

News Release

06 May 2009

Record results from a rejuvenated Co-operative Group

Preliminary Results for The Co-operative Group for the 52 weeks ended 10 January, 2009

The Co-operative Group is the UK's largest mutual retailer. It is the fifth largest food retailer, the third largest retail pharmacy chain, the number one provider of funeral services and the largest independent travel business. It also has strong market positions in banking and insurance. The Group employs 110,000 people, has 3 million members and around 4,900 retail outlets.

As well as delivering on its financial and operational goals, The Co-operative Group aims to deliver on its social goals, playing an active part supporting local communities and the wider world. Today the Group is reporting on both of these areas.

Highlights

- Record results, with gross sales including VAT up 15 per cent, breaking through the £10bn barrier and operating profit before significant items up 11 per cent to £393m
- Acquisition of Somerfield completed, transforming our food business into a major fifth player in the UK grocery market
- Merger between Co-operative Financial Services and Britannia Building Society
- Launch of the biggest rebranding programme in UK corporate history

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SUSTAINABLE DEVELOPMENT
2007



INVESTOR IN PEOPLE

- Food business turned in a strong trading performance. We have now reported 13 consecutive quarters of like-for-like sales growth
 - Market-beating sales increases driven by successful store refits, product re-launches and investments in service and price
 - Sales up 23.1 per cent to £4,527m
 - Like-for-like sales up by a market-beating 5 per cent (ex-fuel)
 - Food profit up 38.1 per cent to £219.1m.
 - Underlying profit has increased significantly by £37.2m (20.4 per cent)
 - First quarter '09 like-for-like sales up by 6.5 per cent (ex-fuel), ahead of the market
- Healthcare and Funeralcare both delivered strong sales and profit growth. Pharmacy sales rose 37.5 per cent to £744m and operating profit before significant items increased by 19 per cent to £37.8m. Funeralcare sales rose 17 per cent to £274m with operating profit before significant items up 14 per cent at £39.2m
- Following a serious challenge due to the Government's attempts to claw back profit from the Healthcare business, underlying profit there has fallen 13.7 per cent from £43.8m to £37.8m.
- Dividend payments to customer members, up from £45m to £50m

Financial and Operational Performance

- Group sales before premiums ceded to reinsurers and net of VAT rose 13.4 per cent to £9.4bn (£8.3bn) or £10.4bn gross (£9.1bn)
- Group operating profit before significant items rose 11 per cent to £393m (£355m)
- Profit before payments to and on behalf of members (the equivalent of pre-tax profits in a plc) rose 11 per cent to £218m (£196m)
- Members' funds rose 3.6 per cent to £3.9bn (£3.8bn)
- More than 1,575 retail outlets converted to the new brand concept
- Net debt rose from £564m to £648m reflecting the investment in refitting and rebranding our stores

NB The Group's statutory results for 2008 compare to the figures for 2007, which included 12 months of trading for The Co-operative Group and six months for the

former United Co-operatives. The underlying Trading Group figures compare with full 12 months in 2007 for both businesses.

Social Goals

- Contributed a total of £11.5m to the community in 2008, a 10 per cent increase on the previous year and equivalent to 9.9 per cent of our pre-tax profits
- Launched our new Food Ethical Policy, endorsed by more than 100,000 members, which outlines our member-led commitment to maintain and strengthen our position as the UK's leading responsible retailer
- New Community Plan launched with focus on three themes: young people, international development and climate change. This has included:
 - Young People: Farm to Fork scheme offering visits to the Group's own farms, providing hands-on experience for children showing how their food is grown; visits for children to our Waste Works education project. To date 15,000 children have benefitted.
 - International Development: We became the first major retailer to convert all our own-brand hot beverages to Fairtrade; the first supermarket to stock Palestinian Fairtrade olive oil
 - Climate Change: 150 schools now receiving green energy, 65 per cent reduction in plastic bag usage, 15 per cent packaging reduction target will be met by end of '09
- Co-operative Bank unveiled an updated Ethical Policy and made a number of new commitments on human rights, climate change and animal welfare
- Co-operative Travel became the first High Street travel agent to introduce its own Ethical Strategy

Peter Marks, Chief Executive, said:

"These are record results from a rejuvenated Co-operative Group. The last year has seen us significantly improve sales and profitability while also laying solid foundations for the reinvigoration and renaissance of the wider co-operative movement with the acquisition of Somerfield and the agreement to merge our Financial Services business with the Britannia Building Society.

"At a time when the economy is struggling and many business models are coming under intense pressure we truly believe that The Co-operative Group is coming into its own. The events of the past year have built on the successful

merger in 2007 of The Co-operative Group and United Co-operatives and our continued strong trading clearly demonstrates the benefits of that merger.

