

Fruit & vegetables

Central England Co-operative

ANNUAL REVIEW 2017/18

For the year to 27 January 2018

Perfect gifts for
« Mother's Day »

DEA
OR



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OUR FAMILY OF BUSINESSES



Central England Co-operative

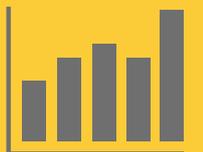
ANNUAL REVIEW 2017/18

For the year to 27 January 2018

FINANCIAL HIGHLIGHTS

Gross Sales
£848.3m

(excluding VAT)



2.4%*

2016/17: £843.5m

* on a like-for-like 52 week basis

£16.6m
Operating Profit



£5.3m

2016/17: £11.3m

Payments to Stakeholders

£3.7m



2016/17: £4.2m

Capital Expenditure

£36.6m



2016/17:
£45.6m

Growing Our Business

7

New Food Stores

9

New Funeral Homes



Refurbishments completed at:



30 Food Stores



18 Funeral Homes



ABOUT US



WHO WE ARE

Central England Co-operative is a successful, independent, community-based co-operative business owned and controlled by its members. We are a modern, forward-looking business employing 8,500 people and operate more than 400 trading outlets across 16 counties in Central England.

We are proud of our heritage, which dates back over 160 years, and have grown to become one of the largest and most successful co-operatives in the UK. Our colleagues are at the heart of our business and make a positive difference in the communities they serve. We focus continuously on being a great place to work by harnessing the talent, creativity and diversity of our colleagues.

OUR VISION

Our vision is to be the UK's best consumer co-operative Society by making a real difference to our members and our communities.

OUR VALUES

Our values underpin our vision and guide all of our actions.

WHAT MAKES US DIFFERENT

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

Our Membership & Community Councils aim to provide a diverse range of events and activities for our members across our trading areas.

Through our Corporate Responsibility strategy, we continually seek opportunities to improve the environment and contribute to the well-being of local communities. We invest 1% of our trading profit into supporting local groups and good causes through our Community Dividend Awards and in 2017 our colleagues were proud to choose Dementia UK as the Society's new corporate charity partner.

Co-operation

Our co-operative principles are at the heart of our actions

Improvement

Always getting better at what we do

Recognition

Rewarding the efforts and achievements of our colleagues

Customers

We listen to our customers to constantly provide great service

Honesty

Openness and honesty as a way of working

Success

Driving commercial success through effective leadership and teamwork

SOCIETY HIGHLIGHTS



5 Stars
in the BITC
Corporate
Responsibility
Index



50 Mental Health and Well-being Champions

Recruited across all areas of the business

proud to support

time to change

let's end mental health discrimination



Over 60,000



Items donated by
shoppers as part
of our Christmas
Foodbank Appeal



£1.5 million

Fundraising target reached for



300

Defibrillators installed across food stores and funeral homes



Funded by the 5p carrier bag levy

120 Community Dividend Grants Awarded

Total: £212,000



DementiaUK
Helping families face dementia

Chosen by our colleagues as the Society's new corporate charity

FOOD AND FARMING DAY

engaged with

7,000 young people

Welcomed Wooldale Co-operative Society

Transfer of engagements successfully completed



For every £1 we invest in the community...

£23.15 is generated*

*on specific projects



YOUR BOARD OF DIRECTORS



MC
S
R
RP

Elaine Dean
President



MC
S
RP
CD

Maria Lee
Vice President



MC
R
CD

Jane Avery



MC
S
AR

Richard Bickle



CD

Sean Clothier



MC
C

Dave Ellgood



S

Max Hunt



Marta Mayhew



AR
ID

Martyn McCarthy



C

Tanya Noon



AR

Sue Rushton



C
AR

Paul Singh



RP
B
C

Graeme Watkins



C
R
RP
ID

Rachel Wilkinson

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

BOARD RATIONALE STATEMENT

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

- Working with the Executive to set and monitor the implementation of our strategy
- Setting the ethos and culture of the Society
- Fulfilling our obligations to members and all stakeholders



MANAGEMENT EXECUTIVE



Martyn Cheatle
Chief Executive



Matt Birch
Trading Executive



David Grady
Corporate Services
Executive



Tracey Orr
Support Services
Executive



James Watts
Society Secretary

PRESIDENT'S OVERVIEW

“To you, our members, I make this pledge on behalf of the Board: we will be the UK's finest co-operative society whilst always remaining true to our Rochdale principles”

This is my first annual report to you, the members of our wonderful co-operative Society, since the proud moment I was elected your President last May.

You will read later in this report about the challenging trading conditions we have encountered over the last 12 months and the way we have faced up to those and moved onwards whilst being true to our principles. The Board fully recognises that the commercial success of our trading operations enables the Society to pursue its broader aims and objectives as a responsible co-operative business.

#DeedsNotWords

I want to use this opportunity in the report to speak of what we have done that makes us different from our competitors.

It is 100 years this year since women were given the vote in the UK. I wanted to pay tribute to those women and adopt their slogan #DeedsNotWords as my personal motto.

I was delighted with our #beingcoopy Christmas campaign and all the superb community work that it engendered and the fabulous publicity it gained for us – and every store and every funeral home, florist and travel branch had a story to tell of how they rewarded their community.

#DeedsNotWords – I am proud to say that we haven't just posted a policy against Modern Slavery but are committed to providing links to employment for modern slavery victims and were able to provide our first work placement in 2017. We will continue to actively support this important campaign.

#DeedsNotWords – we have appointed an extra Member & Community Relations Officer to give more officer time across the whole Society. We've changed our Membership & Community Councils to four areas plus a Yorkshire Cluster Group to co-ordinate member activities across the former Wooldale and Shepley societies and surrounding areas.

#DeedsNotWords – in September last year we joined with other co-operatives, both in the UK and internationally, in making a donation to the emergency appeal for co-operative development aid in the Caribbean and South-East Asia following the devastating hurricanes and floods.

Co-operative Movement

We are playing a full part in the wider Co-operative Movement with Directors serving on the Co-operative Group National Members' Council, on the Co-operatives UK Board, on Co-operative Press Board and in the Co-operative Party.

