

Annual Report and Financial Statements for the 52-week period ended 25 January 2025

Heart of England Co-operative Society Limited is registered under the Co-operative and Community Benefit Societies Act 2014.

Registered Number: 2399R

Registered Office: Whittle House, Foleshill Enterprise Park, Courtaulds Way, Coventry, CV6 5NX

VAT Registration No. 328 0789 38

www.heartofengland.coop

Contents	Page
Vision/mission statement	3
Directors and officials	4
Directors' report	6
Co-operative, environmental, and social performance indicators	14
Statement under the Modern Slavery Act 2015	16
Directors' statement on corporate governance	18
Statement of the directors' responsibilities	27
Five-year comparative statement	29
Independent auditor's report	30
Income statement	34
Statement of comprehensive income	35
Statement of financial position	36
Statement of changes in equity	37
Statement of cashflows	38
Notes to the financial statements	39
Community support and member relations	60

Vision statement

The Society has a vision to enrich the lives of members, clients, customers and colleagues by putting them at the heart of every decision.

Mission statement

To be a forward-thinking Co-operative adding value to local communities.

Welcome to Heart of England Co-operative Society

We are...

An independent, regional co-operative society with our origins going back to 1832, when the Lockhurst Lane Industrial Co-operative Society was founded, near Coventry. Our current name came into being in January 2000. After more than 192 years we have seen more than twenty local, independent co-operative societies joined together to pool their resources, to form the Heart of England you see today.

Our North Star...

The Society updated its strategy following a change in CEO and considering sizeable changes in the markets we operate. Our Society is now aligned to the North Star:



Directors and officials

Management Executive

Steve Browne	Chief Executive
Emma Laycock	Interim Society Secretary
Richard Ward	General Manager, Food
Darryl Smith	General Manager, Funeral
Jo Goold	Director of People, Culture & Shared Services
Frixos Michael	Director of Finance

Heart of England Co-operative Society Limited

Board of directors

		Main Board Attendance				
	Occupation	Possible	Actual	Elected/Co-Opted	Term Expires	2024 Board Remuneration
Clive Miles President	Retired	16	16	1996	2027	£7,167
Paul Elverson Vice President	Driver/ Merchandiser	16	16	1997	2027	£5,886
Ann Brown	Retired	16	14	2023	2026	£4,578
Colin Brown	Facilities Supervisor	16	15	2011	2026	£4,578
Hanne Hoeck	Civil Servant	16	15	2023	2026	£4,578
Gary Haigh *	Self Employed	16	14	2011	2025	£4,578
Nick Matthews Joint President **	Retired	16	16	2007	2026	£5,285
William McGrath	Retired	16	14	2023	2027	£4,537
Scott Montgomery *	Legal Supervisor	16	15	2019	2025	£4,578
Chris Newman *	Retired	16	14	1998	2025	£4,578
Robert Sojkowski	Retired	16	15	2023	2027	£4,578
Andrew Tampion *	Data Privacy Professional	16	15	2013	2025	£4,578

* Retires June 2025, eligible for re-election

** Joint President until May 2024

Directors' report

To the members

We are pleased to present the Annual Report of the Heart of England Co-operative Society Limited for the 52 weeks ended 25th January 2025, referred to as 2025 below.

Foreword

In stepping into the role of Chief Executive Officer from late September, I am filled with a profound sense of responsibility and optimism. Taking over from Ali Kurji, who has dedicated over 20 years to leading our Society, I am acutely aware of the legacy I inherit and the challenges that lie ahead in this dynamic economic landscape.

The past few years have been marked by significant expansion and growth, enabling us to strengthen our community ties and enhance the services we provide. However, as we navigate through an increasingly challenging economic environment, it is essential for us to recalibrate our strategies to ensure sustainable growth and enhance our resilience.

At the time of writing, we find ourselves on the cusp of a pivotal transition. The Society is moving towards a period of borrowing, a necessary step following our ambitious expansion efforts. This strategic decision will allow us to invest in vital projects that align with our long-term vision while ensuring we can continue to serve our communities effectively.

Recent Challenges

The year 2024 was marked by a number of tailwinds and headwinds. A declining headline inflation rate provided a more predictable trading environment. However, interest rates remained elevated against a background of increasing costs including a National Living Wage that is expected to rise in the coming years. The October 2024 Budget further increases employment costs, with unprecedented changes to employer national insurance.

Consumer confidence remains low and means cautious spending habits may persist as their disposable incomes suffer, especially with continued high interest rates and uncertainty as a result of the war in Ukraine and Gaza. We continue to see elevated levels of store theft as another possible result of pressures on individuals, which is a major burden on profitability.

In addition, we experienced challenging trading conditions partly due to competition particularly from the growth in new locations from the discounters, whilst Tesco and Sainsbury's have optimised their respective loyalty schemes, at the expense of the convenience sector.

Economic Challenges Ahead

The current economic climate presents numerous challenges, including inflation which is rising again having initially settled, weak consumer demand, and shifting market dynamics alongside a cost base making matters even more challenging.

Businesses face the increase in Living Wage in April, and employer National Insurance increases which will add further pressures to our cost base.

Mitigating our carbon footprint is also important to the communities we serve. To that end, we have invested £2 million on green initiatives, including solar panels, electric/hybrid vehicles, biodegradable packaging, more efficient refrigeration and smart lighting.

These factors compel us to adapt swiftly and strategically. Rooted in our values, we must leverage our collective strength to weather these storms and emerge stronger.

Future Strategy: A Roadmap for Success

To navigate these challenges, we will focus on the strategic drivers within our North Star strategy:

- ❖ Enhancing customer proposition and client choice
- ❖ Meaningful Membership
- ❖ Operational Simplification
- ❖ New Locations and Investment Activity
- ❖ Community, Charity & Sustainability

For our food division, this includes expanding our online delivery proposition with the likes of Uber Eats, Just Eats and Snappy Shopper which takes the friction out of customers getting the groceries they want, when they want it.

The relaunch of our membership program, Meaningful Membership, in February 2025 sees us rewarding our members at the point they purchase groceries from us with larger discounts, as we seek to grow sales volume, delivering real-time savings into their pockets.

Finally, this means continuing to invest in automation so our colleagues can spend more time with our customers, which will include investing in a new range and space system.

For our funeral division, we provide a broad range choice so clients can tailor the experience in a way that is meaningful to them. We will also be introducing probate and estate planning services to support families and minimise the disruption caused by an end-of-life event.

We will be optimising our non-trading property division by looking at opportunities to diversify or improve the yield on our portfolio of investment locations.

Finally, we continue to engage with our members to identify local initiative funding opportunities that have a positive impact on the communities we serve.

Financial review

In the light of another challenging year, we recorded an operating loss of £3.2 million compared to last year's operating loss of £0.6 million. This is after exceptional costs of £2.5 million of which £0.9 million is due to fixed asset impairment of our non-trading properties at Glenvale and a revision of estimated depreciation of £0.9m.

Group turnover overall for the 52 weeks was £94.7 million which is a decrease of 1.1% compared to last year's week 52 turnover. We continue to review the policies put in place to create a much stronger, regional co-operative business able to withstand the challenges ahead.

We recently entered into a £6 million revolving credit facility to supplement a £3.5 million overdraft to finance projects we have in the pipeline to grow our business further in the coming years, and which we have already committed to.

The Society's net worth has decreased by 2.6% to £52.1 million over the past 12 months.

In line with most final salary pension schemes which are running in deficit, our pension liability calculated in accordance with FRS 102 for accounting purposes only, now, net of the related deferred tax asset, stands at £0.4 million compared to £2.7 million last year, a decrease in our liability of 84.0%. The final salary scheme was closed to new entrants in 2012 and we have initiated a consultation to consider closing the scheme to future service accrual. All new employees are now offered the option to join a defined contribution scheme.

Trading review

Food division

Food is an extremely competitive sector and there has been a significant shift in customer shopping habits due to constraints in disposal incomes caused by consumer confidence and affordability.

The level of competition from the largest grocers to the discounters requires us be clear how we can deliver value to our customers through an enhanced proposition and making membership meaningful as described earlier.

Our food division recorded a decrease in turnover of 1.65% compared to last year. Although gross margins came under pressure, we managed to increase the margins to 31.08% compared to 30.95% last year.

In November, we opened our newest food store and coffee drive through in Glenvale Park, Wellingborough as part of our largest ever single investment of over £6 million. Our store will take a while to mature as housing continues to be built, with nearly 1,000 houses built and occupied now and up to 3,000 being built over the years to come.