“In the Trading Group, our food business has gone from strength to strength, driven by successful store refits, product re-launches and improvements to service levels and pricing. The deal to buy Somerfield will transform that business, making The Co-operative the fifth major player in the grocery market and ensuring we can offer our customers great choice and value in community stores.

“The merger of CFS and the Britannia will result in the creation of a financial ‘super mutual’ which will provide an even stronger ethical alternative to the many discredited financial institutions which have become embroiled in the credit crunch.

“While the economic outlook clearly remains difficult, we believe that The Co-operative Group is in a strong position. Our focus on financial success combined with social responsibility is more attractive than ever before and we believe 2009 is going to be another successful and exciting year for the Group.”

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Overview

The underlying performance of the combined Group in 2008 shows that we have continued to go from strength to strength – delivering on the promise of the merger in July 2007 of The Co-operative Group and United Co-operatives. We have made fantastic progress over the past 18 months, due to the efforts of thousands of our people in stores and branches throughout the country. The deal to buy Somerfield and the forthcoming merger between Co-operative Financial Services and the Britannia Building Society have capped what has been a truly extraordinary and transformative period for the Group.

From a financial perspective, we are able to report significantly improved sales and profits and a strong balance sheet. Gross sales passed the £10bn mark for the first time, reaching £10.4bn – up from £9.1bn in 2007. Group revenue before reinsurance premiums was £9.4bn, against £8.3bn. Trading Group revenue increased by 18.7 per cent or £1.2bn to £7.5bn.

Group operating profit rose by 59.7 per cent to £275.4m, an increase of £103m. Within the Trading Group, headline operating profit before significant items rose 20.5 per cent to £273.8m. Underlying trading profit (adjusting for the impact of the merger, stripping out property disposals, investment property valuation changes and the volatile non cash element of pensions costs) was up 20.1 per cent at £266m.

The Co-operative Financial Services operating profit before significant items was £148.7m compared with £151.5m in 2007. Shareholder profit before short-term fluctuations, significant items and the Financial Services Compensation Scheme (FSCS) Levy was £147.0m compared with £155.4m in the previous year.

The banking business recorded a significant increase in operating profit before significant items of £24.7m (49 per cent) with Retail banking seeing strong sales performance, which has been supported by the development of award-winning and market-leading products. Customer deposits have grown by 20 per cent in 2008. The General Insurance business achieved a profit of £8.4m despite investment losses in the turbulent market conditions. Earned premiums were lower than last year reflecting the move to a lower risk profile and resulting lower average premiums.

Trading Group borrowings increased to £648m (£564m), reflecting our investment in the largest rebranding programme in UK retailing history and additional payments associated with the Somerfield acquisition. This resulted in a net debt to earnings ratio of 1.3, compared to 1.2 in 2007. During the course of the year members' funds rose by 3.6 per cent to £3.9bn.

Trading Group

The Co-operative Food

The success of our Food business has continued with another strong year. Turnover in the business rose by 23 per cent to £4.5bn, boosted by like-for-like sales growth of 5 per cent. This represented a 0.5 per cent out performance of the IGD Index, the industry benchmark. We have now reported 13 consecutive quarters of like-for-like sales growth in a fiercely competitive market place. Operating profits before significant items were 38 per cent higher at £219m.

The brand relaunch had an important part to play in the continued revitalisation of Food in 2008, with more than 700 of our stores refitted. Rebranded stores, on average, generated sales increases of 13 per cent. The rebranding programme was supplemented by a drive to re-launch more products and improve service levels and our price competitiveness. We launched The Co-operative Bakery, which ensures that all our freshly baked bread has The Co-operative stamp of approval on it. We also re-launched and increased the availability of our “Simply Value” range which is more important than ever before in the current economic climate. At the other end of the spectrum, our “Truly Irresistible” range has also done extremely well, with sales increasing by 40 per cent year-on-year, reflecting consumer confidence in the quality of our brand, as people are choosing to shop locally and dine at home rather than eat out. Top-selling Truly Irresistible products included Elmwood British Free Range Chicken, Freedom Food British Wiltshire Cured Ham, speciality tomatoes and speciality breads, such as Balsamic Vinegar & Roast Garlic Flatbread.

In 2008, Fairtrade sales in our stores also increased by 40 per cent, thanks largely to our pioneering work on own-brand Fairtrade products, which allows our customers to continue to make an ethical choice during difficult times. During the year, we were the first to market with own-brand Fairtrade fruit smoothie drinks and we launched the first Fairtrade sparkling wine, as well a Fairtrade Palestinian olive oil - the first Fairtrade product to come out of Palestine.

