

interim report 2016

Central England Co-operative

Building on our strengths

Central England Co-operative is a diverse business with our trading portfolio ranging from food stores, petrol stations and funeral services to travel shops, opticians and property investment. But all parts of our Society have one thing in common – the co-operative approach we take to running our business.

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 Central England Co-operative. 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. We support Newlife Foundation for Disabled Children, our colleague elected corporate charity, and invest 1% of our trading profit into supporting local good causes across central England, through our Community Dividend Fund.

As this Interim Report shows, we are constantly investing to grow our Society – including £175 million over the last five years – for the benefit of our members and the local community, and to achieve our vision of being the UK's best consumer co-operative.

“Playing to our strengths is key to the Society’s long-term success.

Our size ensures we have a strong voice in the co-operative sector while also being able to carry out the democratic decisions of our members in a way that makes a real difference; whether that be through our Community Dividend Fund to support local good causes or the beneficial impact our energy saving initiatives have on the environment.”

Our family of businesses

food stores	235
fuel stations	25
funeral homes	123
florists	10
masonry	5
coffin factory	1
crematorium	1
travel shops	20
opticians	3

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Cause for celebration

We believe that any measure of success has to be put into context and our performance during the first half of the year reveals a resilient performance against the backdrop of an uncertain commercial and economic environment.



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

Of course, a key highlight for our Society in the first half of 2016 was the presentation of the 'Leading Co-operative of the Year Award' in June – the second time we have won this award in the past three years.

Our Society embraces co-operative values and principles with a passion, and this is reflected not just in the award but in the ongoing developments designed to strengthen our business for the future. Succeeding as a co-operative business depends on active involvement with members and local communities. To this end, we updated our Membership and Community strategy at the start of 2016 to help grow our engagement and impact in this key area. We have done this by increasing our Membership & Community Councils (MCCs) from three to six, and welcoming a number of new MCC ambassadors to help ensure our efforts continue to be a success.

We have also completely updated the Society's Rule book to provide improved communication of our constitutional and governance arrangements.

Supporting good causes, local groups and community events across Central England remains at the heart of what we do as a co-operative business. We achieve this through our Community Dividend Fund. In April, our members approved a fund of £208,000 for this year, and we are delighted to be making good progress in awarding grants ranging from £100 to £5,000 to a wide variety of excellent funding applications.

“ It's people, not just products and services, that are at the heart of our Society, and it's thanks to our members and local communities that we can achieve so much. ”

I am confident that the Society is well placed to achieve continued success within an environment of significant challenge and change. The Society's on-going progress could not be achieved without the tremendous efforts of our colleagues who provide consistently high standards to our members and customers.

On behalf of the Board of Directors and our members, I thank all of our colleagues for their continued commitment and important contribution to the Society.

Maria Lee
President



Maria Lee
President



LEADING COOP OF THE YEAR 2016

£448.4m
Gross sales
(excluding VAT)
↓ 4.4%

£12.9m
Trading profit
(on an unaudited management accounts basis)
↓ £1.8m

£14.1m
Capital expenditure
4 new food stores, 1 new funeral home
↓ 0.2m

£2.9m
Payments to stakeholders
↑ £0.1m

700 hours donated during **THE BIG CO-OP CLEAN**

186
Foodbanks in our stores

50
Member Classes

2,000
Members Enrolled

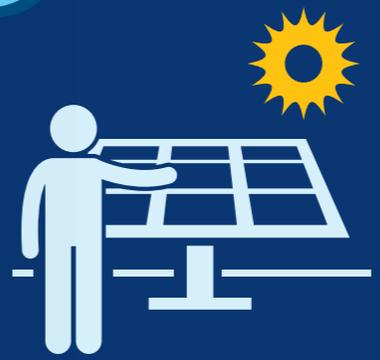
Dying Matters
42 events

Bloom
257 pledges made

FAIRTRADE FORTNIGHT
29 FEBRUARY - 13 MARCH 2016
20 events



26.3%
Carbon footprint reduction³



4%
per month waste reduction



2½ Stars
awarded in the BITC CR Index



550

Community activities

¹Total number of defibrillators installed in Central Co-operative stores.
²£1.2m raised for Newlife since 2012.
³Since January 2011.



