

# Central England Co-operative

## Annual Report & Financial Statements

52 weeks ended 24 January 2015

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# Board of Directors, Management Executive and Advisors

## Board of Directors

### President:

Maria Lee <sup>CD</sup> <sup>®</sup> # <sup>S</sup>

### Vice-President:

Elaine Dean # <sup>C</sup>

Lynne Ayres <sup>ID</sup> # <sup>®</sup> <sup>C</sup> \*\*

Richard Bickle <sup>CD</sup> # <sup>S</sup>

Sean Clothier

Dave Ellgood <sup>CD</sup>

Robin Farrell

Max Hunt <sup>S</sup> <sup>C</sup>

Neil Mackie <sup>ID</sup> <sup>AR</sup> \*\*

Marta Mayhew

Martyn McCarthy <sup>ID</sup> <sup>AR</sup> \*\*

Sue Rushton <sup>AR</sup> <sup>®</sup>

Paul Singh <sup>AR</sup> <sup>S</sup> <sup>C</sup>

Stuart Unwin <sup>AR</sup>

Graeme Watkins <sup>C</sup>

Rachel Wilkinson <sup>ID</sup> # <sup>®</sup> <sup>C</sup> \*\*

<sup>ID</sup> Independent Non-Executive Director

<sup>AR</sup> Audit & Risk Committee

<sup>C</sup> Conduct Committee

<sup>CD</sup> Community Dividend Selection Committee

<sup>®</sup> Remuneration Committee

<sup>S</sup> Search Committee

# Rules & Practices Committee

\*\* Lynne Ayres and Neil Mackie's period of office as Independent Non-Executive Directors ended on 19 March 2015.

\*\* Martyn McCarthy and Rachel Wilkinson were co-opted to the Board as Independent Non-Executive Directors and appointed to the sub-committees as stated with effect from 20 March 2015.

## Management Executive

**Martyn Cheatle** Chief Executive

**Tony Carroll** Deputy Chief Executive

**David Grady** Chief Financial Officer

**Tracey Orr** Human Resources

**Mark Ruttle** Information Solutions

**James Watts** Society Secretary

## Auditor

Deloitte LLP

Four Brindleyplace

Birmingham

B1 2HZ

## Bankers

Co-operative Bank plc

118-120 Colmore Row

Birmingham

B3 3BA

## Registered Office

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Facebook: [/centralenglandcooperative](https://www.facebook.com/centralenglandcooperative)

Twitter: @mycoopfood

Registered society under the  
Co-operative and Community Benefit  
Societies Act 2014

Registered No. 10143

## Financial Highlights: 2014

- Gross sales (excluding VAT) up 19.8% to £871.5m, reflecting the increased size of the business plus growth from new store openings
- Trading profit, before exceptional items, up 4.8% to £21.5m (2013/14: £20.5m)
- Profit before interest and taxation of £11.6m, up 5.4% (2013/14: £11.0m)
- Record capital investment of £42.5m (2013/4: £41.9m)
- 17 new food stores opened, 5 new funeral homes and a new florist, significant refurbishment activity and the roll-out of a new concept supermarket format
- Distributions to and behalf of stakeholders of £4.9m, up 25.9% (2013/14: £3.9m)
- Net assets of £161.9m (£2013/14: £219.8m), with the reduction attributable to pension scheme valuation assumptions

## Society Highlights

- Awards achieved across the Society in recognition of great service, operational excellence and corporate responsibility initiatives
- Successful integration of the former Anglia Society's operations into the enlarged trading estate
- Significant Corporate Responsibility activity across the business including the Society being awarded two stars in the Business in the Community (BITC) annual CR index
- Introduction of a new democratic structure and governance arrangements, with members having a direct say in the election of the Board of Directors
- Over £700,000 raised for Newlife Foundation for Disabled Children, the Society's colleague elected charity since the partnership began in 2012
- Launch of the Membership & Community Councils, strengthening the links with our members and the local communities we serve
- Pension scheme merger completed, delivering long term benefits to scheme members and the Society

## About us

### 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, motor dealerships and specialist vehicle construction.

We operate more than 430 trading outlets across 16 counties including: 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 well-being 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 430 trading outlets across 16 counties in Central England. Over the last four years we have invested £150 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

## **What we do**

### **Food**

#### **255 Food Stores**

We continuously invest in and improve our estate to provide modern, energy efficient convenience stores with a wide range of products and services to meet the needs of our members and customers.

#### **25 Petrol Filling Stations**

Our petrol filling stations are a key part of our food store estate. We have introduced The Co-operative brand at all of our filling stations and members can earn membership points every time they fill up.

#### **Food Distribution**

Our Food Distribution Centres based in Leicester distribute over 24 million cases annually to the Society's food stores as well as those of two other neighbouring co-operative societies, providing consistent and reliable product availability for our customers and members. In 2014, our distribution vehicles covered 2.5 million miles, making around 100,000 store deliveries.

### **Funeral**

#### **118 Funeral homes**

We are a leading provider of quality funeral services, conducting over 15,000 funerals in 2014. Our Funeral business also includes a crematorium in Bretby, located on the outskirts of Burton-on-Trent.

#### **10 Florist Shops**

Our team of florists provide services for all occasions and support the work of our funeral homes across the Society trading area.

#### **5 Masonry Showrooms**

Working alongside our funeral teams and other support services, our masonry outlets help to ensure that families are supported through every step of their journey.

#### **Coffin Manufacture**

The Society's coffin manufacturing business meets the needs of our funeral homes as well as supplying a number of other funeral businesses.

### **Travel**

#### **21 Travel Shops**

Our travel shop network is operated on a managed service basis through the Freedom Travel buying group. This is in addition to our continued investment in the joint venture formed in 2011 which brought together all parts of the Society's travel business with those of The Co-operative Group and Thomas Cook's UK retail shop network.

## **Other Businesses**

The Society's portfolio of businesses includes three opticians based in Hunstanton, Peterborough and St Neots which are recognised for providing high quality, specialist optical services and advice.

We also operate a multi-franchise motor dealership business in Lincoln and a department store in Scunthorpe.

Finally, the Society's specialist vehicle construction business, Leicester Carriage Builders, produces bespoke commercial vehicles for customers across the UK and beyond.

## **Property Investment**

**£10m** Annual rental income

**£113m** Investment portfolio value

Our investment property portfolio represents an important part of the Society's asset base, as well as generating substantial annual rental income.

Our property development activity supports our ambitious growth strategy by identifying new trading outlets and business acquisitions across the Society's trading area.

# Directors' Report

## To the Members

The Board of Directors is pleased to present its report for the year ended 24 January 2015, which represented a period of significant transition and progress across the business following completion of the merger with Anglia Regional Co-operative Society in December 2013.

## Trading and Financial Review

Despite encouraging signs of economic recovery during 2014 and an improving outlook for real wage growth, trading conditions in the UK grocery market remain extremely challenging. Intense competition continues to be driven by the growing presence of the discounters coupled with aggressive pricing and promotional activity by the traditional 'big four' retailers as they fiercely compete for market share.

The impact of on-going major structural change in the retail food sector, including the trend of more frequent and local shopping, has seen the national major retailers announce significant cost cutting measures and store closures in order to respond to the changing market conditions. In addition, market polarisation towards the discount operators and premium food retailers has continued, resulting in a highly competitive squeezed middle ground where the provision of great service, quality and value remain critical factors to retain and attract customers.

The Society is not immune from these significant headwinds, with like-for-like food sales performance in 2014 reflecting the intensely competitive market and the downward pressure on food prices. Trading in the Society's larger food stores is particularly challenging and this area of the business continues to receive significant focus.

The Board expects that the intensely competitive environment and market trends will continue in the medium term. The Board remains fully alert to the external market challenges faced by the business and is confident that the Society's clear business strategy, sound financial position and advantage as a co-operative to make decisions for the long term will ensure the future success of the business.

The Group Income and Expenditure Account on page 49 highlights that gross sales, excluding VAT, increased by 19.8% to £871.5 million and reflect the increased size of the business following the merger with Anglia Society together with growth from the Society's continuing expansion and development programme. The Society's convenience stores again performed strongly in this important and increasingly competitive sector of the market.

Total trading profit, before exceptional items, of £21.5 million increased by 4.8% million against the prior year (2013/14: £20.5 million), despite absorbing the loss of corporate dividend income from The Co-operative Group of £2.1 million. This encouraging performance is consistent with the Board's expectations and reflects the Society's long term growth strategy, the benefits of the Anglia merger and good cost control across the business, offset by margin pressure, food price deflation and the wider impacts of the competitive trading environment.

Exceptional expenses of £10.7 million in the Group Income and Expenditure Account (2013/14: £10.4 million) relate to non-recurring items including property and goodwill impairment charges, onerous lease costs and other reorganisation and restructuring costs, offset by a curtailment gain arising from the settlement of pension liabilities following a small pension release exercise conducted during the year. The impairment charges follow a detailed review of the Society's trading estate and investment property portfolio and represent a direct reflection of the competitive retail environment and changes in consumer shopping patterns. Reorganisation and restructuring costs include one-off charges



associated with the transfer of engagements from Anglia Society, the pension scheme merger and restructuring costs within the Society's trading operations and business support functions. The reorganisation of the Society's front line operations and support departments reflects the Board's commitment to ensure the business is best placed to compete and succeed in the future.

Trading profit before interest and taxation of £11.6 million is 5.4% ahead of the prior year (2013/14: £11.0 million) and includes gains on the disposal of fixed assets of £0.9 million (2013/14: £0.9 million) relating to disposals as part of the Society's investment property recycling strategy.

The Board's confidence and commitment to build for the future was underlined with 23 new openings during the year and record capital investment of £42.5 million. The development and opening of new sites continues to be complemented by investment in the existing trading estate, with 18 major refurbishments completed during the year. This included refit activity in food stores and funeral homes in line with the strategy to refresh 10% of the trading estate each year.

In addition to the expansion of the trading estate, a number of targeted investment property acquisitions and disposals were made during the year as part of the on-going strategy to rebalance and strengthen the Society's investment property portfolio.

Following the closure of the Fashion & Home business in 2013, the Society has made good progress on the letting or disposal of the properties involved. The Society is actively pursuing opportunities to dispose of the two remaining former department store properties at Chesterfield and Ilkeston.

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. The Board is satisfied that the Society's net debt position of £21.3 million (January 2014: net cash position of £1.4 million) is modest for a business of the Society's size and provides the necessary flexibility to support the on-going growth strategy. Cash inflow from operating activities in the period of £22.0 million was £13.2 million lower than the prior year and included one-off outflows relating to the integration of the Anglia business, the pension scheme merger and other restructuring costs.

The Society's net assets of £161.9 million show a decrease of £58.0 million compared to the position at January 2014 with the movement driven by a £72.7 million increase in the net pension liability which more than offset the retained profit generated during the year. In accordance with the requirements of the retirement benefits accounting standard, FRS 17, the increase in the pension liability was affected by a significant reduction in the discount rate used to place a value on the Scheme's liabilities and was despite a £72.8 million increase in the value of the Scheme's assets. The Board is fully aware of the significance of the pension liability on the Society's balance sheet but remains confident in its long term strategy to address the pension scheme deficit on an affordable, fair and carefully controlled basis.

The encouraging trading performance in 2014 has again demonstrated the Society's resilience as a strong and successful independent co-operative business to compete in the most demanding conditions, and underlines the Board's confidence in the strategy that continues to provide the framework for future growth.

## **Our Colleagues**

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 the annual 'Have Your Say' colleague attitude survey recorded another strong employee engagement score in 2014.

During the year, the Society launched a new online recruitment system and careers website as part of the strategy to attract and recruit new colleagues from across all sections of the local community. The new system enables the Society to reach a much wider pool of job applicants than traditional paper based recruitment processes. In addition to the implementation of new systems, the Society was proud to partner Business In The Community in supporting gender and ethnic diversity initiatives including 'Opportunity Now' and 'Race for Opportunity'.

## **Membership & Community**

Our Membership & Community strategy aims to optimise the Society's position as a successful member owned and member controlled co-operative business. The strategy is focussed on growing membership, increasing engagement with members and developing strong community links.

Since being established at the end of October 2014, the Society's three Membership & Community Councils ('MCCs') have made great progress in supporting the newly developed MCC strategy which incorporates the key themes of member participation and opportunities for education, culture and recreation and supporting the four pillars of the Society's Corporate Responsibility Policy. The MCC strategy provides the framework for the delivery of targeted, relevant local activity which is aligned to the Society's overall strategy. In the three months since their formation the MCCs have already supported a wide range of activities on important issues including healthy eating, foodbanks and Fairtrade, together with supporting the Society's new store openings.

The Board takes this opportunity to formally acknowledge and thank the Society's former Member Relations Committee members, both past and present, for their hard work, dedication and enthusiasm in arranging, hosting and promoting a variety of events and activities for our members and communities over many years. The work of the Member Relations Committees has created a strong foundation for the MCCs and the Board looks forward to the Councils' contribution in further strengthening the Society's member and community links over the years ahead.

More details on the Society's Membership & Community activity are covered later in the report.

## **Corporate Responsibility**

As a responsible co-operative business, the Society's Corporate Responsibility (CR) strategy aims to address the social and environmental impacts of the business whilst adhering to co-operative values and principles. Strong progress in this important area has been achieved in 2014, demonstrated by the Society being awarded two stars in the Business in the Community (BITC) annual CR index – the UK's leading and most in-depth voluntary benchmark of corporate responsibility. The Society's two star rating is equivalent to 'silver' in BITC's previous measurement criteria and represents an encouraging year-on-year improvement on the Society's 'bronze' award in 2013.

The Society's colleague elected charity partnership with Newlife Foundation for disabled and terminally ill children has now raised over £700,000 since the partnership began in May 2012. The funds raised so far have helped over 300 families across the Society's trading area.

More details on the Society's CR initiatives are covered later in the report.

## **Governance Reform**

In April 2014 the Society held its first on-line and postal election, enabling members to have a direct say in the election of the Board of Directors. The Society's new democratic structure and governance arrangements fully entrenches the co-operative principle of democratic member control and is designed to provide a clear distinction between the governance responsibilities of the Board and the Society's membership activities.

As part of the Society's new governance arrangements, the Board was strengthened during the year by the co-option of two independent non-executive directors. In order to further support this process, the Board established a Search Committee in September 2014 to oversee the advertising, selection, assessment and recruitment of such positions.

## **Pensions**

In July, the merger of the Midlands and Anglia Society defined benefit pension schemes was successfully completed. This significant project was completed following detailed planning and consultation between the Society, the trustees of the Midlands and Anglia Schemes, and their respective professional advisors. The creation of the new Central England Co-operative Pension Scheme provides improved security of benefits for scheme members together with future efficiency savings for the Society.

## **Stakeholder Distributions**

The distributions from trading profit recognise and reward the three key stakeholder groups of members, colleagues and the community for their contribution to the Society. The membership card records points for purchases from the Society and the Board is pleased to propose a dividend rate of 1 pence per point for member purchases made in the second half of the year covering the 24 weeks ended 24 January 2015. This follows the dividend paid to members in December 2014 in respect of the Society's trading performance in the first half of the year, covering the 28 weeks ended 9 August 2014. The proposed dividend will be distributed to members shortly after approval at the Annual Members' Meetings in April and May 2015.

The Colleague Dividend recognises the important contribution of our colleagues and rewards them in line with trading performance at 5% of trading profit, before exceptional items. The Board proposes a colleague dividend of £1,073,000 which will be paid in June after approval by members.

The Community Dividend Scheme distributes 1% of trading profits to the local communities served by the Society. The proposed dividend of £215,000 will be allocated by the Board's Community Dividend Selection Committee to a wide range of community groups and local good causes across the Society's trading area.