Our vision for the future is to be the UK’s favourite and best community retailer. The acquisition of Somerfield, agreed during the year and completed after year-end, is an important step in this regard. The deal transforms The Co-operative Group into the fifth major player in the UK grocery market and means we can offer our customers a real alternative to the Big Four supermarkets with great choice and value in community stores.

The Co-operative Pharmacy

Our healthcare business has delivered a creditable result following a serious challenge due to the Government’s move to reduce the amount of reimbursement to pharmacies from prescriptions. Turnover increased by 37.5 per

cent, from £541m to £744m in the year. Operating profit before significant items of £37.8m was up 19.3 per cent from £31.7m. The business has also embraced the new brand with 628 branches now rebranded, including 210 full refits showing a 5 per cent increase in prescription numbers compared to unbranded stores.

Other positive news for 2008 includes the increase of the business' customer rating to a record high of 81 per cent and an increase of membership transactions of 40 per cent year-on-year. The year has also focused on the building and fit out of the new Co-operative Pharmacy National Distribution Centre (NDC). The NDC will be able to service all 800 of our pharmacies with the key fast moving products, offering an industry leading level of customer service from Europe's most advanced pharmaceutical distribution centre.

The Co-operative Funeralcare

Following two years of heavy investment and reorganisation, 2008 was a very successful year for Funeralcare, reflected in the 17 per cent increase in sales, from £234m to £274m. Operating profit before significant items for the year was £39.2m compared to £34.4m in the previous year.

During 2008, £11.9m was invested in Funeralcare's fleet of vehicles and £5.1m in the funeral home network, including the rebranding of 214 branches, the acquisition of Bernard Nicholson Funeral Directors in Thirsk and the opening of eight new funeral homes in Tillicoultry, Haxby, Mastrick, Inverkeithing, Craiglockhart, Windsor, Musselburgh and Barkingside. A further four funeral homes are being integrated into the business following the merger with Lothian Borders and Angus Co-operative Society.

In spite of a hugely successful 2008, the business plan for 2009 is no less ambitious in its aims and objectives as the business seeks to build on its achievements and continue in its goal of becoming the UK's funeral provider of choice.

Specialist Retail

Our Specialist Retail businesses include travel, legal services and end-of-life planning businesses. The Co-operative Travel business performed exceptionally well during 2008, with a record 20.7 per cent rise in turnover, up from £217m to £262m. The business turned an operating loss before significant items of £2.1m into a profit of £5.3m. Our online sales have grown significantly since the introduction of a new state-of-the-art website in December, with an increase of more than 250 per cent in the final weeks of January, as compared to 2008. Our Legal Services business continued to develop during the year and delivered a good performance with an operating profit before significant items of £1.7m,

which was consistent with the previous year. End of Life Planning turned in a record operating profit of £1.9m and we are confident of further growth for the business in 2009.

Other businesses

The remaining businesses in the Group – Estates, Farms, E-Store, Clothing, Services and Motors - all performed well in the period. Estates turned in a trading profit of £20m, whilst our Farms business delivered a record profit of £5.7m. Sunwin Motor Group achieved a creditable profit of £0.1m, versus a prior year loss of £1.7m, whilst Sunwin Services Group delivered an operating profit of £0.7m, an increase of 31 per cent on last year. Our online Electricals business more than doubled its sales to £54m and Clothing made a small loss of £0.2m, but a number of new appointments in the management team will help facilitate the growth of the business in the coming years.

Social Goals

During 2008 and early 2009, our approach to sustainable development has been guided by a series of extensive and crucial member consultation exercises. In response, at the start of 2008, we launched our new Community plan to focus our community and campaigns activities on three themes: young people, international development and climate change.

Climate change is the primary issue in our commitment to environmental sustainability and we are one of the world's largest purchasers of renewable energy. International development continues to be a key focus of our business. In 2008, we became the first major retailer to convert all of our own-brand hot beverages to Fairtrade. This commitment to international development continues to resonate with our customers - in 2008 Fairtrade sales in our stores increased by 44 per cent.

Our engagement with young people continued during 2008, as demonstrated by our award winning From Farm to Fork scheme which has now expanded to become a national scheme. We anticipate that more than 20,000 children will visit one of our farms in 2009.

At the start of 2009, The Co-operative Bank unveiled an updated, radical Ethical Policy and made a number of new commitments on human rights, climate change and animal welfare. There was significant media focus on animal welfare issues in 2008, and our Food Ethical Policy consultation highlighted members' interest in this area. Following the launch of this policy, pioneering initiatives have included switching all our own-brand Truly Irresistible Pork range to RSPCA Freedom Food-accredited meat.