We also opened a new larger store in Bishops Itchington at Gaydon Road in July to replace an aging smaller store in the same area involving an investment of £3 million.

We completed a number of initiatives to streamline store operations to enable colleagues to focus their time on serving customers. In particular, we completed the rollout of self-checkouts and more than 40% of sales transactions are now processed via self-checkouts. We also completed the implementation of Electronic Shelf Edge Labels and a digital task management solution during the year.

During 2024 we joined the Co-op Group ("TCG") product distribution network at a higher cost than our previous partner but this has driven a significant improvement in product availability.

Funeral division

Our funeral division recorded an increase in sales of 2.79% despite a reduction in the number of funerals we conducted of 1.96%, in line with the reduction in the death rate, however our results are broadly in line with our expectations.

We are always striving to offer the very best of client care and our many thousands of Trustpilot reviews continue to rank us a leading funeral service provider in the communities we serve thanks to the sterling efforts of our colleagues.

We have continued to expand the options available to our clients to ensure their needs are met and will introduce probate and estate planning services to support families and minimise the disruption caused by an end of life event.

We are pleased to report that our prepaid funeral plan continues to be very popular with our members and clients, who benefit from our fully guaranteed funeral plans which can alleviate the financial worry at a difficult time.

Membership

Our membership now stands at 188,000.

Supplier payments policy

It is the Society's policy to agree and clearly communicate the supplier payment terms we operate as part of the commercial arrangements negotiated with suppliers, and then pay them according to those terms based upon the timely receipt of accurate invoices.

Trade creditors days of the Society for the period ended 25th January 2025 were 27 days (2024: 24 days). This represents the ratio, expressed in days, between the amounts invoiced to the Society by its suppliers in the year and the amounts due at the year end, to trade creditors within one year.

Our employees

We remain committed to the learning and development of all our colleagues within the food, coffee and funeral divisions, and the support centre.

Within the food division, our excel programme continues to be enhanced with by a two-day Team Leader course and a workbook for all new colleagues, to support consistency of learning in all stores. This year we have introduced a Level 4 apprenticeship programme for Team Leaders (which forms our Accelerate Development Programme) and is aimed at supporting their career journey towards a Store Manager role.

We remain committed to the wellbeing of all our colleagues and have trained a number of First Aiders and Mental Health First Aiders, as well raising understanding through Mental Health Awareness workshops.

Within the funeral division there has been an emphasis on workforce development with several of our colleagues stepping up into the role of Funeral Directors and others enrolling onto professionally recognised qualifications. We have continued to focus on standards and are developing a new suit of learning that will help colleagues to better understand our division specific ways of working.

Support Centre colleagues have also been supported in their skills development, through apprenticeship programmes and other areas, such as project management and IT skills.

Throughout the year colleagues throughout all areas of the Society have completed updates on their essential statutory training.

We continually review and enhance our offering to ensure all our colleagues are equipped with the essential knowledge and skills for their roles, as well as being provided with opportunities for further development as we remain committed to realising the potential of every member of staff within our Society.

Technology

We remain committed in upgrading our technology across the Society in trading divisions and within the Support Centre.

Appreciation

We would like to take this opportunity to thank all our staff past and present for their personal efforts during the year, which has been another challenging trading year.

Society charity

We raised over £30,000 for our staff nominated charity Mind over the two-year partnership period that ended during calendar 2024. Our staff voted to support Macmillan Cancer Support as our corporate charity for the next two years and we have raised over £23,000 so far.

Long service award

At the staff event held in November a number of long service awards were given out to employees in recognition of their service with the Society ranging from 25 years to 50 years.

The Heart of England Co-operative difference

The Society believes that this information demonstrates how it consolidates the principles of co-operation into its everyday activity, both locally and nationally, and how it further shows in a tangible way what is meant by the Heart of England Co-operative difference. Given that other types of organisations exist primarily to maximise their profits in order to create wealth for shareholders, with little genuine concern for the local community from which these profits originate, the Heart of England Co-operative Society believes its approach provides tangible evidence of an alternative and successful model of business practice.

The profits we make produce direct benefit for our primary stakeholders, i.e. our customers, our members, our employees and our local communities. Refer to page 60 for more information.

For our customers

We intend to continue to plough back a major proportion of our profits into improving our shops and other facilities, whilst also seeking new suitable trading opportunities, to expand our business throughout the Heart of England and beyond.

Heart of England Co-operative Society Limited

For our employees

The Heart of England Co-operative Society is a great place to work, by providing employees with security of employment, competitive remuneration packages and good career opportunities.

For our local communities

Our commitment to giving a percentage of our profits to local good causes has resulted in more than £1.3 million being made available for this purpose since the introduction of this initiative in 2000.

Our locally elected Education/Member Relations Committees have already been able to provide much appreciated assistance to more than 6,270 local good causes since the inception of the scheme.

In recent years we have invested millions of pounds to benefit local communities, and we continue to invest a major part of our profits back into creating new and modern stores and services, following the principles of co-operation set out many generations ago.

To the future

We are well positioned within the communities we serve to make the experience even more compelling with the initiatives to improve the customer and client experience. Our priority is to Increase sales whilst carefully controlling costs, particularly increases driven by government wage-related policies.

Despite these pressures, we intend to maintain our unique position in the Heart of England by building on our reputation as one of the UK's leading retail co-operatives by continuing to:

- ❖ Enhancing customer proposition and client choice
- ❖ Meaningful Membership
- ❖ Operational Simplification
- ❖ New Locations and Investment Activity
- ❖ Community, Charity & Sustainability

Despite the uncertain economic outlook ahead, we remain optimistic about our Society's prospects as one of the leading independent regional co-operative societies.

A handwritten signature in black ink, appearing to read 'C. E. Miles', with a long, sweeping horizontal stroke extending to the right.

C. E. Miles -President

A handwritten signature in black ink, appearing to read 'S. Browne', with a large, stylized initial 'S' and a horizontal line at the end.

S. Browne - Chief Executive

A handwritten signature in black ink, appearing to read 'E. Laycock', with a large, stylized initial 'E' and a horizontal line at the end.

E. Laycock - Interim Secretary

26th March 2025

Heart of England Co-operative Society Limited

Co-operative, environmental and social performance indicators

As a co-operative your Society seeks to operate its business in accordance with co-operative values and principles. To assist in monitoring our performance, we adopt a standard set of key co-operative and social performance indicators, which have been produced by Co-operatives UK.

Member economic involvement

This is a measure of the amount of our trade which is conducted with members as a proportion of our turnover. One of the key benefits of membership of the Heart of England Co-operative Society is to share in the success of the Society. The Society tracks the amount of trade conducted by members using their Members reward card within the food division. For the financial period ended 25th January 2025 this amounted to 18% (2024: 18%) of turnover.

Member democratic participation

As a co-operative it's important our members are engaged with us at a democratic level, so we measure the proportion of our members who vote in the elections for the board. There was no requirement for any voting for Director appointments this year.

Participation of employees in training and education

Each year we calculate how much time on average each employee has spent on training. During the year the Society provided 7,787 hours of training to our employees (2024: 11,471 hours), which equates to an average of 18.8 hours per full-time equivalent employee (2024: 25.6 hours).

Accident rates

We measure and record the total number of accidents and reportable accidents which occur each year. During the year the Society has recorded a total of 0 reportable accidents (2024: 4) and 53 minor accidents (2024: 32).

Staff profile – gender and ethnicity

The Society records the gender and ethnicity of its employees to the extent the employee consents to report such data. This year 62% of our employees are female (2024: 64%) and 38% male (2024: 36%). We also monitor

the diversity of our staff and of those who shared their ethnicity data currently 7% have an ethnic minority background (2024: 14%).

Customer satisfaction

Customer satisfaction is fundamental to the success of our business. We regularly seek feedback from our customers to try and gauge levels of satisfaction, through the media of surveys, feedback questionnaires and random sampling. We actively encourage our customers to feedback their comments direct to the Chief Executive, both positive and negative, in order that we can continue to develop and improve customer service. In the funeral division we regularly send out customer feedback questionnaires to our clients, and in food division we provide point of sale comment cards for customers to fill in there and then or to take away with them. We monitor all responses. The nature of the customer feedback we seek in the food division does not provide a percentage satisfaction rating.

