

For you and your community



Central England Co-operative

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INTERIM REPORT 2018

28 weeks ended 11 August 2018

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OUR FAMILY OF BUSINESSES

240

Food
Stores

22

Petrol Filling
Stations

1

Distribution
Hub

129

Funeral
Homes

2

Masonry
Showrooms

1

Coffin
Factory

1

Crematorium

9

Florist
Shops

20

Travel
Shops

£131m

Investment
Property
Portfolio



Serving our customers and members

ABOUT US

A thriving, community-based co-operative business

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

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

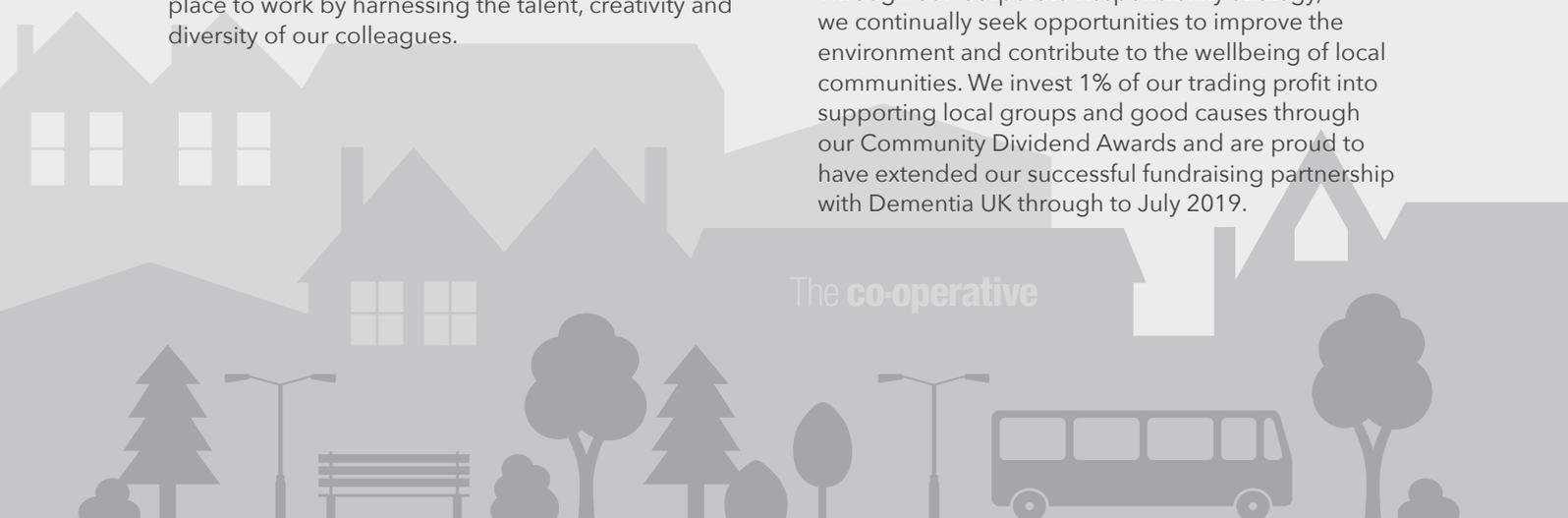
We are proud of our heritage, which dates back over 160 years, and have grown to become one of the largest and most successful co-operatives in the UK. Our colleagues are at the heart of our business and make a positive difference in the communities they serve. We focus continuously on being a great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

A purpose beyond profit that benefits our members and local communities

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

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

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



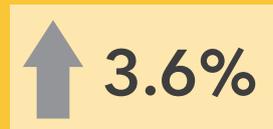


Our new store in Ashby

FINANCIAL HIGHLIGHTS

Gross Sales
£476.9m

(excluding VAT)



Trading Profit
£12.9m

(on an unaudited management accounts basis)



Up £1.0m

2017: £11.9m

Strong Cash Generation
£26.2m

2017: £24.6m

Capital Expenditure

£12.4m



2017:
£19.2m

Payments to Stakeholders

2017: £2.6m

£2.3m



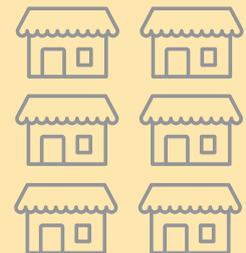
Refurbishments completed at:

27 Food Stores

5 Funeral Homes



6 New Travel Shops



Previously operated by
Thomas Cook

Growing Our Business:



New Food Stores



New Funeral Home



New Funeral Booking Offices



Our food redistribution project with FareShare East Midlands

SOCIETY HIGHLIGHTS

80 Community Dividend Grants Awarded

£89,000



Community Dividend Fund



FareShare

East Midlands

Industry-leading scheme aimed at redistributing food with FareShare East Midlands to be rolled out following successful trial



Charity partnership with Dementia UK extended



Over £800,000

raised over the last 12 months

Participation at Birmingham Pride

Underlining our long-term commitment to diversity and inclusion



Think:Digital

A partnership launched with Birmingham City University



“

Thank you for your
loyal membership.
I am very proud to
be your President”

”



Elaine Dean, Society President

PRESIDENT'S OVERVIEW

Dear Members,

I am delighted to present our Interim Report from the Board and tell you what we have been doing in the period under review. You will see from the trading figures that we have had a very encouraging first half of the year, with sales boosted by the long, hot summer and the opening of new outlets.

At the National Co-op Retail Conference held in Kenilworth in March we gave a presentation of our #beingcoopy focus over Christmas 2017, which was very well received and showed excellent membership and community engagement. Also in March we held our first Women's Voices event as part of the 2020 Women's Challenge, with over 50 women attending and taking part in presentations and workshops. It was so successful we will repeat it annually.