The Co-operative Travel set the agenda for the holiday industry by being the first high street travel agent to introduce its own Ethical Strategy. The radical new strategy supports the principles of sustainable and responsible tourism.

From 2009, increased focus will be placed on campaigning activity. In line with our leadership position on climate change, we will oppose the exploration of toxic fuels, we will support marine reserves and have launched Plan Bee, a campaign to help reverse the worrying decline in the British bee population.

We are proud of our achievements so far. During 2008, we won the Management Award at the 2008 European Business Awards for The Environment; Business in the Community awarded us the International Climate Change Award and The Grocer awarded us the Green Retailer of the Year award. We were also ranked the UK's most ethical brand for the second year running.

Somerfield

The deal to acquire Somerfield was completed after the year-end. The combined Food business will have 2,900 stores throughout the UK with an annual turnover of more than £7bn. Crucially it means we are better placed than ever before to offer our customers a real alternative to the Big Four supermarkets, with great choice and value in community stores. We are now firmly placed as the fifth major player in the UK grocery market.

After working with the Office of Fair Trading we are selling 133 stores. There has been a lot of work behind the scenes and we aim to rebrand 200 Somerfield stores to The Co-operative by the end of the year. The full integration of the two businesses is expected to take two years and will deliver projected annualised savings to the Group of around £200m, much of which will be re invested in lower prices to customers.

Outlook

Our markets remain intensely competitive and the outlook for the consumer economy remains uncertain, with very limited visibility. However we are confident we are well placed to make continued progress in the new financial year. In our core food business the momentum generated during 2008 has continued into 2009 with excellent LFL sales in the first three months. We expect this to continue throughout the year, boosted by our rebranding programme and the plan to invest in price after completing the deal to buy Somerfield.

Consolidated income statement
for the year ended 10 January 2009

	52 weeks ended 10 January 2009			Restated (Note 1) 52 weeks ended 12 January 2008		
	Before significant items £m	Significant items £m	After significant items £m	Before significant items £m	Significant items £m	After significant items £m
Gross sales	10,435.2		10,435.2	9,074.7		9,074.7
Less:						
Value Added Tax	(462.4)		(462.4)	(376.6)		(376.6)
Agency share of sales	(573.8)		(573.8)	(408.9)		(408.9)
Revenue	9,399.0		9,399.0	8,289.2		8,289.2
Premiums ceded to reinsurers	(37.6)		(37.6)	(1,836.2)		(1,836.2)
Net revenue	9,361.4		9,361.4	6,453.0		6,453.0
Operating expenses	(9,837.1)	(117.4)	(9,954.5)	(7,049.5)	(182.0)	(7,231.5)
Operating income	868.5		868.5	951.0		951.0
Operating profit	392.8	(117.4)	275.4	354.5	(182.0)	172.5
Financial income			1.0			4.1
Financial expenses – interest payable			(36.0)			(35.5)
Financial expenses – fair value movement			(83.0)			(23.0)
Net pension finance income			61.7			77.8
Net financial (expenses)/income			(56.3)			23.4
Share of profit of associates and joint ventures			0.5			0.3
Profit before payments to and on behalf of members*			217.6			196.2

* The equivalent of pre-tax profits in a plc.

Consolidated balance sheet
at 10 January 2009

	2008 £m	Restated (Note 1) 2007 £m
Assets		
Trading and Corporate assets		
Property, plant and equipment	1,887.3	1,710.6
Intangible assets	729.0	719.4
Biological assets	0.3	0.2
Investment property	322.6	385.6
Investments in associates and joint ventures	23.3	13.5
Other investments	4.2	3.9
Derivatives	17.1	0.6
Retirement benefits	406.4	437.3
Deferred tax assets	53.7	78.2
Total Trading and Corporate non-current assets	3,443.9	3,349.3
Inventories		
Inventories	426.7	389.2
Biological assets	2.6	2.6
Income tax receivable	-	28.4
Trade and other receivables	526.9	472.3
Cash and cash equivalents	167.5	160.3
Assets classified as held for sale	29.7	6.8
Total Trading and Corporate current assets	1,153.4	1,058.6
Total Trading and Corporate assets	4,597.3	4,407.9
Financial Services assets		
Cash and balances at central banks	164.7	172.9
Derivatives	1,230.4	633.9
Loans and advances to banks	1,886.7	1,204.0
Loans and advances to customers	10,244.4	8,986.1
Investments	21,195.3	24,463.0
Reinsurance contracts	3,121.4	3,135.8
Income tax	29.0	3.3
Intangible assets	99.1	81.0
Property, plant and equipment	80.3	143.2
Deferred tax assets	5.8	1.7
Prepayments and other receivables	644.8	967.3
Assets classified as held for sale	50.0	-
Total Financial Services business assets	38,751.9	39,792.2
Total assets	43,348.2	44,200.1

