

# annual review 2016/17

For the year to 28th January 2017



Central England Co-operative



# The year in review 2016



Over £1.3 million raised for Newlife Foundation for Disabled Children since the partnership began in 2012



The second time we've won this award



Total gross sales  
**£843.5m**  
2015/16 £844.7m



Trading profit  
**£20.0m**  
2015/16 £20.8m

9 new Food stores  
4 new Funeral homes opened



Capital Expenditure  
**£45.6m**  
2015/16 £29.5m

Society's Corporate Responsibility  
CR index score  
up from 2½ to 4½ stars

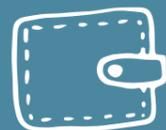


Price investment in produce  
and protein resulting in lower  
prices for members and customers



Over 150 defibrillators installed  
at Central England food store  
and funeral home locations

Maintained strong levels of customer  
satisfaction and employee engagement



Payments to  
Stakeholders  
**£4.2m**  
2015/16 £4.7m



Net assets  
**£167.2m**  
2015/16 £222.2m

Strong sales in our convenience  
store estate, consistent with our  
long-term growth strategy

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## About Us

### Food

237 Food Stores  
24 Petrol Filling Stations  
Food Distribution Centres

### Travel

20 Travel Shops

### Funeral

122 Funeral Homes  
3 Masonry Showrooms  
Coffin Manufacturing Centre

### Florist

10 Florist Shops

### Who we are

Central England Co-operative is one of the largest independent co-operative societies in the UK. We are a modern, forward-looking business employing over 8,600 people. Our principal business activities are food stores, petrol filling stations, funeral services and property investment. In addition, the Society has trading interests in travel shops, coffin manufacture and optical services.

We operate more than 400 trading outlets across 16 counties: West Midlands, Warwickshire, Worcestershire, Staffordshire, Derbyshire, Leicestershire, Rutland, Nottinghamshire, Northamptonshire, Lincolnshire, West Yorkshire, South Yorkshire, Suffolk, Norfolk, Bedfordshire and Cambridgeshire.

We are proud of our heritage as a successful, member owned, member controlled co-operative business. Our members and the local communities we serve are at the heart of our business. We are committed to putting co-operative values and principles into everything we do. Through our Corporate Responsibility strategy we continually seek opportunities to improve the environment and contribute to the wellbeing and sustainability of the communities in which we operate. The Society supports a number of charities, including Newlife Foundation for Disabled Children and we invest 1% of our trading profit into supporting local good causes across Central England.

### What makes us different

A co-operative is a group of people acting together to meet the common needs of its members, sharing ownership and making decisions democratically. We take a long term approach to doing business and believe that we can maximise our performance and create value for our members by behaving differently from our competitors.

Our members shape our business – our democratic process gives every member the opportunity to have a say in how the Society is run.

We share our profits – as a co-operative our profits are shared with our members, our colleagues and the local communities we serve.

We operate independently – we are proud to be one of the UK's largest independent co-operatives, which means that we can set our own agenda whilst also being a key voice in the co-operative sector as a whole.

At the heart of the local community – we operate over 400 trading outlets across 16 counties in Central England. Over the last five years we have invested £185 million in growing our business and have supported hundreds of local good causes through the Society's Community Dividend scheme.

We seek to support others – working co-operatively with partners and local good causes is a key part of what we do and a number of our partnership projects are industry leading, national awards winners.

### 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.

### 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

# Your Board of Directors

- 1. Paul Singh (AR) (R) (C)
- 2. Marta Mayhew
- 3. Richard Bickle (S) (AR)
- 4. Maria Lee - President (CD) (R) (RP) (S)
- 5. Martyn McCarthy (I) (AR)
- 6. Sean Clothier (CD)
- 7. Graeme Watkins (C) (R) (AR) (RP)

- 8. Rachel Wilkinson (I) (RP) (R) (C)
- 9. Max Hunt (S)
- 10. Jane Avery (CD)
- 11. Sue Rushton
- 12. Tanya Noon (S)
- 13. Elaine Dean - Vice-President (RP) (C)
- 14. Dave Ellgood (C)

- (I) Independent Non-Executive Director
- (AR) Audit & Risk Committee
- (C) Conduct Committee
- (CD) Community Dividend Selection Committee
- (R) Remuneration Committee
- (S) Search Committee
- (RP) Rules & Practices Committee



## Management Executive

**Martyn Cheatle** Chief Executive  
**Tony Carroll** Deputy Chief and Trading Executive  
**David Grady** Corporate Services Executive  
**Tracey Orr** Support Services Executive

**James Watts** Society Secretary

## Auditor

Deloitte LLP,  
 Four Brindleyplace,  
 Birmingham.  
 B1 2HZ

## Registered Office

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 Lichfield, Staffordshire. WS13 6RH  
 Telephone: 01543 414140

Web: [www.centralengland.coop](http://www.centralengland.coop)  
 Facebook: [/centralenglandcooperative](https://www.facebook.com/centralenglandcooperative)  
 Twitter: [@mycoopfood](https://twitter.com/mycoopfood)

Registered society under the Co-operative  
 and Community Benefit Societies Act 2014  
 Registered No. 10143R

## President's Overview - Maintaining A Steady Course

**The Society experienced a continuation of the trends highlighted in my overview in our Interim Report to Members in October 2016. We have achieved a robust and encouraging performance in 2016 with highly competitive market conditions, food price deflation and on-going structural changes in the UK grocery sector representing a significant challenge to the Society's core food store business.**

In spite of these difficult and uncertain economic conditions, your Board is pleased to announce that the Society's financial performance was strong with sales broadly in line with the prior year and trading profit ahead of expectations. The Society's resilient financial performance was delivered whilst maintaining our ambitious growth programme and continuing to invest in the communities in which we trade.

The Society's solid financial performance has been matched with excellent progress in other areas including awards for our credentials and achievements as a responsible co-operative business. These achievements included the Society winning, for the second time, 'Leading Co-operative of the Year Award' in June 2016 and the progression of the Society's Corporate Responsibility Index score to 4½ stars, up from 2½ stars in 2015.

