

Central England Co-operative

# ANNUAL REVIEW 2018/19

For the year to 26 January 2019



# CONTENTS

02	Our Family of Businesses	20	Investment Property
03	Financial Highlights	22	Corporate Responsibility
04	About Us	24	Membership & Community
05	Society Highlights	26	Our Colleagues
06	Your Board of Directors	30	Measuring our Co-op Difference
07	Executive Team	31	Executive Pay
08	President's Overview	32	Group Income Statement
10	Chief Executive's Review	33	Group Statement of Financial Position
14	Our Food Business	34	Group Statement of Cash Flows
16	Our Funeral Business	35	Independent Auditors' Statement
18	Our Travel Business		

## OUR FAMILY OF BUSINESSES



# FINANCIAL HIGHLIGHTS

**Gross Sales**  
**£869.9m**

(excluding VAT)

 **2.5%**  
2017/18: £848.3m



**Trading Profit**  
**£18.1m up 4.4%**



 **£0.8m**  
2017/18: £17.3m

**Strong Cash Generation**  
**£28.6m**

2017/18: £27.3m

**Capital Expenditure**

**£28.7m**



2017/18:  
£36.6m

**Payments to Stakeholders**

**£3.5m**

2017/18: £3.7m



Refurbishments  
completed at:

**35 Food  
Stores**

**17 Funeral  
Homes**



**Growing Our Business:**

**10**

New Food  
Stores

**2**

New Funeral  
Homes

**4**

New Funeral  
Booking Offices

**Net assets**

**£216.1m**

2017/18: £156.5m



# ABOUT US



## A thriving, community-based co-operative business

Central England Co-operative is a successful, independent, community-based co-operative owned by its members. We are a modern, forward-looking business employing over 8,000 people and operating more than 400 trading outlets across 16 counties in Central England.

Our main business activities are food stores, petrol filling stations, funeral services, travel shops and property investment.

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.

## A purpose beyond profit

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 drive 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 provide a diverse range of events and activities for our members across the Society.

Through our Corporate Responsibility strategy, we continually seek opportunities to improve the environment and contribute to the wellbeing of local communities. We invest 1% of our trading profit into supporting local groups and good causes through our Community Dividend Awards, and are proud to have extended our successful fundraising partnership with Dementia UK through to July 2019.

## Our Strategy

Our strategy is to grow and invest in our core business activities in order to strengthen the Society's impact and profile as a successful independent, co-operative business. Our focus is operating food stores, funeral services and travel shops in convenient locations, supported by property investment activity, aiming to play to our strengths so we can build a sustainable business for the future. Our co-operative values and principles offer something different to our members and customers by providing a credible, relevant alternative to our competitors.

Engaging our people through leadership, development and talent management is critical to our success, with our colleagues being key advocates of what we stand for. Building a thriving membership base will increase loyalty, participation and strengthen engagement with the local communities in which we trade.

## Our Vision

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

## Our Values

### 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

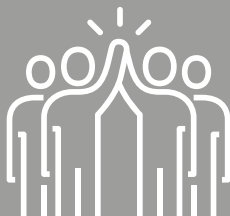
**142** Community Dividend  
Grants Awarded

**Total: £173,000**



**Over 130 Food Stores**

now part of our pioneering food  
redistribution project with FareShare  
East Midlands



Maintained  
strong levels  
of employee  
engagement

## Mental Health



A range of exciting projects were completed  
to showcase the Society's commitment to  
tackling the stigma of mental health for  
colleagues and customers



**Nearly £1 MILLION** raised

as part of our corporate charity partnership  
with Dementia UK



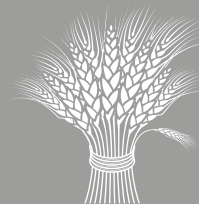
**REWARDED FOR WORK  
TO REDUCE OUR  
ENVIRONMENTAL IMPACT**

with Carbon Trust Best in  
Water Management award



**SUPPORTED  
COMMEMORATIVE EVENTS**

to celebrate our co-operative  
and democratic heritage



Continuation of transformation programmes  
across the Society to take complexity out of our  
business and simplify our ways of working



**We are committed to  
removing all single-use  
plastic carrier bags**

from all of our Food Stores as  
part of our ongoing commitment  
to the environment

# YOUR BOARD OF DIRECTORS

(MC)  
(S)  
(R)  
(RP)



Elaine Dean  
President

(C)  
(S)  
(R)  
(CD)



Jane Avery  
Vice President

(MC)  
(R)  
(AR)



Richard Bickle

(MC)  
(CD)



John Chillcott

(CD)



Sean Clothier

(MC)  
(C)



Dave Ellgood

(RP)



Max Hunt

(RP)  
(S)  
(MC)



Maria Lee

(AR)  
(ID)



Martyn McCarthy



Marta Mayhew

(S)  
(C)



Tanya Noon

(AR)



Sue Rushton

(C)  
(AR)



Paul Singh

(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



## EXECUTIVE TEAM

---



Martyn Cheatle  
**Chief Executive**



Debbie Robinson  
**Chief Executive  
Designate**

Matt Birch  
**Trading  
Executive**

David Grady  
**Corporate Services  
Executive**

Tracey Orr  
**Support Services  
Executive**

---

James Watts  
**Society Secretary**

# PRESIDENT'S OVERVIEW

---

## Dear Members,

This is now my second President's Annual Report to you and I am pleased to be able to say that the Society continues to perform well despite very challenging trading circumstances.

Our strategy remains focussed on maintaining the Society's position as a strong, member-owned co-operative business. The Board firmly believes that the values and principles of co-operation are as relevant today as they have ever been and we are proud that our Society continues to play an important role in this regard as part of the wider co-operative movement.

Much of the Board's time in the half year under review has been spent searching and interviewing for a Chief Executive to replace Martyn Cheadle when he retires. We had a rigorous process, advertising nationally and internationally and attracting a number of high quality applicants. We finally offered the position to the Managing Director of Spar UK Debbie Robinson, who had previously spent 17 years with Co-op Group. We will be welcoming Debbie shortly.

Meanwhile, we have been making a difference to those in need with our partnership with FareShare. At Christmas, our foodbank collection points received over 75,000 items to help people in need - it is a shame this is necessary in 21st century Britain.

I have been taking a close personal interest in encouraging and developing the work of our Member and Community Councils (MCCs) and have visited them all during the last few months. As a result, we held a meeting for all their Chairs and Vice Chairs with the Officers and Board members who sit on MCCs at Kegworth so that we could discuss ideas and work better together. After that we took 32 MCC ambassadors, officers and three board members to New Lanark to visit the model village of Robert Owen for a Learning and Development event.

Because of the success of our Yorkshire 'mini members' meeting' last April, we held another such event near Bungay in October to engage with members in our most outlying areas and we will be doing another in Yorkshire in May this year.

We have welcomed Co-op News Executive Editor Rebecca Harvey and Co-op College Chief Executive Simon Parkinson to a Board meeting and hosted Co-op Group Board member Gareth V Thomas as a Society guest in our programme to raise our profile nationally with other co-operatives.