The annual elections in April gave us enlarged Member & Community Councils (MCCs). These now comprise four areas plus our Yorkshire Cluster, covering the former Shepley and Wooldale Societies along with our stores in the South Yorkshire area. We do have vacancies for member ambassadors on our MCCs. We have been proud to welcome visitors from the Co-op Group board, including Rt. Hon. Hazel Blears and Lord Victor Adebawale, to showcase the fantastic community work taking place across the Society.

In May, I was delighted to host a get together of our Retired Employee Associations in Leicester along with Society management. We are very mindful that retired colleagues helped to build the successful Society we have today. I was also thrilled to represent the Board at the Long Service Awards, held over two days in June at the beautiful Chatsworth House, in Derbyshire.

Society Board members and management attended the Co-operative Group AGM along with the Co-operatives UK AGM and Co-operative Congress, all bodies on which various Directors serve.

The Board held a two-day strategy event in June to discuss future policy to ensure we focus on the correct initiatives for our co-operative business. As President I have tried to get out and about across our trading regions to visit Food Stores and Funeral Homes and I am also pleased to have visited all of our Member & Community Councils.

In May, our Chief Executive Martyn Cheatle informed us of his decision to retire after eight years in the role and 18 years with the Society. The search is now on for his successor. The Board is determined that our new CEO will continue to share our co-operative values and principles and our commitment to remain a strong, independent Society.

It gives me great sadness to announce that former Midlands Society President Wilf Lee, husband of my predecessor as President, Maria, passed away in August after a short illness. Wilf was a lifelong co-operator and gave many years of loyalty to the Society.

Finally, thank you for your loyal membership. I am very proud to be your President.



Elaine Dean
Society President



“ We have had an encouraging first half of the year, reflecting the hard work of our colleagues ”

Martyn Cheatle, Chief Executive

CHIEF EXECUTIVE'S REVIEW

An encouraging first half

We have had an encouraging first half of the year, reflecting the hard work of our colleagues and continued focus across the Society in providing great service and products to our members and customers. The Society's gross sales grew by 3.6% to £476.9m, representing a very pleasing performance in a highly competitive trading environment.

Trading profit at the half year of £12.9m is £1m (+8.4%) ahead of the prior year and well ahead of our budget expectations. Cash generation of £26.2m was also ahead of the prior year and remains a key driver of the Society's growth plans and our long-term funding commitment to the pension scheme. Our positive year-on-year performance also reflects the progress of ongoing transformational change programmes across the Society.

We have worked hard to meet the needs of customers which included the launch of our Everyday Low Price campaign in January. We have also invested in our colleagues by increasing front-line store hourly pay rates and team leader pay in line with our Fair Reward strategy. We remain alert to the underlying competitive pressure on sales, margins and our cost base, as well as the requirement to invest to ensure we are well placed for future growth and success.

In our core food business, like-for-like sales in our convenience stores outperformed the market, with growth of 7% which included exceptional trading during the harsh winter and the hot summer. Throughout both spells, our store colleagues and

food distribution teams provided great product availability and service in response to the significant increase in demand.

Our funeral business has traded well in the first half of the year, with arrangement numbers ahead of last year and our budget expectations. The Society's new Funeral Homes and new format Booking Offices have extended our services to more families and are achieving encouraging growth as they reach maturity.

Elsewhere, our Travel Shops have seen niche holiday sectors (such as cruise, escorted tours, worldwide and tailor-made holidays) all performing well. We have also announced plans to expand our travel business from October 2018 by taking on six Travel Shops previously operated by Thomas Cook.

Becoming fit for the future

Our focus on building a sustainable business for the future has included ongoing progress as part of three major transformation programmes across the Society. This important work will continue in the second half of this year and into 2019 and include the introduction of new technology to drive efficiencies.

Our ambitious growth strategy saw capital investment of £12.4m in the first half of 2018 and included the opening of six new Food Stores, one new Funeral Home and two new Funeral Booking Offices. Further new openings are on schedule for the second half of the year and into 2019 and beyond. We have also maintained the rolling refurbishment programme of our existing trading estate, with a significant number of projects completed in the period.



Our Funeral colleagues are there for those in need

CHIEF EXECUTIVE'S REVIEW

In July, we announced an exciting link-up with Birmingham City University to support the growing influence of digital technology on the retail and funeral sectors. The partnership will grow and nurture talent in the local area and extend digital skills across all communities in the region.

Together we make a difference

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

As part of our commitment to talking to our colleagues about diversity and inclusion, we held our second Facebook live event, which focused on race and LGBT issues, and participated at Birmingham Pride for the first time.

We take our environmental responsibilities seriously and have recorded a further reduction in our energy usage. The Society's carbon footprint has decreased by 48% from our baseline position in 2010. This reflects the positive impact of continued investment in efficiency-led performance specifications for new stores and refurbishments.

We are also proud to have announced an industry-leading project that will see unsold food redirected to help local charities. Following the successful completion of a pilot with FareShare East Midlands, this pioneering programme will redistribute 'best before' food items to over 250 local charities.

In August, we were delighted to celebrate our 12-month anniversary with our corporate charity partner Dementia UK. During this time our colleagues, customers and members have helped to raise over £800,000 to fund the creation of nine specialist Admiral Nurses, vital training and the ongoing staffing of Dementia UK's free helpline.

Looking ahead

Our encouraging performance in the first half of 2018 has again demonstrated the Society's resilience as a strong and successful independent co-operative business. However, our resilience continues to be tested by tough trading conditions which we expect to remain challenging and highly competitive for the foreseeable future.

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

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



Martyn Cheatle
Chief Executive

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