The Midcounties Co-operative

Annual Report & Accounts 2015/16

THE QUEEN'S AWARDS FOR ENTERPRISE: SUSTAINABLE DEVELOPMENT 2015

CO-OPERATIVES UK
OF THE YEAR 2015

CR INDEX 2016

Fair Tax

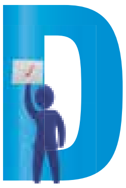
Contents

Who we are

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

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

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

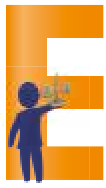


DEMOCRACY

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

OPENNESS

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



EQUALITY

Recognising the contribution that everyone can make to develop the Society

SOCIAL RESPONSIBILITY

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

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

The Midcounties Co-operative

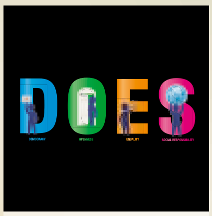
OUR IMAGINED FUTURE

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

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

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

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

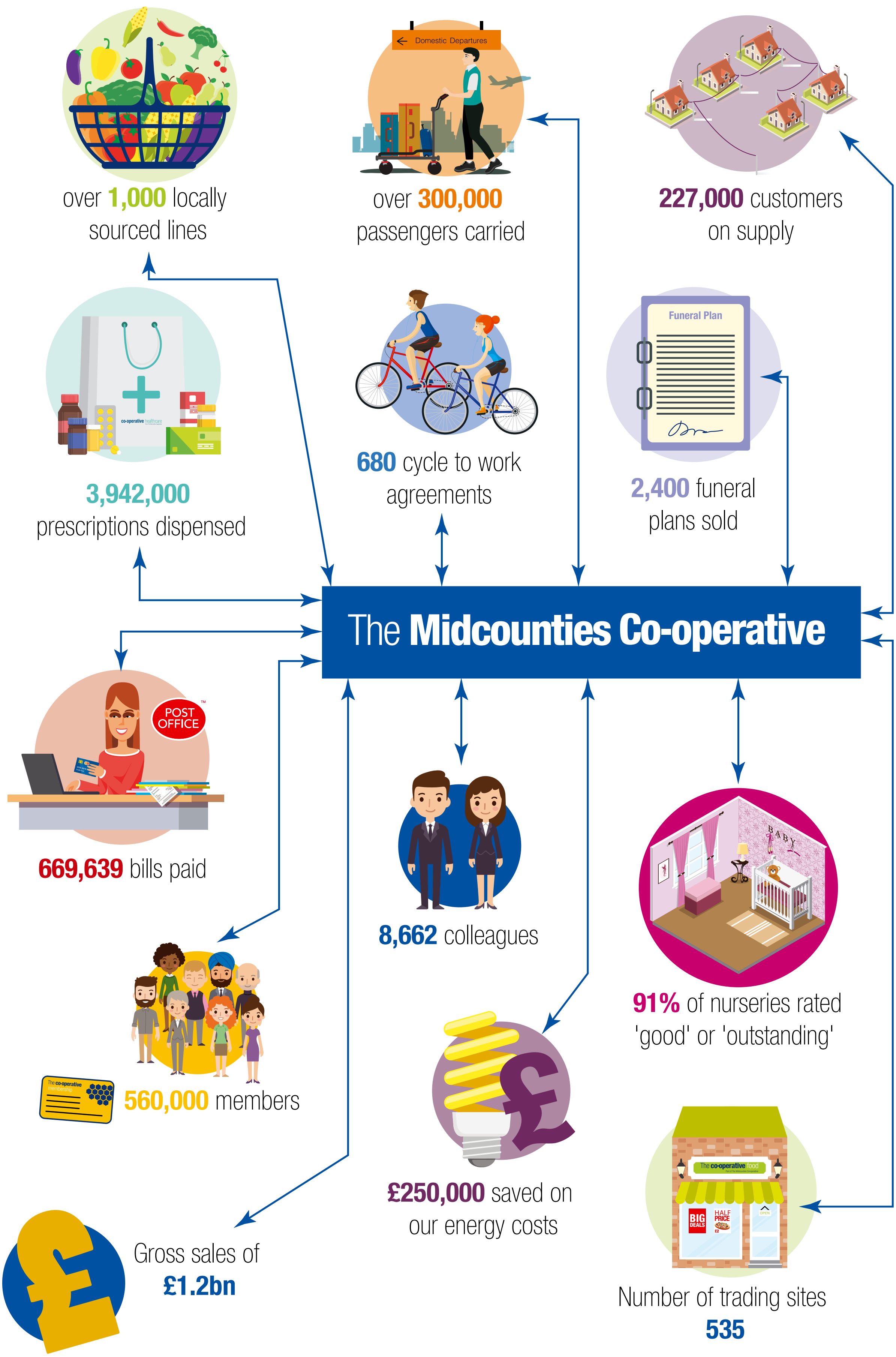


We are a commercially successful, sustainable, values driven business which is trusted by the public, loved by its members and supportive of its suppliers.

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

What we do

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



President's introduction

We have seen some difficult market places, but nonetheless have remained confident and continued to make significant investments in buildings, systems, partnerships and new ventures.

Ruth FitzJohn

I think we all expected last year to be challenging, but it turns out we were able to rise to these challenges as we continued to perform. 163 years experience of local trading, celebrating 10 years of Midcounties, a vibrant membership base and a commitment to the long term carried us through. This report sets out more detail about each of your businesses. We have seen some difficult market places, but nonetheless have remained confident and continued to make significant investments in buildings, systems, partnerships and new ventures.

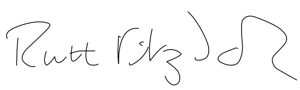
Hard earned and well deserved awards were achieved during the year by a number of our trading groups - The Best Large Travel Agency in the national Agent Achievement Awards and the EU Sustainable Energy Europe Award to name two. The Society as a whole also received notable recognition and the Chief Executive's report carries more detail, but I would particularly like to highlight our Queen's Award for Enterprise in Sustainable Development.

I hope these give you confidence in the quality of the businesses and the leadership of The Midcounties Co-operative that you as members own.

As you have come to expect, we measure our success by more than pounds and pence. We want to be a successful thriving business. Not just how much profit, but how we make it and what we do with it are also very important to us all. There are many examples throughout the report, but here are a few that illustrate the breadth of our commitment:

- A series of bereavement DVDs now help parents, teachers, carers and other professionals support children who have lost a parent or grandparent
- Five new post offices are now up and running in local communities
- Together we supported local foodbanks with over 24,000 items
- We have increased our recycling rate to 85%
- There is a village in Zambia who have a well supplying their clean water thanks to Midcounties
- We sponsored the football kit for the Walsall College disabled team
- We continue to prioritise investment in community energy and renewable projects, working with many smaller suppliers and low carbon schemes
- 2015 was your Healthcare business's most successful year ever in helping people quit smoking
- You spent more than £53 million with ethical and local food suppliers by shopping in our food stores
- We use our Little Pioneer characters in our Childcare business to explain to the children in our care about our values and how they can make a difference in the world.

At the heart of all we do are our members. But, momentum for delivery and quality comes from our colleagues and a very motivated management team. When members, colleagues and leaders are aligned and committed to making a difference, co-operation is equal to the challenge.



Ruth FitzJohn
President

Chief Executive's overview

The Society has continued to make progress on its twin agenda of achieving commercial success and living our co-operative values.

Ben Reid OBE

This year we celebrated our 10th anniversary on 24 September 2015, an important milestone in the history of The Midcounties Co-operative. Despite a tough trading environment in all sectors I'm pleased to report that in 2015 the Society has continued to make progress on its twin agenda of achieving commercial success and living our co-operative values.

Trading performance

As indicated in the table below, 2015/16 gross sales have increased by 3.1% to £1.247 billion.

Sales performance

£m	2015/16	2014/15	Variance %
Food	562	577	(2.6)
Travel	298	273	9.2
Energy	253	228	11.0
Healthcare	42	42	0.0
Flexible Benefits	28	28	0.0
Funeral	30	27	11.1
Childcare	28	26	7.7
Property rentals and other sales	3	6	(50)
Post Offices	3	3	0.0
	1,247	**1,210**	**3.1**

Within this overall figure performance within sectors has been mixed. However, one of the great strengths of our co-operative business model with a range of businesses is that we can support one element of the Society when there is a significant shift in the market. This has been the case in our Food business where the discounters and changing consumer behaviour are having a significant impact upon all food retailers. Though it is pleasing to note that our strategy to address these challenges is beginning to have positive results with sales over the Christmas period achieving a positive like for like performance of 3.4%.

Our Energy business continues to grow, demonstrated by the 11.0% increase in sales and net increase in customer numbers of 6.6%. We have now resolved many of the issues connected with the implementation of a new customer billing system and the business is well placed to continue growing in the year ahead.

There was also positive growth in the established Travel, Funeral and Childcare businesses which enjoyed increases in both market share and sales. Healthcare, Flexible Benefits and Post Offices have faced particular challenges but despite this have managed to maintain sales in line with the previous year.

Operating profit before significant items was £15.5m, which while below last year, was in line with our plans and given the difficult economic conditions marks a satisfactory performance. The full financial reports in statutory format are shown from page 56 onwards.

Our net assets in the year increased from £158.1m to £173.8m, principally on account of a decrease in the provision for future pension obligations given a favourable movement in gilt yields at the balance sheet date. In addition, our net borrowings have decreased to £36.4m from the 2014/15 level of £48.8m, the result of careful financial management, particularly of working capital. This places the Society in a strong position to fund further growth for the benefit of members and customers.

Our values

Of course, as a co-operative we are measured not just on our financial performance but also on how we perform against a range of Co-operative, social and sustainability targets. So it is a pleasure to be able to report three accolades received during the year. The first was the Queen's Award for Enterprise in Sustainable Development. It was a real honour to receive such a prestigious award in recognition of our positive environmental initiatives, sustained growth and contribution to our local communities. The second was to achieve a 5 star rating in Business in the Community's corporate responsibility index. Finally, we were voted Co-operative of the Year for the second year running by Co-operatives UK, the only co-operative to do the double.

These awards are a tangible endorsement of the hard work of our 8,662 colleagues who between them spent 26,500 hours volunteering in the communities we serve. We have also seen an increase in our membership to 560,000 members and, pleasingly, in our Customer Loyalty Index score which at 75 points was up 4 points on last year.

Despite some tough challenges, with the dedication of our colleagues, the support of our members and the loyalty of our customers we have had a successful year and look forward to continued progress in the year ahead.

Ben Reid OBE, Chief Executive

Key achievements

We celebrated our 10th anniversary on 24 September 2015.
Over the last 10 years we have:

- given back £11.9m to our communities
- raised over £1.4m for our charity partners
- spent over 234,800 hours helping others
- distributed over £44m to our members

We were awarded the Queen's Award for Enterprise in Sustainable Development for our positive environmental initiatives, sustained growth and contribution to our local communities.

We were voted Co-operative of the Year for the second time, the only co-operative to do the double.

We achieved a 5 star rating in Business in the Community's Corporate Responsibility Index.

We distributed over 24,000 food products and supported over 40 food banks in the communities where we trade.

We were reaccredited with the Fair Tax Mark for the third year for being transparent about our tax affairs.

Trading group overviews

Food Retail

Key facts

Gross sales: £562 million (2014/15: £577 million)
Colleagues: 5,194 (2014/15: 5,341)
Sites: 234 (2014/15: 244)
Steering wheel: 75% of targets achieved (2014/15: 75%)

Our Food business has performed well this year with profit ahead of target in what continues to be a very difficult market.

Our Food business has performed well this year with profit ahead of target in what continues to be a very difficult market. This shows we are responding in the right way to the twin challenges posed by the discounters and changing customer shopping habits. Performance around the key Christmas trading period was particularly strong compared to the market, with a good core range and well-controlled operations.

The year saw us launch our fantastic new flagship supermarket in Chipping Norton following a multi-million pound extension and refit. We also opened six new stores in Tipton, Maidenhead, Walsall, Coventry, Swindon and Cheltenham, with the Walsall store incorporating our first Coffee Republic offer.

To refresh our supermarkets we introduced a number of concessions including Bon Marché, The Works, Dorothy Perkins and Brantano. This, coupled with the focus on greater range, new lines and locally sourced products in our convenience stores, resulted in an improved performance in the second half of the year and a return to positive like-for-like sales growth during the fourth quarter.

Following a successful pilot we rolled out our new automated sales based ordering system across our food estate. We also restructured our store management and supervisory structures introducing a more streamlined operating model with a greater clarification of roles. Both these initiatives have helped tighten our operational performance.

As part of our commitment to the communities we serve, we continued to collect food at our food banks and to volunteer as part of our Regional Communities strategy. In total we collected over 24,000 items at our food banks which were distributed to people in need, and volunteered over 9,000 hours helping local organisations across our trading area.

10th Anniversary 2005-2015

Over the last decade our food estate has moved with the times to reflect the changing needs of our customers as we have invested significantly in new stores, modernisation and the introduction of energy saving technology. We have achieved sales of more than £53 million through our ethical and local suppliers. We now work with 120 local suppliers and range over 1,000 lines and a number of our suppliers have been with us for the full 10 years. Since 2005 both our food sales and store estate have increased significantly. Food sales have grown from £293 million to £562 million, and the number of stores we run has increased from 149 to 234 today. We also employ around 400 more colleagues than ten years ago.

Travel

Key facts

Gross sales: £298 million (2014/15: £273 million)
Colleagues: 452 (2014/15: 457)
Sites: 58 (2014/15: 58)
Steering wheel: 69% of targets achieved (2014/15: 65%)

Through the year we have seen strong growth in all our Co-operative Travel businesses, both in sales and profit.

Through the year we have seen strong growth in all our Co-operative Travel businesses, both in sales and profit, a pleasing performance given the difficult year for the industry as a whole following the terrorist atrocities in Paris,Tunisia and Sharm el Sheikh.

We have launched Co-operative Rooms, our own bed stock business and a key part of our ambitions to develop a Co-operative Holidays venture selling our own product. Our Florida holiday business, introduced last year, Co-operative Travel Consortium and Personal Travel Agent group have all continued to perform well. 15 new Personal Travel Agents joined the team and eight new members of the Consortium were recruited.

We were delighted to receive a number of awards during the year. We were voted the National Large Travel Agent of the Year at the Travel Agent Achievement Awards for the second year running, the highest accolade for a travel business. At the Travel Trade Gazette Awards Stella Sharples received the National Homeworker of the Year Award, and at the Performance through People Awards Emily Borthwick received the National Learner of the Year Award.

We continue to support the communities we serve, providing 2,684 volunteering hours supporting local organisations as part of our Regional Communities strategy. We are supporting Walsall College Academy travel and tourism students by delivering lessons on sustainable tourism in conjunction with our charitable organisations the Travel Foundation and Just a Drop. We continue to work with both charity partners to ensure tourism benefits local people and to provide access to clean water.

We recruited six apprentices for the first time, provided work experience placements in our local branches and sponsored the football kit for the Walsall College disabled team.

10th Anniversary 2005-2015

Over the last 10 years we have grown into the third largest independent travel agency in the UK and the largest Co-operative travel business. We have increased the number of branches from 36 in 2005 to 58 today. We have also launched our home-working Personal Travel Agents division and our Co-operative Consortium for independent travel agents and achieved the service mark accreditation by the Institute of Customer Service, a national standard which recognises world class customer service. Since 2013 we have been working in Sokoloko village in Zambia helping 140 people access clean water after their well became contaminated. The project was implemented by Just a Drop's local partner the Kaloko Trust. A local co-operative committee now maintains the well by fundraising from within the community.

Energy

Key facts

Gross sales: £253 million (2014/15: £228 million)
Colleagues: 379 (2014/15: 293)
Steering wheel: 25% of targets achieved (2014/15: 50%)

We were delighted to win the prestigious EU Sustainable Energy Europe Award for our innovative, consumer empowering User Chooser initiative.

The energy industry continues to be very competitive. Nonetheless, Co-operative Energy has continued to grow with gross sales £25 million ahead of last year. This was just short of target due to a warm winter and issues arising from the implementation of a new billing system during the year which suffered a number of complications.

These complications caused a disappointing reduction in levels of customer service. However, we have now resolved the majority of the issues and are well-placed to grow the business in the year ahead and, importantly, return to providing a first class service to our customers.

To ensure customers are right at the heart of what we do we have introduced an independently chaired 'customer advisory panel'. The panel met twice during the year, and is already providing valuable feedback and commentary on our plans and the services we are providing.

In June we were delighted to win the prestigious EU Sustainable Energy Europe Award for our innovative, consumer empowering User Chooser initiative which allows customers to choose where their energy is sourced. It was a fantastic achievement to win against energy companies from across Europe.

We continued to invest in our colleagues, creating two in-house Energy Training Academies at Walsall and Warwick. These offer a full suite of training programmes, and are the first point of contact for all new colleagues joining the business.

We also sponsored the Energy Community Conference for the third year running, bringing together practitioners interested in developing community energy projects, and we conducted a survey which showed strong public support for community based renewable energy generation. We continued to support the communities we serve, volunteering 469 hours to help local organisations as part of our Regional Communities strategy.

10th Anniversary 2005-2015

Co-operative Energy was launched in June 2011. Over the last four years the business has grown rapidly and now has over 227,000 customers. As an ethical energy provider, we have invested heavily in community energy and renewable projects, supporting smaller suppliers and low carbon schemes such as the Great Dunkilns and Harlock Hill wind farms. We now have agreements in place with 30 renewable energy generators, 15 of which are owned by the community. Since its introduction in 2015 our award winning User Chooser service has already helped to change the face of the industry by allowing consumers to support renewable and community energy projects. We will continue lobbying local and national government to invest more in community energy and energy efficiency schemes in the years ahead.

Healthcare

Key facts

Gross sales: £42 million (2014/15: £42 million)
Colleagues: 432 (2014/15: 455)
Sites: 43 (2014/15: 46)
Steering wheel: 60% of targets achieved (2014/15: 80%)

We were named by the Best Companies Group as one of the five "best places to work in community pharmacy".

This has been a challenging year for Co-operative Healthcare. A drive by the Department of Health to make major cost savings across the NHS has affected the whole pharmacy sector, the core of our business. The business has also undergone significant change with the introduction of the Electronic Prescription Service. These two impacts have affected overall performance with sales and profit both below target for the year.

Nonetheless, the business has continued to position itself for the future. Our Online Doctor business goes from strength to strength with a 50% year on year increase in sales. We ran a high profile campaign on the new Electronic Prescription Service which allows patients to choose where their prescription is dispensed. We had our most successful flu vaccination season to date with 3,200 patients treated, double the number achieved last year. We also had our most successful year ever in terms of helping people quit smoking.

To coincide with the re-launch of the Society's Chipping Norton food store, we rebranded our Chipping Norton pharmacy as Co-operative Healthcare. This included the introduction of a health hub to promote self-serve health checks and a proactive approach to healthy lifestyles. We are now looking to introduce elements of the concept across our estate.