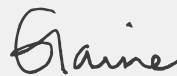
In September, we hosted a meeting for all retail societies who subscribe to the Co-operative Party and guests included General Secretary Claire McCarthy, Presidents and officials. At that meeting Board Director Tanya Noon unveiled and presented a painting of the first Co-operative MP, Alfred Waterson, which is now displayed on the Parliamentary Estate.

I've been to visit colleagues volunteering in the community and between, Vice President Jane Avery and I, we attended all Retired Employee Associations' Christmas events. We are mindful of their contribution to creating the wonderful co-operative business of which we are the custodians.

I was honoured to attend the Leading Brilliance Awards which recognises exceptional achievements by colleagues.

We have improved our members' meetings with a great array of like-minded speakers, local photos and videos, and we hope you are noticing a difference.

Thank you for your continued loyalty - I am very proud to be your President.



**Elaine Dean JP**  
Society President

## An appreciation - Martyn Cheadle

Martyn Cheadle formally retires in May 2019 after 17½ years' service with the Society. Martyn joined the then Midlands Co-operative Society in 2001 as Chief Financial Officer, becoming Deputy Chief Executive before being appointed as our Chief Executive in 2010. The Board would like to pay tribute to Martyn's contribution to the growth and success of the Society which has seen Central England Co-operative become one of the major independent retail co-operatives in the UK.

During his tenure as our Chief Executive, Martyn has worked with the Board to steer the Society through a number of complex and challenging strategic issues in order to position the business for the future. This approach has enabled the Society to grow and significantly invest in our food stores and funeral homes, resulting in a 60% increase in the size of the Society's trading estate. There have been a number of mergers too, including Wooldale and Shepley in West Yorkshire, and of course Anglia Society which lead to the formation of Central England Co-operative in 2013. Martyn also served on the Co-op Group board and was instrumental in the formation of the FRTS buying group and providing a strong voice for independent societies.

Martyn's passion about our co-operative difference has been demonstrated by the Society achieving five stars for corporate responsibility from Business in the Community, receiving accreditation for our environmental initiatives and twice winning Leading Co-operative of the Year.

We wish Martyn a long, healthy and happy retirement.



“Thank you for your continued loyalty – I am very proud to be your President.”



Elaine Dean, Society President

“The Society's significant progress and achievements could not have been realised without the dedication, commitment and enthusiasm of our colleagues and it has been a privilege to have worked with such fantastic people.”



Martyn Cheadle, Chief Executive

# CHIEF EXECUTIVE'S REVIEW

## Another strong performance ...

The Society delivered another strong performance in 2018, with good progress being achieved across the business from both a financial and non-financial perspective. We are proud that our performance has again demonstrated that a member-owned, values-driven organisation can achieve sustainable business success whilst enabling our members, colleagues and local communities to work together for mutual benefit and the common good.

Trading conditions remained highly competitive in 2018 in all of the markets in which the Society operates. Consumer confidence steadily declined during the year, largely driven by concerns and uncertainty over Brexit and the related implications for the UK economy.

Against this intensely competitive environment and uncertain economic backdrop, our total gross sales (excluding VAT) rose by 2.5% to £869.9m (2017/18: £848.3m). Increased sales in our convenience stores, including growth from new openings, were partially offset by continued pressure in our larger food stores and supermarkets. We traded particularly well during the harsh winter and long hot summer together with strong sales during key seasonal events such as Valentine's Day, Mother's Day, Easter and Christmas.

Our funeral business again experienced increased competition in both the pre-need and at-need markets, but delivered a solid performance with sales broadly in line with the prior year. The Society welcomes and fully supports the two major reviews launched in 2018 into the operation of the UK funeral market. The Competition and Markets Authority's (CMA) review may lead to a full market investigation in due course which is in addition to the HM Treasury consultation on the funeral pre-paid plan sector.

The Society's travel shops performed well during the year, with continued growth in niche holiday sectors including long haul, cruise, tailor-made itineraries and escorted tours. Increased sales also reflected the transfer of six new travel shops previously operated by Thomas Cook which joined our business in October.

Trading profit of £18.1m was £0.8m up (+4.4%) on the prior year (2017/18: £17.3m) and ahead of our annual budget target. This represents a very encouraging performance in the current climate and demonstrates the Society's continued focus to provide great service to our members and customers whilst maintaining careful control of our costs.

Operating profit of £11.9m was £4.7m lower than the prior year (2017/18: £16.6m) and was largely driven by a one-off adjustment of £4.3m relating to the estimated cost of equalising past service benefits for men and women in respect of Guaranteed Minimum Pensions (GMPs). This exceptional cost has arisen following a landmark ruling by the High Court in October 2018 which resulted in clarification that GMPs earned after May 1990 must be equalised between men and women. This significant non-cash adjustment is the primary reason for the Society reporting a net retained loss for the year of £4.0m (2017/18: £1.6m retained profit).

Strong cash generation from our trading activities once again supported significant capital investment of £28.7m (2017/18: £36.6m). Over the last five years, our capital investment programme has totalled over £180m,

underlining the Society's 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 £20.6m at the year-end (2017/18: £16.7m) which is well within our long-term funding arrangement.

The Society's net assets of £216.1m show an increase of £59.6m compared to the position at January 2018 (£156.5m), with the movement including a £69.8m decrease in the net pension liability in accordance with the accounting requirements of FRS 102. This favourable movement includes the impact of an increase in corporate bond yields, fall in inflation expectations and updated mortality assumptions together with 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 longterm strategy to address the pension scheme deficit on an affordable, fair and carefully controlled basis.

## Building for the future

Our ambitious growth strategy saw the launch of 10 new food stores and six new funeral openings during the year, together with significant refurbishment activity across the business.

In addition, good progress has been made on repositioning the Society's investment property estate as part of our agreed strategy to drive value from our property assets to support the overall financial strength of the business. This included the completion of new commercial lettings and planned disposals alongside securing planning consent for a number of new development schemes.

Our focus on building a sustainable business for the future has seen ongoing progress as part of three major transformation programmes across the Society. This important work continues to be supported by the positive engagement of our colleagues whose valuable input has enabled the delivery of sustainable cost reduction and simplified ways of working.

The Society's exciting link-up with Birmingham City University to support the growing influence of digital technology has continued to gather momentum since its launch in July. The partnership will grow and nurture talent in the local area and extend digital skills across all communities in the region.

Trading profit of £18.1m  
was £0.8m up (+4.4%)  
on the prior year  
(2017/18: £17.3m)  
and ahead of our annual  
budget target



# CHIEF EXECUTIVE'S REVIEW

---

## Our members and customers

Delivering great customer service, quality and value across our trading operations remains a primary focus in order to retain and attract customers – and future members too. We have continued to listen to our members and customers, coupled with relevant market and industry insight, to introduce improvements within the business.

In our food stores we have improved the format of our shelf edge labels to make promotions easier to understand and everyday prices clearer. In March 2018, we took a stand on the issue of energy drink consumption and implemented a policy in all our food stores to restrict the sale of these products to over 16s only. Activity to support the launch of new stores has been redesigned to encourage and reward regular shopping visits in the weeks after opening and we have also trialled new touch screen technology to increase membership engagement and attract younger members.