Consideration of ethical issues and procurement and investment decisions

The Heart of England Co-operative Society is a member of the Federal Retail & Trading Services (FRTS). We actively support the ethical buying policies of FRTS including the promoting of Fairtrade merchandise. The Society also sources products from and maintains links with, wherever practicable, several other UK co-operative businesses and organisations that are committed to the application of the same co-operative values.

Investment in community and co-operative initiatives

We report on the percentage of our pre-tax profits which are invested in community or co-operative initiatives. Since its inception of its Helping Hearts scheme the society has donated £1.3 million and a further £50,000 has been committed in the period.

Net CO2 emissions arising from operations

We record the net tonnes of CO2 which are emitted from energy used by all our on-site operations. During the year the Society generated 1,431 tonnes of CO2 (2024: 1,530 tonnes), which is equivalent to 13.8 tonnes per £1m of turnover (2024: 14.6 tonnes).

Waste recycled

We measure and report on the percentage of our waste which is diverted from landfill as a percentage of our total waste. During the year of the waste the Society generated 76.0% was recycled (2024: 59.1%). The Society is always exploring new ways to generate less waste and to increase the level of recycling we achieve.

Statement under the Modern Slavery Act 2015

Modern Slavery and Human Trafficking Statement for the financial period ended 25th January 2025

This statement is made pursuant to s.54 of the Modern Slavery Act 2015 and sets out the steps that the Heart of England Co-operative Society has taken and is continuing to take to ensure that modern slavery or human trafficking is not taking place within our business or supply chain.

Modern slavery encompasses slavery, servitude, human trafficking and forced labour. The Heart of England Co-operative Society has a zero-tolerance approach to any forms of modern slavery. We are committed to acting ethically and with integrity and transparency in all business dealings and to putting effective systems and controls in place to safeguard against any form of modern slavery taking place within the business or our supply chain.

Our business

The Society's principal business activities are food and coffee retailing, funeral services and management of its investment property portfolio.

The Society is incorporated in England under the Co-operative and Community Benefit Societies Act 2014, and its registered address is Whittle House, Foleshill Enterprise Park, Courtaulds Way, Coventry, CV6 5NX.

None of our turnover is generated by overseas operations.

Our high-risk areas

We do acquire some products from a UK based supplier who sources the products from China and India, which are deemed high-risk due to the varying human rights from country to country. This is isolated to the purchase of stone to be used in monumental masonry within our Funeral business.

We have made all reasonable efforts during consultation with our supplier to ensure that modern slavery does not exist within this supply chain.

Our policies

We operate a number of internal policies to ensure that we are conducting business in an ethical and transparent manner. These include:

- Modern Slavery and Human Trafficking Policy – This Policy sets out the Society's stance on modern slavery and explains how our colleagues can identify and report instances of modern slavery and human trafficking within our business activities or supply chain.

- Recruitment Policy - We operate a robust recruitment policy, which includes the checking of eligibility to work in the UK to help safeguard against human trafficking or forced labour. We only use specified, reputable recruitment agencies and always verify the practices of any new agency.
- Whistle blowing Policy - We operate a whistleblowing policy so that colleagues can raise concerns about inappropriate practices within our Society or supply chain without fear of reprisal.

Our suppliers

Within the last twelve months the Society has used around 400 individual suppliers.

Most of the goods available in our Food stores is procured through membership of Federal Retail Trading Services (FTRS) which is managed by the Co-operative Group in accordance with their ethical buying policies which we support. The Co-operative Group has its own Modern Slavery Statement and Sound Sourcing Code of Conduct (SSC) which can be found at www.co-operative.coop/ethics

Our performance indicators

We will know the effectiveness of the steps we are taking to ensure that slavery and/or human trafficking is not taking place within our business or supply chain if no reports are received from our colleagues, the public or law enforcement agencies to indicate that modern slavery practices have been indicated.

During the financial period ended 25th January 2025, we have received no reports of any incidents relating to Modern Slavery and/or Human Trafficking.

Approval for this statement

This statement was approved by the board of directors on 26th March 2025.

Signed



C. E. Miles -President

Directors' statement on corporate governance

The Society voluntarily reports against the Co-operatives UK Co-operative Code of Governance (reviewed and updated in 2019). Full details of the code can be found at www.uk.coop/resources/co-operative-corporate-governance-code.

As a Registered Society under the Co-operative and Community Benefit Societies Act 2014, the Society is not subject to the provisions of the UK Corporate Governance Code.

The Co-operative Code of Corporate Governance is applicable to all types and sizes of co-operatives. It offers a set of principles that all co-operatives can reflect upon, and use, to encourage and enable good governance practices.

The Code is broken down into six sections, which include Principles and Provisions. Co-operatives reporting against the Provisions of the Code do so on a comply or explain basis. The Principles of each section can be found below alongside those Provisions that the Society does not comply with and an explanation as to why and any action the Society intends to take to address this.

1. Member voice, participation and engagement

Principles

- A. Co-operatives are member owned and controlled democratic organisations that demonstrate a clear chain of accountability between the members and the board.
- B. Members have clearly defined democratic rights and responsibilities and should collectively and proactively hold the board to account for the performance and success of the co-operative, and that the co-operative operates in line with the International Co-operative Alliance (ICA) Values and Principles.
- C. The board should promote a vibrant democracy and should communicate with members in ways that encourage active, democratic member participation. It should implement policies and procedures that encourage members to use their democratic rights and actively engage with and influence the co-operative.

Society structure

Co-operatives are member owned democratic organisations and the Board has sought to encourage members to play their part in the governance of the business and improve membership participation. The Society continues to actively promote new membership.

2. Co-operative leadership and purpose

Principles

- A. Every co-operative should be led by an effective and entrepreneurial board, which is accountable to and creates and preserves value and impact for its membership and is collectively responsible for the long-term sustainable success of the business in accordance with ICA Values and Principles. The board should act as custodians of the co-operative to secure the business for current and future generations of members.
- B. In consultation with members, the board should set the purpose, strategy and values of the co-operative. Having regard to the ICA Values and Principles, and satisfy itself that these, the co-operative's policies and procedures and its culture are aligned. All directors must act with integrity, lead by example, live the values in a meaningful way and promote the desired culture.
- C. The board should ensure that the necessary resources are in place for the co-operative to meet its strategic aims and objectives, measure performance against them and capitalise on opportunities. The board should establish a framework of prudent and effective controls which enable risk to be identified, assessed and managed.
- D. Directors should ensure that policies and processes are consistent with the co-operative's values. Members, employees and wider stakeholders should be able, and encouraged, to raise any matter of concern.

Risk management

The board and executive management have the primary responsibility for identifying key business risks facing the Society and the development of appropriate policies to manage these risks. The Society has developed a robust and extensive risk management framework during this financial year.

Whistleblowing

A documented whistle-blowing procedure is in place to enable staff to raise concerns in confidence, in matters of financial reporting, financial control or any other issues. These procedures are made available to staff at their time of commencing employment.

3. Roles and responsibilities

Principles

- A. Directors must promote the success of the co-operative and act in the best interest of the co-operative as a whole, for the benefit of its members and should discharge their duties in ways that are consistent with the ICA Values and Principles. Directors should act objectively and fairly and serve the interest of the members, including the protection of the assets of the co-operative and its members.

- B. The chair leads the board and is responsible for the overall effectiveness and its obligations to the co-operative's members. The chair should demonstrate independent and objective judgement throughout their term of office and promote a culture of openness, challenge, debate and effective decision making. The chair facilitates constructive board relations, engagement and participation and acts as the primary link between the board, the secretary and the chief executive.
- C. All directors should have sufficient information and enough time to meet their responsibilities, discharge their duties and take an active role in decision making.
- D. There should be a clear division of responsibilities between the leadership of the board and the operational activity of the co-operative. Where the co-operative has an executive leadership, the directors should provide them with constructive challenge, review and support.
- E. The board, supported by the secretary, should ensure that it has the policies, processes, information, time, resources and assurance it needs to function effectively and efficiently.
- F. The board should establish committees and delegate specific aspects of its remit to them. The scope of such committees should be clear and include confirmation that they operate under the delegated power of the board.

The board

It is the responsibility of the Board of Directors to determine the vision and the strategy of the Society.

The Board of Directors is charged with ensuring that the business of the Society is conducted in accordance with the co-operative principles, and with the interests of the Society and its members uppermost at all times.

Board balance and independence

No Director or member of the Management Executive holds any other significant directorships.

