secretary
- Head of Finance
- Financial Controller, Treasury & Statutory
- HR and Risk Director
- Head of Risk and Compliance
- Internal Audit Manager
- Representatives from the Society's External Auditor
- Attendance by Society management, from time to time and as required.

## Committee's Activities in 2019

Meeting	
March	<p>Review of the draft Annual Report and Financial Statements for the year ended 26 January 2019 and ancillary documentation, including the Society's Treasury and Taxation reports.</p> <p>Received reports relating to Risk Management, Compliance matters and Internal Audit.</p>
June	<p>Received reports relating to Risk Management, Compliance matters and Internal Audit.</p> <p>PwC presentation on "Best Practice in Audit Committee Reporting"</p>
September	<p>Review of the Society's financial information for the 28 weeks ended 10 August 2019.</p> <p>Received reports relating to Risk Management, Compliance matters and Internal Audit.</p> <p>Review of external audit fees and 2020 Audit Strategy Memorandum.</p>
December	<p>Review of external audit fees and received the Interim Audit Progress Report.</p> <p>Received reports relating to Risk Management, Compliance matters and Internal Audit. Update of the Internal Audit strategy (2019-21) and annual plan for 2020.</p>

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 Internal Audit Manager in private session without the presence of management.



## **Search Committee**

### **Elaine Dean 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 role can be found in the Committee's Terms of Reference which are available on the Society's website.

### **Members of the Committee**

The Search Committee comprises the Board 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 Search Committee during the year and a record of their attendance at meetings can be found on page 32.

Search Committee meetings were also attended during the year by the Society Secretary, the Assistant Society Secretary and Tracey Orr in her former role as Support Services Executive.

### **Committee's Activities in 2019**

<b>Meeting</b>	
March	Review of skills, knowledge and experience of Board Directors. Review of Independent Non-Executive Director (INED) appointments.
May	Review of INED selection and recruitment process.
May	Review and recommendation to the Board regarding sub-committee and external organisation appointments.
June	Meeting with Simon Parkinson, Chief Executive, the Co-operative College to discuss potential Director and Member training programmes.
October	Review of proposed external Board Evaluation process. Review Board training.

## Rules & Practices Committee

**Elaine Dean**

**Chair of the Rules & Practices Committee**

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

### Members of the Committee

The Rules & Practices Committee comprises the Board 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 Rules & Practices Committee during the year and a record of their attendance at meetings can be found on page 32.

Rules & Practices Committee meetings are also attended by the Society Secretary and Assistant Society Secretary, plus external advisors from time to time.

### Committee's Activities in 2019/20

Meeting	
July	<p>Review of proposed changes to the Society's Rules pertaining to eligibility requirements for Members to stand for election to the Board of Directors.</p> <p>Review of political funding.</p> <p>Review of the Society's borrowing limits as defined by the Society's Rules.</p> <p>Review of the Membership and Community Council co-option process and limits.</p>
October	<p>Meeting with Elliot Roberts, Associate Director, Civica Election Services to review the 2019 Board election and discuss election engagement initiatives.</p>
January	<p>Review the Society's compliance with the Co-operative UK's Corporate Governance Code for Consumer Co-operative Societies for the financial year ended 25 January 2020.</p> <p>Received a report on the new Corporate Governance Code for consumer co-operatives.</p>

## Conduct Committee

The Conduct Committee is a sub-committee of the Board whose primary role is to:

### 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 Conduct Committee during the year were:

Jane Avery  
Dave Ellgood  
Tanya Noon  
Paul Singh  
Rachel Wilkinson

The Society Secretary also attends the Conduct Committee.

### 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. Following the transfer of engagements from Wooldale Co-operative Society in July 2017, the Board has also agreed to the creation of a 'Yorkshire Cluster' group to develop member and community engagement and activity in the Yorkshire region.

Region	Covering
Northern	Derbyshire Nottinghamshire South / West Yorkshire
Southern	Leicester / Leicestershire East / South Leicestershire Northamptonshire North Warwickshire
Eastern	Peterborough, The Fens Norfolk Suffolk Cambridgeshire and surrounding counties
Western	Birmingham West Midlands and surrounding counties Staffordshire

The appointed Directors to the MCCs are:

Northern MCC	Southern MCC	Eastern MCC	Western MCC
Elaine Dean (and also member of the Yorkshire Cluster)	Jane Avery Marta Mayhew Sean Clothier	John Chillcott	Richard Bickle

In addition, Elaine Dean (Chair), Maria Lee, John Chillcott, Richard Bickle and Dave Ellgood served on the Membership & Community Strategy Committee which monitors the effectiveness and operation of the MCCs in the context of the Society's wider Membership and Community strategy.

Three Directors serve on the Society's Community Dividend Selection Committee. The Committee meets quarterly to review grant applications. The Directors who served on the Community Dividend Selection Committee during the year were:

- Jane Avery
- John Chillcott
- Sean Clothier

The Community Dividend Selection Committee met four times during the year. The Committee is also attended by the Assistant Society Secretary 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.

<b>Organisation</b>	<b>Role</b>	<b>Director</b>
The Co-operative Group's National Members' Council	Elected Independent Society Member	Maria Lee Jane Avery
Co-operatives UK	Director	Paul Singh
Co-operative Press	Secretary	Richard Bickle
Co-operative Press	International Outreach Officer	Elaine Dean

## **Risk**

The Society operates a risk management process, which identifies the key risks facing each part of the business and reports to the Management Executive and Audit & Risk Committee on how these risks are being managed. Regular self-assessment audits are carried out across the business and these self-assessments are validated on a sample basis.

The Society's Internal Audit department performs independent reviews of operational and financial control procedures across the business. The Risk & Compliance team is accountable for ensuring the Society identifies and responds appropriately to the risks it faces, reporting formally 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. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Society, which operated 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 Risk & Compliance team also has operational responsibility for Health & Safety management and Loss Prevention. The Risk & Compliance department works closely with the Internal Audit function in order to provide an integrated approach to the prevention, detection and reduction in losses arising from identified risks. Progress against management action plans to overcome internal control weaknesses and business risks, is monitored and reported to the Audit & Risk Committee.

Society management recognise the risks attendant on all areas of business resulting from operating in increasingly competitive market places 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.

Accordingly, the Board of Directors confirms that the effectiveness of the system of control for the year commencing 27 January 2019 and ending on 25 January 2020 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 achievement of the Society's strategic objectives.

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.

