Central England Co-operative

ANNUAL REPORT 2021/22

Our Family of Businesses

243 Food Stores

20 Petrol Filling Stations

1 Distribution Hub

181 Funeral Homes

2 Masonry Showrooms

1 Coffin Factory

1 Crematorium

6 Florist Shops

£126.4m Investment Property Portfolio

Quick reads

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

Contents

Annual Report 2021/22
For the year ended 22 January 2022

Diversity and inclusion sits at the heart of all decisions made by the Society.

Who we are

We are a **successful, independent, community-based Co-operative** owned by our Members

Our proud heritage dates back over

175 YEARS

We trade in over

19

counties

We operate OVER **400** trading outlets

Our Purpose

Creating a sustainable Society for all

We invest 1% of our trading profit into **supporting local groups and good causes** through our Community Dividend Fund

WE ♥ U

Our colleagues are at the heart of our business

We employ over

7,700 PEOPLE

We are **guided by** the internationally recognised **Co-operative values**

- Self-help
- Self-responsibility
- Democracy
- Equity
- Equality
- Solidarity

Financial Highlights

Gross Sales in continuing operations

£875.0m

2020/21: £869.0m

(excluding VAT)

Turnover from continuing operations of £874.7m (2021: £868.0m)

Trading Profit

£19.9m

2020/21: £28.0m

Operating Profit

£23.2m

2020/21: £21.1m

Cash Generated from Operations

£36.8m

2020/21: £50.3m

Net Debt

£2.9m

2020/21:
Net Cash £17.9m

Capital Expenditure

£21.5m

2020/21: £21.2m

Payments to and on behalf of Stakeholders

£3.0m

2020/21: £3.1m

Growing our Business

3	1	41
New Food Stores	Relocation	Food Store Regenerations

Profit before tax and payments to and on behalf of stakeholders of

£16.4m

2020/21: £13.7m

Net Assets

£275.4m

2020/21: £208.1m

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

Working closely with our communities is a key part of our co-operative difference

Society Highlights

Embraced and strengthened our Purpose:

Creating a sustainable Society for all

Our ongoing work to embrace the **Race at Work Charter** has seen the successful **launch of a Diversity and Inclusion Working Group**

Ongoing efforts to minimise our impact on the environment saw our carbon footprint reduce by

78.54%

(since 2010)

We welcomed **248** Midcounties Funeralcare colleagues, across 50 funeral homes and two vehicle logistics sites into our co-operative family

We were one of only four retailers to be awarded three Carbon Trust Standards for reducing our carbon emissions, waste and water use for a fourth time in a row

Our Community Dividend Fund has seen **136 local community groups** and good causes benefit from grants totalling **£170,000**

We pledged over

£350,000

to create sustainable spaces on our land for the local community

FareShare Midlands

Worked in partnership with FareShare Midlands and over 65 local food banks supplying **millions of meals for families in need**

Our third **Christmas Toybox Appeal** saw local charities, hospices and food banks distribute

10,000

donated presents to youngsters

Dementia UK

Our continued link-up with Dementia UK saw fund-raising levels reach over

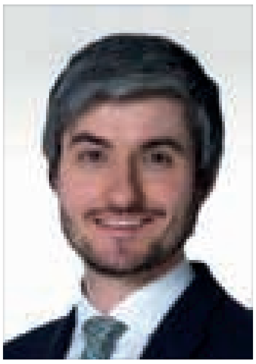
£1.7 million

Democracy thrived as we saw our **best ever turnout** for attendance at a Members' Meeting, when we hosted our **hybrid Interim Members' Meeting**, with active Member democratic participation, in how the Society operates.

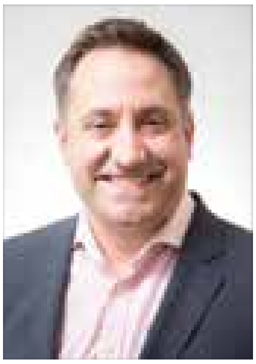
The hard work and support of our colleagues, customers and Members helped us be named Leading Co-op of the Year by Co-operatives UK

Executive Team

Debbie Robinson
Chief Executive



Andy Seddon
Society Secretary



Paul Dennis
Chief Operations Officer

Sarah Dickins
Chief People Officer

Rajesh Gupta
Chief Member and Customer Officer

Andy Peake
Chief Commercial Officer

Neil Robinson
Chief Financial Officer

Liz Robson
Chief Technology Officer

Your Board of Directors


CD R S

Jane Avery
President


C MC RP S

Elaine Dean
Vice President


A C R RP

Richard Bickle


MC RP S

Maria Lee


A C ID

Marc Bicknell


A

Marta Mayhew


CD

Jody Meakin


R

John Chillcott


C S

Tanya Noon


MC

Dave Ellgood


CD

John Howells


A CD

Sue Rushton


MC

Brad Tuckfield


C R RP ID

Rachel Wilkinson

ID Independent Non-Executive Director
A Audit & Risk Committee
C Conduct Committee
CD Community Dividend Selection Committee
MC Membership & Community Strategy Committee
R Remuneration Committee
RP Rules & Practices Committee
S Search Committee

Message from our President

To our Members,

I initially wrote the foreword to our Annual Report in February 2022 and concluded it with the following paragraph:

I would like to thank you, our Members, for your continued participation in your Society. I feel 2022 will be a challenge, but I am confident we are building a Sustainable Society for All, and therefore will meet these challenges – from wherever they arise – and emerge stronger and more resilient than before.

Little did I know then that the challenges would be greater and potentially more catastrophic than anything we have experienced before. I am referring, of course, to the invasion of Ukraine – an independent, democratic nation – by Russia. Independence and Democracy are core values of the Co-operative Movement and this is an attack on all who share those values. As I write this, I can only hope that the terror that has been unleashed on the people of Ukraine ceases very soon – in the meantime, our Society will be joining with others in the Co-operative Movement to give aid wherever and however we can.

The foreword to last year's Annual Report was, of course, a résumé of the most extraordinary year in my living memory, as I reflected on how the Society had risen to the challenge of Covid. Reading it again, I can see how hopeful we were that 2021 would see the end of all the restrictions and it would be back to business as usual. The reality was that during 2021, almost every aspect of life continued to be impacted as the NHS rose to the Herculean task of inoculating as many adults against this awful virus not once but twice and providing boosters and a third 'jab'. We continued to experience lockdowns, follow guidelines to wear masks in enclosed spaces, observe social distancing and work from home where possible. For the majority of our 7,700 colleagues that last directive was simply not possible, and as a Board we were struck again and again by how resilient our Co-operative colleagues are, and this resilience showed in the way people managed absences caused by Covid and covered for each other to minimise the impact. Thank you seems inadequate but thank you.

Despite the disruption, the Board and Executive, guided by our Society Purpose and Co-operative Values and Principles, continued with our mission to strengthen our Society, aware that good times inevitably follow bad times, and we need to prepare for any eventuality. We took the decision to acquire the Funeral business from our friends and neighbours at Midcounties Co-operative Society and welcomed a new cohort of employees into our Co-operative. It was a pleasure to meet some of you at our Conference in November and I know that together, the combined business has a strong and successful future.

We have not let the grass grow under our feet in the food business. We have an exciting programme of acquisitions and refurbishments to enable us to trade successfully in a challenging market. The Board is pleased that the Society has continued to innovate and invest in new services and new channels to ensure Central England Co-operative can appeal and attract new customers and future Members.

We have introduced Call & Collect services, can provide an unbelievable one-hour delivery service, and have begun trials of other methods of delivering food to our customers, working with our partners. These additional channels complement our traditional shops providing excellent fresh food, responsibly sourced and fairly priced.

The Board and the Executive recognise the value of Members and are focused on making our Members feel valued – by rewarding them for their shopping loyalty and by continuing to provide educational, cultural and recreational opportunities.

During the year, we hosted a screening of the wonderful film 'Marvellous' at the Garrick Theatre Lichfield, which was attended by the real-life stars of the film, Neil Baldwin and his friend Malcolm Clarke. If you aren't familiar with Neil Baldwin's story – Google him! An inspiring story and character, and a true modern-day fable. We also hosted an online Women's event to celebrate International Women's Day and a face-to-face Men's Voices event. Hearing 100 men belt-out 'Don't Look Back in Anger' was one of my highlights of 2021.

These events enable our Members to meet regularly through a host of recreational and educational activities supported by our Membership and Community Relations Officers, who cover our trading areas and are supported by Membership and Community Councils in Yorkshire and the Northern, Southern, Western and Eastern regions. Members like you can get involved with your Co-operative and details of what the Co-operative can offer you and your communities are available via our website or by phone. We would be delighted to hear from you.

Members played an active role in democracy in 2021 by attending our Members' Meetings and participating in elections. A total of 2,888 Members participated in the 2021 Board election. Our Annual Meeting was held online in April and over 587 Members joined in. The Interim Meeting in October was held as a hybrid event, both online and with a small number of Members attending in person. A record number of Members took part in the October meeting, with over 1,395 participating on the night and a further 880 viewing the meeting on demand after the event. Our Society Secretary, Jim Watts, attended his final Members' meeting before commencing his retirement in April 2022. The Board wish to formally record their thanks for his professionalism and loyalty, and wish Jim a long and happy retirement. Saying goodbye to Jim means saying hello to Andy Seddon, who joined the Society in January 2022 and we extend a very warm welcome to Andy, as our new Society Secretary.

Despite the uncertain future we are facing due to events on the world stage, I remain optimistic that our values will endure and our Society remains strong and successful.

Jane Avery
Society President


The co-operative
Jane Avery

Message from our Chief Executive

Thank you again to our colleagues at Central England Co-operative for all that you have done to serve our Members and customers. You have shown extraordinary resilience and courage going above and beyond, day in, day out despite continued uncertainty.

Thank you also to the Board for their commitment, support and guidance, and to all our Members for supporting their co-operative Society. Welcome to the colleagues who have joined our team from Midcounties Co-operative, whose contribution is already having a valuable and positive impact with great ideas to complement and integrate into our funeral business.

Daily media reports reveal the devastating impact of the Russian invasion of Ukraine. Our thoughts are with the Ukrainian people and of course, those Russians who have shown incredible courage in speaking out against the war. We responded swiftly and were the first retailer to remove Russian vodka from all our shelves. We also quickly supported the fundraising efforts of the Disasters Emergency Committee Ukraine Humanitarian appeal.

As I write, all Covid-19 domestic restrictions have been lifted. For many, life will return to normal, for others, especially the most vulnerable, life may never be the same again. As co-operators, we must find new ways to support the communities we serve and ensure our goods and services are accessible to all.

It's been another year of significant change. Our Purpose of creating a sustainable Society for all, has been invaluable in guiding our decisions through this challenging period. During the first half of 2021, we saw lockdown conditions continue albeit with a cautious relaxing of restrictions at various points. Our goods and services remained in high demand.

In the second half of the year, as restrictions were eased and more businesses started to reopen, the demand for our goods and services declined. Brexit, combined with the pandemic, resulted in significant challenges with product availability, which impacted heavily upon sales in our food business. Whilst the situation is improving and mitigations have been put in place, we expect the trading environment to continue to be challenging into the new financial year.

Our overall performance across the past 12 months has been solid. Gross sales from continuing operations (excluding VAT) grew by 0.7% year on year to £875.0m (2021: £869.0m) and were up 3.7% on a two-year basis. Trading profit was £19.9m, up 13.2% on a two-year basis but down 29.0% year on year reflecting heightened trading and the impact of the pandemic last year. Operating profit of £23.2m was up 9.9% year on year (2021: £21.1m).

Cash generation from operating activities stood at £36.8m, down 26.9% year on year but up 10.6% on a two-year basis. Our capital expenditure of £21.5m (2021: £21.2m) allowed us to open three new stores, relocate one other and regenerate 41 sites.

The Society's net assets show an improved position of £275.4m compared to last year (2021: £208.1m), largely due to the reduction in our Pension Scheme deficit over the year.

Key events such as Valentine's Day, Mother's Day and Easter played an important role in a strong first half of the year for our Food business, especially with areas such as hospitality impacted by restrictions at the time. However, as restrictions eased, we saw a more challenging second half of the financial year. We responded to this challenge by improving our local product offerings and increasing the number of concession partners such as Nutmeg clothing and the Original Factory Shop. Our brilliant distribution team responded amazingly in the face of driver shortages, and we even rolled out a new project, Warehouse to Wheels, which has, so far, seen 20 new drivers who were previously employed in our distribution centre take to the roads.

We continue to innovate and invest in new stores and regenerations, alongside introducing new technology including the Scan, Pay, Go app, Click & Collect, and rapid delivery services.

The work of our funeral team continues as they arranged 15,496 funerals during the past twelve months. They showed exceptional levels of resilience in being able to adapt to daily changes to the way they work whilst still offering the very highest levels of care for the deceased and support for the bereaved. This has been made possible by colleagues in our coffin factory, Bretby Crematorium, floral and masonry. The team have also welcomed 248 new colleagues, 50 new funeral homes and two vehicle logistics centres following the transfer of the funeral business belonging to Midcounties Co-operative.

Our new colleagues are doing a great job of bringing with them new ideas to grow and develop our funeral business.

We have implemented the remedies put forward by the Competition & Markets Authority following its market-wide review into the funeral industry. We are developing our plan and preparing for the Financial Conduct Authority's launch of funeral plan regulation from July 2022.

In our Property business, our team responded well to the challenges faced industry-wide as a result of the pandemic. We worked with our tenants to minimise the impact on them and ensure our estate is well placed to emerge in the year ahead. We have had some major success including the completion of 15 new lettings, boosting the value of our assets overall, making major progress with legacy plans for our former supermarket in Tamworth and acquiring a number of development sites in strategic locations supporting plans for future growth for the Society.

Fuel performed strongly in the second half of the year with volumes slightly ahead of pre-Covid levels, despite pressure on retail and cost prices due to wholesale increases. In September, as the fuel supply crisis struck, the Society took proactive action to ring-fence fuel supplies for emergency blue light workers, to help protect our communities.

The safety of our colleagues continues to be a top priority. Every person should be entitled to go to work and return home safely without fear of harm. However, it is a sad fact that there are regular incidences of crime against our frontline workers in our retail stores. We will continue to campaign for better protection of our valued front-line colleagues. To date, we have written over 100 letters to the Home Secretary and MPs. We have been working in partnership with the Co-operative Party and other partners in the movement such as USDAW, the British Retail Consortium, and the Association of Convenience Stores, to lobby the Government on this important issue. Our co-operative effort has resulted in the tabling of an amendment to the Police, Crime, Sentencing and Courts Bill to include protection for retail workers and this is currently under consideration by the Government.

Embracing inclusivity, equality and diversity is of immense importance to the Society and is crucial in developing a dynamic workforce for the future, where everyone feels valued, appreciated, and respected. To help support our journey, we have joined the Diversity in Retail community and I will sit as a member on their advisory panel. The Society signed up to the Business in the Community (BITC) Race at Work Charter in 2020, and our continued commitment to embrace Diversity and Inclusion across the Society has been underpinned by the creation of a D&I Working Group.

In July, we were honoured to receive the Leading Co-op of the Year Award by Co-operatives UK. This award recognises our hard work and dedication in supporting our communities throughout the year - supplying millions of meals for families in need via our work with FareShare Midlands and over 65 local food banks and pledging to invest over £350,000 to create sustainable spaces on our land for the local community.

We were also awarded three Carbon Trust Standards for reducing our carbon emissions, waste, and water usage, for the fourth successive time. This is an incredible achievement, thank you to everyone who has continued to lead on this important area. To further build and progress our environmental sustainability efforts, we are innovating and investing in additional initiatives which include the Too Good to Go app, in-store soft-plastic recycling bins and our Central England Co-operative Green Spaces Community Project.

In conjunction with Euro Coop, the Society signed up as a frontrunner to the EU's new Code of Conduct on Responsible Business and Marketing Practices. The Code is designed to improve food sustainability and encourage businesses to attain the EU Green Deal and Farm to Fork Strategy objectives. As we seek to fulfil our co-operative values and principles through all that we do, we have developed a new and exciting Fairtrade initiative in Malawi. We are working with the Co-operative College and Co-operatives UK to provide monitoring and reporting support on this and plan to provide updates in the coming months. We are also preparing for the launch of a new opportunity called Youth Co-operation Action working with our communities in the Lowestoft area. This will use the co-op business model and ways of working to help young people develop, learn and grow.