Recognising the need to co-operate with other co-operatives, we have had Co-op Group's Chief Executive Steve Murrells and Council President Nick Crofts as guests to our Board, with Co-op Group director Margaret Casely-Hayford as a guest to our Society's premises. At our Member & Community Learning & Development days in Manchester and Rochdale we had dinner guest speakers of Rt. Hon. Hazel Blears who is also a Co-op Group Board director, Co-op College Chief Executive Simon Parkinson, John Atherton of Co-operatives UK and Anca Voinea of Co-op News. More of this liaising is planned for 2018.

We have also supported our Retired Employees' Associations and many other like-minded bodies and groups.

Our Community Dividend scheme provides many local groups and good causes with funding to continue their work.

We are so proud that we have used income from the carrier bag levy to equip our outlets with potentially life-saving defibrillators.

Many of our Interim Members' meetings were more interactive too, with guest speakers, displays and exhibits. We hope you liked this initiative and we aim to take it forward.

Our Future

Our plans for 2018 aim to further demonstrate our co-operative credentials and include hosting a Co-operative Women's Voices event to encourage women in co-ops to have more confidence to put themselves forward for board and management roles, and the courage to speak up in those positions. We have also agreed to participate in Co-operatives Europe's Gender Equality Working Group.

I would like to thank all my fellow Directors, the Secretary's team, the Executive team and the Membership & Community team for all their support and to thank each and every colleague across the entire Society for their hard work and dedication to our co-operative cause. I am especially proud of those who, on top of long working hours, have found time and energy to volunteer in their communities.

To you, our members, I make this pledge on behalf of the Board: we will be the UK's finest co-operative society whilst always remaining true to our Rochdale principles.



Elaine Dean
Society President



Elaine Dean, Society President



Martyn Cheatle, Chief Executive

CHIEF EXECUTIVE'S REVIEW

“Our progress and achievements in 2017 are again a testament to the dedication and capability of our colleagues”

A very encouraging and resilient performance...

We achieved another very encouraging and resilient performance in 2017 from both a financial and non-financial perspective, underlining our strength as a modern, progressive, co-operative business.

Trading conditions remained very challenging and highly competitive throughout the year in all the markets in which the Society operates. Against this backdrop, total gross sales (excluding VAT) of £848.3m were marginally ahead of the prior year (2016/17: £843.5m) and up 2.4% on a comparable 52 week basis (as the prior year covered a 53 week reporting period).

Increased sales in our convenience stores, including growth from new openings, were partially offset by continued pressure in our large stores and supermarkets. We traded particularly well during the key events of Valentine's Day, Mother's Day, Easter and Christmas, with stores priding themselves on high in-store standards and availability.

Our funeral business experienced increased competition in both the pre-need and at-need markets but delivered a solid performance with sales above the prior year across our combined funeral business streams.

The Society's travel shops performed well during the year, with increased sales reflecting growth in specialist niche sectors including long haul, cruise holidays, tailor-made and escorted tours.

Operating profit of £16.6m was £5.3m higher than the prior year (2016/17: £11.3m) and included investment property valuation gains following good progress in this area during the year. We will continue to focus attention on driving value from the Society's property assets to support our wider business strategy.

Trading profit of £17.3m was well ahead of expectations and significantly ahead of our annual budget target but £2.7m lower than the prior year, primarily as a result of implementing improved pay rates for our colleagues and absorbing other cost increases. This represents a very credible performance in the current climate and demonstrates our drive to provide great service to our members and customers whilst maintaining careful control of our costs.

Strong cash generation from our trading activities again supported significant capital investment of £36.6m (2016/17: £45.6m). Over the last five years our capital investment programme has totalled over £195m, underlining our

commitment to build for the future. Our carefully planned approach to supporting future growth across the business is reflected in the Society's net debt position of £16.7m at the year-end (2016/17: £11.5m) which is well within our long-term funding arrangement.

The Society's net assets of £156.5m show a decrease of £10.7m compared to the position at January 2017, with the movement including a £21.6m increase in the net pension liability in accordance with the accounting requirements of FRS 102. This adverse movement was driven by a decrease in the discount rate used to place a value on the pension scheme's liabilities, partially offset by a fall in long-term future inflation expectations, updated mortality projections and higher than expected investment returns. We remain fully aware of the significance and volatility of the value of the pension liability on an accounting basis as distinct from the funding position of the scheme. In this context, we remain confident in our long term strategy to address the pension scheme deficit on an affordable, fair and carefully controlled basis.

At the end of 2017, and as indicated in last year's annual report, the Society received an exit payment of £5.8m in return for our 3.5% shareholding in the travel joint venture originally formed in 2011 with Thomas Cook and The Co-operative Group. The exit payment was in addition to the dividends already received by the Society from the joint venture (in 2014 and 2015) totalling £5.1 million.



CHIEF EXECUTIVE'S REVIEW

Building for the future

Our ambitious growth strategy saw the opening of seven new food stores and nine new funeral homes during the year, together with significant refurbishment activity across the business. We were particularly pleased to complete the refurbishment of the three convenience stores in Wooldale in West Yorkshire following the transfer of engagements in July, honouring our commitment to their members.



Three major transformation programmes were launched during the year to simplify and modernise our business. Listening to our colleagues is a key part of our plans and their valuable input supported the successful implementation of new in-store procedures in our food business. This important work will gather pace in 2018 and will include the introduction of new technology to drive efficiencies and simplify our business processes.

Our members and customers

Delivering great customer service, quality and value in all our food stores remains a primary focus in order to retain and attract customers – and future members too. This important area represents a key measurement for the business and we were pleased to maintain a strong overall score of 97% of customers being satisfied.

In our funeral business we completed our first measurement with the Institute of Customer Service, achieving a satisfaction score of 96.1 and a net promoter score of +92.7.



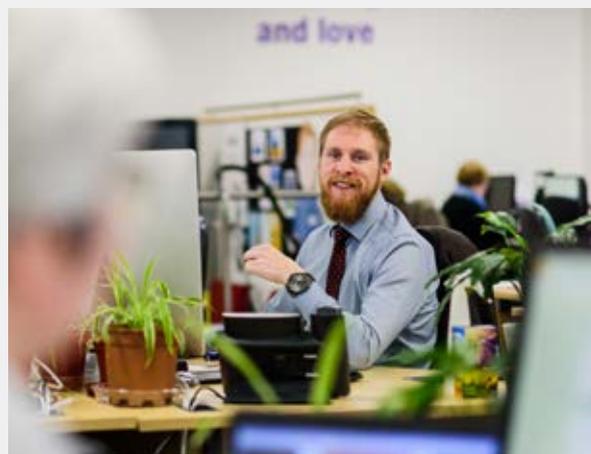
These are extremely pleasing results which will continue to be periodically monitored to maintain our high quality standards and service levels.