We re-launched our funeral website in 2018 to give a fresh, updated look and improve user experience. We have also introduced a new 'funeral pod' trial format booking office at our Castle Donington food store, providing a fully accessible, comforting and welcome environment for families. Our focus on customer service has seen new initiatives to gather client reviews and feedback, using online sources and other measures to drive continuous improvement in our business.

Our travel business has implemented seven-day opening at selected locations to provide greater opportunities for our members and customers to discuss their holiday ideas and travel plans.

We have also introduced a mobile text prompt service to communicate and provide information to our customers throughout the holiday booking process.

## Our people

Our progress and positive performance in 2018 are a reflection of the dedication and capability of our colleagues and again demonstrates a real team effort across all levels within the Society.

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 an overall improvement in the level of employee engagement.

As part of our ongoing commitment to make the Society a great place to work, further progress was made in 2018 on the strategic areas of Mental Health, Diversity and Inclusion and Fair Reward. These areas have been complemented with a focus on managing and developing talent across the business.

During the year we continued to talk to our colleagues about diversity and inclusion and held two Facebook Live events to better understand the areas which are of most significance to our colleagues. We also participated at Birmingham Pride for the first time and will support similar events in the future.

## Together we can make a difference

We continue to champion the importance of positive mental health and during Mental Health Awareness Week in May, we held a series of workshops across the Society including mental health first aid courses and shorter seminars on topics such as mindfulness and resilience.





# CHIEF EXECUTIVE'S REVIEW

---

The Society now has over 100 dedicated mental health and wellbeing champions who have the skills to signpost people in need to help get support. Work will continue in this area in 2019, with line managers across the business participating in a one-day course to give practical guidance on how to support and manage mental health issues in the workplace.

During the year we have carried out successful trials of an 'extra time' checkout at our Ripley and Oakham Food Stores. The initiative was designed to help customers who are vulnerable or those living with dementia or mental health problems and who may need a little extra time at the till.

We also take our environmental responsibilities seriously and have recorded a further reduction in our energy usage. The Society's carbon footprint has decreased by 48% from our baseline position in 2010, reflecting the positive impact of continued investment in efficiency-led performance specifications for new stores and refurbishments. In addition, our efforts were recognised by the Carbon Trust in October 2018 by achieving the 'Best in Water Management' award for improving the Society's sustainability credentials and ongoing initiatives to reduce our water footprint.

Our pioneering food redistribution programme with FareShare East Midlands is now up and running in over 130 of the Society's Food Stores – with more to follow in 2019. This ambitious project involves the collection of best before food items from the Society's stores, including produce and bakery products, for onward redistribution by FareShare East Midlands to over 200 local charities. This important initiative aims to cut food waste in food stores and provide over one million meals per year to community groups, breakfast clubs, holiday hunger projects, rehab centres and elderly day centres. Our partnership with FareShare is in addition to the Society's extensive food bank programme which now has collection points in over 90% of our food stores.

In August, we were delighted to celebrate our 12-month anniversary with our corporate charity partner Dementia UK. During this time our colleagues, customers and members have helped to raise over £900,000 to fund the creation of 10 specialist Admiral Nurses, vital training and the ongoing staffing of the free Dementia Helpline.

## Brexit

The Society is mindful of the risks arising from the ongoing Brexit negotiations – the outcome of which remain unresolved at the time of writing this report.

The principal risks to the Society relate to the security of food supply in the short term and the availability of labour in the medium term. The Society is working with FRTS (the Co-op Group's national buying group of which the Society is a member) to ensure that all possible mitigations are in place in respect of the Society's food supply arrangements.

## Outlook


Our encouraging performance in 2018 has again demonstrated the Society's strength as a modern, forward-looking co-operative business to compete in an intensely competitive trading environment. However, our resilience continues to be tested by tough trading conditions which we expect to remain challenging and highly competitive for the foreseeable future.

We are also mindful of the potential for economic disruption over the medium-term as a result of the growing risk of a disorderly Brexit and the uncertain impact of such a scenario on consumer confidence and household spending.

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 to our members, customers and local communities.

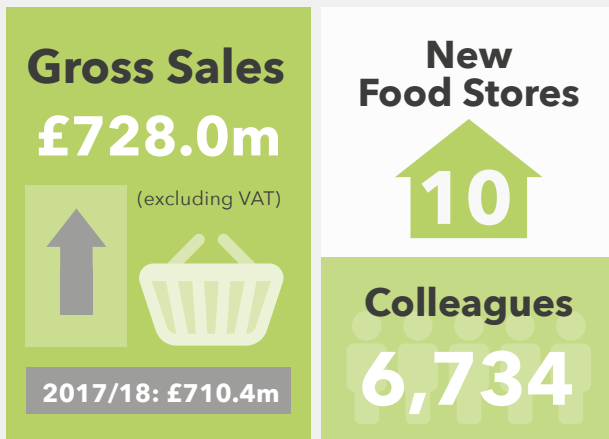
## Thank you to our colleagues

As I approach my retirement from the Society after 17½ incredibly rewarding years of which nine have been as Chief Executive, I would like to say a special thank you to our wonderful colleagues, past and present, who have contributed to the Society's growth and success. The Society's significant progress and achievements could not have been realised without the dedication, commitment and enthusiasm of our colleagues and it has been a privilege to have worked with such fantastic people. I thank every one of you and wish the Society continued success for the future.



**Martyn Cheadle**  
Chief Executive

# OUR FOOD BUSINESS



## A strong sales performance in our Food business, with profit in line with target

Retail food remains the Society's core business with 266 trading outlets ranging from small convenience stores and petrol forecourts to large format supermarkets. We served an average of 1.6 million customers per week ranging from large weekly shops to local top-up shopping, providing great customer service coupled with high store standards and product availability.

Sales in the first half of the year were boosted by maximising the opportunity of events such as the Royal Wedding, World Cup and extreme weather peaks including the 'Beast from the East' and prolonged hot summer. In addition, the key seasonal events such as Valentine's Day, Mother's Day, Easter, Father's Day and Christmas all generated year-on-year growth.

Lower operating costs underpinned by our continued transformation change programme in stores, is helping us to provide an efficient business platform to enable the Society to continue to compete in a challenging market.

## Market

The food sector remains under pressure with retailers trying to balance competitive pricing with cost inflation and ever increasing competition from new stores and online channels. Against that challenging backdrop, our like-for-like food volume grew marginally by 0.1% reflecting positive sales during the spells of extreme weather and seasonal events.

Our convenience stores showed strong growth with volume up 3.4%. Intense competition continued to impact our supermarket estate with newly competed supermarkets' volume down 10.7% and volume in our other supermarkets 3.4% lower.

Consumer confidence continued to decline during 2018 reflecting concerns over the ongoing Brexit negotiations and the subsequent unknown financial impacts. In addition, inflation remained above the Government's 2% target throughout the year maintaining the pressure on household budgets. This included a spike in food price inflation during the summer, with the impact of the winter cold spell and summer heatwave pushing up wholesale prices of staples such as wheat and fresh produce.

Brexit could pose a number of risks for 2019 with the potential cost price increases, personnel availability constraints and possible disruption to the inbound supply

chain of goods from the EU. Federal Retail Trading Services (FRTS), the Co-operative Group's buying group of which the Society is a member, is working collaboratively with the British Retail Consortium to understand the risks and devise mitigation plans where possible.