Message from our Chief Executive *continued*

This year, we completed the recruitment of our new Executive Team who have the right skills and appreciation of our co-operative values and principles in order to create a high performing and rewarding culture where everyone can fulfil their potential and the potential that exists within our Society.

We said goodbye to Jim Watts, who served our Society for over 35 years, with ten years as our Society Secretary. Jim is an outstanding co-operator and a wonderful human being, his integrity, sound judgment, brilliant wit and sense of humour will be greatly missed. I would like to personally thank Jim for his kindness and professionalism in supporting me during my first few years in the Society.

We are delighted to welcome Andy Seddon as our new Society Secretary. Andy joins us from Co-operative Group and brings a wealth of knowledge and experience to orientate the Society through a period of significant change and growth, not least of which is our newly created financially regulated funeral bonds business.

Looking ahead there are significant challenges facing the convenience sector including new rules governing the way we market items to customers that are high in fat, sugar and salt from October 2022 as part of the Government's strategy to tackle obesity. This is a real opportunity to encourage and support customers to eat better. The sector will face increases in corporation tax from 2023, and disruption to supply chains continue due to the impact of Brexit. Inflation has reached a 30-year high, which will impact on our cost base and households will face considerable increases in the cost of living. Therefore we expect to see a significant threat to both household spending and business profitability.

Technology is playing an ever-increasing role in people's lives especially digital natives. New tech start-ups are entering markets with new and innovative solutions to revolutionise traditional industries, including our core businesses of funeral and food. The rapid development of the Metaverse is the newest channel to evolve with many retailers and food service providers already active. Cyber security and the protection of data is a real threat and the Society is increasing its resilience in this area.

We have great people throughout our Society and I would like to thank each and every colleague for their commitment and hard work. Together with our Members and Board, we will meet the challenges ahead, we will continue to invest in our biggest asset, our people, in the delivery of our Purpose of creating a sustainable Society for all.

Debbie

Debbie Robinson
Chief Executive

Our Purpose and Strategy

Our Purpose, Creating a sustainable Society for all, flows throughout our strategy and informs everything we do.

For our Members, customers, and colleagues, this means:

Better customer experience

Offering a welcoming and accessible shopping experience by developing physical and digital journeys, which will provide access to products and services at a time and in a location that best suits our Members and customers. These journeys will promote simplicity and choice and will be tailored to reflect the diverse needs of all. We will develop a blended strategy which will trial and take learning from online partnerships as well as developing our digital technology roadmap to maximise our online reach.

Commitment to the continued investment in our stores

Building on our successful regeneration and new store programme, we will open more new stores and drive forward the refurbishment of current sites. This investment will transform stores in many of our locations, introducing the latest technology and new partnerships to further improve the shopping experience. Products and services will be developed to reflect our co-operative difference, for example by growing the relationships with local suppliers, giving greater choice in supporting customer health and wellbeing, continuing to promote ethical and sustainable trading, and offering the best value possible.

Developing our funeral business to enhance choice and put the needs of the individual and their families at the heart of all we do

We will continue to play a positive role in our communities, leading conversations to break the taboo around death and welcoming all faiths, beliefs, and ways of life. Our services will include funeral and life-planning and extend beyond the funeral service to memorialisation and probate. Environmental sustainability will be at the core of our offer. We will be available where and how our client needs us to be; physically, digitally or by phone.

Investing in our future

Proactively managing our property assets to ensure that we grow our investment property estate and trading footprint. We will explore new formats, partnerships and seek out development opportunities, boosting the value of our assets.

Membership

Our membership scheme will be enhanced to be available online. The scheme will be simple to join and will be brought to life with relevant, personalised communications and offers that will engage existing Members more deeply and reach out to new audiences, bringing the benefits of co-operation to life for them.

Our colleagues make the difference

We want to create a compelling Employer brand to promote our co-operative points of difference. We will reach an even wider pool of external talent leveraging our investment in our new careers website and recruitment systems. We will invest in a new learning management system and digital learning app to make learning accessible and engaging for all our colleagues. We are also launching new learning initiatives including early careers education, a new induction programme, apprenticeships and leadership development programmes. Most importantly, we will be focusing on our culture. We want to be a great place to work for everyone. We will increase the focus on wellbeing and will introduce new policies with a focus on reward, more flexible ways of working and creating a more inclusive workplace. We remain committed to campaigning for the protection of our valued front-line colleagues.

Running through this strategy is our ongoing work to reduce our carbon footprint and support our drive in 'Creating a sustainable Society for all'.


The co-operative food
Welcome to Horsley Woodhouse community store
COSTA

Eggs

Self-Service Checkout
Self-Service Checkout


Our Food Business

Food Gross Sales

£667.6m

2020/21 £691.2m (excluding VAT)

41 Store Regenerations

3 New Stores

6,312 Colleagues

During lockdown our stores continued to play a vital role providing goods and services to the local communities, particularly during those early key events such as Valentine's Day, Mother's Day, and Easter where other retailers such as florists and card shops and hospitality venues were closed.

The second half of the year was more challenging. As restrictions were gradually lifted over the summer, managing stock, sales, margin and costs became difficult and we experienced, and continue to face, supplier availability issues due to production, national HGV driver shortages, and sickness, which all resulted in a significant negative impact on sales. However, where possible, we filled gaps by sourcing products from alternative suppliers, growing our 'local sales' by 23% during the past 12 months.

We have focused on providing customers and Members with new products, expanding our Food to Go range, clothing in larger stores via introducing Nutmeg clothing and new concession partners such as The Original Factory Shop.

Fuel performed strongly in the second half of the year with volumes slightly ahead of pre-Covid-19 levels, despite pressure on retail and cost prices due to wholesale increases.

We continued to invest in our stores throughout the pandemic with the opening of three new stores, one café and one relocation to larger premises. We also improved a further 41 stores through our regeneration programme, changing the store layout and product ranges to improve the customer shopping experience. These new stores and regenerations now include self-scan checkouts, access to home delivery of goods and click and collect services.

We have introduced TooGoodToGo to enable Members and customers to access purchases of near end life product at discounted price to cut food waste, and continued the roll-out of self-scan checkouts across new stores and regenerations. The inclusion of plastic film recycling points inside our stores is now launched and we have opened of our first community space in Littleover, Derby, as part of our successful Community Café.

Ensuring we meet customer needs also saw us upgrade the products on offer in over 100 stores during the past year.

To ensure that we remain fit for the future we are continuing to invest in our existing stores and new store openings at the same time as focusing on how to get the best out of our large store estate.

We are strengthening Member offers, trialling other online partnerships, with Just Eat and trialling reusable packaging solutions in our stores (not just recyclable).

Our food distribution operation, based out of Leicester, was a vital part of ensuring our communities continued to access all vital products during the year. A total of 32.3 million cases were delivered to stores and vital work with FareShare Midlands and recycling continued despite limitations imposed by Covid-19.

The year also saw the launch of the Warehouse to Wheels initiative in response to the national driver shortage and we now have 20 Warehouse to Wheels colleagues - 11 new drivers on the road and nine drivers finalising training.

Our Funeral Business

Since the start of 2020, the funeral industry has faced unprecedented demand for its services as a result of the pandemic. Our Funeral teams showcased exemplary professionalism during this period by continuing to offer high levels of care, support and service to our families at the same time as facing into ever-changing ways of working to ensure colleagues and customers remained safe.

During the past 12 months, we saw the continued benefits of phone and email arrangements, coupled with in-person meetings where possible. All of these offerings allowed our teams to ensure that services were personalised to provide the most memorable service for our families and also taking into account local and the new Competition & Market Authority guidelines.

This resulted in a total of 15,496 arrangements taking place, a testament to the work of all colleagues in our funeral homes, coffin factory operation, Bretby Crematorium, floral and masonry.

The most significant announcement this year in our Funeral business has been the approval of our transfer of the funeral business belonging to Midcounties Co-operative. In November, we welcomed 248 new colleagues into our family of businesses across 50 funeral homes and two vehicle logistics centres. The move also saw us take on the pre-paid funeral plan business of Midcounties and will see our funeral business, now based across 182 homes in total, spread into new areas of the Midlands, the Southwest and Southeast of England.

Another major element of our funeral business has been the planning and preparation for the Financial Conduct Authority's (FCA) launch of funeral plan regulation from 29 July 2022. We submitted an application to be regulated in October 2021, in line with the FCA's timeline. Within the FCA application, we detailed our planned approach which is to continue to sell funeral plans through our subsidiary society, Central England Co-operative Funeral Plans Limited. We are now liaising with the FCA, following our application ahead of the changes in July, we have a dedicated team of specialists working on this area and have engaged with appropriate legal and regulatory compliance advisers to support our preparations. In line with co-operative values, we will continue to conduct our funeral plan business in the best interests of our Members and customers, as well as, guaranteeing that a funeral plan will meet the cost of the funeral as purchased. We also welcome the changes to practice which the new regulations will outlaw, such as cold-calling and paying commission for sales, which will help to protect customers in the wider market.

Following the publication of the report in the funeral industry from the Competition & Markets Authority, we worked to ensure its recommendations and remedies were fully implemented by its deadline of September 2021.

We continued our efforts to innovate as a business by carrying on with our online memorial services. Last year we held United in Light events for Baby Loss Awareness Week and for Christmas, and this year we aim to extend that further to include Mother's and Father's Day. The events feature images supplied by families of their loved ones and we signpost all involved so that they can access free 24/7 grievance counselling via Grief Chat.

We have designed a fully eco-friendly coffin, which will soon be available to our customers.

This was all undertaken while ensuring we remain committed to providing the highest standard of care and services to bereaved families while offering transparency, quality and choice.

Gross Sales

£43.9m

2020/21: £40.7m

(excluding VAT)

15,496

Arrangements 2021: 15,821

1,083

Colleagues


co-operative funeralca

BRETBY CREMATORIUM


ey Park
ore
INSOMNIA COFFEE COMPANY

Investment Property

Rental Income

£7.7m

2021: £8.2m

Investment Property Valuation

£129.4m

2021: £126.4m

326 Commercial tenants + 140 Residential tenants

510 Investment Properties

The Society, like those involved in the property sector across the country, continues to face up to the challenges created by Covid-19 and the issues that tenants face on a daily basis as a result.

We have worked hard with all tenants to minimise the impact for them and on our portfolio and are confident of positive progress in the coming months as the country emerges from restrictions put in place to combat the spread of the pandemic. Our Property team has worked incredibly hard to reduce risks for the Society and ensure our estate is in a good state for the coming months and years.

Despite the challenges being faced, we have had some major success stories during the past 12 months. Fifteen new lettings were completed during the year, including a letting to the Salvation Army in Birmingham (West Midlands), B&M in Syston (Leicestershire) and Ramsey (Cambridgeshire), Specsavers in Belper (Derbyshire) and the East Coast Hospice in Lowestoft (Suffolk). All of these combined efforts have resulted in a recovery in the value of the investment property portfolio, where 85% of our investment property assets have either held, or, seen an increase in value.

Plans to create a new legacy for Central England Co-operative's former supermarket in Tamworth (Staffordshire) have also moved forward, with planning consent being granted by Tamworth Borough Council for a brand-new retail and trade destination. Lettings have also been signed with future tenants for all proposed units, including major chains such as Lidl, B&M, KFC, Starbucks, Greggs and Subway. Hawkstone Vale Developments Ltd are working with us to regenerate the site and offer these new and improved options for the local community, with work hoped to get underway in the first half of 2022.

While preparatory work for the development has been taking place, the opportunity arose to utilise the former supermarket building to support the vital work of Newlife, the charity for disabled children, which used the site for much-needed retail and ancillary storage space.

The Society also completed the development of a new McDonald's restaurant on part of the car park of the supermarket in Cromer (Norfolk), which has brought more people to the location and benefited custom at the Society store.

The Society has also acquired development sites in Boroughbridge (North Yorkshire), Hambleton (Lancashire) and Southport (Merseyside), which will be developed in the future for new retail stores and supporting investment units once planning permission has been granted.

The team also completed the planned disposal of six properties through the year, generating proceeds of £3.3 million to reinvest in the Society's future expansion programme. These disposals included a former supermarket in Coalville (Leicestershire) to Home Bargains as well as former retail stores in Birmingham (West Midlands), Leicester (Leicestershire) and Measham (Leicestershire) and an investment property in Redditch (Worcestershire).

The forthcoming year will focus on continuing to support tenants with the recovery from the pandemic and the anticipated implementation of Government legislation under the Commercial Rent (Coronavirus) Bill, as well as progressing development opportunities around a number of key strategic property assets and continuing to look for new opportunities to develop further new trading sites in the future.

Our Future

Choice and relevance are ever more important for our Members and customers, and as the markets we operate in evolve and offer greater choice in the ways in which customers can engage, so we need to respond to current needs, and anticipate future trends. The Society's investment in technology reflects current expectations and anticipates the future of where and how our Members and customers will engage with us, in our Food and Funeral businesses. The Society's Digital Transformation road map also looks to how digital capabilities can improve ways of working for our colleagues and make our operations more efficient and cost-effective.

The last year has seen significant investment in the rollout of self-service capability for our Members and customers, with the introduction of self-scan checkouts in stores. These market-leading devices make the customer journey as intuitive and simple as possible. To date, we are seeing on average a 30% usage across all baskets in store.

Home Delivery has increased in popularity in the last two years, primarily driven by the pandemic, and as many retailers are seeing, the convenience of home delivery continues to appeal to customers. The Society has increased the footprint of home delivery with our Members and customers now able to order home delivery from 70% of our store estate.

Technology is also enhancing our co-operative values and principles by supporting our colleagues in store with improvements and efficiencies that reduce product waste. Our food stores now utilise a Dynamic Markdown solution which, using data and analytics, enables markdown of short life products at the most appropriate price and time to ensure we sell as much of our stock and prevent waste.

Caring for families is at the heart of our Funeral business and being relevant to a new generation of Funeral customers is key for our future. The Society is investing in online capability to launch a website that will allow families to purchase pre-need funeral plans in 2022, followed by at-need celebration of life and memorialisation products.

The Society is also planning how digital capabilities will further enhance choice and provide a seamless experience, whether this be online, over the phone or in person.

Our technology journey has also seen great improvements and efficiencies in ways of working for our colleagues in our Business Support Centre, based in Lichfield. Replacing repetitive manual processes with robotic process automation and plans to digitally orchestrate supplier management processes with the implementation of market-leading systems capability.

Keeping our Society, Members and customers safe from cyber-attack has never been more important. Information and data security continues to be a priority for the Society, in a world where cyber breaches and ransomware attacks are becoming all the more frequent and having significant impacts on both organisations and their customers. The Society's cyber defences continue to be updated and our partnership with information security experts enables the Society to remain ever-vigilant and respond quickly to any new cyber threats that emerge.

Further improving the core resilience of the Society's systems estate, the current data centre capability in the Business Support Centre is being transitioned to a new third-party data centre facility. This new approach will see greater resilience and business continuity capability.


Self-Service
Checkout
Card Payments Only
Self-Service
Checkout
Card payments only
Lane Open
We accept payment by
VISA

Our Colleagues

£963,000 shared

with colleagues as part of our annual **Share of the Profits**

New Employee Assistance Programme launched including counselling without referral

Launched a **new careers website** and recruitment system to attract key talent in a simple way

Colleagues took part in over

45,000

learning hours and achieved

514

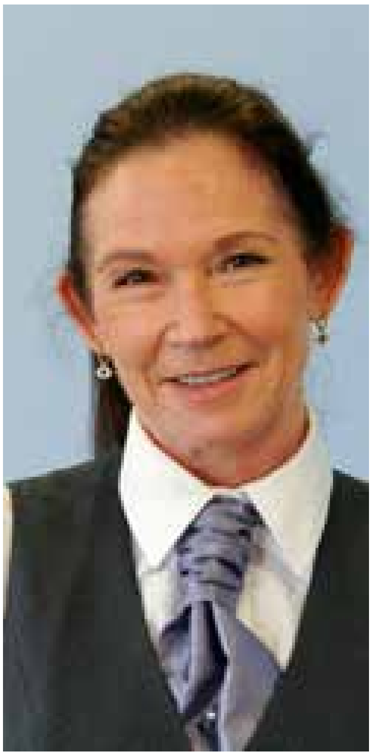
professional qualifications

31

colleagues **celebrated a long-service** milestone during 2021

Rewards for hard-working colleagues included an extra day paid leave to celebrate winning Leading Co-op of the Year

Colleague survey response rate 79% - two points higher than last year



Our colleagues have continued to go above and beyond during the past twelve months, being a cornerstone of our Society as well as their wider communities during these ever-changing times.