	2008 £m	Restated (Note 1) 2007 £m
Liabilities		
Trading and Corporate liabilities		
Interest-bearing loans and borrowings	422.4	315.8
Trade and other payables	316.9	236.5
Derivatives	37.1	7.7
Provisions	208.5	211.7
Retirement benefits	148.0	134.1
Deferred tax liabilities	328.6	432.8
Total Trading and Corporate non-current liabilities	1,458.5	1,338.6
Interest-bearing loans and borrowings	310.5	333.9
Income tax payable	20.0	–
Trade and other payables	1,065.1	971.7
Provisions	14.0	20.2
Liabilities classified as held for sale	–	0.6
Total Trading and Corporate current liabilities	1,409.6	1,326.4
Total Trading and Corporate liabilities	2,868.1	2,665.0
Financial Services liabilities		
Amounts owed to credit institutions	2,883.8	3,649.7
Customer accounts	11,867.2	10,312.5
Derivatives	514.7	98.3
Insurance and participation contracts	16,697.8	18,487.6
Debt securities in issue	568.0	535.8
Investment contracts	190.9	220.1
Unallocated divisible surplus	622.2	1,045.6
Other borrowed funds	358.4	354.3
Income tax payable	108.2	68.4
Other liabilities and accruals	2,774.4	2,645.9
Deferred tax liabilities	118.3	287.9
Retirement benefit obligations	3.2	3.5
Provisions	30.1	28.1
Total Financial Services business liabilities	36,548.2	37,737.7
Total liabilities	39,416.3	40,402.7
Equity		
Members' share capital	67.9	67.2
Retained earnings	3,664.7	3,612.2
Other reserves	166.6	90.4
Total equity attributable to equity holders of the parent	3,899.2	3,769.8
Minority interests	33.7	27.6
Total equity	3,932.9	3,797.4
Total equity and liabilities	43,349.2	44,200.1

Consolidated cash flow statement
for the year ended 10 January 2009

	Financial Services £m	2008 Trading & Corporate activities £m	Total £m	Financial Services £m	2007 Trading & Corporate activities £m	Total £m
Net cash from operating activities	294.3	240.5	534.8	(155.7)	91.7	(64.0)
Cash flows from investing activities						
Acquisition of property, plant and equipment	(9.6)	(291.2)	(300.8)	(24.6)	(182.5)	(207.1)
Proceeds from sale of property, plant and equipment	6.0	117.0	123.0	1.2	144.4	145.6
Purchase of intangible assets	(45.8)	–	(45.8)	(11.2)	–	(11.2)
Proceeds from sale of investment	–	–	–	–	–	–
Acquisition of investment	–	(8.5)	(8.5)	–	(0.1)	(0.1)
Interest received	–	–	–	–	4.5	4.5
Internal dividends (paid)/received	(42.3)	42.3	–	(30.1)	30.1	–
Disposal of business	–	34.1	34.1	–	(14.6)	(14.6)
Acquisition of business net of cash acquired	–	(39.8)	(39.8)	–	(191.2)	(191.2)
Cash and cash equivalents arising on transfer of engagements	–	8.3	8.3	–	25.9	25.9
Proceeds from sale and maturity of debt securities	14,156.8	–	14,156.8	11,108.6	–	11,108.6
Purchase of debt securities	(14,074.2)	–	(14,074.2)	(10,304.5)	–	(10,304.5)
Net cash from investing activities	(9.1)	(137.8)	(146.9)	739.4	(183.5)	555.9
Cash flows from financing activities						
Interest paid on borrowings	(17.3)	(37.3)	(54.6)	(19.3)	(33.4)	(52.7)
Repayment of share capital	–	(0.1)	(0.1)	–	(11.6)	(11.6)
Repayment of subordinated loan stock	–	–	–	(30.0)	–	(30.0)
(Decrease) in corporate investor shares	–	(36.1)	(36.1)	–	(17.0)	(17.0)
Preference dividends paid	(5.6)	–	(5.6)	(5.6)	–	(5.6)
Dividends paid to minority shareholders in subsidiary undertaking	(0.9)	(1.4)	(2.3)	(0.9)	(0.5)	(1.4)
Payments to and on behalf of members	–	(93.8)	(93.8)	–	(42.1)	(42.1)
(Repayment)/issue of short-term borrowings	–	77.8	77.8	(90.0)	85.8	(4.2)
Finance leases repaid	–	(1.4)	(1.4)	–	(0.6)	(0.6)
Net cash from financing activities	(23.8)	(92.3)	(116.1)	(145.8)	(19.4)	(165.2)
Net increase/(decrease) in cash and cash equivalents	261.4	10.4	271.8	437.9	(111.2)	326.7
Cash and cash equivalents at beginning of year	2,065.4	196.7	2,262.1	1,627.5	307.9	1,935.4
Cash and cash equivalents at end of year	2,326.8	207.1	2,533.9	2,065.4	196.7	2,262.1
Analysis of cash and cash equivalents						
Cash and balances with central banks	164.7	–	164.7	172.9	–	172.9
Loans and advances to banks	1,599.7	–	1,599.7	1,204.0	–	1,204.0
Short-term investments	572.4	–	572.4	688.5	–	688.5
Cash and cash equivalents per balance sheet	–	167.5	167.5	–	160.3	160.3
Cash invested intercompany	–	39.6	39.6	–	36.4	36.4
	2,326.8	207.1	2,533.9	2,065.4	196.7	2,262.1