During the year, we have seen consolidation in the sector with the major retailers seeking to maximise buying terms in order to keep the cost price of goods as low as possible in response to the continued growth of the discounters. Competition remains tough with new store openings dominated by Lidl and Aldi, in addition to Morrisons, M&S, Jaks and other co-operatives opening in proximity to our stores.

## Investment in the right place

Our investment in stores continues to drive our strategy of focusing on convenient shopping locations. The consumer trend of using local convenience stores for top-up shopping and trading in strong community locations continues to underpin our success. In addition, our expansion activity is a key driver of future growth and was reflected in the opening of 10 new food stores during the year (nine convenience stores and one local supermarket).

Investment in the existing estate included 35 store refits, offering an enhanced proposition to our members and customers together with improvements in back office facilities.

Five loss-making stores were closed during the year. Store closures are always considered very carefully, including exploring options to relocate to a more suitable site in the vicinity, or securing going concern disposals in order to maintain employment for colleagues where possible. Where such an exit is not possible, the best value option must be considered in the best interests of the Society. Of the five closures in the year, three units have been underlet for alternative use generating income for the Society, one has been sold and one is on the market.

## In the stores

A key driver of our strong performance in 2018 was the sales benefit driven by the extreme weather peaks during the harsh winter and hot summer. Throughout both spells, our hardworking colleagues and food distribution teams provided great product availability and service in response to the significant increase in demand.

The rollout of sales based ordering continued across the supermarket estate during the year and improved the availability of products for customers and assisted the achievement of a year-on-year improvement in reduced to clear and wastage costs of £1.4 million.

Our retail transformation programme delivered 15 continuous improvement projects in 2018, delivering sustainable cost reduction and simpler and consistent ways of working.

## Local and ethical

Fairtrade products continued to grow with increased sales of 4.3%.

Food waste and managing our environmental impact remains a key area of focus and saw the business recycle over 4,400 tonnes of paper, cardboard and plastics.

# OUR FOOD BUSINESS

---

None of our food waste is sent to landfill – if it is not recyclable, our food waste is either sent to anaerobic digestion to produce energy and compost, or to energy recovery facilities. Reductions in energy consumption continue to be realised with investment in efficient refrigeration units for new and refitted stores and LED lighting. These initiatives partly offset the impact of higher unit energy prices experienced in 2018.

We replaced our plastic carrier bags with a new 100% recyclable 'bag for life' and have also introduced new compostable carrier bags at some locations where they are accepted by the local authority in the household food waste collections.

During the Christmas period, over 75,000 food items were donated by members, customers and colleagues for local food banks, helping to create 30,000 meals for people in need. This represented a significant increase on the 60,000 items donated in previous year's campaign.

## Customers and colleagues

We continue to innovate and develop new methods of communicating with our customers. In the run-up to the Christmas period, we were pleased with the success of our 'Because of You' campaign where we delighted customers with a free gift and entry into a competition to win a holiday.

As well as creating excitement in stores, we were able to increase the number of customers with whom we have an online relationship for future communication and engagement. This initiative will support our future planning, with a focus on digital retention and development of our customer journeys. Our campaigns will increasingly focus on providing customers with meaningful, relevant and personalised communications. We will also highlight our co-operative difference, the benefits of membership and promote regular trading with Society. Enhancement of our online channels has already taken place with Google analytics and website improvements to support our long-term customer strategy.

Our latest customer satisfaction survey, which sampled approximately 30 customers from every store, revealed that our net satisfaction score held strong at 95%. The results indicated that some customers have moved from being 'very satisfied' to 'quite satisfied'.

This shift partly reflects the growth of the discounters who have continued to strengthen their offer alongside the impact of the different channels available to customers to meet their ever growing expectations.

Our colleagues play an essential role in delivering the highest levels of customer service to drive long-term customer and member loyalty. Colleague engagement remains strong with our annual 'Bee Heard' survey reporting a one point improvement in the retail colleague engagement score relative to the prior year.

## Wholesale

The efficient operation of the Society's Food Distribution Centres in Leicester remains an integral part of our food strategy, ensuring 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 32.1 million cases, 4.7% more than the prior year, with the successful integration of an additional 46,000 ambient cases per week to supply our stores in the East Anglia region. These stores were previously supplied from the Co-operative Group's distribution network.

## Fit for the future

We expect the UK grocery industry to remain highly competitive in terms of price, overhead cost pressures and competition from expanding online, physical operators and market consolidation.

We remain focussed on our strategy to provide great service and availability, operating from convenient locations, whilst optimising the benefits of our retail transformation programme to ensure we have greater control over our destiny in a market where both costs and retail prices will be under pressure. Centrally we have reorganised our Business Support Centre operations in order to adapt to the rapidly changing environment and our business priorities.

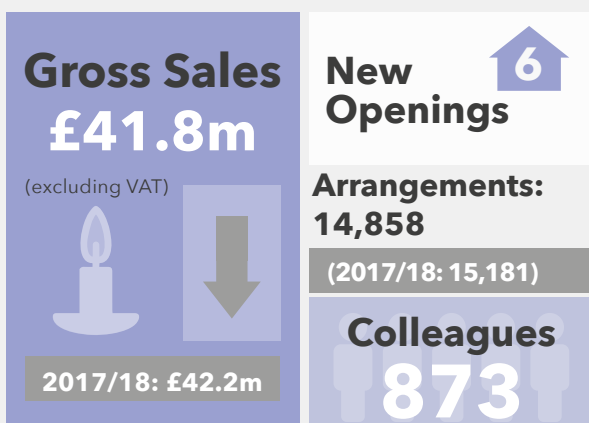
Within this approach our capital investment programme will continue to grow and focus our estate on quality convenient locations. We will continue to review our store portfolio to ensure we are realising best value for the Society in the longer-term, whilst staying true to our vision and ethical values.







# OUR FUNERAL BUSINESS



The Funeral sector continues to see significant changes in the market including increased competition, changing customer expectations plus market regulators launching two separate reviews.

The Competition and Markets Authority's (CMA) review of the funeral market may lead to a full market investigation in due course which is in addition to the HM Treasury consultation on the funeral pre-paid plan sector. We fully support and welcome both of these reviews. The Society is committed to providing the highest standard of care and services to families, while offering transparency and choice for funerals that cater for the wide spectrum of communities we serve.

Against this backdrop, the Society delivered a credible performance during the year in a very tough market with turnover across our combined funeral business operations broadly in line with the prior year. Performance reflected a strong start to the year with a significantly higher death rate, which contrasted with a decline in the second half of 2018. Overall registered deaths in England and Wales were slightly below the previous year, resulting in lower funeral arrangements. The Society's arrangement numbers broadly mirrored this trend with a 2.1% year-on-year decline.

There was growth in the Society's new unattended funeral service, which utilises the services of our crematorium at Bretby in Staffordshire.

Funeral plan sales have been challenging with a decrease in volume compared to the prior year. This trend is in line with the sales data from the Funeral Planning Authority (FPA) which represents the major providers of funeral plans in the UK. Activity to secure pre-need sales included our first ever TV advertisement on Sky TV in the Peterborough and Stafford areas. Other marketing activity has included door-drop leaflet distribution, online advertising on regional media websites and pay-per-click campaigns. We also updated the look and feel of our website to improve the visibility and supporting details about our funeral plans.