Investing in our people has been at the forefront of all decisions we have made this year, resulting in the launch of a new Employee Assistance Programme ('EAP'), which includes counselling without referral providing the option for colleagues to access to six free sessions. We also launched 25 Mental Health and Wellbeing Champions in Funeral with a key focus to better support the unique challenges for our Funeral team.

Our Big Thank You to our colleagues was reinforced by investing in an important reward of an extra day of paid leave, in recognition of our achievement of Leading Co-op of the Year. We also supported our colleagues at Christmas, by increasing the duration of our 20% discount and by adding £25 to colleagues' membership cards (employed as at 1 December 2021).

'Creating a sustainable Society for all' Awards' in October at Birmingham and Long Service Celebrations at Chatsworth House in September, were hosted both as a celebration of our colleagues' incredible milestone 30 to 50 year work anniversaries, as well as positively acknowledging the difference our colleagues have made to their communities during the pandemic.

The education and development of our colleagues, with a total of 45,854 learning hours and 541 professional qualifications achieved, is not only an investment in our colleagues but also a much-valued investment in our co-operative values and principles. This investment is further underpinned with our continuing commitment to our apprenticeships and development programmes.

Our annual colleague survey response saw an increase of 2% to 79% and another year of strong engagement score at 77 (-1% on 2020).

Commitment to our future colleagues is demonstrated by the launch of our new careers website and recruitment system which showcases the benefits and value of working for our Society, in order to attract quality talent as well as simplifying the candidate journey. The new system optimises the recruitment process enabling managers to consistently and expediently access the best talent.

Looking ahead, we have a range of exciting plans during the year ahead and beyond which are designed to help, support and grow all colleagues across the Society. We are excited by the very positive and encouraging response received from the launch of our new Holiday Buy Scheme – 'more time for you in 2022' – which allows colleagues to buy up to five days additional leave.

Investment in our leadership development programme at the Business Support Centre and Funeral is planned to support our leaders on talent, performance management and change. We are committed to building bespoke training for our colleagues to support the new regulatory framework from the Financial Conduct Authority.

The introduction of a new Learning Management System and learning app will make learning accessible and engaging for all our teams. We are growing our digital learning offer to provide flexible and inclusive personal development options during the year with a new playlist for our Team Leaders.

Purposeful and meaningful feedback from our colleagues will be gained by bringing our colleague surveys in-house, enabling us to more regularly canvas opinion in order to engage and respond to the important voices of our colleagues.

In response to feedback received from our teams, we have launched a new policy on bullying and harassment, so we are clear on the expectations of all our colleagues across the Society - a crucial step in our cultural journey.

Wellbeing continues to receive our increased focus with the launch of 'Let's care about wellbeing' with weekly communications, regular activities and maximising the impact of the EAP service to include financial wellbeing, mental wellbeing and physical wellbeing. We are also increasing our trauma support and introducing a pilot on vulnerable role screening for our Funeral colleagues.

Our plans include efforts to review and launch new policies which ensure we keep in-line with legislation and best practice. These will include policies with a focus on more flexible ways of working and those to encourage a more inclusive workplace.

Finally, and most importantly, we will be focusing on our culture - the creation of our new cultural framework will ensure our policies, tools and technologies enable our colleagues to perform at their best and positively contribute to and connect with our co-operative values and principles.

Membership and Community

Our Members and the communities in which we serve are central to the success of our Society. By continuing to shop with the Society, our Members allow us to reinvest into our trading estate, provide Member rewards, support Member groups and activities, as well as, fund local good causes and vital community projects, via our Community Dividend Fund. Our approach to supporting our Members and communities remains underpinned by the five key strategic themes below.

The worldwide and national events of the last twelve months and the lasting impacts of the pandemic saw our five Membership and Community Councils (MCCs) continuing to meet the challenges of adapting and adjusting to the external environment and the restrictions imposed during long periods of lockdown. Despite the challenges, our MCCs have continued to meet, plan, participate and support various events and activities.

Pathways to member participation

Our Member and Community Relations Officers (MCROs) and MCCs were on hand to celebrate membership at store launches and regenerations throughout the year. Other activities supported at stores included celebrating Diwali, Eid, our Christmas Toybox Appeal and a host of seasonal and one-off events to boost local charities during these tough times. Lockdown restrictions resulted in our teams being unable to deliver some of their usual activities and instead refocused upon refreshing their online colleague training for membership and community as well as utilising online platforms to deliver a whole range of alternative events, talks and classes.

In May 2021, we celebrated the anniversary of 250 years of Robert Owen and supported efforts to educate colleagues and Members of the important role that he played in the Co-operative Movement. Our Co-op heritage was also celebrated at Wythall Transport Museum with an event that showcased some of our heritage vehicles which are there, in storage.

Our ongoing efforts to promote and celebrate diversity and inclusion are reflected in our support and participation in events such as Pride and the return of the "Can't Play Players", a female colleague football tournament (which raised funds for Dementia UK) with a local LGBTQ+ team. We have made important connections to refugee and asylum seekers networks to explore the role which we can undertake with the Workers' Educational Association to explore joined up opportunities with the YMCA.

Health and wellbeing

A range of important activities were provided for the community during the past twelve months to ensure we played a part in maintaining and improving physical and mental health and wellbeing, advocated by our trained mental health champions.

Projects we embarked on included our popular bike workshop and bike recycle events, delivering Healthy Choices Workshops to schools and other groups, working with prominent partners such as Burton Albion Community Trust and Progressive Sports, Leicester City in the Community, Kids Country based at East of England Showground and a youth project with Spiral Arts to support suicide prevention.

We hosted two major events, an online International Women's Day event and Men's Voices, to celebrate and talk about important issues encountered by all genders on a day-to-day basis.


Education, culture and recreation

We were pleased to welcome back our subsidised educational and recreational courses and even managed to launch a new yoga class in Kettering. We are pleased to support the Whetstone Co-op Cinema in Leicester and a new table tennis group in Great Barr, Birmingham, amongst many others. Our long-running associates, The Ratby Co-op Band, gained fifth place at the National Brass Band Championships, which was held at the Royal Albert Hall in the latter part of last year.

By linking up with The Active Wellbeing Society, we delivered cooking sessions that allowed vulnerable Members of the community to come along, learn and cook with a chef, eat a wholesome meal in the company of others and take home ingredients to cook for themselves and their families.

It was a privilege to see so many Members of our Senior Members' Gathering once again enjoying themselves and catching up on their experiences during Covid-19.

Fair and sustainable communities

MCCs teamed up with Funeral colleagues at Christmas to support holiday hunger activities taking place in St Matthews, Leicester, one of the most deprived estates in the country. We supported many organisations over the year with either hygiene products or support towards Christmas boxes and food parcels.

In the summer, we worked with Progressive Sports to deliver twelve Healthy Choices Workshops over four weeks with the focus on healthy food and donating food to students from disadvantaged backgrounds. During the four weeks, 1,200 young people had access to a session on healthy food and the 'Eatwell Guide'.

Support was provided to Grow Outside in Ripley and the planting of cherry trees in Shepley, working alongside Eden's Forest to give young children the chance to visit and experience the outdoors. The Oundle Fairtrade & Oakham Fairtrade markets provided opportunities for participation and Member engagement at our information stands and wine tasting events.

Fairtrade Fortnight participation included the creation of a Society-wide online and instore Fairtrade Ethical Challenge for customers and Members. We were delighted to interact with at least 20 schools with 1,667 young people taking part.

Young People

We were pleased to invite 60 children once again from Badgerbrook Primary School into our local Whetstone Store. During their visit, the children learned about healthy eating, the traffic light labelling on food and what's behind the label. They were also treated to a look behind the scenes and a chance to scan some items using the till.

In September, we supported the annual Lichfield Community Games with over 4,000 people attending the weekend activity held at Beacon Park in the heart of the city. We concentrated on a healthy fun activity and gave fruit and water bottles to young people taking part.

Working with Aston University, we delivered an online Co-op Masterclass to students from the International Business School. The workshop gave an insight into the Co-op business model and how co-operatives offer a different and successful business. We also delivered an online version to students at Derby University working with Aspire in Derby and the YMCA.

We continue our work with local Woodcraft Groups, we supported projects in Wells-next-the-Sea to highlight the work of young people, delivered Dementia Awareness sessions at Ripley Academy and supported the Dementia Café at Sprowston. We also delivered our educational workshops to the Yes Project in Leicester, who support young people with help to access the job market.

Community Dividend Fund

During 2021, we awarded £170,000 in Community Dividend Fund grants to 136 local groups and good causes. This comes after the fund was relaunched in May, in an effort to offer vital support to good causes, groups and charities.

Groups can now apply for funds ranging from £100 to £5,000 to support projects that aim to support access to food, health and wellbeing, inclusion and the environment.

The decision to relaunch the Community Dividend Fund came after it was temporarily repurposed in 2020, to support good causes impacted by the Covid-19 pandemic. During that time, 116 good causes shared over £175,000.

A Responsible Co-operative Business

As a co-operative business, we have a purpose beyond profit which is guided by our values and principles for the shared benefit our Members, colleagues and local communities.

Our Purpose fully reflects our sustainable approach to doing business and our wider responsibilities to the environment, local communities and our colleagues.

Our activities over the last 12 months have included a range of initiatives that demonstrate the positive impact of our co-operative ethos.

Successfully campaigned and teamed up with USDAW on 'Freedom From Fear' to bring about a change in legislation to protect shopworkers from attack. In December, the UK Home Office tabled an amendment to the Police, Crime and Sentencing bill, making an attack on anyone providing a public service an aggravated offence.

Winners of our first-ever Young Co-operators Awards were announced, celebrating amazing young people who have gone above and beyond for their communities across ten categories, ranging from Volunteer of the Year to Young Mental Health Champion.

Supported and attended major Pride events in Birmingham, Chesterfield and Leicester, underlining the Society's solidarity and long-term commitment to promote diversity and inclusion.

Continued to support pioneering projects such as the further roll-out of our Offender to Rehab project, helping prolific shoplifters turn their lives around, and our Sustainable Spaces project is nearing its first launch in Dodworth, Yorkshire.

DementiaUK

Colleagues, customers and Members continued to support our corporate charity partner Dementia UK, with donations now totalling over £1.7 million.

Our Environmental Impact

Central England Co-operative Environmental Impacts Report 2021/22 Financial Year

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

Carbon Emissions

UK Greenhouse gas emissions and energy use data	01/02/21 – 31/01/22	01/02/20 – 31/01/21
Energy consumption used to calculate emissions (kWh)	100,375,793	97,716,305
Energy consumption breakdown (kWh)		
- Gas	15,027,561	14,361,257
- Electricity	63,727,650	59,811,526
- Transport fuel	21,587,870	23,543,521
Scope 1 emissions in metric tonnes CO2e		
- Gas consumption	2,752	2,641
- Owned transport fleet	5,108	5,660
- Refrigeration gas	3,289	4,931
- Total Scope 1	**11,149**	**13,232**
Scope 2 emissions in metric tonnes CO2e		
- Purchased electricity	**13,531**	**13,944**
Scope 3 emissions in metric tonnes CO2e		
- Purchased electricity transmission & distribution	1,197	1,199
- Employee business travel	114	87
- Total Scope 3[1]	**1,311**	**1,287**
Total gross emissions in metric tonnes CO2e*	**25,992**	**28,462**
Carbon intensity ratio (Tonnes CO2e per £m turnover)	29.12	32.79
Carbon emission reduction (versus 2010 baseline)	78.54%	75.84%

Waste[1]

Food waste produced (Tonnes)	1,718	1,469
Waste recycled or reused[3] (Tonnes)	5,199	5,492
Total waste produced (Tonnes)	8,203	8,046
Percentage of waste recycled or reused	63%	68%
Waste intensity ration (Tonnes per £m turnover)	9.19	9.11

1. Scope 3 emissions are restricted to electricity transmissions & distribution and staff travel
2. Totals do not include recycling figures from our Anglia retail region due to Co-operative Group collecting from this area
3. Waste not recycled or reused was sent to energy recovery facilities

* CO2e (Carbon dioxide equivalent) is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO2e signifies the amount of CO2 which would have the equivalent global warming impact.

Quantification and reporting methodology

Our reporting is in line with the 2019 HM Government Environmental Reporting Guidelines and the GHG Reporting Protocol – Corporate Standard. We used the 2021 UK Government's Conversion Factors, with electricity emissions calculated on 'market based' emissions factors.

Measures taken to reduce our environmental impact

Continued investment in energy efficiency measures has supported further reductions in our overall carbon emissions. Our recommissioning work has seen a significant reduction in our refrigeration gas emissions by 33% versus 2020/21. The acquisition of 50 new funeral sites has contributed to increased gas and electricity consumption versus 2020/21. The new sites will form part of our ongoing LED lighting upgrade programme which saw 22 funeral homes completed this year.

Employee travel increased on the previous year but is still significantly down on pre-covid levels signifying changed ways of working. This increase was more than offset by our overall fleet emissions decreasing by 10% versus 2021. Electric vehicles for home deliveries were added to a further 14 stores which represents the early stages of the process of de-carbonising our fleet.

Food waste increased over the year versus 2020/21 and is partially as a result of increased average bin weights. Due to closures and limitations on the hospitality industry from Covid-19, food waste across the sector increased which resulted in higher average bin weights charged and reported to all customers. Food waste is now 33.2% lower than 2017, a huge reduction driven through better ordering and the roll-out of our FareShare food redistribution model that saves 100% of Best Before products that would usually be wasted, creating a million meals a year for those most in need within the communities we serve.

The Society has started to hold a range of events as the world emerges from the pandemic including Men's Voices.

Our Approach to Taxation

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

Ultimate accountability for the Society's Taxation Policy and compliance rests with the Board. In managing the Society's affairs, the Chief Financial Officer has responsibility for implementing the Taxation Policy. The Audit & Risk Committee ('the Committee') receives an annual report on the management of the Society's taxation affairs with any major issues arising in the intervening period brought to the Committee's attention. The Taxation Policy is reviewed and approved by the Board on a regular basis and at least annually. The Policy set out below relates to the Financial Year 2021/22.

Policy

The Taxation Policy commits that the Society:

- takes a responsible and transparent approach to the management of its significant taxation issues;
- will not use contrived or artificial structures to reduce the Society's taxation liabilities;
- will only engage in reasonable taxation planning that is aligned with commercial and economic activity and does not lead to an abusive result;
- where appropriate, take advantage of taxation incentives and reliefs for the purpose for which they are intended, in order to act in the best interests of the Society as a whole and whilst, at all times showing respect for the intention and letter of the law;
- maintains an open, honest and co-operative relationship with HMRC, particularly on matters of taxation uncertainty;
- ensures that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss any taxation issues arising at an early stage when submitting tax computations and returns to HMRC. Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified;
- has the relevant skills and knowledge on taxation matters and access to independent professional advice when necessary;
- will report to its Members, as soon as is practicable, the Taxation Policy in order to foster a greater understanding of the Society's tax obligations;
- will seek to reduce the level of taxation risk arising from its operations as far as reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its taxation obligations;
- will provide appropriate training for colleagues who have responsibility for performing activities that relate to taxation processes.