## Principal Risks and Uncertainties

Principle Risk	Potential Impact	Mitigation
Business Continuity	The Society's systems and distribution facilities are fundamental to the continuity of the business. A major incident would have a serious impact on the Society's ability to trade.	The Society has detailed Business Continuity and Disaster Recovery plans in place. These plans cover buildings, systems, colleagues and suppliers. All business critical roles have been identified and documented in the Business Continuity and Disaster Recovery plans. These identified individuals have the authority to make decisions in the event of a potentially disruptive incident.
Business Strategy and Change	If the Society pursues the wrong business strategy or fails to execute its strategy effectively, the business will be negatively impacted. An effective change programme is essential ensuring projects associated with delivering the long term strategy are co-ordinated, prioritised and managed effectively. Failure to deliver this would have a negative financial impact on the Society.	The Executive Team meets annually with the Board to review, monitor and where necessary update the Society's strategy.  Progress in delivering strategy is reviewed as part of the Society's normal governance structures with updates provided to the Board. Significant change projects are managed and reported using formal project management methodologies.
Co-operative Principles	The Society has an underlying purpose beyond profit. If the Society was to operate or behave in a manner inconsistent to its core values and principles the Society's reputation would be impacted negatively.	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. Evidence of the Society's purpose beyond profit can be seen in its Membership & Community activities and events, Community Dividend Awards and support for other co-operatives alongside ongoing work in areas such as: <ul style="list-style-type: none"> <li>• Corporate Responsibility</li> <li>• Mental Health</li> <li>• Diversity and Inclusion</li> <li>• Fair Reward</li> </ul>
Colleague Engagement, Capability and Succession	The Society employs over 8,000 colleagues who are pivotal to its future success.  Attracting the best people, engaging with colleagues and investing in learning and development are essential to the sustainability and development of the Society's operations.	The Society reviews its policies, remuneration and benefits packages to ensure it remains competitive with other organisations. A number of methods are adopted to maintain and monitor engagement with our colleagues: <ul style="list-style-type: none"> <li>• Annual and periodic colleague surveys</li> <li>• Performance reviews</li> <li>• Regular communications with trade unions</li> <li>• Regular communication of business activities and performance using a variety of media</li> </ul> Talent planning is formalised within the business with substantial investment in learning and development to ensure the Society has succession plans across all areas of the business.

Principle Risk	Potential Impact	Mitigation
Data	The Society is increasingly reliant on technology. As technology usage in the business increases so does the risk of data breaches and cyber-crime. The design and effective operation of controls in respect of data is critical to protecting the security of member, colleague, supplier and company confidential data.	The Society's Information Governance Committee is responsible for monitoring the Society's performance in this area. It reviews: <ul style="list-style-type: none"> <li>• Data management policies and practices</li> <li>• Colleague awareness and training</li> <li>• Data breaches and prevention controls</li> </ul> Appropriate information security policies and standards are in place which focus on encryption, network security, access controls, system security, data protection and information handling.
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.	The Society maintains a rolling weekly 18-month cash flow forecast to manage this risk. This forecast is informed by the annual budget and quarterly reforecast processes together with a rolling capital expenditure forecast. The Society annually conducts a Four Year Financial Plan process which allows it to confirm that its medium term cash requirements are consistent with its committed bank funding. Covenant compliance is reviewed each quarter and reported to the Board.
Health and Safety	The prevention of injury to colleagues, members, customer and the general public is of paramount importance to the Society. Any failure in this regard would significantly reduce customer and colleague confidence.	Policies, procedures and colleague engagement plans are in place detailing the controls required to manage health & safety, food safety and product safety risks across the Society. The Loss Prevention team work proactively on strategy and controls to protect our colleagues from the threat of violence and aggression which they face on a day to day basis. The Society's internal Health & Safety Advisors work with external regulators in developing a framework for all safety controls and the Society's Compliance Auditors review the effective application of policies and procedures. External vendors provide specialist training and support where the experience does not exist within the Society. Health and safety matters are discussed on a quarterly basis with the Health and Safety Advisory Committee where mitigation is agreed.
Pensions	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.	The Society works closely with its advisors and the Pension Scheme Corporate Trustee to ensure that the deficit recovery plans are both affordable to the Society and offer sufficient funding to the Pension Scheme.
Regulation / Legislation	Failure to comply with relevant legislation could damage the Society's reputation as well as resulting in significant financial penalties.	Assurance over key regulatory and legislative matters is in place across the business as part of the Society's risk and compliance framework. Updates on positive assurance is provided to the Audit & Risk Committee on a quarterly basis. External as well as internal expertise is utilised to 'horizon scan' and provide insight to the Society regarding any future legislative changes.

Principle Risk	Potential Impact	Mitigation
Trading	<p>The Society operates in a very competitive food market and the increasingly competitive funeral market. Both markets are also subject to employment cost pressure (National Living Wage, Apprenticeship Levy and pension auto enrolment) the costs of which are difficult to pass on to the consumer. The Society's membership and community activities may not provide a sufficient point of difference to attract customers to our stores. It is more important than ever that the Society operates in a lean and agile way.</p>	<p>The Society actively monitors and manages its commercial activities. Performance and external market conditions are monitored weekly. Internal structures and processes are continually reviewed to ensure they offer optimal levels of service and cost. Project management arrangements are in place to review and manage the impact of anticipated future regulation in the Funeral sector.</p>
Transformational Change	<p>In order to remain a competitive going concern a number of transformation programmes are in operation across the Society aimed at meeting the future needs of our customers. The risks associated with the delivery of these programmes are primarily financial.</p>	<p>Programmes are managed using industry standard programme management methodologies which highlight escalation and intervention points to senior management.</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 2019 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 2021, January 2022 and January 2023.

During the course of the year Central England Co-operative'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 25 January 2020 (Note 7 to the accounts) reports that £104,000 (2018/19: £102,000) was paid by the Society in respect 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 & 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

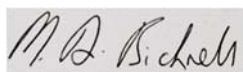
These financial statements are hereby signed on behalf of the Board of Directors pursuant to the requirements of the Co-operative and Community Benefit Societies Act 2014.



**Elaine Dean**, Society President



**Debbie Robinson**, Chief Executive



**Marc Bicknell**, Director



**James Watts**, Society Secretary

29 April 2020

# ***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 ("financial statements"):

- give a true and fair view of the state of the group's affairs as at 25 January 2020 and of its income and expenditure and cash flows for the 52 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 Group Annual Report and Financial Statements for the 52 weeks ended 25 January 2020 (the "Annual Report"), which comprise: the Group Statement of Financial Position as at 25 January 2020, 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; and the notes to the financial statements, which include a description of the significant accounting policies.

### **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**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

### **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 set out on page 56, 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.

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 society 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.

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](http://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 society's members as a body in accordance with and 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**

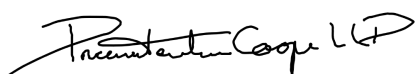
### **Co-operative and Community Benefit Societies Act 2014 exception reporting**

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  
Chartered Accountants and Statutory Auditors  
Birmingham  
30 April 2020

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**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.

**2. Basis of preparation**

**Statement of compliance**

These consolidated Group financial statements for the 52 weeks ended 25 January 2020 (2019: 52 weeks ended 26 January 2019) 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'.

The financial statements have 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 financial statements are presented in pounds sterling and amounts have been rounded to the nearest thousand pounds (£'000).

**Basis of consolidation**

The consolidated financial statements incorporate the audited financial statements of Central England Co-operative Limited and all of its subsidiary undertakings. The results of transfer of engagements and subsidiary undertakings are included in the Group financial statements 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 Financial statements and are filed separately.

**Investment in subsidiaries**

The consolidated financial statements incorporates the financial statements 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 financial statements have been prepared on the assumption that the Society remains a going concern.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**2. Basis of preparation (continued)**

**Going concern (continued)**

The Society currently meets its day to day working capital requirements through utilising its cash reserves and bank facilities. The bank facilities consists of a revolving credit facility of £40.0m and a bank overdraft of £10.0m which is reviewed on an annual basis. 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 these financial statements. The repayment terms and details of the revolving credit facility are detailed in note 15 to the financial statements.