This report is my last as President, with my three year tenure ending at the conclusion of the Society's constitutional year in April 2017. During my Presidency the Society has successfully completed the integration of the former Anglia Society's operations into our enlarged trading estate following the transfer of engagements at the end of 2013.

This highly complex and important process was achieved whilst maintaining stable and planned financial performance coupled with record levels of investment, with capital expenditure totalling over £115 million during the three years. This significant investment in your Society is a reflection of the Board's long-term approach to decision making, which is intended to ensure a successful, relevant and community focused co-operative business for the benefit of its members both now and into the future.

The Board's focus on membership and community has gained momentum during my Presidency, and it will, I have no doubt, continue to differentiate our operations from that of our competitors. I am proud that a Society as large as Central England continues to maintain its 'local touch' in the communities we serve and make a positive impact on the lives of those who interact and engage with us – in a mutually beneficial relationship.

Governance has been an important thread during my tenure, with the Board alert to the importance of ensuring the Society has clear and effective governance arrangements in place to oversee the Society's affairs and promote the long term success of the business.

It is important to recognise that all the achievements of the Society could not have been realised without the hard work, dedication and commitment of our colleagues whom the Board wishes to thank. I personally would also like to thank my colleagues on the Board and Executive team for their support, guidance, constructive challenge and co-operation during my Presidency.

The Board and I look forward to presenting our Annual Report to the Society's members at our Annual Meetings in April.



Nick Matthews, Chair of Co-operatives UK, presents the 2016 Leading Co-operative of the Year award.



ma lee

Maria Lee  
President

# Chief Executive's Review - Our Purpose Beyond Profit Shines Through

## **We achieved a very pleasing performance in 2016 from both a financial and non-financial perspective, which underlines our strength as a modern, progressive, member owned co-operative business.**

The retail environment remains very challenging and highly competitive, with food price deflation a key feature of the UK grocery market in 2016. Against this backdrop, we achieved a resilient performance with total Society gross sales (excluding VAT) of £843.5m (2015/16: £844.7m). The year under review covered a 53 week period compared to 52 weeks in the prior year. On a comparable 52 week basis, and after excluding the closed Transport operations we exited in 2015/16, total gross sales (excluding VAT) were broadly in line with the prior year.

Increased sales in our convenience stores and a good performance in our funeral business were offset by the combined impacts of food price deflation and continued pressure in our large stores and supermarkets. Our convenience stores and funeral business remain central to our long-term growth strategy and continue to contribute to the Society's success in the current trading environment.

Trading profit of £20.0m (53 weeks) was ahead of our annual budget target and broadly in line with the prior year (52 weeks 2015/16: £20.8m). This represents a strong performance in the current climate and demonstrates our continued drive to provide great service to our members and customers whilst ensuring careful management of our overheads. Our achievements in 2016 are a testament to the dedication and capability of our colleagues and reflect a real team effort across all levels within the Society.

Operating Profit of £11.3m was lower than the prior year (2015/16: £19.8m), with the prior year benefiting from an increase in the investment property valuation compared to a small decrease in the current year. The year-on-year movement in Operating Profit also reflects a higher level of fixed asset impairments relating to the impact of increased competition at specific locations. Profit before payments to and behalf of other stakeholders of £2.4m was also lower than the prior year (2015/16: £13.4m), with the previous year including a dividend receipt of £4.7m relating to the Society's investment in Thomas Cook Co-operative Travel Limited.

The continuation of our ambitious growth strategy saw record capital investment of £45.6m, including the opening of nine new food stores, four new funeral homes and significant refurbishment activity across the business. We completed 40 store refits during the year and remodelled some of our larger stores to increase choice and additional services through the introduction of concession partners. Our refit programme has continued the Society's drive to reduce energy consumption with investment in energy efficient lighting and refrigeration equipment.

The importance of offering quality and value has included the further roll-out of new, competitive lower prices across our fresh food ranges including produce, meat and fish. The new lower prices have generated encouraging sales growth, particularly in fresh produce categories, and have been well received by our members and customers.

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 also updated the membership section of our website, members.coop, and plan to further strengthen our digital links with members during 2017.

Our funeral business maintained steady growth and market share despite increasingly competitive conditions and a decline in the death rate in the earlier part of the year. During the year we generated strong sales of pre-paid plans, providing our members and customers with an easy way to arrange their funeral whilst protecting loved ones from rising costs and uncertainty about their final wishes.

We are proud of the Society's long established and strong position in the funeral market although recognise the need to react to and anticipate changes in how people wish to celebrate the life of loved ones and mark their passing. Our funeral strategy is focussed on building upon the Society's good reputation to ensure we are the most professional and accessible provider of choice. By offering the best care and choice for our families, we aim to enhance memories and love at the most difficult of times. The development of our funeral strategy will continue to gather momentum in 2017, including the introduction of innovative services to provide families with options to best meet their needs.

The Society's 20 travel shops performed well during the year despite difficult market conditions caused by world events, the fluctuating value of sterling and uncertainty arising from the EU referendum. Travel sales within specialist niche sectors such as long haul, tailor made, escorted tour and cruise have continued to grow and remain a key part of our offer.

In December, the Society gave formal notice to Thomas Cook to exit the joint venture agreement which was originally formed in 2011. The Society's decision to exit the joint venture was precipitated by The Co-operative Group's similar announcement, also in December 2016, to exit the joint venture. The exit will take place at the end of 2017. As a result of this decision, the Society is entitled to receive an exit payment of £5.8m in return for our 3.5% shareholding in the joint venture. The exit payment is in addition to the dividends already received by the Society from the joint venture (in 2014 and 2015) totalling £5.1 million.