We were named by the Best Companies Group as one of the five "best places to work in community pharmacy" in the UK and we are continuing to invest in our colleagues, focusing on our sales framework and 'glow' training programme to help drive sales and improve customer service.

In August we took the difficult decision to close our House of Minster branch in Lichfield which sold health and beauty products, to allow us to focus purely on our healthcare strategy.

We have supported the community in the areas where we trade, volunteering 1,002 hours to help local organisations as part of our Regional Communities strategy. We have also introduced a new initiative known as 'Community Friends' to underline our duty of care to our most vulnerable patients by training our prescription delivery drivers to spot early signs of concern.

10th Anniversary 2005-2015

Co-operative Healthcare has seen significant growth in services and sales over the last decade. Revenue from professional services sales nearly doubled, from £412,000 to £815,000. In 2013 we launched our e-commerce business including our Online Doctor with annual combined sales building to over £500,000. We also launched our care home dispensing hub in the West Midlands with 639 care home residents now receiving their medicines from the hub. In the last three years we have delivered over 1,000 health checks and since the introduction of our stop smoking service helped over 2,500 customers to quit smoking.

Flexible Benefits

Key facts

Gross sales: £28 million (2014/15: £28 million)
Colleagues: 8 (2014/15: 9)
Steering wheel: 100% of targets achieved (2014/15: 95%)

Our Flexible Benefits business has had a strong trading year, achieving record levels of profitability. The delay to the government's Tax Free Childcare scheme until 2017 has allowed the business to continue to sell childcare vouchers and explore new opportunities.

The business has over 1,000 clients and has begun to strengthen relationships with third party providers to offer new benefits. We continue to invest in colleagues and the community, and our team of 8 colleagues contributed 121 volunteering hours in support of local orgnaisations as part of our Regional Communities strategy.

10th Anniversary 2005-2015

We began offering childcare vouchers in 2005 trading under the name of 'Imagine'. Since then we have expanded our portfolio of products as the business has grown and developed. At the end of our first year of trading sales were £700,000 and we had 74 clients. The business now has sales of £28 million and over 1,000 clients, and offers a wide range of products to employers, including schemes enabling employees to buy a bike to cycle to work and give money directly to charity from their gross pay.

Post Office

Key facts

Gross sales: £3.0 million (2014/15: £3.4 million)
Colleagues: 265 (2014/15: 283)
Sites: 75 (2014/15: 74)
Steering wheel: 28% of targets achieved (2014/15: 84%)

We have converted 34 Post Offices to meet with the new formats introduced by Post Office Limited as part of the Network Transformation programme. Our network is now open longer, with services available at times more convenient for customers. However, the decline in customer numbers and increased competition has proved challenging and the business has performed slightly below its target for the year. We have acquired new sites in Highworth, Walsall, Stourbridge and two in Swindon and have continued to invest in colleagues running training workshops throughout the year. Colleagues have also contributed 774 volunteering hours to local organisations as part of our Regional Communities strategy.

10th Anniversary 2005-2015

Over the last ten years we have grown our Post Office estate from 35 to 75 and modernised many of our branches. While there has been a reduction in the government services provided by Post Office Limited, they have strengthened their financial portfolio and now offer mortgage and banking services. We plan to offer these services at selected Post Offices in the future.

Funeral

Key facts

Gross sales: £30 million (2014/15: £27 million)
Colleagues: 372 (2014/15: 369)
Sites: 78 (2014/15: 78)
Steering wheel: 56% of targets achieved (2014/15: 38%)

The business has performed well this year, conducting over 7,000 funerals, an increase of 6% on last year.

The business has performed well this year, conducting over 7,000 funerals, an increase of 6% on last year. Funeral plan sales increased by 35%, with just under 2,400 customers and members choosing to pay for their funerals in advance so protecting themselves from rising funeral costs.

Our memorial masonry sales have also continued to grow with volumes increasing by 9% on the previous year. Trade with our members increased to over 32% and we achieved a 15% increase in the number of customer compliments.

We opened our first ever vehicle logistics centre in Wolverhampton to provide car services to our homes throughout the area. This has already delivered operational efficiencies across the region while maintaining our high standards.

Our investment in colleague learning and development has continued and 90% of our colleagues have now achieved NVQ status Level 2 or above. Professional development remains a high priority for the business and two colleagues achieved professional qualifications with the National Association of Funeral Directors during the year.

We have supported the communities we serve by volunteering 1,835 hours to help local organisations as part of our Regional Communities strategy. We have produced a series of bereavement DVDs to help parents, teachers, carers and other professionals support children who have lost a parent or grandparent. Entitled 'A Year Since' they are aimed at key stages 2-4 (7-16 year olds). The DVDs are linked to our 'Amy and Tom' books to create a cohesive child bereavement support package. We also held Christmas remembrance services at many of our homes and supported local hospices with their 'Light up a Life' events.

10th Anniversary 2005-2015

During the last 10 years, the number of funeral branches we operate has increased by over 30%, from 59 to 78 sites. We launched our online social community at www.remembered-forever.co.uk helping communities and bereaved families remember their loved ones. Our Co-operative Memorial business has expanded from its original site in Bilston to a purpose-built masonry production and sales showroom in Walsall and we have also invested in our masonry operations in Highworth, near Swindon. In addition, we have continued to develop our environmentally-friendly credentials through the launch of the UK's first eco-friendly uniform for funeral colleagues.

Childcare

Key facts

Gross sales: £28 million (2014/15: £26 million)
Colleagues: 1,251 (2014/15: 1,210)
Sites: 47 (2014/15: 47)
Steering wheel: 73% of targets achieved (2014/15: 50%)

Our Childcare business has continued to grow with sales and profits at record levels.

Our Childcare business has continued to grow with sales and profits at record levels. Occupancy, a key metric, stood at 68% for the year as a whole, peaking at 76% in June, and 91% of our nurseries are now rated as either good or outstanding by Ofsted, demonstrating a continuous improvement in quality outcomes. We remain the sixth largest nursery provider in the UK with 3,236 child places available.

Our Newburn Nursery won the prestigious Community Support award at the national Nursery World Awards, great recognition for the community work all our nurseries undertake. We also played a significant role in helping influence national childcare strategy, with representation on the National Day Nurseries Association Board, The All Party Parliamentary Group on a Fit and Healthy Childhood, and the Ofsted Big Conversation Group where we held a Regional Chair position.

We aired our first TV advert on Sky Plus for a month last summer and we introduced a new nursery IT system to help further improve the service we deliver. We continued to invest in colleagues with 3,488 hours of training provided to 618 colleagues. Following a review of underperforming sites we took the decision to close our Burnley and Kidderminster nurseries and to combine the operations of our two nurseries in Leamington Spa.

To ensure the views of parents are at the forefront of our thinking we set up a 'Parent Panel'. The panel has met twice and is providing valuable feedback on initiatives for the day-to-day management of our nurseries and on our broader policies as we look to improve our operations and business practices.

We have continued to support our local communities, volunteering 4,888 hours to help local organisations as part of our Regional Communities strategy. In particular, our Burton nursery raised over £2,400 for the Snowdrop Unit at The Queen's Hospital in Burton, which cares for sick, premature and stillborn babies.

10th Anniversary 2005-2015

Over the last 10 years the number of nurseries we operate has grown from 6 to 47. Last year just over 6,700 children attended our nurseries, 5,000 more than 10 years ago. We have invested heavily in our nursery estate by providing new facilities to meet the increasing expectations of parents. We are also investing in our colleagues with every nursery now having a graduate level trained member of staff. We have launched our five Little Pioneers – Ping, Ebo, Alice, Charlie and Ela. Ping, Alice, Ebo and Ela each represent one of the Society's DOES values, while Charlie stands for co-operation as a whole. The Little Pioneers are used to explain to our children about our values and to show them how they can make a difference in the world.

Membership

Key facts

Members: 560,000 (2014/15: 504,000)
Member trade: 42% (2014/15: 45%)
Share of the profits: £2.0 million (2014/15: £1.3 million)

Our membership has continued to grow and we now have over 560,000 members, accounting for 42% of our trade.

Our membership has continued to grow and we now have over 560,000 members, accounting for 42% of our trade. We engaged with over 25,000 members in person at Regional Community events and eight member days on subjects ranging from Fairtrade to healthy living.

783 members attended our Member Days, nearly 25% more than in 2014. This year we are looking to conduct the sessions online so more members can participate and share their views and opinions. We continued to support Co-operative Fortnight, helping the 'Big Co-op Clean' in 2015.

689 members came to our AGM, with 93% indicating they would come again. Members felt the event was informative and enjoyed the business forums in the morning, particularly the opportunity to meet with Society Directors. For the Society's Half Year Meetings we piloted additional instore advertising in Swindon and Shropshire to encourage more members to attend.

The Society reached its 10th anniversary on 24 September 2015. To celebrate, we held 30 birthday parties across the business. Members who were born on 24 September or who joined the Society on 24 September 2005 received a VIP invitation. We also held online competitions with the hashtag #HappyBirthdayMidcounties.

In late November, we distributed the new format share of the profits dividend vouchers to over 250,000 members, with a total value of £2.0 million, while earlier in the year, members approved a distribution to support the development of co-operatives through Co-operative Futures. The money is used to support new start up Co-operative businesses and fledgling co-operative enterprises, for example Swindon Child Carers, a workers co-operative providing professional mobile crèche services which was threatened with cuts to its local authority grant.

10th Anniversary 2005-2015

Over the last decade our membership has grown to well over half a million, member trade has increased from 18% of sales in 2006 to 42% now and we have distributed over £44 million to members through our share of the profits dividend. The number of people joining online each year reached over 13,000 a year - a fourfold increase, and the amount members have invested in our share bonds has increased from £3.7 million to over £27 million. In 2008, we formed our Membership Strategy Committee which sets member strategy and looks to ensure members receive value from our businesses. While in 2011, we have also introduced the concept of Member Days which we hold through the year giving members the chance to meet with their elected representatives.

Co-operative Social Responsibility

Key facts

Recycling rate: 85% (2014/15: 83%)
Energy reduction: 3.1% (2014/15: 4.5%)
Money saved through energy efficiency: £250,000 (2014/15: £360,000)

Our Co-operative Difference means we build relationships with local farmers and growers, help local communities fund what they value and look to minimise the environmental impact of our operations.

We are proud to be a co-operative with DOES values central to everything we do. Our Co-operative Difference means we build relationships with local farmers and growers, help local communities fund what they value and look to minimise the environmental impact of our operations.

In 2015 we focused on the roll out of our Regional Communities programme, an approach to supporting communities in locations where the Society has a strong trading presence. The Strategy aims to raise awareness of our position as the leading local business supporter of communities.

During the year colleagues volunteered over 9,000 hours supporting our Regional Community projects, more than 1,000 young people have been engaged, and 40 members have been actively involved.

We have continued our fundraising. Members and customers raised over £70,000 in the aftermath of the Nepal earthquake and our annual fun day held at our store in Churchstoke, Powys raised £56,000 for local causes, while our first fun day in Cheltenham raised over £17,000 for our local charity partner Riding for the Disabled.

We have increased our recycling rate to 85%, diverting over 3,000 tonnes of waste from landfill, and reduced our energy usage by 3.1%, saving over 1,000 tonnes of CO_2 and around £250,000 on our energy costs.

Our Green Pioneers programme has continued to thrive through our developing young people programme, and we held our first ever Green Pioneers conference with 69 young people attending.

To help those reliant on food banks we distributed over 24,000 food products donated through our stores and supported over 40 food banks within the communities where we trade.

In recognition of our social responsibility work, the Society won the 2015 Community Champion Award at the Black Country Chamber of Commerce Awards. While nationally we were delighted to receive the Queen's Award for Enterprise in Sustainable Development and a 5 star rating in Business in the Community's CR index. We were also reaccredited with the Fair Tax mark for the third year running.

10th Anniversary 2005-2015

Over the last decade we have given back £11.9 million to the communities we serve in the form of grants to, for example, schools, hospices, community centres and safe play schemes. We have also raised over £1.4 million for our charity partners including Teenage Cancer Trust, Women's Aid, Help the Hospices and the Outward Bound Trust. Our environmental performance has improved significantly with an increase in recycling rates from 21% in 2005 to 85% now. Since 2005 we have spent over 234,800 hours volunteering to help local communities, the equivalent to nearly 27 years work with a value of over £3 million.

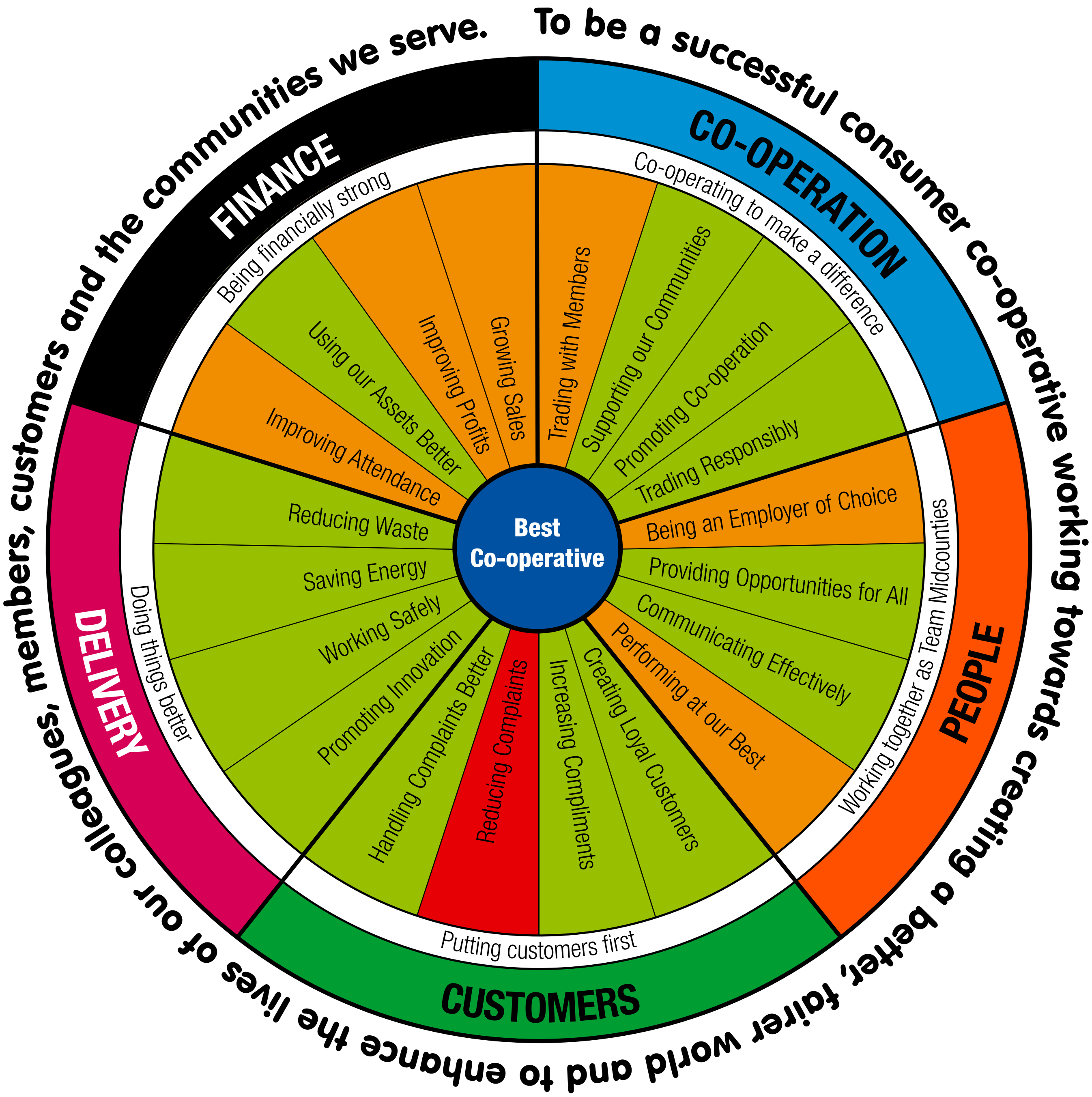
Reporting our Steering Wheel

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

The steering wheel below shows how we have performed against targets on these objectives during the year. The sections are coloured red, amber or green to indicate whether they are below target (red), nearly on target (amber), or on or above target (green).

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

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



Reporting our Steering Wheel

Co-operation

Trade with members

Percentage of trade with members: 42% (last year: 45%)

Trade with our members has decreased to 42% of sales (2014/15: 45%). This is mainly due to the challenges within the food retail industry and the number of new Energy customers coming from switching sites who are not members.

Supporting our communities

Hours volunteered in community by colleagues: 26,500 (last year: 24,000)

Our colleagues provided 26,500 volunteer hours (2014/15: 24,000 hours) to support their local communities, equating to over £380,000 worth of colleague paid time.

Promoting co-operation

Number of members involved in co-operative activity: 25,500 (last year: 26,500)

689 members attended the AGM and 442 attended the Half Year meetings, a total of 1,131 (2014/15: 1,178). We also engaged with 25,500 (2014/15:26,500) members at various events against a target of 25,000 and 783 members attended our Members' Days (2014/15: 635).

Trading responsibly

Value of ethical trade: £74 million (last year: £58 million)

Much of the focus over the last 12 months has been on animal welfare products. An extended responsibly sourced fish range has been introduced and we have continued our 'Loved by Us' range. We have also extended the range of local products that complement our core range. In addition, we continue to source all the electricity we use to power our sites from green sources.

People

Being an employer of choice

Percentage colleague turnover as a moving annual total: 19% (last year: 19%)

Our Colleague turnover is stable. Our colleague engagement score has increased from 80 to 81 this year, despite some significant changes within the business and difficult trading conditions for a number of groups.

Providing opportunities for all

Percentage of colleagues with NVQ 2 equivalent or above: 87% (last year: 84%)

We have seen a 3% increase on last year by focusing on encouraging unqualified colleagues to consider attaining NVQ 2 through our training providers. We continue to develop and expand our e-learning offer for group specific application.

Communicating effectively

Percentage attendance rate at Colleague Council meetings: 86% (last year: 95%)

Our Colleague Councils currently have 180 representatives and have implemented some important business improvements across our groups. A new toolkit for representatives has been created to ensure consistency across all the Councils. A quarterly newsletter showcasing best practice and keeping colleagues up to date is being produced.

Performing at our best

Percentage of colleagues receiving an annual performance review: 95% (last year: 95%)

At the year end 95% of all colleagues had received an annual performance review, the same as last year. A more robust reporting facility has been put in place and we envisage meeting or exceeding our target in 2016. All our managers were provided with a report on performance reviews encouraging a more pro-active approach.