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, including specific consideration of the impact of COVID-19 pandemic at the time of approval of these financial statements. A range of downside scenarios have been considered including a combination of risks, and the Directors have concluded that, under these scenarios, 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 financial statements as a going concern.

Information on the outbreak of COVID-19 is included within the Annual Report on pages 2 to 4. This includes details on the specific reviews undertaken in relation to the Pandemic.

**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 and estimates that have a significant impact in the financial statements, apart from those involving estimates are discussed below:

**Application of accounting policies**

The Group has not identified any critical judgements in the application of accounting policies. Further details of accounting policies applied is detailed within the Principal accounting policies section.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements 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.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**3. Significant judgements and estimates (continued)**

**Impairment of goodwill and tangible fixed assets (continued)**

In the 52 weeks ended 25 January 2020, an impairment of £0.6m (2019: £1.2m) has been recognised in relation to tangible fixed assets and goodwill.

**Pension Costs**

The Group operates a defined benefit scheme for some of its employees. 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 17. Any changes to assumptions used will impact the carrying value of the retirement benefit obligation. As detailed in note 17, 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 each period 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 level of 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 25 January 2020 is £130.6m (2019: £133.1m).

**Deferred tax asset**

The deferred tax asset includes an amount of £3.6m (2019: £3.6m) which relates to carried forward tax losses. The losses have arisen due to significant tax deductions arising from the asset backed pension funding arrangements that have been put in place to fund the Group's pension deficit. No further deductions on the current asset backed pension funding arrangement will arise in future years. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The Group expects to generate taxable income in future years. The losses can be carried forward indefinitely and have no expiry date.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**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 travel agents, foreign exchange bureau, concessions in supermarkets and certain petrol stations.

Gross sales is a non-GAAP measure i.e. does not follow the criteria for Revenue Recognition under FRS102. However, this is a voluntary memorandum disclosed in order to provide additional information to the reader of the Financial Statements. A gross sale is recognised when the holiday is booked rather than when it is taken.

**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.

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

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.

**Travel Commissions**

Travel commissions are recognised at the point of sale. A provision is included for potential refundable commission due to future cancellations.

**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.

**Investment Income**

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



**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**4. Principal accounting policies (continued)**

**Employee benefits**

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

**Management Executive Incentive Scheme ("MEIS")**

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 re-organisation 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 to 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.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**4. Principal accounting policies (continued)**

**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 balance 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 recognised over the lease term on a straight line basis.

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

**Investments**

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

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**4. Principal accounting policies (continued)**

**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 profit or loss.

**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. This is not 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 profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement. As at the balance sheet date the Society has not applied hedge accounting.

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.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**4. Principal accounting policies (continued)**

**Deferred taxation (continued)**

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.

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**

Amounts received in advance for funeral plans are recorded at fair value as assets and liabilities on the statement of financial position. The liability is apportioned into less than and more than one year based upon the Society's experience of funerals carried out under its pre-payment plans over the last five years.

All money received for funeral plans taken out is paid into a contract for whole life insurance on the life of the customer for the purpose of providing the funeral and disclosed within investments at market value. This investment strategy complies with the provisions of the Financial Services and Markets Act 2000.

**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 recognise 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.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**4. Principal accounting policies (continued)**

**Other provision**

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

**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 revenue account 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 the 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 revenue account.

**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.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**GROUP INCOME STATEMENT**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

	Note	2020 52 weeks £'000	2019 52 weeks £'000
<b>GROSS SALES</b> (including VAT)		987,067	961,403
Less Value Added Tax		(94,052)	(91,503)
<b>GROSS SALES</b> (excluding VAT)	1	893,015	869,900
<b>TURNOVER</b>	1	843,030	827,804
Cost of sales		(600,215)	(589,488)
<b>GROSS PROFIT</b>		242,815	238,316
Administrative expenses		(228,034)	(223,400)
Other income		2,764	3,184
<b>Trading profit</b>		17,545	18,100
Loss on disposal of fixed assets and businesses		(436)	(1,920)
Impairment of fixed assets		(574)	(1,152)
(Loss)/Profit on revaluation of investment properties	10	(1,185)	2,671
Exceptional items	4	115	(1,467)
Exceptional pension scheme past service costs	17	-	(4,327)
<b>OPERATING PROFIT</b>	2	15,465	11,905
(Loss)/Profit on financial assets at fair value	25	(67)	11
Interest and dividends receivable	5	109	225
Other finance cost	17	(4,073)	(5,955)
Interest payable	6	(4,584)	(4,179)
<b>PROFIT BEFORE TAX AND PAYMENTS TO AND ON BEHALF OF STAKEHOLDERS</b>		6,850	2,007
Payments to and on behalf of stakeholders	7	(3,215)	(3,536)
Taxation	8	(197)	(2,502)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>		3,438	(4,031)

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

	<b>Note</b>	<b>2020 52 weeks £'000</b>	<b>2019 52 weeks £'000</b>
<b>Retained profit/(loss) for the period</b>		<b>3,438</b>	<b>(4,031)</b>
Actuarial (losses)/gains on pension scheme	<b>17</b>	<b>(31,805)</b>	<b>77,155</b>
Movement on deferred tax		<b>5,174</b>	<b>(13,320)</b>
<b>Total comprehensive (loss)/income for the period</b>		<b><u>(23,193)</u></b>	<b><u>59,804</u></b>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**GROUP STATEMENT OF FINANCIAL POSITION**  
**AS AT 25 JANUARY 2020**

	Note	January 2020		January 2019	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	9		21,014		22,246
Tangible assets	10		408,761		416,898
Investments	11		155,023		150,614
			<u>584,798</u>		<u>589,758</u>
<b>CURRENT ASSETS</b>					
Stocks	12	36,610		37,301	
Debtors: due within one year	13	33,605		32,325	
Debtors: due after one year	13	22,308		17,741	
Cash at bank and in hand		16,024		11,452	
		<u>108,547</u>		<u>98,819</u>	
<b>CREDITORS: DUE WITHIN ONE YEAR</b>					
Creditors	14	(104,065)		(102,169)	
Borrowings	15	(237)		(43)	
		<u>(104,302)</u>		<u>(102,212)</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<b>4,245</b>		<b>(3,393)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><b>589,043</b></u>		<u><b>586,365</b></u>
<b>CREDITORS: DUE AFTER ONE YEAR</b>					
Creditors	14	(217,309)		(216,840)	
Borrowings	15	(31,889)		(32,007)	
			<u><b>(249,198)</b></u>		<u><b>(248,847)</b></u>
Provisions for liabilities and charges	16		(8,482)		(11,652)
Net pension liability	17		(139,689)		(109,783)
<b>NET ASSETS</b>			<u><u><b>191,674</b></u></u>		<u><u><b>216,083</b></u></u>
<b>CAPITAL AND RESERVES</b>					
Share capital	18		22,848		23,863
Non-distributable reserve	19		26,006		29,558
Revenue reserve	19		142,820		162,662
<b>MEMBERS' FUNDS</b>			<u><u><b>191,674</b></u></u>		<u><u><b>216,083</b></u></u>