Elsewhere, we have made good progress on re-balancing the Society's investment property estate, with a number of planned disposals and acquisitions completed during the year. In October, and in line with the Board's strategy to reshape the trading portfolio, we also completed the business transfer and sublet of the Society's Scunthorpe Department Store to a well-established, family owned department store operator. Changes within the trading estate included the closure of a small number of loss-making food stores and funeral sites. The related costs arising from these changes in the trading portfolio, together with the impairment of certain trading sites, onerous lease charges and other business reorganisation costs are included within Exceptional Costs in the Group Income Statement.

The Society's capital expenditure programme continues to be supported by strong underlying cash generation from operating activities, backed by the strength of the asset base and carefully managed funding arrangements. This planned approach is reflected in the Society's net debt position of £11.5m at the year-end (2015/16: £8.4m) which is well within our long-term funding arrangement.

The Society's net assets of £167.2m show a sizeable decrease of £55.0m compared to the position at January 2016, with the movement largely reflecting an 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. 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, the Society remains

confident in the long term strategy to address the pension scheme deficit on an affordable, fair and carefully controlled basis.

Customer focus and efficient ways of working remain a key part of our strategy and are being supported by a number of change improvement programmes across the business. A key driver of these initiatives is to ensure the Society is best equipped to meet the needs of the business, with the flexibility to adapt to an ever-changing and competitive trading environment.

The provision of great customer service, quality and value in our food stores remain critical factors to retain and attract customers. This important area represents a key measurement for the business and we were pleased to achieve strong overall score of 75% of customers being 'very satisfied' following interviews with over 7,400 shoppers at the end of the year. Some stores scored 100%, with the feedback providing valuable insight to further improve our services.

A key driver of the Society's growth and success is the contribution of our colleagues in providing consistently high standards and service to our members and customers. The importance of our colleagues feeling a sense of belonging and commitment to the business is measured through colleague engagement. The Society has consistently placed great emphasis on this measure and it is encouraging that our high employee engagement score was maintained in the Society's annual 'Bee Heard' colleague survey.

The Society remains committed to providing fair and competitive levels of pay and benefits to our colleagues. In October, we implemented improved rates of pay for our food store team leaders as part of our Fair Reward initiative following the introduction of increased pay structures to our front line staff in 2015.

Our encouraging trading performance in 2016 has again demonstrated the Society's resilience as a strong and successful independent co-operative business to compete in a highly competitive environment, and underlines the Board's confidence in the strategy that continues to provide the framework for future growth.

## **Other progress**

At Co-operative Congress in June 2016, we were proud to receive the award for 'Leading Co-operative of the Year'. This follows the same achievement in 2013, and reflects our on-going commitment to run a successful co-operative business, with strong financial performance being coupled with our broader positive impact as a responsible community based retailer.

We were also pleased to achieve a further improvement in our Corporate Responsibility (CR) index score to 4½ stars, up from 2½ stars in 2015 and from 2 stars in 2014. This important achievement reflects the hard work of our colleagues across the Society and demonstrates how we continue to embed CR within the business as the bedrock of the Society's vision and strategy. The business is committed to further improvements in this area in line with our CR strategy.

Our commitment to support local communities has included the roll-out and installation of over 150 defibrillators at a number of the Society's food stores and funeral homes. 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 our roll-out of food bank collection points to over 180 stores across our food store estate.

In line with our Corporate Responsibility strategy, our colleague volunteering scheme generated over 1,000 hours of time to support local good causes, whilst also providing individuals with valuable experience outside the workplace. Further work to develop our volunteering scheme will continue in 2017.

At the start of 2016 we launched our 'Bloom' campaign as part of the drive to promote healthier lifestyles and improve mental health awareness. The scheme has attracted strong support and participation, with colleagues and members making pledges to improve their fitness, diet and well-being.

The importance of the positive impact of our membership and community activity was recognised during the year in an independently produced report to measure the Society's Social Return on Investment. The report was based on detailed research and analysis to measure key aspects of our membership and community activity. The results were very encouraging and demonstrated that every £1 invested by the Society generates a positive community benefit of £20.50 – which equates to a combined total social impact of £8 million. We will conduct further research in this area in 2017 to ensure our membership and community activity is targeted in areas that will have the greatest impact.

Finally, we are pleased to have raised over £1.3 million for the Society's colleague elected corporate charity, Newlife Foundation for Disabled Children. Throughout the year we have again seen numerous fundraising activities across the Society, providing much needed funds for essential equipment and support to disabled and terminally ill children across our trading area. We are on track to reach our fundraising target of £1.5 million in 2017 and remain hugely proud and grateful for the ongoing enthusiasm, participation and generosity of the Society's colleagues, members and customers in supporting this most worthwhile charity.

## **Outlook**

We expect the trading environment to remain challenging and highly competitive for the foreseeable future. We also anticipate an uncertain economic backdrop over the medium term, especially around the impact on imported food prices if sterling stays at lower levels, and in terms of other external cost pressures.

The Society's strategy continues to provide the framework to respond to the challenges ahead, by optimising our co-operative point of difference and focussing on continuous improvement in order to deliver sustainable business growth for the benefit of our members, customers and local communities.



*Martyn Cheatle*

Martyn Cheatle  
Chief Executive

# A Positive Year For Our Food Stores

**£710.0 million Gross Sales (excluding VAT)  
(2015/16: £698.9 million)**

**9 new Food Stores  
7,430 Colleagues**

**At the heart of our activities is our food retail business. With over 260 food stores ranging from small convenience and petrol forecourts to large supermarket formats, how we operate our food business and respond to market forces and changing customer behaviour is pivotal to our success.**

The food sector remains under pressure. The full impact of Brexit has yet to be fully experienced although early signs are showing a shift from food deflation into inflation as the pound fluctuates and food suppliers experience challenges within their own supply chain. Add to this the pressure of increased wage costs, external factors continue to impact on our performance.

While competition remains fierce as discounters and the large four supermarket chains vie for market share, our food performance was positive. Although business was flat overall, it nevertheless outperformed the market as a whole.

Our sales volumes increased by 0.5%, however in responding to the economic sentiment and the needs of our members and customers, we invested in reduced prices, resulting in food sales of £617.4m (2015/16: £603.8m) and fuel sales of £92.6m (2015/16: £95.1m). Our Christmas trading performance exceeded expectations in terms of sales, margin and customer experience.