## **Outlook**

The outlook in the grocery sector in particular remains challenging and the Board expects this to continue to be the case for some time. The impact of food price deflation is anticipated to be a key factor in sales performance in the near term as a result of falling commodity and oil prices and intense price competition. On a more positive note, an improving labour market and growth in real wages provide scope for optimism in consumer spending and confidence. Against this backdrop, the Society's clear strategy and solid financial position continues to lay the foundations for the future and further enhance Central England Co-operative's profile as a modern, successful co-operative business.

## **Business Activities**

The Society's 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, motor dealerships and specialist vehicle construction.

The Society continues to hold a minority interest in Thomas Cook Co-operative Travel Limited.

## **Appreciation**

The Board wishes to acknowledge the tremendous efforts of all colleagues in contributing to the Society's success through a period of significant change, including implementing new systems and adopting new ways of working. As always, the Board also records its sincere appreciation to all members and customers for their loyal support.

On behalf of the Board of Directors:

**Maria Lee**, President  
**Martyn Cheatle**, Chief Executive  
**James Watts**, Society Secretary

27 March 2015

## **Business Performance**

### **Food**

**£714 million Gross Sales** (excluding VAT)

**17 new Food Stores**

**7,348 Colleagues**

The retail food sector remains under pressure and significant change, with the industry experiencing a perfect storm of changing customer shopping habits, food price deflation, intense competition from new entrants and the growth in on-line channels. Whilst consumer confidence and real wages have been slowly improving, household budgets remain tightly managed. The shift in customer spending behaviour to shopping little and often continues to generate growth in the convenience sector, leaving the Society well placed to build on its strong position in this key part of the market.

In the context of the rapidly changing market conditions, it is encouraging to report that Society food store sales of £714.5 million (excluding VAT) increased by 21.4% compared to the prior year. The increased size of the business together with growth in convenience stores, new store openings and increased food and fuel forecourt sales were offset by the impact of increasingly challenging conditions in the Society's larger food stores. The encouraging sales performance reflects the hard work of the Society's colleagues, whose outstanding efforts were again recognised with the Retail team winning three awards at the 2014 Convenience Tracking Programme Awards held in May: Best Chilled and Dairy Convenience Retailer; Best Impulse Convenience Retailer; and Best Managed Retailer.

The Society's ambitious development programme saw the opening of 17 new food stores during the year, with the business now operating over 250 food stores across Central England. Early trading performance at the new stores has been very positive, giving confidence for further openings planned for the coming year.

Elsewhere, investment in the existing estate continues to generate encouraging sales growth, with 12 major store refurbishments and 18 smaller refit projects completed during the year.

As part of the food store refurbishment programme, the further roll-out of the Society's new concept supermarket format at five stores has been well received by members and customers. The new, modern store format has created a bright look and feel incorporating new product ranges in 'food-to-go', fresh fish, produce bakery and beers, wines and spirits categories. The new category designs have also been introduced at the new store at Wells-next-the-Sea and incorporated at a number of smaller store refits.

The roll-out of the improved co-operative 'Loved By Us' own-brand range continues to be complemented by the Society's commitment to source local products from across the trading area.

### **Customer Insight, Social Media and Web**

The Society has been actively gathering customer and client feedback throughout the year, establishing on-line customer panels and customer surveys and talking to over 13,000 customers about their shopping experience. This information has informed both our strategic and tactical activities. The Society continues to issue tailored coupons to members at the till point, increasing member engagement and providing rewards for shopping with Central England Co-operative.

In addition, the Society has run 'Basket Builder' campaigns to reward members for regular weekly spending over key trading periods during the year, together with member discount events.

We have continued to increase our on-line and social media activity to strengthen member and customer engagement, and achieved our fan and web traffic targets in 2014, which were a significant increase on the previous year. The Society's web and social media postings are focussed on meeting our customers' and members' needs by providing engaging content including video, competitions and celebrations of events. This is reflected in our excellent social engagement score. We have launched a new web section 'My Co-op Community' to highlight our Community Dividend Scheme and provide tools to help local groups and communities to help themselves.

## **Food Distribution**

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. Investment in the Society's distribution capability has seen the successful implementation of a new warehouse management system at the ambient and chilled distribution centres in Leicester, generating improvements in order accuracy and the working environment.

## **Funeral**

**£38 million Gross Sales** (excluding VAT)

**5 New Funeral Homes**

**803 Colleagues**

Our funeral business experienced a challenging year in 2014, with a decline in funeral arrangement numbers reflecting a lower death rate and the impact of competitive market conditions 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. This is supported by the coffin manufacturing business and the Society's crematorium. Improved production efficiencies at the coffin factory were achieved during the year following the introduction of 'lean' manufacturing principles, supported by investment in new plant and equipment.

Building for the future saw the opening of new funeral homes in Mickleover and Sinfyn in Derbyshire, Ward End in Birmingham and Hobs Moat in Solihull. In April, the Society acquired a private funeral directors and masonry business in Longton, Stoke-on-Trent. The Society also opened a new floral shop in Great Barr, Birmingham, under the Co-operative Florist brand. Investment in the existing estate included the major refurbishment of six funeral homes during the year and 11 smaller refit projects.

The Society's funeral strategy is focussed on providing excellent service to meet the changing needs of the families we serve. The strategy is designed to build loyalty, support the continued development of outstanding funeral professionals and operate a consistent and efficient business model in order to provide both quality and value to our customers.

## **Specialist Businesses**

Within Specialist Businesses, strong performance across the Society's 21 Travel Shops included growth in long haul, tailor made and cruise bookings together with increased foreign exchange sales.

The Society's three optical sites continue to perform well in the competitive market, concentrating on providing high quality, specialist optical advice.

Leicester Carriage Builders, the Society's specialist vehicle construction business, experienced a difficult year as a result of a downturn in demand from one of its major customers. In October 2014 and following an in-depth strategic review, the Society disposed

of its motor dealership business in Kettering. In reaching this difficult decision, the Board was pleased that the disposal of the business as a going concern ensured the security of employment for the colleagues involved. Elsewhere, increased new car sales at the Society's Lincoln motor dealership reflected the improvement in the wider market although trading conditions in the sector remain highly competitive.

### **Property Investment**

The general property market continues to improve although a number of sectors more relevant to the Society's investment property portfolio remain challenging. In this context, the Society's property team made good progress in 2014, with a number of new commercial and residential lettings completed in the year. In addition, the programme of targeted property disposals and selected acquisition of investment grade properties continued as part of the on-going strategy to rebalance and strengthen the quality of the portfolio.

## Corporate Responsibility

**Two stars in the BITC annual CR index**  
**Launch of our CR dashboard**  
**Proud to support Love Food Hate Waste**

### **Our Approach**

The Society's approach to Corporate Responsibility ('CR') addresses both our social and environmental impacts while adhering to co-operative values and principles. Our CR strategy is the bedrock of the Society's strategic framework in support of our vision: "To be the UK's best consumer co-operative society by making a real difference to our members and our communities". We continually seek out opportunities to improve the environment and to contribute to the wellbeing and sustainability of the communities in which we operate.

In 2014, we launched our Making a Difference Today for a Better Tomorrow plan which set out our CR objectives under the four key pillars of 'Workplace', 'Marketplace', 'Environment' and 'Community'. As part of this initiative, Key Performance Indicators (KPIs) have been established to monitor, measure and report our progress towards their achievement.

In October we launched a CR 'dashboard' which clearly outlines the Society's CR objectives and KPIs and the progress we have made towards these targets. The dashboard will be updated bi-monthly to track progress across our four CR pillars and we will share our performance annually.

### **Corporate Responsibility: 2014 Highlights**

#### **Workplace – engage and develop our employees while rewarding their efforts and achievements justly and fairly**

Walking has been described by some as a 'wonder drug' because of its far reaching health benefits which is why the Society has chosen it as our main colleague health and wellbeing theme. In 2014 we launched our 'Walking Works' campaign which forms part of our Corporate Responsibility focus and the Society's commitment to promote the health and wellbeing of our colleagues.

To support the launch of this initiative, we produced a 'Walking Works Colleague Pack', with lots of tips and ideas to help colleagues set up and register a work walking group or start walking more frequently to improve personal health and fitness.

#### **Marketplace – operate a responsible supply chain and develop ethical trade**

The Society continues to work closely with the Saffron Acres project in Leicester with the aim of helping the Saffron Lane Neighbourhood Council (SLNC) create a sustainable funding stream for community projects in an area of extreme deprivation.

The Saffron Acres Project enables us to use our expertise to bring products to market as a community retailer. Following the successful trial of a limited edition jam and chutney products at the end of 2013, we supported the launch of a new range of strawberry jam in June, which was stocked in our food stores across Leicestershire.

#### **Environment – reduce our negative and increase our positive impact on the environment**

In June, WRAP's (Waste & Resources Action Programme) 'Love Food Hate Waste' campaign announced that Central England Co-operative had been chosen to partner with Birmingham, one of ten cities across the UK, to focus on tackling food and drink waste. The three year partnership will encourage the people of Birmingham to 'do one thing differently' as part of the drive to reduce food waste.



By working in partnership with Birmingham City Council and WRAP, and using the Society's strong community links, our aim is to generate a positive impact on the attitudes and behaviour of local people in line with the Courtauld Commitment 3\* target of a 5% reduction in household food and drink waste levels by 2015.

\*The Courtauld Commitment 3 will help deliver sustainable growth, save money and reduce environmental impact by focussing further on waste reduction in the food and drink sector.

### **Community – work with our communities to help them to improve their sustainability and wellbeing**

The Society's long-standing partnership with Selly Oak Trust School for students with Special Educational Needs (SEN) in Birmingham moved into a new phase during 2014 when we launched SENse to Aspire, an initiative aimed at giving their students improved opportunities for finding employment.

Statistics from the Department of Health indicate that only 7% of those with learning difficulties are likely to find paid employment which means that many do not get the opportunity to reach their full potential.

The SENse to Aspire scheme aims to give pupils aged 16-19 the skills they need to find, secure and keep a job and has been developed as part of the Society's Business Class\* partnership with the school.

\*Business Class is a nationwide programme from the charity Business in the Community which creates long-term partnerships between businesses and schools.

## **Membership & Community**

**3 Membership & Community Council created**

**61 Community Dividend Grants awards**

**Proud to support Fairtrade**

### **Our Plan**

The Society's Membership & Community Strategy focuses on growing our membership, increasing engagement with members and developing stronger community links.

There are a number of channels by which our members and our communities are supported including:

- Membership & Community Councils
- The Community Dividend Scheme
- Corporate Responsibility initiatives
- Donations and support for local organisations and charities
- Colleague elected corporate charity

Our Membership & Community Councils (MCCs) are responsible for activity to support the strategic direction of member and community engagement. The MCCs have been established to work with the Society's business operations locally and in line with the Membership & Community strategy. 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 & wellbeing, local environment and youth employability.

### **Achievements**

Following the results of the MCC elections in October 2014, a total of 10 lay members and 9 employee members were successfully elected. In November 2014 an induction session for MCC elected members was held which included internal and external speakers. The first MCC meetings followed in November and January which focussed on agreeing activities and support for members and communities in 2015.

Support has been agreed to a wide range of member groups and member activities. Details of activities can be found at [www.members.coop](http://www.members.coop) or for more information members can email [member.community@centralengland.coop](mailto:member.community@centralengland.coop)

In the three months since their formation the MCCs have concentrated on identifying key opportunities and have already supported a wide range of activities on important issues including; healthy eating, foodbanks, and Fairtrade together with supporting the Society's new store openings.

Since October 2014 and with help from the MCCs, our Member & Community Relations team has been busy educating school children about healthy eating, delivering workshops at 15 schools and reaching over 600 children.

The interactive healthy choices workshops are delivered in a classroom environment and cover key areas including:

- Reading the signs – how information on packaging can help customers to make healthy choices
- Sizing up – why knowing about appropriate portion sizes is important to a balanced diet
- Five a day – how getting a good balance of fruit and veg helps keep you healthy
- Eat well plate – what are the key ingredients for a healthy diet
- Smart swaps – satisfying your appetite and eating healthily too

At the end of the workshops pupils are better able to choose between healthy and unhealthy foods and make informed choices about food types and quantities.

The MCCs, our Member & Community Relations team and food store colleagues worked together to support the Society's foodbank awareness days which took place on four weekends during 2014. Awareness days provide an opportunity for the Society's various foodbank partners to talk to people about their work and encourage customers to make donations which will help alleviate food poverty in the local community.

The promotion and support of Fairtrade remains an important area of focus for the MCCs, with the Member & Community Relations team working with local schools and community groups to demonstrate how Fairtrade makes a real difference to the lives of people in developing countries by guaranteeing farmers a fair price for their goods and a fair wage for workers.

During the year, Central England Co-operative's Community Dividend Scheme granted awards to 61 projects across the Society's trading area. In 2014, a new Community section on the Society's website was piloted to highlight the Scheme and promote the grants awarded.

In addition, local charities, schools, community groups and good causes are supported through the Society's donations fund.

### **What's Next**

In 2015 the Membership & Community Councils will continue to develop and support events and activities in line with the Society's strategy.

There will continue to be a clear focus on the Society's Corporate Responsibility 'Community' objectives and targets including more foodbank collection points in stores, healthy choices workshops and work experience opportunities.

After a very successful two year partnership with Newlife Foundation the Society is pleased to confirm that colleagues overwhelmingly voted to extend the relationship by a further 12 months so that we can reach the £1 million fundraising milestone – a first for the Society. The continued support for Newlife will enable the Society to continue to make a significant difference to disabled and terminally ill children and the families across our trading area.

We are also excited to confirm the delivery of the award winning Keep the Hive Alive educational bee-hive visits in Peterborough and Aldeby, Suffolk.

More details of events and activities taking place in 2015 will be highlighted in forthcoming editions of the Members' Magazine and online at [www.members.coop](http://www.members.coop).

## **Our Colleagues**

Our people are at the heart of what makes Central England Co-operative different and we have continued to ensure that our 8,600 colleagues throughout the business are confident, engaged and knowledgeable. As our trading landscape evolves, we continue to train colleagues in the latest digital developments. Despite changing shopping habits, we know that customers still want the personal touch. That's why our colleagues are as dedicated as ever to provide exceptional levels of customer service and were once again rewarded in June 2014 for their hard work and contribution to the Society's continued success with the 'Share of the Profits' colleague dividend of £1.2 million.

### **An engaged, positive team**

It is essential that our colleagues understand our priorities and objectives, and are engaged in the unparalleled changes which have been taking place across all of our businesses.

Once again colleagues gave their feedback via the Society's annual on-line 'Have Your Say' attitude survey, matching last year's impressive response rate of 93%. Although the attitude survey highlighted a slight reduction in colleague engagement with a score of 76 (2013:78) it demonstrated that colleagues are still fully aware of their role expectations and health and safety responsibilities as well as believing that the Society trades ethically and is committed to improving customer service. An increasing number of colleagues felt encouraged to get active and eat more healthily following the Society's efforts to increase awareness in this important area. The attitude survey also indicated that colleagues have seen more opportunities for career progression within the business.

All business areas are reviewing their respective attitude survey results and are working towards implementing a consistent approach in leadership and communication to further deliver improvements across the Society.

The Society's HR policies and procedures and ways of working continue to be reviewed in order to promote effective practices that support the needs of colleagues to achieve a balance in their home and work life.

All business areas are reviewing their respective attitude survey results and are working towards implementing a consistent approach in leadership and communication to support future growth with an engaged, positive team.