**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**GROUP STATEMENT OF CASH FLOWS**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

	Note	2020 52 weeks £'000	2019 52 weeks £'000
<b>Net cash generated from operating activities</b>	<b>20</b>	<b>33,266</b>	<b>28,618</b>
<b>Cash flows from investing activities</b>			
Disposal of investments		-	(3,162)
Proceeds from disposal of tangible assets		3,715	4,549
Purchase of tangible assets		(17,331)	(26,812)
Interest received		109	225
Purchase of business	<b>24</b>	<u>(2,632)</u>	<u>-</u>
<b>Net cash flows used in investing activities</b>		<b>(16,139)</b>	<b>(25,200)</b>
<b>Cash flows from financing activities</b>			
Draw down of bank loans		11,000	13,000
Repayment of bank loans		(12,000)	(9,000)
(Decrease) in share capital		(1,216)	(200)
Interest paid		(841)	(754)
Pension deficit funding		(9,420)	(6,407)
Repayment of finance lease obligations		<u>(78)</u>	<u>(154)</u>
<b>Net cash flows used in financing activities</b>		<b>(12,555)</b>	<b>(3,515)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>4,572</b>	<b>(97)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>11,452</b>	<b>11,549</b>
<b>Cash and cash equivalents at end of the period</b>		<b>16,024</b>	<b>11,452</b>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**GROUP STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

Note	Share capital	Non-distributable reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000
<b>At 27 January 2018</b>	<b>23,844</b>	<b>26,540</b>	<b>106,095</b>	<b>156,479</b>
Loss for the financial year	-	-	(4,031)	(4,031)
Other comprehensive gains and losses				
Actuarial gain on pension scheme	-	-	77,155	77,155
Movement on current tax	-	-	-	-
Movement on deferred tax relating to pension scheme	-	-	(13,320)	(13,320)
Total comprehensive gain for the period	-	-	59,804	59,804
Transfer of non-distributable reserves	-	2,671	(2,671)	-
Transfer of realised gains	-	347	(347)	-
Share capital contributions	415	-	-	415
Share capital withdrawals	(615)	-	-	(615)
Share interest	219	-	(219)	-
Transfer of engagement	-	-	-	-
<b>At 26 January 2019</b>	<b>23,863</b>	<b>29,558</b>	<b>162,662</b>	<b>216,083</b>
Profit for the financial period	-	-	3,438	3,438
Other comprehensive gains and losses				
Actuarial gains on pension scheme	-	-	(31,805)	(31,805)
Movement on deferred tax relating to pension scheme	-	-	5,174	5,174
Total comprehensive loss for the period	-	-	(23,193)	(23,193)
Transfer of non-distributable reserves	-	(1,185)	1,185	-
Transfer of realised gains	-	(2,367)	2,367	-
Share capital contributions	146	-	-	146
Share capital withdrawals	(1,362)	-	-	(1,362)
Share interest	201	-	(201)	-
<b>At 25 January 2020</b>	<b>22,848</b>	<b>26,006</b>	<b>142,820</b>	<b>191,674</b>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

The "Keeping it Simple" boxes are additional information to assist with reader's understanding and interpretation of the Group Financial Statements of the Society.

**1 Gross Sales and Turnover**

Gross sales represents the total amount paid by a customer and includes commission, principally on travel arrangements.  
 Turnover represents the income received by the Society.

	<b>Gross Sales (excluding VAT)</b>		<b>Turnover</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>52 weeks</b>	<b>52 weeks</b>	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Retail - Food	<b>641,678</b>	627,814	<b>637,560</b>	623,114
Retail - Fuel	<b>101,378</b>	100,160	<b>101,378</b>	100,160
Wholesale	<b>52,083</b>	50,640	<b>52,083</b>	50,640
Funeral	<b>39,895</b>	41,803	<b>39,895</b>	41,803
Travel	<b>49,234</b>	40,213	<b>3,367</b>	2,817
Other	<b>1</b>	526	<b>1</b>	526
Rent received from investment properties	<b>8,746</b>	8,744	<b>8,746</b>	8,744
<b>Total</b>	<b>893,015</b>	869,900	<b>843,030</b>	827,804

Gross sales include £1.35m (2019: £nil) in relation to trading entities within the Thomas Cook Group plc that were cancelled and not re-booked following the Thomas Cook entities ceasing to trade in September 2019.

Turnover consists of sales made in the United Kingdom.

Turnover analysed by category was as follows:

	<b>2020</b>	<b>2019</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£'000</b>	<b>£'000</b>
Sales of goods	<b>791,151</b>	773,400
Rendering of services	<b>34,870</b>	38,076
Commission	<b>8,263</b>	7,584
Rent received from investment properties	<b>8,746</b>	8,744
	<b>843,030</b>	827,804

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**2 Operating profit**

This is the profit the Society has made after accounting for all of our direct costs which we incur in providing the goods and services we deliver to our customers. These costs include the amount we pay our colleagues and the costs of running our trading businesses. Significant balances are detailed in the note below.

Operating profit is stated after charging:

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Staff costs (Note 3)	129,621	126,738
Bad debt provision movement	560	409
Operating lease rentals:		
- Plant and machinery	704	647
- Land and buildings	6,183	5,928
Intangible assets (Note 9)		
- Amortisation	3,131	3,070
Depreciation (Note 10)		
- Owned assets	22,165	21,723
- Assets held under finance leases	158	168
- Impairment	574	1,152
Auditors' remuneration	<u>241</u>	<u>237</u>

**Fees payable to the Society's auditors**

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Fees payable to the Group's auditors for the audit of the Group's annual statement	127	123
Fees payable to the Group's auditors for other services to the Group:		
- The audit fees of the Society's subsidiaries	105	100
Total audit fees	<u>232</u>	<u>223</u>
Audit related assurance services	<u>9</u>	<u>14</u>
Total non-audit fees	<u>9</u>	<u>14</u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**3 Staff number and costs**

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

	<b>2020 52 weeks Number</b>	<b>2019 52 weeks Number</b>
The average number employed by the Group (including directors) was:		
Full-time	<b>3,044</b>	3,156
Part-time	<b>4,974</b>	5,006
	<b><u>8,018</u></b>	<b><u>8,162</u></b>

The number of full time equivalent employees during the 52 weeks ended 25 January 2020 was 4,990 (2019: 5,106).

	<b>2020 52 weeks £'000</b>	<b>2019 52 weeks £'000</b>
Aggregate amounts paid in respect of:		
Wages and salaries	<b>117,575</b>	115,354
Social security costs	<b>6,957</b>	6,819
Defined contribution pension scheme costs	<b>5,089</b>	4,565
	<b><u>129,621</u></b>	<b><u>126,738</u></b>

The Management Executive total earnings are presented on page 40.  
Information regarding Directors remuneration is included on page 43.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**4 Exceptional items**

These costs are split out separately because of their nature or size which do not form part of our normal day to day business. By highlighting these costs separately, the Society's underlying performance is clearer.

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Movement in onerous leases	2	(365)
Costs arising from the reorganisation of business	821	1,344
Movement in other provisions	285	488
Aged provisions	<u>(1,223)</u>	<u>-</u>
	<u><b>(115)</b></u>	<u><b>1,467</b></u>

The Group is committed to a number of onerous leases on its sites. During the year, these provisions continued to unwind following business activity and for settlement giving rise to a increase in the provision of £2,000 (2019: decrease of £0.4m).