Customers

Creating loyal customers

Customer Loyalty Index: 75 (last year: 71)

Our customer loyalty score increased by 4 points to 75. A number of trading groups received exceptional feedback from customers and three trading groups scored 90 or more for the full year. All groups both trading and non-trading continue to monitor their service performance levels closely.

Reducing complaints

Number of customer complaints: 18,413 (last year: 10, 011)

We have seen an increase in complaints against last year as a result of the growth of customer numbers in Energy and the significant challenges that were caused with the introduction of the new billing system. We are addressing these issues and Energy is now in a much stronger position.

Increasing compliments

Number of customer compliments: 12,487 (last year 12,357)

We have seen a small increase in positive feedback from our customers. We continue to use a number of channels to capture these comments including face-to-face interviews, customer panels, web surveys and social media. We encourage customers to provide us with feedback to help us improve their experience.

Handling complaints better

Percentage of customers who agreed we responded well to their complaints: 65% (last year: 61%)

We continue to contact customers across our groups using telephone, written and web-based surveys to ask for their feedback on how we have performed when they have raised concerns with us. This allows us to review and make further improvements to our customer service experiences.

Delivery

Promoting innovation

Number of ideas implemented having a positive impact on another Steering Wheel Measure: 5 (last year 7)

During 2015 we had 220 entries to our GIFTS (Growing Ideas For Tomorrow's Society) programme with three colleagues winning prizes. 2015 also saw the launch of GIFTS at our AGM. We had over 150 entries with five finalists and two overall winners. We also promoted GIFTS at our Colleague Forum in June and managers' conference in September.

Working safely

Number of accidents/incidents reported as a moving annual trend: 743 (last year 746)

The number of accidents and incidents has reduced as we continue to improve our health and safety standards across the Society above routine compliance.

Saving energy

Energy reduction on prior year through electricity use (kw/h): 3.1% (last year: 4.5%)

Our focus on raising colleague awareness around energy saving resulted in the Society reducing energy usage by 3.1%, ahead of our 3% target. This saved around £250,000 on our energy costs, and over 1,000 tonnes of CO_2.

Reducing waste

Percentage of waste recycled: 85% (last year: 83%)

We recover the majority of our Food Retail waste from our retail stores and use a recycling collection company to collect and monitor waste from our other sites. We have an ongoing campaign to increase recycling and reduce the amount of waste we generate. Overall, we produced 14% less waste than the previous year.

Measuring our Co-operative Performance

Each year we report on our performance using the key co-operative and social performance indicators set out by Co-operatives UK. Using these ten indicators ensures we report fully on our involvement with members, our environmental actions and our community and co-operative investments - all important elements of being a co-operative enterprise. For completeness, we also report on our supplier payment policy and our trade with other co-operatives.

1. Member economic involvement

Trade with members has decreased, representing 42% of our total sales (2014/15: 45%).

2. Member democratic participation

In 2015, 46,156 members voted in our Board and Membership Strategy Committee Elections (2014/15: 48,244), a turnout of 9.4% of eligible members (2014/15: 10.6%). 689 members attended the AGM and 442 attended the Half Year meetings, a total of 1,131 members (2014/15: 1,178).

3. Participation of employees and members in training and education

A total of 25,597 members attended member events and activities during the year. Members received on average 9 minutes of training (2014/15: 7 minutes, restated to take account of all members, not just active members).

The total number of learning hours for the Society was 72,592 and the average number of learning hours received per colleague was 8.4 hours (2014/15: 14.3 hours). The reduction is due to the management development programme being discontinued.

4. Staff injury and absentee rates

743 accidents were reported during the year (2014/15: 746). The total number reported under RIDDOR (Reporting of Injuries Disease and Dangerous Occurrences Regulations) was 24 (2014/15: 19). The average number of absence days per full time colleague was 9.37 days (2014/15: 8.50).

5. Staff profile – gender and ethnicity

At 23 January 2016 we employed 8,662 colleagues of whom 30% were male and 70% female (2014/15: 8,723 colleagues, 30% male and 70% female). We have a total of 534 women in management grades representing 54% of all management roles (2014/15: 54%). 867 of our colleagues have an ethnic minority background (10%) compared with 799 colleagues (9%) in 2014/15.

6. Customer satisfaction

Our Customer Loyalty Index score, which assesses how our members and customers rate us, rose to 75 points from 71 last year.

7. Considerations of ethical issues in procurement and investment decisions

We procure most of our goods through Federal Retailing and Trading Services Limited (FRTS), the buying group of the co-operative movement.

We have also made a number of decisions about the sourcing of our own products. These include ensuring that the benefits of Fairtrade are promoted alongside the products themselves, and highlighting the stories of specific growers and the benefits Fairtrade brings to their communities.

We continue to provide grants to a number of co-operative organisations including The Plunkett Foundation and Co-operative Futures. These organisations support and promote co-operative enterprises.

8. Investment in community and co-operative initiatives

Our investment in community and co-operative initiatives totalled £1.2 million (2014/15: £1.5 million). This figure includes the money given out as grants, the amount raised for local charity partners, the value of our volunteering work and our annual investment in co-operative initiatives.

9. Net carbon dioxide emissions arising from operations

We continue to measure and report our carbon footprint and work on reducing our energy use. Our CO_2 emissions for the year were 2.1 tonnes per £1 million gross sales (2014/15: 2.1 tonnes). This figure is calculated from our energy consumption (1,669 tonnes CO_2), and colleague business miles (932 tonnes CO_2). As the electricity we use comes from 100% green sources, our electricity use is not included in these figures. We report these CO_2 measures as they directly contribute to our carbon footprint and can be influenced by our business practices.

10. Proportion of waste recycled or reused

We recover the majority of our Food Retail waste from our retail stores and use a recycling collection company to collect and monitor waste from our other sites. We send the food waste from our Food Retail and Childcare sites to an anaerobic digester to produce energy.

We have an ongoing campaign to increase recycling and reduce the amount of waste we generate. During the year we recycled more than 3,260 tonnes of materials (2014/15: 3,700 tonnes), representing 85% of the waste generated by the Society (2014/15: 83%). The increase was achieved through improved processes and raising awareness among colleagues. We also reduced the amount of waste we generated compared to last year by 14%.

Supplier payment policy

Our policy is to agree terms of payment as part of the commercial arrangements with suppliers and to pay according to those terms once an invoice is received. Trade creditor days for the year were 31 days (2014/15: 28 days). The increase is due to more favourable credit terms with Co-operative Group on certain products.

Trading with other co-operatives

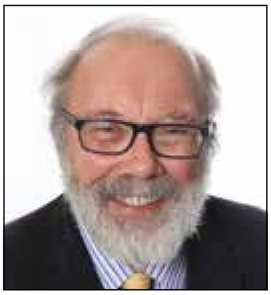
Our Society spend with other co-operative organisations was £370 million, compared to £414 million in 2014/15. Most of this spend was through FRTS, but we also spent with neighbouring co-operatives.


Board of Directors

Ruth FitzJohn
President

Patrick Gray OBE
Vice-President

Helen Wiseman
Vice-President



Steve Allsopp

Olivia Birch

Isobel Burbidge

Bernadette Connor

Judith Feeney

Ellie Freeman

Margaret Jarvis

Matthew Lane

Donald Morrison

Jean Nunn-Price MBE

Louise Pevreal

Barbara Rainford

Vivian Woodell

The Executive

Ben Reid OBE
Chief Executive

Andy Cresswell
Deputy Chief Executive

Mike Abbott
Group General Manager, Childcare

Kevin Brown
Group General Manager, Property & Specialist Services

Caroline Crymble[1]
Chief Information Officer

Peter Dubois
Chief Financial Officer

Simon Fisher
Group General Manager, Funeral

Mari Frost
Group General Manager, Personnel Services

Edward Parker
Secretary & Head of Governance

Phil Ponsonby
Group General Manager, Food Retail

Alistair Rowland
Group General Manager, Travel Services

Peter Westall
Group General Manager, Energy

[1] Caroline Crymble joined the Executive on 24 January 2016

Governance Report

The Board is pleased to present its governance report to members for the year to 23 January 2016. Good governance is an essential foundation for a co-operative society owned by its members. This has been a long held view within the Society, which the Board seeks to demonstrate by adhering to best co-operative governance practice.

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

Governance Code

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

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

As part of the compliance process for the Code, Co-operatives UK requires societies to complete a questionnaire concerning their governance practices each year. Members can obtain a copy of the questionnaire from the Secretary.

Contents

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

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

Society Rules and Blueprint

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

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

THE CODE

Members

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

The Society's Blueprint states that "As a co-operative, membership lies at the heart of all that we do.
- We are a membership based organisation where everyone is treated equally
- We work hard to ensure members are fully engaged democratically in the activity of the Society
- We want members to enjoy benefits, because they own us and particularly, because they trade with us."

Membership Strategy Committee

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

The Committee comprises eight members elected from the Society's membership and two directors appointed by the Board. Elections to the Committee are held during the autumn each year in conjunction with the Society's Board elections. Anyone who has been a member of the Society for more than six months can stand for election. Terms of office are for three years.

Diversity

The Society has a well-structured approach to diversity issues among its colleagues and is in the process of developing a diversity policy to apply across the Society.

Voting opportunities and the Annual General Meeting

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

The Society's AGM and Half Year Meetings provide members with the opportunity to question the Board twice a year and participate in the formal affairs of the Society. The annual Board and Membership Strategy Committee elections allow members to determine who runs their Society. The Board views both the meetings and the elections as fundamental building blocks of good co-operative governance.

The Society's Rules stipulate a notice period of 21 days for member meetings. The Society's AGM is held on a Saturday in a central location and the Society's Half Year Meetings are held in the evening at different locations to allow members to attend without having to travel too far.

Elections to the Board and Membership Strategy Committee are held once a year during the autumn and conducted by way of postal and online ballots. To conduct its elections the Society uses Electoral Reform Services, an independent body that specialises in running elections on behalf of member based organisations.

Candidates for the Board can write up to 250 words in support of their candidature and provide additional information on their co-operative experience and credentials. Candidates for the Membership Strategy Committee are free to write up to 150 words in support of their candidature.

The information provided by candidates is published in a booklet and sent to all members with their ballot paper to help them make an informed decision when casting their vote.

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

At the 2015 Board elections, 11 members put themselves forward for the five vacancies (2014/15: 18 members, six vacancies) and turnout was 9.4% (2014/15: 10.6%). There was no election for the Membership Strategy Committee as only four candidates put themselves forward for the five vacancies (2014/15: six members, four vacancies).

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

The role of the Board

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

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

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

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

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

Board procedures

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

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

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

Insurance

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

The role of directors

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

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

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

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

Attendance

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

		Commitees		
Directors	Board	Audit & Risk	Remuneration	Membership Strategy
Steve Allsopp	3 (3)			
Olivia Birch	10 (11)	4 (4)	4 (6)	
Isobel Burbidge	10 (11)	3 (4)	8 (8)	
Bernadette Connor	11 (11)			2 (4)
Judith Feeney	10 (11)		5 (6)	
Ruth FitzJohn	11 (11)		8 (8)	
Ellie Freeman	10 (11)			
Hazel Gray	5 (8)			
Patrick Gray	11 (11)		2 (2)	
Margaret Jarvis	9 (11)	3 (4)	1 (2)	
Matt Lane	11 (11)			
Donald Morrison	11 (11)			
Jean Nunn-Price	10 (11)	3 (4)		
Louise Pevreal	10 (11)		5 (6)	
Barbara Rainford	10 (11)	4 (4)		4 (4)
Helen Wiseman	10 (11)	4 (4)	2 (2)	
Vivian Woodell	11 (11)		6 (8)	

Conflicts of interest

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

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

Board size

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

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

Board balance and independence

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

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

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

It is the Board's view that its current composition reflects the diversity of its member base with an appropriate balance of experienced and newly elected directors. Directors range in age and length of service on the Board and all bring different insights and experience to bear. Currently, 11 members of the Board are women and five are men.

The Board also believes it is inappropriate for a member of the Executive to hold the position of director, and the Board has a policy to limit the amount a registered Co-operative Society can invest in the Society to a maximum of £1,000,000.

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

The list on page 33 shows the directorships and other formal positions held declared by directors and members of the Executive.

Co-option of professional external directors

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

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

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

The Chair

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

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

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

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

The Chief Executive

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

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

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

The Board discusses succession planning for the position of Chief Executive on a periodic basis. As part of its overall planning in this area the Society has a Deputy Chief Executive.

The Secretary

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

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

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

Election and renewal of the board and succession planning

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

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

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

Appointments to Board committees are made each year shortly after the Board elections.

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

Induction, information and ongoing professional development

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

The current arrangements for the induction of new directors involve meetings with the Society's Secretary and members of the Executive to apprise the individuals of the breadth of the Society's operations and its co-operative context. A full induction pack is also given to new directors.

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

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

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

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

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

Independent professional advice

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

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

Board performance evaluation

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors to ensure that roles can be carried out effectively. The Chair should act on the results of the board evaluation by recognising the strengths and weaknesses of the board and taking any appropriate action to address weaknesses.

During the year the Board evaluated its performance. Actions arising from the evaluation are being taken forward. At the same time, the President's performance was also evaluated.

Committees of the Board

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

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

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

The Chairs of each Committee are available at the AGM to answer questions from members.

The Search Committee

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

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

The Remuneration Committee

The Board should establish a Remuneration Committee.

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

The Audit Committee
The Board should establish an Audit Committee.

Audit & Risk Committee
The Board has an Audit & Risk Committee which operates under terms of reference approved by the Board.

These include:

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

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

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

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

Professional advice is available to the Committee if required. The Board has made no provision for co-option to the Committee.

Meetings
The Committee met five times during the year under review and has four scheduled meetings for the 2016/17 financial year. The Board is apprised of the Committee's proceedings at the next Board meeting following a Committee meeting. The Committee's minutes are also made available to the Board.

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

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

Auditor independence
To ensure auditor independence and objectivity is safeguarded, the Committee has a policy of awarding project work (save for tax related work) requiring the expertise of an audit firm to a firm other than the Society's auditors unless there is a strong reason to use the Society's auditors.

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

During the year, non-audit work undertaken by the Society's auditors amounted to £12,000.

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

Auditor review
The Society's Rules prescribe that the audit should be tendered at least once every 10 years. The last tender took place at the beginning of 2013 for the 2013/14 year end. KPMG were retained following a detailed review. Their appointment is to be reviewed in the autumn of 2016.

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

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

Internal control

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

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

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

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

Internal control framework

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

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

Control procedures

The Society's control procedures are designed to ensure that appropriate levels of control are maintained, complete and accurate accounting of financial transactions is assured, and the potential exposure to loss of assets or fraud is limited. Measures taken include physical controls, segregation of duties and reviews of processes by management, compliance teams within business groups, the Audit & Risk function and the external auditors.

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

Risk management

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

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

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

Monitoring

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

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

Review processes

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

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

Opinion

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

Whistleblowing

The Board has a documented procedure to allow colleagues to raise concerns, in confidence, on matters of financial reporting, financial control or any other issues. Matters raised under the procedure are investigated in a consistent, proportionate and independent manner. Appropriate follow-up action is taken. The Audit Committee reviews the calls made to the whistleblowing line at each of its meetings.

Auditor's report to the board

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

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

The annual report

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

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

POLITICAL SUPPORT

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

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

The Society recognises the important role that the Co-operative Party has played, and continues to play, in promoting the interests of co-operation in the political sphere and, with the endorsement of members as expressed at successive Annual Meetings, provides financial support for the work of the Party. The Society also seeks to engage with other political organisations which are active in its core trading area and which share its objective of working towards a society based on democracy, equal opportunities and social justice; and an economy where co-operative ownership plays an important and growing role in generating prosperity, genuine consumer choice and sustainable community development."

The Co-operative Party

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

Campaigns Fund

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

At the 2015 Annual General Meeting members approved a donation of £53,000 to the Campaigns Fund.

During the year the Fund made grants to the Co-operative Party nationally, the Society's three Local Co-operative Party Councils and 11 other campaigning bodies.

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

DECLARATION OF INTEREST

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

The Phone Co-op is a corporate member of the Society and has a share account with the Society. The balance on this account at 23 January 2016 was £249,985 (2014/15: £749,175) and interest earned during the year amounted to £18,321(2014/15: £3,662).

The Phone Co-op also holds £250,000 in a Society Share Bond (2014/15: £250,000) which earned interest of £9,375 during the year (2014/15: £9,345).

The Society has a share account with The Phone Co-op. As at 23 January 2016 the balance was £131,481 (2014/15: £128,983). During the year, the Society received interest of £2,498 (2014/15: £2,440) on this account and a dividend of £12,656 (2014/15: £14,973).

In addition, the Society has a contract for telecommunication services with The Phone Co-op. The contract is at arm's length. The value of services including VAT provided under the contract during the year was £991,797 (2014/15: £1,157,720). The Phone Co-op made purchases of various goods and services from the Society amounting to £4,125 during the year (2014/15: £3,547).

Co-operative Renewables Limited has a contract with the Society for the maintenance of solar photovoltaic installations. The value of the services during the year was £6,203 (2014/15: £6,143).

SOCIAL RESPONSIBILITY

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

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

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

- Andy Cresswell, Deputy Chief Executive holds overall accountability for social responsibility, including overall accountability for social responsibility in marketplace trading along with the other trading group general managers. Most products in the Society's food stores are sourced through Federal Retail and Trading Services Limited (FRTS) the federal purchasing body of the co-operative retail movement. The Society adheres to the buying guidelines adopted by FRTS.
- Certain directors take a lead on matters relating to environment and community: Jean Nunn-Price sits on the Society's Environmental Steering Group, and Bernadette Connor and Barbara Rainford are the Board's appointed representatives on the Membership Strategy Committee.