Communication and regular engagement with our members remains a key part of our strategy and we continue to send regular e-mails to our members to provide updates on in-store promotions and offers, together with other information about the Society. We have made improvements to our corporate website and plan to further strengthen our digital communications during 2018.

Our people

Our progress and achievements in 2017 are again a testament to the dedication and capability of our colleagues and reflect a real team effort across all levels within the Society. We continue to support the health and well-being of our colleagues with our 'Bloom' campaign, introduced in 2016, and through the launch in 2017 of our new Colleague Assistant Programme.

The importance of our colleagues feeling a sense of belonging and commitment to the business is measured through colleague engagement. We have consistently placed great emphasis on this measure and it is encouraging that our annual 'Bee Heard' colleague survey reported a high response rate and the continuation of strong levels of employee engagement.



The Society remains committed to its strategy of providing fair and competitive levels of pay and benefits to our colleagues. During 2017, work was completed to prepare for the 2018 pay review which aims to improve the pay rates for our Customer Services Assistants and Customer Team Leaders.

Together we can make a difference

As a responsible business, we are proud to have launched a major initiative to fight the stigma surrounding mental health. Our programme has attracted huge support and interest amongst our colleagues, including the appointment of 50 mental health and well-being champions and a series of workshops and activities across the business.

In October we were proud to issue a new Diversity and Inclusion Statement and Policy, underlining the Society's commitment in this important area.

CHIEF EXECUTIVE'S REVIEW

The co-operative sector has a great tradition as an inclusive movement and many of its values and principles speak to this agenda. Showing leadership in the area of diversity and inclusion is a way we can put these values into practice and will be reflected in our approach and supporting processes covering colleague recruitment, retention and promotion.

We take our responsibilities to the environment seriously, with our carbon footprint reducing by 35.8% since our baseline position in 2010. Over the last 12 months we have continued to invest in new energy efficient lighting and refrigeration equipment, together with the installation of a new biomass boiler at our coffin factory. In December, we were proud to achieve the Retail Energy Project of the Year Award in recognition of our partnership work with our supplier.

Our commitment to support local communities has seen the completion of the roll-out and installation of over 300 defibrillators across our food store and funeral home locations. This important initiative has been funded by the 5p carrier bag levy and has been well received in local communities and attracted positive media coverage. We have also extended the roll-out of food bank collection points to almost 200 stores across our food estate.

In the first half of 2017 we reached our fundraising target of £1.5 million for Newlife, the Charity for Disabled Children. During our five year partnership with Newlife, our colleagues, members and customers have supported everything from bungee jumps to cake sales to raise essential funds for families in need across Central England.

In August we announced the launch of our new colleague elected corporate charity partnership with Dementia UK, with the partnership having a strong link with our mental health awareness programme. Our fundraising efforts have got off to an excellent start and will help to provide specialist support to families affected by dementia through the charity's Admiral Nurse Service and Dementia Helpline.



The measurement of our membership and community activity is a key area of focus for the Society to ensure we optimise our social impact. We are pleased that our second independently produced 'Social Return on Investment' report highlighted encouraging progress, with every £1 invested by the Society generating a positive community benefit of £23.15 – which equates to a total social value of £2.2 million.

This represents an improvement on our first Social Return on Investment report, published in 2017, which highlighted a community benefit of £20.50 for every £1 invested by the Society. We will conduct further research in this area in 2018 to ensure our membership and community activity is targeted in areas that will have the greatest impact.



We are delighted that all of our great work in this area has been reflected in the Society being awarded the maximum 5 stars out of 5 in Business in the Community's 2018 Corporate Responsibility Index.

This score reflects our continued focus, commitment and hard work in a wide range of initiatives and projects as part of our corporate responsibility strategy. The top 5 star rating represents a significant achievement for the Society and recognition of the positive impacts of our approach as a responsible co-operative business.

Outlook

Our encouraging trading performance in 2017 has again demonstrated the Society's resilience as a strong and successful independent co-operative business to compete in an intensely competitive environment.

We expect trading conditions to remain challenging and highly competitive for the foreseeable future. We also anticipate an uncertain economic backdrop over the medium term as a result of Brexit and cautious consumer confidence.

We remain confident in our strategy and our co-operative point of difference to deliver sustainable business growth and provide a relevant and attractive proposition for our members, customers and local communities.

Martyn Cheatle
Chief Executive

OUR FOOD BUSINESS



Strong performance in our Food business

Retail food remains the Society's core business with 261 trading outlets serving an average of 1.6 million customers per week.

Both sales and contribution exceeded our annual budget targets, underpinned by a transformation change programme which is helping us to provide an efficient, competitive trading platform to enable the Society to compete effectively in a challenging market.

Market

The food sector remains under pressure with retailers trying to balance competitive pricing with cost inflation. 2017 saw market inflation of 4.3% offset by a 1% volume decrease. Consumer confidence has weakened as a result of the ongoing Brexit negotiations and related uncertainty over the future prospects for the UK economy.

Tobacco legislation changes on minimum pack sizes and excise duty, introduced in May 2017, impacted retail inflation and the market decline in food volume. This impact was and reflected in our like-for-like volume decreasing by 3.8%. More encouragingly, our petrol forecourts and convenience stores delivered volume growth of 3.8% and 1.3% respectively. Elsewhere, on-going intense competition and market pressures impacted our supermarkets and large store formats with volumes down by 5.3% and 9.3% respectively.

Investment in the right place

Consumers continue to use local convenience stores for top-up shopping which has helped to underpin our success. Our expansion activity continued in 2017 with the opening of seven new food stores together with three stores transferred from Wooldale Society.

Investment in the existing estate included 30 store refits. We have continued to review concession partners in our larger stores with the further rollout of successful brands including WH Smith's products which are now available in two stores. During the year two stores were downsized in line with trade volumes and seven loss making stores were closed.

Store closures are always considered carefully, exploring options to relocate, or securing going concern disposals to maintain colleague employment. Where such an exit is not possible, the best value option must be considered. Of the seven closures in the year, four units have been returned to the landlord, one is planned for a major site redevelopment, and two vacant properties are on the market to be let.