During the period, the Society has undertaken reviews of its business, and support functions which gave rise to costs of £0.8m (2019: £1.3m). Costs arising from the re-organisation of business include redundancy and personnel costs, professional fees and site closure costs.

Other property provisions and legal claims have increased by £0.4m (2019: reduction of £0.2m). The Society is part of the wholesale buying group Federal Retail Trading Services ("FRTS"). During 2019, FRTS expanded its commercial supply agreements to Nisa and Costcutter. As a result of this expansion, FRTS has incurred one-off integration costs and a provision of £0.7m was recognised in 2019 in respect of these costs. During the year, these costs have been settled, resulting in a credit to exceptional costs of £0.1m.

During the year, the Society reassessed its aged provisions, resulting in a one off exceptional credit of £1.2m (2019: £nil)

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**5 Interest and dividends receivable**

This is the dividend we have received from our investments and interest received on our cash balances.

	<b>Note</b>	<b>2020 52 weeks £'000</b>	<b>2019 52 weeks £'000</b>
Interest receivable		<b>2</b>	121
Dividends receivable		<b>107</b>	104
	<b>11</b>	<b>109</b>	<b>225</b>

**6 Interest payable**

This is the amount of interest we have paid on bank loans and for any assets we have on finance lease agreements. It also includes interest charges in relation to the Society pension arrangements and in relation to the accounting of Society provisions.

	<b>Note</b>	<b>2020 52 weeks £'000</b>	<b>2019 52 weeks £'000</b>
Interest payable on bank loans	<b>15</b>	<b>834</b>	711
Interest payable on finance lease	<b>15</b>	<b>17</b>	41
Interest unwind on the Central Asset Reserve		<b>3,699</b>	3,314
Unwinding of discounted provisions	<b>16</b>	<b>34</b>	113
		<b>4,584</b>	<b>4,179</b>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**7 Payments to and on behalf of stakeholders**

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

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Member benefits	87	155
Membership & Community funding and other grants	529	479
Members' dividend	1,409	1,695
Total member distributions	<u>2,025</u>	<u>2,329</u>
Co-operative Party	104	102
Community dividend	181	173
Employee dividend	905	932
	<u><u>3,215</u></u>	<u><u>3,536</u></u>

**8 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.

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Current tax:		
Provided on chargeable income and gains in the period	28	277
Adjustment to tax charge in respect of prior periods	<u>(431)</u>	<u>(439)</u>
	<u>(403)</u>	<u>(162)</u>
Deferred taxation:		
Origination and reversal of timing differences	1,160	1,971
Adjustments in respect of prior periods	<u>(560)</u>	<u>693</u>
	<u>600</u>	<u>2,664</u>
Total taxation	<u><u>197</u></u>	<u><u>2,502</u></u>



**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**8 Taxation (continued)**

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2019: 19.00%). A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Society's future current tax charge accordingly. The deferred tax asset at 25 January 2020 has been calculated based on these rates.

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 lower (2019: higher) than the effective rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Profit/(Loss) before taxation	<b>3,635</b>	(1,529)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	<b>691</b>	(293)
Effects of:		
Fixed asset timing differences not provided	<b>637</b>	2,650
Expenses not deductible for tax purposes	<b>222</b>	326
Income not taxable for tax purposes	<b>(218)</b>	(203)
Adjustment to tax charge in respect of prior periods	<b>(431)</b>	(439)
Adjustment to deferred tax charge in respect of prior periods	<b>(560)</b>	693
Current tax credited directly to equity	<b>(7)</b>	-
Adjustment to deferred tax to average rate of 17.00%	<b>(137)</b>	(232)
Tax charge for the period	<b>197</b>	2,502

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**9 Intangible assets**

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

	<b>Software £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 26 January 2019	13,743	49,608	<b>63,351</b>
Additions	788	-	<b>788</b>
Business Combination	-	1,219	<b>1,219</b>
Transfers	-	-	-
Disposals	(8)	(298)	<b>(306)</b>
At 25 January 2020	<b>14,523</b>	<b>50,529</b>	<b>65,052</b>
<b>Accumulated amortisation</b>			
At 26 January 2019	9,942	31,163	<b>41,105</b>
Provided this period	804	2,327	<b>3,131</b>
Disposals	(8)	(190)	<b>(198)</b>
At 25 January 2020	<b>10,738</b>	<b>33,300</b>	<b>44,038</b>
<b>Net book value</b>			
At 25 January 2020	<b>3,785</b>	<b>17,229</b>	<b>21,014</b>
At 26 January 2019	3,801	18,445	22,246

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**10 Tangible assets**

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

Investment properties are those held by the Society, but are rented out and not used by the Society for trading. Trade properties includes our retail, funeral and travel sites and are the sites that the Society trade from. All of the fixtures and fittings within these sites are included within plant and machinery.

Transport includes vehicles used within the Society such as for our distribution network or within our funeral business.

	<b>Investment properties £'000</b>	<b>Trade properties £'000</b>	<b>Plant &amp; machinery £'000</b>	<b>Transport £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>					
At 26 January 2019	133,131	278,777	221,895	17,684	<b>651,487</b>
Additions	559	7,239	9,364	1,343	<b>18,505</b>
Business Combination	110	-	1,430	-	<b>1,540</b>
Transfers	1,893	(1,893)	-	-	-
Disposals	(3,350)	(1,525)	(9,868)	(370)	<b>(15,113)</b>
Revaluation	(1,762)	-	-	-	<b>(1,762)</b>
At 25 January 2020	<b>130,581</b>	<b>282,598</b>	<b>222,821</b>	<b>18,657</b>	<b>654,657</b>
<b>Accumulated depreciation</b>					
At 26 January 2019	-	72,814	150,015	11,760	<b>234,589</b>
Provided this period	-	5,127	15,528	1,668	<b>22,323</b>
Impairment	-	574	-	-	<b>574</b>
Transfers	577	(577)	-	-	-
Disposals	-	(1,224)	(9,419)	(370)	<b>(11,013)</b>
Revaluation	(577)	-	-	-	<b>(577)</b>
At 25 January 2020	-	<b>76,714</b>	<b>156,124</b>	<b>13,058</b>	<b>245,896</b>
<b>Net book value</b>					
At 25 January 2020	<b>130,581</b>	<b>205,884</b>	<b>66,697</b>	<b>5,599</b>	<b>408,761</b>
At 26 January 2019	133,131	205,963	71,880	5,924	416,898

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**10 Tangible assets (continued)**

Colliers International, independent qualified valuers, (Simon Summerby-Bent BSc (Hons) MRICS and James Cubitt BSc (Hons) MRICS) have valued all investment properties as at 25 January 2020. Of the investment properties, one fifth have been inspected and the remainder have been valued by Colliers International at 25 January 2020 based on information provided by the Society. 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 financial statements and the resulting revaluation adjustments have been taken to the income statement. The revaluations during the period resulted in a revaluation loss of £1.2m (2019: revaluation gain of £2.7m).