Areas of non-compliance with the code

Provision 9 – *an elected chair should have served at least one year of office as a director before being elected to the role. The term of office of the chair should be three years or less and may be renewed up to a total maximum service of six year consecutively, at which point a break of at least two years must be taken before being eligible for re-election as chair. No director may serve as chair for more than nine years cumulatively.*

The Board of Directors believe that the annual election of the President, coupled with the rules allowing for the removal of any Director under given circumstances, means that there is no further need for a mechanism to remove a poorly performing incumbent. The Board of Directors believe that the individual elected annually should be judged on merit and should not be restricted to a pre-set maximum term. This will be reviewed on an annual basis.

4. Board composition, succession and evaluation

Principles

- A. The board is elected by and accountable to, the members who own and control the co-operative. The board should ensure that there is a rigorous, active, transparent and democratic approach to renewal of the board and consideration should be given to the length of service of the directors to ensure independence of thinking and approach.
- B. The election and appointment process should be formal and transparent and ensure that the democratic rights of members can be exercised and should be based on merit and objective criteria. Directors should be comprehensively inducted into their role and the co-operative, and there should be opportunities for ongoing professional learning and development through the establishment of a structured programme.
- C. The board should engage in active discussions around composition and succession planning, including ensuring that the board is of an appropriate size, to ensure successful leadership and so it can represent the co-operative's membership.
- D. The board should ensure that its composition reflects the diversity of its membership; is structured so that no one individual, or group, dominates it; has a balance of newly elected and experienced directors; and promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. To ensure that the board can fulfil its role properly and act to its full potential, the board should consider the value of recruiting directors with differing relationships with the co-operative, including independent non-executive appointed directors and executive appointments.
- E. The board and its committees should demonstrate a high level of collective competence and should have a combination of skills, knowledge, experiences and democratic connection to the membership relevant to the co-operative's business needs and members.
- F. The board should undertake a formal and rigorous annual evaluation of its performance. Evaluation of the board should consider its composition, diversity and how effectively directors work together to achieve the objects of the co-operative and generate value for its membership. Individual evaluation should demonstrate whether each director continues to contribute effectively and their commitment to the role.

Board evaluation

The Society engaged an external advisor to review board effectiveness. All but one director participated in the review which included observation of a board meeting, completion of a questionnaire by directors, director interviews and review of a board pack. Urgent improvement recommendations included enhancing information provided to directors, risk management processes, succession planning and director tenure as well as a need to moving towards a modern, inclusive and supportive boardroom environment.

A plan to address the findings has been established and implementation is in progress, with substantial changes to the information presented to the board already implemented.

Board training

A programme of continuing development and training is in place for the board.

Areas of non-compliance with the code

Provision 1 – *directors should be subject to election by the members, and to re-election thereafter by members, at intervals of no more than three years. No director should serve more than three consecutive three-year terms and should step down for a period of at least one year before becoming eligible for election for a further term.*

The Board of Directors believe that the three-year re-election process for Directors, coupled with the rules allowing for the removal of any Director under given circumstances, means that Directors should be judged on their merit by members at re-election time and should not be restricted to a pre-set maximum term. This shall be removed on an annual basis.

Provision 3 – *there should be a documented succession plan for the board, its chair and executive leadership that is reviewed, revised and ensures an appropriate balance of skills, knowledge and experience can be maintained within the co-operative and on the board.*

The Board of Directors do not currently have a defined succession plan for the board, however following the external Board Evaluation undertaken this year, a policy will be drawn up. In respect of the executive leadership, the Board does not maintain a standing Search Committee as such a Committee would comprise the full Board. During the search for new CEO in this financial year the Board established a small working group to manage the search and recruitment, the appointment decision was taken by the whole Board.

5. Risk, financial management and internal controls

Principles

- A. The board should establish formal and transparent policies and procedures to promote the viability and long-term success of the co-operative and to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements. In scrutinizing such statements the board should ensure that its obligations to members are met.
- B. The board should present a fair, balanced and understandable assessment of the co-operative's position, viability and prospects and communicate it to members in a transparent way.
- C. The board is responsible for and should establish procedures to manage risk, oversee the internal control framework, and identify the nature and extent of the principle risks the co-operative is willing to take in order to achieve its long-term strategic objectives and success in accordance with the ICA Values and Principles.

- D. If the co-operative is part of a group structure, or has any subsidiaries or related businesses, the board should ensure it has appropriate means of controlling and receiving information on them and must satisfy itself that it has spent an appropriate amount of time discussing reports on the performance of any subsidiaries and related businesses.
- E. If the co-operative has issued withdrawable share capital, the board must ensure that the co-operative conforms to the principles and requirements of Co-operatives UK's code on Withdrawable Share Capital and/or the guidance provided in the Community Shares Handbook.
- F. Interest payable on member shareholding and loans from members, and any distribution of surplus, including dividends, are equitable and align with ICA Values and Principles.

Audit & risk committee

The Society does not have an Audit & Risk sub-committee of the Board. The full Board of Directors is responsible for reviewing the effectiveness of the Society's systems of internal control.

The Board's role with regards to risk is to:-

- Consider reports from the Management Executive, internal audit and external audit on the systems of internal control and any material control weaknesses.
- Discuss with the Internal Auditor the actions taken on problem areas identified in these reports or by the Board.
- Review the effectiveness of the risk management process and ensure significant risk issues are referred to the Board for consideration so that appropriate steps can be taken to minimise such risks to the Society.
- Consider the effectiveness of the operation of the internal audit function.
- Consider the appointment of external auditors and in conjunction with management agree the nature and scope of the external audit review.
- Review the external audit findings report and the management response to the report.
- Recommend reviews of other areas of the business where a more intense audit procedure is necessary.

The Board has a duty to discuss problems and reservations arising from the Society's audit and any matter the Auditor may wish to discuss, if necessary, in the absence of the Chief Executive. The Board are reviewing the need to establish an audit & risk subcommittee of the Board.

Internal control framework

The Society has adopted an internal control framework which the directors consider appropriate to its size and diversity.

Risk management

The board and executive management have the primary responsibility for the identifying key business risks facing the Society and the development of appropriate policies to manage these risks.

Control environment

The Society has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Society objectives. Lines of responsibility and delegations of authority are documented. Also in place are supporting Society policies and employee procedures for the reporting and resolution of suspected fraudulent activities.

Control activities

The Society and its operating units have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, reviews by management and internal audit and external audit to the extent necessary to arrive at their audit opinions.

6. Remuneration of the board and executive leadership

Principles

- A. The board will ensure that the co-operative's approach to remuneration and other contractual terms are equitable, transparent and align with the ICA Values and Principles.
- B. Remuneration policies and practices should be formal and transparent and should ensure that any remuneration is sufficient to recognize the input and effort of directors of the appropriate calibre and should be aligned to the purpose and values of the co-operative and successful delivery of its strategy.
- C. The members of the co-operative have responsibility for approving the levels of remuneration of all directors and should do so using independent judgement and discretion. No director should determine their own remuneration.

Remuneration report

Underlying principles

The principle which the Society and the Board adopt in relation to remuneration is that no-one should be involved in consideration or determination of their own remuneration package.

Directors

The Directors do not have service contracts. The years of their election are shown on page 5 together with the expiry of their current term of office. Each Director is subject to re-election every three years.

Directors' fees are approved by the Society's members. The current fee levels were recommended to the membership and approved by them in May 2024.

The total fees received by each Director are set out on page 5.

Management executive

Elements of remuneration

Management Executive remuneration consists of salary, pension, and the provision of a Society car or car allowance.

Salary

Management Executive salaries are reviewed annually with any increases normally payable with effect from 1st July each year. Salaries paid to the Management Executive in the financial period ended 25th January 2025 are set out in Note 6 in the notes to the accounts.

Service contracts

No member of the Management Executive has a notice period of greater than 12 months.

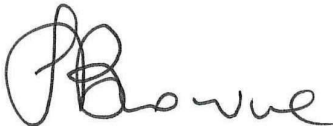
Pension

Some of the Management Executive are members of the Society's Defined Benefit pension scheme, as at 25th January 2025. These schemes are funded, HMRC approved, defined benefit final salary occupational pension schemes. Members of the fund contribute between 6.5% and 8.5%, dependent on age, of their pensionable salary up to the Inland Revenue maximum. Basic salary is the only element of remuneration that is pensionable. The remaining Management Executive are members of the Defined Contribution Scheme operated by the Society.