In the stores

Excellent sales performance was achieved during the key events including Valentine's Day, Easter and Christmas, reflecting high in-store standards and product availability.

Sales based ordering has improved availability for customers, driving a significant year-on-year improvement of £1.7m in reduced to clear and wastage costs.

During the year we launched a major transformational change programme which is designed to ensure the Society has the most efficient cost base with which to invest in competitive pricing and offer fair pay for colleagues.

Local and ethical

We have actively increased our ranges of Fairtrade products during the year, with increased sales of 9.6%.

Food waste and managing our environmental impact is important to us having recycled over 3,500 tonnes of paper, cardboard and plastics. None of our food waste is sent to landfill – it all goes to anaerobic digestion to produce energy and compost, and our non-recyclable waste is sent to energy recovery facilities. Savings continue to be realised with investment in energy efficient refrigeration units and LED lighting.

Christmas saw 60,000 food items donated by customers and colleagues for foodbanks, helping to fight food poverty in our communities. We also donated a former food distribution vehicle to Stephenson College in Coalville to support the teaching of vehicle maintenance.

Innovative social media campaigns such as #beingcoopy and our Christmas 'Golden Stocking' giveaway saw over 6,000 Golden Stockings distributed as a special thank you to customers, members of the public and colleagues who have supported their local community.

Customers and colleagues

Our customer satisfaction score in 2017 showed 97% of shoppers were satisfied (a combination of 'very' and 'quite' satisfied). The 'very satisfied' score showed a slight decline to 71% from 75% although scores for service remain strong. Our 'Net Promoter' score declined to 55 (from 63), driven by a detraction in 'value for money' and a reflection of food price inflation in the market during 2017. We aim to address the Society's value proposition in 2018 through significant price investment activity.

Our colleagues are essential in delivering customer service to drive long term customer and member loyalty. Colleague motivation is paramount in achieving this key objective. Feedback from colleagues has been positive during a year of significant transformation and was reflected in the results of our annual colleague survey.

Over 250 colleagues participated in our 'Future Engage Deliver' leadership programme, with 10 colleagues achieving promotion to store manager positions. We support our store managers with opportunities to work in, or with, our Business Support Centre in Lichfield in order to broaden their experience and enable progression.

Fit for the future

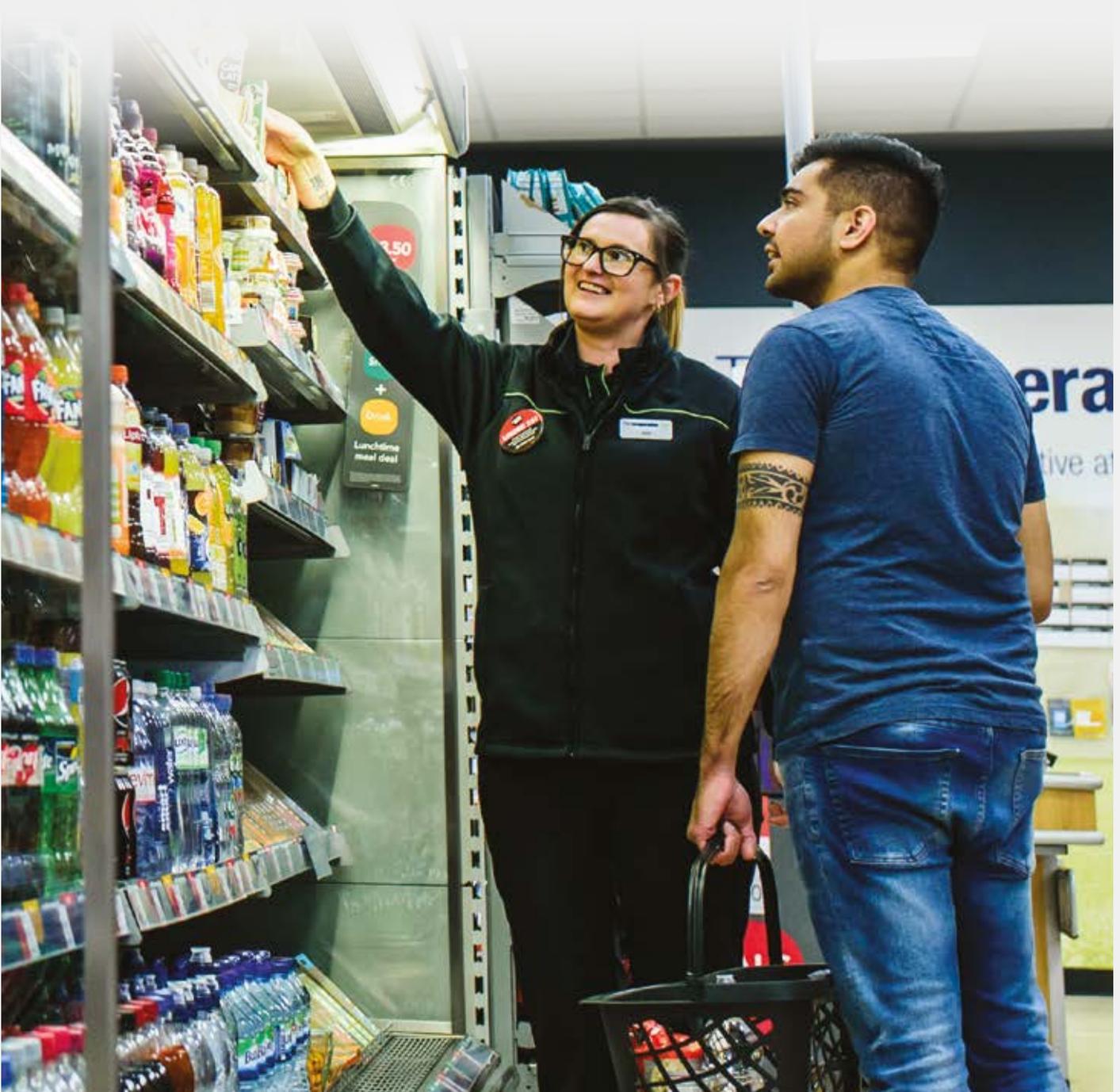
We expect the grocery industry to remain highly competitive in terms of price reduction, overhead cost pressures and competition.

In response to these headwinds, our strategy remains focussed on providing great service, availability and convenience combined with the benefits from our transformation programme. Our future growth will also be supported by our ambitious expansion plans. We will continue to review our store portfolio to ensure we generate the best long-term value for the Society, whilst staying true to our vision and ethical values.