The Society's HR policies and procedures and ways of working continue to be reviewed to in order to promote effective practices that support the needs of colleagues to achieve a balance in their home and work life.

### **Learning and Development**

As we continue to transform our businesses we work hard to ensure we have the right capabilities in place to drive the Society forward. During 2014 we held and arranged over 800 learning events, attended by over 4,700 participants, with total learning hours exceeding 55,000.

### **Leadership**

At Central England Co-operative, we believe that leadership is the responsibility of all colleagues, regardless of their role or position in the Society. We have started a journey to develop the leadership capability of all our colleagues through our talent programme, 'Leading the Way'. Our Future, Engage, Deliver ('FED') programme supports colleagues in how they can inspire others through their leadership by focussing on being at their best, being in touch with what they care about and acting positively in support of these values. Responses to our annual attitude survey highlighted that our colleagues feel there are opportunities to progress within the Society and Leading the Way will support them on their development journey.

## **Bolstering Skills**

As our businesses continue to change in response to our customers' needs, we are building our in-house skills to ensure the Society has the capability to evolve in line with changing market conditions. Our on-line Skills Bank provides a central point where colleagues can access learning to develop their skills at their place of work.

## **Supporting Youth Employment**

Youth unemployment remains one of the UK's biggest social issues and we continue to support young people in finding, securing and keeping a job through our Journey to a Job, sector based work academies, graduate and apprenticeship programmes. Progress in these initiatives has seen:

- support for over 750 apprentices across the Society to build a pipeline of future talent
- our business graduates complete their two year programme and successfully commence permanent positions in our Membership Services and Category Management teams
- 114 colleagues join the Society's food business via our sector based work academies and a number of them have gone on to start an apprenticeship.

## **Supporting our Communities**

Supporting our local communities is central to our co-operative principles and to this end we support our colleagues engaging with their local communities through our Passion for the Brand programme. Colleagues are provided with a toolkit of events that they can deliver in their local communities. 'Your food, Your waste' workshops have been delivered to over 140 children in the Birmingham area to develop their understanding of food waste prevention. Our Journey to a Job programme has been delivered to over 200 young people across the trading area with 14% of attendees securing permanent employment as a result of their participation.

## **On-line Recruitment**

In order to fully engage with our customers at a local level it is important that our workforce demographic is representative of the communities we serve. To enable us to attract new colleagues from all members of the local community the Society has invested in a new on-line recruitment system and careers website: [ww.cecjobs.coop](http://ww.cecjobs.coop) to enable us to reach a much wider pool of job applicants than traditional paper based systems. The new careers website went live in October 2014, and promotes that as a proud independent co-operative business, we recognise the individual talents of our colleagues and want to attract applications from all sections of the community. The website also carries information and features to support job seekers such as a CV builder to help job applicants create a professionally formatted résumé.

Bringing all recruitment activity on-line also brings many advantages to the business including streamlined processes, talent pipelines and enhanced reporting metrics which create time and cost savings at all operational levels and supports the recruitment needs of a successful, growing business.

In addition to implementing new systems we have also partnered with Business in the Community led initiatives 'Opportunity Now' and 'Race for Opportunity' to provide long term support in delivering initiatives focussed on gender and ethnic diversity.

# Remuneration Report

## Introduction

The Remuneration Committee is pleased to present its report to Members for the year ended 24 January 2015. The Committee's primary role is:

- To determine policy on remuneration and other main terms and conditions of employment in respect of all Central England Co-operative employees who are members of the Management Executive, including amongst others, the Chief Executive.
- Review remuneration using comparisons against the agreed market benchmarks for the Executive roles.
- Approve any relevant incentive schemes and ensure that they support the Society strategy, values and objectives and authorise payments under any incentive schemes in line with their rules.

This Report has been reviewed by the Society's Remuneration Committee and will be put to an advisory vote at the forthcoming Annual General Meetings held during April and May 2015. Exact dates and locations can be found on page 79 of this Annual Report.

## The Remuneration Committee

### Composition

The Remuneration Committee is a Sub-Committee of the Board of Directors and is composed entirely of non-employee Directors who have no day-to-day involvement in the management of the business.

### Members

The Directors who served on the Remuneration Committee during the financial year were:

January to May 2014

- John Maltby (President)
- John Howells
- Maria Lee
- Keith Redfern

From May 2014

- Maria Lee (President)
- Lynne Ayres
- Sue Rushton

### External Advice

The Remuneration Committee has access to an external specialist, Hewitt New Bridge Street (an AON Hewitt company), to provide independent, professional advice to them on remuneration policy, salary ranges and other elements of remuneration, when required.

### Meetings

The Committee has met twice during the year.

The Committee is chaired by the President of the Society. The Chief Executive attends meetings of the Committee to make recommendations relating to the remuneration of the Management Executive. The General Manager, Human Resources provides advice and guidance to the Committee. The Society Secretary is Secretary of the Committee.

The Chief Executive is not in attendance when his own remuneration is considered.

## **Remuneration Policy and Outcomes**

### **Policy**

The Society's remuneration policy for the Management Executive is to apply the median of market based salaries once the individual has become fully established in post and performance is viewed as fully acceptable.

The policy for the Management Executive Incentive Scheme is to operate an arrangement that is set below the market base for comparable schemes.

Management Executive total remuneration consists of base salary, pension, benefits-in-kind and a performance related incentive scheme.

### **Changes to remuneration structure**

In June 2011 the Board approved the implementation of a revised Management Executive Incentive Scheme. The revised scheme is set below the market base for comparable schemes, incorporating long term and short term targets based on both financial and non-financial measures.

Any payments due under the Management Executive Incentive Scheme are non-pensionable.

The revised Scheme rewards performance over a rolling three year period and incorporates long term targets covering cumulative trading profit, customer service and colleague engagement. The Scheme replaced the previous Management Incentive Plan that had operated since 2003.

### **Remuneration for Other colleagues**

The Committee takes into consideration the pay and conditions of all employees below Executive level when considering Executive pay.

### **Base salary**

The Society's remuneration policy for the Management Executive is that base salaries should be at the median level for the relevant sector, having regard for job scope, function and the size and complexity of the business. In determining salary levels, the committee also considers the scope of each role and internal relativities between other positions within the Society

Base salaries are increased each year in line with the National Association of Co-operative Officials ('NACO') agreement to reflect inflation. In addition to the NACO increase, a formal review of Executive salaries is undertaken when necessary or when a material change in responsibility or scope occurs for an individual.

The last comprehensive review of all management executive salaries was conducted in September 2010. This review resulted in a salary uplift for the Chief Financial Officer from September 2011 to reflect increased responsibilities and agreement to apply planned salary uplifts and for the Chief Executive (in March 2011 and March 2012) and Deputy Chief

Executive (in April 2011, April 2012 and April 2013) as part of an agreed phased implementation of the full salary rate in respect of each role.

A review of the salary of the Society Secretary and General Manager, Property took place in January 2014 with uplifts to each role implemented from that date. Other than the annual pay award effective from 27 January 2014, salaries for the remainder of the Executive remained unchanged in the period under review.

### **Annual Incentive**

The Management Executive Incentive Scheme (MEIS) is a discretionary, non-contractual element of the Management Executive remuneration package and comprises two elements:

- An annual incentive plan linked to annual financial performance targets and payable after the performance outcomes for the relevant financial year are assessed.
- A long term incentive linked to three year performance objectives and payable following the end of a three year performance period (described in the long-term incentive section).

The new scheme incorporating the above two elements was agreed by the Board in 2011. This scheme was phased in over three years and became fully operational at the end of the financial year in January 2014.

A disproportionate emphasis on incentive pay is considered inappropriate for the Society's Management Executive and therefore on-target and maximum bonus opportunity levels are significantly lower than those available to executives in PLCs. The annual incentive payment for on-target financial performance is currently 12.5%. No award is payable in respect of the annual incentive for the 52 weeks ended 24 January 2015 (prior year 2013/14: £nil).

Other Society managers also participate in a performance based annual incentive scheme, including all managers covered by the NACO agreement and retail store managers.

In addition, all other Society colleagues, with the exception of the Management Executive, are eligible to receive an annual Colleague Dividend based on the Society's financial performance. The payment of the Colleague Dividend is subject to Members' approval at the Annual General Meeting.

### **Long-term incentive (LTI)**

Each participant is eligible for a long-term incentive grant, in each year that the Scheme is operated. A grant gives the participant an entitlement to a payment following the end of a three year performance period.

The targets for the LTI are based on performance over a three year period incorporating cumulative Society trading profit (with an 80% weighting), Brand Standards (10% weighting) and Employee Engagement (10% weighting).

A payment of up to 25% of base salary for achieving outstanding performance can be made. A payment of 12.5% is triggered if budget is achieved. The revised incentive Scheme commenced in 2011 with the first entitlement to any LTI grant due at the end of the financial year ended in January 2014. A payment of 10.58% in respect of the 2011 LTI scheme was made in May 2014. An LTI payment of 4.58% is payable in respect of the scheme covering the three years ended January 2015.



## **Pensions**

The Society closed its defined benefit (DB) pension scheme on 30 July 2011 and now offers a Group Personal Pension Plan (GPP) through Standard Life. The new pension arrangement operates on a defined contribution basis, which means that the pension ultimately received depends on:

- The amounts contributed by the employee and any contributions made by the Society.
- The investment returns achieved on the money invested in the employee's individual policy.
- The cost of buying a pension on their retirement.
- The benefit options chosen on retirement.

The pension is split into two sections; the Principal Plan and the Nursery Plan. Both of these sections operate on the same basis in terms of the investment options available and the charges that apply. The only difference is the rate of contributions payable by the Society and the level of Death in Service benefits. Members of the Executive who were members of the Society's defined benefit scheme, along with all other employees who were also members with a minimum of six months pensionable service at 30 July 2011, were eligible to join the Principal Plan with effect from 31 July 2011. The Executive receive the same level of Employer contributions as all other members of the Principal plan.

As a result of the introduction of the Lifetime Allowance in 2006, members of the management executive were offered the option to withdraw from pension provision and to receive a salary supplement instead. The Chief Executive took this option in April 2012 and receives a salary supplement of 8% as a result of this arrangement.

## **Benefits-in-Kind**

Other benefits available to Executives during the year comprised the provision of a car or cash alternative, life assurance, permanent health insurance, private healthcare and an annual medical examination. A fuel benefit is provided for some Executives. Travel insurance was discontinued during 2014.

The value of these benefits is shown in the annual remuneration table. If a car has been chosen the taxable benefit is included.

## **Service Contracts**

All members of the Management Executive, including the Chief Executive, are entitled to 12 months' notice.

## **Redundancy**

In 2014, the Society launched a review of its Business Support arrangements. PricewaterhouseCoopers was engaged to assist with the revision to organisational structures and operating models. The first action from this review was to reduce the size of the Management Executive from seven to four. Paul Webb left the Society's employment during 2014 and was not replaced. Agreement was reached for Mark Ruttley and Ian Callaghan to leave the Society during 2015. Their respective redundancy and termination payments are included in the annual remuneration table.

## **Annual Remuneration and Pensions Tables**

The tables on the following pages provide the details of the remuneration and pension benefits received by Executives for the financial year under review.

## Annual Remuneration Table

Name	Employment Commenced	Date of Appointment to Executive	Basic Salary 2014/15 £	Benefits-in-kind <sup>1</sup> £	Vested LTIP 2012 4.58% <sup>7</sup>	Redundancy Payment	2014/15 Total Emoluments £	2013/14 Total Emoluments £
Ian Callaghan <sup>4</sup> General Manager - Property	19/03/2012	19/03/2012	276,578 <sup>5</sup>	14,131	5,496	53,000	349,205	161,524
Tony Carroll Deputy Chief Executive	23/02/1987	18/08/2005	359,722	18,700	12,642		391,064	406,660
Martyn Cheatle Chief Executive	02/09/2001	02/09/2001	479,630	52,645	19,450		551,725	578,415
David Grady Chief Financial Officer	12/07/2010	12/07/2010	173,143	8,981	7,548		189,672	201,761
Tracey Orr General Manager - HR	23/07/1984	10/03/2003	163,512	17,805	7,128		188,445	197,684
Mark Ruttley <sup>6</sup> General Manager - IS	01/06/2005	29/01/2007	257,529 <sup>5</sup>	12,666	5,544	92,935	368,674	152,077
James Watts Secretary	01/07/1986	04/09/2011	117,000	10,737	4,246		131,983	131,957
Paul Webb <sup>3</sup> General Manager - Funeral	15/02/2004	06/11/2006	65,870	16,775	-		82,645	150,469

<sup>1</sup> Benefits-in-kind include the provision of a car or a cash alternative, fuel, private healthcare and travel insurance. The Chief Executive's benefits-in-kind include an 8% pension supplement paid since April 2012.

<sup>3</sup> Left employment 22 August 2014

<sup>4</sup> Date of termination 27 February 2015

<sup>5</sup> Includes notice payment

<sup>6</sup> Date of termination 01 June 2015

<sup>7</sup> LTIP award of 4.58% relates to performance over the three years ended January 2015 in respect of cumulative Society trading profit and average scores over the three year period in respect of brand standards and employee engagement.

## Annual Pension Table

Name	Age at year end	Years of pensionable service (includes DB & GPP Scheme)	Employer contributions to Group Personal Pension Plan in 2014/15 £	Date joined DB Scheme	Date withdrawn from DB scheme
Ian Callaghan	49	1	10,926	N/A	N/A
Tony Carroll	55	23	0	01/03/1987	14/03/2010
Martyn Cheatle	52	9	0	03/09/2001	30/07/2011
David Grady	45	4	13,851	N/A	N/A
Tracey Orr	52	29	16,366	01/02/1985	30/07/2011
Mark Ruttley	52	9	10,183	01/06/2005	30/07/2011
James Watts	48	28	11,732	28/07/1986	30/07/2011
Paul Webb <sup>1</sup>	52	10	5,278	15/02/2004	30/07/2011

<sup>1</sup> Left employment 22 August 2014

## External Directorships – Management Executive

Martyn Cheatle – Chief Executive:

- Group Board Director of The Co-operative Group Limited ('the Group'), appointed in 2010.
- Chair of the Group's Audit & Risk Committee.
- Director of Federal Retail and Trading Services Limited (appointed in October 2014) following the introduction of the Group's new governance arrangements and constitutional structure during 2014.
- Director of Thomas Cook Co-operative Travel Limited, appointed October 2011.

The remuneration in respect of Martyn Cheatle's directorships at The Co-operative Group is paid directly to the Society. Martyn similarly receives no remuneration in respect of his appointment at Thomas Cook Co-operative Travel Limited.

David Grady – Chief Financial Officer:

- Director of Anglia Home Furnishings Limited ('AHF'), appointed in June 2014. This appointment is in accordance with the Society's investment in AHF. David receives no remuneration in respect of this appointment.

## Board Director Fees

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

Rule 12.23 provides that “Directors and Regional Committee members shall be entitled to be paid fees which shall be determined by the members at a members meeting. The Board shall determine the level of expenses and delegation fees to be paid for attending on the Society’s business.”

A revised basis of remuneration was approved by the Members at the Annual Meeting held in April/May 2007. Provision was also made for fees to be reviewed annually to reflect cost of living increases and to meet expenses incurred by Directors and Regional Committee members on Society business. The benchmark for the increase is the November year on year movement in the Retail Prices Index.

## Expenses

Delegation fees are payable per day where Directors and Regional Committee Members are formally appointed to represent the Society, as follows:

- Shareholder meetings (e.g. Co-operative Group)
- Co-operative Congress
- Co-operatives UK Consumer Council meetings and other national events
- Board Visits
- Directors' Training
- Trade Conferences
- Membership & Community Council meetings / activity
- Society Co-op Party meetings

In addition to the Delegation Fee, reasonable travelling expenses and accommodation costs are reimbursed.