STATEMENT OF COMPLIANCE

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

Search Committee

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

Professional external directors

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

CONCLUDING REMARKS

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

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

On behalf of the Board

Ruth FitzJohn – President

Edward Parker – Secretary & Head of Governance
13 April 2016

External directorships (or equivalent) held by members of the Board and Executive		
Board		
Steve Allsopp	Director, Co-operative Futures Limited Non-executive Director, Thamesdown Transport Limited Governor, Oaktree Nursery & Primary School (Swindon) Trustee, Buckhurst Community Centre Member, Swindon Borough Council	
Olivia Birch	Director, Revolver Co-operative Limited Director, Revolver World Limited Director & Secretary, Revolver Music Limited	Director, Heavy Metal Records Limited Director, FM-Revolver Records Limited Governor, Tettenhall Special School (Wolverhampton)
Isobel Burbidge	Chair, Charter Housing Committee, Sanctuary Housing Services Limited Member of Cherish Cherwell Committee (grant distribution in Cherwell District, Charter Housing) Brackley Deanery representative, Peterborough Diocesan Board of Finance	
Bernadette Connor	Director, Co-operatives West Midlands	
Judith Feeney	Director, Co-operatives South East	
Ruth FitzJohn	Secretary, Filestar Limited Chair, 2gether NHS Foundation Trust Member of Local Authority and NHS structures for adult and children's services, South West and The Midlands Deputy Lord-Lieutenant of Gloucestershire (licencing and magistracy role)	Trustee, Diocese of Clifton and Catholic Safeguarding Commission Trustee, Cheltenham Town Football Club Sporting and Educational Trust Trustee, Gloucestershire GP Educational Trust Patron, Aston Project
Ellie Freeman	Governor, Coppice Junior School (Solihull, West Midlands)	
Patrick Gray	Director & Secretary, Amaranta Limited	
Margaret Jarvis	Director, Co-operatives West Midlands	
Matthew Lane	Director, BeerBods Limited Director, Drink Beta Limited Director, MDNL Limited	
Jean Nunn-Price	Director, Co-operatives South West Director, Go-op Co-operative Limited Director, Healthwatch Oxfordshire CIC Director, Sustainable Wantage Community Benefit Society	Elected Parish Councillor, Grove (Oxon) Elected Member, Wantage Town Council Director, Co-operative Party
Barbara Rainford	Director, Co-operative Press Limited Director, Co-operative Futures Limited Director, Go-op Co-operative Limited	Director, Whitchurch Television CIC Board member, Young Enterprise, Shropshire Elected Parish Councillor for Prees, Shropshire
Vivian Woodell	Director, Avoco UK Limited Director, Co-operatives UK Limited Director, Co-operative Renewables Limited	Director, Ecobilling Limited Director, Phone Co-op Numbering Limited Member of the Council, Co-operative Group Limited

Executive	
Mike Abbott	Trustee and Board member, National Day Nurseries Association Vice Chair of Governors, Fritwell Primary School, Oxfordshire
Andy Creswell	Director, Association of Convenience Stores
Peter Dubois	Director, The Co-operative Loan Fund
Simon Fisher	Trustee and Director, St Giles Hospice Director, Black Country Chamber of Commerce
Mari Frost	Director, The Co-operative Employers Association
Edward Parker	Member of the Council, The Co-operative Group Limited
Phil Ponsonby	Director, The Mary Rose Trust
Ben Reid	Chair, Walsall Healthcare NHS Trust Governor, Wolverhampton University Non-executive Chair, CIC (Fair for You Charity)
Alistair Rowland	Director, ABTA Trustee, ABTA Lifeline Charity Trustee, Travel Foundation
Peter Westall	Director, OUR Co-operative Academies Trust Member, BITC Advisory Board for the West Midlands

Remuneration Report

INTRODUCTION

The Remuneration Committee is pleased to present its Report to members for the year ended 23 January 2016.
The Committee's primary role is to provide robust, independent governance for executive remuneration, to ensure that pay for the Society's Executive team:

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

The report has been prepared having regard to the reporting requirements that apply to UK Public Limited Companies (PLCs). Although the Society is not required to comply with these requirements, the Committee seeks to comply with governance best practice and has adopted these requirements where it is appropriate to do so. The report will be put to an advisory vote at the Society's Annual General Meeting on 7 May 2016.

The report has three main sections:

1. the **Remuneration Policy** section - this outlines the Remuneration Committee's policy for Executive remuneration for the year ahead and future years
2. the **Implementation** section - this summarises how the Committee's policy has been implemented in the year under review
3. the **Director fees** section - this provides details on the fees, expenses and benefits for directors of the Society.

The Committee's policy is to pay competitive base salaries, positioned around the median of the range for equivalent roles in retail businesses of similar size to the Society. This helps to ensure the Society retains talented leaders and managers to allow it to perform for the benefit of members and other stakeholders. Salaries are reviewed formally once every two years.

The last review took place in the autumn of 2015 and the next review is scheduled for the autumn of 2017. In the intervening years, salaries are normally increased in line with increases negotiated by NACO for management roles across the co-operative movement.

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

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

The Society has performed to plan in what has been a very challenging year, achieving operating profit before significant items of £15.5million in line with expectations. Average bonuses of 12.11% of salary will be paid to members of the Executive in respect of the 2015/16 financial year (2014/15: 9.98%).

Over the last three years, the Society's performance has been strong on key non-financial performance measures. As a result, Executive members will receive the maximum payment under the Society's Long Term Incentive Plan which matured at the 2015/16 year end. This equates to a payment of 20% of average salary over the three year plan period for the longer serving members of the Executive, with pro-rated amounts for those joining the Executive more recently.

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

Olivia Birch
Chair - Remuneration Committee

11 April 2016

REMUNERATION POLICY

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

A description of how the Society intends to implement the policy set out above in 2016 is included in the Implementation section of the report.

Overall policy

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

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

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

Summary of the remuneration components

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

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

[1] NACO – National Association of Co-operative Officials

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Annual Bonus	- To provide a performance-related reward aligned to targets set for the year - A highly 'geared' remuneration package is considered inappropriate and therefore the maximum annual bonus is at a level that is significantly lower than in equivalent PLCs	- Paid in cash - Non-pensionable	- Maximum - 20% of base salary - On-target - 8% of base salary - Amounts may differ for new joiners to the Executive	- Performance targets comprise a combination of financial and personal performance objectives - No bonus is payable unless a minimum level of financial performance has been achieved - Awards are subject to clawback
Long-term incentive plan (LTIP)	- To provide performance-related reward aligned to the long-term strategic goals of the Society - Award levels are set at a level that is significantly lower than in equivalent PLCs	- Awards are granted annually so that a new three year performance period begins at the start of each financial year - Participants are able to receive a cash award at the end of a three year performance period - The Committee sets targets before the grant of each award	- The maximum payment is 20% of average base salary over the three year performance period - Amounts may differ for new joiners to the Executive	- Performance measures are based on key measures in the Society's steering wheel: ROCE; Corporate Reputation; Colleague Engagement; Customer Loyalty - Awards are subject to clawback
Pensions	- To provide pension arrangements on similar terms to other colleagues in the Society	- Members of the Executive are eligible for the Society's pension schemes on the same terms available to all Society colleagues - The defined benefit career average pension scheme (the CARE Scheme) closed to future accrual on 13 June 2014 - Longer serving members on the Executive have opted out of the CARE Scheme in exchange for a taxable cash allowance as a result of changes to the tax regime for pensions made in 2010.	- The Society operates a defined contribution stakeholder scheme and a defined contribution scheme open to former members of the CARE Scheme - A cash allowance of 16% of salary is paid to longer serving members on the Executive	- n/a

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Benefits-in-kind	- To provide benefits-in-kind broadly in line with market practice	- The main benefits provided are provision of a company car or cash allowance, life insurance, long-term disability income protection and colleague discount	- The amount of cash allowance under the Society's car policy is dependent on role; payments range from £802 to £1,583 per month - The value of other benefits is based on the cost to the Society and is not predetermined	- n/a

Incentive arrangements

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

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

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

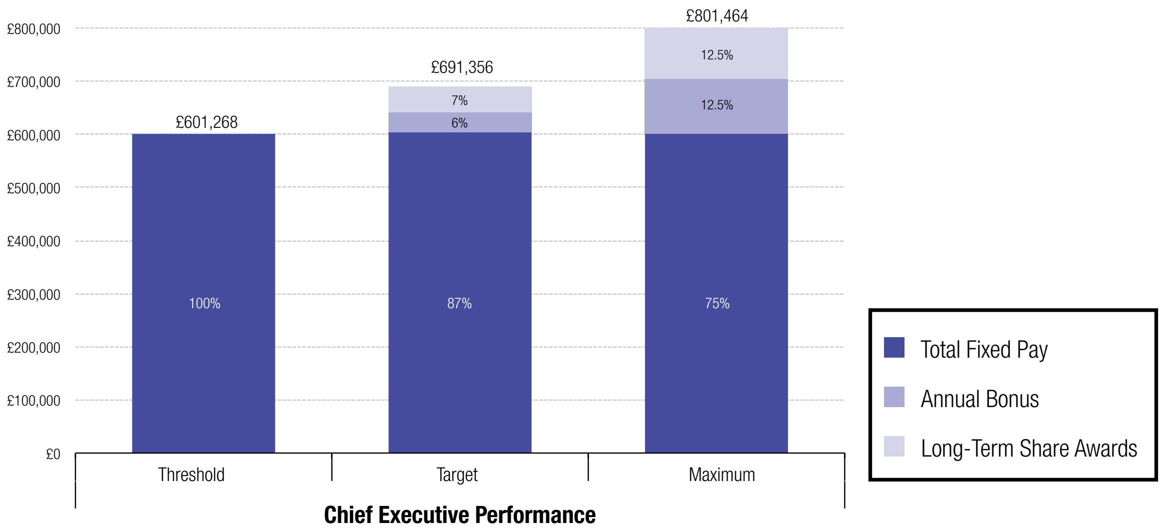
The Long-Term Incentive Plan is intended to focus the Executive on achieving longer-term performance and strategic goals. The performance metrics (currently return on capital employed, corporate reputation, colleague engagement and customer loyalty) complement the measures used in the annual bonus and are key elements used to track the broader performance of the Society.

Pay ratio

The chart overleaf shows the approximate ratio of the Chief Executive's base salary and total target remuneration (pre and post-tax) relative to the lowest rate of pay in the Society, and compares this with typical ratios in the wider PLC retail sector. As the table indicates, the total pay ratio for the Society is significantly lower than in the PLC retail sector. The ratio for 2015/16 on pre-tax pay is x 52 and on post-tax pay is x 32 (2014/15: x 53 and x 32 respectively).

Remuneration scenarios

The chart below demonstrates how the mix of the Chief Executive's remuneration package varies at different levels of performance under the Society's remuneration policy. It shows the potential value of total remuneration in each scenario and the percentage of total remuneration accounted for by each element.



Assumptions:

- threshold = fixed pay only (salary plus benefits plus pension cash supplement)
- target = target annual bonus of 8% of base salary and target LTIP of 10% of base salary
- maximum = maximum annual bonus of 20% of salary and maximum LTIP of 20% of base salary
- salary level is the Chief Executive's salary effective from 24 January 2016 of £500,490; the value of taxable benefits is based on an estimated cost of £20,700; the pension supplement is valued at £80,078

Remuneration for other colleagues

The remuneration policy for the Executive and other senior management is designed with regard to the approach taken to pay for colleagues across the Society as a whole.

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

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

During the year approximately 900 of the Society's colleagues participated in an annual performance related bonus scheme. All colleagues receive a colleague dividend if one is approved by the Society's members.

Policy on payments for loss of office

The service contracts for the Chief Executive and Deputy Chief Executive are terminable on 12 and 6 months' notice by the Society respectively. The service contracts for other members of the Executive are terminable on 3 months' notice. No contracts provide an entitlement to the payment of a predetermined amount on termination of employment in any circumstances.

The Executives' service agreements contain provisions for payment in lieu of notice in respect of base salary and contractual benefits only. The circumstances of the termination (including the individual's performance) will be taken into account in every case.

Termination payments would be made in-line with the terms agreed with NACO at the time and with those stated in the Executives' contract.

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

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

Executives' service contracts

The Executives have rolling service contracts, details of which are summarised in the table below:

Provision	Detailed terms
Contract date	Chief Executive - 1 November 2007
Notice period	The notice period from the Chief Executive to the Society is 6 months in most circumstances or 12 months if he intends to leave to join a competitor. The notice period for the Deputy Chief Executive is 6 months. For the remainder of the Executive it is 3 months.
Payment in lieu of notice	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period plus the fair value of any contractual benefits. Following written notice of termination the Executive shall not be entitled to any further payment from the Society except those sums which may have accrued and are due at that time.
Termination payment	If the Society merges with another society and the Chief Executive's role becomes redundant, the Chief Executive has a right to two years' compensation for loss of office. Termination payments for other members of the Executive in such a situation would be based on the terms agreed with NACO at the time. These would also apply to the Chief Executive if more favourable than the above arrangement.

Incentive arrangements	Under the rules of the annual bonus scheme and the Long Term Incentive Plan if either the Executive member or the Society has given or received notice of termination of employment on or before the date of payment a bonus will not normally be payable and any long term incentive award will normally lapse other than in specified 'good leaver' scenarios (see above). However, both sets of rules give the Committee discretion to override these provisions.

Recruitment of executives

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

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

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

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

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

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

Committee discretions

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

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

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

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

This section of the report explains how the Remuneration Committee has applied its remuneration policy during the 2015/16 financial year. It contains information about the Committee, details of the result of the vote on last year's Remuneration Report at the 2015 AGM, a summary of how the remuneration of the Chief Executive has varied with Society performance and full details of the remuneration received by members of the Executive during 2015/16.

The Remuneration Committee

Composition

The Remuneration Committee comprises six directors. The President and one Vice-President (as chosen by the Board) hold ex-officio positions and the remaining four Committee positions are elected annually from the Board.

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

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

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

Members

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

- Olivia Birch – appointed 2 February 2015
- Isobel Burbidge
- Judith Feeney – appointed 2 February 2015, stood down 8 December 2015
- Ruth FitzJohn
- Patrick Gray – stood down 2 February 2015, reappointed 8 December 2015
- Margaret Jarvis – stood down 2 February 2015
- Matt Lane – appointed 8 December 2015
- Louise Pevreal – appointed 2 February 2015
- Helen Wiseman – stood down 2 February 2015
- Vivian Woodell – stood down 8 December 2015

Olivia Birch, Judith Feeney and Louise Pevreal were appointed to the Committee and Patrick Gray, Margaret Jarvis and Helen Wiseman stood down from the Committee on 2 February 2015.

Responsibilities

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

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

The Committee's terms of reference can be found on the governance section of the Society's website at www.midcounties.coop. The Committee is accountable to the Board and reports on its activities at the Board meeting following each Committee meeting. Substantive decisions of the Committee are subject to Board endorsement before implementation.

External advice

The Committee receives external advice from independent remuneration consultants New Bridge Street (an Aon Hewitt company, part of Aon plc). New Bridge Street is a member of the Remuneration Consultants' Group and is a signatory to their Code of Conduct. New Bridge Street's fees for 2015/16 were £41,857 (2014/15: £14,241). Neither New Bridge Street nor any other part of Aon Hewitt provided other services to the Society during the year.

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

Meetings

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

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

- the award of bonus and LTIP payments
- the setting of targets for bonus and the LTIP grant
- salary and incentive arrangements for new members of the Executive
- incentive payments for those leaving the Executive
- review of the remuneration report
- the biennial review of remuneration for the Executive.

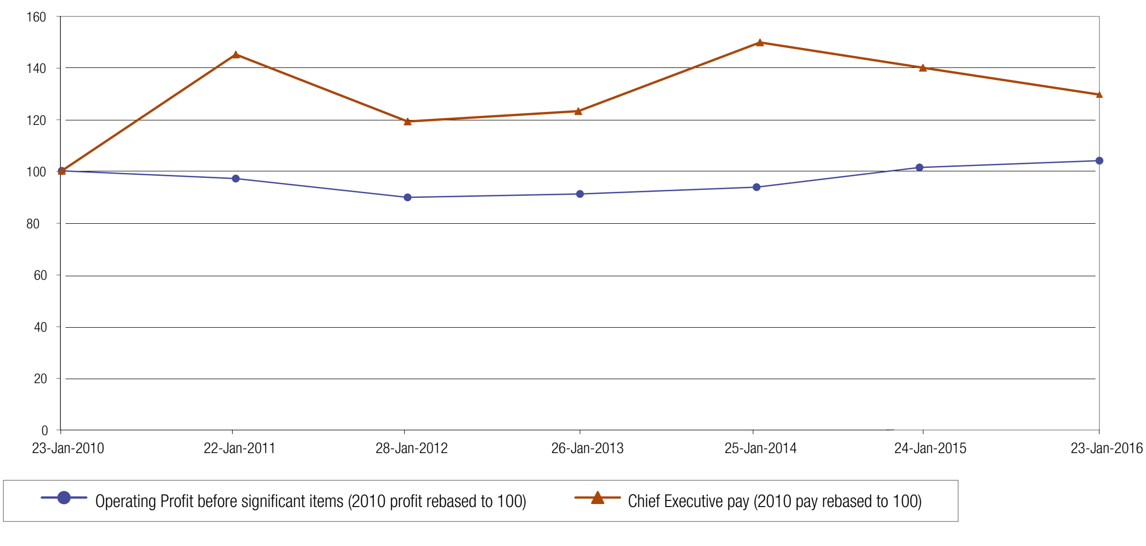
Member voting at the Annual General Meeting

An advisory vote on the remuneration report is held at each AGM. The table below summarises the result of the vote on the 2014/15 remuneration report at the May 2015 AGM.

	Total number of votes	% of votes
For	220	74.1
Against	77	25.9
Total	297	100.0

Performance Graph

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



Executives' emoluments (audited)

The table below provides details of the remuneration and pension benefits received by Executives for the 2014/15 and 2015/16 financial years. These figures have been prepared in accordance with the reporting regulations introduced in 2013 by the Department for Business, Innovation and Skills.