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

Details of the Society's Corporation Tax charge in respect of the financial year ended 22 January 2022, are set out in the following areas of the Financial Statements:

- Income Statement – current year tax charge of £3,203,000 (2020/21: charge £839,000)
- Statement of Cash Flows – corporation tax payments made in the year of £987,000 (2020/21: £532,000)
- Note 9 to the Financial Disclosures – details of the current tax and deferred tax charge. The tax charge in the Income Statement is higher than the standard rate of corporation tax of 19%, (2021: lower), and the note sets out the difference and an explanation of each item.
- Note 14 to the Financial Disclosures – details of the Deferred Taxation Asset.

Measuring our Co-operative Difference

This is a snapshot of the involvement of Members in our Society, our environmental impact and our community and co-op investments – all important elements of being a Co-operative and help showcase our co-op difference.

Members shopping with the Society is key to us being able to reward our Members and reinvest in our business and our communities

Member sales in our food stores
£137.6m
2020/21: £128.9m

Member sales as a proportion of total food store sales
16.2%
2020/21: 15.4%

This is then used to fund community and Co-operative affairs ranging from our Community Dividend Fund, supporting other co-ops and raising money for charity

Annual funding total
£1.343m
2020/21: £1.378m

Members taking part in the Society's democracy is a vital part of our values and principles

Number of Members voting in Society elections
2,888
2020/21: 3,338

Annual Members' Meeting attendance
587
2020/21: 1,352

Interim Members' Meeting attendance
1,395
2020/21: 642

We work hard to engage with colleagues to ensure they are satisfied via regular surveys

Survey response rate
79%
2020/21: 77%

Colleague engagement index
77
2020/21: 78

Environmental impact is of major importance to our Members and customers and an area that runs through all of our businesses

Our carbon emissions stand at
29.12 tonnes
per £m of Society turnover
2020/21: 32.79

The percentage of waste collected and recycled from our food stores stands at
63%
2020/21: 68%

Our food bank campaigns have created thousands of meals for people in need

Governance Reports and Financial Statements

52 weeks ended 22 January 2022

Contents

CORPORATE GOVERNANCE

Message from the Society President – Jane Avery

I am pleased to introduce our Governance report for the year ended 22 January 2022 on behalf of the Board of Directors.

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

It is a privilege to report that your Board has ensured the continuance of the highest governance standards during the year. The new ways of working, implemented at the outbreak of Covid-19, have been maintained and finessed to support the Board's effective oversight of the Society and endeavours to support the new executive management team.

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

I would like to formally record the Board's thanks to Jim Watts, for his loyalty, dedication and co-operation. Jim officially retires on 8 April 2022 after 35 years' service with the Society, the final ten of which he served as Society Secretary and trusted advisor to the Board. During this time, Jim has played an important role in the Society's development and progression including his close involvement with the successful mergers with Anglia, Shepley and Wooldale societies, alongside the introduction of our current democratic framework and governance arrangements.

Finally, the Board extend a very warm welcome to Andy Seddon, who joined us on 10 January, as the new Society Secretary. Andy is a highly experienced and motivated co-operator and joins us from the Co-operative Group, where he worked for the last twelve years - most recently in the role of Secretary to the Co-op Group's National Members' Council. Andy lives our co-operative values and principles, always championing democratic Member participation in the co-operatives. We look forward to our journey ahead.

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 2021 elections were held for four positions on the Board which resulted in the following candidates being elected:

- Jane Avery
- John Chillcott
- Tanya Noon (Employee Director) (Uncontested)
- Sue Rushton (Uncontested)

2,888 (2020: 3,338) Members participated in the 2021 Board election, which represented a 13% decrease on the previous year. The 2021 Board election comprised two uncontested constituencies, Western, which returned Sue Rushton and Central Employee Director which returned Tanya Noon.

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 page 43.

The Board is accountable to the whole membership and responsible for ensuring the Society carries out its commitment to be a successful co-operative business. The Board has a duty to act in the best interests of the Society for the benefit of its Members as a whole. In doing so, the Board must take into account the long-term consequences of any decision it makes, and the impact on the Society's stakeholders. This long-term, multi-stakeholder approach to decision-making is clearly reflected in the Society's Purpose statement (see page 18) and the Board's rationale statement (see page 45) both of which aim to engender a common co-operative culture across the Society's trading operations and wider activities.

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

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

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

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

Audit & Risk Committee

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

Remuneration Committee

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

Rules & Practices Committee

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

Search Committee

Responsible for keeping the effectiveness of the Board under review by ensuring the composition of the Board provides an appropriate balance of skills, experience and diversity to provide effective leadership and oversight of a society of the size and complexity of Central 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. The appointment of a new Society Secretary. A dedicated working-group of the Board incorporating key operational colleagues was formed to progress all the elements of recruitment, including first interviews, ahead of final interviews with the Board. The Board was delighted to appoint Andrew Seddon as Society Secretary. Andrew, formerly secretary to the Co-operative Group's National Members' Council, demonstrated a strong passion for and experience of the co-operative business model. Andrew will be key to assisting the Board to deliver a robust and progressive governance framework for the future benefit of the Society and its stakeholders.

2. Finalisation of the triennial valuation of the Society's closed defined benefit pension scheme.

3. Oversight of the Society's strategic approach to FCA regulation of the pre-need funeral bond market.

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

Board Rationale Statement

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

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

Board Effectiveness Framework

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

Co-operative Corporate Governance Code

Co-operatives UK published the new Co-operative Corporate Governance Code ('the Code') in December 2019.

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

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

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

The following explanations are provided:

Principle	Explanation
3. Roles and Responsibilities Provision 9 - An elected chair should have served at least one year of office as a director before being elected to the role. The term of office of the chair should be three years or less and may be renewed up to a total maximum service of six years consecutively.	Appointments are based on skills, knowledge and experience. Rule 88, *'No Director shall be President of the Board for a period exceeding three consecutive years'*
4. Board Composition, Succession and Evaluation Provision 10.b. - determining the co-operative's succession plan.	The Search Committee's Terms of Reference allow for Board succession planning as far as is possible. The Chief Executive is responsible for succession planning in respect of the Management Executive, with oversight provided by the Remuneration Committee.

Director Attendance at Meetings

The table below lists the attendance record of Directors for the year ended 22 January 2022 at meetings of the Board and those Committees (excluding the Conduct Committee due to the nature of its role) stipulated by the Rules of the Society.

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

	Meeting					
Directors	**Board**	**Audit & Risk Committee**	**Remuneration Committee**	**Search Committee**	**Rules & Practices Committee**	**Membership & Community Strategy Committee**
Jane Avery	11(13)		5(7)	3(3)		
Richard Bickle	13(13)	4(5)	7(7)		2(2)	2(2)
Marc Bicknell	13(13)	5(5)				
John Chillcott	5(13)		1(1)			1(2)
Elaine Dean	13(13)			3(3)	2(2)	2(2)
Dave Ellgood	13(13)					2(2)
John Howells	13(13)					
Maria Lee	13(13)			1(1)	2(2)	2(2)
Marta Mayhew	13(13)	1(1)				
Jody Meakin	12(13)					
Tanya Noon	13(13)			3(3)		
Sue Rushton	12(13)	5(5)				
Bradley Tuckfield	13(13)					
Rachel Wilkinson	13(13)		7(7)		2(2)	In the post at year end

Report of the Remuneration Committee

Statement from Committee Chair

Introduction

On behalf of the Remuneration Committee ('the Committee'), I am pleased to present the Remuneration Report for the year ended 22 January 2022.

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

This year, there were significant changes made to the structure of the Management Executive and in addition to the above, when making decisions relating to Executive pay, the Committee has taken into account the market benchmarking data provided by our Advisors, the growing challenge in the external market of recruiting and retaining our key talent alongside our current performance.

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

Business Context

It's been another challenging year and with the ongoing commitment of our colleagues, customers and Members we have delivered another strong set of results and we are proud to have also achieved the Co-op of the Year award.

We value our team and our colleagues have made a huge difference to the Society and once again we have rewarded them for their support. We celebrated winning the Co-op of the Year by giving all our colleagues an extra day off and this was really appreciated by everyone. We also said a special thank you to our colleagues for all their support at the end of the year by offering double discount during November and December and by putting £25 on colleague cards too. It was our way of showing our appreciation and helping all our colleagues at Christmas, a key time for families.

Changes to the Management Executive

As noted earlier in the report, Tracey Orr (Chief Operating Officer) and Louise McFadzean (Chief Financial Officer) both retired during the 2021/22 financial year and a new Management Executive team structure was created.

As outlined in the Remuneration Policy, the remuneration package for new Members of the Management Executive included the same elements and are subject to the same constraints as those of existing Members, except for notice period, which for new Members of the Management Executive has moved from twelve months to six months' notice, in line with market practice.

The salaries for these new appointments have been set to reflect the individual's role, responsibilities and experience whilst considering the market rate and internal relativities.

Jim Watts, the Society Secretary, has signalled his intention to retire and will be leaving within the 2022/23 financial year. Our new Society Secretary, Andrew Seddon, has been appointed and his details will be included in next year's report.

Summary of Executive remuneration in 2021/22

Pay

The Committee agreed to apply a 2.5% increase, effective 24 January 2021, to the salaries of the Management Executive incumbent at the time. This reflected the annual increase that was applied to all other management colleagues as part of the 2020 annual wage settlement.

There have been no further increases made to the salaries of the new Members of the Management Executive team following their appointments, except for the Chief Financial Officer. Neil Robinson was appointed into this role on 1 March 2021, with an agreed six-month salary review date of September 2021. This salary review date was brought forward to May 2021 due to his performance in role and smooth transition into his Executive responsibilities.

Due to the retirement of the Chief Operating Officer, and the interval for the appointment of the new Chief People Officer starting at the end of September, Neil assumed temporary accountability for the HR function from May to September 2021 and to reflect this increase in responsibility his salary was temporarily uplifted by 10% during this period.

Annual Incentive & Long-Term Incentive Schemes

The Committee has taken into consideration the additional government support the Society received during the financial year in relation to the Coronavirus crisis, alongside the additional investment the Society has continued to make in safety measures to protect our colleagues. The Committee has taken a balanced view of these measures, alongside consideration of the performance of the Management Executive and Society Secretary during the year and can confirm that all government support has been removed before calculating bonus payments. Payments are due to be paid to participants under both the Annual and Long-Term Incentive (LTI) elements of the Management Executive Scheme, totalling 33.90%.

Colleague pay

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

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

• The hourly rate of pay for Customer Service Assistants employed in food stores increased from £8.90 to £9.10 (2.25%).

• The hourly rate of pay for Team Leaders employed in food stores increased from £10.15 to £10.35 (2%).

• For colleagues employed in other roles, pay increased by 2%, subject to a minimum rate of pay of £8.91 per hour.

Gender pay

Our inclusion plan is critical at the Society and since 2017, we have seen continued improvement in our gender pay gap figures. Our gender pay gap is ahead of the industry benchmark of 15.4% in 2021, and, for the first time our results have increased as follows:

• The Society has seen a 1.1% increase in the mean average pay gap to 14.3% in comparison to 2020.

• The Society's median average pay gap has increased by 4.8% to 5.7% in comparison to 2020.

We are pleased that the Society has seen great improvement in both its mean and median bonus pay gap figures:

• The Society's mean bonus gap has improved by 13.1% compared to the previous year.

• The Society's median bonus gap has improved by 3.9% compared to the previous year.

The positive movements in the bonus pay gap reflect the Society's additional investment in reward for frontline roles during 2020 because of the coronavirus pandemic.

The full Gender Pay Gap report and our action plan can be found here - https://www.centralengland.coop/assets/documents/Gender_Pay_Report_2021.pdf

Changes to the Remuneration Committee

There were no changes to the Members of the Remuneration Committee during the year 2021/22.

Committee Advisor

Willis Towers Watson were appointed by the Committee in 2019, following a competitive tender process, to provide independent advice to the Committee. Willis Towers Watson are founders of the Remuneration Consultants' Group (RCG), and signatories of the RCG's Code of Conduct.

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

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 who will enable the Society to deliver its long-term vision

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

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

The incentive opportunities for the Society's Management Executive and the Society Secretary are deliberately pitched below market median levels for executives in PLCs. This approach, together with the measures under the Society's incentive plans, 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	Base salaries should be set taking account of the median level of market-based salaries for fully competent performance. 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'.
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	The performance metrics are set prior to, and measured over, the relevant performance year. All payments are paid in cash and are non-pensionable. If performance conditions have been met, payments are made within four months following the end of the financial year to which they relate. Payments made under the scheme are subject to clawback provisions.
Maximum opportunity	The amount payable under the scheme is the same for all Members of the Management Executive and is dependent on the financial performance of the Society as follows: • Threshold (achieve 95% of budgeted trading profit**): 6.25% of base salary* • On Target (achieve 100% of budgeted trading profit**): 12.5% of base salary* • Stretch (achieve 105% of budgeted trading profit**): 25% of base salary* ** Base salary is defined as the rate of annual base salary as at the last day of the relevant financial year* *** These thresholds need to be met after deducting the payment of the Management Executive Incentive Scheme itself*

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	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.
	Performance measures are set at the start of each three-year award cycle and have historically comprised: Trading Profit (70% weighting); Customer Service (10% weighting); Colleague Engagement (10% weighting) and Corporate Responsibility (10% weighting) The Committee retains discretion to select the performance measures and their weighting to align with the Society's strategic priorities or for reasons including the measures can no longer be independently validated. In 2020, a new set of metrics was agreed by the Board for the launch of the 2021 grant: EBITDA (70%), Colleague Engagement (10%) Membership Participation in Food (10%) and Carbon Emissions (10%). All payments are paid in cash and are non-pensionable. If performance conditions have been met, payments are made within four months following the end of the financial year to which they relate. Payments made under the scheme are subject to clawback provisions.
Maximum opportunity	The percentage payable under the scheme is the same for all Members of the Management Executive and is dependent on the achievement of performance measures as follows: • Threshold (achieve 90% of performance measures**): 6.25% of base salary* • On Target (achieve 100% of performance measures**): 12.5% of base salary* • Outstanding (achieve 110% of performance measures**): 25% of base salary* ** Base salary is defined as the rate of annual base salary at the time that the colleague is notified of the grant (i.e. in the first year of the relevant 3-year performance period)* ***These thresholds need to be met after deducting the payment of the Management Executive Incentive Scheme itself*

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	The following options are available: • Defined Contribution employer pension % determined by date of employment. • Cash alternative.

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

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

No targets were agreed retrospectively for the Membership Participation and Carbon Emissions metrics and having consulted with the Committee's independent advisor, the Committee exercised its discretion, taking account of the Society Performance during the continued impact of the global pandemic and recommended that both these metrics paid out in full.

Changes to Remuneration Policy

There were no changes made to the Remuneration Policy during the 2021/22 financial year.

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[1] and total pay[2] amounts for the CEO with colleagues[3] at the lower quartile (25th percentile)[4], median (50th percentile)[5] and the upper quartile (75th percentile)[6].

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

	CEO pay[7]	P25 (lower quartile)	P50 (median)	P75 (upper quartile)	Average
Base Salary	£504,300	£18,455	£18,455	£20,726	£21,059
Total pay	£658,844	£18,455	£19,008	£21,348	£21,998
Total Pay Ratio	-	36:1	35:1	31:1	30:1

In 2021, the average CEO pay ratio was 30:1 compared with 33:1 in 2020. The CEO pay ratio for 2021 is slightly lower than 2020 at all quartiles. This is reflective of the investment the Society has made in colleague base pay over the year and a lower overall compensation value for the CEO for 2021/22 incentive plan outturns. The average salary ratio has also improved this year from 24:1 in 2020 to 23:1 in 2021. These figures compare with a median CEO pay ratio of 58:1 for FTSE 350 listed retailers.

New Executive Appointments

The remuneration package for new members of the Management Executive will include the same elements and be subject to the same constraints as those of existing members, with the exception of notice period, which for new members of the Management Executive will move from twelve months to six months' notice. Salaries will be set to reflect the individual's role, responsibilities and experience whilst taking into account the market rate and internal relativities.