## Benefits

The Society’s Colleague Discount scheme is available to Directors and their partners. A small number of Directors are also members of the Society’s pension scheme in respect of service as an employee with the Society.

## Board Director Fees

Board / Sub-Committee	Role	Fees £
Board	Director	7,526
	President	7,526
	Vice-President	3,763
Sub-Committee	Corporate Trustee	940
	Audit & Risk Committee	752
	Remuneration Committee	315
	Rules & Practices Committee	£62 per meeting

## Directors' Remuneration Table

The table below lists the fees paid to the Directors of the Society who served during the year under review:

Director	Fees	
	2014/15 £	2013/14 £
Lynne Ayres	7,789	1,089
Richard Bickle	5,427	-
Sean Clothier	5,747	-
Elaine Dean (Vice-President)	11,240	8,190
David Ellgood	7,622	7,335
Robin Farrell	8,475	8,251
Max Hunt	5,718	-
Neil Mackie	8,270	1,334
Maria Lee (President)	15,400	10,168
Marta Mayhew	5,427	2,558
Sue Rushton	6,406	-
Paul Singh	6,659	3,865
Stuart Unwin	8,381	8,193
Graeme Watkins	5,427	-

## Former Directors' Remuneration Table

The table below lists the fees paid to former Directors of the Society who served during the prior year 2013/14 and for part of 2014:

Director	Fees	
	2014/15 £	2013/14 £
Michael Althorpe	-	7,377
Douglas Boyall	2,649	1,284
David Brown	1,889	-
Frank Croft <sup>2</sup>	3,806	11,733
Peter Dean	2,331	8,985
Philip Fee	1,904	5,118
Kevin Hepworth	1,967	7,581
John Howells	2,755	9,013
Helen Lees	1,967	7,517
Elizabeth Lomas	-	1,693
Angela Loughran	1,904	5,307
John Maltby <sup>1</sup>	4,172	13,801
Peter Smith	2,404	5,632
Keith Redfern	1,983	7,642
Harry Whitelock	2,424	1,504

<sup>1</sup> President during the year 2013/14

<sup>2</sup> Vice-President during the year 2013/14

## Expenses

Directors are reimbursed all reasonable expenses incurred while carrying out their duties for the Society. In addition, an attendance allowance of £20 per day can be claimed by Directors who participate in pre-approved external meetings and events on behalf of the Society.

## Severance Payments

During the year, severance payments totalling £206,500 were paid to 15 Directors in accordance with the arrangements approved by members at the Special Meetings held on 15, 16, 22 and 23 October 2013. The severance payments were in respect of compensation for loss of office arising from the introduction of the Society's new democratic structure following completion of the transfer of engagements from Anglia Regional Co-operative Society on 1 December 2013.

As part of the arrangement approved by members, severance payments were also made to Regional Committee members and Member Relations Committee members during the year who did not stand or were unsuccessful in the election to the Board or Membership & Community Councils in 2014.

#### External Directorships – Board Directors

Richard Bickle	Director, Revolver Co-operative Limited Director, Birmingham Co-operative Film Society Limited Director and Secretary, Friends of the Earth (Birmingham) Limited Director, Co-operative Press Limited.
Elaine Dean	Director and Chair, Co-operative Press Limited Director and Vice Chair, Supporters Direct Vice Chair, Rams Trust
Paul Singh	Director, Co-operatives UK Limited
Lynne Ayres <i>Term of office ended 19 March 2015</i>	Director, HC Solicitors LLP Vice Chair, Peterborough Cathedral Development & Preservation Trust Director, Manor Estates (Sibson) Limited Director, Shelton's of Peterborough Limited
Rachel Wilkinson	R. W. Legal Limited Catalyst Science Discovery Centre and Museum Trust Limited

## Corporate Governance

Corporate Governance refers to the manner in which organisations are governed and powers are distributed and exercised by different groups. It is concerned with the practices and procedures that try to ensure that an organisation achieves its objectives. As a Registered Society, Central England Co-operative is not required to comply with the provisions of the UK Corporate Governance Code, which applies to listed companies. However, Co-operatives UK has published a Code of Best Practice for consumer co-operatives, which is based on the UK Corporate Governance Code, but applicable to the particular governance circumstances of a Co-operative Society.

Under the terms of the Code's compliance assessment, the Board has a responsibility to ensure that the Society complies with those recommendations that are appropriate to its circumstances, or to explain its reasons where this is not the case.

### Corporate Governance Code for Consumer Co-operatives

The Corporate Governance Code for Consumer Societies, published by Co-operatives UK in 2013, replaced the previous Code of Best Practice issued in 2005. The revised Code draws on best practice from a wider business setting, including the UK Corporate Governance Code applicable to listed companies, but reflects the distinctive characteristics of consumer co-operatives. There are many areas of overlap because good governance is, in many respects, about the same underlying principles. However, in a co-operative, the board must lead the co-operative and at the same time operate in accordance with the International Co-operative Alliance Values and Principles actively engage and maintain close relations with its members and encourage active members participation in its governance practices.

It is recognised that different co-operatives may choose to apply the provisions of the Code in different ways and that 'one size does not fit all'. Co-operatives may feel that it is not appropriate for them, due to size and turnover, to comply with a particular Code provision. In such cases they must explain in their annual report the background to the situation and give information about what they have chosen to do instead.

The Society conforms with the majority of the Corporate Governance Code's provisions and principles and where it does not a brief explanation has been detailed below and by providing this the Board believes that it has fully complied with Code.

The following explanations are provided:

#### **Principle C – Leadership**

*Provision 32 – “At least once a year the board should meet, or hold a part of its meeting, without the management executive present.”*

The Board does not meet independently on a scheduled basis but recognises that it has the authority to do so, should circumstances arise.

#### **Principle D – The Role of Directors**

*Provision 42 – “Persons closely associated with the co-operative's competitors, or with suppliers, which in the opinion of the board are dependent on the co-operative's patronage to a material extent, (and the partners of the foregoing), should not serve on the board.”*

The Society's Rules do not set out any such restrictions on Directors partners. However no current Director or their partners are closely associated with the Society's competitors or suppliers.

#### **Principle G – Co-option of Professional External Directors**

*Provision 59 – “The name of any co-optee(s) should be submitted to the next general meeting for ratification by the members”*



Whilst the Society has not previously done so, it is intended to submit the appointment of the co-opted INEDs for ratification by the members at annual general meeting in April and May 2015.

#### **Principle H – The Chair**

*Provision 73 - “There should be a mechanism in place for removing a poorly performing chair”*

The Board expects to continue strengthen its arrangements for the on-going appraisal of the Chair, individual Directors and the Board during 2015 through on-going training and development

*Provision 68 - “A chair should have served at least one term of office as director before being appointed to the role.”*

The Board elects and appoints the Chair based and in doing so takes account of the required skills, knowledge and experience to fulfil the role.

*Provision 70 - “The chair should not be a current employee or superannuated employee who has retired within the last three years or their spouses/partners.”*

The Chair cannot be an employee but the Society Rules do not preclude a recently retired employee from becoming Chair.

#### **Principle I – The Chief Executive**

*Provision 75 - “There should be a chief executive succession plan. The board, or a nominated committee of the board, normally the Search Committee, should review the plan at least annually.”*

The Board is aware that such arrangements are in place, supported by management development programmes and the Society’s focus on developing talent.

#### **Principle L – Induction, Information and On-going Professional Development**

*Provision 87 – “The board should recognise the importance of frequent and structured training and there should be a requirement for all directors to undertake professional development on an on-going basis.”*

The Board does not currently have any formal training requirements in place but relevant areas for training and development have been identified and a structured development programme is in the process of being formulated by the Board for implementation in 2015.

#### **Principle N – Board Performance Evaluation**

*Provision 93 – “Appraisal of the chair should be carried out at least annually in his or her absence to evaluate his or her performance and on other such occasions as are deemed appropriate.”*

An independent Board Skills Review was undertaken in 2014 and an annual evaluation of the performance of the Chair, the Directors and the Board as a whole is being developed in 2015.

#### **Principle P – The Search Committee**

*Provision 102 – “The Search Committee should formulate plans for succession for the board and members of the management executive.”*

The Search Committee’s Terms of Reference allow for Board succession planning as far as is possible. The Chief Executive is responsible for succession planning in respect of the management executive.

**Principle Q – The Remuneration Committee**

*Provision 110 – “The committee should make recommendations to the board on the level of remuneration for each elected director and co-opted professional external director.”*

Fees paid to Directors are determined by the members at members’ meetings as recommended by the Board. Independent Non-Executive Directors receive the same fees as elected Directors in accordance with the Society Rules.

*Provisions 117, 118 and 119 – Policies and Procedures in respect of compensation for loss of office for Directors and Management Executive*

Compensation for loss of office in respect of the management executive is covered by way of contractual arrangements. Other than in exceptional circumstances, the Board is satisfied that it would not be appropriate to have such arrangements in place for Directors.

**Principle R – The Audit Committee**

*Provision 130 – “The audit committee should have the right to report any decision by the board to override its recommendations to the external auditors and to the members”*

In accordance with the Audit & Risk Committee’s terms of Reference, the Committee meets the external auditor at least once each year in private session and without the presence of management. The Committee also meets the Internal Audit Manager at least once each year without the presence of management. The Board and Audit & Risk Committee are satisfied that these arrangements, coupled with the Committee’s clear terms of reference, provide a rigorous and robust approach to the oversight of the Society’s system of internal controls.

**Director Attendance at Meetings**

It is expected that Directors attend Board and relevant Committee meetings as a matter of course. The table on the following page lists the attendance record of Directors at Board and Committee meetings for which they have been appointed for the year ended 24 January 2015.

The figures show the number of meetings attended with the number of meetings they were eligible to attend included in brackets.

<b>Directors</b>	<b>Committees</b>				
	<b>Board</b>	<b>Audit &amp; Risk</b>	<b>Remuneration</b>	<b>Search</b>	<b>Rules &amp; Practices</b>
Lynne Ayres	10 (12)				1 (1)
Richard Bickle	10 (10)			5 (5)	
Sean Clothier	10 (10)				
Elaine Dean	12 (13)				1 (1)
Dave Ellgood	12 (13)				
Robin Farrell	13 (13)				
Max Hunt	9 (10)			4 (5)	
Maria Lee	13 (13)	1 (2)	2 (2)	5 (5)	1 (1)
Neil Mackie	10 (12)	3 (4)			
Marta Mayhew	10 (10)				
Sue Rushton	9 (10)	1 (2)			
Paul Singh	10 (10)	2 (2)		5 (5)	
Stuart Unwin	11 (13)	3 (4)			
Graeme Watkins	10 (10)				
Douglas Boyall	3 (3)				
David Brown	3 (3)				
Frank Croft	3 (3)				1 (1)
Peter Dean	3 (3)	1 (2)			
Philip Fee	3 (3)				
Kevin Hepworth	2 (3)				
John Howells	3 (3)	2 (2)	2 (2)		
Helen Lees	3 (3)				
Angela Loughran	3 (3)				
John Maltby	3 (3)		1 (2)		1 (1)
Keith Redfern	3 (3)		2 (2)		
Peter Smith	3 (3)	2 (2)			
Harry Whitelock	3 (3)				

The Conduct Committee, established by the Board in September 2014, did not meet during the year.

## Internal Controls and Audit & Risk Committee

The Co-operatives UK Corporate Governance Code for Consumer Co-operatives requires the Board of Directors to review the effectiveness of the Society's system of internal controls. This review covers all controls including financial, operational, compliance and risk management.

The Board of Directors is ultimately responsible for the Society's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Management Executive is responsible for the implementation, day to day operation and management of the Society's system of internal control.

The Board of Directors has an established Audit & Risk Committee, which operates as a sub-committee of the Board and is responsible for reviewing the effectiveness of the Society's system of internal control. The members of the Committee during the year were:

- Paul Singh, Chair (appointed May 2014)
- Neil Mackie
- Sue Rushton (appointed May 2014)
- Stuart Unwin
- Maria Lee (ceased to be a Committee member following her appointment as Society President in May 2014)

The following Directors ceased to be Committee members following the Board elections in May 2014:

- John Howells
- Peter Smith
- Peter Dean

The Audit & Risk Committee meets at least three times a year to:

- monitor the integrity of the Society's financial statements, including its annual and interim reports, together with any significant financial reporting judgements contained in the financial statements;
- consider reports from the Management Executive, internal audit and external audit on the systems of internal control and any material control weaknesses;
- discuss with Management Executive the actions taken on problem areas identified in these reports or by the Board;
- review the effectiveness of the risk management process and ensure significant risk issues are referred to the Board for consideration so that appropriate steps can be taken to minimise such risks to the Society;
- consider the effectiveness of the operation of the internal audit function;
- consider the appointment of external auditors and in conjunction with management agree the nature and scope of the external audit review;
- review the external audit management letter and the management response to the report;
- review the Society's whistleblowing procedures to ensure arrangements are in place for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

The Audit & Risk Committee also has a duty to discuss problems and reservations arising from the Society's audit and any matter the Auditor may wish to discuss, if necessary in the absence of any management.

In addition, the Audit & Risk Committee carries out a periodic self-evaluation so as to ensure that the remit set by the Board of Directors is being fully satisfied. In accordance with its terms of reference, the remit of the Audit & Risk Committee is reviewed by the Board at least every three years, so as to ensure that it fully meets best practice in corporate governance. The Board most recently carried out this review in March 2013 and agreed some minor amendments to provide additional clarification in respect of the key duties of the Committee.

### **Search Committee**

During the year the Board of Directors established a Search Committee as a sub-committee of the Board. The duties of the Search Committee are as follows:

- To review the effectiveness of the Board by ensuring the composition of the Board provides an appropriate balance of skills, experience and diversity
- Ensure the integrity of the nomination process for the appointment of Independent Non-Executive Directors (INEDs)
- Identify any skill deficiencies on the Board and ensure that the necessary training is provided
- Ensure that an evaluation of the balance of skills, experience and diversity on the Board is carried out before the appointment of any INED.
- Make recommendations to the Board concerning the re-appointment of any INEDs at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.
- Make recommendations to the Board in terms of the membership of the Audit & Risk and Remuneration committees, and any other Board committees as appropriate giving due consideration to the role requirements
- Give full consideration to succession planning for directors and INEDs in the course of its work, taking into account the challenges and opportunities facing the Society and the skills and expertise needed on the Board in the future. Make any recommendations to the Board accordingly.

The members of the Committee during the year were:

- Maria Lee (Chair)
- Richard Bickle
- Max Hunt
- Paul Singh

### **Other activities during the year**

In July 2014 the Board undertook an independent Board Skills Review facilitated by PricewaterhouseCoopers LLP. This review identified areas for strengthening the effectiveness of the Board and a Director training schedule is under development to address these areas during 2015. The Review also highlighted the skills, knowledge and experience that the Independent Non-Executive Directors added to strengthen the democratically elected Board of Directors. Following the Skills Review, the Board established and appointed a Search Committee to formulate and undertake a transparent, fair and robust search and selection process for the appointment of two Independent Non-Executive Directors.

The Committee, with the assistance of the Society's General Manager HR and members of the HR team, established clear criteria for candidates based on the skills, knowledge, experience which would further strengthen the elected Board. The process involved the advertisement of the two roles by various methods which included national media and the Co-operative News, the Society's recruitment website and other relevant digital and online sources. Candidates were then shortlisted by the Committee for interview by a selection panel consisting of two Directors of the Search Committee, the General Manager HR and an external consultant. Following the completion of the search exercise a recommendation was made by the Committee to the Board to co-opt Rachel Wilkinson and Martyn McCarthy as Independent Non-Executive Directors, subject to satisfactory completion of references and appropriate checks, with effect from 20 March 2015 for an initial period of 12 months.