Consolidated statement of recognised income and expense
for the year ended 10 January 2009

	2008 £m	2007 £m
Changes in available-for-sale assets	(36.0)	14.1
Actuarial gains and losses on employee pension scheme	(146.2)	14.5
Revaluation of self-occupied properties	(4.8)	(3.1)
Revaluation of self-occupied property transferred to assets held for sale	14.8	–
Revaluation of self-occupied properties transferred to unallocated divisible surplus	(10.0)	3.1
Effective portion of cash flow hedges transferred to the cash flow hedging reserve	134.5	44.3
Cash flow hedges transferred to profit or loss	0.8	(0.5)
Revaluation of property, plant and equipment	9.7	115.0
Foreign currency translation differences for foreign operations	1.0	–
Tax on items taken directly to statement of recognised income and expense	10.2	(49.4)
Net (expense)/income recognised directly in equity	(26.0)	138.0
Profit for the year – equity shareholders	107.1	109.7
Profit for the year – minority interests	5.3	3.9
Total recognised income and expense for the year	86.4	251.6
Attributable to:		
Equity holders of the parent	78.0	247.0
Minority interest	8.4	4.6
Total recognised income and expense for the year	86.4	251.6

Notes to the financial statements

1 Segmental analysis

	2008										Total £m	
	Food Retail £m	Healthcare £m	Renewables £m	Travel £m	Other Retail £m	Property & Farms £m	*Discon- tinuing operations £m	Corporate Member- ship & Federal £m	Trading Group Total £m	CFS (Page 64) £m		Group costs and eliminations £m
Gross revenue – sales of goods:												
– including internal sales	4,526.8	743.5	273.7	261.5	334.2	64.0	4,577.2	10,800.9				10,800.9
– excluding internal sales	4,526.8	743.5	273.7	261.5	320.1	60.9	1,296.7	7,483.2			(23.7)	7,459.5
Interest and similar income									830.2		(4.0)	826.2
Fee and commission income									216.5		(2.4)	214.1
Gross earned premiums									899.2			899.2
Revenue	4,526.8	743.5	273.7	261.5	320.1	60.9	1,296.7	7,483.2	1,945.9		(30.1)	9,399.0
Premiums ceded to reinsurers										(37.6)		(37.6)
Net revenue	4,526.8	743.5	273.7	261.5	320.1	60.9	1,296.7	7,483.2	1,908.3		(30.1)	9,361.4
Segment operating profit before significant items, group operating costs, property disposals and investment property valuation changes	219.1	37.8	39.2	5.3	5.2	25.7	(54.6)	277.7	148.7		0.3	426.7
Change in the value of investment properties						(62.3)		(62.3)				(62.3)
Property disposal profits						58.4		58.4				58.4
Group operating costs											(30.0)	(30.0)
Segment operating profit before significant items	219.1	37.8	39.2	5.3	5.2	21.8	(54.6)	273.8	148.7		(29.7)	392.8
Significant items	(6.3)	(0.4)		(8.4)		0.8	(25.1)	(39.4)	(78.0)			(117.4)
Operating profit after significant items	212.8	37.4	39.2	(3.1)	5.2	22.6	(79.7)	234.4	70.7		(29.7)	275.4
Financial income												1.0
Financial expenses												(38.0)
Fair value movement												(63.0)
Net pension finance income												61.7
Share of profit of associates and joint ventures												0.5
Payments to and on behalf of members												(101.7)
Taxation net of tax attributable to policyholders												2.9
Loss on sale of discontinuing operations, net of tax												(6.4)
Profit for the year												112.4
Segment assets	2,134	747	506	49	126	548	4	227	4,341	38,424	(313)	42,452
Unallocated assets									522	375		897
Total assets	2,134	747	506	49	126	548	4	227	4,863	38,799	(313)	43,349
Segment liabilities	506	103	344	87	32	32		522	1,626	36,060	(313)	37,373
Unallocated liabilities									1,290	753		2,043
Total liabilities	506	103	344	87	32	32		522	2,916	36,813	(313)	39,416
Cash flows from operating activities	263.2	48.7	55.2	(12.7)	(13.8)	8.5	(3.0)	(105.6)	240.5	294.3		534.8
Cash flows from investing activities	(178.8)	(56.0)	(9.2)	(13.4)	(11.8)	65.3		66.1	(137.8)	(9.1)		(146.9)
Cash flows from financing activities	(0.3)	(9.0)	(1.0)	2.9	(0.7)	(0.4)		(63.8)	(62.3)	(23.8)		(116.1)
Capital expenditure	198.1	25.7	13.6	8.4	11.8	8.5		25.1	291.2	9.6		300.8
Depreciation	(93.9)	(6.1)	(15.6)	(4.3)	(3.9)	(2.6)		(28.3)	(154.7)	(24.9)		(179.8)
Amortisation		(24.3)			(0.1)				(24.4)	(88.8)		(114.2)