Tangible fixed assets with a carrying value of £55.7m (2019: £59.4m) are pledged as security for the Group’s bank loans.

Assets in the course of construction included within trade properties amounts to £4.1m (2019: £4.1m). 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 £1.4m (2019: £1.4m).

Included within fixed assets are assets with a net book value of £1.2m (2019: £0.2m) relating to assets held under finance lease. Depreciation charged on these assets amounted to £0.2m (2019: £0.2m) 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 £0.6m (2019: £1.2m).

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**10 Tangible assets (continued)**

The carrying value of land and buildings comprises:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Investment properties:</b>		
Freehold	<b>124,460</b>	127,706
Leasehold	<b>6,121</b>	5,425
	<b>130,581</b>	133,131
<b>Trade properties:</b>		
Freehold	<b>186,174</b>	186,766
Leasehold	<b>19,710</b>	19,197
	<b>205,884</b>	205,963
<b>Total properties:</b>		
Freehold	<b>310,634</b>	314,472
Leasehold	<b>25,831</b>	24,622
	<b>336,465</b>	339,094

The historical cost of investment properties now included at valuation:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Cost	<b>120,609</b>	119,194
Accumulated depreciation	<b>(16,033)</b>	(15,620)
Net book value	<b>104,576</b>	103,574

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**11 Investments**

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

	<b>Fixed assets</b>		<b>Dividends/interest</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The Co-operative Group Limited – shares	<b>2,684</b>	2,684	<b>107</b>	104
Other societies – shares	<b>3</b>	3	-	-
Companies – not quoted	<b>7</b>	7	-	-
Funeral plans	<b>152,329</b>	147,920	-	-
	<b>155,023</b>	150,614	<b>107</b>	104
Interest earned on cash balances			<b>2</b>	121
			<b>109</b>	225

The following analysis shows the movement in the year on investments held during the period ended 25 January 2020:

	<b>Co-operative Group Limited</b>	<b>Other Societies</b>	<b>Unquoted shares</b>	<b>Funeral plans</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Carrying amount</b>				
At 26 January 2019	2,684	3	7	147,920
Additions	-	-	-	11,851
Disposal and redemptions	-	-	-	(11,586)
At 25 January 2020	<b>2,684</b>	<b>3</b>	<b>7</b>	<b>148,185</b>
Change in fair value	-	-	-	4,144
<b>Net book value</b>				
At 25 January 2020	<b>2,684</b>	<b>3</b>	<b>7</b>	<b>152,329</b>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**12 Stocks**

Stock are goods purchased by the Society for resale to our customers.

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Goods for resale	<u><b>36,610</b></u>	<u><b>37,301</b></u>

**13 Debtors**

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

	<b>Within one year</b>		<b>After one year</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>7,805</b>	6,305	-	-
Deferred tax	-	-	<b>22,308</b>	17,741
Other debtors	<b>18,359</b>	19,651	-	-
Prepayments and accrued income	<b>7,441</b>	6,369	-	-
	<u><b>33,605</b></u>	<u>32,325</u>	<u><b>22,308</b></u>	<u>17,741</u>

Trade debtors are stated after a provision for impairment of £1.7m (2019: £1.8m).

The Group holds an interest rate swap with a principal value of £12.0m (2019: £12.0m), which matures on 22 January 2021. The interest rate swap liability is recorded at market value of £66,000 as at 25 January 2020 and is included in other creditors. In the 52 weeks ended 26 January 2019, the interest rate swap asset of £1,000 is included in other debtors.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**13 Debtors (continued)**

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:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	<b>4,360</b>	5,757
Capital gains	<b>(2,428)</b>	(3,566)
Pension scheme	<b>17,313</b>	11,978
Unutilised losses	<b>3,131</b>	3,593
Business combinations	<b>(455)</b>	(483)
Other timing differences	<b>387</b>	462
	<b><u>22,308</u></b>	<b><u>17,741</u></b>

**14 Creditors**

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

	<b>Within one year</b>		<b>After one year</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	<b>52,640</b>	53,976	-	-
Central Asset Reserve liability	<b>6,400</b>	6,400	<b>76,328</b>	79,256
Funeral plans	<b>12,468</b>	11,428	<b>140,877</b>	137,555
Other taxation and social security	<b>5,711</b>	5,782	-	-
Other creditors	<b>4,880</b>	2,729	-	-
Accruals and deferred income	<b>19,910</b>	19,724	<b>104</b>	29
Payments to and on behalf of stakeholders	<b>2,056</b>	2,130	-	-
	<b><u>104,065</u></b>	<b><u>102,169</u></b>	<b><u>217,309</u></b>	<b><u>216,840</u></b>

The Group holds an interest rate swap with a principal value of £12.0m (2019: £12.0m), which matures on 22 January 2021. The interest rate swap liability is recorded at market value of £66,000 as at 25 January 2020 and is included in other creditors. In the 52 weeks ended 26 January 2019, the interest rate swap asset of £1,000 is included in other debtors. See note 25 for further details.



**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**15 Borrowings**

This represents the total cost that the Society 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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loan	-	-	31,000	32,000
Finance lease obligations (note 21)	237	43	889	7
	<u>237</u>	<u>43</u>	<u>31,889</u>	<u>32,007</u>

Interest payable on the bank loan for the 52 weeks ended 25 January 2020 was £0.8m (2019: £0.7m).  
Interest payable on finance lease obligations was £17,000 (2019: £41,000).

	2020	2019
	£'000	£'000
Borrowings falling due within:		
One year	237	43
Between one and two years	229	32,007
Between two and five years	31,648	-
	<u>32,114</u>	<u>32,050</u>

The Society's bank loan is a revolving credit facility of £40.0m (2019: £40.0m) which is repayable on 14 November 2024, £31.0m (2019: £32.0m) of which was drawn down at the year end. Interest cover and leverage ratio are covenants associated with the facility, with the interest rate driven by the results of the leverage ratio.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**16 Provisions for liabilities and charges**

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

	<b>Onerous leases £'000</b>	<b>Other provisions £'000</b>	<b>Total £'000</b>
As at 27 January 2019	9,795	1,857	<b>11,652</b>
New provisions created in the period	-	677	<b>677</b>
Reassessment on brought forward provision	71	-	<b>71</b>
Unwinding of discount	34	-	<b>34</b>
Utilised this period	(2,301)	(991)	<b>(3,292)</b>
Released this period	(158)	(503)	<b>(661)</b>
As at 25 January 2020	<b>7,441</b>	<b>1,040</b>	<b>8,481</b>

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 10 years (2019: 11 years).

Other provisions represent an assessment of costs associated with the re-organisation of the business and site closures of £nil (2019: £29,000), the decommissioning of petrol filling stations of £0.4m (2019: £0.4m), property provisions of £0.2m (2019: £0.8m) and other provisions of £0.4m (2019: £0.7m).

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**17 Employee benefits**

**Defined Benefit Pension Scheme**

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.

The Society operates a defined benefit pension arrangement called the Central England Co-operative Limited Pension Scheme (the "Scheme"), which is closed to future accrual and new entrants. The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The Society also operates a defined contribution scheme, refer to page 93.

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 2017 and the next valuation of the scheme is due as at 31 December 2020.