During 2016 the Committee will undertake an evaluation of the Board and the performance of the two Independent Non-Executive Directors and make any recommendations to the Board to extend their terms of office.

### **The Board and the Executive**

The Society strives for the highest professional standards and business performance and seeks to maintain these standards across all of its operations. The Society has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Society objectives. The organisational structure has clearly defined lines of responsibility and of delegated authority. During the year the Board of Directors introduced a Schedule of Matters Reserved for the Board which clearly defines those responsibilities reserved for the Board and those delegated to the Management Executive.

The Board is accountable to the whole membership and responsible for ensuring the Society carries out its commitment to be a successful co-operative business, and serve the best interests of the members as well as protecting the assets of the Society. In carrying out its duties, the Board is collectively responsible for the control and direction of the affairs of the Society. The Management Executive is responsible for the day to day operation of the Society. Any decision which is likely to have a material impact on the Society from any perspective, including but not limited to financial, operational, strategic or reputational is reserved for the Board.

The Board, elected by members, and the Management Executive have primary responsibility for setting the Society's strategy and monitoring delivery of that strategy by management, identifying key business risks facing the Society and for the development of policies and procedures to manage those risks. The Society operates a risk management process, which identifies the key risks facing each business and reports to the Management Executive and Audit & Risk Committee on how these risks are being managed. Regular self-assessment audits are carried out across the business and these self-assessments are validated on a sample basis.

The Society's Internal Audit department performs independent reviews of operational and financial control procedures across the business. The Risk Management team is accountable for ensuring the Society identifies and responds appropriately to the risks it faces, reporting formally to the Society's Risk Management Committee which in turn is accountable to the Board for the appropriate management of risk. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Society, which operated during the year under review and up to the date of approval of the Annual Report and Financial Statements. This process, which includes the prioritisation of key risks, is regularly reviewed by the Board of Directors.

The Risk Management team also has operational responsibility for Health & Safety management and Loss Prevention. The Risk Management department works closely with the Internal Audit function in order to provide an integrated approach to the prevention, detection and reduction in losses arising from identified risks. Progress against management

action plans to overcome internal control weaknesses and business risks, is monitored and reported to the Audit & Risk Committee.

Society management recognise the risks attendant on all areas of business resulting from operating in increasingly competitive market places and continue to review processes and procedures with the objective of ensuring effective controls are maintained, overcoming any identified weaknesses and achieving business efficiencies. Where problems do arise positive action is taken to implement appropriate control mechanisms.

Accordingly the Board of Directors confirm that the effectiveness of the system of control for the year commencing 26 January 2014 and ending on 24 January 2015 has been reviewed in line with the criteria set out in Corporate Governance Code for Consumer Co-operatives.

## **Other Corporate Matters**

### **Political Donations**

The Group Revenue Account for the 52 weeks ended 24 January 2015 (Note 6 to the accounts) report that £120,000 (2013/14: £115,000) was paid to the Co-operative Party during the year. This includes support at national level and grants to the four Society Party Councils.

### **Withdrawable Share Capital**

The Society has adopted a Code of Practice on Withdrawable Share Capital. Under the Code, all those joining the Society or members investing through their share accounts are reminded in written documentation that share capital is risk capital. A copy of the full Code can be obtained from the Secretary and the Board takes this opportunity to state that, at present, the risk associated with members' withdrawable share capital is extremely low, given the strength of the Balance Sheet published with this report.

## Statement of Directors' Responsibilities

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

Co-operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Co-operative and Community Benefit Society law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative & Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

So far as the directors are aware, there is no relevant audit information of which the Society's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

### Board Certification

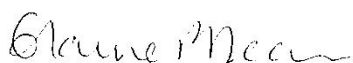
These financial statements are hereby signed on behalf of the Board of Directors pursuant to the requirements of the Co-operative and Community Benefit Societies Act 2014



**Maria Lee**, President



**Martyn Cheatle**, Chief Executive



**Elaine Dean**, Vice President



**James Watts**, Secretary

27 March 2015



## **Independent auditor's report to the members of Central England Co-operative Limited**

We have audited the financial statements of Central England Co-operative Limited for the year ended 24 January 2015 which comprise Group Income & Expenditure Account, Group Balance Sheet, Group Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standard (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of the directors and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 24 January 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

**Matters on which we are required to report by exception**

- We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:
- a satisfactory system of control over transactions has not been maintained; or
- the Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

**Deloitte LLP**

Chartered Accountants and Statutory Auditor  
Birmingham, United Kingdom

27 March 2015

# CENTRAL ENGLAND CO-OPERATIVE LIMITED

## ACCOUNTING POLICIES

### FOR THE 52 WEEKS ENDED 24 JANUARY 2015

#### ***Accounting basis***

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group financial statements. The Group financial statements are prepared in accordance with applicable UK accounting standards, using the historical cost convention modified to include the revaluation of certain land and buildings.

#### ***Accounting date***

For operational reasons the Group financial statements are prepared to the fourth Saturday in the year ended 31 January. The current period is for the 52 weeks ended 24 January 2015 (2014: 52 weeks ended 25 January 2014). Advantage Motor Group Limited prepares its financial statements to 31 December each year.

#### ***Basis of consolidation***

The Group financial statements consolidate the financial statements of Central England Co-operative Limited and all its subsidiaries. The results of businesses acquired during the year are included in the Group financial statements from the dates of their acquisition using acquisition accounting standards, FRS 6 Acquisitions and Mergers. Central England Co-operative Limited has not presented its own financial statements as part of these Group accounts as these are filed separately.

#### ***Going concern***

The directors are required to assess whether the Society has adequate resources to continue in operational existence for the foreseeable future. The financial statements have been prepared on the assumption that the Society remains a going concern.

The Society currently meets its day to day working capital requirements from its cash reserves and bank facilities and is forecast to stay within the current bank facilities for the foreseeable future. The bank facilities consist of a revolving credit facility of £29,000,000 and a bank overdraft of £20,000,000 which is reviewed on an annual basis. There are two financial covenants attached to the revolving credit facility which are tested on a quarterly basis, neither of which are to be breached in the twelve months from the date of signing these financial statements. The repayment terms and details of the revolving facility are detailed in note 15 to the accounts.

The directors have reviewed the forecast of cash flows for the current year and the following year and have formed the judgment that, at the time of approval of these financial statements, the Society has sufficient resources with its current facilities to continue operating for the foreseeable future. On this basis the directors continue to prepare the financial statements as a going concern.

## CENTRAL ENGLAND CO-OPERATIVE LIMITED

### ACCOUNTING POLICIES

FOR THE 52 WEEKS ENDED 24 JANUARY 2015

#### **Gross sales**

Gross sales is a memorandum disclosure and represents the total transaction value of all the Society's services. The gross value of sales includes amounts recognised in respect of sales made on an agency basis, principally relating to travel agents, foreign exchange bureaux, concessions in departments stores and certain petrol stations.

#### **Turnover**

Turnover, as disclosed in accordance with Application Note G to FRS 5, includes cash sales, goods sold on credit, commissions and property rental income. It is stated net of VAT, discounts and incentives. Travel commissions are recognised at the point of sale, with appropriate provision for anticipated cancellations.

#### **Supplier Rebates**

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

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

A forecast is received each year for the income that is expected and this is recognised in accordance with Application Note G to FRS 5 across the period to which it relates.

#### **Management Executive incentive scheme (MEIS)**

The Group has a long-term scheme (MEIS) in place to incentivise the Management Executive within the Society. An expense is recognised over the vesting period of 3 years based upon meeting specific targets and objectives.

#### **Exceptional Items**

Exceptional items are disclosed separately as they are either material to the Society or non-recurring in nature and require further explanation.

#### **Investment Income**

Interest receivable is accounted for on an accruals basis. Dividends are accounted for when received.

## CENTRAL ENGLAND CO-OPERATIVE LIMITED

### ACCOUNTING POLICIES

FOR THE 52 WEEKS ENDED 25 JANUARY 2014

#### ***Payments to and on behalf of stakeholders***

The surplus shown in the revenue account is not considered to be attributable solely to the members, but also to various stakeholders including the Group's employees, charitable institutions or other organisations with objectives or purposes consistent with those of the Group.

Payments to and on behalf of stakeholders are recognised in accordance with the Group's rules to include approved dividends, member relations costs and donations to the Co-operative Party. Payments to and on behalf of stakeholders are recognised in the revenue account in the period in which they are approved by the members.

#### ***Goodwill***

Goodwill, being the excess of the consideration paid for a business over the fair value of its net assets, is capitalised and amortised evenly over its useful economic life with a maximum useful life of 20 years.

#### ***Impairment***

In accordance with FRS11, the Group undertakes an annual impairment review to ensure the carrying value of assets represents the higher of value in use or net realisable value. Impairment reviews are performed for the smallest group of assets (the income generating unit) that produces a largely independent income stream, subject to constraints of practicality and materiality.

#### ***Investment properties***

Certain of the Group's properties are held for long-term investment and in accordance with SSAP19:

- (i) Investment properties are revalued at least once every five years at open market values by external valuers. In all other years, all investment property valuations are reviewed on a "desk-top" basis. All surpluses and deficits arising are taken directly to the revaluation reserve except that any permanent diminution in value of an investment property is taken to the revenue account for the year; and
- (ii) No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years remaining on the lease.

#### ***Fixed assets and depreciation***

Depreciation is provided on all tangible fixed assets, other than investment properties, properties under development, assets in the course of construction and freehold land, at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	2% - 10% per annum
Leasehold properties	Over the unexpired part of the lease
Plant & machinery, fixtures & fittings	6.7% - 33.3% per annum
Petrol station decommissioning costs	2% per annum
Funeral fleet vehicles and other transport	10% - 50% per annum

## CENTRAL ENGLAND CO-OPERATIVE LIMITED

### ACCOUNTING POLICIES

#### FOR THE 52 WEEKS ENDED 24 JANUARY 2015

##### ***Investments***

Investments in shares are stated at the lower of cost and net realisable value. Net realisable value is based on the discounted cash flows expected to arise from the investment, using an appropriate discount rate relevant to the investment. Provision for any impairment in value is considered annually.

##### ***Assets held for resale***

Fixed assets are transferred to current assets and held for resale when a decision has been taken by the Board that they are to be disposed of and an exit plan is committed to. At the time they are transferred an impairment review is carried out and assets are held for resale at the lower of their carrying value or estimated sale proceeds less costs of selling.

##### ***Stocks and long-term contracts***

Stocks are stated at the lower of cost and net realisable value. Cost of manufactured goods comprises materials, direct labour and appropriate overheads incurred in the normal course of business in bringing the product to its current location and condition. Consignment vehicles are regarded as being effectively under the control of the Group and are included in stocks on the balance sheet as the Group has the significant risk and rewards of ownership even though legal title has not passed. The corresponding liability is included in trade creditors. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

Some of the Group's Transport contracts are considered to be long-term contracts and, in accordance with SSAP9, the attributable profit which reflects the proportion of work carried out is included in the accounts to the year end date.

##### ***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## CENTRAL ENGLAND CO-OPERATIVE LIMITED

### ACCOUNTING POLICIES

FOR THE 52 WEEKS ENDED 24 JANUARY 2015

#### ***Funeral plans***

Amounts received in advance for funeral plans are recorded as liabilities on the balance sheet. The liability has been apportioned between current and long term liabilities based upon the Group's experience of funerals carried out under its pre-payment plans over the last five years. All money received for funeral plans taken out from 1 January 2002 is paid into a contract for whole life insurance on the life of the customer for the purpose of providing the funeral and disclosed within fixed asset investments at cost. This investment strategy complies with the provisions of the Financial Services and Markets Act 2000. All money received for funeral plans taken out before 2002 is held in a separate trustee administered bank account and disclosed within current assets. Interest income earned on the cash deposit in the year is not recognised in the revenue account, but is held on the balance sheet in funeral plan debtors and released to profits on performance of the related funeral.

#### ***Assets leased to the group***

Assets held under finance leases are capitalised in the balance sheet at cost and are depreciated in accordance with the Group's normal accounting policy. The interest element of the rental obligation is charged to the revenue account over the period of the lease based on the balance of the outstanding commitment. The outstanding commitment is analysed between current and long term liabilities. Rentals due under operating leases are charged to the revenue account in the year that the cost accrues.

#### ***Onerous lease provision***

Where the Group is committed to future rental payments on a property that are in excess of income received, an onerous lease provision is made. The provision is discounted at an appropriate rate.

#### ***Decommissioning provision***

Provisions are made in respect of decommissioning obligations for petrol filling stations. The amounts provided are based on the Group's best estimate of the present value of costs to be incurred to decommission the petrol tanks in the future.

#### ***Other provisions***

A provision is recognised when the Society has a present legal or constructive obligation as a result of a past event and it is probable that a measurable outflow of economic benefits will be required to settle the obligation. If the effect is material provisions are determined by discounting the expected, risk adjusted, future cash flows.

#### ***Holiday pay***

For employees who commenced employment on or before 1 April 1998, the Group accrues for the cost of outstanding holiday entitlement. These employees were required to accrue one year of their annual holiday entitlement before taking any holiday. The required accrual is calculated by multiplying one year of their annual holiday entitlement for each employee by their current daily pay rate.

## CENTRAL ENGLAND CO-OPERATIVE LIMITED

### ACCOUNTING POLICIES

FOR THE 52 WEEKS ENDED 24 JANUARY 2015

#### ***Pension costs***

The Group operates one defined benefit pension schemes following the wind up of the Midlands Co-operative Society Limited Employees' Pension Scheme and The Anglia Regional Co-operative Society Limited Employees' Superannuation Fund during the year and the creation of a new scheme, The Central England Co-operative Limited Pension Scheme.

The Midlands Co-operative Society Limited Employees' Pension Scheme was closed to future accrual and new entrants on 30 July 2011 and curtailment gains were calculated in accordance with FRS17. The Anglia Regional Co-operative Society Limited Employees' Superannuation Fund closed to future accrual on 14 August 2009.

All pension scheme assets are held in separate trustee administered funds.

The deficit on the defined benefit schemes are recognised in full on the balance sheet and represent the difference between the fair value of the assets and the present value of the defined benefit obligation at the balance sheet date.

Finance income is recognised in the revenue account based on the expected return on pension assets less the interest on pension scheme liabilities.

Differences between the actual and expected return on assets, experience gains and losses and changes in actuarial assumptions are included directly in the statement of total recognised gains and losses.

The Group also operates a defined contribution scheme. The contributions payable to the scheme in respect of the accounting period are charged to the revenue account.