Wholesale

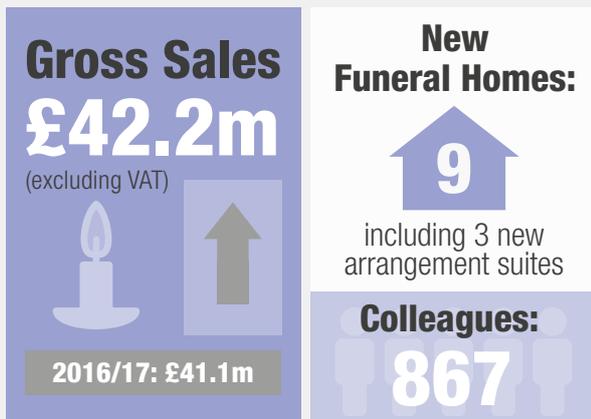
£48.8m Gross Sales (excluding VAT)
(206/17: £47.4 million)

The efficient operation of the Society's Food Distribution Centres in Leicester ensures the smooth and continuous supply of products to our food stores and those of Tamworth and Heart of England Societies. During the year, our Distribution Centres delivered 26.7 million cases, which was a slight reduction on the previous year. We continue to focus on the efficiency of our food distribution operation, measured by cost per case, which remains at an industry leading rate and is a competitive point of difference for the Society.





OUR FUNERAL BUSINESS



Offering the best care for families at their time of need

The funeral market continues to evolve with the emergence of many new entrants in both the pre-need and at-need markets.

We have seen new competitors challenging our at-need market share in a number of locations. Similarly in the pre-need market, new investment products from both established and new competitors continue to be developed with a significant focus on providing online access and functionality.

Against these significant developments we delivered a solid performance in 2017 with sales above last year across our combined funeral business streams.

Funeral arrangement numbers decreased slightly against last year but were strengthened by our new market-leading Unattended Funeral Plan priced at £1,500. The new service has exceeded expectations and is available across all of our trading estate using the superb facilities of our crematorium in Bretby.

Investment across our estate continued in 2017, with the opening of nine new funeral homes and refurbishments completed at 18 locations to improve their 'look and feel'. We introduced a new concept funeral arrangement office format where families can arrange a funeral or take out a funeral plan. The three new arrangement offices opened during the year and have all performed above expectations. The facilities at Bretby

Crematorium have also been enhanced and 2017 also saw the introduction of a new silver fleet of funeral vehicles.

We continued to invest in marketing activity across a variety of media channels including mailing campaigns, till receipt offers in retail stores, re-launch of our colleague offer and significantly up-weighting our digital presence. We also launched a major project to transform our funeral business which will deliver significant benefits in 2018 and beyond. Through continued development of our business we aim to deliver the highest standards of care.

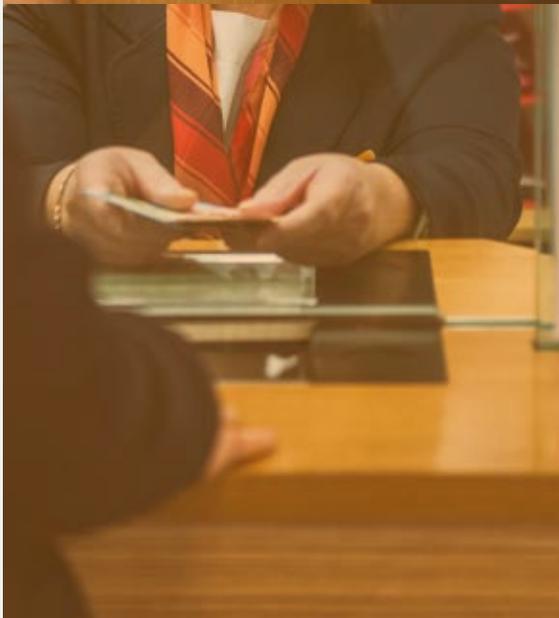
Maintaining customer and community focus remains at the heart of our funeral strategy. Our community activities in 2017 included the launch of 'Forget Me Not' bereavement groups to bring people together who have lost a loved one. The Society has also continued to help and promote Macmillan Cancer Support with our funeral homes opening their doors to the public to host the annual fundraising 'coffee mornings'.

The Society remains focussed on providing the highest standards of care and service to families at their time of need. We also are committed to providing an increased level of choice and personalisation of funerals that cater for the wide spectrum of communities we serve.

“We could not have asked for any kinder and more thoughtful care for my husband’s funeral. The attention to our wishes and the loving way we were treated made the sad situation easier to bear. Nothing was too much trouble, even the heavy snow was no problem and his service was perfect.”



OUR SPECIALIST BUSINESSES



Gross Sales
£37.8m

(excluding VAT)



2016/17: £36.1m

Colleagues

101



Specialist businesses built around customers

Encouraging trading in 2017 saw a return in consumer confidence to the travel market with sales exceeding the prior year by £1.7m. Despite the uncertainty surrounding Brexit and other world events, the travel sector has remained buoyant with the largest proportion of Britons taking a holiday since 2011.

In October we launched a new branch within the Society's supermarket at St Ives near Peterborough. Looking forward, we are reviewing our travel shop opening hours, including trialling Sunday trading.

Growth in specialist sectors continued in 2017, with escorted tours, cruise and worldwide tailor-made itineraries making further good progress. Our approach is designed to ensure our business remains resilient to world events and is positioned as a specialist holiday provider offering wide choice, value and a high quality service.

Our Travel Money business and Money Transfer service continue to be important revenue streams. We have also increased sales and the awareness of holiday essentials such as attraction tickets, airport parking, travel insurance and car hire, which all help to offer our customers the complete one-stop holiday shop.

Our strategy to deliver high quality, specialist personal services extends across our Optical business where we provide a full range of optical services including complex prescriptions, dispensing services and a wide choice of classic and designer frames. Trading performance in 2017 reflected the ongoing competitive conditions in this sector, with sales performance relatively flat year-on-year.

The **co-operative** believes in creating holidays as individual as you are

col



Our new development at Chelmsley Wood, Solihull, which opened in April 2017, containing our new convenience store and funeral home alongside two investment property units.