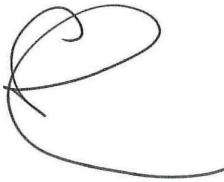
The directors' statement on corporate governance set out above is hereby signed on behalf of the Board of Directors.

A handwritten signature in black ink, appearing to read 'C. E. Miles', with a stylized flourish at the end.

C. E. Miles -President

A handwritten signature in black ink, appearing to read 'S. Browne', with a large, stylized initial 'S'.

S. Browne - Chief Executive

A handwritten signature in black ink, appearing to read 'E. Laycock', with a large, stylized initial 'E'.

E. Laycock - Interim Secretary

26th March 2025

Statement of the directors' responsibilities

The Board are required by the Co-operative and Community Benefit Societies Act 2014 to prepare financial statements, which give a true and fair view of the state of affairs of the Group at the end of each financial year and of the income and expenditure of the Group for the year to that date. The financial statements must be prepared in compliance with the required format and disclosures of the Co-operative and Community Benefit Societies Act 2014.

The Board confirm that:-

Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the Group's financial statements and applicable accounting standards have been followed.

The Board are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

The Board have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and any other irregularities.

In so far as the Board are aware:-

There is no relevant audit information of which the Society auditors are unaware; and

The Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going concern

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

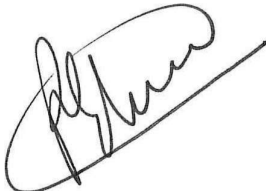
The directors have also reviewed the forecasts for the current and upcoming financial periods, a range of downside scenarios have been considered including a combination of risks, and the Directors have concluded that, under these scenarios, the Society can continue as a going concern. The Society also has opportunities to implement further mitigating actions if required. The Society has sufficient resources with its current bank facilities to continue operating for the foreseeable future. On this basis the Directors continue to prepare the financial statements as a going concern.

Board certification:-

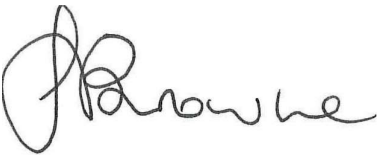
The accounts and notes on pages 34 to 59 are hereby signed on behalf of the Board pursuant to Co- operative and Community Benefit Societies Act 2014.

A handwritten signature in black ink, appearing to read 'C. E. Miles', with a stylized flourish at the end.

C. E. Miles -President

A handwritten signature in black ink, appearing to read 'P. Elverson', with a large, sweeping initial 'P'.

P. Elverson - Vice President

A handwritten signature in black ink, appearing to read 'S. Browne', with a large, stylized initial 'S'.

S. Browne - Chief Executive

26th March 2025

Five-year comparative statement		Heart of England Co-operative Society Limited			
	January 2021 52 Wks	January 2022 53 Wks	January 2023 53 Wks	January 2024 52 Wks	January 2025 52 Wks
Membership ('000)	163	166	172	179	188
	£000	£000	£000	£000	£000
INCOME STATEMENT					
Gross value of sales	100,246	99,181	100,355	104,810	103,626
Depreciation	2,047	2,190	2,341	2,881	3,082
Operating profit/(loss)	3,306	5,835	3,724	(596)	(3,155)
Retained profit/(loss)	2,322	3,444	2,625	(792)	(3,108)
STATEMENT OF FINANCIAL POSITION					
Fixed assets	75,779	79,788	55,578	57,433	58,423
Net current assets/(liabilities)	13,033	12,764	6,562	3,559	(1,491)
Long term liabilities, including pension liabilities	43,035	39,707	9,138	7,440	4,798
Member funds	45,777	52,845	53,002	53,552	52,134

Heart of England Co-operative Society Limited

Independent Auditors' Report to the Members of Heart of England Co-operative Society Limited

Opinion

We have audited the financial statements of Heart of England Co-operative Society Limited) (the 'society') for the 52 weeks ended 25 January 2025 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the society's affairs as at 25 January 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the society has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the income statement, any other accounts to which our report relates, and the statement of financial position are not in agreement with the society's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Society through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Society, including the financial reporting legislation, Companies Act 2006, taxation legislation, anti-bribery, employment, and environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Society's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether Judgements and assumptions made in determining the accounting estimates set out in Note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the Society's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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 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.

A handwritten signature in black ink that reads "Dains Audit Limited". The signature is written in a cursive, flowing style.

Dains Audit Limited

Statutory Auditor Chartered
Accountants

Birmingham

Date: 26 March 2025

Income statement

For the 52 weeks ended 25th January 2025

	Note	2025 £ 000	2024 £ 000
GROSS VALUE OF SALES	3	103,626	104,810
Value added tax		<u>(8,905)</u>	<u>(8,996)</u>
TURNOVER	3	94,721	95,814
Cost of sales		<u>(62,184)</u>	<u>(62,771)</u>
Gross profit		32,537	33,043
Administrative expenses		<u>(29,143)</u>	<u>(28,866)</u>
Adjusted earnings before interest, tax, depreciation and amortisation	4	3,394	4,177
Surplus on sale of fixed assets		52	528
Deficit/(surplus) on revaluation of investment properties	11	(1,021)	199
Exceptional items	5	(2,475)	(2,564)
Depreciation and amortisation	5, 9, 10	<u>(3,105)</u>	<u>(2,936)</u>
Operating loss		(3,155)	(596)
Interest receivable and similar income		65	23
Interest payable and similar charges	7	<u>(152)</u>	<u>(246)</u>
Loss on ordinary activities before taxation		(3,242)	(819)
Tax on loss on ordinary activities	8	<u>134</u>	<u>27</u>
Loss for the financial period		<u><u>(3,108)</u></u>	<u><u>(792)</u></u>

All activities in the current financial period relate to continuing operations.

Statement of comprehensive income

For the 52 weeks ended 25th January 2025

	Note	2025 £ 000	2024 £ 000
LOSS FOR THE FINANCIAL PERIOD		(3,108)	(792)
Actuarial gain on defined benefit pension plans	16	2,250	1,794
Deferred tax movement relating to actuarial gains		<u>(563)</u>	<u>(449)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u><u>(1,421)</u></u>	<u><u>553</u></u>

Statement of financial position
as at 25th January 2025

	Note	2025 £ 000	2024 £ 000
FIXED ASSETS			
Intangible assets	9	160	183
Property, plant and equipment	10	43,382	41,589
Investment property	11	14,290	15,070
Other investments	12	591	591
		<u>58,423</u>	<u>57,433</u>
CURRENT ASSETS			
Inventories	13	3,985	4,240
Trade and other receivables	14	1,590	2,647
Cash at bank and in hand		919	3,466
		<u>6,494</u>	<u>10,353</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(7,985)	(6,794)
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,491)</u>	<u>3,559</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		56,932	60,992
LONG TERM LIABILITIES			
Pension obligations	16	(438)	(2,741)
Provision for liabilities	17, 18	(4,360)	(4,699)
NET ASSETS		<u>52,134</u>	<u>53,552</u>
CAPITAL AND RESERVES			
Share capital	19	2,068	2,030
Revaluation reserve	20	5,041	5,041
Revenue reserve	20	45,025	46,481
MEMBERS' FUNDS		<u>52,134</u>	<u>53,552</u>

Heart of England Co-operative Society Limited

Statement of changes in equity

For the 52 weeks ended 25th January 2025

	Share capital £ 000	Revaluation reserve £ 000	Revenue reserves £ 000	Total £ 000
Balance at 28th January 2023	2,030	5,041	45,931	53,002
Loss for the financial year			(792)	(792)
Other comprehensive income:				
Actuarial gain on defined benefit pension plans	-	-	1,794	1,794
Deferred tax movement relating to actuarial gains	-	-	(449)	(449)
Total other comprehensive income	-	-	1,345	1,345
	2,030	5,041	46,484	53,555
Movement in share capital	--	-	-	--
Share interest less related taxation deduction	-	-	(3)	(3)
Balance at 27th January 2024	2,030	5,041	46,481	53,552
Loss for the financial year			(3,108)	(3,108)
Other comprehensive income:				
Actuarial gain on defined benefit pension plans	-	-	2,250	2,250
Deferred tax movement relating to actuarial gains	-	-	(563)	(563)
Total other comprehensive income	-	-	1,687	1,687
	2,030	5,041	45,060	51,752
Movement in share capital	38	-	-	38
Share interest less related taxation deduction	-	-	(35)	(35)
Balance at 25th January 2025	2,068	5,041	45,025	52,134