Ongoing investment in the business saw six new openings during the year, including four new format booking offices as part of our strategy to extend our services to more families and increase our market presence. The completion of 17 refurbishments at existing locations reflects our commitment to maintain high standards of care and ensure that the Society is well placed to meet the requirements of any future regulation which may come to the funeral profession. The facilities at Terry Smith, our coffin manufacturing business, have also been modernised to improve the working environment for our colleagues.

Major investment at Bretby crematorium has modernised the facilities for families and visitors including improvements to the reception and waiting areas. We also introduced 16 replacement vehicles to our fleet during the year (five hearses and 11 limousines) to maintain the provision of a high class service to our client families.

The focus on building a sustainable business for the future has seen ongoing work as part of our Funeral Transformation Programme. The programme aims to ensure the Society provides the best levels of service and support to families at the most difficult of times, making best use of skills, resources and technology.

Other Funeral business continues to help and promote Macmillan Cancer Support. For the fourth year running, our funeral homes opened their doors to the public to host the annual fundraising 'coffee mornings'. In addition to supporting bereavement events in local communities, we also participated in 'Dying Matters' week in May to help raise awareness and the importance of talking more freely about end of life issues, death and bereavement. Maintaining our customer and community focus remains at the heart of our funeral strategy and our community-led activities continue to underpin all that we do.



# OUR TRAVEL BUSINESS

Travel sales in 2018 again included encouraging growth in niche holiday sectors, with escorted tours, cruise and worldwide tailor-made itineraries all performing well.

This key area is supported by good relationships with our wide range of tour operator partners who provide access to products and services to meet customers' needs. Our approach is designed to ensure the Society's Travel business maintains its position as a specialist holiday provider offering wide choice, value and a high quality service for our members and customers.

As part of our strategy to strengthen the business in a planned and affordable way, in October we were pleased to welcome the transfer of six new travel shops which were previously operated by Thomas Cook. The shops at Atherstone, Castle Donington, Glenfield, Ibstock, Oakham and Stirchley are all trading well, with positive feedback from customers and colleagues. We also relocated and refurbished our St Neots branch in 2018, enhancing the independent travel service to our members and customers in that area.

In October, we were delighted to pick up a top industry award for the 'Best High Street Agent in Central England & East Anglia' as voted for by leading touring and adventure tour operators.

Our Travel Money business and Money Transfer service continue to be important revenue streams.

**Gross Sales**  
**£40.2m**

(excluding VAT)



**2017/18: £37.1m**

**New Travels Shops**



**Colleagues**

**92**

We have also continued to drive sales and awareness of holiday essentials such as attraction tickets, airport parking, travel insurance and car hire, which all help to offer customers the complete 'one stop' holiday shop for all their holiday needs.

Looking forward, we continue to review our travel shop opening hours - including trialling Sunday trading - to provide greater opportunities for customers to discuss their holiday ideas and travel plans.

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









**Irthlingborough** - A new mixed use development featuring a new food store, funeral home and retail investment unit

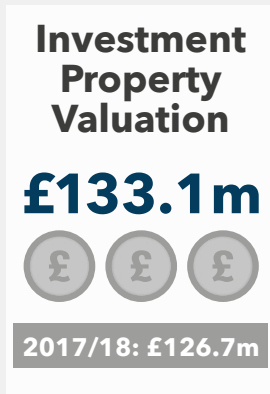
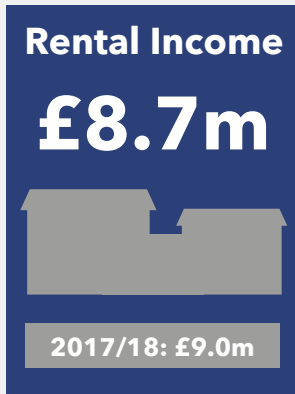


**Marston Moretaine** - A new retail development featuring a new supermarket and three retail units, which have been occupied by a pharmacy, opticians and a food takeaway





# INVESTMENT PROPERTY



A total of 17 new commercial lettings were completed during the year, generating total annual rental income of over £530,000 (2017/18: £460,000). Total rental income for the investment portfolio of £8.7m was broadly in line with the prior year (2017/18: £9.0m) after allowing for changes in the estate.

As part of the optimisation and value creation pillars of the strategy, the Society has continued to reposition the investment portfolio by disposing of assets with no strategic purpose and focussing on holding fewer assets that generate higher rental incomes. The Property Team completed the disposal of 12 properties with gross proceeds of £4.8m (2017/18: £5.3m), which generated a profit on disposal of £1.7m (2017/18: £0.5m). These disposal proceeds will be redeployed to support the Society's capital investment programme.

## Adding value through our property portfolio

In 2018 the Society continued its efforts to deliver on the three core pillars of its property strategy:

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

As part of supporting the strategic objectives of the Society's trading businesses, the Property Team successfully completed the disposal of a package of three stores to Poundstretcher, including the transfer of 51 colleagues, together with two vacant properties. The properties were let to Poundstretcher on new leases, generating significant annual rent and creating valuable investment properties for the Society.

The Society appointed Colliers International as its commercial estate management partners, to enable the internal Property Team to fully focus on creating value through effective asset management.

As part of its asset management activity, the Property Team has continued to look for opportunities to create value for the Society, as well as providing benefits for local communities. During the year planning consent has been secured for eight new development schemes which would deliver over 20,000 sqft of new development within the investment portfolio, together with undertaking feasibility and preparatory works for a number of future proposed developments.

The Society has also completed a number of new combined investment and trading developments during the year, including a new convenience store, funeral home and three residential units at Kings Norton, Birmingham and a new supermarket together with three investment units at Marston Moretaine, Bedfordshire.

Looking ahead, the Property Team will continue to focus on the asset management of the Society's portfolio and maximising the value through a variety of different development opportunities.

**Kings Norton** - A new mixed use development site featuring a new food store, three residential apartments and a funeral home



# CORPORATE RESPONSIBILITY

---

## Corporate Responsibility is important to our Society

Corporate Responsibility (CR) sits at the heart of everything we do as an ethical and forward-thinking co-operative business.

The Society does this by ensuring we act responsibly and do what is right for our members, customers, colleagues and suppliers, while making a positive contribution to local communities and ensuring we play a proactive role in protecting the environment.

The themes of Community, Environment, Marketplace and Workplace have consistently formed the core elements of our CR strategy.

## Making a difference in our communities

We are pleased to report that our pioneering food redistribution programme with FareShare East Midlands is now up and running in over 130 of the Society's Food Stores - with more to follow in 2019.

This ambitious project involves the collection of best before food items from the Society's stores, including produce and bakery products, for onward redistribution by FareShare East Midlands to over 200 local charities.

This important initiative aims to cut food waste in food stores by around 40% and provide over one million meals per year to community groups, breakfast clubs, holiday hunger projects, rehab centres and elderly day centres. The long-term goal is to see 100% of 'best before' food that has not been sold being redistributed and put to good use by local charities and community groups. This ground-breaking scheme stands out because it is believed to be the first of its kind to utilise the efficiency and scale of an existing distribution network to collect food items for onward redistribution and delivery to local charities.