* Discontinuing operations relate to Department and Home Stores and MCS Wholesale in 2008. Turnover relating to these operations was £6.4m (2007: £39.6m) and operating losses after significant items were £6.4m (2007: £12.4m).
Federal operations (included within Corporate Membership & Federal) relate to the activities of a joint buying group that is operated by the Group for retail Co-operative Society members.
Unallocated liabilities in Trading Group principally relate to borrowings which are managed on a total portfolio basis.

1 Segmental analysis continued

	2007											Total £m
	Retail £m	Healthcare £m	Funeraria £m	Travel £m	Other Retail £m	Property & Farms £m	Discon- tinuing operations £m	Corporate Membar- ship & Federal £m	Trading Group Total £m	OPS (Page 64) £m	Group costs and allowances £m	
Gross income – sale of goods:												
– including internal sales	3,676.8	540.6	234.0	216.6	171.8	72.6		4,098.3	9,010.7			9,010.7
– excluding internal sales	3,676.8	540.6	234.0	216.6	167.2	54.9		1,414.4	6,304.5			6,304.5
Interest and similar income										800.0		800.0
Fee and commission income										216.5	(2.6)	213.9
Gross earned premiums										970.8		970.8
Revenue	3,676.8	540.6	234.0	216.6	167.2	54.9		1,414.4	6,304.5	1,967.3	(2.6)	8,289.2
Premiums ceded to reinsurers										(1,836.2)		(1,836.2)
Net revenue	3,676.8	540.6	234.0	216.6	167.2	54.9		1,414.4	6,304.5	151.1	(2.6)	6,453.0
Segment operating profit before significant items, group operating costs, property disposals and investment property valuation changes	158.7	31.7	34.4	(2.1)	2.4	24.2		(53.5)	195.6	151.5	11.3	358.6
Change in the value of investment properties						(18.3)			(18.3)			(18.3)
Property disposal profits						49.8			49.8			49.8
Group operating costs											(35.6)	(35.6)
Segment operating profit before significant items	158.7	31.7	34.4	(2.1)	2.4	55.7		(53.5)	227.3	151.5	(24.3)	354.5
Significant items	(46.6)	(3.9)	(3.0)	(18.0)	(0.8)	(2.2)		(40.0)	(114.5)	(67.5)		(182.0)
*Operating profit after significant items	112.1	27.8	31.4	(20.1)	1.6	53.5		(93.5)	112.8	84.0	(24.3)	172.5
Financial income												4.1
Financial expenses												(35.5)
Fair value movement												(23.0)
Net pension finance income												77.8
Share of profit of associates and joint ventures												0.3
Payments to and on behalf of members												(45.6)
Taxation net of tax attributable to policyholders												(25.3)
Loss on sale of discontinuing operations, net of tax												(11.7)
Profit for the year												113.6
Segment assets	1,991	715	461	40	103	613	5	108	4,036	39,440	(243)	43,233
Unallocated assets									574	393		967
Total assets	1,991	715	461	40	103	613	5	108	4,610	39,833	(243)	44,200
Segment liabilities	395	105	283	98	39	34	1	480	1,435	36,764	(243)	37,956
Unallocated liabilities									1,271	1,176		2,447
Total liabilities	395	105	283	98	39	34	1	480	2,706	37,940	(243)	40,403
Cash flows from operating activities	302.5	24.0	38.4	(27.8)	(16.5)	36.4	(13.8)	(251.5)	91.7	(155.7)		(64.0)
Cash flows from investing activities	(92.8)	(175.5)	4.2	(2.2)	(3.7)	84.6	0.8	1.1	(183.5)	739.4		555.9
Cash flows from financing activities	(0.8)	(0.1)	(0.8)	(0.1)		(0.4)	(1.1)	(16.1)	(19.4)	(145.8)		(165.2)
Capital expenditure	81.9	12.7	15.3	1.6	4.2	11.2	0.9	54.7	182.5	20.3		202.8
Depreciation	(75.5)	(4.7)	(13.4)	(5.0)	(1.4)	(2.5)	(1.1)	(25.7)	(129.3)	(27.4)		(156.7)
Amortisation		(14.1)							(14.1)	(79.5)		(93.6)