## Evolving with the market

Our retail success is dependent on reacting promptly to changes in purchasing patterns. The way consumers buy food is evolving with more frequent visits to nearby shops and smaller food baskets. This synchronises perfectly with our aim to support the local community, as we continue our investment in our convenience estate with nine new stores opened in the year. In addition, over 40 stores have received refits resulting in improved retail environments for our members, customers and colleagues and significant energy savings.

At the same time we have been looking to maximise the relevance of our larger stores through the addition of concessions, including M&Co, Dorothy Perkins and The Works, which provide the benefit of more choice for customers whilst also increasing footfall. Some of our other large store locations have been downsized to make them compatible with new volumes of trade, and five loss-making stores were closed.

## Right Range, Right Store

Our strong performance over the last 12 months is also attributable to trading in the right locations and the right format to satisfy local customer needs. An appealing and enticing product range, high levels of availability and quality has resulted in higher footfall across our retail trading estate, whilst satisfying customers' appetite for local 'top up' shopping. In line with the Society's food strategy, we have continued to review performance of the whole food store estate in order to assess the strategic fit and long-term sales and profitability at each location.

Working closely with our shared buying services partner, Federal Retail and Trading Service (FRTS), we have taken a 'Right Range, Right Store' approach to allow us to offer a contemporary choice of quality food at competitive prices. Our products provide a modern preference for healthy options, or more sophisticated cuisine as reflected in the launch of the 'Irresistible' own brand range, which has generated strong sales and positive member and customer feedback.

To ensure availability of the right products, we have upgraded our ordering systems to better predict supply requirements and create a more enjoyable and consistent shopping experience for our members and customers.

During the year we have continued to review and implement a new operating model and revised team structures for our food stores to drive efficiencies and ensure the Society has an appropriate cost base to provide great service to our members and customers. The roll-out of the improved Co-operative own-brand range in fresh categories, including produce, and frozen foods continues to be complemented by the addition of 'Free From' and speciality ranges in all of our food stores.

Insight and marketing continues to play a significant part in our overall food strategy with innovative campaigns including 'Summer of Sport', online competitions to drive e-mail acquisition and the successful delivery of the Christmas 'Golden Ticket' giveaway campaign that saw over 54,000 customers walk away with free prizes in-store. We continued to issue tailored coupons to members at the till point, through 'Share of the Profits' and online vouchers, increasing member economic engagement and providing rewards for shopping with us.

## Ethical: local and global

As one of our major points of difference, we pride ourselves on being an ethical retailer, taking an active approach to food waste and managing our environmental impact. Amongst our initiatives we recycle paper, cardboard and plastics and continue to operate a total food waste solution using an industrial anaerobic digestion plant which turns food waste into green energy.

Equally important are our contributions to the well-being of local communities through the introduction of food banks in stores where appropriate, helping combat food poverty across our communities. As a co-operative, we continue to support Fairtrade products in all our stores and in 2016 we donated two former distribution vehicles to Africa and two to Stephenson College in Coalville, Leicestershire.

## Customers and colleagues

Our colleagues play an important role in delivering the highest levels of customer service which in turn drives long term customer and member loyalty. Colleague morale and motivation is paramount in achieving this key objective.

Feedback from colleagues has been extremely positive, and is echoed in the results of our Customer Satisfaction surveys. We interviewed over 7,400 shoppers during November and December and established an overall score of 75% of customers being 'Very Satisfied' with some stores scoring 100%. In nearly all specific indicators, such as 'Queue Time' and 'Ease of Finding Products' we saw increased satisfaction over the previous survey.

## Fit for the future

Our robust performance within this challenging retail environment gives us a firm foundation on which to build. In the coming year we will remain true to our ethical principles and maintain a focus on local communities, whilst developing and implementing our plans to respond to economic pressures. Our investment in the Society's retail trading estate will continue in line with our core objectives to build our convenience offer whilst driving efficiencies and controlling costs.

## Wholesale

**£47.4 million Gross Sales (excluding VAT)  
(2015/16: £46.6 million)**

The efficient operation of the Society's Food Distribution Centres remains an integral part of the overall Retail Food strategy, ensuring the smooth and continuous supply of products to our food stores and those of Tamworth and Heart of England Societies. Recent investment in the Society's distribution capability has seen continued productivity improvements as a result of the new warehouse management system at the ambient and chilled distribution centres in Leicester.



The refurbish Co-operative Food in Ibstock

## Offering The Best Funeral Care For Our Families

**£41.1 million Gross Sales (excluding VAT)  
(2015/16: £38.2 million)  
4 New Funeral Homes  
865 Colleagues**

**2016 has seen our funeral business maintain steady growth despite difficult trading conditions and a decline in the death rate in the earlier part of the year. The Society conducted 15,740 funeral services, a slight reduction on the prior year (2015/16: 15,830). The death rates for the latter part of the year returned to expected levels and were broadly level with the prior year.**

The market remains competitive across the Society's trading area. Against this backdrop, the Society remains focussed on providing the highest standards of care and service to families at their time of need through our estate of funeral homes, florist shops and masonry showrooms.

Notwithstanding these external factors we remained focused on delivering the best levels of service and care, and were able to open four new funeral homes over the 12 months, invest £1.9 million in new Mercedes limousines and increased total gross sales to £41.1 million.

One area of our business that has seen a large upturn is the purchase of pre-paid funeral plans, which were marketed through highly-targeted mailing campaigns.

Our funeral strategy continues to be supported by our good reputation and brand position. Our community led activity continues to underpin all that we do. With over 120 funeral homes across our trading area, we continue to assess where our homes are situated to best serve our local communities, as well as upgrading many and offering new formats. We continue to recruit local people who are passionate about understanding clients' needs at a difficult time and making sure they are met.