In October, the Society was proud to link up with Staffordshire Fire & Rescue Service to commence a scheme with the Prince's Trust in supporting a group of young people to complete the 12-week Prince's Trust Team Programme. Further details of this initiative are covered later in this report in the 'Our Colleagues' section.

In the run-up to Christmas, the Society linked up with charity Action Homeless to help homeless people during the festive season by handing out packs made up of hats, scarves and gloves. The items were bought from Newlife the Charity for Disabled Children, which was also supported through the donation. The winter survival kits were handed out in Birmingham, Burton, Derby, Leicester and Swadlincote.

## Support a great cause

Dementia UK has been the Society's colleague elected corporate charity for nearly two years and during that time the partnership has generated over £900,000 in the form of donations, fundraising activities and funds from the 5p carrier bag levy.

The money raised has been used to help pay for the creation of 10 specialist Admiral Nurses, in addition to funding vital training and the ongoing staffing of Dementia UK's free helpline.

## Helping to protect the environment

We take our environmental responsibilities seriously and have recorded a further reduction in our energy usage. The Society's carbon footprint has reduced by 48% since 2010.

This reflects the positive impact of continued investment in new technology and energy-led performance specifications for our new stores and refurbishments.

In addition, our efforts were recognised by the Carbon Trust in October 2018 by achieving the 'Best in Water Management' award for improving our sustainability credentials and ongoing initiatives to reduce the Society's water footprint.

## The importance of mental health and wellbeing

The mental health of our colleagues, both at work and at home, is an important priority for the Society.

After signing the 'Time to Change' pledge in 2017 to tackle the stigma around mental health, the Society now has around 100 dedicated mental health and wellbeing champions charged with signposting people in need to help get support.

Hundreds of colleagues have attended mental health first aid courses and a new programme which will see all line managers undertake mental health support training is currently being rolled out. We have also supported and encouraged our colleagues to talk about mental health issues by taking part in events such as 'Time to Talk' day.

Elsewhere, the Society has carried out successful trials of an 'extra time' checkout at our Ripley and Oakham Food Stores. The initiative was designed to help customers who are vulnerable or those living with dementia or mental health problems and may need a little extra time at the till. The project achieved widespread positive coverage in the media and attracted strong feedback from customers, members and colleagues. The results of the two pilots are now being analysed to determine how the findings can be applied across the business.

## Reflecting on the past and looking to the future

Our current Corporate Responsibility strategy is being reviewed and redeveloped for the future with the aim of building on the Society's achievements in this important area.







Volunteers from FareShare East Midlands sort through donations from our food stores



Members of our keep fit class in Derby



# MEMBERSHIP & COMMUNITY

---

Membership and Community remains at the core of our Society and we remain committed to supporting our members across our trading region with groups, classes and educational visits. Our activities aim to consolidate trading loyalty and provide social interaction, create new friendships and combat loneliness.

Our Membership and Community strategy is underpinned by five strategic themes:

- Education, culture and recreation
- Encouraging member participation
- Health & wellbeing
- Food poverty
- Engaging young people

These themes define and direct membership and community activities across the Society which supports our point of difference as a community orientated business. Our strategy continues to focus on growing our member and shopper engagement whilst supporting local communities.

## Celebrating our co-operative and democratic heritage

In January 2019, representatives from the Society including the President, Directors and members were proud to attend a viewing of a portrait of Alfred Waterson at Portcullis House in Westminster as part of an event to celebrate 'Electoral Firsts in the 1918 Election'. Derby-born Alfred Waterson was the first Co-operative Party MP when he was elected in 1918 for the Kettering and Mid-Northants Division. He went on to campaign for better rights for the unemployed and members of the armed forces. The commissioning of the portrait came about after Central England's Derby History Group used the Society's local history archive to research Alfred's life story.

On a similar theme, the Society was delighted to support a unique project in Leicestershire to mark the 100-year anniversary since some women received the vote in parliamentary elections. Members of a local social enterprise group, The Hero Project, joined forces with colleagues at our supermarket in Coalville to house the 'Fifty Fantastic Females' exhibition at the Society's food store. The 50 life-size cut outs were lovingly created by local people, with each figure having an individual theme to celebrate inspirational women, both past and present. The project was supported by funding from the Society's Southern Membership & Community Council and followed the success of a similar exhibition earlier in 2018 which involved a display to remember Coalville's first 50 First World War soldiers.

## Fairtrade and Co-op Fortnight

The Society continues to recognise the importance of supporting Fairtrade through a range of activities including Fairtrade Fortnight. Our team of Member and Community Relations Officers (MCROs) and Membership & Community (MCC) Ambassadors delivered Fairtrade assemblies in schools across central England which was complemented by the promotion of Fairtrade products in the Society's food stores.

At the end of June and early July, the Society participated in Co-operatives Fortnight under the banner of celebrating the difference co-operatives make to people's lives every single day. The Society held a number of co-op masterclasses which are aimed at educating young people about the values and principles of co-operation and how to set up and manage a co-operative business.

## Getting healthy

As a food retailer, the Society understands the importance of physical wellbeing and healthy eating, especially amongst young people. Our 'Healthy Choices' workshops, led by our MCROs and MCCs, remain one of our most popular community led activities.

We recognise the importance of being active and continue to encourage our members and local communities to take part in physical activities.

The Society was pleased to support a free mini triathlon event for schoolchildren in Staffordshire which saw over 550 youngsters of all abilities, including those with physical disabilities or special educational needs, take part in swimming, cycling and running activities. We also supported Community Games events in Northfield in Birmingham and Lichfield, with 3,000 young people taking part.

## Education for all

Throughout the year the society has also continued to support a wide range of classes, courses and member groups that engage over 2,000 members of all ages in weekly and monthly educational activities. Our Southern MCC has developed an active relationship with Leicestershire Eco Schools by delivering Healthy Choices workshops and our Eastern MCC once again supported at the Kids' Country Food & Farming event in Peterborough.

## Enriching our communities

During 2018 we awarded £173,000 in Community Dividend grants to over 140 local groups and 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: Broxtowe Women's Project, in Nottingham, and Wellbeing Day Centre, in Lowestoft.

Broxtowe Women's Project, which is a domestic abuse charity, received funds to pay for new laptops. The new devices allow the organisation to work in the community when helping women and children impacted by domestic abuse, enabling the charity's workers to spend more time with families. The Wellbeing Day Centre, in Lowestoft, used their grant to help support a vital project to make a sensory garden accessible in all weathers to residents suffering with dementia.

Elsewhere, the Society's Southern MCC has established a relationship with a children's nursery in Melton Mowbray as part of an initiative to support and promote the engagement of young people with the elderly residents at a nearby care home. The initiative has resulted in significant benefits for both the children and the care home residents in 'joining the generations'. The Society is currently exploring ways in which this innovative scheme can be extended in other areas.

## Because of you...

Our 2018 festive marketing campaign - 'Because of You' - highlighted the Society's positive work and impact in local communities as a result of members and customers shopping with the Society.

The campaign also incorporated a 'thank you' message to convey the link that the Society's commercial success enables the ongoing investment in grants to good causes, community activities and our support for local food banks and food redistribution programme.