INVESTMENT PROPERTY



Adding value through our property portfolio

The Society has three core objectives in its property operations:

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

During 2017 we continued to focus efforts on reducing the number of vacant properties through letting and disposal and also settling outstanding lease renewals with tenants. More than 20 new commercial lettings were completed during the year, generating annual rental income of over £460,000. Total rental income for the investment portfolio of £9.0m was ahead of the prior year (2016/17: £8.6m) and reflected the strategy to reposition the portfolio by disposing of assets with no strategic purpose and focusing on fewer assets generating higher rental incomes.

The Property Team completed the disposal of 13 properties with gross proceeds of £5.3m (2016/17: £8.3m), which generated a profit on disposal of £0.5m (2016/17: £1.5m). These disposal proceeds have been redeployed to support the Society's capital investment programme.

Other activity in the investment property estate included identifying development opportunities to create value for the Society as well as providing benefits for local communities. Progress in this area includes the recent completion of a new retail development adjacent to our Ibstock supermarket in Leicestershire (Figure 1) which has strengthened the retail offer to the local community. At Melton Mowbray our former supermarket was let to QD stores during the year (Figure 2), creating a valuable investment property for the Society. Finally, the former Chesterfield Department Store which was sold by the Society in 2017 is currently being redeveloped (Figure 3) to form a new hotel and leisure complex.



Fig. 1



Fig. 2



Fig. 3 - Artist's impression

CORPORATE RESPONSIBILITY

Taking Corporate Responsibility Seriously

Corporate Responsibility (CR) is central to our vision as a forward-thinking, ethical co-operative business. We work for the well-being of local communities and believe in playing our part in improving the wider environment.

The themes of Community, Environment, Marketplace and Workplace have been the core of our CR strategy, seeing us increase our BITC CR Index to the maximum possible score of 5 stars.

Great things in the community

We are pleased to report that we have now installed 300 defibrillators across our trading estate, funded by the 5p carrier bag levy. We have also continued to champion foodbanks in our stores with a major campaign over Christmas, resulting in 60,000 food items being donated by colleagues, members and customers.

In July 2017, our five year corporate charity partnership with Newlife, The Charity for Disabled Children reached its conclusion with a fantastic £1.5m raised for the charity over that period. The sums raised have helped 625 children across Central England. Fundraising for Dementia UK, our new corporate charity, has got off to a great start with over £160,000 raised since the partnership began in August.

Elsewhere, the Society has supported colleagues in providing over 1,300 volunteering hours to support local groups and good causes. In addition, we have supported 139 free health checks and delivered health-inspired workshops to over 1,800 school children.

Protecting the environment

We continued to reduce our carbon footprint during 2017, and were re-accredited with the Carbon Trust Triple Standard for Carbon, Waste and Water. In December, we were proud to receive the Retail Energy Project of the Year Award for our work with supplier Engynius.

A positive workplace

The Society takes an active interest in creating a positive working environment that helps colleagues reach their potential and gain fulfilment in their roles. Every year we conduct a survey to gauge the sentiment and attitudes of our colleagues and take action where necessary. In 2017 87% of our colleagues participated in our 'Bee Heard' colleague survey, with a strong engagement score of 76.

Caring for mental health & well-being

The mental health and well-being of our colleagues is a priority for us. So much so that we have recruited and trained over 50 volunteer mental health and well-being champions from colleagues across the Society, with more planned for 2018.

Over 130 colleagues completed a two-day Mental Health First Aid course and to underline our commitment, the Society signed the 'Time to Change' employer pledge in March 2017. We will continue this important work as part of our wider mental health and well-being strategy.

Bringing sustainability to the marketplace

Wherever possible we choose to source locally, and select suppliers who share our belief in sustainability, asking them to follow our commitments and work towards their own improvement targets. During 2017 we enabled colleagues to negotiate more flexibly with smaller suppliers to ensure their needs are also met.



5★ CR Index

The 2018 results for the Business in the Community's Corporate Responsibility Index (CR Index) have been released, in which we achieved the maximum rating of five stars out of five. In the space of two years, the Society has doubled its score from 2.5 stars, to join a small group of businesses that carry out and can evidence activity across the four key areas of community, environment, marketplace and workplace. Colleagues from across the Society have all been dedicated to improving on the 2017 score, and being able to showcase the positive contribution we make to our communities, the environment, our Society as a workplace, and the marketplace as a whole.

Awarded
5 Stars in
the BITC
CR index



Corporate responsibility is spearheaded from the Business Support Centre, but additional effort from so many hard-working colleagues across the Society is what ensured our award of five stars. This activity will be continued with as we continue to build a responsible business that has a tangible and long lasting impact in our trading area, for the benefit of our communities, customers, members and colleagues.

We are on the right path with our mission to support our partners in the community, educate young people, reduce waste and raise vital funds for charity.



Aiming High

The Aiming High programme inspired 10 and 11 year old children in our communities to think big about their futures, and taught them that anything is possible, regardless of gender or background.



MEASURING OUR CO-OPERATIVE PERFORMANCE

Co-operative, Environmental and Social Performance Indicators

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

Area	Description	Measurement	2017/18	2016/17
Member economic involvement	Trade with members	<ul style="list-style-type: none"> Member sales in our food stores (£m) Member sales as a proportion of total food store sales 	£148.9m 19.1%	£158.6m 20.5%
Member democratic participation	Members taking part in the Society's democracy	<ul style="list-style-type: none"> Number of Members voting in the Society elections 	3,384	3,568
		Member attendance at: <ul style="list-style-type: none"> Annual Meetings Interim Meetings 	1,427 1,142	1,106 1,051
Colleague gender profile	The proportion of male/female employees	<ul style="list-style-type: none"> Male Female 	34% 66%	34% 66%
Customer Satisfaction	The percentage of customers who are satisfied with a key aspect of the business	Food store customers: <ul style="list-style-type: none"> Very satisfied Quite satisfied Net Promoter Score 	70.7% 26.1% +55	75.1% 22.7% +61
		Funeral customers: <ul style="list-style-type: none"> CEC Customer satisfaction index Net Promoter Score 	96.1 +92.7	- -
Considerations of ethical issues in procurement decisions	<ul style="list-style-type: none"> We purchase the majority of our food products through Federal retailing and Trading Services Limited (FRTS) with the buying arrangements subject to high ethical standards and respect for human rights. We also procure locally sourced products to complement our overall range. We continue to support Fairtrade through the availability and promotion of Fairtrade products in our stores and providing education and awareness of Fairtrade by our Membership & Community Councils. We operate a Procurement Policy which reflects our co-operative values and principles and a commitment to treat suppliers in a fair, objective and transparent manner. 			
Investment in community and co-operative affairs	Community Dividend, Membership & Community funding, support for other co-operatives, grants, funds raised for charity and colleague volunteering	Annual funding and expenditure incurred (£m)	£1.223m	£1.179m
Net carbon dioxide (CO ²) emissions arising from operations	Net tonnes of CO ² based on the Society's carbon footprint data	CO ² tonnes per £m Society Turnover	69.13 (£m)	79.92 (£m)
Proportion of waste recycled or reused	Waste collected and recycled from our Food stores	Tonnes of waste recycled or reused per £m Society Turnover	10.18	9.96



Bees

Bees are essential to our environment, so we make sure that we are doing what we can to assist bee numbers in the UK. The Northfield Bees Group educate both children and adults of the importance of bees, and the wider environment.