Maintaining our customer and community focus we have looked at additional services to help support families at the desperate times of need. The introduction of 'Cuddle Cots' allows families who have experienced the loss of their baby to spend precious time with their child. This provision is recognised as vitally important by bereavement groups – the Society has also been acknowledged as the first funeral provider to introduce this specialist equipment. 'Cuddle Cots' forms part of 'Our Rainbow Service' which provides a complimentary funeral service with personalisation elements for all children up to 16 years of age. We will continue to introduce other equally innovative options such as professional bereavement support as part of continuous care.

As the funeral market continues to benefit from innovation and changing customer behaviour, it is vital that we too look towards continuous improvement and a customer focused approach. Customer insight and market research will form an important part of our strategic focus to future proof our funeral business.



The refurbished Co-operative Funeralcare in Glenfield



## Specialist Businesses Built Around Customers

**£36.1 million Gross Sales (excluding VAT)**  
**(2015/16: £37.2 million)**  
**101 Colleagues**

**Our 20 Travel shops performed well in 2016, despite difficult trading conditions within the holiday market. World events, the EU referendum and the fluctuating pound resulted in an uncertain environment for travellers.**

Encouragingly, customer sentiment improved towards the latter part of the year with our travel business generating gross sales of £35.4 million which was broadly in line with the prior year (2015/16: £36.3 million).

Built on solid foundations, our strategy continues to see our Travel shops concentrate on offering bespoke holiday packages. Cruises, escorted tours and tailor-made experiences remain a key part of our offer, with personal

consultations helping to provide our members and customers with the right package to meet their individual preferences.

We have also made improvements to our travel services, including an upgraded foreign exchange facility and relocation of our Lowestoft shop to a new location.

As consumer confidence returns to the holiday market, we remain confident that our Travel business is well positioned to meet the needs and requirements of our travel customers.

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 2016 reflected the ongoing competitive conditions in this sector, with sales of £0.7 million which were £0.2 million lower than the prior year (2015/16: £0.9 million).



Colleagues celebrating the launch of the The Co-operative Travel in Lowestoft

## Adding Value To Property Investment

**Rental Income £8.6 million**  
**(2015/16: £9.8 million)**  
**Investment Property Valuation £121.8 million**  
**(2015/16: £112.0 million)**

**Our investment property portfolio represents a key part of the Society's asset base and an important source of cash generation to support our long-term business strategy.**

We made good progress during the year on rebalancing the investment property estate, with the completion of a number of planned disposals and acquisitions. The valuation of the investment property estate at the end of the year was £121.8 million (2015/16: £112.0 million). During the year we acquired investments totalling £10.5 million which included the purchase of two retail parks comprising 11 individual retail units. Other changes in the estate included the transfer of former trading properties into the portfolio, a number of disposals and small revaluation decrease, resulting in the carrying value increasing by £9.8 million.

Rental income of £8.6 million was in line with our budget expectations and reflected the strategy to realign the portfolio, although lower than the prior year (2015/16: £9.8 million).

Our small team of property professionals remains focused on three core objectives: supporting trading activity as part of the Society's growth strategy; optimising performance of the property portfolio; and creating value through carefully managed property activities. This approach will remain at the centre of our property investment decisions; ensuring we add value to the Society whilst also applying our co-operative ethos to enhance local communities where there are opportunities to do so.



The Co-operative stores in Ibstock have seen extensive refurbishment and investment

# Corporate Responsibility Report

- **4½ stars in the BITC CR index**
- **Social Return on Investment of £20.50 for every £1 we invest in the community**
- **Over 150 defibrillators installed at Society food stores and funeral home locations**

**All commercial activities can have an impact on people and the environment, and the challenge for organisations is to make sure that, on balance, the effects are compassionate rather than negative. This is what we mean by Corporate Responsibility and something that we are fully committed to delivering both socially and ecologically to make a positive contribution.**

Corporate Responsibility is integral to our vision as a co-operative. We are deeply involved in working for the well-being of local communities, and also believe in doing all we can to improve the wider environment. That is why we have in place a structured plan to meet our objectives that cover the four specific areas as laid down by the Prince of Wales' Business in the Community charity: namely Community, Environment, Marketplace and Workplace.

## Making a measurable difference

In 2016, we were focused more than ever on giving back to the local community as well as improving our energy efficiency and recycling. We also wanted to gain an idea of what our activities were worth in monetary terms, and commissioned an independently prepared Social Return on Investment (SROI) report.

The results from the report were very encouraging. It was calculated that our contribution was worth over £8 million in social value, meaning that every £1 we invest in the community is worth £20.50 on average in its effect on society.

## A power of good in the community

A highlight of 2016 was our decision to use the 5p levy on carrier bags to buy over 150 defibrillators which we have positioned outside our stores. It was just one of many new and ongoing projects throughout the year which included our support for 185 in-store food banks, involvement in 50 different classes for our members, helping bereaved parents with our Rainbow children's funeral services, educating schoolchildren on food with our Healthy Choices Workshops, and much more.

We are delighted to report that our colleagues donated over 1,000 hours of their time in volunteering, and £220,000 was granted to worthwhile local organisations through our Community Dividend scheme.

## Helping protect the environment

We successfully continued our drive to reduce our carbon footprint during 2016, and are the only retailer to achieve all four Carbon Trust Standards: the world's leading independent certification of an organisation's impact on the environment. The switch to LED lighting in our stores is making a big contribution to energy saving.

Waste prevention is key to our environmental activities, and last year saw us donating tonnes of food through the FareShare initiative which would otherwise have been thrown away.

## Making the workplace a positive place

The Society takes an active interest in creating a positive working environment that helps colleagues realise their skills and gain fulfilment in their jobs. Every year we conduct a survey to gauge the sentiment and attitudes of those who work with us, and take action where necessary.

During 2016, around 87% of our colleagues participated in our 'Bee Heard' colleague survey, with a strong engagement score of 77 being maintained. We also achieved an excellent response to 'Bloom' – our scheme to promote health and well-being with 257 pledges received. In addition, we have supported 139 free health checks and delivered health-inspired workshops to over 1,800 school children.