All business is conducted within the UK in both 2006 and 2007.

Segmental operating profits for Food Retail, Healthcare, Funeraria, Travel, Other Retail, Property and Farms and Corporate membership and Federal have been restated to reflect a change to the internal recharging policy in order that 2006 and 2007 profits are on the same basis. This has no change to total operating profits at Trading and Group level.

Notes to the financial statements continued

1 Segmental analysis continued CFS

	2008					2007					Total £m
	Banking £m	General Insurance £m	Other Share- holder £m	Total Share- holder £m	Long- Term* Business £m	Banking £m	General Insurance £m	Other Share- holder £m	Total Share- holder £m	Long- Term* Business £m	
Interest and similar income	830.2			830.2		830.2	800.0		800.0		800.0
Fee and commission income	216.5			216.5		216.5	216.5		216.5		216.5
Gross earned premiums		401.3		401.3	497.9	899.2		436.6	436.6	534.2	970.8
Revenue	1,046.7	401.3		1,448.0	497.9	1,945.9	1,016.5	436.6	1,453.1	534.2	1,987.3
Premiums ceded to reinsurers		(18.5)		(18.5)	(19.1)	(37.6)		(17.1)	(17.1)	(1,819.1)	(1,836.2)
Net revenue	1,046.7	382.8		1,429.5	478.8	1,908.3	1,016.5	419.5	1,436.0	(1,284.9)	151.1
Segment operating profit before significant items	75.1	8.4	65.2	148.7		148.7	50.4	67.1	34.0	151.5	151.5
Significant items	(47.1)	(30.9)		(78.0)		(78.0)	(38.0)	(29.5)		(67.5)	(67.5)
Operating profit after significant items	28.0	(22.5)	65.2	70.7		70.7	12.4	37.6	34.0	84.0	84.0
Segment assets	14,628	1,264	971	16,863	21,561	38,424	12,699	1,439	929	15,067	24,373
Unallocated assets	336	34	5	375		375	388		5	393	393
Total assets	14,964	1,298	976	17,238	21,561	38,799	13,087	1,439	934	15,460	24,737
Segment liabilities	13,667	886	12	14,565	21,495	36,060	11,399	1,125	22	12,546	24,218
Unallocated liabilities	516	169	2	687	66	753	971	14	36	1,021	155
Total liabilities	14,183	1,055	14	15,252	21,561	36,813	12,370	1,139	58	13,567	24,373
Cash flows from operating activities	208.6	45.6	40.1	294.3		294.3	(248.5)	(17.5)	110.3	(155.7)	(155.7)
Cash flows from investing activities	83.2	(41.0)	(51.3)	(9.1)		(9.1)	776.7		(37.3)	739.4	739.4
Cash flows from financing activities	(28.1)	(7.3)	11.6	(23.8)		(23.8)	(57.9)	23.8	(111.7)	(145.8)	(145.8)
Capital expenditure	0.3		9.3	9.6		9.6	14.7		5.6	20.3	20.3
Depreciation	(17.2)		(7.2)	(24.4)	(0.5)	(24.9)	(19.1)		(7.6)	(26.7)	(0.7)
Amortisation	(2.9)	(63.5)	(14.0)	(80.4)	(9.4)	(89.8)	(3.6)	(56.7)	(10.1)	(70.4)	(9.1)

* Cash flows for the Long-Term business are not reported separately by management, and are included in the 'Other Shareholder' segment cash flow figures disclosed above.

The restructuring within CFS at the start of 2006 has created some presentational changes to the accounts. Within the segmental analysis and certain notes to the accounts, CFS result is analysed between: Banking; General Insurance; Other Shareholder and Long-Term Business. Other Shareholder includes the results of CFS Management Services Limited, CFS Services Limited, CFS Limited and investment activity attributable to the Shareholder element of CIS Limited.