	Year	Salary[1] £	Bonus £	Pension[2] £	Benefits-in-kind[3] £	Relocation £	LTIP vesting £	Total £
Mike Abbott	2015/16	116,164	20,029	5,786	13,655	n/a	15,408	171,042
	2014/15	115,008	19,459	24,875	14,146	n/a	7,667	181,155
Kevin Brown	2015/16	120,164	19,184	365	9,624	n/a	15,674	165,011
	2014/15	97,314	21,759	416	5,586	n/a	7,667	132,742
Lee Coleyshaw[4]	2015/16	122,704	n/a	8,589	9,069	n/a	n/a	140,362
	2014/15	150,762	11,963	10,454	10,138	n/a	29,424	212,741
Andy Cresswell	2015/16	275,017	35,219	44,000	19,786	n/a	52,434	426,456
	2014/15	264,208	26,263	42,273	19,674	n/a	50,197	402,615
Peter Dubois[5]	2015/16	95,891	15,213	6,208	11,750	n/a	n/a	129,062
	2014/15	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ramsay Dunning[6]	2015/16	140,013	6,721	9,801	9,624	n/a	16,997	183,156
	2014/15	115,008	4,200	8,051	9,624	n/a	7,667	144,550
Simon Fisher	2015/16	126,263	16,116	20,202	15,830	n/a	23,907	202,318
	2014/15	127,891	3,982	20,000	16,338	n/a	22,653	190,864
Mari Frost[7]	2015/16	131,313	12,862	21,010	16,090	n/a	25,115	206,390
	2014/15	130,015	11,617	20,802	16,524	n/a	23,855	202,813
Edward Parker	2015/16	143,582	12,430	22,973	15,915	n/a	28,309	223,209
	2014/15	142,163	11,186	22,746	15,916	n/a	27,623	219,634
Phil Ponsonby[8]	2015/16	150,329	50,921	n/a	5,170	n/a	n/a	206,420
	2014/15	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ben Reid	2015/16	500,490	49,489	80,078	20,700	n/a	98,048	748,805
	2014/15	501,011	43,214	79,287	20,700	n/a	94,759	738,971
Steve Ridler	2015/16	257,004	20,390	40,615	12,936	n/a	51,233	382,178
	2014/15	264,208	22,947	42,273	14,065	n/a	50,158	393,651
Alistair Rowland	2015/16	159,989	20,469	11,199	9,624	7,675	27,706	236,662
	2014/15	129,515	6,091	17,427	18,668	62,545	25,240	259,486
Pete Westall	2015/16	139,464	15,566	8,742	17,633	n/a	16,961	198,366
	2014/15	115,008	14,283	15,567	17,522	n/a	7,667	170,047
Adrian Wilkinson[10]	2015/16	126,263	6,558	8,805	7,922	n/a	23,755	173,303
	2014/15	125,006	13,982	16,435	9,768	n/a	22,170	187,361
Mark Wilson[11]	2015/16	35,908	n/a	n/a	964	n/a	n/a	36,872
	2014/15	177,572	14,093	n/a	4,434	n/a	11,844	207,943

1. Salary shows the amount received as salary during the financial year
2. The figures show either:
- the value of the increase in pension over the year calculated in accordance with the relevant reporting regulations, or
- the value of the contribution made by the Society to the individual's defined contribution pension arrangement, or
- the value of the 16% salary supplement in lieu of pension contributions
3. Benefits-in-kind include the provision of a car or a cash alternative, and travel payments available to all colleagues affected by the relocation of the Society's Head Office in 2011
4. Left the Society on 1 January 2016
5. Promoted to the Executive on 3 January 2016
6. Left the Executive on 3 September 2015
7. Pension and benefit-in-kind figures restated in 2014/15 to show corrected figures
8. Joined the Executive on 20 April 2015
9. Retired from the Society on 24 December 2015
10. Left the Society on 8 April 2016; the Committee exercised its discretion to award an annual bonus given he was in post for the full financial year
11. Left the Society on 7 April 2015

Application of the remuneration policy for 2015/16

Base salary

It is the Committee's policy that the salaries of members of the Executive are normally increased in line with the increase agreed by NACO for the Society's senior management grades. In 2014/15 this was 2.0%. However, the Executive agreed to take a 1.0% rise, given the challenging trading environment and below forecast performance at the half year.

Salaries are reviewed formally every two years to ensure market competitiveness and benchmarking against the median position. The last review took place in late 2015 with changes taking effect at the start of the 2016/17 financial year. The next review will take place in late 2017. Where appropriate, the Committee reviews salaries at other times, particularly for more recent recruits to the Executive or where there has been a substantial development in role given growth or other changes in the business. In such instances the Committee will take into account the median benchmark position. This position is reflected in the increases shown in the table below.

Executive	Salary at 25 January 2015[1]	Salary as at 24 January 2016[2]	Increase excluding the 1.0% annual increase	Increase including the 1.0% annual increase
	£	£	%	%
Mike Abbott Group General Manager, Childcare	115,008	129,001	12.2	12.2
Kevin Brown Group General Manager, Property & Specialist Services	115,008	129,001	12.2	12.2
Lee Coleyshaw[3] Chief Financial Officer	150,761	152,269	0.0	1.0
Andy Cresswell Deputy Chief Executive	275,017	275,017	0.0	0.0
Caroline Crymble[4] Chief Information Officer	n/a	135,004	n/a	n/a
Peter Dubois[5] Chief Financial Officer	125,006	125,006	n/a	n/a
Ramsay Dunning[6] Group General Manager, Energy	140,013	140,013	0.0	0.0
Simon Fisher Group General Manager, Funeral	125,006	126,263	0.0	1.0
Mari Frost Group General Manager, Personnel Services	130,015	131,313	0.0	1.0
Edward Parker Secretary & Head of Governance	142,163	143,582	0.0	1.0
Ben Reid Chief Executive	495,542	500,490	0.0	1.0
Steve Ridler[7] Deputy Chief Executive, Services	275,017	275,017	0.0	0.0
Phil Ponsonby[8] Group General Manager, Food Retail	195,012	195,012	n/a	n/a
Alistair Rowland Group General Manager, Travel Services	159,989	159,989	0.0	0.0
Peter Westall Group General Manager, Energy	115,008	140,013	21.7	21.7
Adrian Wilkinson Group General Manager, Pharmacy	125,006	126,263	0.0	1.0
Mark Wilson[9] Group General Manager, Food Retail	177,572	177,572	n/a	n/a

[1]Or date of joining the Executive, if later [2]Or date of leaving the Executive, if earlier [3]Left the Society on 1 January 2016 [4]Joined the Executive on 24 January 2016 [5]Joined the Executive on 3 January 2016 [6]Left the Executive on 3 September 2015 [7]Retired effective 24 December 2015 [8]Joined the Executive on 20 April 2015 [9]Left the Society on 7 April 2015

Annual bonus plan performance targets

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

The maximum bonus opportunity for established members of the Executive for 2015/16 was 20% of base salary (2014/15: 20%). For members of the Executive promoted to the Executive during 2013 or 2014, the maximum bonus opportunity for the 2014/15 and 2015/16 financial years was 25% of base salary reflecting the maximum opportunity available to them before their promotion. This has reduced to 20% for the financial year 2016/17 given they now participate fully in the LTIP. The same applies to members of the Executive promoted to the Executive in early 2016, save that the 25% maximum bonus opportunity will reduce to 20% for the financial year 2018/19.

Phil Ponsonby joined the Executive from outside the Society in 2015 as Group General Manager, Food Retail. His maximum bonus opportunity was agreed at 40% for the 2015/16 financial year. This reduces to 33.3% for the 2016/17 financial year and to 20% for the 2017/18 financial year as his incentive arrangements transition to full participation in the LTIP.

The annual bonus plan for 2016/17 will operate on a similar basis to 2015/16. Targets consist of a mix of financial objectives (at Society and trading/support group level) and personal objectives.

The Chief Executive's bonus is based on overall Society financial targets (a maximum 14% of salary) and personal objectives (a maximum 6% of salary). Other members of the Executive receive bonuses based on a mix of overall Society and individual trading/support group financial targets and personal objectives. The weighting between the different types of measure varies by role and length of service.

In 2016/17, the performance measures and weightings for the annual bonus plan will be as follows:

Measure	Chief Executive %	Executives with Trading Group responsibilities %	Executives with Support Group responsibilities %	Recently promoted members to the Executive %	Externally recruited to the Executive %
Society profit	14.0	7.0	7.0	8.75	11.65
Trading Group profit	n/a	8.0	n/a	n/a	13.32
Support Group cost	n/a	n/a	5.0	6.25	n/a
Personal objectives	6.0	5.0	8.0	10	8.33
Total	**20.0**	**20.0**	**20.0**	**25.0**	**33.3**

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

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

The Committee met on 11 April 2016 to review performance against the 2015/16 annual bonus targets and approve the payment of bonuses. The overall performance achieved against the financial targets fell between the target and stretch levels.

The following table shows the performance scales and actual outcomes for 2015/16 for the various elements of the bonus:

Performance scales	Bonus payable for					
	Chief Executive	Longer serving members of the Executive		Recently promoted members of the Executive		Externally recruited to the Executive
		with Trading Group responsibilities	with Support Group responsibilities	with Trading Group responsibilities	with Support Group responsibilities	
	(% of base salary)					
Society profit						
Stretch performance 115% of budgeted profit	14.00	7.00	7.00	8.75	8.75	14.00
On-target performance 100% of budgeted profit	5.60	2.80	2.80	3.50	3.50	5.60
Threshold performance 95% of budgeted profit	2.80	1.40	1.40	1.75	1.75	2.80
Less than 95% of budgeted profit	0.00	0.00	0.00	0.00	0.00	0.00
2015/16 outcome	**4.85**	**2.42**	**2.42**	**3.03**	**3.03**	**4.85**
Trading Group profit						
Stretch performance 115% of budgeted profit	n/a	8.00	n/a	10.00	n/a	16.00
On-target performance 100% of budgeted profit	n/a	3.20	n/a	4.00	n/a	6.40
Threshold performance 95% of budget profit	n/a	1.60	n/a	2.00	n/a	3.20
Less than 95% of budgeted profit	n/a	0.00	n/a	0.00	n/a	0.00
2015/16 outcome	**n/a**	**4.94***	**n/a**	**10.00**	**n/a**	**15.32**
Support Group cost						
Stretch performance 95% of budgeted cost	n/a	n/a	5.00	n/a	6.25	n/a
On-target performance 97.5% of budgeted cost	n/a	n/a	2.00	n/a	2.50	n/a
Threshold performance 100% of budgeted cost	n/a	n/a	1.00	n/a	1.25	n/a
More than 100% of budget	n/a	n/a	0.00	n/a	0	n/a
2015/16 outcome	**n/a**	**n/a**	**3.03***	**n/a**	**4.32***	**n/a**
Personal objectives						
Stretch performance	6.00	5.00	8.00	6.25	10.00	10.00
On-target performance	2.40	2.00	3.20	2.50	4.00	4.00
Threshold performance	1.20	1.00	1.60	1.25	2.00	2.00
2015/16 outcome	**5.10**	**2.86***	**3.80***	**4.25**	**6.50***	**6.00**
Total	**9.95**	**10.22***	**9.26***	**17.28**	**13.86***	**26.17**
Maximum available	20.00	20.00	20.00	25.00	25.00	40.00

*Average

Long-Term Incentive Plan (LTIP)

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

An award with a maximum value of 20% of salary is granted annually. Over time this results in Executives building up a series of overlapping awards, assisting with retention and helping drive the Society forward.

2013/14 LTIP award

The 2013/14 LTIP award matured in January 2016.

As shown in the table below, the award was capped at 20.0% of average salary over the three year vesting period. Members of the Executive who have been on the Executive for the full three year LTIP period will receive a payment of 20.0% of their average salary over this period. Members of the Executive joining the Executive in 2013 and 2014 will receive a payment of 13.33% of their average salary while on the Executive, representing two thirds of the payment made to the longer serving members of the Executive. Members of the Executive joining the Executive in 2015 and 2016 were not eligible to receive any payment under this award.

Performance measure	**How measured?**	**Weighting**	**Performance targets**			**Performance achieved**	**Payout % of salary**
			Threshold **26.7%** payable	Target **60%** payable	Maximum **100%** payable		
Return on capital employed	Cumulative trading profit relative to 3 year plan	25%	95% of 3 year plan cumulative trading profit	100% of 3 year plan cumulative trading profit	115% of 3 year plan cumulative trading profit	below the Threshold target	0.0
Corporate reputation 2015 score	From Business in the Community's Corporate Responsibility index	25%	3 star at end of the LTIP period	4 star at end of the LTIP period	Maintain 4 star for the full 3 year LTIP period	4 star for the full 3 year LTIP period	7.5
Colleague engagement 2015/16 score	Measured through the Society's annual colleague survey	25%	78	79	80	81	7.5
Customer Loyalty Index Q4 score 2015/16	Measured through customer satisfaction surveys	25%	69	70	71	76	7.5
						Total	22.5
						Cap applied	**20.0**

The amounts to be paid for the 2013/14 award are set out below:

Longer serving Executive members	**Payment capped at 20% £**
Andy Cresswell	52,434
Simon Fisher	23,907
Mari Frost	25,115
Edward Parker	28,309
Ben Reid	98,048
Steve Ridler[1]	51,233
Alistair Rowland	27,706
Adrian Wilkinson[2]	23,755

Those joining the Executive in 2013/2014	**Payment capped at 13.33%**
Mike Abbott	15,408
Kevin Brown	15,674
Ramsay Dunning[3]	16,997
Peter Westall	16,961

[1] retired on 24 December 2015; per the LTIP rules he is entitled to receive the full LTIP payment for this year
[2] left the Society on 8 April 2016; the Committee exercised its discretion to award the LTIP payment given he was in post for the full 3 year LTIP period
[3] left the Executive on 3 September 2015 but remains employed by the Society and entitled to the LTIP award

2016/17 LTIP award

The Remuneration Committee has agreed that the performance measures for the annual grant to members of the Executive under the LTIP for the 2016/17 year are to be based on the same measures as used in the existing LTIPs - ROCE, Corporate Reputation, Colleague Engagement and the Customer Loyalty Index. Specific targets are to be set by the Committee at its next meeting. Each measure will be weighted the same and the maximum award available will be set at 20.0% of average salary over the three year vesting period.

Summary of outstanding LTIP awards

The table below summarises the principal terms of the LTIP awards that are currently outstanding.

Award	Vesting date	Maximum award	Performance measure	How measured	Weighting	Members of Executive eligible for an award
2014/15 **2015/16** **2016/17**	January 2017 January 2018 January 2019	20% of average salary over the three year performance period	Return on capital employed	Cumulative trading profit relative to 3-year plan	25%	Mike Abbott Kevin Brown Andy Cresswell Simon Fisher Mari Frost Edward Parker Ben Reid Alistair Rowland Peter Westall Caroline Crymble[1] Peter Dubois[1] Phil Ponsonby[1]
			Corporate reputation	From Business in the Community's Corporate Responsibility index	25%	
			Colleague engagement	Measured through the Society's annual colleague survey	25%	
			Customer Loyalty Index	Measured through customer satisfaction surveys	25%	

[1] Eligible to receive 1/3 of any award made for the 2014/15 LITP and 2/3 of any award made for the 2015/16 LTIP; eligible to receive the 2016/17 award in full.

Clawback provisions

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

Pension

The Society operates a defined contribution scheme run by Legal & General (the L & G Scheme), and a scheme that complies with the auto-enrolment requirements. The Society's former stakeholder scheme transferred to Legal & General in February 2016.

The L & G Scheme was set up on closure of the Society's career average defined benefit scheme (the CARE Scheme) on 13 June 2014. Only members of the CARE Scheme at the time of closure were eligible to join the L & G Scheme. The CARE Scheme had previously operated on a final salary basis. Under the L & G Scheme the Society matches contributions made by members up to 7.0% of pensionable pay.

The Society offers the option of a cash alternative to pension for those affected by the HMRC Lifetime Allowance or Annual Allowance limits.

In line with Society policy, only basic salary is pensionable and the cash allowance in lieu of pension is excluded from the calculation of the annual bonus and LTIP awards.

Andy Cresswell, Simon Fisher, Mari Frost, Edward Parker, Ben Reid and Steve Ridler received the cash allowance during the year.

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

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

- Ben Reid is a pensioner member of the CARE Scheme and receives the 16% salary supplement in lieu of pension contributions
- Andy Cresswell, Simon Fisher, Mari Frost and Edward Parker are deferred members of the CARE Scheme; they have a mixture of career average and final salary benefits with a normal retirement age of 65; they receive the 16% salary supplement in lieu of pension contributions
- Kevin Brown is a deferred member of the CARE Scheme with a mix of career average and final salary benefits and a normal retirement age of 65; he participates in the Society's auto-enrolment compliant pension arrangement
- Mike Abbott and Alistair Rowland are deferred members of the CARE Scheme with career average benefits and a normal retirement age of 65; they participate in the L & G Scheme
- Peter Dubois and Peter Westall are deferred members of the CARE scheme with a mix of career average and final salary benefits and a normal retirement age of 65; they participate in the L & G Scheme
- Phil Ponsonby has opted out of pension provision from the Society.

A number of individuals have left the Executive during the period of this report:

- Steve Ridler retired from the Society. At the time he retired he was a deferred member of the CARE Scheme with a mixture of career average and final salary benefits and a normal retirement age of 65; he received the 16% salary supplement in lieu of pension contributions
- Adrian Wilkinson left the Society. At the time he left he was a deferred member of the CARE scheme with a mixture of career average and final salary benefits and a normal retirement age of 65; he participated in the L & G Scheme
- Lee Coleyshaw left the Society. At the time he left he was a member of the Society's stakeholder scheme
- Mark Wilson left the Society. He had opted out of pension provision from the Society
- Ramsay Dunning left the Executive. At the time he left the Executive, he was a member of the Society's stakeholder scheme.

Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary and bonus between the 2014/15 and 2015/16 financial years, compared with that of the average for all colleagues of the Society. Figures for the prior year are also shown.

	% change in salary and incentive pay	
	2015/16	2014/15
Chief Executive	1.5	1.1
average for colleagues	2.1	2.6

Relative importance of spend on pay

The table below compares the change in operating profit before significant items during the year with the change in the Society's total spend on employee remuneration and its distributions. The Chief Executive's overview found earlier in this annual report contains more detail on the Society's performance for the year.

	2014/15 £m	**2015/16 £m**	**% change**
Staff costs	128.7	131.0	1.8
Distributions	4.5	4.3	(4.4)
Operating profit before significant items	20.7	15.5	(25.1)

Loss of office payments

No compensation for loss of office was paid to any Executive during the year. The principles governing compensation for loss of office are set out earlier in this report.

Payments to past Executives

No payments were made to former Executives during the year.

BOARD DIRECTOR FEES

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

The Rules of the Society require that the fees and expenses paid to directors are approved by the Society's members. Proposals are put forward by the Board to members on a periodic basis.

The level of fees payable to directors and those serving on various committees and formal groups of the Society were last reviewed in 2007. A proposal to increase the fees is to be put to members at the AGM to be held on 7 May 2016.

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

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

All the fees listed are increased each year by the same inflation-related increase negotiated with NACO that is awarded to the Society's senior management grades. The increase awarded in 2015/16 was 2.0%.

Board/Committee	Role	Fees 2015/16 £	Fees 2014/15 £
Board	President	10,711 (40% above Director fee)	10,501
	Vice-Presidents	9,181 (20% above Director fee)	9,001
	Director	7,651	7,501
Audit & Risk Committee	Chair	588 (20% above Committee member fee)	576
	Vice-Chair	539 (10% above Committee member fee)	528
	Committee member	490	480
Colleague Support Fund	Board representative	230	226
Environmental Steering Group	Board representative	490	480
Membership Strategy Committee	Committee member	490	480
Pension Trustee Board	Trustee director	955	936
Remuneration Committee	Committee member	490	480

Expenses

Directors are reimbursed all reasonable expenses incurred while carrying out their duties for the Society. In addition, an attendance allowance of £25 per half day can be claimed by directors who participate in pre-approved external meetings and events, for example, Co-operative Congress and Sectional Council meetings.

Benefits

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

Directors' remuneration table (audited)

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

	Fees	
Director	2014/15 £	2015/16 £
Olivia Birch	8,518	9,888
Isobel Burbidge	10,279	10,585
Bernadette Connor[1]	8,806	9,544
Judith Feeney	1,154	9,294
Ruth FitzJohn	2,654	11,519
Ellie Freeman	8,351	8,637
Roy Frodsham	6,309	n/a
Hazel Gray	7,849	5,644
Patrick Gray	11,937	9,307
Margaret Jarvis	9,161	8,806
Matthew Lane	7,861	7,648
Donald Morrison	7,423	7,836
Jean Nunn-Price	8,336	8,072
Louise Pevreal	1,154	8,062
Barbara Rainford	9,009	9,528
George Waddell	5,555	n/a
Helen Wiseman[1]	9,132	8,502
Vivian Woodell	8,766	8,259
Stephen Allsopp	n/a	2,046

[1] member of the Society's Career Average Pension Scheme.