## 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.

Our continuing engagement with an ethical and responsible approach to activities in the Community, Workplace, Environment and Marketplace has been recognised by Business in the Community who presented us with 4½ stars in their Corporate Responsibility Index for 2016 – a significant improvement on our previous star rating of 2½ in 2015.

## Modern Slavery

A full statement regarding Modern Slavery can be found on our website; [www.centralengland.coop](http://www.centralengland.coop)



## Inspiring Our Members & Local Community

- **£220,000 Community Dividend Grants awarded**
- **Membership & Community Councils gaining momentum**
- **Commitment to focus on engaging young people**

**The duty of a conventional business is first and foremost to its shareholders, but as a co-operative we have different priorities. Our Membership & Community Strategy continues to focus on growing our membership, increasing engagement with members and developing stronger community links.**

We support our members and communities in a number of ways including:

- Community Dividend Fund
- Member classes, events and activities
- Donations to our colleague elected Corporate Charity and local charitable organisations

Our Membership & Community Councils (MCCs) have been split into six sub-regions to provide greater coverage within the communities we operate. Our MCC Ambassadors are responsible for activity to support the strategic direction of member and community engagement. These responsibilities include providing membership activities that promote education, culture and recreation, supporting member and community engagement and focussing on four specific CR themes of local food poverty, health & well-being, local environment and youth employment.

For the first time, we commissioned a Social Return on Investment (SROI) report to gain an accurate view of how effective our community led activities have been. We took the decision to undertake this new form of robust analysis of our community impact to inform future decision making and ensure that we continue to make a real difference to people's lives.

Our approach can be summed up as 'purpose beyond profit'. We put people at the heart of everything we do, inviting all customers to become members and making our business an inspirational part of the community.

### Improving lives

Our Community Dividend grants are awarded to make a real difference to local groups, good causes and charities. In 2016 we awarded grants totalling £220,000 with the Society receiving positive feedback from applicants and local communities across Central England.

Much of the contribution we make to the community is also supported by our Membership & Community Council Ambassadors who have a ground-level view of what is required in their local area. We invested in 61 member groups which were attended by a total of 2,290 members. These involved a wide range of activities to improve people's lives, covering everything from dance classes to help in using social media.

With a key strategic aim to engage and support young people we've invested both financially and through resources in helping young people and schools through our Healthy Choices workshops and funding of specialist disability equipment through the Newlife Foundation. One of our most important initiatives is our Sense to Aspire scheme which is a unique programme for students with special educational needs. Young people are given free classroom sessions and work experience in our shops. The result: increased

confidence and independence, plus the skills to find a job.

During the period covered by our SROI report, over £23,000 was invested in Sense to Aspire with 103 young people involved. It was calculated that for every £1 spent on the scheme there was a social return of £17.49, equating to £0.42 million in added value.

The younger generation are central to our future strategy, which will include engaging young people through educational partnerships and introducing them to the values and principles of being a co-operative.

### Maximising the social return

It is through our Membership & Community Ambassadors that we are able to react quickly and relevantly to local needs. To complement our existing experience, our Social Return on Investment Report has provided valuable insight to enable the Society to take an overview of our activities and see where the money is being best utilised. Using data to drive community investment decisions will ensure we continue to drive maximum impact where it matters most.

Our SROI report also highlighted the importance of volunteering and other non-financial activities that our colleagues regularly participate in. During 2016 we recorded over 1,000 volunteering hours, a significant increase on the previous years. Volunteering is a mainstay of our membership and community activity and a tangible part of what makes us different.

### Going digital

During 2016 we have taken time to revamp members.coop, the membership section of our corporate website. Members can now easily navigate around the site to find out information on membership, voting, activities and our twice-yearly members' evenings.

We continue to engage and encourage members to use our website for Board and MCC elections by delivering an easy to use voting portal accessed from our main Society website.

As part of our enhanced digital communication, we now send out regular e-mails to our members who have given us permission to communicate online. Regular updates on our work in the community, as well as local news and Society offers, have been well received with open and click through rates above the industry average.

### Building future momentum

The Membership & Community Working Group, formed in 2015 with representatives from the Board, senior management and the MCCs, will continue to focus on optimising the Society's point of difference as a successful, member owned, and community-based co-operative business. As part of the strategy of growing our membership base, we will continue to make joining the Society easier using our 'Join In' membership card. Join In enables new members to instantly receive all the benefits of membership including share of the profits, access to and involvement in membership and community activities and events and the opportunity to have a say at our members' meetings.

We will continue to effectively promote Members' events during 2017 via member e-mails, online and via our in-store membership and community communications.



## Our Brilliant Colleagues Make Us Who We Are

- **8,676 colleagues**
- **Colleague engagement index score maintained at 77**
- **Over £800,000 distributed in colleague dividend**

**People are at the heart of everything we do, whether they are colleagues or customers. Our culture and values are fundamental to our business and through nurturing and growing our culture we are able to bring our difference to life and deliver a great customer experience.**

Our continued investment in communication, leadership, development, and talent management enables us to have engaged and high performing teams, creating a winning environment that brings out the best in our people.

We believe our approach to colleagues played a key role in Central England Co-operative being named 'Leading Co-operative of the Year' in June 2016. By employing and encouraging people who share our values we are able to play a truly effective role in the local community and secure our future through colleague advocacy, long-time loyalty, and carefully nurtured talent.

### Colleague engagement

We work hard to ensure Central England Co-operative remains a great place to work and continue to give our colleagues the opportunity to feedback. We held a series of listening sessions across the Society throughout the year, most with the Chief Executive present. The feedback has helped shape a number of areas, including our internal communications, engagement and reward strategies.

Our annual colleague survey showed that engagement levels remain strong and consistent with the prior year at an impressive level of 77. Response rates were positive too with 87% of our colleagues taking part, an increase of 2% on the previous year. Our employee engagement level is recognised as 'upper quartile' performance and underlines our commitment to support and develop colleagues in their roles. Our top scoring category was 'My Place of Work', with the majority of colleagues having an understanding of what is expected in their role (94%) and a high proportion of the team committed to the continuous improvement of customer service (85%). We encouraged individual teams to agree three commitments together based on their team results to help increase engagement levels even further, and we also made three commitments centrally against our lowest scoring questions across the Society.