[1] 'Base salary' excludes pension contributions and benefits.
[2] 'Total pay' is annual salary plus any incentive payments, pension contributions and benefits.
[3] Includes all colleagues employed by the Society as at 31st December 2020 and reflects the full-time equivalent salary
[4] The '25th percentile' is a statistical measure identifying the colleague placed ¼ of the way along a ranking of 'total pay' amounts ranked from low to high.
[5] The '50th percentile' is the same statistical measure as above but ½ of the way along.
[6] The '75th percentile is the same statistical measure as above but ¾ of the way along.
[7] Reflects the value of the CEO's current annual remuneration arrangements

Loss of Office

The employment agreements for the Chief Executive and exiting Society Secretary are terminable on twelve months' notice by the Society. Future appointments to the Management Executive will be terminable on six months' notice by the Society. No contracts provide an entitlement to the payment of a pre-determined amount on termination of employment in any circumstances.

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

Upon termination, no payment under the annual incentive scheme will be paid under the scheme rules, unless employed on the date of payment or the reason for termination is due to retirement, death, disability, redundancy or any other circumstances at the Committee's discretion. Anyone deemed by the Committee as a 'good leaver' will be entitled to an incentive 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

The Chief Executive is entitled to twelve months' notice as described above. Future appointments to the Management Executive and Society Secretary will be entitled to six months' notice.

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

Committee Discretions

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

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

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

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

Implementation Report 2021/22

This section of the report explains how the Remuneration Committee has applied its Remuneration Policy during the Society's 2021/22 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 2021/22.

Management Executive Total Earnings

	Year	Basic salary[1] £	Taxable Benefits[2] £	Annual Incentive[3] £	Vested LTIP[4] £	Pension Benefits[5] £	Total £	Total Fixed Remuneration £	Total Variable Remuneration £
Deborah Robinson *Chief Executive*	**2021/22**	**504,300**	**16,457**	**95,817**	**71,500**	**15,129**	**703,203**	**535,886**	**167,317**
	2020/21	492,000	15,497	123,000	70,320	12,995	713,812	520,492	193,320
Tracey Orr *Chief Operating Officer*	**2021/22**	**211,702**	**13,949**	**-**	**-**	**21,170**	**246,821**	**246,821**	**-**
	2020/21	300,000	20,944	75,000	31,835	26,364	454,143	347,308	106,835
Louise McFadzean *Chief Financial Officer*	**2021/22**	**138,333**	**8,890**	**-**	**-**	**13,833**	**161,056**	**161,056**	**-**
	2020/21	210,354	12,757	52,589	21,705	19,835	317,240	242,946	74,294
James Watts *Society Secretary*	**2021/22**	**164,000**	**12,516**	**31,160**	**20,938**	**16,400**	**245,014**	**192,916**	**52,098**
	2020/21	160,000	11,023	40,000	19,521	15,590	246,134	186,613	59,521
Paul Dennis *Chief Operations Manager*	**2021/22**	**162,692**	**11,791**	**30,724**	**24,087**	**4,881**	**234,175**	**179,364**	**54,811**
	2020/21	-	-	-	-	-	-	-	-
Andy Peake *Chief Commercial Officer*	**2021/22**	**162,692**	**11,105**	**30,724**	**24,087**	**4,881**	**233,489**	**178,678**	**54,811**
	2020/21	-	-	-	-	-	-	-	-
Neil Robinson *Chief Financial Officer*	**2021/22**	**165,462**	**9,039**	**31,271**	**21,411**	**4,777**	**231,960**	**179,278**	**52,682**
	2020/21	-	-	-	-	-	-	-	-
Liz Robson *Chief Technology Officer*	**2021/22**	**132,308**	**10,485**	**24,971**	**19,577**	**3,969**	**191,310**	**146,762**	**44,548**
	2020/21	-	-	-	-	-	-	-	-
Rajesh Gupta *Chief Member and Customer Officer*	**2021/22**	**100,385**	**4,740**	**18,885**	**14,806**	**2,596**	**141,412**	**107,721**	**33,691**
	2020/21	-	-	-		-		-	-
Sarah Dickins *Chief People Officer*	**2021/22**	**65,385**	**3,269**	**12,214**	**9,576**	**1,962**	**92,406**	**70,616**	**21,790**
	2020/21	-	-		-		-		-
Andrew Seddon *Society Secretary*	**2021/22**	**3,846**	**327**	**-**	**-**	**-**	**4,173**	**4,173**	**-**
	2020/21	-	-	-	-		-	-	-

[1] Basic salary incorporates any pay increases throughout the financial year and therefore shows the amount earned as salary during the financial year

[2] Taxable Benefits include the provision of a car or a cash alternative, fuel and private healthcare.

[3] The annual incentive payment relates to cash payments due to be paid in 2022 under the 2021/22 scheme of 19.00% and does not include any payments received relating to previous financial years. An annual incentive payment of 25% was paid in 2021 in relation to the performance of the relevant metrics for the 2020/21 financial year.

[4] LTIP award relates to cash payments of 14.90% due to be paid in 2022 in relation to the performance of the relevant metrics over the three years ended in January 2022. An LTIP payment of 14.65% was paid in 2021 in relation to the performance of the relevant metrics over the three years ended in January 2021.

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

Loss of Office Payment

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

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

Executive External Directorships

Executive	Role	Company	Date of Appointment
Debbie Robinson *Chief Executive*	Director[1]	British Retail Consortium	May 2017
	Director and Chair[1]	Association of Convenience Stores Limited	September 2011
	Director[1]	Cult Status Limited	May 2018
	Director[1]	Federal Retail and Trading Services Limited	April 2019
	Vice President[1]	Euro Co-op	December 2020
Sarah Dickins *Chief People Officer*	Director[2]	Ranmoor Homes & Developments Ltd	July 2019

[1] Debbie Robinson receives no remuneration in respect of these appointments

[2] Sarah Dickins 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. Director fees, including the adoption of a new committee fee structure was approved by Members at the October 2019 Interim Members' meeting.

Board/Committee	Role	Fees 2021/22	Fees 2020/21
Board	President	£17,392	£16,968
	Vice-President	£13,044	£12,725
	Director	£8,696	£8,484
Audit & Risk Committee	Member	£615	£600
	Chair	£738	£720
Remuneration Committee	Member	£615	£600
	Chair	£738	£720
Rules & Practices Committee	Member	£615	£600
	Chair	£738	£720
Search Committee	Member	£615	£600
	Chair	£738	£720
Conduct Committee	Member	£205	£200
	Chair	£246	£240
Community Dividend Selection Committee	Member	£410	£400
Membership & Community Strategy Committee	Member	£410	£400
Other working groups		£21.97	£21.43

Expenses

Directors are reimbursed all reasonable expenses incurred while carrying out their duties for the Society. In addition, delegation fees (of £38.45 for up to five hours or £76.88 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:

	Fees	
Director	**2021/22**	**2020/21**
Jane Avery (President)	£19,155	£15,337
Elaine Dean (Vice President)	£15,053	£18,283
Richard Bickle	£10,991	£10,681
Marc Bicknell	£9,639	£9,237
John Chillcott	£9,493	£9,312
David Ellgood[3]	£9,106	£2,074
John Howells	£9,106	£8,538
Maria Lee	£10,337	£9,644
Marta Mayhew	£9,311	£8,567
Jody Meakin	£9,106	£2,062
Tanya Noon	£9,516	£9,475
Sue Rushton	£9,721	£9,142
Brad Tuckfield	£9,106	£2,074
Rachel Wilkinson	£10,254	£10,053

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	RamsTrust
	Elected Independent Society Member	The Co-operative Group National Members’ Council (from Co-operative Press Ltd)
	Director and Chair	Co-operative Press
Jane Avery	Director and Employee	LCDDA Management Co-operative (trading as CASE Limited)
	Elected Independent Society Member	The Co-operative Group National Members’ Council
	Director	Leicester Rape Crisis
John Chillcott	Director	Parity Finance Limited
	Director	Chillcott Consultancy
Marc Bicknell	Director	Railway Enginemen's Assurance Society Limited
Maria Lee	Elected Independent Society Member	The Co-operative Group National Members’ Council
Rachel Wilkinson	Director and employee	R W Legal Limited
	Director	Catalyst Science Discovery Centre and Museum Trust Ltd (registered charity)
	Company Secretary	The Landing at Mediacity UK Limited
	Company Secretary	Cheshire Shutters Limited
	Company Secretary	Intoafrica UK Limited
	Company Secretary	Derive (Salford) Limited
	Company Secretary	Derive RP Limited
	Company Secretary	Psychoanalytica CIC
Richard Bickle	Director	Revolver Co-operative Limited
	Director	Birmingham Co-operative Film Society Limited
	Director and Secretary	Friends of the Earth (Birmingham) Limited
	Secretary	Co-operative Press Limited
Tanya Noon	Director	Kandoroo CIC
	Non-Exec Director	Co-operatives UK
	Director	Rams Trust
	Elected Member	The Co-operative Group National Members’ Council and Member of The Senate (as an individual Member of The Co-operative Group)

Audit & Risk Committee Report

Marc Bicknell
Chair of the Audit & Risk Committee

I am pleased to introduce the report of the Audit & Risk Committee for the financial year ended 22 January 2022.

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

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

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

Members of the Committee

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

The Directors who served on Committee during the year and a record of their attendance at meetings can be found on page 47.

Audit & Risk Committee meetings were also attended by:

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

Committee Activity in 2021

Meeting	
March	Review of the draft Annual Report and Financial Statements for the year ended 23 January 2021 and ancillary documentation. The Society's Treasury and Taxation reports. Received reports relating to Risk Management, Compliance matters and Internal Audit.
June	Received reports relating to Risk Management, Compliance matters and Internal Audit and External Audit Update.
August	Review of the Society's financial information for the 28 weeks ended 7 August 2021. Received reports relating to Risk Management, Compliance matters and Internal Audit. Review of external audit fees and 2022 Audit Strategy Memorandum.
December	Financial Statements January 2022 and Related Matters, including Key Judgements and Estimates December 2021, Taxation Report, Treasury Report and Accounting Policy: Capitalisation of Labour. Received reports relating to Risk Management, Compliance matters, Internal Audit, External Audit Update and a Proposed Audit Tender exercise

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

Search Committee

Jane Avery
Chair of the Search Committee

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

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

Members of the Committee

The Search Committee comprises the 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 Committee during the year and a record of their attendance at meetings can be found on page 47.

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

Committee Activity in 2021

Meeting	
June	Board Committee Appointments Appointments to external organisations and other bodies
September	Review of Director Performance Appraisals and Board Development Framework Proposal Review of Board Evaluation 2021 Review of Active Succession Campaigning

Rules & Practices Committee

Elaine Dean
Chair of the Rules & Practices Committee

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

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

Members of the Committee

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

The Directors who served on the Committee during the year and a record of their attendance at meetings can be found on page 47.

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

Committee Activity in 2021

Meeting	
January	Annual Review of Co-operative Governance Compliance 2020/21 Review of the Canvassing Code of Practice Review of Membership Terms and Conditions Review of Terms of Reference
September	Review of MCC Composition and Related Matters Review of the Canvassing Code of Practice Review of Member Democratic Engagement Discussion regarding Director Tenure

Conduct Committee

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

Members of the Committee

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

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

Richard Bickle
Marc Bicknell
Elaine Dean
Tanya Noon
Rachel Wilkinson

The Committee met once during the year, in April 2021, as part of the Society's standard process to review the operation of the annual Board elections and immediately prior to announcing the results of the election.

Membership & Community Strategy Committee

Elaine Dean
Chair of the Membership & Community Strategy Committee

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

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

Members of the Committee

The Membership & Community Strategy Committee comprises five Directors.

The Directors who served on the Committee during the year and a record of their attendance at meetings can be found on page 47.

Membership & Community Strategy Committee meetings were also attended by:

Chief Executive
Society Secretary
Member and Community Relations Officers
Marketing Lead - Local
MCC representatives

Committee Activity in 2021

Meeting	
January	Review of Membership strategy and Update of Activity Plan Review of MCC Elections and current composition update MCC Terms of Reference
April	Review of Activity Plan Update Review of MCC/Co-option Waiver Proposal Review of Framework for MCC Fees
July	Review of Membership strategy and Activity Plan Update Review of Interim Members' Meeting Proposal Framework Review for MCC Costs Discussion regarding MCC Cluster Groups and Framework
October	Review of Activity Plan Review of MCC Fees Review of MCC Composition and Related Matters Review of Membership & Community Budget 2022/23

Other Committees Attended by Directors

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

Region	Covering	Appointed Directors
Northern	Derbyshire Nottinghamshire	Elaine Dean
Southern	Leicester/Leicestershire East/South Leicestershire Northamptonshire North Warwickshire	Jane Avery and Marta Mayhew (with Maria Lee as an alternate)
Eastern	Peterborough, The Fens Norfolk Suffolk Cambridgeshire and surrounding counties	John Chillcott and Bradley Tuckfield
Western	Birmingham West Midlands and surrounding counties Staffordshire	Richard Bickle, David Ellgood and Jody Meakin
Yorkshire	West and South Yorkshire	Elaine Dean

Four Directors serve on the Society's Community Dividend Selection Committee. The Committee meets on a bi-monthly basis to review grant applications and during the first half of 2021, met on a monthly basis to oversee urgent funding requests during the pandemic. The Directors who served on the Community Dividend Selection Committee during the year were:

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

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.

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

Risk

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

The Risk and Compliance team has operational responsibility for Health & Safety management, General Data Protection Regulations (GDPR) and Loss Prevention, and works closely with the Internal Audit function in order to provide an integrated approach to risk mitigation and assurance.

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

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

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

Accordingly, the Board of Directors confirms that the effectiveness of the system of control for the year commencing 24 January 2021 and ending on 22 January 2022 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	A major disruption to the society's infrastructure could have a serious impact on the Society's ability to trade. The Society's systems, people and distribution facilities are fundamental to the continuity of the business.	The Society has a Crisis Management Plan in place which is supported by Incident Management Response Teams who have the authority to make decisions in the event of a potentially disruptive incident have been identified. The plan is periodically tested. In addition each business area has detailed Business Continuity and Disaster Recovery plans in place which cover buildings, systems, colleagues and key suppliers.
Business Strategy and Change	If the Society were to pursue the wrong business strategy or fail to execute its strategy effectively, the business could be negatively impacted in a highly competitive market. An ineffective change programme to manage, prioritise and deliver projects associated with the Society's long-term strategy and vision could have a negative financial impact on the Society.	The Executive Team meets biannually with the Board to review, monitor and where necessary update the Society's strategy. Progress in delivering strategy and change is reviewed regularly as part of the Society's governance process, with updates provided to the Board including a quarterly health check on financial outlook and business change activities.
Co-operative Principles	The Society has an underlying purpose beyond profit. If the Society was to operate or behave in a manner inconsistent 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 Sustainability strategy, Membership & Community activities and events, Community Dividend Awards and support for other co-operatives alongside ongoing work in areas such as: • Corporate Responsibility • Human sustainability • Financial sustainability • Environmental sustainability

Principle Risk	Potential Impact	Mitigation
Colleague Engagement, Capability and Succession	The Society employs over 7,000 colleagues who are pivotal to its future success. Attracting the best people, recognising diversity and investing in colleague learning and development are essential to the sustainability and future success of the Society's operations.	The Society has a clear people plan to focus on: • Attracting the right talent to our Society (GET) • Being a place where our talent thrives (GROW) • Being a great place to work for everyone (KEEP) We adopt a number of policies and processes to monitor and improve our engagement with our colleagues: **GET – Attracting the right talent to our Society.** • In 2021, we transformed recruitment with the launch of a new website to improve our candidate / line manager recruitment, selection and onboarding experience. **GROW – A place were talent thrives.** • Monthly programme of learning to support our focus on safety. • Let's Talk – our annual and mid year conversations to focus on performance, development and careers. • Bi Annual talent reviews to look at succession planning and future talent needs. **KEEP – A great place to work for everyone.** • Annual review of policies, reward and benefits to ensure that they remain competitive in the marketplace. • Annual colleague surveys to listen to our colleagues and improve engagement. • Regular communications with trade unions • Colleague wellbeing – we have an EAP and also a regular programme to support Wellbeing Wednesdays. • Regular communication of business activities and performance using a variety of media We believe that our colleagues make the difference and our colleague engagement is a key business priority.