#### ***Share interest***

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



**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**GROUP INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

	Note	2015 52 weeks £'000	2014 52 weeks £'000
<b>GROSS SALES</b> (including VAT)		956,522	798,489
Less Value Added Tax		(85,061)	(71,026)
<b>GROSS SALES</b> (excluding VAT)	1	<u>871,461</u>	<u>727,463</u>
<b>TURNOVER</b>	1	833,170	717,845
Cost of sales		<u>(596,058)</u>	<u>(510,001)</u>
<b>GROSS PROFIT</b>		237,112	207,844
Expenses	2	<u>(215,658)</u>	<u>(187,382)</u>
<b>TRADING PROFIT BEFORE EXCEPTIONAL ITEMS</b>		21,454	20,462
<b>EXCEPTIONAL ITEMS</b>	4	(10,732)	(10,352)
<b>TRADING PROFIT</b>		<u>10,722</u>	<u>10,110</u>
Gain on disposal of fixed assets		860	876
Profit on disposal of businesses		<u>-</u>	<u>2</u>
<b>PROFIT BEFORE INTEREST AND TAXATION</b>		11,582	10,988
Net interest payable	5	(4,263)	(2,024)
Other finance income	17	<u>3,476</u>	<u>2,695</u>
<b>PROFIT BEFORE PAYMENTS TO AND ON BEHALF OF STAKEHOLDERS</b>		10,795	11,659
Payments to and on behalf of stakeholders	6	(4,884)	(3,878)
<b>PROFIT BEFORE TAXATION</b>		<u>5,911</u>	<u>7,781</u>
Taxation	7	(1,260)	(3,005)
<b>RETAINED PROFIT FOR THE YEAR</b>	19	<u>4,651</u>	<u>4,776</u>

All activities in the current year relate to continuing operations.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**

**GROUP BALANCE SHEET**

**AS AT 24 JANUARY 2015**

	Note	2015		2014	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	8		26,566		29,126
Tangible assets	9		388,783		362,497
Investments	10		69,799		63,377
			<u>485,148</u>		<u>455,000</u>
<b>CURRENT ASSETS</b>					
Stocks	11	42,480		41,084	
Debtors	12	51,003		48,853	
Assets held for resale	13	2,241		4,589	
Cash at bank and in hand		13,702		24,994	
			<u>109,426</u>		<u>119,520</u>
<b>CREDITORS</b>					
Amounts falling due within one year					
Creditors	14	(82,605)		(80,803)	
Borrowings	15	(268)		(234)	
			<u>(82,873)</u>		<u>(81,037)</u>
<b>NET CURRENT ASSETS</b>					
			<u>26,553</u>		<u>38,483</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			511,701		493,483
<b>CREDITORS</b>					
Amounts falling due in more than one year					
Creditors	14	(155,644)		(151,644)	
Borrowings	15	(29,467)		(23,451)	
			<u>(185,111)</u>		<u>(175,095)</u>
Provisions for liabilities and charges	16		(19,303)		(25,834)
Net pension liability	17		(145,437)		(72,705)
<b>NET ASSETS</b>					
			<u>161,850</u>		<u>219,849</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	18		22,550		22,925
Revaluation reserve	19		25,203		15,391
Revenue reserve	19		114,097		181,533
<b>MEMBERS' FUNDS</b>					
			<u>161,850</u>		<u>219,849</u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**

**NOTE OF HISTORICAL COST PROFITS AND LOSSES  
FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Profit before taxation	5,911	7,781
Realisation of property revaluation gains of previous years	754	561
<b>Historical cost profit before taxation</b>	<u><b>6,665</b></u>	<u><b>8,342</b></u>
<b>Historical cost retained profit for year</b>	<u><b>5,405</b></u>	<u><b>5,337</b></u>

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

	<b>Note</b>	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Retained profit for the year		4,651	4,776
Actuarial losses on pension scheme	17 & 19	<b>(89,348)</b>	(12,562)
Movement on deferred tax relating to pension scheme		16,691	206
Unrealised gain/(loss) from investment property revaluation	9	7,170	(5,150)
Permanent Diminution on Investment Properties	19	3,396	-
<b>Total recognised losses in the year</b>		<u><b>(57,440)</b></u>	<u><b>(12,730)</b></u>

**RECONCILIATION OF MOVEMENTS IN MEMBERS' FUNDS  
FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

	<b>Note</b>	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Retained profit for the year		4,651	4,776
Other recognised losses for year (as above)		<b>(62,091)</b>	(17,506)
Share interest	18	<b>(184)</b>	(161)
Decrease in share capital	18	<b>(375)</b>	(1,085)
Bought in on Anglia transfer of engagement		-	(14,053)
Bought in on Shepley transfer of engagement		-	305
<b>Net reduction in members' funds</b>		<u><b>(57,999)</b></u>	<u><b>(27,724)</b></u>
Opening members' funds		<b>219,849</b>	247,573
<b>Closing members' funds</b>		<u><b>161,850</b></u>	<u><b>219,849</b></u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

	Note	2015 52 weeks		2014 52 weeks	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	<b>20</b>		<b>21,998</b>		<b>35,179</b>
<b>Returns on investments and servicing of finance</b>					
Net interest and dividends received		96		795	
Interest paid and pension deficit funding		<u>(6,761)</u>		<u>(6,773)</u>	
Net cash outflow from returns on investments and servicing of finance			<b>(6,665)</b>		<b>(5,978)</b>
<b>Corporation tax paid</b>			<b>(7)</b>		<b>(51)</b>
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		<b>(36,466)</b>		(39,624)	
Purchase of fixed asset investments		<b>(6,422)</b>		(4,881)	
Proceeds from disposal of fixed assets		<u>6,803</u>		<u>4,767</u>	
Net cash outflow from capital expenditure and financial investment			<b>(36,085)</b>		<b>(39,738)</b>
<b>Acquisitions</b>					
Purchase of business	<b>21</b>	<b>(1,299)</b>		(2,245)	
Cash acquired on transfer of engagements		<u>-</u>		<u>581</u>	
Net cash outflow for acquisitions			<b>(1,299)</b>		<b>(1,664)</b>
<b>Cash outflow before use of liquid resources and financing</b>			<b>(22,058)</b>		<b>(12,252)</b>
<b>Financing</b>	<b>22</b>		<b>5,490</b>		<b>(1,362)</b>
<b>Decrease in cash in the year</b>	<b>23</b>		<u><b>(16,568)</b></u>		<u><b>(13,614)</b></u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

**RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET CASH**

	<b>Note</b>	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Decrease in cash in the year		<b>(16,568)</b>	(13,614)
Cash (outflow)/inflow from lease financing	<b>23</b>	<b>(159)</b>	71
Cash (outflow) from debt financing	<b>23</b>	<b>(5,891)</b>	(22)
Reclassification of loan capital investment		<b>(53)</b>	-
Loan capital investment	<b>23</b>	-	11
Debt acquired on transfer of engagement	<b>23</b>	-	(23,570)
Change in net cash resulting from cash flows		<b>(22,671)</b>	(37,124)
Opening net cash		<b>1,362</b>	38,486
<b>CLOSING NET DEBT</b>	<b>23</b>	<b>(21,309)</b>	1,362

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

<b>1 GROSS SALES AND TURNOVER</b>	<b>Gross Sales (excluding VAT)</b>		<b>Turnover</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>52 weeks</b>	<b>52 weeks</b>	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Retail	<b>714,465</b>	588,667	<b>710,686</b>	583,776
Wholesale	<b>46,010</b>	64,673	<b>46,010</b>	64,673
Funeral	<b>38,225</b>	32,222	<b>38,225</b>	32,222
Transport	<b>25,379</b>	25,940	<b>25,379</b>	25,940
Travel	<b>36,891</b>	5,142	<b>2,382</b>	415
Other	<b>532</b>	508	<b>529</b>	508
Rent received from investment properties	<b>9,959</b>	10,311	<b>9,959</b>	10,311
<b>Total</b>	<b><u>871,461</u></b>	<u>727,463</u>	<b><u>833,170</u></b>	<u>717,845</u>

Turnover consists of sales made in the United Kingdom and Ireland.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

<b>2 EXPENSES</b>	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Personnel costs (Note 3)	122,429	105,640
Occupancy costs	31,248	27,448
Depreciation:		
- Owned assets (Note 9)	17,440	14,766
- Assets held under finance leases (Note 9)	224	37
Amortisation of intangible assets (Note 8)	2,316	2,098
Operating lease rentals – plant and machinery	661	521
Operating lease rentals – land & buildings	6,967	6,213
Directors' fees	140	146
Other expenses	34,233	30,513
	<hr/>	<hr/>
	215,658	187,382
Exceptional items (Note 4)	10,732	10,352
Total expenses	<hr/> <hr/>	<hr/> <hr/>

**Services provided by the Group's auditor**

During the year the Group obtained the following services from the Group's auditor at costs detailed below:

	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
<b>Audit fees:</b>		
Fees payable for the audit of consolidated accounts	<b>60</b>	50
Fees payable for the audit of the Society and its subsidiaries pursuant to legislation	<b>101</b>	105
<b>Fees payable to Group's auditor for other services:</b>		
All other services	<b>15</b>	10
	<hr/>	<hr/>
	<b>176</b>	<b>165</b>
	<hr/> <hr/>	<hr/> <hr/>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

<b>3 EMPLOYEES</b>	<b>2015</b>	<b>2014</b>
	<b>52 weeks</b>	<b>52 weeks</b>
The average number employed by the Group was	<b>Number</b>	<b>Number</b>
Full-time	<b>3,400</b>	2,685
Part-time	<b>5,288</b>	4,593
	<b><u>8,688</u></b>	<u>7,278</u>

The number of full time equivalent employees during the 52 weeks ended 24 January 2015 was 5,638.

Aggregate amounts paid in respect of:	<b>£'000</b>	£'000
Wages and salaries	<b>110,810</b>	94,916
Social security costs	<b>6,779</b>	6,178
Defined contribution pension scheme costs	<b>4,840</b>	4,546
	<b><u>122,429</u></b>	<u>105,640</u>

Further information on Director's Fees is included on pages 28 – 31.



**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

<b>4 EXCEPTIONAL ITEMS</b>	<b>Note</b>	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Costs arising from the closure of Fashion & Home business		-	266
Impairment of goodwill (note 8)		448	1,264
Impairment of tangible fixed assets (note 9)		1,892	1,422
Permanent diminution on Investment Properties		3,396	-
Increase in onerous lease provision		1,720	79
Costs arising from the reorganisation of business		3,155	-
Anglia transfer of engagements		3,285	6,539
Write off investment in Energy Saving Co-operative		-	540
Other exceptional costs		436	242
Pension Curtailment Gain		(3,600)	-
		<u><u>10,732</u></u>	<u><u>10,352</u></u>

In line with the Group's accounting policies, an impairment review was undertaken during the year and led to an exceptional impairment charge of £448,000 of goodwill (2014: £1,264,000) and £1,892,000 of tangible fixed assets (2014: £1,422,000).

At the year end, the diminution in value of two investment sites were considered permanent which led to an exceptional charge of £3,396,000.

The Group is committed to a number of onerous leases on trading properties, the provision for which was reviewed during the year and gave rise to an increase in the provision of £1,720,000 (2014: 79,000).

During the year, the Group has undertaken reviews of its business and support functions and gave rise to costs of £3,155,000 which include redundancy and professional fees.

During the prior year Anglia Regional Co-operative Society Limited transferred its engagements to Central England Co-operative Limited. Costs associated with the transfer of engagements amount to £3,285,000 (2014: £6,539,000) and include integration costs associated with the pension scheme and other costs.

During the year, the Midlands Co-operative Society Limited Employee's Pension Scheme and the Anglia Regional Co-operative Society Limited Employee's Superannuation Fund were wound up and a new scheme, The Central England Co-operative Limited Pension Scheme was created. A curtailment gain was recognised following the settlement of liabilities for eligible pension scheme members.

Other exceptional costs include property provisions and legal costs.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

<b>5</b>	<b>NET INTEREST PAYABLE</b>	<b>Note</b>	<b>2015</b> <b>52 weeks</b> <b>£'000</b>	<b>2014</b> <b>52 weeks</b> <b>£'000</b>
	Interest payable on borrowings	15	(823)	(142)
	Interest and dividends receivable	10	695	525
	Other interest		-	(35)
			<u>(128)</u>	<u>348</u>
	Interest unwind on Central Asset Reserve		(2,528)	(2,372)
	Unwinding of discounted provisions		(1,607)	-
			<u>(4,263)</u>	<u>(2,024)</u>
	Net interest payable		<u>(4,263)</u>	<u>(2,024)</u>
<b>6</b>	<b>PAYMENTS TO AND ON BEHALF OF</b> <b>STAKEHOLDERS</b>		<b>2015</b> <b>52 weeks</b> <b>£'000</b>	<b>2014</b> <b>52 weeks</b> <b>£'000</b>
	Member benefits		571	322
	Member relations		564	562
	Members' dividend		2,219	1,333
	Total members' distributions		<u>3,354</u>	<u>2,217</u>
	Co-operative Party		120	115
	Community dividend		198	274
	Employee dividend		1,212	1,272
			<u>4,884</u>	<u>3,878</u>
<b>7</b>	<b>TAXATION</b>		<b>2015</b> <b>52 weeks</b> <b>£'000</b>	<b>2014</b> <b>52 weeks</b> <b>£'000</b>
	Current tax:			
	Provided on chargeable income and gains in the year		(8,556)	(6,626)
	Adjustments in respect of prior years		3	(2)
			<u>(8,553)</u>	<u>(6,628)</u>
	Deferred taxation:			
	Origination and reversal of timing differences		4,863	3,333
	Adjustments in respect of prior years		2,430	290
			<u>(1,260)</u>	<u>(3,005)</u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

**7 TAXATION - (CONTINUED)**

Reductions in the UK corporation tax rate from 23% to 21% (from 1 April 2014) and 21% to 20% (from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Society's future current tax charge accordingly.

The deferred tax asset as at 25 January 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

**Factors affecting the tax charge for the current year**

The current tax charge for 2015 is higher (2014: higher) than the standard rate of corporation tax in the UK of 21.36% (2014: 23.18%). The differences are explained below:

	<b>2015</b> <b>52 weeks</b> <b>£'000</b>	<b>2014</b> <b>52 weeks</b> <b>£'000</b>
Profit before taxation	<u>5,911</u>	<u>7,781</u>
Current tax at 21.36% (2014: 23.18%)	<b>(1,262)</b>	(1,803)
Effects of:		
Expenses not deductible for tax purposes	<b>(2,299)</b>	(775)
Pension scheme adjustments	<b>1,353</b>	-
Capital allowances for the year less than depreciation	<b>399</b>	(29)
Short term timing differences	<b>(79)</b>	190
Profit on disposal of assets not subject to corporation tax	<b>208</b>	199
Expenses allowable not in revenue account	<b>58</b>	58
Adjustments in respect of prior years	<b>3</b>	(2)
Pension expenses allowable	<b>117</b>	330
Losses created	<b>(7,024)</b>	(4,766)
Income taxable not in revenue account	<b>(27)</b>	(30)
Total current tax charge	<u><b>(8,553)</b></u>	<u>(6,628)</u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

**8 INTANGIBLE FIXED ASSETS – GOODWILL**

	Note	2015 £'000	2014 £'000
<b>Cost</b>			
Total brought forward		51,399	49,151
Additions	21	204	501
Finalisation of Shaws Petroleum Ltd fair values	21	-	44
Acquired on transfer of engagement		-	1,703
Total carried forward		<u>51,603</u>	<u>51,399</u>
<b>Amortisation</b>			
Total brought forward		22,273	18,911
Charge for the year		2,316	2,098
Impairment	4	448	1,264
Total carried forward		<u>25,037</u>	<u>22,273</u>
<b>Net book value</b>		<u>26,566</u>	<u>29,126</u>

In line with the Group's accounting policies, an impairment review of loss making units has been performed during the year, and this gave rise to an impairment of £448,000 (2014: £1,264,000).

Where appropriate, cash flows for relevant operating units have been discounted using a discount rate between 7.5% - 10% (2014: 7.5% - 10%).