### Leadership and learning

One of our aims is to make it easy for our colleagues to be brilliant and we are committed to ensuring each step of our colleague life cycle is a great experience for our colleagues. This year we enhanced our learning journey frameworks making it easier for our colleagues to develop.

Making sure our colleagues have the right skills and motivation means that we continue to invest significantly in learning and development using a blended approach of learning interventions such as our 'Leading the Way' manager and colleague programme and Future Engage Deliver (FED) leadership training. During 2016, 27% of colleagues attended a face to face learning event and over 220,000 online learning modules were completed. We recruit and retain the best talent and look for people who share our values from the outset and have introduced a new tool for personality profiling to help us in hiring like-minded individuals.

Having the right talent and development to deliver the Society strategy will ensure we are fit for the future.

### Rewarding and motivating

We continue to reward the commitment of our colleagues with competitive salaries and 6,379 colleagues were also rewarded in 2016 with the 'Share of the Profits' employee dividend with approximately £800,000 distributed. In March 2016, new pension arrangements were introduced to provide colleagues with a modern, flexible pension plan to prepare for their retirement.

Our 'Leading Brilliance' awards are key to recognising colleague talent and outstanding performance. Our awards ceremony in September 2016 covered many categories, from Leaders to Learners, and Community Advocate to Support Team. Equally inspiring was our new way of celebrating loyalty with a special event at Chatsworth House to present colleagues with Long Service awards.

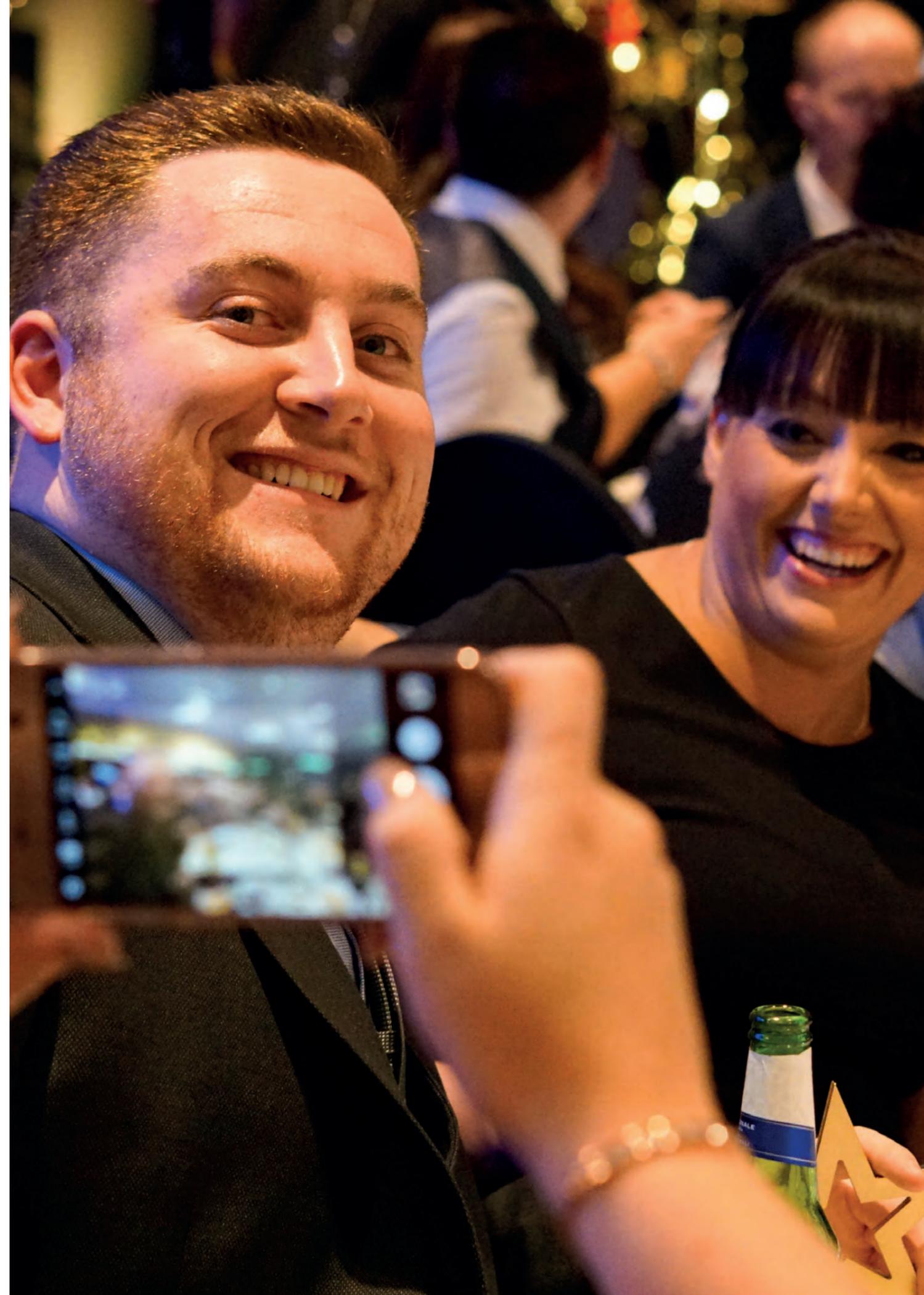
Our colleagues' well-being is important to us and earlier this year we launched 'Bloom', an initiative which encourages colleagues, as well as members and customers, to lead more active and healthy lifestyles and improve mental health awareness. Further work will continue in 2017 in this important area.