Statement of cashflows

For the 52 weeks ended 25th January 2025

	Note	2025 £ 000	2024 £ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the financial period		(3,155)	(596)
Adjustments for:			
Amortisation of intangible assets		23	54
Depreciation & impairment of tangible assets		4,779	4,981
Surplus on sale of fixed assets		(52)	(528)
(Surplus)/deficit on revaluation of investment properties		1,021	(199)
Decrease/(increase) in trade and other receivables		276	(161)
Decrease/(increase) in stocks		254	(712)
(Decrease)/increase in trade payables		1,078	(603)
Taxation (paid)/received		777	(164)
NET CASH GENERATED FROM OPERATING ACTIVITIES		5,001	2,072
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of tangible assets		1,469	3,262
Purchase of tangible assets		(8,230)	(9,424)
Pension scheme special contributions		(855)	(1,000)
Interest received		65	23
NET CASH USED FROM INVESTING ACTIVITIES		(7,551)	(7,139)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in share capital		38	-
Share interest paid		(35)	(3)
NET CASH (USED)/GENERATED IN FINANCING ACTIVITIES		3	(3)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,547)	(5,070)
Cash and cash equivalents at the beginning of the period		3,466	8,536
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	919	3,466
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash		919	3,466

Accounting policies

1. STATUTORY INFORMATION

Heart of England Co-operative Society Limited is a co-operative society domiciled in England and Wales, registration number 2399R. The Society is registered under the Co-operative and Community Benefit Societies Act 2014. The registered office is Whittle House, Foleshill Enterprise Park, Courtaulds Way, Coventry, CV6 5NX.

2. BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’). There were no material departures from that standard.

Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets. The presentation currency is £ sterling.

Use of estimates and judgements

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

	Note
Valuation of trading properties	10
Valuation of investment properties	11
Measurement of defined benefit pension scheme obligations	16

- Investment property valuations and impairment considerations of trade properties – the valuation and potential impairment of property assets is an area of estimation. Management controls this risk through the use of qualified property professionals to support their decision making.

- Pension scheme – the variables used in the valuation of the pension scheme are inherently uncertain. Management utilises a qualified actuary to support their calculations in this area.

- Management make other judgements in the course of their preparation of the financial statements including stock provisions, supplier rebates, debtor impairments, accruals for costs and so on. These are considered of low estimation uncertainty or are of lower value and hence have a lower impact on the financial statements.

Exceptional items

Exceptional items are material items of income and expenditure which by virtue of their size and nature are separately disclosed to assist in the better understanding of the Society's performance including expenditure in relation to an internal transformation project, in relation to future bank funding, in respect of fixed asset impairments, costs incurred in relation to store opening and closure costs and certain redundancy costs.

Going concern

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

The directors have also reviewed the forecasts for the current and upcoming financial periods, a range of downside scenarios have been considered including a combination of risks, and the Directors have concluded that, under these scenarios, the Society can continue as a going concern. The Society also has opportunities to implement further mitigating actions if required. The Society has sufficient resources with its current bank facilities to continue operating for the foreseeable future. On this basis the Directors continue to prepare the financial statements as a going concern.

3. ACCOUNTING REFERENCE DATES

The financial statements of the Society are for the 52 weeks ended 25th January 2025 and are compared with a 52-week period to 27th January 2024.

Goodwill and intangibles

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill, being the excess of the consideration paid for a business over the fair value of its net assets, capitalised and amortised evenly over its useful economic life.

The intangible assets are amortised over the following useful economic lives:

Goodwill	10 years
----------	----------

Property, plant and equipment

After initial recognition, classes of asset valued under the cost model are carried at cost less any accumulated depreciation and any 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.

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

Depreciation rates used are as follows:

Freehold buildings	2% per annum
Leasehold buildings	Over the unexpired term of the lease
Plant, fixtures and fittings	10% to 20% per annum
Vehicles	14.3% to 20% per annum

Impairment of assets

At each reporting date assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Investment property

Investment property is carried at fair value. Revaluation surpluses and deficits are recognised in the income statement. Deferred taxation is provided on these gains/losses at the rate expected to apply when the property is sold.

Other investments

Investments in unquoted shares are carried at cost with any impairment recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, less provision for any obsolete or slow-moving items.

Trade and other receivables

Short term receivables are measured at transaction price.

Creditors

Short term payables are measured at transaction price.

Financial instruments

Non-basic financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value at each year end date. Changes in the fair value of non-basic financial instruments are recognised in the income statement loss in finance costs or income as appropriate.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased assets to the group. All other leases are classified as operating leases.

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

Assets held under finance lease are recognised initially at cost, with the corresponding liability to the lessor being included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the straight-line method.

Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the lease term, unless rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to the amount owed to the lessor.

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

Pension costs

The Society operates defined contribution schemes for certain employees. All costs relating to the defined contribution schemes are charged to the income statement as incurred.

The Society also operates a defined benefit final salary pension schemes covering a number of employees. The Society's net obligation in respect of its defined benefit pension plan is calculated 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. 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.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in the income statement, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Gross sales

Gross sales is a memorandum disclosure and represents the total transaction value of all the Society's services.

Turnover

Turnover includes cash sales, commissions and property rental income. It is stated net of VAT, discounts and incentives. Sales of goods are recognised in the financial statements at the point of sale. Rental income is recognised on an accruals basis.

Supplier rebates

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

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

Share interest

The Society's members' share capital maintains a fixed nominal value and attracts interest. Share interest is disclosed as a movement in equity and within the statement of changes in equity.

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

3. TURNOVER

	2025	2025	2024	2024
	Gross	Turnover	Gross	Turnover
	sales		sales	
	£ 000	£ 000	£ 000	£ 000
Food	91,943	83,251	93,484	84,660
Coffee	699	602	452	379
Funeral	10,043	9,927	9,771	9,672
Property	941	941	1,103	1,103
	103,626	94,721	104,810	95,814

4. ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

The adjusted earnings before interest, tax, depreciation and amortisation is stated after charging/ (crediting):

	2025	2024
	£ 000	£ 000
Auditor's remuneration:		
Fees payable in respect of audit services	45	42
Fees payable in respect of tax services	19	22
Operating lease rentals:		
In respect of property	93	98
In respect of plant and machinery	471	483
Grants and donations	55	51

5. EXCEPTIONAL ITEMS

	2025	2024
	£ 000	£ 000
Costs incurred in respect of internal transformation project	(555)	(178)
Costs incurred in respect of bank funding	(96)	(186)
Costs incurred for store opening & closure	(5)	(28)
Fixed asset impairment	(763)	(2,100)
Redundancy costs	(122)	(72)
Revision of estimated depreciation	(934)	-
	(2,475)	(2,564)

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

During the period, the Society recorded a change in estimate of the cost split between purchased land and buildings and resulting depreciation as well as an impairment of certain trading properties. The Society incurred costs in respects of a revolving credit facility that will be required to fund the future growth plans of the business. The Society incurred costs in respect of the opening and closure of food stores. The Society also incurred significant expenditure in relation to an internal transformation project to streamline the operations within the business. The Society also incurred costs in respect of the opening and closure of certain trading locations. There were also redundancy costs incurred.