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

**9 TANGIBLE FIXED ASSETS**

	Investment properties £'000	Trade properties £'000	Machinery & plant £'000	Transport £'000	Total £'000
<b>Cost or valuation</b>					
Total brought forward	96,253	260,994	168,034	14,406	539,687
Additions	2,617	16,637	19,959	1,971	41,184
Acquisition (note 21)	-	995	100	-	1,095
Transfers	11,642	(10,007)	(1,684)	49	-
Disposals	(2,783)	(792)	(2,789)	(972)	(7,336)
Revaluation adjustment	5,389	-	-	-	5,389
Total carried forward	<u>113,118</u>	<u>267,826</u>	<u>183,620</u>	<u>15,455</u>	<u>580,019</u>
<b>Depreciation</b>					
Total brought forward	-	52,331	115,897	8,962	177,190
Provided this year	-	4,779	11,507	1,378	17,664
Impairment (Note 4)	-	1,033	859	-	1,892
Transfers	1,781	(1,372)	(408)	-	-
Disposals	-	(186)	(2,584)	(959)	(3,729)
Revaluation adjustment	(1,781)	-	-	-	(1,781)
Total carried forward	<u>-</u>	<u>-</u>	<u>125,271</u>	<u>9,386</u>	<u>191,236</u>
<b>Net book value</b>					
<b>At 24 January 2015</b>	<u><b>113,118</b></u>	<u><b>211,241</b></u>	<u><b>58,349</b></u>	<u><b>6,069</b></u>	<u><b>388,783</b></u>
At 25 January 2014	<u>96,253</u>	<u>208,663</u>	<u>52,137</u>	<u>5,444</u>	<u>362,497</u>

BNP Paribas Real estate, independent qualified valuers, (Andrew Oliver MRICS and Peter Fletcher BSc MRICS) have inspected and revalued approximately one fifth of investment properties as at 24 January 2015. The remainder have been valued by BNP Paribas Real estate at 24 January 2015 on a 'desk top' basis and will be inspected and revalued over the course of the next four years. All valuations were carried out at a market value basis in accordance with the RICS Appraisal and Valuation Manual.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations during the year resulted in a revaluation gain of £7,170,000 (2014: revaluation loss of £5,150,000).

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the assets has been entered into and it is unlikely that any gain will be rolled over.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

**9 TANGIBLE FIXED ASSETS - (CONTINUED)**

Assets in the course of construction included within trade properties amounts to £3,227,000 (2014: £8,327,000). Assets under construction are not depreciated.

The Group no longer capitalises borrowing costs connected to the purchase of a fixed asset. The cumulative value of finance costs previously capitalised and included within fixed assets (cost or valuation) amounts to £1,380,000 (2014: £1,380,000).

Included within fixed assets are assets with a net book value of £1,074,000 (2014: £776,000) relating to assets held under finance lease. Depreciation charged on these assets amounted to £224,000 (2014: £67,000) during the year.

Transfers arise to reflect the most appropriate class for each asset and include two sites and three properties transferring from trade to investment and two properties transferring from investment to trade.

In line with the Group's accounting policies, an impairment review of loss making units was performed during the year and gave rise to an impairment of £1,892,000 (2014: £1,422,000). Cash flows for relevant operating units were discounted using a discount rate between 7.5% - 10% (2014: 7.5% - 10%).

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>The net book value of land and buildings comprises:</b>		
<b>Investment properties:</b>		
Freehold	<b>109,250</b>	92,472
Leasehold over 50 years	<b>672</b>	632
Leasehold under 50 years	<b>3,196</b>	3,149
	<b><u>113,118</u></b>	<u>96,253</u>
<b>Trade properties:</b>		
Freehold	<b>196,445</b>	197,763
Leasehold over 50 years	<b>3,839</b>	4,588
Leasehold under 50 years	<b>10,957</b>	6,312
	<b><u>211,241</u></b>	<u>208,663</u>
<b>Total properties:</b>		
Freehold	<b>305,695</b>	290,235
Leasehold over 50 years	<b>4,511</b>	7,263
Leasehold under 50 years	<b>14,153</b>	7,418
	<b><u>324,359</u></b>	<u>304,916</u>
<b>The historical cost of investment properties now included at valuation:</b>		
Cost	<b>106,235</b>	92,745
Accumulated depreciation	<b>(18,230)</b>	(13,534)
Net book value	<b><u>88,005</u></b>	<u>79,211</u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

**10 INVESTMENTS**

	Fixed assets		Dividends/interest	
	2015 £'000	2014 £'000	2015 52 weeks £'000	2014 52 weeks £'000
The Co-operative Group Limited – shares	2,677	2,677	98	151
Other I&P societies – shares	25	25	-	-
Other I&P societies – loans	63	63	-	-
Companies – quoted	1,585	1,585	-	-
Companies – not quoted	8,500	8,500	425	-
British Government – quoted	31	31	2	1
Other	4	4	-	-
Funeral plans	56,914	50,492	-	-
	<b>69,799</b>	<b>63,377</b>	<b>525</b>	<b>152</b>
Interest earned on cash balances			<b>166</b>	<b>352</b>
Other interest			<b>4</b>	<b>21</b>
			<b>695</b>	<b>525</b>
<b>Market values of quoted investments</b>	<b>1,892</b>	<b>1,819</b>		

Included in the market value are investments that will be de-listed from the Stock Exchange in April 2015.

**11 STOCKS**

	2015 £'000	2014 £'000
Goods for resale	41,206	40,272
Consignment stock	1,274	812
	<b>42,480</b>	<b>41,084</b>

**12 DEBTORS**

	Note	2015 £'000	2014 £'000
Trade debtors		7,636	9,307
Funeral plans		12,415	10,351
Deferred tax	16	21,747	13,821
Other debtors		1,311	2,985
Prepayments and accrued income		7,894	12,389
		<b>51,003</b>	<b>48,853</b>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
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**13 ASSETS HELD FOR RESALE**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Land & Buildings	1,997	3,629
Fixtures	244	960
	<u>2,241</u>	<u>4,589</u>

**14 CREDITORS**

	<b>Within one year</b>		<b>After one year</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	27,858	36,562	-	-
Bank overdraft	5,276	-	-	-
Central Asset Reserve liability	6,400	6,400	92,707	95,549
Funeral plans	6,993	6,377	62,937	56,095
Corporation tax	-	10	-	-
Other taxation and social security	7,138	3,803	-	-
Other creditors	4,674	5,515	-	-
Accruals and deferred income	22,292	20,808	-	-
Payments to and on behalf of stakeholders	1,974	1,328	-	-
	<u>82,605</u>	<u>80,803</u>	<u>155,644</u>	<u>151,644</u>

Trade creditors includes £1,274,000 (2014: £812,000) in respect of commitments to purchase vehicles on consignment and obligations. The corresponding assets are included in stocks.



**CENTRAL ENGLAND CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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**15 BORROWINGS**

	Within one year		After one year		Interest payable	
	2015	2014	2015	2014	2015	2014
	£'000	£'000	£'000	£'000	52 weeks	52 weeks
					£'000	£'000
Bank loan	-	-	28,773	22,882	748	130
Finance leases	268	234	694	569	75	12
	<b>268</b>	<b>234</b>	<b>29,467</b>	<b>23,451</b>	<b>823</b>	<b>142</b>

	2015	2014
	£'000	£'000
Borrowings falling due within:		
One year	268	234
Between one and two years	29,029	23,399
Between two and five years	339	52
Over five years	99	-
	<b>29,735</b>	<b>23,685</b>

The Group has a revolving credit facility of £29,000,000 which is repayable on 26 September 2016, £29,000,000 of which was drawn down at the year end.

**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred taxation	Onerous leases	Discontinued operations Provision	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance	703	4,777	13,543	6,811	25,834
Reclassification to debtors	(703)	-	-	-	(703)
Charged to the revenue account	-	1,853	521	3,409	5,783
Unwinding of discount	-	312	1,295	-	1,607
Utilised this year	-	(765)	(4,263)	(7,244)	(12,272)
Released this year	-	(26)	(789)	(131)	(946)
Closing balance	<b>-</b>	<b>6,151</b>	<b>10,307</b>	<b>2,845</b>	<b>19,303</b>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
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**16 PROVISIONS FOR LIABILITIES AND CHARGES – (CONTINUED)**

	Note	2015 £'000	2014 £'000
<b>The deferred taxation provision comprises:</b>			
Accelerated capital allowances		-	(703)
<b>The deferred taxation asset comprises:</b>			
Spread pension contributions	12	5,652	5,717
Other timing differences	12	465	1
Unutilised losses	12	14,770	8,103
Accelerated capital allowances	12	860	-
		<u>21,747</u>	<u>13,821</u>

As a result of the Central Asset Reserve, the Society will receive a deduction against current tax of £28.3m (2014: £28.6m) over the next 3 years. Consequently a deferred tax asset of £5.7m (2014: £5.7m) has been recognised at 24 January 2015. No provision has been made for deferred taxation relating to re-valued properties for which the potential liability has not been quantified, because of the availability of indexation and other reliefs. No provision has been made for deferred tax assets of £5.7m (2014: £4.1m) relating to capital losses that are currently carried forward of £28.6m (2014: £20.5m). These amounts will be utilised should the Group have any chargeable gains in the future. There are no other unrecognised deferred tax assets or liabilities.

The onerous lease provision represents an assessment of the costs to cover rent and rates for leasehold premises where the Group is committed to future rental payments on properties that are in excess of incomes received, taking account of the anticipated period until the leases are assigned or reassigned. The assessment, which is undertaken at the end of each accounting period, is made on a property by property basis. The provision is expected to be utilised within the next 12 years (2014:13 years).

The discontinued operations provision represents an estimate of amounts payable under contracts relating to property costs, redundancy and computer costs which are expected to unwind in the next 1 to 14 years.

Other provisions represent an assessment of costs associated with the re-organisation of the business of £1.2m, the decommissioning of petrol filling stations of £0.4m, property provisions of £1m and other provisions of £0.2m.

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
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**17 PENSION COMMITMENTS**

The Group currently operates three defined benefit pension schemes. The Midlands Co-operative Society Limited Employees' Pension Scheme was closed to future accrual and new entrants on 30 July 2011 and curtailment gains were calculated in accordance with FRS17. The Anglia Regional Co-operative Society Limited Employees' Superannuation Fund closed to future accrual on 14 August 2009. These schemes were wound up during the year and a new scheme, The Central England Co-operative Society Limited Pension Scheme, was created.

The assets of all schemes are held in separate trustee administered funds.

The deficit on the defined benefit schemes are recognised in full on the balance sheet and represent the difference between the fair value of the assets and the present value of the defined benefit obligation at the balance sheet date.

Finance income is recognised in the revenue account based on the expected return on pension assets less the interest on pension scheme liabilities.

Differences between the actual and expected return on assets, experience gains and losses and changes in actuarial assumptions are included directly in the statement of total recognised gains and losses.

The Group also operates a defined contribution scheme. The contributions payable to the scheme in respect of the accounting period are charged to the revenue account.

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**17 PENSION COMMITMENTS – (CONTINUED)**

The Group currently operates three defined benefit pension schemes. The Midlands Co-operative Society Limited Employees' Pension Scheme was closed to future accrual and new entrants on 30 July 2011 and curtailment gains were calculated in accordance with FRS17. The Anglia Regional Co-operative Society Limited Employees' Superannuation Fund closed to future accrual on 14 August 2009. These schemes were wound up during the year and a new scheme, The Central England Co-operative Society Limited Pension Scheme, was created. These notes relate to the overall position of the combined schemes.

The Society implemented a pension deficit reduction arrangement (Central Asset Reserve) which has resulted in additional scheme assets of £113.229m being recognised within the FRS17 valuation at 24 January 2015. The scheme assets are underpinned by way of subordinated pledges given by Central Midlands Estates Limited, a subsidiary of the Society.

During the year the Group made normal contributions to the scheme amounting to £2.762m (2014: £1.246m) including payments under the Central Asset Reserve of £1,529,000 (2014: £498,000).

The latest full actuarial valuation for the Midlands Co-operative Society Limited Employees' Pension Scheme was carried out at 31 December 2011 using the projected unit basis. The latest full actuarial valuation for the Anglia Regional Co-operative Society Limited (Peterborough) Employees' Superannuation Fund was carried out at 31 December 2012 using the projected unit basis. Both valuations have been updated for FRS17 purposes to 24 January 2015 by a qualified independent actuary. The principal assumptions used by the actuary were:

	<b>2015</b>	<b>2014</b>
Rate of increase in pensions in payment	<b>3.00%</b>	3.20%
Discount rate	<b>3.30%</b>	4.50%
Inflation assumption	<b>3.10%</b>	3.30%

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**17 PENSION COMMITMENTS – (CONTINUED)**

The mortality assumptions used are based on the "SAPS" standard tables with an allowance for future mortality improvements using the CMI 2014 projections with a long-term rate of improvement of 1.25% pa. The assumptions are such that a current 45 year old non-pensioner member who later retires at age 65 will live on average a further 24 (2014: 24) years after retirement if they are male and a further 27 (2014: 27) years if they are female. A current pensioner member aged 65 will live on average a further 22 (2014: 22) years if they are male and for a further 25 (2014: 25) years if they are female.

The assumptions used by the actuary are the best estimates chosen in accordance with FRS17 requirements from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cashflow projections over long periods and thus inherently uncertain were:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	<b>630,644</b>	557,819
Present value of funded obligations	<b>(800,869)</b>	(648,534)
Deficit in the scheme	<b>(170,225)</b>	(90,715)
Related deferred tax asset	<b>24,788</b>	18,010
Net pension liability	<b>(145,437)</b>	(72,705)

Scheme assets do not include any property occupied by the Group.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

Changes in the fair value of scheme assets:

	<b>2015</b>	<b>2014</b>
	<b>52 weeks</b>	<b>52 weeks</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	<b>557,819</b>	555,269
Expected return	<b>32,729</b>	25,631
Actuarial gains / (losses)	<b>82,859</b>	(6,608)
Contributions by employer	<b>2,762</b>	1,246
Contributions by employees	-	-
Benefits paid	<b>(45,525)</b>	(17,719)
<b>Closing fair value of scheme assets</b>	<b>630,644</b>	557,819

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
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**17 PENSION COMMITMENTS – (CONTINUED)**

Changes in the present value of scheme obligations:

	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Opening obligation	<b>648,534</b>	637,375
Service cost	<b>1,137</b>	-
Interest cost	<b>28,116</b>	22,924
Members contributions	-	-
Actuarial losses	<b>172,207</b>	5,954
Plan settlements and curtailments	<b>(3,600)</b>	-
Benefits paid	<b>(45,525)</b>	(17,719)
<b>Closing obligation</b>	<b><u>800,869</u></b>	<u>648,534</u>

Analysis of other pension costs charged in arriving at trading profit:

Current service cost	<b><u>(1,137)*</u></b>	<u>-</u>
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\*This is in respect of expenses paid by the Scheme as a result of PPF levies and the merger

Analysis of amounts included in other finance income and exceptional items:

Expected return on pension scheme assets	<b>32,729</b>	25,631
Interest on pension scheme liabilities	<b>(28,116)</b>	(22,924)
Gains on settlements or curtailments	<b>3,600</b>	-
	<b><u>7,076</u></b>	<u>2,707</u>

Analysis of amounts recognised in statement of total recognised gains and losses:

Cumulative at beginning of year	<b>(186,755)</b>	(174,193)
Recognised during the year	<b>(89,348)</b>	(12,562)
<b>Cumulative at end of year</b>	<b><u>(276,103)</u></b>	<u>(186,755)</u>

**Assets in the plan as a percentage of total plan assets:**

	<b>2015</b>	<b>2014</b>
Bonds	<b>44%</b>	51%
Equities	<b>16%</b>	42%
Other	<b>40%</b>	7%

The scheme holds quoted securities and these have been valued at current bid-price. The amounts above do not include the Central Asset Reserve asset.