Foodbanks

Our Christmas campaign encouraged customers, members and colleagues to donate to foodbanks in our stores. Over 60,000 items were donated, providing 16,000 meals for people in need.



As a co-operative, our work in the community demonstrates our purpose beyond profit. We continue to support our members and communities in a number of ways



MEMBERSHIP & COMMUNITY

Our Membership & Community Councils (MCCs) are at the heart of our Membership & Community strategy and continue to drive activity through the great work and commitment of our MCC Ambassadors. At the end of the year we defined a fourth MCC area and recruited an additional Member & Community Relations Officer to increase our member and community engagement.

We continue to support member activity across our entire area with groups, classes and educational visits. This has always been a key strength in consolidating trading loyalty and social interaction, combating loneliness and creating new friendships.

Communicating our success

Our new quarterly newspaper, 'Join In' has been well received, and our website, social media, member emails and Share of the Profits remain core elements of how we communicate.

Welcoming Wooldale Co-operative Society

Wooldale
Transfer of engagements successfully completed

3
New stores added to our estate

In July we welcomed members, colleagues and customers from Wooldale Co-operative Society following a transfer of engagements. We have formed a Yorkshire membership cluster group to co-ordinate member activities in Wooldale and surrounding villages including Shepley and Dodworth near Barnsley.

Ethical healthy shopping

Our Member and Community Relations Officers and MCC Ambassadors delivered healthy choices workshops to over 2,300 young people in 2017 with a further 1,500 young participants taking part in our ethical shopping challenge events.

A dementia-friendly community

With a continuing commitment to mental health and well-being across the Society, we were delighted to welcome Dementia UK as our new charity partner in 2017. Funds raised during the partnership will help to provide specialist support to families through the charity's Admiral Nurse Service and Dementia Helpline. Since the partnership began in August, colleagues, members and customers have raised over £160,000 for Dementia UK through a range of fundraising activities.

Improving lives through our Community Dividend

During 2017 we awarded £212,000 in community dividend grants to 120 local good causes. The diverse nature of the projects which the Community Dividend Fund supports can be seen in the difference between two of the recipients; Nene Park Trust in Peterborough and The Hero Project based in Coalville, Leicestershire.

The Hero Project bought an outdoor pizza oven and ingredients to help youngsters in local schools learn more about where food comes from. Nene Park Trust used their grant to support a plant nursery, allowing volunteers to grow their own plants from seeds and cuttings.

Total: £212,000



#BeingCoopy

In November we launched our #beingcoopy foodbank campaign to support those in need at Christmas. Colleagues used our existing strong connections with local foodbank providers, resulting in an incredible response with over 60,000 items being donated. 5,500 food parcels were distributed over the Christmas period, providing over 16,000 meals to people in need.

Paul Brookhouse, from the Hope Centre in Derby, said: "Although it saddens me that there are so many local people in need of food, the wonderful kindness of Central England Co-operative customers is truly uplifting. On behalf of all the people they have helped I would like to say a big thank you."

A focus on young people

FOOD AND FARMING DAY

Promoting co-operative values and principles and engaging with

7,000 Young People

In June, we engaged with over 7,000 school children during the Food and Farming event at East of England Showground in Peterborough. As the main sponsor of the event, we delivered a range of activities from Fairtrade

and healthy choices workshops to the core values and principles of being a co-operative business.

The Membership & Community team delivered a one-day Co-operative Masterclass in August at De Montfort University in Leicester to over 100 sixth form students who learned about co-operative values and principles in an interactive way, including developing ideas for creating new co-ops.

Making a measurable difference

We recognise the importance of measuring the impact and social value of our membership and community activities. The results from our first Social Return on Investment (SROI) report in 2016 were

For every £1 we invest in the community...

£23.15 is generated



very encouraging and helped shape our community activities in 2017. We have completed our second SROI report and are delighted that for every £1 we invest in selected community-led activities and projects a benefit of £23.15 is generated (2016/17 selected projects: £20.50), providing an overall positive contribution of £2.2 million.

OUR COLLEAGUES

Our colleagues make all the difference

Colleague Engagement

**We employ
8,500**
across the Society



Throughout 2017 we focused on inspiring our colleagues to continue making a positive impact on the communities we operate in, which involved re-enforcing emotional commitment to our co-operative difference.

We talked about our co-operative point of difference at business briefings and conferences held during the year. One of which included our co-operative values and principles being brought to life in a Christmas panto!

We also created a special celebration booklet that highlighted the many ways our colleagues can make a difference, and continued the theme through the launch of our new seasonal colleague magazine.

Introducing (and keeping) #beingcoopy

Colleagues were invited to help spread a little festive cheer by taking part in our #beingcoopy campaign. They were encouraged to donate items to our Christmas Foodbank Appeal and deliver bags of goodies to people who made a difference within their local community.

The campaign sparked acts of kindness and goodwill from colleagues and was such a success that #beingcoopy is here to stay.

Giving colleagues a voice

Our colleague survey, Bee Heard, makes sure colleagues are given a voice and enables us to understand potential areas for future improvement in the workplace. In October 2017, 87% of colleagues completed the survey, the same high response rate as the 2016 survey. This resulted in a very encouraging colleague engagement index of 76 which was broadly consistent with the previous year (2016: 77).

 **87%**
of colleagues completed
our Colleague Survey,
Bee Heard

Rewarding brilliance and long service

We continue to recognise our colleagues for the great work they do across the Society every day, week in, week out.