Martyn Cheatle
Chief Executive

Our values give us an edge

As Chief Executive, it was a proud moment to learn the Society had once again won the award for 'Leading Co-operative of the Year' at Co-operative Congress 2016.

This achievement reflects a true team effort across all levels within the Society but more importantly is a fantastic testament to the dedication and capability of all our employees.

The award also confirms our ongoing commitment to run a successful co-operative business as well as achieving a sound financial performance in a tough economic environment. The first half of the year saw the continuation of tough trading conditions, including the effects of food price deflation and intense competition combined with a fall in consumer confidence.

Our headline sales performance reflects the market conditions, with gross sales of £448m showing a reduction of £20m compared to the prior year. Encouragingly, underlying sales in our core food and funeral businesses

innovative marketing initiatives and careful management of our overheads.

Following the Board's annual review of the Society's long-term business strategy, we remain confident that we have the right plans in place to further enhance the Society's profile as a modern, successful co-operative business.

A good indication of the Society's health is our ambitious growth strategy and capital investment of £14.1m in the first half of the year included the opening of four new

“ Our strategy continues to provide the framework to respond to the challenges ahead and support the future growth of the business. ”

were broadly level with the previous year after excluding sales from our discontinued transport businesses and the impact of lower petrol and diesel pump prices in the first half of 2016.

Trading profit at the half year of £12.9m is in line with our budget expectations but is £1.8m lower than the prior year and reflects the introduction of new lower prices in our food stores, improved pay rates for our colleagues and other cost increases.

In the meantime, we have been working to offset the effect of the downward pressure on sales and margins through the introduction of new product ranges,

stores, a new funeral home, significant refit activity in our convenience store estate and two new supermarket conversions. Further new openings are on track for the second half of the year and beyond.

Elsewhere in the Society, our funeral business has seen strong growth after work to improve our offering in the pre-paid funeral plan market to help remove some of the burden on families at the most difficult of times. By offering the best care and choice for our families, we aim to enhance memories and love at the most difficult of times. Continuing to improve our operating platform will generate significant efficiencies whilst supporting our ambitions to improve our client's experience.



The Society's travel shops have experienced difficult trading conditions during the first half of the year, but have achieved encouraging performance in niche sectors including cruise, escorted tours, long haul and tailor made bookings.

As a community retailer, the Society has also been working in our trading areas to improve the lives of customers, members and colleagues. Hundreds of colleagues and members gave up their time in June this year as part of 'The Big Co-op Clean' during Co-operatives Fortnight to spruce up everywhere from school playgrounds to cemeteries.

// We are encouraged by the progress we are making. //

As part of our drive to promote healthier lifestyles, our 'Bloom' campaign has also attracted strong support and participation, with colleagues and members making pledges to improve their fitness, diet and well-being in the first half of the year.

We are encouraged by the progress we are making. By optimising our point of difference as a co-operative and focusing on continuous improvement activity across the business, we remain committed to delivering future business growth in a sustainable way for the benefit of our members, customers and local communities.

Martyn Cheatle
Chief Executive



Society colleagues participate in The Co-op Big Clean

Looking ahead

Although market conditions are expected to remain challenging for the foreseeable future – with food price deflation, intense competition and cost pressures continuing to impact our business – we remain confident in our strategy, and the Society's resilience to operate successfully and make a difference to our members and the local communities in which we trade.

We continue to invest in our business and our people to ensure that we offer a relevant and attractive proposition to our members and customers.

We look forward to reporting the Society's performance for the full year in our annual report and financial statements for the year ending 28 January 2017.



Colleagues celebrate the opening of our Kedleston Road Food Store in Derby with local school children



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

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Central England Co-operative



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