# OUR COLLEAGUES

---

## Our colleagues

Our continued investment in communication, leadership and development has enabled the Society to support our great colleagues, who are engaged and committed to delivering brilliant service for our members and customers.

As part of our ongoing commitment to make our Society a great place to work, significant progress was again made in 2018 on the strategic areas of Mental Health, Diversity and Inclusion. This has been further strengthened through a focus on managing talent across the Society.

## Mental health

The mental health agenda continued to be a key focus throughout the year. A new line manager training course, 'Understanding Mental Health for Line Managers' was designed to educate line managers on mental health issues and to give guidance on how to support a colleague who is suffering with mental health issues. Eighty-five line managers completed the course during the year and it will be rolled out further in 2019. In total, 250 colleagues attended training in 2018 relating to mental health and wellbeing.

A conference was held for our Mental Health champions in November which was a great opportunity for champions to meet other champions and share ideas on how to continue to raise awareness in their place of work.

In support of 'World Mental Health Day' on 10 October, colleagues participated in the 'Big Brew', taking time out of their day to talk to other colleagues about their mental wellbeing. The day was a great success, with a number of colleagues sharing their support on social media.

We continue to actively publicise our Colleague Assistance Programme and encourage participation of the service.

## Diversity and inclusion

We held two Facebook Live events to understand which areas of diversity and inclusion are of most significance to our colleagues which subsequently led to the introduction of two working parties; Gender Equality and LGBT. The working parties consist of colleagues who have expressed an interest in getting involved and are focused on identifying and implementing areas of improvement. Examples of where progress has been made include: the Society's participation at Birmingham Pride for the first time, the introduction of gender balanced interview panels at our Business Support Centre and the introduction of a Transgender Policy.

A new partnership was formed with Prince's Trust, supporting one of their 'Team Programmes'. The programme, operated in conjunction with Staffordshire Fire & Rescue Service, gave eight young unemployed people the opportunity to learn new skills with the ultimate aim of improving their confidence and potential to move into employment, education or training. All eight of the participants have since moved into employment, education or training with the two work experience participants being offered part-time Customer Service Assistant positions in our stores. A review is underway to extend the partnership in 2019.

The Society released its second set of gender pay figures to report the gap in pay differences between males and females.

Our figures were released six months ahead of the reporting deadline. There was a 1.10% reduction (an improvement) in our mean average pay gap to 17.08% and a 0.12% reduction (also an improvement) in our median pay gap to 7.41%. Our commitment to taking action to close the gap continues.

## Colleague development

The Society continues to invest in learning and development through a blended approach of learning interventions, to support our colleagues in having the right skills, knowledge and behaviours to succeed in their roles and progress their careers.

Learning and development activities have played an essential part in enabling the successful delivery of the Society's Retail Transformation programme. Seventy-three courses and three online modules have enabled the successful delivery of several transformation projects. Recognising the importance of the role of our leaders in enabling change and transformation, we designed and delivered a 'Leading For Our Future' programme to over 300 leaders.

## Colleague advocacy

We continue to engage our colleagues in a way that they become true advocates of our Society, shining a light on our great place to work and our co-operative difference. Our internal magazines and videos enable colleagues to share their stories to encourage other colleagues to continue to make a difference, take the lead with their development, make the most of our colleague benefits, and have their say. There are also updates and information on our strategic focus areas such as Diversity and Inclusion and Mental Health.

During 2018, our digital communication capability has developed to include the creation of animations to support communication and learning. These have been invaluable in helping colleagues to get to grips with the key transformation process changes.

Our annual colleague recognition awards ceremony was held in October at the Hyatt Regency Hotel in Birmingham. A total of 348 nominations were received from colleagues, producing a shortlist of 54 finalists across nine categories. The ceremony involved an evening of celebration and included the announcement of the winners.

In June, we invited 52 colleagues with a combined service length of 1,695 years to a long service event held at Chatsworth House to recognise long service milestones of 30 and 40 years.

Our colleagues were awarded with a dividend payout of 5% of the Society's annual trading surplus, amounting to over £765,000, in recognition of their contribution in helping drive the Society's continued success. The Society also added £10 to colleagues' membership cards in August and December to recognise the Society's half year and end of year performance.

The Society's colleague engagement remains strong. Our 2018 annual colleague survey resulted in an engagement index score of 77 which was one point higher than 2017. In addition to our annual colleague survey, a short buzz survey has been introduced, giving colleagues another opportunity to have a say at a different time of the year.







Youngsters learn about co-operative businesses at our Co-operative Masterclass



Our store food bank collection points have helped create tens of thousands of meals for people in need

# MEASURING OUR CO-OP DIFFERENCE

## 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	2018/19	2017/18
Member economic involvement	Trade with members	Member sales in our food stores Member sales as a proportion of total food store sales	<b>£142.5m</b> <b>17.8%</b>	<b>£148.9m</b> <b>19.1%</b>
Member democratic participation	Members taking part in the Society's democracy	Number of Members voting in the Society elections Member attendance at: Annual Meetings Interim Meetings	<b>3,982</b> <b>1,192</b> <b>1,074</b>	<b>3,384</b> <b>1,427</b> <b>1,142</b>
Colleague gender profile	The proportion of male/female employees	Male Female	<b>33%</b> <b>67%</b>	<b>34%</b> <b>66%</b>
Customer Satisfaction	The percentage of customers who are satisfied with a key aspect of the business	Food store customers: Very satisfied Quite satisfied Net Promoter Score Funeral customers: CEC Customer satisfaction index Net Promoter Score	<b>64.0%</b> <b>30.8%</b> <b>+48</b> <b>85.7</b> <b>+89.4</b>	<b>70.7%</b> <b>26.1%</b> <b>+55</b> <b>96.1</b> <b>+92.7</b>
Considerations of ethical issues in procurement decisions	<p>We purchase the majority of our food products through Federal Retail and Trading Services (FRTS) with the buying arrangements subject to high ethical standards and respect for human rights.</p> <p>We also procure locally sourced products to complement our overall range.</p> <p>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 &amp; Community Councils.</p> <p>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.</p>			
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	<b>£1.190m</b>	<b>£1.223m</b>
Net carbon dioxide (CO <sub>2</sub> ) emissions arising from operations	Net tonnes of CO <sub>2</sub> based on the Society's carbon footprint data	CO <sub>2</sub> tonnes per £m Society Turnover	<b>57.26</b>	<b>69.13</b>
Proportion of waste recycled or reused	Waste collected and recycled from our Food stores	Tonnes of waste recycled or reused per £m Society Turnover	<b>10.27</b>	<b>10.18</b>



# EXECUTIVE PAY

---

## The Board recognises that executive pay can be an emotive topic alongside the importance of clearly reporting the Society's executive pay arrangements.

The Board's long-standing approach is to manage executive pay in a fair and responsible way and ensure that reward is aligned to the performance and values of the Society. The Board will continue to take steps to improve the transparency of the Society's executive pay arrangements and ensure compliance with best practice wherever possible.

The information below is taken from the Report of the Remuneration Committee.