The Society implemented a pension deficit reduction arrangement (Central Asset Reserve) which has resulted in additional scheme assets of £117.2m (2019: £118.6m) 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 £4m in the year to 23 January 2021. During the year to 23 January 2021, 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 £3.0m of contributions from the CAR, giving total contributions of £7m during the period.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**17 Employee benefits (continued)**

The following amounts are recognised in the balance sheet:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Fair value of assets	770,889	679,724
Present value of funded obligations	<u>(910,578)</u>	<u>(789,507)</u>
Deficit in the scheme	<u><u>(139,689)</u></u>	<u><u>(109,783)</u></u>

The following amounts are recognised in the Income Statement:

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Administration cost	1,014	1,217
Interest on liabilities	22,081	23,067
Interest on assets	<u>(19,022)</u>	<u>(18,329)</u>
Other Finance Cost	<u><u>4,073</u></u>	<u><u>5,955</u></u>
Exceptional past service cost	<u><u>-</u></u>	<u><u>4,327</u></u>

Exceptional past service costs of £nil (2019: £4.3m) have been recognised in the income statement relating to the estimated cost of equalising benefits earned after May 1990 between men and women. The pension scheme has to provide Guaranteed Minimum Pensions (GMPs) which as a result of statutory rules have been calculated differently for men and women. Although equal treatment in pension provision for males and females has been required since 1990, there has been uncertainty on whether and how pension schemes are required to equalise GMPs. In October 2018, a court judgement confirmed that GMPs earned from 1990 must be equalised and proposed an acceptable range of methods. The exceptional past service cost is based upon actuarial estimates and the final cost may differ from actuals on implementation on the method of equalisation.

The remeasurements over the period are as follows:

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
(Gains)/Losses on scheme assets in excess of interest	(96,689)	16,529
Experience gains on liabilities	(4,822)	(18,896)
Gains from changes to demographic assumptions	(10,585)	(28,800)
Losses/(Gains) from changes to financial assumptions	<u>143,901</u>	<u>(45,988)</u>
Total remeasurement	<u><u>31,805</u></u>	<u><u>(77,155)</u></u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**17 Employee benefits (continued)**

The movement in the balance sheet over the period was:

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Deficit at the start of the period	(109,783)	(179,551)
Other finance costs	(4,073)	(5,955)
Exceptional past service cost	-	(4,327)
Society contributions	5,972	2,895
Total remeasurements	(31,805)	77,155
Deficit at the end of the period	<u>(139,689)</u>	<u>(109,783)</u>

The movement in the assets over the period was:

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Opening fair value of scheme assets	679,724	705,210
Interest on assets	19,022	18,329
Society contributions	5,972	2,895
Benefits paid	(29,504)	(28,964)
Administrative costs	(1,014)	(1,217)
Return on assets less interest	96,689	(16,529)
	<u>770,889</u>	<u>679,724</u>

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

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Opening obligation	789,507	884,761
Exceptional past service cost	-	4,327
Interest cost	22,081	23,067
Benefits paid	(29,504)	(28,964)
Experience gain on defined benefit obligation	(4,822)	(18,896)
Changes to demographic assumptions	(10,585)	(28,800)
Changes to financial assumptions	143,901	(45,988)
Closing obligation	<u>910,578</u>	<u>789,507</u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**17 Employee benefits (continued)**

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

	<b>2020</b>	<b>2019</b>
Bonds	<b>55%</b>	53%
Equities and property	<b>12%</b>	13%
Other	<b>33%</b>	34%
	<b><u>100%</u></b>	<b><u>100%</u></b>

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 £113.2m (2019: £1.7m) which corresponds to a 17% (2019: 0.20%) 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:

	<b>2020</b>	<b>2019</b>
Discount rate - per annum	<b>1.80%</b>	2.85%
Inflation assumption (RPI) - per annum	<b>3.20%</b>	3.40%
Inflation assumption (CPI) - per annum	<b>2.20%</b>	2.40%
Revaluation in deferment - per annum	<b>3.20%/2.20%</b>	3.40%/2.40%
RPI max 5.0% pension increases in payment - per annum	<b>3.10%</b>	3.25%
RPI max 2.5% pension increases in payment - per annum	<b>2.20%</b>	2.30%
CPI max 3.0% pension increases in payment - per annum	<b>1.90%</b>	2.05%
Members assumed to take maximum tax free cash	<b>90%</b>	90%

The mortality assumptions used are based on the 110% of the "SAPS" standard "S2 series" tables with an allowance for future mortality improvements using the CMI 2018 projections with a long-term rate of improvement of 1.25% pa. The smoothing parameter is 7 and the initial addition is 0.25% pa. (2019: 1.25% pa using the CMI 2017 projections). The Central Asset Reserve asset value is assumed to be 69% of Trustees' valuation as at 31 December 2019 (2019: 69% of Trustees' valuation as at 31 December 2018).

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**17 Employee benefits (continued)**

Under the adopted mortality tables, the future life expectancy at age 45 and 65 is as follows:

	<b>2020</b>	<b>2019</b>
Male currently age 45	<b>22.7</b>	22.9
Female currently age 45	<b>24.8</b>	25.0
Male currently age 65	<b>21.3</b>	21.5
Female currently age 65	<b>23.3</b>	23.5

**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 £5.1m (2019: £4.6m).

**18 Share capital**

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

	<b>2020 52 weeks £'000</b>	<b>2019 52 weeks £'000</b>
Contributions	<b>146</b>	415
Withdrawals	<b>(1,362)</b>	(615)
	<b>(1,216)</b>	(200)
Interest	<b>201</b>	219
<b>Movement in period</b>	<b>(1,015)</b>	19
Opening balance	<b>23,863</b>	23,844
<b>Closing balance</b>	<b>22,848</b>	23,863

At 25 January 2020, the Society had a total of 1,805,030 (2019: 1,826,425) members each entitled to one vote. At the reporting date the whole of the share capital comprises non-equity shares of £1 each attracting interest at rates between 0% and 2.25% (2019: between 0% and 2.25%).

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**18 Share capital (continued)**

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:

- a. 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
- b. 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.

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.

**19 Reserves**

Revenue reserves represent profits the Society has earned in previous years. Non-distributable reserves represent the change in value of the Society's investment properties which are unrealised and cannot be paid out until this is converted to real funds, for example, the sale of an investment property.

The Society's reserves are as follows:

The Revenue Reserve represents cumulative profits or losses net of dividends paid and other adjustments.

The Non-distributable Reserve represents the cumulative effect of revaluations of investment properties which are revalued to fair value at each reporting date.