The Leading Brilliance Awards, which took place in September, are our way of showcasing brilliance across the Society and recognising and rewarding individuals and teams. In July, colleagues who achieved long service with the Society during the year attended a special celebration event at Chatsworth House.

During National Customer Service Week in September, members of our senior management team surprised colleagues with recognition pop-up events to celebrate and say thank you for delivering great service.

Making brilliance easy

One of our commitments is to provide an environment that makes it easy for our colleagues to be brilliant – a place where they can flourish and develop their skills.

Using a combination of learning techniques, we provide colleagues with core skills and put developmental plans in place that map out their future careers within the Society.

Sharing our success

Once again, we rewarded colleagues a payout of 5% of our annual trading surplus, amounting to over £820,000, through our Colleague Share of the Profits – which is our way of recognising our colleagues' contribution in helping drive the Society's continued success.

Over 
£820,000
was distributed in
colleague dividend

We are continuing to build a diverse and inclusive culture that reflects the communities that we serve; one that attracts and retains the best talent and enables our colleagues to thrive. In October 2017 we externally published our Gender Pay report earlier than required, which further demonstrates our commitment to transparency in this important area.





GROUP INCOME STATEMENT

For the 52 weeks ended 27 January 2018

	2018 52 weeks £'000	2017 53 weeks £'000
Gross Sales (including VAT)	935,053	926,830
Less Value Added Tax	(86,741)	(83,315)
Gross Sales (excluding VAT)	848,312	843,515
Turnover	809,279	805,769
Cost of sales	(572,241)	(569,118)
Gross Profit	237,038	236,651
Administrative expenses	(221,959)	(218,149)
Other income	2,265	1,513
Trading Profit	17,344	20,015
Profit on disposal of fixed assets	555	367
Impairment of fixed assets	(2,649)	(2,787)
Profit/(Loss) on revaluation of investment properties	4,758	(945)
Exceptional items	(3,435)	(5,391)
Operating Profit	16,573	11,259
Profit/(Loss) on financial assets at fair value	92	(69)
Interest and dividends receivable	357	316
Other finance costs	(5,811)	(5,281)
Interest payable	(3,954)	(3,864)
Profit before tax and payments to and on behalf of stakeholders	7,257	2,361
Payments to and on behalf of stakeholders	(3,702)	(4,191)
Taxation	(1,924)	(2,085)
Retained profit/(loss) for the financial period	1,631	(3,915)

The full version of the Society's Annual Report and Financial Statements, including the Report of the Remuneration Committee, for the year ended 27 January 2018 is available at www.centralengland.coop.

GROUP STATEMENT OF FINANCIAL POSITION

As at 27 January 2018

	January 2018		January 2017	
	£'000	£'000	£'000	£'000
Fixed Assets				
Intangible assets		22,401		24,120
Tangible assets		414,870		402,800
Investments		136,181		120,944
		<u>573,452</u>		<u>547,864</u>
Current Assets				
Stocks	34,608		35,150	
Debtors: due within one year*	32,531		34,255	
Debtors: due after one year	33,725		30,869	
Cash at bank and in hand	11,549		17,872	
	<u>112,413</u>		<u>118,146</u>	
Creditors: Due Within One Year				
Creditors*	(100,467)		(101,619)	
Borrowings	(153)		(202)	
	<u>(100,620)</u>		<u>(101,821)</u>	
Net Current Assets		11,793		16,325
Total Assets Less Current Liabilities		<u>585,245</u>		<u>564,189</u>
Creditors: Due After One Year				
Creditors	(205,449)		(190,877)	
Borrowings	(28,051)		(29,201)	
	<u>(233,500)</u>		<u>(220,078)</u>	
Provisions for liabilities and charges		(15,715)		(18,958)
Net pension liability		(179,551)		(157,915)
Net Assets		<u>156,479</u>		<u>167,238</u>
Capital and Reserves				
Share capital		23,844		23,296
Non-distributable reserve		26,540		21,423
Revenue reserve		106,095		122,519
Members' Funds		<u>156,479</u>		<u>167,238</u>

*In the prior period, supplier rebates were wholly presented within trade creditors. These have now been represented to other debtors to better reflect the underlying nature of the balance and to be consistent with the current period presentation.

GROUP STATEMENT OF CASH FLOWS

For the 52 weeks ended 27 January 2018

	2018 52 Weeks		2017 53 Weeks	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities		27,349		38,501
Cash flows from investing activities				
Proceeds from disposal of investments	5,967		-	
Proceeds from disposal of tangible assets	5,806		9,444	
Purchase of tangible assets	(36,566)		(40,677)	
Interest received	310		316	
Transfer of engagement	405		-	
Purchase of business	(1,751)		(3,529)	
Net cash flows used in investing activities		(25,829)		(34,446)
Cash flows from financing activities				
Draw down of bank loans	-		7,000	
Repayment of bank loans	(1,000)		-	
Increase in share capital	186		296	
Interest paid	(647)			(945)
Pension deficit funding	(6,183)			(6,543)
Repayment of finance lease obligations	(199)			(282)
Net cash flows used in financing activities		(7,843)		(474)
Net (decrease)/increase in cash and cash equivalents		(6,323)		3,581
Cash and cash equivalents at beginning of the period		17,872		14,291
Cash and cash equivalents at the end of the period		11,549		17,872

AUDITORS' STATEMENT

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

We have examined the summary financial information included within the Annual Review 2017/18 (the 'Annual Review') for the year ended 27 January 2018, which comprises the Group statement of financial position as at 27 January 2018, the Group income statement and Group statement of cash flows for the year then ended.

Respective responsibilities of the directors and the auditors

The directors are responsible for preparing the Annual Review, which includes information extracted from the full consolidated Annual Report and Financial Statements of Central England Co-operative Limited for the year ended 27 January 2018.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Annual Review, with the full Annual Report and Financial Statements.

This statement, including the opinion, has been prepared for and only for the Society's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of Opinion

Our examination involved agreeing the balances disclosed in the summary financial information to the full Annual Report and Financial Statements. Our audit report on the full Annual Report and Financial Statements describes the basis of our opinion on those financial statements.

Opinion

In our opinion the supplementary financial information is consistent with the full Annual Report and Financial Statements of Central England Co-operative Limited for the year ended 27 January 2018.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory auditors
Birmingham

28 March 2018



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The co-operative
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Central England Co-operative