### The Wider Pay Environment

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

### Gender Pay

As a co-operative, equity and equality are part of our core values. The Society has again published its Gender Pay report ahead of the statutory deadline and was pleased to report that:

- The Society has seen a 1.10% reduction (i.e. an improvement) in the mean average pay gap in comparison to our 2017 figures
- The Society has also seen a reduction (also an improvement) in our median pay gap together with a reduction of 1.73% in our bonus gap

Despite this positive movement, the Society acknowledges that there is more work to do in this area. The Society is committed to taking action to close the gap in a range of areas including recruitment activity and talent management initiatives. We believe in a fair approach to pay for all of our colleagues and are confident that men and women are paid equally for the same roles across the Society, supported by robust pay structures.

### Pay Ratios

A change to legislation now requires listed companies' reporting of pay ratios to include a comparison of CEO pay with the 25th and 75th percentile of employees' pay as well as the 'average pay'. In order to ensure the Society complies with best practice where possible, we will voluntarily comply with this change in reporting requirements.

A more detailed chart is enclosed later in this report which shows that the pre-tax ratio between the highest and the mean average total pay is 38 times. The increase in the ratio to the average figure from the prior year (2017/18: 30 times) is predominantly driven by the change in the calculation methodology.

Following the release of Government guidance, the methodology being used this year takes all components of pay for each colleague and adds them together on a 'full-time equivalent' basis to create a 'total pay' figure. The figures are then ranked and mean average and quartile figures are generated.

Prior to the Government's guidance, the accepted methodology (backed by bodies such as the High Pay Society), simply took the total employee cost and divided it by the number of employees in the year.

### Annual Incentive & Long Term Initiative Plan

The Society performed well in 2018/19 in what was a challenging year, achieving trading profit ahead of both budget and the prior year, together with positive movements in our long-term performance measures. Payments are due to be paid under both the Annual and the Long-Term incentive elements of the Society Management Executive Incentive Scheme, totalling 27.58% of base salary at the time the benefit vested, where appropriate.

# GROUP INCOME STATEMENT

For the 52 weeks ended 26 January 2019

	2019 52 weeks £'000	2018 52 weeks £'000
<b>Gross Sales</b> (including VAT)	<b>961,403</b>	935,053
Less Value Added Tax	<b>(91,503)</b>	(86,741)
<b>Gross Sales</b> (excluding VAT)	<b>869,900</b>	848,312
<b>Turnover</b>	<b>827,804</b>	809,279
Cost of sales	<b>(589,488)</b>	(572,241)
<b>Gross Profit</b>	<b>238,316</b>	237,038
Administrative expenses	<b>(223,400)</b>	(221,959)
Other income	<b>3,184</b>	2,265
<b>Trading Profit</b>	<b>18,100</b>	17,344
(Loss)/Profit on disposal of fixed assets and businesses	<b>(1,920)</b>	555
Impairment of fixed assets	<b>(1,152)</b>	(2,649)
Profit on revaluation of investment properties	<b>2,671</b>	4,758
Exceptional items	<b>(1,467)</b>	(3,435)
Exceptional pension scheme past service costs	<b>(4,327)</b>	-
<b>Operating Profit</b>	<b>11,905</b>	16,573
Profit on financial assets at fair value	<b>11</b>	92
Interest and dividends receivable	<b>225</b>	357
Other finance costs	<b>(5,955)</b>	(5,811)
Interest payable	<b>(4,179)</b>	(3,954)
<b>Profit before tax and payments to and on behalf of stakeholders</b>	<b>2,007</b>	7,257
Payments to and on behalf of stakeholders	<b>(3,536)</b>	(3,702)
Taxation	<b>(2,502)</b>	(1,924)
<b>Retained (loss)/profit for the financial period</b>	<b>(4,031)</b>	1,631

The full version of the Society's Annual Report and Financial Statements, for the year ended 26 January 2019 is available at [www.centralengland.coop](http://www.centralengland.coop)

# GROUP STATEMENT OF FINANCIAL POSITION

As at 26 January 2019

	January 2019		January 2018	
	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>				
Intangible assets		22,246		22,401
Tangible assets		416,898		414,870
Investments		150,614		136,181
		<u>589,758</u>		<u>573,452</u>
<b>Current Assets</b>				
Stocks	37,301		34,608	
Debtors: due within one year	32,325		32,531	
Debtors: due after one year	17,741		33,725	
Cash at bank and in hand	11,452		11,549	
	<u>98,819</u>		<u>112,413</u>	
<b>Creditors: Due Within One Year</b>				
Creditors	(102,169)		(100,467)	
Borrowings	(43)		(153)	
	<u>(102,212)</u>		<u>(100,620)</u>	
<b>Net Current (Liabilities)/Assets</b>		(3,393)		11,793
<b>Total Assets Less Current Liabilities</b>		<u>586,365</u>		<u>585,245</u>
<b>Creditors: Due After One Year</b>				
Creditors	(216,840)		(205,449)	
Borrowings	(32,007)		(28,051)	
	<u>(248,847)</u>		<u>(233,500)</u>	
Provisions for liabilities and charges		(11,652)		(15,715)
Net pension liability		(109,783)		(179,551)
<b>Net Assets</b>		<u>216,083</u>		<u>156,479</u>
<b>Capital and Reserves</b>				
Share capital		23,863		23,844
Non-distributable reserve		29,558		26,540
Revenue reserve		162,662		106,095
<b>Members' Funds</b>		<u>216,083</u>		<u>156,479</u>



# GROUP STATEMENT OF CASH FLOWS

For the 52 weeks ended 26 January 2019

	2019 52 Weeks		2018 52 Weeks	
	£'000	£'000	£'000	£'000
<b>Net cash generated from operating activities</b>		<b>28,618</b>		27,349
<b>Cash flows from investing activities</b>				
Disposal of investments	(3,162)		5,967	
Proceeds from disposal of tangible assets	4,549		5,806	
Purchase of tangible assets	(26,812)		(36,566)	
Interest received	225		310	
Transfer of engagements	-		405	
Purchase of business	-		(1,751)	
<b>Net cash flows used in investing activities</b>		<b>(25,200)</b>		(25,829)
<b>Cash flows from financing activities</b>				
Draw down of bank loans	13,000		-	
Repayment of bank loans	(9,000)		(1,000)	
(Decrease)/Increase in share capital	(200)		186	
Interest paid	(754)		(647)	
Pension deficit funding	(6,407)		(6,183)	
Repayment of finance lease obligations	(154)		(199)	
<b>Net cash flows used in financing activities</b>		<b>(3,515)</b>		(7,843)
<b>Net decrease in cash and cash equivalents</b>		<b>(97)</b>		(6,323)
<b>Cash and cash equivalents at beginning of the period</b>		<b>11,549</b>		17,872
<b>Cash and cash equivalents at the end of the period</b>		<b>11,452</b>		11,549

# INDEPENDENT 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 2018/19 (the 'Annual Review') for the year ended 26 January 2019, which comprises the Group statement of financial position as at 26 January 2019, 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 26 January 2019.

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 26 January 2019.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory auditors  
Birmingham

**21 March 2019**



Registered Office: Central House, Hermes Road,  
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

Designed and produced by:  
Central England Co-operative Limited

We are happy to provide this publication in  
alternative formats.

This report is printed on paper from responsible  
sources using vegetable based inks and is fully  
recyclable and bio-degradable.

**The co-operative**  
.....  
Central England Co-operative