The role of a director

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

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

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

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

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

While, the amount of time a director contributes to their duties will vary considerably according to factors such as what committees they serve on and on personal circumstances, in all cases it extends well beyond simply preparing for and attending monthly Board meetings and should not be underestimated.

APPROVAL OF REMUNERATION REPORT

This remuneration report was approved by the Remuneration Committee on 11 April 2016.

Olivia Birch
Chair - Remuneration Committee

11 April 2016

Statement of directors' responsibilities in respect of the financial statements

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

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

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

In preparing the financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- 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 proper books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

Statement on going concern

The Society has procedures for assessing its capital and funding requirements which are monitored regularly. The day to day working capital needs are met through a number of facilities. The Society has prepared detailed forecasts and projections for the period to January 2019 which, taking account of possible changes in trading performance in the current economic environment, show that the Society should be able to operate within the level of its current available facilities.

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

Disclosure of information to auditors

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

Approval

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

Ruth FitzJohn	Patrick Gray	Helen Wiseman	Edward Parker
President	Vice-President	Vice-President	Secretary

13 April 2016

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

We have audited the financial statements of The Midcounties Co-operative Limited (the 'Society) for the year ended 23 January 2016 set out on pages 56 to 92. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As more fully explained in the Statement of Directors' Responsibilities set out on page 54 the Society's directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Society's affairs as at 23 January 2016 and of its income and expenditure for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- the Society has not kept proper books of account; or
- the Society has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Society's books of account; or
- we have not received all the information and explanations we need for our audit.

Simon Purkess
(Senior Statutory Auditor)

for and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

13 April 2016

Consolidated Statement of Comprehensive Income

For the year ended 23 January 2016

	Note	2015/16 Before significant items £'000	2015/16 Significant items £'000	2015/16 Total £'000	Restated* 2014/15 Before significant items £'000	Restated* 2014/15 Significant items £'000	2014/15 Total £'000
Revenue	1	**926,705**		**926,705**	910,000		910,000
Cost of sales		**(680,815)**		**(680,815)**	(668,161)		(668,161)
Gross profit		**245,890**		**245,890**	241,839		241,839
Operating expenses	2.1/2.2	**(230,371)**	**118**	**(230,253)**	(222,465)	(307)	(222,772)
Operating Profit		**15,519**	**118**	**15,637**	19,374	(307)	19,067
Finance costs	2.3	**(4,940)**		**(4,940)**	(5,349)		(5,349)
Profit before payments to and on behalf of members		**10,579**	**118**	**10,697**	14,025	(307)	13,718
Payments to and on behalf of members	2.4	**(4,286)**		**(4,286)**	(4,537)		(4,537)
Profit before tax		**6,293**	**118**	**6,411**	9,488	(307)	9,181
Income tax expense	2.5	**(1,832)**	**193**	**(1,639)**	(2,766)	571	(2,195)
Profit for the year		**4,461**	**311**	**4,772**	6,722	264	6,986
Other comprehensive income							
Items that will not be reclassified to the income statement in future periods:							
Revaluation gain / (loss) of property, plant and equipment				**501**			(2,340)
Remeasurement of defined benefit liability	4.4			**13,189**			(25,540)
Income tax on other comprehensive income	2.5			**(4,195)**			5,777
Dormant share accounts to reserves				**22**			260
Other comprehensive income / (expense) for the period, net of income tax				**9,517**			(21,843)
Total comprehensive income / (expense) for the period				**14,289**			(14,857)

*Refer to note 2.2 on page 64 for an explanation of the restatement to significant items

Consolidated Statement of Financial Position

As at 23 January 2016

	Note	2015/16 £'000	2014/15 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	**203,279**	194,274
Intangible assets	3.2	**58,939**	57,977
Investment property	3.3	**13,538**	12,584
Other investments	3.4	**43,160**	39,110
Deferred tax asset	3.5	**2,347**	7,822
Total non-current assets		**321,263**	311,767
Current assets			
Other investments	3.4	**3,410**	3,078
Stocks	3.6	**25,663**	29,651
Trade and other receivables	3.7	**159,056**	136,292
Cash and cash equivalents	3.8	**21,037**	24,814
Current tax recoverable		**1,440**	-
Assets held for sale	3.9	**4,166**	20,598
Total current assets		**214,772**	214,433
TOTAL ASSETS		**536,035**	526,200
LIABILITIES			
Current liabilities			
Loans and borrowings	4.1	**2,619**	1,204
Other financial liabilities	4.2	**61**	379
Trade and other payables	4.3	**209,323**	187,639
Provisions		**608**	422
Current tax liabilities		**-**	359
Total current liabilities		**212,611**	190,003
Non-current liabilities			
Loans and borrowings	4.1	**54,788**	72,369
Other payables	4.3	**45,733**	41,733
Provisions		**837**	1,094
Pension obligations	4.4	**48,271**	62,941
Total non current liabilities		**149,629**	178,137
TOTAL LIABILITIES		**362,240**	368,140
NET ASSETS		**173,795**	158,060
EQUITY			
Share capital		**44,642**	42,223
Other reserves		**43,068**	44,160
Retained earnings		**86,085**	71,677
TOTAL EQUITY		**173,795**	158,060

Consolidated Statement of Changes in Equity

For the year ended 23 January 2016

	Share Capital £'000	Revaluation reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 25 January 2014	41,209	45,831	85,747	**172,787**
Profit for the year	0	0	6,986	**6,986**
Other comprehensive income:				
Revaluation of property, plant and equipment	0	(2,340)	0	**(2,340)**
Realised on disposal of properties	0	0	0	**0**
Actuarial losses on defined benefit pension plans	0	0	(25,540)	**(25,540)**
Dormant share acounts to reserves	(260)	0	260	**(0)**
Income tax on other comprehensive income	0	669	5,108	**5,777**
Total other comprehensive expense	(260)	(1,671)	(20,172)	**(22,103)**
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	1,274	0	0	**1,274**
Members' share interest	0	0	(884)	**(884)**
Total contributions by and distributions to members	1,274	0	(884)	**390**
Balance at 24 January 2015	42,223	44,160	71,677	**158,060**
Profit for the year	0	0	4,772	**4,772**
Other comprehensive income:				
Revaluation of property, plant and equipment	0	501	0	**501**
Realised on disposal of properties	0	(1,001)	1,001	**0**
Actuarial gains on defined benefit pension plans	0	0	13,189	**13,189**
Dormant share accounts to reserves	(22)	0	22	**0**
Income tax on other comprehensive income	0	(592)	(3,603)	**(4,195)**
Total other comprehensive income	(22)	(1,092)	10,609	**9,495**
Contributions by and distributions to members:				
Shares issued and interest credited less shares withdrawn	2,441	0	0	**2,441**
Members' share interest	0	0	(973)	**(973)**
Total contributions by and distributions to members	2,441	0	(973)	**1,468**
Balance at 23 January 2016	44,642	43,068	86,085	**173,795**

Consolidated Statement of Cash Flows

For the year ended 23 January 2016

	Note	2015/16 £'000	2014/15 £'000
Cash flows from operating activities			
Profit for the period		**4,772**	6,986
Adjustments for:			
Depreciation	3.1	**11,003**	8,364
Amortisation of intangible assets	3.2	**362**	33
Gain on sale of property, plant and equipment	2.2	**(3,872)**	(90)
Impairment of property, plant and equipment	2.2	**116**	34
Change in fair value of investment property	2.2	**(440)**	(297)
Change in fair value of trading property	2.2	**1,931**	104
Payment for the continuation of contractual early retirement pension benefits	2.2	**0**	1,222
Gain on curtailment of pension scheme	2.2	**0**	(2,142)
Net finance expense	2.3	**4,940**	5,349
Payments to and on behalf of members	2.4	**4,286**	4,537
Income tax expense	2.5	**1,639**	2,195
		24,737	26,295
Change in:			
Stocks		**4,067**	(1,803)
Trade and other receivables		**(22,746)**	(11,063)
Trade, other payables and provisions		**21,350**	40,455
Payments to the pension fund		**(3,500)**	(5,406)
		(829)	22,183
Income tax (paid) / received		**(1,962)**	1,085
Net cash from operating activities		**21,946**	49,563
Cash flows from investing activities			
Interest received		**296**	300
Proceeds from:			
Sale of investment properties, property, plant and equipment and intangible assets and assets held for sale		**15,298**	2,341
Purchase of:			
Property, plant and equipment	3.1	**(17,166)**	(13,644)
Intangible assets	3.2	**(89)**	(453)
Business acquisitions (net of cash acquired)	6.1	**(1,230)**	(5,591)
Net cash used in investing activities		**(2,891)**	(17,047)
Cash flows from financing activities			
Proceeds from issue of share capital		**12,139**	11,097
Repayment of share capital		**(11,190)**	(10,997)
Proceeds from new loans		**0**	20,000
Loan arrangement fees		**(114)**	0
Interest paid on borrowings		**(3,107)**	(3,208)
Repayment of bank facilities	4.1	**(15,750)**	(39,183)
Repayment of finance lease liabilities	4.1	**(626)**	(685)
Payments to and on behalf of members and share interest paid		**(4,184)**	(4,229)
Net cash used in financing activities		**(22,832)**	(27,205)
Net decrease in cash and cash equivalents		**(3,777)**	5,311
Cash and cash equivalents at start of period		**24,814**	19,503
Cash and cash equivalents at end of period		**21,037**	24,814

Accounting Policies

1. Basis of Preparation

a) Statement of compliance

The Midcounties Co-operative Limited is a Co-operative Society domiciled in the United Kingdom. The Group financial statements for the year ended 23 January 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

b) Basis of preparation

The Finanical statements are presented in thousands of pounds sterling.

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

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

c) Use of estimates and judgements

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

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

	Section
Valuation of trading properties	3.1
Measurement of the recoverable amounts from cash generating units containing goodwill	3.2
Valuation of investment properties	3.3
Valuation of assets held for sale	3.9
Measurement of pension obligations	4.4
Business combinations	6.1
Valuation of financial instruments	4.2, 4.5
Valuation of insurance contracts	6.2

d) Basis of consolidation

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

e) Significant items

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

f) Changes in accounting policies
The Society has consistently applied the accounting policies set out in this note to all periods presented in these consolidated financial statements with the exception of recognition of commissions paid to energy switching sites.

g) New standards and interpretations not adopted
The following standards and interpretations have been adopted in 2016 as they are mandatory for the year ended 23 January 2016:

- Defined benefit plans: Employee Contributions – Amendments to IAS19
- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle

The adoption of the above standards has had no impact on profit or net assets.
The following standards and interpretations which are not yet effective and not yet endorsed by the EU and have not been early adopted by the Group, will be adopted in future accounting periods:

- International Financial Reporting Standard (IFRS) 15 'Revenue from contracts with customers' (effective 1 January 2018)
- International Financial Reporting Standard (IFRS) 9 'Financial instruments' (effective 1 January 2018).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38.
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (not yet endorsed. IASB effective date 1 January 2017).
- Disclosure Initiative – Amendments to IAS 1 (Endorsed 18 December 2015).
- Disclosure Initiative – Amendments to IAS 7 (Not yet endorsed – IASB effective date 1 January 2017).
- IFRS 16 – Leases. (Not yet endorsed - IASB effective date 1January 2019).

Their adoption is not expected to have a material impact on the Group, except for IFRS 16 and IFRS 15. The effect of these is yet to be quantified.

2. Accounting Reference Dates
For operational reasons the financial statements of the Society and the retail subsidiaries are prepared to the fourth Saturday in January. Those of the property subsidiaries are prepared to 31 January. The financial statements of the Society and the retail subsidiares are for the 52 weeks ended 23 January 2016 and are compared with a 52 week period to 24 January 2015.

3. Significant Accounting Policies
Accounting policies relating to a specific section of the financial statements can be found in the relevant section.

General accounting policies are:

a) Managing capital
The Society's policy is to maintain a strong capital base as external equity funding is unavailable. The Society recognises the need to maintain a balance between the potential higher returns that might be achieved with greater gearing and the security afforded by a sound capital position. The Midcounties Co-operative Limited is not a regulated entity and manages capital to ensure an appropiate balance between investing in the future growth of the Society and rewarding its members.

b) Derivative financial instruments
The Society holds derivative financial instruments to provide an economic hedge against its energy contracts arising from operational activities. Derivative financial instruments were measured at fair value and any gains or losses were included in the income statement.

c) Provisions
A provision is recognised in the Statement of Financial Position when the Society has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Notes to the Financial Statements

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

Section 1 - Revenue

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

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

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

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

The following criteria must be met before revenue is recognised:

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

1. Revenue	2015/16 Gross sales £'000	2015/16 Revenue £'000	2014/15 Gross sales £'000	2014/15 Revenue £'000
Food	**562,166**	**511,080**	577,221	524,737
Funeral	**29,626**	**29,137**	27,142	26,702
Healthcare	**41,610**	**40,910**	42,038	41,245
Travel	**297,959**	**69,218**	272,984	65,083
Childcare	**27,975**	**27,918**	26,006	25,948
Energy	**252,864**	**240,453**	228,077	217,372
Post Offices	**2,988**	**2,970**	3,398	3,376
Flexible benefits	**27,917**	**1,160**	28,397	1,169
Other	**418**	**318**	387	334
Retail revenue	**1,243,523**	**923,164**	1,205,650	905,966
Property rentals	**3,549**	**3,541**	4,043	4,034
	1,247,072	**926,705**	1,209,693	910,000

Keeping it simple – Cost of sales
Costs of sales are the costs we incur in buying the goods and services we provide to our customers.

Cost of sales are measured at the cost of goods purchased for resale and delivery net of rebates.
Cost of sales for energy supply includes the cost of gas and electricity purchased during the year taking into account the industry reconciliation process for total gas and total electricity usage and related transportation and distribution costs.

Section 2 - Expenses

In this section

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

2.1 Operating expenses before significant items

Keeping it simple - Operating expenses

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

	Note	2015/16 £'000	Restated* 2014/15 £'000
Operating costs	2.1.1	**99,196**	93,580
Personnel costs	2.1.2	**131,027**	128,749
Transactions with directors	2.1.3	**148**	136
		230,371	222,465

2.1.1 Operating costs

	Note	2015/16 £'000	Restated* 2014/15 £'000
Hire of plant and equipment - operating leases		**376**	315
Hire of land and buildings - operating leases		**13,418**	13,323
Depreciation of owned assets - property, plant and equipment	3.1	**10,527**	7,876
Depreciation of owned assets - intangibles	3.2	**362**	33
Depreciation of assets held under finance leases	3.1	**476**	488
Fees paid to auditors:			
Audit		**190**	176
Other		**12**	33
Other expenses		**73,835**	71,336
		99,196	93,580

2.1.2 Personnel costs

	Note	2015/16 £'000	2014/15 £'000
Wages and salaries		**121,581**	119,063
Compulsory social security payments		**7,909**	7,938
Expenses related to defined contribution pension schemes	4.4	**1,537**	1,096
Expenses related to defined benefit pension scheme	4.4	**0**	652
		131,027	128,749

The average monthly number of employees employed by the Society was:	Number	Number
Full time	**4,256**	3,393
Part time	**4,437**	5,277
	8,693	8,670

*Refer to note 2.2 on page 64 for an explanation of the restatement to significant items

2.1.3 Transactions with directors

Keeping it simple - Transactions with directors

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

	2015/16 £'000	2014/15 £'000
Directors' fees and expenses	**148**	136

2.2 Significant items before tax

Keeping it simple - Significant items

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

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

Analysis of significant items:		2015/16 £'000	Restated* 2014/15 £'000
Items included within operating expenses:			
Net gain on disposal of property, plant, equipment and investment properties and assets held for sale	a	**3,872**	90
Change in fair value of trading properties	a	**(1,931)**	(104)
Change in fair value of investment properties	a	**440**	297
Expense of business acquisitions and disposals	b	**(151)**	(464)
Impairment of property, plant and equipment	c	**(116)**	(34)
Payment for the continuation of contractual early retirement pension benefits	d	**0**	(1,222)
Gain on curtailment of pension scheme	e	**0**	2,142
Restructuring costs	f	**(1,996)**	(1,012)
		118	(307)
Tax on significant items	g	**193**	571
Significant items after tax		**311**	264

a - Gains and losses on disposal of property, plant and equipment, assets held for sale and investment properties are one-off in nature and can be significant in terms of size and volatility. Similarly, changes in fair values of the trading and investment properties as part of the annual revaluation process are significant as they depend on market conditions at the time of valuation and therefore can be volatile as well as significant in size.

b - In accordance with IFRS 3 revised, expenses related to business acquisitions are expensed to the income statement. They are significant as they are one off in nature and potentially also in size. In the current year and prior year this mainly relates to legal costs incurred in relation to acquisitions.

c - The impairment of property, plant and equipment was significant in value in and is one off in nature as it is in relation to one property which has been impaired as part of the review of the asset when preparing it for sale.

d - During 2014/15 the Chief Executive exercised his contractual right to take his deferred CARE scheme pension penalty-free at age 60. The CARE scheme trustee required payment for the cost of providing this pension. Further details relating to the CARE scheme can be found in note 4.4

e - During 2014/15 the amount stated is one off in nature and arose as a result of the closure to future accrual of the Society's defined benefit pension scheme - see note 4.4

f - During the year the Society undertook an assessment of the retail group. This resulted in a one off cost directly related to the restructure to the group.

g - The tax charge relates to tax on significant items and changes in the tax rate applied to significant items in prior years.

*The Society has changed its accounting policy for the recognition of commissions paid to energy switching sites. The Society no longer considers these costs to be a significant item due to the ongoing expenditure on switching site commissions forming part of the underlying expenses of the Group. In the comparative period £1,350,000 of costs were charged to significant items and £288,000 was credited to tax on significant items. As a result of this change, the prior year results have been restated, recognising the expenses of switching costs within operating expenses rather than significant items, thereby reducing operating profit before significant items for that period. The tax credit has also been recognised within income tax expense before significant items rather than an income tax expense within significant items.

2.3 Finance costs

Keeping it simple - Finance costs

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

Finance income comprises interest income on funds invested, dividend income and funeral prepayment plans. Interest income is recognised as it accrues in the income statement using the effective interest method. Dividend income is recognised in the income statement on the date that the Society's right to receive payment is established which, in the case of quoted securities, is the ex-dividend date.
Finance expenses comprise interest expense on borrowings, changes in the fair value of funeral prepayment plans, and impairment losses recognised on financial assets.
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.
Net finance expense in respect of pension obligations represents the interest paid from the investment of the pension scheme assets.