6. DIRECTORS AND EMPLOYEES

Directors' remuneration

	2025	2024
	£ 000	£ 000

The total remuneration of the directors, including expenses, for their board duties was as follows:

Fees	69	63
-------------	-----------	----

The number of directors whose remuneration fell in each £5,000 bracket was as follows:

	Number	Number
£0 - £5,000	9	9
£5,001 - £10,000	3	3

Staff costs during the period were as follows:

	2025	2024
	£ 000	£ 000
Wages and salaries	14,166	13,362
Social security costs	825	1,014
Other pension costs	889	944
	15,880	15,320

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

The average number of employees of the Society during the period was:

	2025	2024
	Number	Number
Full – time	181	181
Part – time	540	534
	721	715

Management executive remuneration

2025	2024
£ 000	£ 000

The total remuneration of the management executive was as follows:

Salaries	860	642
Taxable benefits	13	23
Pension contributions	70	61
	943	726

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

	2025	2024
Chief executive remuneration		
	£ 000	£ 000
The remuneration of the Chief executive (who is also the highest paid employee) included above was as follows:		
Salary	169	227
Taxable benefits	1	13
	170	240

The following number of management executive employees received remuneration including taxable benefits (excluding pension contributions) falling within the following ranges:	2025	2024
	Number	Number
£75,001 - £80,000	1	1
£90,001 - £95,000	1	-
£95,001 - £100,000	1	1
£110,001 - £115,000	-	1
£135,001 - £140,000	1	1
£165,001 - £170,000	1	-
£190,001 - £195,000	1	-
£240,001 - £245,000	-	1

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2025	2024
	£ 000	£ 000
Bank charges	-	(8)
Net interest costs on pension scheme	152	254
	152	246

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax (credit)/charge is based on the profit for the period and represents:

	2025	2024
	£ 000	£ 000
a) Analysis of (credit)/charge in the period		
UK Corporation tax	-	-
Adjustment in respect of prior periods	-	(571)
Total current tax	-	(571)
Deferred taxation: origination and reversal of timing differences	(134)	1,338
Adjustment in respect of prior periods	-	(794)
Tax on results on ordinary activities	(134)	(27)
b) The tax assessed for the period is higher than the standard rate of corporation tax in the United Kingdom at 25.00% (2024: 23.98%). The difference are explained as follows:		
Loss on ordinary activities before tax	(3,241)	(819)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 25.00% (2024: 23.98%)	(810)	(196)
Expenses not deductible for tax purposes	676	1,534
Prior period adjustments	-	(1,365)
Tax on result on ordinary activities	(134)	(27)

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is a charge of £563,000 (2024: a charge of £448,500).

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

9. INTANGIBLE FIXED ASSETS

	Goodwill £ 000
Cost	652
At 27th January 2024	
Additions	-
At 25th January 2025	<u>652</u>
 AMORTISATION	
At 27th January 2024	469
Provided in the period	23
	<u> </u>
At 25th January 2025	<u>492</u>
 NET BOOK VALUE	
2025	160
2024	<u>183</u>

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

10. PROPERTY PLANT AND EQUIPMENT

	Trade properties	Fixtures, fittings & plant	Transport	Total
	£ 000	£ 000	£ 000	£ 000
Cost				
At 27th January 2024	34,222	39,058	742	74,022
Additions	2,617	3,954	-	6,571
Disposals	-	-	-	-
Transfers	-	-	-	-
At 25th January 2025	36,839	43,012	742	80,593
Depreciation and impairment				
At 27th January 2024	6,555	25,137	741	32,433
Provided in the year	1,507	2,507	1	4,015
Impairment	721	42	-	763
Disposals	-	-	-	-
Transfers	-	-	-	-
At 25th January 2025	8,783	27,686	742	37,211
NET BOOK VALUE				
2025	28,056	15,326	-	43,382
2024	27,667	13,921	1	41,589

All properties held by the Society were valued by Harris Lamb, as at 25th January 2025 based on open market value for existing use.

Trade properties with a carrying value of £12,511,843 (2024: £14,321,324) are pledged as security against the Society's defined benefit pension scheme.

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

11. INVESTMENT PROPERTY

	Total £ 000
Fair value at 27th January 2024	15,070
Additions	1,658
Disposals	(1,417)
Transfers	-
Revaluations	(1,021)
Fair value at 25th January 2025	14,290

The directors appointed Harris Lamb as an independent expert to independently value investment properties as at 25th January 2025. The directors have used the independent expert's report to determine the fair value of investment property as at the period end.

12. OTHER INVESTMENTS

	2025 £ 000	2024 £ 000
Non-current investments:		
Financial assets	591	591
	591	591
Are held as follows:		
Co-operative Group shares	476	476
Other I & P Societies shares	115	115
Total available for sale financial assets	591	591

21st Century Co-operative Society Limited, a dormant wholly-owned subsidiary, was dissolved in March 2025.

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

13. INVENTORIES

	2025	2024
	£ 000	£ 000
Finished goods	3,985	4,240

Finished goods recognised as a cost of sale amounted to £62,184,000 (2024: £62,771,000).

14. TRADE AND OTHER RECEIVABLES

	Falling due within one year	
	2025	2024
	£ 000	£ 000
Trade debtors	10	302
Corporation tax	-	777
VAT	137	481
Other debtors	701	444
Prepayments and accrued income	742	643
	1,590	2,647

The Society's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in Note 24.

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025	2024
	£ 000	£ 000
Trade payables	4,654	4,478
Holiday pay	233	339
Other taxes and social security	955	168
Share interest	-	3
Accruals and deferred income	2,143	1,806
	7,985	6,794

16. PENSION OBLIGATIONS

The Heart of England Co-operative Society Pension Scheme is a defined benefit final salary scheme operated by the Society which was formed following the merger of Heart of England Co-operative Society Limited Employees' Superannuation Fund and the Coventry & District Co-operative Society Limited Employees' Superannuation Fund.

Following the actuarial valuation on 5th April 2023 a revised schedule of contributions was agreed between the Society and the Trustee. Payments of £750,000/year are due from July 2024 to May 2029 plus 13.7% of active members' payroll. In January 2025, the Society Board of Directors decided to cease awarding discretionary benefits, but will keep this policy under review. Contributions of £750,000/year ceased after February 2025 upon entering into a revised Schedule of Contributions. Finally, a consultation was initiated with active members to consider closing the scheme to future accrual.

Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuation was carried out at 5th April 2023 and updated to 25th January 2025 by a qualified independent Actuary employed by XPS Pensions Limited.

The main assumptions used by the Actuary were:	2025	2024
	%	%
Salary increases	Living wage members: 2024: 9.00% 2025: 8.00% 2026: 6.00% 3.65% thereafter. Non-living wage members: 3.15%	Living wage members: 2024: 9.00% 2025: 8.00% 2026: 6.00% Thereafter: 3.50% Non-living wage members: 3.00%
RPI inflation	3.15	3.00
Discount rate	5.50	5.00
Future pension increases – post 97 pension	3.10	2.90
Future pension increases – pre 97 pension	N/A	1.45
Pre and post retirement mortality	111% (males), 112% (females) of S3PA base tables, CMI2023 projections, with 1%pa long term rate of improvement, initial addition of 0.1% and 2022/2023 weighting parameters of 30%.	111% (males), 112% (females) of S3PA base tables, CMI2022 projections, with 1%pa long term rate of improvement, initial addition of 0.1% and 2022 weighting parameters of 30%.

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

Proportion married		84% males 76% females at retirement
Age difference of dependents		Males are on average 2.4 years older than females
Male life expectancy at age 65 for current 65 year old	20.5	20.6
Male life expectancy at age 65 for current 45 year old	21.4	21.5
Female life expectancy at age 65 for current 65 year old	23.0	23.0
Female life expectancy at age 65 for current 45 year old	24.1	24.1
Cash commutation	85% take maximum allowable cash on retirement	85% take maximum allowable cash on retirement

Where investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the consolidated statement of financial position date. A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically.

The amounts recognised in the statement of financial position are as follows:	2025	2024
	£ 000	£ 000
Present value of funded obligations	(32,085)	(36,005)
Fair value of scheme asset	31,501	32,351
Deficit	(584)	(3,654)
Related deferred tax asset	146	913
Net liability	(438)	(2,741)

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

The amounts charged in the income statement are as follows:

Current service cost	224	280
Net interest costs	152	254
	376	534

The actual return on scheme assets were as follows:

	2025	2024
	£ 000	£ 000
Actual return on scheme assets	127	(1,005)

Reconciliation of opening and closing balances of the fair value of Scheme assets

	2025	2024
	£ 000	£ 000
Opening fair value of scheme assets	32,351	34,538
Interest income on scheme assets	1,594	1,528
Returns on assets, excluding interest income	(1,467)	(2,532)
Contributions by employer	1,196	1,430
Contributions by scheme participants	131	140
Benefits paid	(2,304)	(2,753)

Closing fair value of scheme assets

31, 501 32,351

Reconciliation of opening and closing balances of the present value of the defined benefit obligations

	2025	2024
	£ 000	£ 000
Opening scheme liabilities	(36,005)	(40,882)
Current service cost	(224)	(280)
Interest cost	(1,746)	(1,782)
Actuarial gains/(losses)	3,717	4,326
Contributions by scheme participants	(131)	(140)
Benefits paid	2,304	2,753

Closing scheme liabilities

(32,085) (36,005)

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

The assets of the scheme were:	2025	2024
	£ 000	£ 000
Diversified growth fund	8,092	7,397
Bonds/gilts	23,585	24,463
Cash	(176)	491
Fair value of scheme assets	31,501	32,351

Sensitivity analysis	Impact on scheme deficit	
	25th	27th
	January	January
	2025	2024
	£m	£m
Discount rate – reduce by 0.1%	0.4	0.5
Rate of inflation (RPI) – increase by 0.1%	0.2	0.3
Drop in Diversified Growth Fund by 5%	0.4	0.3
Assumed life expectancy at age 65 – increase by 1 year	0.9	1.3

The pension scheme assets include no assets from the Society's own financial instruments.