Principle Risk	Potential Impact	Mitigation
Commercial	The Society operates in a very competitive food and funeral sector. Failure to ensure we offer the right products and services, to the right quality and the price risks customers taking their business elsewhere. Our channels to market must be relevant and adapt. Food Safety legislation has expanded to include greater information on allergens and significant new rules come into force in 2022 around the sale of products containing high fats, sugars and salts. The sale of funeral plans will, from July 2022 come under the supervision of the Financial Conduct Authority (FCA) and will significantly impact the way we design and sell our funeral plan products.	The Society actively monitors and manages its commercial activities. Performance and external market conditions are monitored weekly. Regeneration programmes ensure we keep our trading sites relevant and up-to-date. Our Commercial Team works closely with suppliers, national and local to ensure our food products meet the high standards expected and are sold in line with legislation. Project Teams are in place to oversee both new initiatives and, for Funeral, the regulation of funeral bonds as the Society transitions to FCA regulation.
Data Management	The Society creates, captures and uses a significant amount of data in its business operations. Failure to keep data secure, up to date and relevant, or use personal data where there is no consent or legitimate reason can result in breach of confidential information, harm to individuals reputational damage and/or financial penalties under General Data Protection Regulations (GDPR).	Policy, processes and controls are in place to ensure data is appropriately captured, maintained and used as permitted. The Society has a Data Protection Advisor and the Information Governance Committee is responsible for monitoring the Society's performance in this area. It reviews: • Data management policies and practices • Colleague awareness and training • Data breaches and prevention controls Data held within information systems are protected by information security controls as defined in the Information Security risk below.
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 two-year 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. In addition, the Society conducts an annual Four-Year Financial Plan process which allows it to confirm that medium-term cash requirements are within committed bank funding levels. Bank covenant compliance is reviewed quarterly and reported to the Board.

Principle Risk	Potential Impact	Mitigation
Health and Safety	The prevention of injury or illness to colleagues, Members, customers and the general public is of paramount importance to the Society. Any failure in this regard would significantly reduce customer and colleague confidence.	Policies, procedures and colleague engagement plans are in place detailing the controls required to manage health & safety and food safety risks across the Society. This includes significant additional measures associated with the COVID19 pandemic. Health and safety matters are discussed on a quarterly basis with the Health and Safety Advisory Committee where mitigation is agreed. The Society's internal Health & Safety Advisors and Loss Prevention Team's work pro-actively on strategy and controls to protect our colleagues on all safety matters including the threat of violence and aggression which colleagues face on a day-to-day basis. The Society works closely with its Insurers to ensure safety risks are mitigated as much as possible through risk improvement programmes and specialist training and support where the experience does not exist within the Society. The Society's Compliance Team review the effective application of policies and procedures.
Information Security	The Society is increasingly reliant on technology. As technology usage in the business increases so does the risk of data breaches and cyber-crime which is fast becoming one of the biggest global threats to business. Cyber-crime can create significant business interruption or reputational damage through loss of confidence by customers and stakeholders.	The Society works with a specialist IT security partner and the broader co-operative network to constantly review the robustness of its system security arrangements, its policies, network security, access controls and compliance with standards. All colleagues are required to undertake basic IT security awareness training and regular communications ensure all colleagues remain vigilant to new cyber threats.
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 deficit recovery plans are both affordable to the Society and offer sufficient funding to the Pension Scheme in order to continue to reduce the deficit.
Regulation / Legislation	Failure to comply with relevant legislation could damage the Society's reputation as well as resulting in significant financial penalties or sanctions. This includes the need to comply with significant new regulation as defined by the Financial Conduct Authority which comes into force in July 2022.	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 various governance committees; Food Safety Governance, Health and Safety, Information Governance, Executive Risk Management, and Audit & Risk Committee on a quarterly basis. The Society is working through new regulatory requirements set out by the Financial Conduct Authority to allow it to continue to sell funeral plans in the future. 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	In the food sector the COVID19 pandemic has had a significant impact on the buying behaviour of shoppers as they seek to shop in alternate ways. Competition by supermarkets and discounters has been increased with on-line and home delivery platforms growing at fast pace. Product availability has also been challenge for all food retailers. In the funeral sector the impact of regulation under the CMA and FCA has been felt and will continue to drive significant change alongside the need to break with traditional ways of working. As the UK economy bounces back from COVID, inflation, taxes and energy bills are all hitting consumers ability to spend and the Society's membership and community activities may not provide a sufficient point of difference to attract customers to our stores.	The Society continues to adapt to the changing market forces and make our food stores and funeral premises safe places to visit and provide the customer with what they require. Alternative and increased use of local suppliers ensured availability issues were minimised. We actively monitor the performance of all our trading sites and continually review the external market conditions both nationally and locally. The Society's membership proposition is being reviewed to ensure it remains relevant. As external product and operating costs are increasing the society trading teams are actively focussed on efficiency improvements and simplifying our process to release focus to optimise Member and customer service as well as keep costs under control.

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 22 January 2022 (Note 8 to the accounts) reports that £104,000 (2020/21: £104,000) was paid by the Society in respect of political subscriptions and related funding. This included support at national level for the Co-operative Party and grants to four Society Party Councils.

Withdrawable Share Capital

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Co-operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. Under that law, the directors have 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.

Jane Avery,
Society President

Debbie Robinson,
Chief Executive

Elaine Dean,
Vice President

Andrew Seddon,
Society Secretary

24 March 2022

Independent auditors' report to the members of Central England Co-operative Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's affairs as at 22 January 2022 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 22 January 2022 (the "Annual Report"), which comprise: the Group Statement of Financial Position as at 22 January 2022, and the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity and the Group Statement of Cash Flows for the period then ended; 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

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

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

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

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

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 75, 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 group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment regulations, health and safety legislation and other legislation specific to the industry in which the group operates such as the Food Safety Act (1990), and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud.
- Review of meeting minutes for the society's Board of Directors and Audit and Risk Committee.
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements (due to the susceptibility of these areas to management bias).
- Testing of journals posted to revenue that have unusual account combinations.
- Performance of 'unpredictable procedures' designed to vary our audit approach to test balances and processes not otherwise tested as part of our core audit approach.
- Review of financial statement disclosures to ensure consistency with the findings of our detailed audit work.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Co-operative and Community Benefit Societies Act 2014 exception reporting

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

Other matter

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
29 March 2022

CENTRAL ENGLAND CO-OPERATIVE LIMITED
ACCOUNTING POLICIES
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

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 22 January 2022 (2021: 52 weeks ended 23 January 2021) 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 transfers of engagement 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 incorporate 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.

The Society currently meets its day to day working capital requirements through utilising its cash reserves and bank facilities. The bank facilities consist of a revolving credit facility of £40.0m and a bank overdraft of £10.0m, both of which expire in November 2024. There are two financial covenants attached to the revolving credit facility which are tested on a quarterly basis, neither of which are expected to be breached in the twelve months from the date of signing these financial statements. The repayment terms and details of the revolving credit facility are detailed in note 16 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, with specific consideration of macro-economic factors including increases in inflation and considering specific areas such as potential issues in the supply chain and a decrease in sales volume. A range of downside scenarios have been considered including a combination of risks, 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.

3. Significant judgements and estimates

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

The key judgements that have a significant impact in the financial statements are discussed below:

Transfer of Engagement

On 6 November 2021, the Society completed a Transfer of Engagement with The Midcounties Co-operative Group under which 50 funeral homes, two vehicle logistics sites and Midcounties' pre-paid Funeral plan business transferred to the Society.

The transaction took the legal form of a Transfer of Engagement however it is the judgement of management that based on the substance of the transaction, the transfer should be treated as an acquisition for accounting purposes. Acquisition accounting under section 19 of FRS 102 has therefore been applied to the transaction and goodwill on acquisition recognised in the balance sheet.

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.

The approach considers a central overhead allocation, the impact of Government support received by the Society in the year on EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), and the budgeted profitability of each site for next year (2022/23).

In the 52 weeks ended 22 January 2022, an impairment of £2,577,000 (2021: £3,906,000) 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, which is closed to future accrual and new entrants. The present value of the scheme's liabilities recognised at the reporting date and the net financing charge recognised in the income statement are dependent on interest rates of high quality corporate bonds. Other key assumptions within this calculation are based on market conditions or estimates of future events, including discount rate, inflation assumptions and mortality rates, as set out in note 18.

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

Supplier rebates

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

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

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

Investment properties

Properties held for long term investments are recognised as investment properties, initially recognised at cost, and are subsequently measured at market value. The market value is determined on an annual revaluation by external valuers in accordance with the RICS Valuation - Professional Standards January 2014 (the "Red Book") prepared by the Royal Institution of Chartered Surveyors (the "RICS"), using appropriate judgements that incorporate market conditions which are subject to fluctuations. The value of future disposals may differ from the valuation depending on market conditions as at the date of disposal. The valuation of investment properties held as at 22 January 2022 is £129,415,000 (2021: £126,398,000).

Deferred tax asset

The deferred tax asset includes an amount of £4,095,000 (2021: £1,680,000) which relates to carried forward tax losses. The losses have arisen due to the additional pension funding, in excess of the agreed contributions, that have been put in place to fund the Group's pension deficit. In addition to this, the Group is also able to claim additional capital allowances in the period due to the availability of the super-deduction. 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.

4. Principal accounting policies

Gross sales

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

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

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

The Travel business was transferred to Midcounties Co-operative on 7 August 2020. Prior to this date travel commissions were recognised at the point of sale, with negative commission during the period ended 23 January 2021 due to refunds and provisions for 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.

Employee benefits

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

Long Term Incentive Plan

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

Exceptional Items

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

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 over the lease term on a straight line basis.

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

Investments

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

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

Stocks

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

Debtors and other debtors

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

Cash and cash equivalents

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

Financial liabilities

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

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

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

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

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

Taxation

Current tax

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

Deferred taxation

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

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

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

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 Group'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.

Other provisions

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

Pension costs

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

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

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

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

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

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

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

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

Share interest

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

Reserves

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

5. Changes in accounting policy

During the current period, the Group has implemented a number of changes in accounting policy in order to provide more relevant information for the Group's members and users of the accounts. These changes are described in more detail below.

Reserves

In the prior period, reserves were split between Revenue Reserves and a Non-distributable Reserve relating to the revaluation movements on investment property. A change in accounting policy has been implemented in the current period to present all cumulative comprehensive income and losses in the Revenue Reserve, including those relating to the revaluation of investment property. The prior period reserves have been restated accordingly.

The change in accounting policy has been made to provide more relevant information for the Group's members and users of the accounts.

As a result of a change in accounting policy for reserves, the opening and closing reserves for the period ended 23 January 2021 have been restated as follows:

	As reported	Restatement	Restated
	£'000	£'000	£'000
Revenue Reserve			
At 26 January 2020	**142,820**	**26,006**	**168,826**
Transfers between reserves	9,406	(9,406)	-
Comprehensive gain for the period ended 23 January 2021	16,728	-	**16,728**
Share interest	(183)	-	**(183)**
At 23 January 2021	**168,771**	**16,600**	**185,371**
Non-distributable reserve			
At 26 January 2020	**26,006**	**(26,006)**	-
Transfers between reserves	(9,406)	9,406	-
At 23 January 2021	**16,600**	**(16,600)**	-

There is no impact on the net assets of the Group as a result of the change in accounting policy, or on the income statement for future or prior periods.

Capitalised labour

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

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

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

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
GROUP INCOME STATEMENT
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

Continuing operations include the Group's different business activities, in this case retail, wholesale, funeral and property. In the current period, all amounts relate to continuing operations. In the prior period, discontinued operations relate to the travel business which was transferred in August 2020.

	Note	**2022 52 weeks Continuing Operations £'000**	**2021 52 weeks Continuing Operations £'000**	**2021 52 weeks Discontinued Operations £'000**	**2021 Total £'000**
GROSS SALES (including VAT)		**975,356**	963,367	(924)	962,443
Less Value Added Tax		**(100,324)**	(94,385)	-	(94,385)
GROSS SALES (excluding VAT)	*1*	**875,032**	868,982	(924)	868,058
TURNOVER	*1*	**874,735**	868,014	(212)	867,802
Cost of sales		**(626,169)**	(613,278)	-	(613,278)
GROSS PROFIT		**248,566**	254,736	(212)	254,524
Administrative expenses		**(232,794)**	(231,181)	(1,395)	(232,576)
Other income	*2*	**4,085**	5,821	204	6,025
Trading profit		**19,857**	29,376	(1,403)	27,973
Profit / (loss) on disposal of fixed assets and businesses		**637**	5,676	(1,080)	4,596
Impairment of fixed assets		**(2,577)**	(3,906)	-	(3,906)
Profit / (loss) on revaluation of investment properties	*11*	**1,130**	(8,356)	-	(8,356)
Exceptional items	*5*	**4,175**	817	-	817
OPERATING PROFIT	*3*	**23,222**	23,607	(2,483)	21,124
Profit on financial assets at fair value	*25*	**408**	58	-	58
Interest and dividends receivable	*6*	**167**	464	-	464
Other finance cost	*18*	**(3,325)**	(3,720)	-	(3,720)
Interest payable	*7*	**(4,031)**	(4,249)	-	(4,249)
PROFIT BEFORE TAX AND PAYMENTS TO AND ON BEHALF OF STAKEHOLDERS		**16,441**	16,160	(2,483)	13,677
Payments to and on behalf of stakeholders	*8*	**(3,021)**	(3,134)	-	(3,134)
Taxation	*9*	**(3,203)**	(839)	-	(839)
RETAINED PROFIT FOR THE FINANCIAL PERIOD		**10,217**	12,187	(2,483)	9,704

CENTRAL ENGLAND CO-OPERATIVE LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

	Note	2022 52 weeks £'000	2021 52 weeks £'000
Retained profit for the period		**10,217**	9,704
Actuarial gains on pension scheme	*18*	**69,999**	6,531
Movement on deferred tax		**(12,887)**	493
Total comprehensive income for the period		**67,329**	16,728

CENTRAL ENGLAND CO-OPERATIVE LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
AS AT 22 JANUARY 2022

	Note	**22 January 2022**		**23 January 2021 (restated)**	
		£'000	**£'000**	**£'000**	**£'000**
FIXED ASSETS					
Intangible assets	*10*		**35,531**		18,631
Tangible assets	*11*		**381,519**		383,397
Investments	*12*		**251,193**		160,478
			668,243		562,506
CURRENT ASSETS					
Stocks	*13*	**40,890**		36,920	
Debtors: due within one year	*14*	**32,260**		32,064	
Debtors: due after one year	*14*	**7,585**		22,999	
Cash at bank and in hand		**13,922**		18,834	
		94,657		110,817	
CREDITORS: DUE WITHIN ONE YEAR					
Creditors	*15*	**(119,157)**		(110,061)	
Borrowings	*16*	**(315)**		(229)	
		(119,472)		(110,290)	
NET CURRENT (LIABILITIES) / ASSETS			**(24,815)**		527
TOTAL ASSETS LESS CURRENT LIABILITIES			**643,428**		563,033
CREDITORS: DUE AFTER ONE YEAR					
Creditors	*15*	**(299,162)**		(218,990)	
Borrowings	*16*	**(16,484)**		(688)	
			(315,646)		(219,678)
Provisions for liabilities and charges	*17*		**(5,560)**		(7,226)
Net pension liability	*18*		**(46,842)**		(128,042)
NET ASSETS			**275,380**		208,087
CAPITAL AND RESERVES					
Share capital	*19*		**22,909**		22,716
Revenue reserve			**252,471**		185,371
MEMBERS' FUNDS			**275,380**		208,087

CENTRAL ENGLAND CO-OPERATIVE LIMITED
GROUP STATEMENT OF CASH FLOWS
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

	Note	**2022 52 Weeks £'000**	**2022 52 Weeks £'000**	**2021 52 Weeks £'000**	**2021 52 Weeks £'000**
Net cash generated from operating activities	*20*		**36,784**		50,305
Cash flows from investing activities					
Proceeds from disposal of tangible assets		**3,092**		16,987	
Purchase of tangible assets		**(21,648)**		(20,022)	
Interest received		**167**		464	
Cash acquired on acquisition		**8**		-	
Purchase of business	*23*	**(20,842)**		-	
Net cash flows used in investing activities			**(39,223)**		(2,571)
Cash flows from financing activities					
Draw down of bank loans	*16*	**16,000**		-	
Repayment of bank loans		**-**		(31,000)	
Decrease in share capital		**(36)**		(315)	
Interest paid		**(293)**		(492)	
Pension deficit funding		**(17,941)**		(12,907)	
Repayment of finance lease obligations		**(203)**		(210)	
Net cash flows used in financing activities			**(2,473)**		(44,924)
Net (decrease)/increase in cash and cash equivalents			**(4,912)**		2,810
Cash and cash equivalents at beginning of the period			**18,834**		16,024
Cash and cash equivalents at end of the period			**13,922**		18,834

CENTRAL ENGLAND CO-OPERATIVE LIMITED
GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

	Share capital £'000	Revenue reserve (restated) £'000	Total £'000
At 26 January 2020	**22,848**	**168,826**	**191,674**
Profit for the financial year	-	9,704	**9,704**
Other comprehensive gains and losses:			
Actuarial gains on pension scheme	-	6,531	**6,531**
Movement on deferred tax relating to pension scheme	-	493	**493**
Total comprehensive gain for the period	**-**	**16,728**	**16,728**
Share capital contributions	345	-	**345**
Share capital withdrawals	(660)	-	**(660)**
Share interest	183	(183)	**-**
At 23 January 2021	**22,716**	**185,371**	**208,087**
Profit for the financial period	-	10,217	**10,217**
Other comprehensive gains and losses:			
Actuarial gains on pension scheme	-	69,999	**69,999**
Movement on deferred tax relating to pension scheme	-	(12,887)	**(12,887)**
Total comprehensive gain for the period	**-**	**67,329**	**67,329**
Share capital contributions	481	-	**481**
Share capital withdrawals	(517)	-	**(517)**
Share interest	229	(229)	**-**
At 22 January 2022	**22,909**	**252,471**	**275,380**

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

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

1 Gross Sales and Turnover

Gross sales represents the total amount paid by a customer and includes commission. The numbers below are adjusted to deduct VAT payable by the Group to HMRC.
Turnover represents the income received by the Group.

