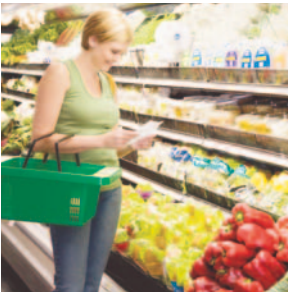


Interim Report 2011



Interim Report of the East of England Co-operative Society
for the 28 weeks ended 6 August 2011

Society Financial Overview

Against the continuing backdrop of a challenging consumer and economic environment, the Society has seen a decrease in underlying profitability despite a marginal increase in turnover.

Up 0.7%

TURNOVER

Turnover (continuing operations) up by 0.7% to £192.2m

£7.0m

UNDERLYING TRADING PROFIT*

Underlying trading profit of £7.0m down from £7.5m last year

£10.5m

PROFIT BEFORE DISTRIBUTIONS AND TAXATION

Profit before distributions and taxation up by 39.7% to £10.5m

£236.3m

MEMBERS' FUNDS

£6.5m decrease in Members' funds from year end to £236.3m



Balancing
the needs
of
business
with our
co-operative
values
and
principles

*Underlying trading profit represents an adjusted profit measure, full details of which are provided in the Annual Report and Accounts 2011.

Your Society

During a very busy first half of the year your Society has...

Launched its Sourced Locally brand the range for which has now been rolled out across our trading area and includes three exclusive Society labelled local ales.

Opened two new food stores at Colman Road, Norwich and Wimpole Road, Colchester.

Sourced
Locally
...IS MILES BETTER



Our operating performance

This report covers trading for the 28 weeks ended 6 August 2011

Overview

We expected difficult trading conditions throughout 2011/12 and market conditions have been challenging, as anticipated, with the uncertainty derived from the lack of consumer confidence and a fall in customers' disposable incomes.

Turnover

We have continued to grow sales – Turnover from continuing operations is up 0.7% to £192.2m.

The 0.7% increase in turnover from continuing operations has been driven by a strong performance from our Property division together with a 1% increase in our Food store sales.

These increases have been offset by decreasing sales in a number of our other businesses.

Profitability

Underlying trading profit of £7.0m is down from £7.5m last year.

Notwithstanding the difficult trading conditions, the decrease in underlying trading profit is disappointing and reflects increases in overhead costs. We have seen increases in the costs of improving and maintaining our extensive trading property portfolio, although we have obtained significant savings in energy costs.

Addressing the issues with the Society's pension funds has given rise to exceptional items in the period. The closure of the final salary pension schemes to future accrual has resulted in a £4.6m reduction in pension liabilities and reduced risk going forward. This has been offset by the costs of this action, with £2.1m being paid to employees who were members of the schemes.

Donated £10,000 to the Japan Earthquake appeal.

.....
Re-launched its website with a new, exciting and vibrant look designed to build our online presence.

Held an OSCAS (Outstanding Service to Customers And Staff) celebration for employees who have made an exceptional contribution during the past year.



At the heart of your community



With thanks to Wickham Market Community Primary School

Members' funds

Members' funds has decreased by £6.5m to £236.3m

The decrease in Members' funds since the year end is primarily due to an increase in pension liabilities. This is the result of significant actuarial losses (£14.4m) resulting from changes in market conditions since the year end combined with lower than anticipated investment returns.

Despite the decrease in Members funds we continue to have a strong balance sheet with substantial capacity to invest over the next few years.

Cash flow

Strong cash generation – £6.4m increase in cash and deposits.

The Society's trading operations produced a healthy net cash inflow from trading activities of £15.0m, which has financed continued capital investment in the Society's infrastructure.

Looking ahead

We expect difficult retail trading conditions throughout 2011.

Trading conditions are set to remain challenging through the rest of this year and into 2012, with customers' disposable incomes under pressure. However, despite the prevailing economic situation, subject to a significant unexpected decline in the economic conditions, we expect to deliver a resilient financial performance for the year as a whole and will continue to invest in the local economy.

Opened a new Easier Living Mobility Centre and Co-op Opticians within the Supermarket at Stanway, Colchester.



Opened 'Le Chateau', a new concept store in Norwich for wines, beers and spirits.



Membership and Community report

Our Membership and Community work has advanced during the period, although not always at the pace we desired. In particular, our creation of community co-operative groups has been much slower than we had intended. We have established good contacts with interested members in Manningtree and, more recently, progress has been made in the Dales Road area of Ipswich and also in Sheringham.

Encouragingly, active members in the Colchester area have created their own group, taking ownership of the initiative. In recent weeks, Dianne Dallendar-Jones (until recently a Director) has approached the Society to form a group in Wivenhoe. It is early days for these initiatives but we remain committed to enhancing our involvement with members and welcome member led initiatives.

Throughout the period, we have sought opportunities to implement our Community Policy. We have been present at a number of events across our trading area this summer promoting healthy eating, which is in keeping with the Society's Local Sourcing initiative and continue to support many groups.

Society Governance

At the Society AGM on 14th May 2011 we had 13 members standing for election to fill the six vacancies on the Board; a welcome development. Colin Barrett; Mary Blacksell; Phil Hartwell and Celia Moore were re-elected and Nicola Boyce and Tereza Scrogie joined the Board for the first time.