Colleagues celebrating the launch of the Co-op Food store on Narborough Road



Colleagues take part in The Big Co-op Clean at the National Memorial Arboretum



## GROUP INCOME STATEMENT

For the 53 weeks ended 28 January 2017

	2017 53 weeks £'000	2016 52 weeks £'000
Gross sales (including VAT)	926,830	928,366
Less value added tax	(83,315)	(83,709)
Gross sales (excluding VAT)	<u>843,515</u>	<u>844,657</u>
<b>Turnover</b>	<b>805,769</b>	806,847
Cost of sales	<b>(569,118)</b>	(571,481)
<b>Gross profit</b>	<b>236,651</b>	235,366
Administrative expenses	<b>(218,149)</b>	(215,964)
Other income	<b>1,513</b>	1,373
<b>Trading profit</b>	<b>20,015</b>	20,775
Profit on disposal of fixed assets	<b>367</b>	1,307
Impairment of fixed assets	<b>(2,787)</b>	(1,363)
(Loss)/Profit on revaluation of investment properties	<b>(945)</b>	4,815
Exceptional items	<b>(5,391)</b>	(5,699)
<b>Operating profit</b>	<b>11,259</b>	19,835
Loss on financial assets at fair value	<b>(69)</b>	(268)
Interest and dividends receivable	<b>316</b>	4,867
Other finance cost	<b>(5,281)</b>	(6,830)
Interest payable	<b>(3,864)</b>	(4,159)
<b>Profit before payments to and on behalf of stakeholders</b>	<b>2,361</b>	13,445
Payments to and on behalf of stakeholders	<b>(4,191)</b>	(4,682)
<b>(Loss)/Profit before taxation</b>	<b>(1,830)</b>	8,763
Taxation	<b>(2,085)</b>	(5,675)
<b>Retained (loss)/profit for the financial period</b>	<b>(3,915)</b>	3,088

## GROUP STATEMENT OF FINANCIAL POSITION

As at 28 January 2017

	January 2017 £'000	January 2016 £'000
<b>Fixed assets</b>		
Intangible assets	<b>24,120</b>	25,588
Tangible assets	<b>402,800</b>	390,284
Investments	<b>120,944</b>	106,542
	<u>547,864</u>	<u>522,414</u>
<b>Current assets</b>		
Stocks	<b>35,150</b>	39,411
Debtors: due within one year	<b>15,363</b>	16,854
Debtors: due after one year	<b>30,869</b>	21,309
Cash at Bank and in hand	<b>17,872</b>	14,291
	<u>99,254</u>	<u>91,865</u>
<b>Creditors: due within one year</b>		
Creditors	<b>(82,727)</b>	(78,292)
Borrowings	<b>(202)</b>	(245)
	<u>(82,929)</u>	<u>(78,537)</u>
<b>Net current assets</b>	<b>16,325</b>	13,328
<b>Total assets less current liabilities</b>	<b>564,189</b>	535,742
<b>Creditors: due after one year</b>		
Creditors	<b>(190,877)</b>	(180,273)
Borrowings	<b>(29,201)</b>	(22,440)
	<u>(220,078)</u>	<u>(202,713)</u>
Provisions for liabilities and charges	<b>(18,958)</b>	(18,651)
Net pension liability	<b>(157,915)</b>	(92,183)
<b>Net assets</b>	<b>167,238</b>	222,195
<b>Capital and reserves</b>		
Share capital	<b>23,296</b>	22,803
Non-distributable reserve	<b>21,423</b>	24,679
Revenue reserve	<b>122,519</b>	174,713
	<u>167,238</u>	<u>222,195</u>
<b>Members' funds</b>	<b>167,238</b>	222,195

## GROUP STATEMENT OF CASH FLOWS

For the 53 weeks ended 28 January 2017

	2017 53 weeks		2016 52 weeks	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities		<b>38,501</b>		30,983
<b>Cash flows from investing activities</b>				
Proceeds from disposal of tangible assets	<b>9,444</b>		16,541	
Purchase of tangible assets	<b>(40,677)</b>		(32,654)	
Interest received	<b>316</b>		210	
Dividends received from trading investments	<b>-</b>		4,667	
Purchase of business	<b>(3,529)</b>		-	
Net cash flows from investing activities		<b>(34,446)</b>		(11,236)
<b>Cash flows from financing activities</b>				
Draw down of Bank loans	<b>7,000</b>		-	
Repayment of Bank loans	<b>-</b>		(6,773)	
Increase in share capital	<b>296</b>		52	
Interest paid	<b>(945)</b>		(851)	
Pension deficit funding	<b>(6,543)</b>		(6,034)	
Repayment of finance lease obligations	<b>(282)</b>		(276)	
Net cash flows from financing activities		<b>(474)</b>		(13,882)
Net increase in cash and cash equivalents		<b>3,581</b>		5,865
Cash and cash equivalents at beginning of the period		<b>14,291</b>		8,426
Cash and cash equivalents at end of the period		<b>17,872</b>		14,291

## Auditor's Statement

### INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF Central England Co-operative Limited

We have examined the summary financial statements contained within the Annual Review for the 53 weeks ended 28 January 2017, which comprise the Group Income Statement, Group Statement of Financial Position and Group Statement of Cash Flows.

This report is made solely to the Society's members, as a body, in accordance with the terms of our letter of engagement with the Society dated 12 January 2017. Our 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, for our audit report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditor

The directors are responsible for preparing the annual review (which includes the Group financial statements) and the supplementary material in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency

of the summary financial statements contained within the annual review with the full annual financial statements.

We also read the other information contained in the annual review and the supplementary material as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Society's full annual financial statements describes the basis of our opinion on those financial statements and the Directors' Report.

#### Opinion

In our opinion, the summary financial statements contained within the annual review are consistent with the full annual financial statements for the 53 weeks ended 28 January 2017.

#### Deloitte LLP

Chartered Accountants and Statutory Auditor  
Birmingham, United Kingdom

**24 March 2017**

Registered Office: Central House, Hermes Road,  
Lichfield, Staffordshire WS13 6RH

Registered society under the Co-operative and Community  
Benefit Societies Act 2014. Registered No 10143R

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