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**17 PENSION COMMITMENTS – (CONTINUED)**

<b>History of experienced gains and losses</b>	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Benefit obligation at year end	<b>(800,869)</b>	(648,534)	(637,375)
Fair value of plan assets at year end	<b>630,644</b>	557,819	555,269
<b>Deficit</b>	<b>(170,225)</b>	(90,715)	(82,106)
<b>Actual return less expected return on pension scheme assets</b>	<b>82,859</b>	(6,608)	10,080
<b>Experience gains and (losses) arising on the scheme liabilities</b>	<b>0</b>	0	751

**Defined Contribution Scheme**

The costs of contributions to the defined contribution scheme amounted to £4,840,000 (2014: £4,546,000).

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<b>18 SHARE CAPITAL</b>	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Contributions	215	152
Withdrawals	(775)	(1,398)
	<b>(560)</b>	<b>(1,246)</b>
Interest	184	161
	<b>(375)</b>	<b>(1,085)</b>
Brought in on Anglia transfer of engagements	-	7,391
Brought in on Shepley transfer of engagements	-	17
<b>Movement in year</b>	<b>(375)</b>	<b>6,323</b>
Opening balance	<b>22,925</b>	16,602
<b>Closing balance</b>	<b>22,550</b>	<b>22,925</b>

At 24 January 2015 the Society had a total of 1,666,792 (2014: 1,651,461) members each entitled to one vote. At the balance sheet date the whole of the share capital comprises non-equity shares of £1 each attracting interest at rates between 0% and 2.25% (2014: between 0% and 2.25%).

Share capital is generally withdrawable on demand; however, in accordance with the Society rules, the Board may suspend the right of withdrawal for a limited time and may impose a notice period for withdrawals should they consider it to be in the best interests of the Society. The Society rules for the distribution of the final surplus in the event of winding-up after repayment of the paid-up, share capital state that such assets shall not be paid to or distributed among the members of the Society but shall be:

- a. transferred to one or more other societies in membership of the Co-operatives UK Limited having the same or similar rule provisions as regards surplus distribution as this rule, as may be determined by the members at an ordinary or special meeting; or
- b. if not so transferred shall be paid or transferred to the Co-operatives UK Limited.

Dividends to members are paid by way of vouchers redeemable against purchases.

The Group operates a Share Incentive Plan (SIP) to benefit employees. Employees can invest a proportion of their salary which may not exceed the lower of £1,495 or 10% of an employee's take home pay, on which they earn a return of 2.25% in that period. Interest earned is recognised in the share capital note. At the end of five years an employee may withdraw their shares.



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**18 SHARE CAPITAL – (CONTINUED)**

The Society is allowed to allocate matching shares under rules governed by HMRC. As an incentive to colleagues to join and remain in the SIP, the Society will match the first £10 paid in by each colleague for the purchase of partnership shares in the first year of the scheme by awarding £10 in matching shares. Each year colleagues who continue to contribute will receive a further £10 in matching shares for the first £10 of partnership shares acquired in later years. A year for the purposes of matching shares will be the Society's financial year.

As long as the matching shares are held for at least five years, they can be redeemed with the Society free of income tax and national insurance contributions. If they are redeemed before this date, income tax and national insurance contributions will normally be payable.

The issue of matching shares is discretionary. The Society therefore reserves the right to amend or withdraw the issuing of matching shares at its discretion.

**19 MOVEMENTS IN RESERVES**

	Revaluation reserve £'000	Revenue reserve £'000
At 25 January 2014	15,391	181,533
Retained profit for the year	-	4,651
Actuarial loss on pension scheme	-	(89,348)
Movement on deferred tax relating to pension scheme	-	16,691
Transfer of realised gains	(754)	754
Gain on revaluation of property (note 9)	7,170	-
Permanent diminution on Investment Properties	3,396	-
Share interest (note 18)	-	(184)
	<hr/>	<hr/>
At 24 January 2015	<u>25,203</u>	<u>114,097</u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE 52 WEEKS ENDED 24 JANUARY 2015**

<b>20 RECONCILIATION OF TRADING PROFIT TO TRADING CASH FLOWS</b>	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Trading profit	10,722	10,110
Curtailment gain	(3,600)	-
Depreciation and impairments	23,400	17,489
Amortisation of goodwill	2,316	2,098
Payments to and on behalf of stakeholders	(4,243)	(3,599)
Decrease / (increase) in debtors	5,729	(856)
(Decrease) / increase in creditors	(1,967)	5,444
(Increase) / decrease in stocks	(1,395)	2,863
(Decrease) / Increase in provisions	(7,435)	2,129
Cash contribution for retirement benefit obligations	(1,529)	(498)
	<u>21,998</u>	<u>35,179</u>

**21 ACQUISITION OF BUSINESS**

During the year the Group acquired two trading sites. An analysis of the assets and liabilities acquired at book value which equated to the provisional fair value is:

	<b>£'000</b>
Tangible fixed assets	1,095
Goodwill	204
Consideration	<u>1,299</u>

<b>22 FINANCING</b>	<b>2015 52 weeks £'000</b>	<b>2014 52 weeks £'000</b>
Capital element of finance lease rentals repaid	159	(132)
Debt due beyond one year:		
Increase in utilisation of bank loans	5,891	-
Increase/(decrease) in debt	<u>6,050</u>	<u>(132)</u>
Decrease in share capital (note 18)	(560)	(1,230)
	<u>5,490</u>	<u>(1,362)</u>

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
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**23 ANALYSIS OF NET CASH**

	2014	Cash flow	Other	2015
	£'000	£'000	£'000	£'000
Net Cash at bank and in hand	24,994	(16,568)	-	8,426
Debt due after one year	(22,882)	(5,891)	-	(28,773)
Finance leases due within one year	(234)	(34)	-	(268)
Finance leases due after one year	(569)	(125)	-	(694)
Loan capital investment	53	-	(53)	-
	<u>1,362</u>	<u>(22,618)</u>	<u>(53)</u>	<u>(21,309)</u>

**24 COMMITMENTS**

**Finance leases**

The minimum finance lease payments to which the Group is committed in future years are:

	2015	2014
	£'000	£'000
Within one year	267	234
In the second to fifth years inclusive	595	517
Over five years	99	52
	<u>961</u>	<u>803</u>

Obligations under finance leases are shown as part of loans in note 15.

**Operating leases**

At 25 January 2014 the Group had the following annual commitments under non-cancellable operating leases, including onerous lease and discontinued operation commitments of £3,409,000 per annum (2014: £882,000) which are fully provided for as described in note 16.

	Land & buildings	Other	Land & buildings	Other
	2015	2015	2014	2014
	£'000	£'000	£'000	£'000
Operating leases expiring:				
Within one year	576	482	1,126	441
In the second to fifth years inclusive	1,209	1,225	1,696	906
Over five years	6,339	110	5,978	1
	<u>8,124</u>	<u>1,817</u>	<u>8,800</u>	<u>1,348</u>

## CENTRAL ENGLAND CO-OPERATIVE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 24 JANUARY 2015

#### 24 COMMITMENTS (CONTINUED)

As part of the disposal of the travel business Thomas Cook Travel (TCT) took occupation under licence of the Society's former leased travel branches. The terms of the licence are that as from 4 October 2011 TCT are wholly responsible for all outgoings and costs associated with these properties. At 24 January 2015 the lease commitments on these operating leases expiring within one year, in the second to fifth years and over five years are as follows: £490,000; (2014: £1,460,000), £384,000 (2014: £917,000) and £162,000 (2014: £244,000).

#### Capital commitments

Amounts contracted for but not provided for in the financial statements were £17.6 million (2014: £9.8 million).

#### 25 FINANCIAL INSTRUMENTS

The Group holds an interest rate swap with a principal value of £12,500,000 which had a market value of (£183,000) as at 24 January 2015 (£228,000 – 25 January 2014), which matures on 28 February 2016. Neither FRS 26 or 29 have been adopted and therefore the fair value is not recorded on the balance sheet.

#### 26 SUBSIDIARIES AND ASSOCIATES

	<b>% of Equity owned</b>	<b>Principal activity</b>
Central Midlands Estates Limited	100	Property Management
Terry Smith Limited	100	Coffin Manufacturer
M.C.S. Funeral Services Limited	100	Funeral Services
Shaws Petroleum Limited	100	Non-Trading
Oakwell Stores Society Limited	100	Corporate Trustee
Midlands Co-op Scottish Limited Partnership	83	Investment in Corporate Bonds
Midlands Co-op General Partner Limited	100	Partnership Administration
Advantage Motor Group Limited	100	Motor Dealership
Leicester Carriage Builders 2002 Limited	100	Non-Trading
Metro Discount Stores (Midlands) Limited	100	Non-Trading
Ilkeston Travel Services Limited	100	Non-Trading
Ken Ives Motors (Derby) Limited	100	Non-Trading
Ilkeston Motor Finance Limited	100	Non-Trading
Ilkeston Consumer Co-operative Society Pension Trustees Limited	100	Non-Trading
Anglia Co-operative (Food) Limited	100	Food retailing
Anglia Co-operative Properties Limited	100	Property management
Co-operative Funeral Services (Anglia) Limited	100	Funeral services
Midlands Co-operative Pension Trustee Limited	100	Dormant

**CENTRAL ENGLAND CO-OPERATIVE LIMITED**  
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**26 SUBSIDIARIES AND ASSOCIATES– (CONTINUED)**

	<b>% of Equity owned</b>	<b>Principal activity</b>
Food & Funerals Properties Limited	100	Property management
Westgate Optical Limited	100	Optical Retailing
Yaxley Farm Limited	100	Farming

All subsidiaries are registered within the United Kingdom.

**Subsidiary audit exemptions**

Central England Co-operative Society has issued guarantees over the liabilities of the following companies at 24 January 2015 under section 479a of Companies Act 2006 and therefore auditors have not been appointed for these entities.

<b>Company Name</b>	<b>Company Number</b>
Terry Smith Limited	2095147
Shaws Petroleum Limited	00855613
Midlands Co-op General Partner Limited	SC410710
Advantage Motor Group Limited	5800376
Westgate Optical Limited	7526437
Yaxley Farm Limited	2553217

The Group will review any additional audit exemptions available for its' Subsidiary Societies and will provide the required guarantees under the relevant legislation.

The Group currently holds investments in the following entity:

<b>Associated undertakings</b>	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>Class of shares held</b>
Anglia Home Furnishings Limited	Furniture retailing	United Kingdom	Preference

**27 RELATED PARTY TRANSACTIONS**

Central England Co-operative Limited continues to hold a preference share interest in Anglia Home Furnishings Limited and maintains certain trading relationships relating to its normal trading activities which give rise to payables and receivables being due at the balance sheet date. The net amount due from Anglia Home Furnishings Limited in respect of these relationships was £63,000 (2014: £62,000).

## Five Year Financial Record

£'000	Jan 2011 52 weeks	Jan 2012 53 weeks	Jan 2013 52 weeks	Jan 2014 52 weeks	Jan 2015 52 weeks
Gross Sales (excl. VAT)	942,890	878,782	669,683	727,463	871,461
Turnover	669,669	675,939	663,635	717,845	833,170
Depreciation & Amortisation (excl. exceptional items)	17,035	17,243	16,957	16,901	19,980
Trading Profit	18,853	32,108	16,908	10,110	10,772
Trading Profit before Exceptional Items	26,434	26,550	25,436	20,462	21,454
Profit before Taxation	27,727	35,211	15,311	7,781	5,911
Retained profit for the year	23,233	26,275	10,042	4,776	4,651
Share Interest	176	176	176	161	184
Payments to and on behalf of Stakeholders	3,321	4,001	4,316	3,878	4,884
Tangible Fixed Assets	300,927	307,639	298,996	362,497	388,783
Net cash/(debt)	45,311	40,579	38,486	1,362	(21,309)
Share Capital	16,534	16,502	16,602	22,925	22,550
Revaluation Reserve	36,788	35,883	21,102	15,391	25,203
Revenue Reserve	241,761	237,793	209,869	181,533	114,097
Members' Funds (Net Assets)	295,083	290,178	247,573	219,849	161,850
Cash Flow from Operating Activities	33,264	39,983	37,423	35,179	21,998
Cash Flow from Sale of Tangible Fixed Assets	18,887	1,085	775	4,767	6,803
Capital Expenditure	22,577	34,289	30,718	41,931	42,483
Number of Members	938,683	992,865	999,184	1,651,461	1,666,792
Trading Profit (before Exceptional Items) /Turnover Ratio	3.9%	3.9%	3.8%	2.9%	2.6%
Gearing Ratio (Net Borrowings/Net Assets)	Nil	Nil	Nil	10.7	18.4%

## **Notice of Annual Meeting**

**The Annual Meeting of Members will be held as follows:**

### **Tuesday 28 April 2015 at 7.00 pm**

**COALVILLE** - Snibston Discovery Museum, Ashby Road, Coalville, LE67 3LN

**LEICESTER** – The Keith Weller Suite, Leicester City Football Club, King Power Stadium, Albert Way, Leicester, LE2 7FL

**NORWICH** – The Sunningdale Suite, Dunston Hall, Ipswich Road, Norwich, NR14 8PQ

### **Wednesday 29 April 2015 at 7.00 pm**

**KETTERING** – The Fair Isle Suite, Kettering Conference Centre, Thurston Drive, Kettering, NN15 6PB

**MARKET HARBOROUGH** – The Cromwell Suite, Three Swans Hotel, High Street, Market Harborough, LE16 7NJ

### **Thursday 30 April 2015 at 7.00 pm**

**PETERBOROUGH** – The Henry Royce Suite, Peterborough Marriott Hotel, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6GB

### **Tuesday 5 May 2015 at 7.00 pm**

**CHESTERFIELD** – Legends Lounge, Chesterfield Football Club, Proact Stadium, Sheffield Road, Chesterfield, S41 8NZ

**DERBY** – The Roundhouse, Roundhouse Road, Pride Park, Derby, DE24 8JE

**EASTWOOD** – Lawrence Suite, Eastwood Hall, Mansfield Road, Eastwood, NG16 3SS

### **Wednesday 6 May 2015 at 7.00 pm**

**BIRMINGHAM** – Hall 4, International Convention Centre (ICC), Broad Street, Birmingham, B1 2EA

**BURTON-ON-TRENT** – The Albion Suite, Burton Albion Football Club, The Pirelli Stadium, Princess Way, Burton-on-Trent, DE13 0AR

**STAFFORD** – The Gallery in The Beacon Building, Staffordshire University, Beaconside, Stafford, ST18 0AD

## Agenda of Annual Meeting

1. **Welcome & Introductions**
  2. **Minutes** of the Interim Meeting of Members held in October 2014
  3. **Directors' Annual Report and Financial Statements for the year ended 24 January 2015**, including the Annual Report of the Remuneration Committee.
  4. **Appointment of Auditors:** Deloitte LLP, Four Brindleyplace, Birmingham, B1 2HZ.
  5. **Distribution of Trading Surplus.** The Board of Directors proposes the following distributions from trading surplus:
    - Members' Dividend: **1 pence per point\***
    - Colleague Dividend: **£1,073,000**
    - Community Dividend: **£215,000**
- \* On purchases made between 10 August 2014 and 24 January 2015
6. **Independent Non-Executive Directors.** To confirm the co-option approved by the Board of Directors in March 2015 of Rachel Wilkinson and Martyn McCarthy as Independent Non-Executive Directors for a period of twelve months.
  7. **Membership & Community Update**
  8. **Annual Report & Accounts of the Society Co-operative Party Councils** (Anglia, Central England Northern, Central England Eastern & Southern, and Central England Western Regions).

James Watts  
**Society Secretary**

April 2015