The pension scheme assets include no property occupied by, or other assets used by, the Society.

The Society has pledged various properties to the pension scheme.

The Society expects to contribute £0.1m to its pension scheme in 2025.

17. PROVISION FOR LIABILITIES

	Deferred taxation £ 000
At 27th January 2024	4,699
Origination and reversal of timing differences	339
At 25th January 2025	4,360

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

18. DEFERRED TAXATION

Deferred taxation provided for at 25% (2024: 25%) in the financial statements is set out below:

	2025	2024
	£ 000	£ 000
Accelerated capital allowances	5,328	4,137
Other timing differences	(56)	(65)
Revaluation adjustments	156	627
Losses and other deductions	(1,068)	-
	4,360	4,699

19. SHARE CAPITAL

	2025	2024
	£ 000	£ 000
At 27th January 2024	2,030	2,030
Contributions	7	13
Interest	37	3
	2,074	2,046
Withdrawals	(6)	(16)
	2,068	2,030

The whole of the share capital comprises of non-equity shares of £1 each attracting interest between 0% & 3% per annum depending on the amounts. Shares are withdrawable by giving one week's notice to the Society. However, this requirement has been waived by the Directors in accordance with rule 28(b), and therefore the share capital has been classified as equity in accordance with FRS 102. Every member who has been a member of the Society for not less than six months and holds a minimum of one £1 share is entitled to one vote.

Heart of England Co-operative Society Limited

Notes forming part of the financial statements for the 52-week period ending 25 January 2025

20. RESERVES

Share Capital – represents the nominal value of shares that have been fully paid.

Revaluation reserve – represents the difference between the revalued amount and the cost value of certain financial assets.

Revenue reserves – includes all current and prior period retained profits and losses.

21. CASH FLOW

Analysis of changes in net debt

	At 27th January 2024 £ 000	Cash flows £ 000	At 25th January 2025 £ 000
Cash and cash equivalents	3,466	(2,547)	919
Total	3,466	(2,547)	919

22. CAPITAL COMMITMENTS

The Society had capital commitments relating to property, plant and equipment of £3,463,108 (2024: £22,717,840).

23. LEASING COMMITMENTS

The Society had total commitments under non-cancellable operating leases as detailed below:

	2025 £ 000	2024 £ 000
Within one year	487	427
Within two to five years	786	923
After more than five years	272	384
	1,545	1,734

24. FINANCIAL RISK MANAGEMENT

The Society has exposure to customer credit exposure as well as liquidity and interest rate risk.

Customer credit exposure

The Society may offer credit terms to its customers which allow the payment of the debt after delivery of the goods or services. The Society is at risk to the extent that a customer may be unable to pay the debt on the specified due date. 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.

25. FINANCIAL ASSETS AND LIABILITIES

	2025	2024
	£ 000	£ 000
Financial assets measured at fair value through the income statement	14,290	15,070
Financial assets measured at amortised cost	1,540	2,647
Financial liabilities measured at fair value through the income statement	438	2,741
Financial liabilities measured at amortised cost	7,985	6,794

26. BORROWINGS

The Society has access to an overdraft facility of up to £3,500,000. Nil (2024: nil) of the facility was drawn down at the year end. Charges on certain properties provide the bank with security over balances borrowed. In February 2025, an additional £6m revolving credit facility became effective.

Liquidity risk: borrowing requirements are managed in line with the long-term cash flow forecast revised annually and reviewed against the Society's debt facility.

Interest rate risk: at the reporting date a variable interest rate based on the Sterling Overnight Index Average (SONIA) plus a margin was available to the Society for its bank borrowings.

27. RELATED PARTY TRANSACTIONS

Payments totaling £45,000 were made to certain board members in the year in respect of salary and consultancy services provided on an arms-length basis.

Community Support and Member Relations

Community support

The Society's Helping Hearts Award scheme continues to support local community projects and events within our trading region, pledging £1.3 million, helping over 6,270 groups since the introduction in the year 2000.

In 2024, we awarded over 300 donations to local charities and community groups totalling £54,800.

The Community and Chairty Team have increased activities within the community including a car wash, a pudding & quiz evening and incorporated raising funds for our Corporate Charity Macmillan Cancer Support.

The Society continues to engage with schools through providing goods for clubs and activities both held in school and stores.

Groups, schools and other organisations have continued to receive support for seasonal events and assist in boosting funds through fundraising activities. The Society supports groups offering Christmas lunch, food hampers, social activities for the elderly and vulnerable within our community.

The Society has continued to assist local foodbanks with donation points in store. Also, having recognised the local communities increased needs to access foodbanks, support has included the Bulkington pop up foodbank who received a generous donation during the festive season.

In Coventry, support included assisting Earlsdon Allotments with an outdoor area where the community can gather for social events.

To support health and wellbeing, sports teams have received sponsorship for their team kits which have included Alvis Eagles and Coventry Godiva football clubs.

In Nuneaton and Hinckley area, Nuneaton Town Supporters' Co-operative updated their gazebo with the funds awarded.

Bulkington Women's Institute and Goodyer's End Primary School used their donation to refresh their gardens with plants and flowers.

In the Rugby area, Bishops Itchington Primary School and Glenvale Church of England Primary appreciated the support to purchase much needed resources.

New Directions used their donation to help set up an allotment and purchased outdoor furniture. Rugby Borough Jaguars Football Club updated their team kit.

Store activity

With the continued rise in the cost of living, the Society has seen an increase with people in the community who have benefited from our food stores who support local foodbanks with food donation points.

Stores look at ways to promote community activity initiating support for local events and supporting local groups fundraising. Our store launches also involve community groups who benefit from donations.

Member relations

The Society would like to thank our Education/Member Relations committees for reviewing our funding applications and the Heart of England Community Foundation, who administers our Helping Hearts Award scheme funds.

Heart of England Co-operative orchestra

2024 was a successful year, both audience and orchestra members increased.

The orchestra's supporters returned and a new audience also enjoyed the concerts.

Four concerts took place, and the venues were full with £3,940 raised for various local and international charities.

The spring concert at Bethel Church, Spon End, Coventry, was enjoyed by children from a local primary school and the programme was planned so they could participate. In Haydn's Toy Symphony. Seven children played on toy instruments alongside the orchestra and the children achieved their Art Award with Trinity College London in 2024, which was sponsored by the orchestra.

The summer concert was held at St Christopher Church, Allesley Park, Coventry,

and sea-themed music was played to support the Royal National Lifeboat Institution (RNLI) as it was their 200th anniversary.

The Heart of England Co-operative autumn concert was held at Coventry Central Hall and the change to an afternoon venue was very successful and funds were raised for Macmillan Cancer Support, the Society's Corporate Charity. The theme was music from operas and shows which was enjoyed by all.

The winter concert was held at the Heart of England School, Balsall Common, the programme featured a selection of music from Oliver and carols for the audience to sing along too where the highlight was a visit from Santa Claus.

The orchestra is very appreciative of the ongoing support of the Heart of England Co-operative Society, which allows rehearsals in the Methodist Central Hall in Coventry.

Woodcraft Folk

The group participated in various activities throughout the year, including in the summer term where the theme was "water" and the group canoed on the Coventry canal and on the River Wye on the border of England and Wales. Other water themed activities included swimming, junk modelling and floating small boats, and pond dipping.

Despite the wet weather, the group spent time den building and tree climbing followed by a tree hugging game.

The highlight of the year was a weekend camp at Biblins the Woodcraft Folk's campsite next to the River Wye. The group enjoyed camp cooking, campfires and a walk across the Biblins rope bridge to Symonds Yat.

Heart of England Co-operative Society Limited

The children chose the theme for the autumn term which was “Science”. Activities included ‘fun with magnets’, the science of cooking and a fungi hunt by torchlight and star gazing.

2025 activities will include celebrating Woodcraft Folk’s 100th birthday.