A key focus for the Board has been to develop the executive team structure that will shape and lead our independent Society in a co-operative manner that reflects the needs of our members. We expect to implement a revised structure and start recruitment, as necessary, this autumn.

John Pendle PRESIDENT

President, on behalf of the Board
12 November 2011

Financial Review

Summary Group Revenue Account	6 August 2011	7 August 2010	22 January 2011
For the 28 weeks ended 6 August 2011	28 weeks	28 weeks	52 weeks
	unaudited	unaudited	audited
	£000	As restated	£000
		£000	
Turnover			
Continuing operations	192,241	190,955	352,502
Discontinued operations	-	2,652	2,652
Total turnover	192,241	193,607	355,154
Trading profit before unrealised investment property impairment and employee bonus			
Continuing operations	7,471	8,160	12,450
Discontinued operations	-	(180)	(245)
Total trading profit before unrealised investment property impairment and employee bonus	7,471	7,980	12,205
Continuing operations - unrealised impairment of investment properties	-	-	(1,483)
Trading profit			
Continuing operations	7,471	8,160	10,967
Discontinued operations	-	(180)	(245)
Trading profit before employee bonus	7,471	7,980	10,722
Employee bonus	(461)	(500)	(493)
Trading profit after employee bonus	7,010	7,480	10,229
Pension schemes restructuring costs	(2,262)	-	-
Pension schemes curtailment gains	4,632	-	-
Restructuring costs	-	-	(1,210)
Net surplus on sale of assets	-	-	3,252
Profit before interest, distributions and taxation	9,380	7,480	12,271
Net interest receivable	1,168	73	181
Profit before distributions and taxation	10,548	7,553	12,452

Alternative Performance Measure - Underlying trading profit	6 August 2011	7 August 2010	22 January 2011
	28 weeks	28 weeks	52 weeks
	unaudited	unaudited	audited
	£000	£000	£000
Profit before interest, distributions and taxation	9,380	7,480	12,271
Pension schemes restructuring costs	2,262	-	-
Pension schemes curtailment gains	(4,632)	-	-
Unrealised impairment of investment properties	-	-	1,483
Restructuring costs	-	-	1,210
Net surplus on sale of assets	-	-	(3,252)
Underlying trading profit for the period	7,010	7,480	11,712

Financial Review

Summary Group Balance Sheet

As at 6 August 2011

	6 August 2011 28 weeks unaudited £000	7 August 2010 28 weeks unaudited As restated £000	22 January 2011 52 weeks audited £000
Fixed assets	238,006	239,694	235,761
Net current assets	33,322	26,405	35,068
Total assets less current liabilities	271,328	266,099	270,829
Long term liabilities	(20,682)	(17,079)	(18,659)
Provisions for pension liabilities	(14,312)	(22,186)	(9,355)
Net assets	236,334	226,834	242,815
Financed by:			
Share capital	16,468	17,147	16,783
Revaluation reserve	37,635	37,143	37,635
Revenue reserve	182,231	172,544	188,397
Members' funds	236,334	226,834	242,815

Summary Group Cash Flow Statement

For the 28 weeks ended 6 August 2011

	6 August 2011 28 weeks unaudited £000	7 August 2010 28 weeks unaudited £000	22 January 2011 52 weeks audited £000
Net cash inflow from trading activities	15,001	13,867	14,515
Returns on investments and servicing of finance	211	88	(64)
Taxation	(400)	1,774	2,357
Capital expenditure and financial investment	(5,800)	(5,300)	(3,651)
Acquisitions and disposals	-	1,515	1,515
Dividends paid	(2,315)	(3,237)	(3,066)
Management of liquid resources	-	-	(10,000)
Financing	(281)	(504)	(910)
Increase in cash	6,416	8,203	696

Notes:

- The figures and financial information for the year ended 22 January 2011 are extracted from but do not constitute the statutory financial statements for that year. Those financial statements were approved by the Directors on 15 April 2011, upon which the independent auditors' report was unqualified.
- The financial information in the interim report for the 28 weeks ended 6 August 2011 has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 22 January 2011.
- The comparatives for turnover – continuing operations and total turnover for the 28 weeks ended 7 August 2010, have been restated to more accurately reflect the nature of the underlying transactions.

The comparatives for fixed assets, total assets less current liabilities and revenue reserve as at 7 August 2010, have been restated following prior year adjustments made in the financial statements for the year ended 22 January 2011.

Independent review report to the East of England Co-operative Society Limited

Introduction

We have been engaged by the Society to review the financial information in the interim report for the 28 weeks ended 6 August 2011, which comprises the summary group revenue account, summary group balance sheet and summary group cash flow statement. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the accounting policies and practices applied in the preceding annual financial statements except where any changes and the reasons for them, are disclosed.

The financial information in the interim report has been prepared on the basis set out in note 2.

Our responsibility

Our responsibility is to express to the Society a conclusion on the financial information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Society and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Notes:

- a) The maintenance and integrity of the East of England Co-operative Society Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim report for the 28 weeks ended 6 August 2011 is not prepared, in all material respects, in accordance with the basis set out in note 2.

PricewaterhouseCoopers LLP

Chartered Accountants

Norwich

12 November 2011



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East of England
CO-OPERATIVE SOCIETY