	Note	**2015/16 £'000**	2014/15 £'000
Finance income	2.3.1	**296**	279
Finance expenses	2.3.2	**(5,236)**	(5,628)
		(4,940)	(5,349)

2.3.1 Finance income

	2015/16 £'000	2014/15 £'000
Interest income on available for sale financial assets	**88**	120
Interest income on bank deposits	**208**	159
	296	279

2.3.2 Finance expense

		2015/16 £'000	2014/15 £'000
Net interest on defined benefit liability	4.4	**2,019**	1,766
Interest expense on bank loans		**2,815**	3,096
Interest expense in respect of finance lease liabilities		**110**	150
Interest expense in respect of deferred acquisition consideration		**0**	60
Loan arrangement fees expensed		**292**	236
Fair value movement on funeral prepayment liabilities		**0**	320
		5,236	5,628

2.4 Payments to and on behalf of members

Keeping it simple - Payments to and on behalf of members

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

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

	Note	**2015/16 £'000**	2014/15 £'000
Members dividend	5.1	**1,968**	1,332
Grants and other member benefits		**1,414**	2,091
Employee member benefits		**636**	1,114
Charitable donations		**268**	0
		4,286	4,537

2.5 Income tax expense

Keeping it simple - Income tax expense

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

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

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

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

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

	2015/16 Before significant items £'000	**2015/16 Significant items £'000**	**2015/16 £'000**	Restated* 2014/15 Before significant items £'000	Restated* 2014/15 Significant items £'000	Restated* 2014/15 £'000
Current tax expense:						
Current period*	**674**	**(315)**	**359**	1,469	17	1,486
Adjustment for prior periods	**4**	**0**	**4**	244	(500)	(256)
	678	**(315)**	**363**	1,713	(483)	1,230
Deferred tax expense:						
Origination and reversal of temporary differences	**1,366**	**152**	**1,518**	1,174	154	1,328
Adjustment for prior periods	**315**	**0**	**315**	(121)	(242)	(363)
Effects on deferred tax of change in tax rate	**(527)**	**(30)**	**(557)**	0	0	0
	1,154	**122**	**1,276**	1,053	(88)	965
Total income tax	**1,832**	**(193)**	**1,639**	2,766	(571)	2,195

*Refer to note 2.2 on page 64 for an explanation of the restatement to significant items

In order to understand how, in the income tax statement, a tax change of £1.639 million (2014/15: £2.195 million) arises on a profit before tax of £6.411 million (2014/15: £9.181 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual charge as follows:

	2015/16 Before significant items	2015/16 Significant items	2015/16	Restated* 2014/15	Restated* 2014/15 Significant items	Restated* 2014/15
Factors affecting the tax charge for the period:	£'000	£'000	£'000	£'000	£'000	£'000
Profit before taxation*	6,293	118	6,411	9,488	(307)	9,181
Income tax using the Society's domestic tax rate of 20.18% (2014/15: 21.35%)	1,270	24	1,294	2,026	(66)	1,960
Expenses not deductible for tax purposes	770	509	1,279	617	(20)	597
Profit on sale of properties subject to indexation and rollover relief	0	(696)	(696)	0	257	257
Effects on deferred tax of change in tax rate	(527)	(30)	(557)	0	0	0
Adjustment for prior periods (current plus deferred tax expense)	319	0	319	159	(742)	(583)
Benefit of previously unrecognised tax losses	0	0	0	(36)	0	(36)
Total income tax expense	1,832	(193)	1,639	2,766	(571)	2,195

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

	2015/16 £'000	2014/15 £'000
Total recognised directly in equity:		
Members' share interest	(246)	(240)
	£'000	£'000
Total recognised in other comprehensive income:		
Revaluation of property, plant and equipment	592	(669)
Actuarial gains/(losses) on defined benefit pension plans	3,603	(5,108)
	4,195	(5,777)
Deferred tax:	£'000	£'000
Net asset at start of period	7,822	3,027
Deferred tax charge in revenue account for the period	(1,276)	(965)
Movement on pension liability deferred tax	(3,603)	5,108
Deferred tax recognised directly in equity	(592)	669
Acquisition	(4)	(17)
Net liability at end of period	2,347	7,822

A reduction in the UK corporation tax rate from 20% (effective from 1 April 2015) to 18% (effective from 1 April 2020) with an interim reduction to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. This will change the Society's future current tax charge accordingly. The deferred tax assets at 23 January 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

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

*Refer to note 2.2 on page 64 for an explanation of the restatement to significant items

		2015/16 Before Significant Items £'000	2015/16 Significant items £'000	2015/16 Total £'000		Restated* 2014/15 Before Significant Items £'000	Restated* 2014/15 Significant items £'000	Restated* 2014/15 Total £'000	
Profit before taxation		6,293	118	6,411		9,488	(307)	9,181	
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.18% (2014/15: 21.35%)		1,270	24	1,294		2,026	(66)	1,960	
Depreciation in excess of capital allowances	a	423	0	423		70	0	70	
Pension movements	b	(299)	0	(299)		(974)	0	(974)	
Expenses not deductible for tax purposes	c	(80)	0	(80)		347	0	347	
Change in fair value of trading properties	c	0	398	398		0	22	22	
Change in fair value of investment properties	c	0	(97)	(97)		0	(63)	(63)	
Expense of business acquisitions and disposals	c	0	27	27		0	97	97	
Capital gains	c	0	(690)	(690)		0	20	20	
Inpairment of property, plant and equipment	c	0	23	23		0	7	7	
Losses transferred in		0	0	0		(36)	0	(36)	
		1,314	(315)	999	**15.58%**	1,433	17	1,450	**15.79%**
Tax effect of the adoption of new UK GAAP		(640)	0	(640)		0	0	0	
Adjustments to tax charge in respect of previous periods		4	0	4		280	(500)	(220)	
Reported current tax charge and effective rate		678	(315)	363	**5.66%**	1,713	(483)	1,230	**13.39%**
Capital allowances in excess of depreciation eligible for capital allowances	a	173	0	173		167	0	167	
Pension movements	b	296	0	296		912	0	912	
Other timing differences	d	263	152	415		95	154	249	
Tax effect of the adoption of new UK GAAP		634	0	634		0	0	0	
Adjustments to tax charge in respect of previous periods		315	0	315		(121)	(242)	(363)	
Effects on deferred tax of change in tax rate		(527)	(30)	(557)		0	0	0	
Reported total tax charge and effective rate		1,832	(193)	1,639	**25.56%**	2,766	(571)	2,195	**23.91%**

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

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

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

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

*Refer to note 2.2 on page 64 for an explanation of the restatement to significant items

Section 3 - Assets

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

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

After initial recognition, classes of assets valued under the cost model are carried at cost less any accumulated depreciation and any accumulated impairment losses. Classes of assets valued under the revaluation model are carried at a revalued amount, being their fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
Depreciation is calculated to write off the cost or valuation, less estimated residual value, in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

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

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

3.1 Property, plant and equipment

Keeping it simple - Property, plant and equipment

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

		Land & buildings £'000	Plant, fixtures & fittings £'000	Vehicles £'000	Total £'000
Cost or valuation:					
At 25 January 2014		181,847	113,159	845	**295,851**
Additions		2,179	12,036	111	**14,326**
Acquisitions	6.1	2,000	220	0	**2,220**
Impairment provision		0	(486)	0	**(486)**
Revaluation		(2,600)	0	0	**(2,600)**
Disposals		(820)	(6,728)	(202)	**(7,750)**
Transfer to assets held for sale		(17,907)	(1,052)	0	**(18,959)**
At 24 January 2015		**164,699**	**117,149**	**754**	**282,602**
Additions		2,057	15,074	35	**17,166**
Acquisitions	6.1	0	(73)	0	**(73)**
Impairment provision		0	(116)	0	**(116)**
Revaluation		(1,531)	0	0	**(1,531)**
Disposals		(701)	(2,120)	0	**(2,821)**
Transfer from assets held for sale		4,435	170	0	**4,605**
At 23 January 2016		**168,959**	**130,084**	**789**	**299,832**
Accumulated depreciation:					
At 25 January 2014		6,353	80,034	819	**87,206**
Provided this year		772	7,549	43	**8,364**
Disposals		(58)	(6,826)	(202)	**(7,086)**
Revaluation		(156)	0	0	**(156)**
At 24 January 2015		**6,911**	**80,757**	**660**	**88,328**
Provided this year		773	10,203	27	**11,003**
Disposals		(558)	(2,120)	0	**(2,678)**
Revaluation		(100)	0	0	**(100)**
At 23 January 2016		**7,026**	**88,840**	**687**	**96,553**
Carrying amount					
At 24 January 2015		157,788	36,392	94	**194,274**
At 23 January 2016		**161,933**	**41,244**	**102**	**203,279**

The gross book value of assets held under finance leases shown within additions is £0 (2014/15: £682,000).
The net book value of assets held under finance leases is £2,054,000 (2014/15: £2,549,000).
Plant, fixtures and fittings include assets in the course of construction of £2,822,000 (2014/15: £5,216,000)
The historical cost of revalued assets is £138,617,000 (2014/15: £124,402,000)

Security

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

Valuations

The property valuations in January 2016 are based on open market rental values. The valuations were carried out by Chartered Surveyors Philip Tapper and Co, VSL and Partners, Richard Holmes (Property Consultants) and Jones Lang LaSalle in accordance with the RICS 'Red Book' ninth edition which came into effect 6 January 2014.

The properties are valued individually, and yields are therefore varying on a property by property basis. Yields range from 6.0% to 12.0% (2014/15: 6.0% to 13.0%)

3.2 Intangible assets

Keeping it simple - Intangible assets

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

Goodwill

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

Other intangibles

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

Fair value measurement

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

Impairment

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

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

However, goodwill impairment testing is carried out at a divisional level being the lowest level at which goodwill is monitored.
An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying value of the net operating assets.

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

	Note	Purchased goodwill £'000	Licences and brand £'000	Customer Relationships £'000	Total £'000
Cost:					
At 25 January 2014		56,756	8,064	359	**65,179**
Acquisition	6.1	3,102	0	0	**3,102**
Additions		0	453	0	**453**
Disposals		(745)	(528)	0	**(1,273)**
Assets held for sale		(17)	0	0	**(17)**
At 24 January 2015		**59,096**	**7,989**	**359**	**67,444**
Acquisition	6.1	1,422	0	0	**1,422**
Additions		0	89	0	**89**
Disposals		(338)	0	0	**(338)**
At 23 January 2016		**60,180**	**8,078**	**359**	**68,617**
Accumulated amortisation:					
At 25 January 2014		9,322	27	275	**9,624**
Charge for the year		0	25	8	**33**
Disposals		(189)	(1)	0	**(190)**
At 24 January 2015		**9,133**	**51**	**283**	**9,467**
Charge for the year		0	286	76	**362**
Disposals		(151)	0	0	**(151)**
At 23 January 2016		**8,982**	**337**	**359**	**9,678**
Carrying Amount					
At 24 January 2015		49,963	7,938	76	**57,977**
At 23 January 2016		**51,198**	**7,741**	**0**	**58,939**

Licences relate to the pharmacy, energy and post office businesses. Included in additions in 2015/16 are also licences for software which were in the process of being implemented during the year.

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

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

Customer relationships relate to acquisitions within the Childcare business. All such customer relationships are assumed to have a life of 3 years.

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

Impairment testing compares the recoverable amount of goodwill with the book value. Recoverable amount is calculated by discounting future cash flows of the divisional trading groups. The key factors are future growth rates and discount rates which are based on a market participants cost of capital for each business and range from 7.5% to 10.8%. Business specific growth rates are used to extrapolate cash flows for a period of 19 years, beyond a detailed budget at a rate of 3%. The growth rates have been derived using historical analysis and future plans of the business. They do not exceed the long-term growth rates for the relevant industries.

3.3 Investment property

Keeping it simple - Investment property

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

Accounting Policy:

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

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

Determination of fair values

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

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

	2015/16 £'000	2014/15 £'000
Cost or valuation:		
At start of year	**12,584**	13,988
Transfer from / (to) assets held for sale	**514**	(1,626)
Revaluation	**440**	297
Disposals	**0**	(75)
At end of year	**13,538**	12,584

Investment properties are not depreciated.

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

Valuations

The property valuations in January 2016 are based on open market rental values. The valuations were carried out by Chartered Surveyors Philip Tapper and Co, VSL and Partners, Richard Holmes (Property Consultants) and Jones Lang LaSalle in accordance with the RICS 'Red Book' ninth edition which came into effect 6 January 2014.

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

Yields range from 6.5% to 12.0% (2014/15 : 6.5% to 11.0%), with a mean yield for commercial investment property of 9.4% (2014/15 : 9.0%) before costs and 8.6% (2014/15 : 8.75%) before costs for residential investment property.

3.4 Other investments

Keeping it simple - Other investments

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

Funeral prepayment plans under which the Society accepts risk from another party (the policyholder) by agreeing to compensate the policyholder in respect of an uncertain future event are classified as insurance contracts under IFRS 4. A contract that qualifies as an insurance contract remains an insurance contract until all the risks and obligations are extinguished or expire.
Available for sale financial assets are equity investments. They are measured at fair value with movements in the carrying value brought into equity through other comprehensive income as they arise, except for changes in value arising from impairment, which are recognised in the income statement. On disposal, gains and losses recognised previously in equity are transferred to the income statement.

Determination of fair values

The fair value of funeral prepayment plans is based on the 'at need' price discounted over the average life of a plan at the risk free rate over a comparable period.
Financial assets designated at fair value through the Income Statement relate to funeral prepayment plans. These are measured at fair value with movements in the carrying value brought into the income statement as they arise. Hedge accounting is not applied to such instruments.

	2015/16	2014/15
Non current investments:	**£'000**	£'000
Available for sale financial assets	**2,233**	2,182
Financial assets designated at fair value through the Income Statement	**40,927**	36,928
	43,160	39,110
Are held as follows:	**£'000**	£'000
Co-operative Group shares	**1,562**	1,562
Other I&P Societies shares	**302**	285
Other investments	**369**	335
Total available for sale financial assets	**2,233**	2,182
Funeral prepayment plans	**40,927**	36,928
	43,160	39,110

	2015/16	2014/15
Current investments:	**£'000**	£'000
Financial assets designated at fair value through the income statement	**3,410**	3,078

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

Available for sale financial assets are held at fair value.

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

3.5 Deferred tax assets and liabilities

Keeping it simple - Deferred tax

Deferred tax arises because financial accounting rules and tax accounting rules are different.
A deferred tax asset is a tax saving which will be made in the future as a result of transactions which have already occurred.
A deferred tax liability recognises tax which will be payable in the future as a result of transactions which have already occurred.

Accounting Policy:
Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the forseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Society's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

	Note	2015/16 £'000	2014/15 £'000
Deferred tax liability in respect of property, plant and equipment		**(6,842)**	(6,233)
Short term temporary differences		**(787)**	(82)
Deferred tax liability		**(7,629)**	(6,315)
Intangible assets		**1,287**	1,549
Deferred tax asset in respect of pension obligations		**8,689**	12,588
Deferred tax asset		**9,976**	14,137
Net deferred tax asset	2.5	**2,347**	7,822

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

	Assets		Liabilities	
	2015/16 £'000	2014/15 £'000	**2015/16 £'000**	2014/15 £'000
Property, plant and equipment	**0**	0	**(6,842)**	(6,233)
Intangible assets	**1,287**	1,549	**0**	0
Pension obligations	**8,689**	12,588	**0**	0
Other items	**0**	0	**(787)**	(82)
Tax assets / (liabilities)	**9,976**	14,137	**(7,629)**	(6,315)

There are £Nil unrecognised deferred tax assets (2014/15: £Nil).

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

	At 24 January 2015 £'000	Recognised in Income statement £'000	Recognised in equity/ other comprehensive income £'000	Acquisition	**At 23 January 2016 £'000**
Property, plant and equipment	(6,233)	(13)	(592)	(4)	**(6,842)**
Intangible assets	1,549	(262)	0	0	**1,287**
Pension obligations	12,588	(296)	(3,603)	0	**8,689**
Other items	(82)	(705)	0	0	**(787)**
Tax assets	7,822	(1,276)	(4,195)	(4)	**2,347**

As at 23 January 2016, total deferred tax assets are £9.976 million (2014/15: £14.137 million) and total deferred tax liabilities are £7.629 million (2014/15: £6.315 million).

The deferred tax balance relates to:
- Property, plant and equipment temporary differences arising on assets qualifying for capital allowances.
- Deferred chargable gains reinvested in qualifying assets
- Property revaluation temporary differences
- Tangible assets temporary differences
- Pension obligation temporary differences
- Other temporary differences on miscellaneous items

3.6 Stocks

Keeping it simple - Stock
Stock is an asset which is purchased by the business for resale to our customers.

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

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

	2015/16 £'000	2014/15 £'000
Goods for resale	**25,663**	29,651
	25,663	29,651

All stock is expected to be realised within 12 months.

Goods bought for resale recognised as a cost of sale amounted to £384 million (2014/15: £387 million).

The year-end stock provision is £825,000 (2014/15: £307,000).

Stock writedowns in the year were £nil (2014/15: £nil).

3.7 Trade and other receivables

Keeping it simple - Trade and other receivables
A receivable is the amount owed by a person or business that has purchased goods or services from the Society but has not yet paid for them.

	2015/16 £'000	2014/15 £'000
Trade receivables	**113,937**	75,998
Prepayments and accrued income	**11,428**	12,374
Accrued income for Energy customers	**21,527**	21,459
Other receivables	**12,164**	26,461
	159,056	136,292

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

3.8 Cash and cash equivalents

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

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

	2015/16 £'000	2014/15 £'000
Cash and cash equivalents	**16,139**	22,040
Short-term deposits	**4,898**	2,774
	21,037	24,814

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

3.9 Assets held for sale

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

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

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

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

	2015/16 £'000	2014/15 £'000
Assets classified as held for sale:		
Land and buildings	**4,466**	20,686
Intangible assets	**0**	17
Estimated costs to sell	**(300)**	(105)
	4,166	20,598

Section 4 - Liabilities

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

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

4.1 Loans and borrowings

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

	2015/16 £'000	2014/15 £'000
Current liabilities:		
Savings stamp club	**0**	26
Current portion of secured bank loans (see notes 3.1 & 3.3)	**1,957**	513
Current portion of finance lease liabilities	**662**	665
	2,619	1,204
Non current liabilities:		
Secured bank loans (see notes 3.1 & 3.3)	**53,581**	70,649
Finance lease liabilities	**1,207**	1,720
	54,788	72,369

Terms and conditions of outstanding loans were as follows:

	Rate	Nominal interest rate	Year of maturity	2015/16 £'000	2014/15 £'000
Royal Bank of Scotland loan	Fixed	5.73%	2022	**26,000**	26,000
Revolving credit facility	Variable	2.59%	2017	**0**	14,528
Royal Bank of Scotland loan	Variable	1.47%	2022	**1,625**	1,625
Revolving credit facility	Variable	2.33%	2017	**9,794**	9,965
Revolving credit facility	Variable	2.84%	2017	**3,428**	4,219
Lloyds bank loan	Variable	2.09%	2019	**14,691**	14,825
Savings stamp club				**0**	26
Total interest bearing liabilities				**55,538**	71,188

The loans are shown net of an unamortised arrangement fee of £587,000 (2014/15: £713,000)

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2015/16 £'000	**Present value of minimum lease payments 2015/16 £'000**	Future minimum lease payments 2014/15 £'000	Present value of minimum lease payments 2014/15 £'000
Less than one year	**934**	**804**	863	665
Between one and five years	**928**	**926**	1,645	1,581
More than five years	**225**	**139**	233	139
	2,087	**1,869**	2,741	2,385

Finance leases were taken out during the year at a gross value of £0 (2014/15: £682,000). These leases were secured against the assets acquired.