	Gross Sales (excluding VAT) 2022 52 Weeks	Gross Sales (excluding VAT) 2021 52 Weeks		
	Continuing Operations	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000
Retail - Food	**667,564**	691,238		691,238
Retail - Fuel	**93,711**	65,920		65,920
Wholesale	**62,092**	63,010		63,010
Funeral	**43,935**	40,651		40,651
Travel	**-**	-	(924)	(924)
Rent received from investment properties	**7,730**	8,163		8,163
Total	**875,032**	868,982	(924)	868,058

	Turnover 2022 52 Weeks	Turnover 2021 52 Weeks		
	Continuing Operations	Continuing Operations	Discontinued Operations	Total
	£'000	£'000	£'000	£'000
Retail - Food	**667,267**	690,270		690,270
Retail - Fuel	**93,711**	65,920		65,920
Wholesale	**62,092**	63,010		63,010
Funeral	**43,935**	40,651		40,651
Travel	**-**	-	(212)	(212)
Rent received from investment properties	**7,730**	8,163		8,163
Total	**874,735**	868,014	(212)	867,802

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

1 Gross Sales and Turnover (continued)

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Sales of goods	**825,077**	820,251
Rendering of services	**38,233**	36,143
Commission	**3,695**	3,245
Rent received from investment properties	**7,730**	8,163
	874,735	867,802

2 Other income

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Funeral Plan investment income	4,085	4,114
Government grants received	-	1,911
	4,085	6,025

During the prior year, the Group received £1,911,000 of Government grant income relating to the Covid-19 pandemic in respect of the Job Retention Scheme and the Retail, Hospitality and Leisure Grant. No such income has been received in the current year.

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

3 Operating profit

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

Operating profit is stated after charging:

	2022 52 Weeks £'000	2021 52 Weeks £'000
Bad debt provision movement	**472**	1,549
Operating lease rentals:		
- Plant and machinery	**588**	580
- Land and buildings	**6,942**	6,691
Intangible assets (note 10)		
- Amortisation	**3,225**	2,979
- Impairment	**22**	282
Tangible assets (note 11)		
- Depreciation on owned assets	**20,290**	20,862
- Depreciation on assets held under finance leases	**220**	239
- Impairment	**2,555**	3,624
Auditors' remuneration	**265**	265

During the year, the Society received £4,538,000 (2021: £8,317,000) of rates relief, as part of Covid-19 Government Assistance. The rates relief is reflected in administration expenses in the income statement.

Fees payable to the Society's auditors

	2022 52 Weeks £'000	2021 52 Weeks £'000
Fees payable to the Group's auditors for the audit of the Group's annual statement	**151**	157
Fees payable to the Group's auditors for other services to the Group:		
- The audit fees of the Society's subsidiaries	**114**	108
Total audit fees	**265**	265

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

4 Staff number and costs

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

	2022 52 Weeks Number	2021 52 Weeks Number
The average number employed by the Group was:		
Full-time	**2,425**	2,856
Part-time	**5,274**	5,074
	7,699	7,930

The average number of full time equivalent employees during the 52 weeks ended 22 January 2022 was 4,668 (2021: 4,879).

	2022 52 Weeks £'000	2021 52 Weeks £'000
Aggregate amounts paid in respect of:		
Wages and salaries	**123,684**	128,819
Social security costs	**7,940**	7,660
Defined contribution pension scheme costs	**5,166**	5,103
	136,790	141,582

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

5 Exceptional items

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Credit for pension past service cost	**(3,444)**	-
Costs arising from the reorganisation of business	**384**	372
Project costs	**758**	195
Legal settlement	**(1,226)**	-
ATM Rates refund	**(647)**	(2,369)
Movement in other provisions	**-**	(143)
Increase in onerous lease provisions	**-**	1,128
	(4,175)	(817)

Changes in past service cost for the defined benefit pension scheme have resulted in gains of £3,444,000 (2021: £nil) being recognised during the period. The gains relate to a GMP conversion exercise and a bulk Pension Increase Exchange exercise for pensioners of the scheme.

Costs of £384,000 (2021: £372,000) were incurred relating to the reorganisation of the funeral business, including the costs of integrating the funeral business transferred from The Midcounties Co-operative Group. Costs arising from the re-organisation of business primarily include professional fees and personnel costs.

One off project costs of £758,000 (2021: £195,000) were incurred in relation to the defined benefit pension scheme for the design and implementation of new member options to manage the pension deficit while giving added flexibility to members of the scheme.

The Society reached an agreement during the year for an on-going legal case under which the Society received a settlement payment of £1,226,000 (2021: £nil) after accounting for legal costs.

During the prior period, the outcome of the Government Automated Teller Machines (ATM) rates appeal was announced stating that ATMs are not liable to rates and therefore the Government is required to repay rates paid since 2010. Refunds of £647,000 (2021: £2,369,000) were recognised during the period.

The Group is committed to a number of onerous leases on its sites. Updates to the expected cost of settling these contracts gave rise to an increase in the provision of £1,128,000 in the prior year.

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

6 Interest and dividends receivable

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Interest receivable	**60**	357
Dividends receivable	**107**	107
	167	464

7 Interest payable

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Interest payable on bank loans	**289**	488
Interest payable on finance leases	**14**	16
Interest unwind on the Central Asset Reserve	**3,728**	3,745
	4,031	4,249

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

8 Payments to and on behalf of stakeholders

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Member benefits	**12**	25
Membership & Community funding and other grants	**487**	418
Members' dividend	**1,276**	1,534
Total member distributions	**1,775**	1,977
Co-operative Party	**104**	104
Community dividend	**179**	175
Employee dividend	**963**	878
	3,021	3,134

9 Taxation

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Current tax:		
Provided on chargeable income and gains in the period	**-**	1,080
Adjustment to tax charge in respect of prior periods	**674**	(44)
	674	1,036
Deferred taxation:		
Origination and reversal of timing differences	**3,404**	1,574
Impact of changes in tax rates	**(554)**	(712)
Adjustments in respect of prior periods	**(321)**	(1,059)
	2,529	(197)
Total taxation	**3,203**	839

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

9 Taxation (continued)

The current tax prior year adjustment relates to differences in the tax adjustments estimated for group reporting compared to the actual tax adjustments on the submitted computations.

The standard rate of tax applied to reported profit on ordinary activities is 19% (2021: 19%).

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 22 January 2022 has been calculated based on this rate unless otherwise stated.

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

Factors affecting the tax charge for the period
The tax assessed for the period is higher (2021: lower) than the effective rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 52 Weeks £'000	**2021 52 Weeks £'000**
Profit before taxation	**13,420**	10,543
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**2,550**	2,003
Effects of:		
Fixed asset timing differences not provided	**1,579**	493
Expenses not deductible for tax purposes	**80**	414
Income not taxable	**(341)**	(256)
Capital allowances super deduction	**(464)**	-
Adjustment to current tax in respect of prior periods	**674**	(44)
Adjustment to deferred tax in respect of prior periods	**(321)**	(1,059)
Impact of changes in tax rates	**(554)**	(712)
Tax charge for the period	**3,203**	839

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

9 Taxation (continued)

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

Expenses not deductible for tax
Some expenses incurred by the Society and included in its financial statements are not allowable as a deduction against taxable income when calculating the Society's corporation tax lability. Examples of these include, entertaining, abortive project costs, property disposals, lease surrender premiums, depreciation on fixed assets not eligible for capital allowances and certain legal and professional fees.

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

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

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

Impact of changes in tax rates
Deferred tax is recognised on the balance sheet at a hybrid rate of 24.5%. This amount relates to the income statement impact of the rate change from 19.0% in the prior year to 25.0% in the current year. In addition there is also an element going through reserves in relation to the pension scheme which is directly linked to the pension movement.

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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10 Intangible assets

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

	Software	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 24 January 2021	15,501	49,870	**65,371**
Additions	1,464	-	**1,464**
Business combinations (note 23)	-	18,726	**18,726**
Disposals	-	(714)	**(714)**
At 22 January 2022	**16,965**	**67,882**	**84,847**
Accumulated amortisation			
At 24 January 2021	11,673	35,067	**46,740**
Provided this period	1,173	2,052	**3,225**
Impairment	-	22	**22**
Disposals	-	(671)	**(671)**
At 22 January 2022	**12,846**	**36,470**	**49,316**
Net book value			
At 22 January 2022	**4,119**	**31,412**	**35,531**
At 23 January 2021	3,828	14,803	18,631

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

11 Tangible assets

Tangible assets are used by the Group to generate financial benefit and include property, plant and equipment and vehicles.
Investment properties are those held by the Group for the purpose of generating rental income and not used by the Group for trading. Trade properties include the Group's retail sites and funeral homes and are the sites that the Group trades from. All of the fixtures and fittings within these sites are included within plant and machinery.
Transport includes vehicles used within the Group such as for the distribution network or within the funeral business.

	Investment properties £'000	Trade properties £'000	Plant & machinery £'000	Transport £'000	Total £'000
Cost or valuation					
At 24 January 2021	126,398	264,253	219,832	17,738	**628,221**
Additions	1,892	4,798	13,356	-	**20,046**
Business combination (note 23)	-	1,425	887	110	**2,422**
Transfers	3,240	413	(3,653)	-	-
Disposals	(2,035)	(79)	(1,609)	(168)	**(3,891)**
Revaluation	(80)	-	-	-	**(80)**
At 22 January 2022	**129,415**	**270,810**	**228,813**	**17,680**	**646,718**
Accumulated depreciation					
At 24 January 2021	-	72,164	159,010	13,650	**244,824**
Provided this period	-	3,883	15,381	1,246	**20,510**
Impairment	-	1,169	1,386	-	**2,555**
Transfers	1,210	(74)	(1,136)	-	**-**
Disposals	-	(61)	(1,251)	(168)	**(1,480)**
Revaluation	(1,210)	-	-	-	**(1,210)**
At 22 January 2022	**-**	**77,081**	**173,390**	**14,728**	**265,199**
Net book value					
At 22 January 2022	**129,415**	**193,729**	**55,423**	**2,952**	**381,519**
At 23 January 2021	126,398	192,089	60,822	4,088	383,397

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

11 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 22 January 2022. Of the investment properties, one fifth have been inspected and the remainder have been valued by Colliers International at 22 January 2022 based on information provided by the Group. The valuation has been prepared in accordance with the RICS Valuation – Professional Standards January 2014 (the “Red Book”) prepared by the Royal Institution of Chartered Surveyors (the "RICS").

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the income statement. The revaluations during the period resulted in a revaluation gain of £1,130,000 (2021: revaluation loss of £8,356,000).

Tangible fixed assets with a carrying value of £53,365,000 (2021: £53,064,000) are pledged as security for the Group’s bank loans.

Assets in the course of construction included within trade properties amounts to £3,880,000 (2021: £4,400,000). Assets under construction are not depreciated.

The Group no longer capitalises borrowing costs connected to the purchase of a fixed asset. The cumulative value of finance costs previously capitalised and included within fixed assets (cost or valuation) amounts to £1,382,000 (2021: £1,382,000).

Included within fixed assets are assets with a net book value of £778,000 (2021: £913,000) relating to assets held under finance lease. Depreciation charged on these assets amounted to £220,000 (2021: £239,000) during the period.

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

In line with the Group’s accounting policies, an impairment review of loss making units was performed during the period and gave rise to an impairment of £2,577,000 (2021: £3,906,000) including £22,000 (2021: £282,000) relating to intangible assets.

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

11 Tangible assets (continued)

The carrying value of land and buildings comprises:

	2022	2021
	£'000	£'000
Investment properties:		
Freehold	**123,604**	120,918
Leasehold	**5,811**	5,480
	129,415	126,398
Trade properties:		
Freehold	**176,425**	173,209
Leasehold	**17,304**	18,880
	193,729	192,089
Total properties:		
Freehold	**300,029**	294,127
Leasehold	**23,115**	24,360
	323,144	318,487

Included in the carrying values of land and buildings is £60,260,000 (2021: £57,553,000) relating to land which is not depreciated.

The historical cost of investment properties now included at valuation:

	2022	2021
	£'000	£'000
Cost	**131,578**	130,605
Accumulated depreciation	**(19,601)**	(20,806)
Net book value	**111,977**	109,799

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

12 Investments

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

	2022 £'000	2021 £'000
The Co-operative Group Limited – shares	**2,684**	2,684
Other societies – shares	**3**	3
Companies – not quoted	**7**	7
Funeral plans	**248,499**	157,784
	251,193	160,478

The following analysis shows the movement in the year on investments held during the period ended 22 January 2022:

	Co-operative Group Limited £'000	Other Societies £'000	Unquoted shares £'000	Funeral plans £'000
Carrying amount				
At 24 January 2021	2,684	3	7	157,784
Additions	-	-	-	10,253
Disposal and redemptions	-	-	-	(14,186)
Business combination (note 23)	-	-	-	85,967
Change in fair value	-	-	-	8,681
At 22 January 2022	**2,684**	**3**	**7**	**248,499**

13 Stocks

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

	2022 £'000	2021 £'000
Goods for resale	**40,890**	36,920

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

14 Debtors

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

	Due within one year		Due after one year	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade debtors	**7,762**	6,524	**-**	-
Other debtors	**17,105**	18,981	**-**	-
Prepayments and accrued income	**7,393**	6,559	**-**	-
Deferred tax	**-**	-	**7,585**	22,999
	32,260	32,064	**7,585**	22,999

Trade debtors are stated after a provision for impairment of £2,769,000 (2021: £3,001,000).

The Society holds an interest rate swap with a principal value of £12,000,000 (2021: £12,000,000), which matures on 14 November 2024. The market value of the interest rate swap at the balance sheet date is an asset of £402,000 (2021: liability of £8,000) which is included in other debtors (2021: included in other creditors). See note 25 for further details.