**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**20 Cash flow statement**

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

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Profit/(Loss) for the financial period	<b>3,438</b>	(4,031)
Adjustments for:		
Gain on financial assets at fair value	<b>67</b>	(11)
Net interest expense	<b>8,548</b>	9,909
Payments to and on behalf of stakeholders	<b>3,215</b>	3,536
Taxation	<b>197</b>	2,502
Operating profit	<b>15,465</b>	11,905
Adjustment for:		
Loss/(Profit) on investment properties	<b>1,185</b>	(2,671)
Loss/(Profit) on disposal of fixed assets and businesses	<b>436</b>	1,920
Depreciation and impairments	<b>22,897</b>	23,047
Amortisation and impairment of goodwill	<b>3,131</b>	3,070
Payments to and on behalf of stakeholders	<b>(3,289)</b>	(3,175)
Net movement on funeral plan asset and liability	<b>(48)</b>	734
Taxation	<b>439</b>	(1)
Fair value movements	<b>(67)</b>	11
(Increase)/Decrease in debtors	<b>(1,684)</b>	419
Decrease in creditors	<b>367</b>	(1,168)
Decrease/(Increase) in stocks	<b>698</b>	(2,693)
Decrease in provisions	<b>(3,176)</b>	(4,063)
Other non-cash movements	<b>(116)</b>	(149)
Cash contribution for retirement benefit obligations	<b>(2,972)</b>	(2,895)
Exceptional pension scheme past service costs	<b>-</b>	4,327
	<b>33,266</b>	28,618

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**21 Financial commitments**

**Finance leases**

A finance lease is where the Society 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:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Within one year	<b>237</b>	43
In the second to fifth year inclusive	<b>876</b>	7
Over five years	<b>13</b>	-
	<u><b>1,126</b></u>	<u><b>50</b></u>

Obligations under finance leases are shown as part of borrowings in note 15.

**Operating leases - receivable**

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

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

	<b>Land &amp; Building</b> <b>2020</b> <b>£'000</b>	<b>Land &amp; Building</b> <b>2019</b> <b>£'000</b>
Operating leases expiring:		
Within one year	<b>8,748</b>	8,837
In the second to fifth year inclusive	<b>18,397</b>	19,359
Over five years	<b>26,230</b>	30,262
	<u><b>53,375</b></u>	<u><b>58,458</b></u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**21 Financial commitments (continued)**

**Operating leases - payable**

This is where rent is paid by the Society 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:

	<b>Land &amp; Building 2020 £'000</b>	<b>Land &amp; Building 2019 £'000</b>	<b>Other 2020 £'000</b>	<b>Other 2019 £'000</b>
Operating leases expiring:				
Within one year	<b>5,705</b>	5,558	<b>777</b>	296
In the second to fifth year inclusive	<b>14,490</b>	14,631	<b>1,710</b>	473
Over five years	<b>41,253</b>	41,417	-	-
	<b>61,448</b>	61,606	<b>2,487</b>	769

Included within the minimum operating lease payments are onerous lease and discontinued operation commitments of £6.8m (2019: £11.1m) which are fully provided for as described in note 16.

The Society has given certain guarantees in respect of rental and other expenses in the event of default by Anglia Home Furnishing Limited.

**Capital commitments**

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

Amounts contracted for but not provided for in the financial statements were £9.9m (2019: £12.5m).

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**22 Subsidiaries and associates**

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

<b>Entity</b>	<b>% of Equity owned</b>	<b>Principal activity</b>
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
Ken Ives Motors (Derby) 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	Optical Retailing
Yaxley Farm Limited *	100	Property Management
Central England Dersingham Limited *	100	Non-Trading
James Retail Holdings Limited	100	Non-Trading
More Thought For Food Limited	100	Food Retailer

\* Held by subsidiary undertaking.

On 1 February 2019, the entire share capital of More Thought For Food Limited was acquired by Central England Co-operative Limited.

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.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**22 Subsidiaries and associates (continued)**

**Subsidiary audit exemptions**

Central England Co-operative Limited has issued guarantees over the liabilities of the following companies at 25 January 2020 under section 479 of Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of individual financial statements by virtue of section 479A of the Act.

<b>Company Name</b>	<b>Company Number</b>
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 Related party transactions**

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

Central England Co-operative Limited has disposed of its preference shareholding in Anglia Home Furnishings Limited during the period and is no longer considered a related party. The Society held trading relationships which gave rise to receivables in 2020 of £nil (2019: of £nil).

Please refer to note 21 for details of commitments and guarantees.

During the year the Chief Executive was a Director & Chair of the Association of Convenience Stores with whom the Society holds a subscription to the value of £4,000

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**24 Business combinations**

When the Society acquires a company it acquires all of its associated assets and liabilities at the date of acquisition and these are detailed in this section.

On 1 February 2019, the Group acquired 100% of the issued share capital of More thought For Food Limited, a company whose primary activity is that of a food retail supermarket. The fair value of the total consideration was cash of £2,750,000.

The acquisition has been accounted for under the acquisition method. The following table sets out the book value and fair value of identifiable assets and liabilities:

	Book value	Fair value adjustments	Total
	£'000	£'000	£'000
<b>Fixed assets</b>			
Tangible assets	1,981	(441)	1,540
<b>Current assets</b>			
Stocks	79	(72)	7
Debtors	25	(7)	18
Cash at bank and in hand	107	11	118
<b>Creditors</b>			
Amounts falling due within one year:			
Creditors	(901)	756	(145)
Provisions	(7)	-	(7)
<b>Net assets</b>	1,284	247	1,531
<b>Goodwill</b>			1,219
<b>Total consideration paid</b>			2,750

For the period ended 25 January 2020, turnover of £5.0m and profit of £0.4m was included in the consolidated income statement in respect of the business combination.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**25 Financial instruments**

This section details the value of the Society's financial assets and liabilities recorded in the financial statements. 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:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Financial assets measured at fair value through profit or loss</b>		
Unquoted investments	7	7
Interest rate swap	-	1
Funeral plans	152,329	147,920
<b>Financial assets measured at amortised cost</b>		
Trade debtors and other debtors	26,164	25,956
<b>Equity instruments measured at cost less impairment</b>		
Fixed asset investments	2,687	2,687
<b>Total financial assets</b>	<u><u>181,187</u></u>	<u><u>176,571</u></u>
	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Financial liabilities measured at fair value</b>		
Interest rate swap	66	-
Funeral plans	153,345	148,982
<b>Financial liabilities measured at amortised cost</b>		
Finance lease payables	1,126	50
Bank loan	31,000	32,000
Trade creditors and other creditors	65,221	64,617
<b>Total financial liabilities</b>	<u><u>250,758</u></u>	<u><u>245,649</u></u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE 52 WEEKS ENDED 25 JANUARY 2020**

**25 Financial instruments (continued)**

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

	<b>2020</b> <b>52 weeks</b> <b>£'000</b>	<b>2019</b> <b>52 weeks</b> <b>£'000</b>
Fair value gains	(67)	11
Interest expense	<u>851</u>	<u>752</u>

The interest rate swap settles on a quarterly basis. The floating rate on the interest rate swap is three months LIBOR. The Society 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 Society'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.

**26 Post Balance Sheet Events**

After the balance sheet date the Society disposed of a number of investment and trading sites generating a profit on disposal of £5.9m.

The outbreak of COVID-19 has affected business and economic activity around the world. As this is an unprecedented crisis and still evolving, it is difficult to predict the full extent that this may have on the Society at this stage. The impact of COVID-19 is a non-adjusting post balance sheet event at 25 January 2020. However, as explained in note 2 to the Financial Statements, the Directors have considered the impact of COVID-19 on the Society's ability to continue as a going concern. The Society will continue to closely monitor the development of the outbreak and its impact on both the UK economy and on the activities of the Society.

Information on the outbreak of COVID-19 is included within the Annual Report on pages 2 to 4. This includes details on the specific reviews undertaken in relation to the Pandemic.