4.2 Other Financial Liabilities

Keeping it simple - Other Financial liabilities

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

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

	2015/16 £'000	2014/15 £'000
Financial liabilities relating to energy contracts	**61**	379

4.3 Trade and other payables

Keeping it simple - Trade, other payables and provisions

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

	2015/16 £'000	2014/15 £'000
Current liabilities:		
Trade payables	**152,714**	107,079
Government Grants	**34**	49
Other payables	**10,190**	40,318
Deferred income	**22,858**	14,195
Funeral bonds	**3,709**	3,326
Accrued charges	**19,818**	22,672
	209,323	187,639
	£'000	£'000
Non current liabilities:		
Funeral bonds (non-current)	**44,316**	40,203
Other Payables (non-current)	**1,123**	1,213
Government grants	**294**	317
	45,733	41,733

The Society's exposure to liquidity risk related to its trade and other payables is disclosed in note 4.5.
The government grant was received in relation to the construction of a property and is being amortised over the life of the building.

4.4 Pension obligations

Keeping it simple - Pension obligations

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

Accounting Policy:

Defined contribution plans

The Society operates a defined contribution scheme for all employees. All costs relating to the defined contribution schemes are charged to the income statement as incurred. Contributions to the defined contribution scheme in the year were £1,537,000 (2014/15: £1,096,000) and were charged through the Income Statement.

Defined benefit plans

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

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

Full actuarial valuations of the scheme was carried out at 31 December 2012 and were updated to 23 January 2016 by a qualified independent actuary.

Plan Assets comprise:	**2015/16 £'000**	2014/15 £'000
Equities:		
Developed equities	**38,334**	42,170
Emerging market equities	**6,481**	11,580
Senior Secured Loans		
Alternative credit	**12,094**	13,047
Global corporate credit	**4,145**	4,160
Global sovereign credit	**7,770**	8,066
High quality bonds	**32,041**	38,183
Other		
Property	**16,722**	15,528
Diversifying strategies	**27,946**	24,784
Cash and cash equivalents	**5,927**	927
Other:		
Listed infrastructure	**12,552**	11,934
Other	**6,139**	5,699
	170,151	176,078

	2015/16 £'000	2014/15 £'000
Actual return on plan assets	**(2,319)**	29,032

The fair value of plan assets does not include any of the Society's own financial instruments or any property occupied by, or other assets used by the Society.

	2015/16 £'000	2014/15 £'000
Change in defined benefit obligation		
Defined benefit obligation at beginning of year	**239,019**	188,287
Current service cost	**0**	652
Past service cost	**0**	1,222
Gain on curtailment of pension scheme	**0**	(2,142)
Interest cost	**7,764**	8,426
Plan participants' contributions	**0**	597
Actuarial losses/(gains)	**(20,885)**	48,168
Benefits paid	**(7,476)**	(6,191)
Defined benefit obligation on plans that are wholly or partly funded	**218,422**	239,019
Change in plan assets		
Fair value of plan assets at beginning of year	**176,078**	146,326
Interest income	**5,745**	6,660
Actuarial gains/(losses)	**(7,328)**	22,628
Administration expenses	**(368)**	(256)
Employer contribution	**3,500**	6,314
Plan participants' contributions	**0**	597
Benefits paid	**(7,476)**	(6,191)
Fair value of plan assets at end of year	**170,151**	176,078
Net pension obligation		
Funded status	**(48,271)**	(62,941)

Components of pension cost	**£'000**	£'000
Current service cost	**0**	652
Interest cost	**7,764**	8,426
Expected return on plan assets	**(5,745)**	(6,660)
Administrative expenses and taxes	**368**	256
Total pension cost recognised in the Income statement	**2,387**	2,674

Actuarial (gains)/losses immediately recognised in other comprehensive income:	**£'000**	£'000
Effect of changes in demographic assumptions	**1,035**	8,613
Effect of changes in financial assumptions	**(21,920)**	39,555
Return on plan assets (excluding interest income)	**7,696**	(22,628)
Total pension (income)/cost recognised in other comprehensive income	**(13,189)**	25,540
Cumulative amount of actuarial losses immediately recognised	**66,298**	79,487

Weighted average assumptions used to determine defined benefit obligations:	**2015/16**	2014/15
Discount rate	**3.85%**	3.30%
Inflation	**3.00%**	2.80%
Rate of increase to pensions in payment (pre July 2006)	**2.80%**	2.65%
Rate of increase to pensions in payment (post July 2006)	**2.15%**	2.25%

Weighted average assumptions used to determine net pension cost:	**2015/16**	2014/15
Discount rate	**3.30%**	4.55%
Inflation	**2.80%**	3.20%
Future salary increases	**N/A**	4.70%
Rate of increase to pensions in payment (pre July 2006)	**2.65%**	3.00%
Rate of increase to pensions in payment (post July 2006)	**2.25%**	2.25%

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

	Males		**Females**	
	2015/16	**2014/15**	**2015/16**	**2014/15**
The average life expectancy of an individual retiring at age 65	22.1	22.1	24.6	24.5
The average life expectancy of an individual aged 45 retiring at age 65	43.8	41.7	46.5	44.3

Two year history	**2015/16**	2014/15
	£'000	£'000
Benefit obligation at end of year	**(218,422)**	(239,019)
Fair value of plan assets at end of year	**170,151**	176,078
Deficit	**(48,271)**	**(62,941)**
Difference between expected and actual return on scheme assets:		
Amount (£'000)	**(7,696)**	22,628
Percentage of scheme assets	**(5)%**	**13%**

Sensitivity analysis

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

	Total deficit (£'000)	change in reported deficit (£'000)
Minus 0.25% discount rate	59,693	(11,422)
Plus 0.25% discount rate	37,651	10,620
Minus 0.25% inflation rate	38,107	10,164
Plus 0.25% inflation rate	59,085	(10,814)
Mortality rate -1 year	54,149	(5,878)
Mortality rate +1 year	42,390	5,881

Management of the CARE Scheme

The CARE Scheme is administered by The Midcounties Co-operative Pension Trustee Limited (the Trustee), which is a legal body separate to the Society. As at 23 January the Trustee comprises of four member nominated representatives and four employer nominated representatives. The Trustee is required to act in accordance with legislation and in the best interests of the Scheme members. The Trustee is responsible for agreeing the funding of the Scheme with the Society, setting the investment strategy and administering the benefits.

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

The Trustee is responsible for agreeing the Scheme's funding arrangements with the Society. Every three years, the Trustee carries out an actuarial valuation of the Scheme for funding purposes using the assumptions set out in the Scheme's Statement of Funding Principles. If the funding valuation discloses a deficit within the Scheme, the Trustee and Society agree a recovery plan to rectify the deficit. Following the 31 December 2012 valuation of the Scheme, the Society is currently contributing £3.5m per annum in deficit recovery contributions.

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

At 23 January 2016, the weighted average duration of the defined benefit obligation was approximately 20 years.

The CARE Scheme closed to future build up from 30 June 2014. Members at the date of closure were offered membership of a new defined contribution scheme with Legal & General. The Society matches member's contributions up to a maximum of 7%.

4.5 Financial instruments and derivatives

Keeping it simple - Financial instruments and derivatives

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

Credit risk:

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

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

	Note	**2015/16 £'000**	2014/15 £'000
Available for sale financial assets	3.4	**2,233**	2,182
Financial assets at fair value through the income statement	3.4	**44,337**	40,006
Trade and other receivables	3.7	**147,628**	123,918
		194,198	166,106

The ageing of trade receivables at the reporting date was:	**Gross 2015/16 £'000**	**Impairment 2015/16 £'000**	Gross 2014/15 £'000	Impairment 2014/15 £'000
Not overdue	**93,254**	**(39)**	94,149	(16)
Overdue 0-30 days	**20,416**	**(24)**	2,075	(2)
Overdue 31-120 days	**20,797**	**(1,324)**	1,665	(614)
121 days to one year	**8,940**	**(6,556)**	7,589	(7,389)
More than one year overdue	**5,285**	**(5,285)**	368	(368)
	148,692	**(13,228)**	105,846	(8,389)

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

23 January 2016	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	**55,538**	**66,440**	**2,210**	**2,210**	**16,071**	**16,810**	**29,139**
Finance lease liabilities	**1,869**	**2,087**	**467**	**467**	**697**	**231**	**225**
Trade and other payables	**255,056**	**255,056**	**207,468**	**1,855**	**3,431**	**11,417**	**30,885**
Provisions	**1,445**	**1,445**	**308**	**299**	**273**	**217**	**348**
Energy trading contracts:							
Liabilities	**61**	**61**	**61**				
	313,969	**325,089**	**210,514**	**4,831**	**20,472**	**28,675**	**60,597**

24 January 2015	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	71,162	85,618	1,979	1,266	31,829	21,409	29,135
Finance lease liabilities	2,385	2,740	432	431	755	890	232
Trade and other payables	228,824	228,824	185,428	1,663	3,147	9,439	29,147
Provisions	1,517	1,517	211	211	469	277	349
Contingent consideration	548	548	548				
Energy trading contracts:							
Liabilities	379	379	379				
	304,815	319,626	188,977	3,571	36,200	32,015	58,863

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

	Carrying amount	
Fixed rate instruments:	**2015/16 £'000**	2014/15 £'000
Financial liabilities	**(26,000)**	(26,000)
Variable rate instruments:		
Financial assets	**21,037**	24,814
Financial liabilities	**(29,538)**	(45,162)

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

Foreign currency risk:
The Society is exposed to foreign currency risk on currencies held in travel branches for resale. The currencies giving rise to this risk are primarily Euros and US Dollars. Any adverse movements on these exchange rates would not have a material impact on the Society.

Capital management:
The Society's policy is to maintain a strong capital base to sustain business performance and future development. Capital consists of total equity, loans and borrowings and at 23 January 2016 amounted to £231,202,000 (2014/15: £231,633,000)

Guarantees:
In the course of conducting its operations, the Society has issued a small numer of bank guarantees in favour of counter-parties. The total amount of bank guarantees outstanding is £2,075,000 (2014/15: £4,235,000).

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

	Note	2015/16 Carrying amount £'000	2015/16 Fair value £'000	2014/15 Carrying amount £'000	2014/15 Fair value £'000
Available for sale financial assets	3.4	**2,233**	**2,233**	2,182	2,182
Financial assets designated at fair value through the income statement	3.4	**44,337**	**44,337**	40,006	40,006
Loans and receivables	3.7	**159,056**	**159,056**	136,292	136,292
Cash and cash equivalents	3.8	**21,037**	**21,037**	24,814	24,814
Energy trading contracts: Liabilities	4.2	**61**	**61**	379	379
Secured bank loans	4.1	**55,538**	**59,305**	71,162	75,869
Finance lease liabilities	4.1	**1,869**	**1,869**	2,385	2,385
Trade and other payables	4.3	**255,056**	**255,056**	228,824	228,824
Contingent consideration	4.3	**0**	**0**	548	548

Estimation of fair values

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

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

Interest-bearing loans and borrowings
Fair values have been determined by discounting future cash flows at 3.093% (2014/15: 3.042%) The basis of the interest rate was the London interbank offered rate (LIBOR) plus a margin available to the society for bank borrowings at the year end.

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

Contingent Consideration
The Society had a liability for deferred consideration following the acquisition of Buffer Bear Limited in 2010 which has been settled this year.

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

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

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

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

Section 5 - Equity

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

5.1 Capital and Reserves

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

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

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

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

Shares currently attract interest at rates between 0% and 2.5%.

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

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

- transferred to one or more societies in membership of Co-operatives UK Limited having the same or similar rule provisions as regards surplus distribution or,
- shall be paid or transferred to Co-operatives UK Limited.

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

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

As a member you are a shareholder of The Midcounties Co-operative Limited. If the Society is unable to meet its debts and other liabilities, you will lose the whole amount held in shares, hence it is known as risk capital. This may make it inappropriate as a place to invest savings. The Financial Services Compensation Scheme, which applies to bank and building society accounts and to some investments, does not apply to your share account. The Society, unlike banks and building societies and investment firms, is not authorized and supervised by the Financial Conduct Authority (although it may be registered by it). Therefore you cannot claim compensation under this Scheme in the event of the Society not being able to pay out your share capital. You may withdraw money from your share account at any time unless the board of directors has removed the facility under the Society's rules. Withdrawable share capital does not characterise an investment in the conventional sense. The withdrawable share capital held in your share account may receive interest but the shares do not increase in value. It is primarily for the purpose of supporting your Society rather than making an investment. The Financial Ombudsman Service does not apply to your share account or your relationship with the Society but under the Society's rules any dispute may be subject to arbitration.

Dividends:	£'000
The following dividends were declared and paid by the Society:	
Final Dividend 2014/15 (approved May 2015)	1,968

Section 6 - Other notes

In this section

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

6.1 Acquisitions

Keeping it simple - Acquisitions

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

Accounting Policy:

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

i) For acquisitions on or after 24 January 2010 the Group measures goodwill at the acquisition date as:
- The fair value of consideration transferred; plus
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

Acquisitions

	2015/16 Total fair value £'000	2014/15 Total fair value £'000
Property, plant and equipment	(73)	2,220
Stock	80	86
Debtors	42	542
Creditors	(237)	(342)
Deferred tax	(4)	(17)
Cash	282	(111)
Net assets	90	2,378
Goodwill	1,422	3,102
Purchase Price	1,512	5,480
Consideration		
Purchase price	1,512	5,480

The fair values shown above are provisional and may be amended if information not currently available comes to light.

Goodwill arises on the acquisitions due to consideration paid over and above the fair value of the net assets acquired. It is attributable to the synergies expected to be achieved by integrating these acquisitions into the Group's existing business, and to the location of the units.

The Goodwill generated upon acquisition is predominately in relation to the acquisition of Countrystore (Maidenhead) Limitied and a SPAR store in Kinver.

Following the acquistion of Oakshower Services Limited in November 2014 a fair value assessment, as permitted under IFRS 3 (Revised), has been carried out resulting in reduction in property, plant and equipment of £73,000 and a corresponding increase in goodwill. Primarily this was the result of an impairment in the carrying value of property, plant and equipment which was not recorded in the vendors financial statements.

Acquisition related costs of £65,000 are included in non-underlying operating expenses in note 2.2 note b.

6.2 Insurance contracts

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

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

	Note	**2015/16 £'000**	2014/15 £'000
Funeral Prepayment Plans - Current	3.4	**3,410**	3,078
Funeral Prepayment Plans - Non-Current	3.4	**40,927**	36,928
Funeral Bond Liability - Current	4.3	**(3,709)**	(3,326)
Funeral Bond Liability - Non-Current	4.3	**(44,316)**	(40,203)
Net		**(3,688)**	(3,523)

The assumptions used for the Funeral Bonds are as follows, discount rate 3.60% (2014/15: 3.30%), cost increase of 5.10% (2014/15: 5.44%), bond growth 4.39% (2014/15: 4.94%) and expected life expectancy for males is 83.9 (2014/15: 83.9) and 86.4 (2014/15: 86.4) for females.

Movement in net liability for year ended 23 January 2016

	2015/16 £'000
Net asset and liability at the start of the year	**(3,523)**
Investment cash in transit	**(350)**
Fair Value movement of funeral prepayment plans liabilities	**185**
Net assets and liability at the end of the year	**(3,688)**

6.3 Operating leases

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

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

Non-cancellable operating lease rentals are payable as follows:

	2015/16 £'000	2014/15 £'000
Less than one year	**12,815**	13,581
Between two and five years	**45,999**	43,713
Greater than five years	**103,928**	98,921
	162,742	156,215

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

	2015/16 £'000	2014/15 £'000
Less than one year	**2,452**	4,130
Between two and five years	**7,947**	8,117
Greater than five years	**9,464**	7,600
	19,863	19,847

6.4 Capital commitments

Keeping it simple - Capital commitments
This is the value the Society has approved to spend on assets after the year end.

	2015/16 £'000	2014/15 £'000
Expenditure contracted but not provided for	**13,431**	19,454

6.5 Related party transactions

Keeping it simple - Related party transactions
These are transactions between the Society and other parties connected to the Society.

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

Vivian Woodell is also a director of Co-operative Renewables Limited, an Industrial and Provident Society that supplied the Society with a service contract in the year. Details of transactions are in the table below:

	2015/16 £'000	2014/15 £'000
Services supplied to Midcounties (including VAT) by Co-op renewables Ltd	**6**	6
Services supplied to Midcounties (including VAT) by Phone Co-op Ltd	**992**	1,158
Services supplied to The Phone Co-op	**4**	4
Interest held by The Phone Co-op Ltd in The Midcounties Co-operative Limited		
Share account	**250**	749
Interest earned on share account	**18**	4
Share bond	**250**	250
Interest earned on Share bond	**9**	9
Interest held by The Midcounties Co-operative Limited in The Phone Co-op Ltd		
Share account	**131**	129
Interest earned on Share account	**2**	2
Dividend received	**13**	15

6.6 Wholly owned subsidiaries

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

As at 23 January 2016, the Group consisted of The Midcounties Co-operative Limited and its wholly-owned subsidiaries and companies listed below, which are all registered in England.

	Principal Activity
Co-operative Payroll Giving Limited	Charitible donations
Co-operative Energy Limited	Utilities
Co-op Travel Services Limited	Travel
Countrystore (Maidenhead) Limited	Retail
Harry Tuffin Limited	Retail
Kenmare Estates Limited	Property Management
The Midcounties Co-operative Investments Limited	Property Management
The Midcounties Co-operative Properties Limited	Property Management
The Midcounties Co-operative Trading Limited	Retail
West Midlands Co-operative Chemists Limited	Retail

The following were not trading throughout the year:

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

The Society also owns 75% of Floridian Homes Limited, 75% of Co-operative Holidays Limited, and 20% of Co-operative Web Limited.

The Midcounties Co-operative

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We are happy to provide publications in alternative formats

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www.midcounties.coop