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

The deferred taxation asset comprises:

	2022	2021
	£'000	£'000
Accelerated capital allowances	**2,199**	4,428
Capital gains	**(1,427)**	(388)
Pension scheme	**2,984**	17,412
Unutilised losses	**4,095**	1,680
Business combinations	**(576)**	(477)
Other timing differences	**310**	344
	7,585	22,999

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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15 Creditors

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

	Due within one year		Due after one year	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	**62,767**	58,045	**-**	-
Central Asset Reserve liability	**7,242**	6,400	**69,344**	73,317
Funeral plans	**19,371**	12,751	**229,591**	145,539
Taxation and social security	**4,588**	4,639	**-**	-
Other creditors	**2,410**	4,172	**-**	-
Accruals and deferred income	**19,956**	21,444	**227**	134
Payments to and on behalf of stakeholders	**2,823**	2,610	**-**	-
	119,157	110,061	**299,162**	218,990

16 Borrowings

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

	Within one year		After one year	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Bank loan	**-**	-	**16,000**	-
Finance lease obligations (note 21)	**315**	229	**484**	688
	315	229	**16,484**	688

Interest payable on the bank loan for the 52 weeks ended 22 January 2022 was £289,000 (2021: £488,000). Interest payable on finance lease obligations was £14,000 (2021: £16,000).

	2022	**2021**
	£'000	**£'000**
Borrowings falling due within:		
One year	**315**	229
Between one and two years	**484**	526
Between two and five years	**16,000**	162
	16,799	917

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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16 Borrowings (continued)

The Society's bank loan is a revolving credit facility of £40,000,000 (2021: £40,000,000) which is repayable on 14 November 2024. £16,000,000 (2021: £nil) of the facility was drawn down at the year end. The facility has two financial covenants; interest cover and leverage ratio. The interest rate incurred on the loan is driven by the outcome of the leverage ratio.

17 Provisions for liabilities and charges

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

	Onerous leases £'000	Other provisions £'000	Total £'000
As at 24 January 2021	6,178	1,048	**7,226**
New provisions created in the period	-	133	**133**
Reassessment on brought forward provision	151	-	**151**
Utilised this period	(1,528)	(33)	**(1,561)**
Released this period	(321)	(68)	**(389)**
As at 22 January 2022	**4,480**	**1,080**	**5,560**

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 8 years (2021: 9 years).

Other provisions represent an assessment of costs associated with the decommissioning of petrol filling stations of £332,000 (2021: £332,000), property provisions of £485,000 (2021: £578,000) and other provisions of £263,000 (2021: £137,000).

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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18 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 Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Society must agree with the Trustees of the Scheme the contributions to be paid to meet any shortfall against the Statutory Funding Objective.

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

The Society implemented a pension deficit reduction arrangement (Central Asset Reserve) which has resulted in additional scheme assets of £96,738,000 (2021: £110,055,000) being recognised. The scheme assets are underpinned by way of subordinated pledges given by Central Midlands Estates Limited, a subsidiary of the Society.

The Society expects to pay deficit reduction contributions of £4,000,000 in the period to 28 January 2023. Furthermore, during the period to 28 January 2023, contributions to the Scheme will be paid from the Central Asset Reserve (CAR). 31% of the CAR contributions are deemed as contributions whilst 69% is treated as investment returns. Therefore, the Society expects a further £3,000,000 of contributions from the CAR, giving total contributions of £7,000,000 during the period.

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

18 Employee benefits (continued)

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

The following amounts are recognised in the balance sheet:

	2022 £'000	**2021 £'000**
Fair value of assets	**811,600**	784,640
Present value of funded obligations	**(858,442)**	(912,682)
Deficit in the scheme	**(46,842)**	(128,042)

The following amounts are recognised in the income statement:

	2022 52 Weeks £'000	**2021 52 Weeks £'000**
Administration cost	**1,476**	1,275
Interest on liabilities	**13,496**	16,178
Interest on assets	**(11,647)**	(13,733)
Other finance cost	**3,325**	3,720
Past service costs	**(3,444)**	200
	(3,444)	200

During the period the Society has undertaken a GMP conversion exercise as well as a bulk Pension Increase Exchange (PIE) exercise and introduced a number of embedded member options. A gain of £3,444,000 relating to the impact of the GMP conversion and bulk PIE exercises has been recognised as a past service cost and credited to exceptional items.

The High Court published its judgment in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc (and others) on 26 October 2018 which confirmed that formerly contracted-out schemes are required to equalise GMPs. A further judgment on 20 November 2020 confirmed that there was also an obligation to pay additional amounts where certain past transfer payments since 1990 had not been equalised for the effects of GMPs. The impact of the 2020 judgment was recognised in the prior period as a past service cost of £200,000 and charged to administrative expenses.

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

18 Employee benefits (continued)

The remeasurements over the period are as follows:

	2022 52 Weeks £'000	2021 52 Weeks £'000
Gain on scheme assets in excess of interest	**(31,867)**	(15,929)
Experience loss/(gain) on liabilities	**10,466**	(11,897)
Loss/(gain) from changes to demographic assumptions	**888**	(23,195)
(Gain)/loss from changes to financial assumptions	**(49,486)**	44,490
Total remeasurement gain	**(69,999)**	(6,531)

The movement in the balance sheet over the period was:

	2022 52 Weeks £'000	2021 52 Weeks £'000
Deficit at the start of the period	**(128,042)**	(139,689)
Other finance costs	**(3,325)**	(3,720)
Past service cost	**3,444**	(200)
Society contributions	**11,082**	9,036
Total remeasurements	**69,999**	6,531
Deficit at the end of the period	**(46,842)**	(128,042)

The movement in the assets over the period was:

	2022 52 Weeks £'000	2021 52 Weeks £'000
Opening fair value of scheme assets	**784,640**	770,889
Interest on assets	**11,647**	13,733
Society contributions	**11,082**	9,036
Benefits paid	**(26,160)**	(23,672)
Administrative costs	**(1,476)**	(1,275)
Return on assets less interest	**31,867**	15,929
	811,600	784,640

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

18 Employee benefits (continued)

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Opening obligation	**912,682**	910,578
Interest cost	**13,496**	16,178
Benefits paid	**(26,160)**	(23,672)
Experience gain on defined benefit obligation	**10,466**	(11,897)
Changes to demographic assumptions	**888**	(23,195)
Changes to financial assumptions	**(49,486)**	44,490
Past service costs	**(3,444)**	200
Closing obligation	**858,442**	912,682

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

	2022	2021
Bonds	**48%**	54%
Equities and property	**17%**	12%
Other	**35%**	34%
	100%	100%

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 £43,514,000 (2021: £29,662,000) which corresponds to a 6% (2021: 4%) return over the period.

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

18 Employee benefits (continued)

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

	2022	**2021**
Discount rate - per annum	**2.10%**	1.50%
Inflation assumption (RPI) - per annum	**3.50%**	3.10%
Inflation assumption (CPI) - per annum	**3.00%**	2.60%
RPI max 5.0% pension increases in payment - per annum	**3.35%**	3.00%
RPI max 2.5% pension increases in payment - per annum	**2.30%**	2.20%
CPI max 3.0% pension increases in payment - per annum	**2.40%**	2.15%
Members assumed to take maximum tax free cash	**90%**	90%

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

The mortality assumptions used are based on 95% of the S3PA_H tables for males and 105% of the S3PA_H tables for females (2021: 120% of the "SAPS" combined "S3 series" tables) with an allowance for future mortality improvements using the CMI 2019 projections with a long-term rate of improvement of 1.25% per annum in both the current and prior year. The initial addition is 0.00% per annum (2021: 0.25% per annum). The Central Asset Reserve asset value is assumed to be 69% of Trustees' valuation as at 31 December 2021, adjusted for significant changes to 22 January 2022 (2021: 69% of Trustees' valuation as at 31 December 2020).

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

	2022	**2021**
Male currently age 45	**21.7**	22.1
Female currently age 45	**24.3**	24.6
Male currently age 65	**20.2**	20.8
Female currently age 65	**22.7**	23.3

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 £5,166,000 (2021: £5,103,000).

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

19 Share capital

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Contributions	**481**	345
Withdrawals	**(517)**	(660)
	(36)	(315)
Interest	**229**	183
Movement in period	**193**	(132)
Opening balance	**22,716**	22,848
Closing balance	**22,909**	22,716

At 22 January 2022, the Society had a total of 1,647,150 (2021: 1,646,188) members each entitled to one vote. The total number of members including those who are not eligible to vote at the reporting date was 1,919,321 (2021:1,875,664) At the reporting date the whole of the share capital comprises non-equity shares of £1 each attracting interest at rates between 0% and 2.00% (2021: between 0% and 2.25%).

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.

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

19 Share capital (continued)

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

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

20 Cash flow statement

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Profit for the financial period	**10,217**	9,704
Adjustments for:		
Gain on financial assets at fair value	**(408)**	(58)
Net interest expense	**7,189**	7,505
Payments to and on behalf of stakeholders	**3,021**	3,134
Taxation	**3,203**	839
Operating profit	**23,222**	21,124
Adjustment for:		
(Profit)/loss on revaluation of investment properties	**(1,130)**	8,356
Profit on disposal of fixed assets and businesses	**(637)**	(4,596)
Depreciation and impairments	**23,065**	24,726
Amortisation and impairment of goodwill	**3,247**	3,261
Payments to and on behalf of stakeholders	**(2,805)**	(2,580)
Fair value movements	**408**	58
Net movement on funeral plan asset and liability	**(731)**	(509)
Taxation	**(987)**	(532)
Decrease in debtors	**258**	1,409
Increase in creditors	**1,802**	3,766
Increase in stocks	**(3,817)**	(310)
Decrease in provisions	**(1,667)**	(1,256)
Other non-cash movements	**-**	424
Cash contribution for retirement benefit obligations	**-**	(3,036)
Pension past service cost	**(3,444)**	-
	36,784	50,305

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

20 Cash flow statement (continued)

As at 22 January 2022, the Group had a net debt position of £2,877,000 (2021: net cash of £17,917,000).

	2022 £'000	2021 £'000
Cash at bank and in hand	13,922	18,834
Debt due after one year	(16,000)	-
Net (debt)/cash excluding lease liabilities	**(2,078)**	**18,834**
Lease liabilities	(799)	(917)
Net (debt)/cash	**(2,877)**	**17,917**

Analysis of changes in net debt

	Cash at bank and in hand £'000	Debt due after one year £'000	Lease liabilities £'000	Total £'000
At 24 January 2021	**18,834**	**-**	**(917)**	**17,917**
Cashflows	(4,912)	(16,000)	203	**(20,709)**
Lease liabilities acquired	-	-	(85)	**(85)**
At 22 January 2022	**13,922**	**(16,000)**	**(799)**	**(2,877)**

21 Financial commitments

Finance leases

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

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

	2022 £'000	2021 £'000
Within one year	**315**	229
In the second to fifth year inclusive	**484**	688
	799	917

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

21 Financial commitments (continued)

Operating leases - receivable

These leases are termed as operating since they generally have shorter terms and the Group 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:

	Land & Building 2022 £'000	Land & Building (restated) 2021 £'000
Operating leases expiring:		
Within one year	**7,731**	8,174
In the second to fifth year inclusive	**13,924**	16,168
Over five years	**11,584**	11,607
	33,239	35,949

In the prior year there were a number of leases containing break clauses which were not taken into consideration when disclosing the minimum lease payments. The impact of this is to reduce the minimum future lease payments due to the Group from £48,149,000 as disclosed in the prior year to £35,949,000 as restated above. The prior year disclosure was analysed as £8,413,000 due in less than one year, £17,539,000 in the second to fifth year inclusive and £22,197,000 due in over five years. This restatement is a disclosure restatement only and has not resulted in any other changes to the financial statements.

Operating leases - payable

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

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

	Land & Building 2022 £'000	Land & Building 2021 £'000	Other 2022 £'000	Other 2021 £'000
Operating leases expiring:				
Within one year	**6,361**	6,041	**1,633**	937
In the second to fifth year inclusive	**19,071**	16,014	**2,766**	-
Over five years	**26,751**	34,629	**490**	-
	52,183	56,684	**4,889**	937

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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21 Financial commitments (continued)

Included within the minimum operating lease payments are onerous lease and discontinued operation commitments of £4,413,000 (2021: £5,238,000) which are fully provided for as described in note 17.

The Society has given certain guarantees in respect of rental and other expenses in the event of default by Anglia Home Furnishing Limited. These guarantees are due to expire in April 2022.

Capital commitments

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

Amounts contracted for but not provided for in the financial statements were £4,660,000 (2021: £7,044,000).

22 Subsidiaries and associates

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

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

* Held wholly or partly by subsidiary undertaking.

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

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

22 Subsidiaries and associates (continued)

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

Subsidiary audit exemptions
Central England Co-operative Limited has issued guarantees over the liabilities of the following companies at 22 January 2022 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.

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

23 Business Combinations

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

On 6 November 2021, the Society completed a Transfer of Engagement with The Midcounties Co-operative Group under which 50 funeral homes, two vehicle logistics sites and Midcounties pre-paid Funeral plan business transferred to the Society.

The transferring business was sold by The Midcounties Co-operative Limited to The Midcounties Co-operative Funeral Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014. The Society acquired the trade and assets of The Midcounties Co-operative Funeral Limited under a Transfer of Engagement.

As per the terms of a Transfer of Engagement, shares in the Society were issued on a like for like basis to the members of The Midcounties Co-operative Funeral Limited in place of the entire share capital of the transferring society. The value of shares issued was £100.

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

23 Business Combinations (continued)

Cash consideration after accounting for transaction costs of £688,000, was paid in the form of settling a liability to The Midcounties Co-operative Limited, the shareholder of the transferring society.

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

	2022 £'000
Fixed assets	
Tangible assets	2,422
Investments	85,967
	88,389
Current assets	
Stocks	153
Debtors	451
Cash at bank and in hand	8
	612
Creditors	
Amounts falling due within one year:	
Creditors	(10,385)
Borrowings	(85)
	(10,470)
Amounts falling due after more than one year:	
Creditors	(76,415)
Net assets acquired	2,116
Goodwill recognised on acquisition	18,726
Total consideration paid	20,842

The goodwill arising on the acquisition is attributable to the established nature of the profitable and cash generative business acquired and the anticipated future revenue, including that of the prepaid funeral plan business.

The acquisition represents a geographical expansion on the Society's current funeral business with strong opportunities for cost synergies and future revenue growth.

Management have estimated the useful life of the goodwill to be 20 years based on the stable, established revenue streams of the business acquired.

Included in the income statement for the 52 weeks ended 22 January 2022 was revenue of £3,124,000 and operating profit of £602,000 relating to the business acquired.

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

24 Related party transactions

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

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

25 Financial instruments

This section details the value of the Group's financial assets and liabilities recorded in the 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:

	2022 £'000	2021 £'000
Financial assets measured at fair value through profit or loss		
Unquoted investments	**7**	7
Interest rate swap	**402**	-
Funeral plans	**248,499**	157,784
Financial assets measured at amortised cost		
Trade debtors and other debtors	**24,466**	25,505
Equity instruments measured at cost less impairment		
Fixed asset investments	**2,687**	2,687
Total financial assets	**276,061**	185,983

CENTRAL ENGLAND CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 22 JANUARY 2022

25 Financial instruments (continued)

	2022 £'000	2021 £'000
Financial liabilities measured at fair value		
Interest rate swap	**-**	8
Funeral plans	**248,962**	158,290
Financial liabilities measured at amortised cost		
Finance lease payables	**799**	917
Bank loan	**16,000**	-
Trade creditors and other creditors	**72,588**	69,458
Total financial liabilities	**338,349**	228,673

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

	2022 52 Weeks £'000	2021 52 Weeks £'000
Fair value gains	**408**	58
Interest expense	**(303)**	(504)

The interest rate swap settles on a quarterly basis. The floating rate on the interest rate swap is three months SONIA plus CAS (2021: 3 months LIBOR). CAS (Credit Adjustment Spread) is the adjustment made to equate the previously used LIBOR rate, to the SONIA rate to be used going forward. The Group settles the difference between the fixed and floating interest rate on a net basis.

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

Registered Office: Central House, Hermes Road,
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