

Financial Review

Summary Group Revenue Account

For the 28 weeks ended 9 August 2008

	9 August 2008 28 weeks unaudited £000	11 August 2007 28 weeks restated* unaudited £000	26 January 2008 52 weeks restated* audited £000
Turnover			
Continuing operations	205,997	198,255	368,959
Discontinuing operations	1,324	11,639	22,864
Total Turnover	207,321	209,894	391,823
Trading Profit			
Continuing operations	5,401	4,937	8,854
Discontinued operations	(247)	174	868
Total Trading Profit before surplus on sale of assets and employee bonus	5,154	5,111	9,722
Employee Bonus	(751)	-	-
Surplus on Sale of Assets	2,344	25	24
Trading Profit after surplus on sale of assets and employee bonus	6,747	5,136	9,746
Net Interest Receivable	1,421	1,383	3,058
Profit before Distributions and Taxation	8,168	6,519	12,804

Group Balance Sheet

As at 9 August 2008

	9 August 2008 28 weeks unaudited £000	11 August 2007 28 weeks restated* unaudited £000	26 January 2008 52 weeks audited £000
Fixed Assets**	231,898	225,491	227,199
Net Current Assets	48,818	53,595	55,323
Total Assets less Current Liabilities	280,716	279,086	282,522
Long Term Liabilities	(15,189)	(14,534)	(12,275)
Provisions for Pension Liabilities	(24,185)	(25,621)	(26,422)
Net Assets	241,342	238,931	243,825
Financed by:			
Share Capital	19,180	18,964	18,640
Revaluation Reserve	32,558	37,476	36,470
Revenue Reserve	189,604	182,491	188,715
Capital Employed	241,342	238,931	243,825

Group Cash flow Statement

For the 28 weeks ended 9 August 2008

	9 August 2008 28 weeks unaudited £000	11 August 2007 28 weeks unaudited £000	26 January 2008 52 weeks audited £000
Net Cash Inflow			
From Trading Activities	21,216	16,348	14,389
Returns on Investments and Servicing of Finance	801	1,049	1,926
Taxation	(5,467)	(3,251)	(4,917)
Capital Expenditure	(10,820)	(5,486)	(12,232)
Acquisitions and Disposals	-	(3,788)	(3,795)
Dividends Paid	(3,226)	(2,216)	(3,653)
Management of Liquid Resources	437	3,800	8,402
Financing	586	(5,214)	(4,972)
Increase / (Decrease) in Cash	3,527	1,242	(4,852)

*The comparative interim information has been restated to reflect prior year adjustments resulting from the correction of fundamental errors and changes in accounting policies as disclosed within the audited financial statements for the year ended 26 January 2008. The net impact of these adjustments in the period ended 11 August 2007 on net assets is a reduction of £809,000, with a reduction in profit before distributions and taxation of £527,000. Furthermore, the comparatives in relation to turnover have been restated to more accurately reflect the nature of the underlying sales. This adjustment has no impact on net assets or profit before distributions and taxation in either of the comparative periods disclosed above.

**The purchase price allocation exercise in relation to ACS has not been completed as at 9th October 2008. As such provisional values have been used in this report. The final purchase price allocation will be presented in the full year report. The Directors do not anticipate material differences to the provisional values.

The figures and financial information for the year ended 26 January 2008 do not constitute the statutory financial statements for that year. Those financial statements were approved by the Directors on 29 April 2008 and include the report of the auditors which was unqualified.

Membership, Education and Community Update

During the first half of this year, the work of the Society by its Membership, Education and Community teams has been taken forward with renewed vigour following the late 2007 review of policy, objectives and strategy in this area.

The Membership team has assisted in a significant cleansing of the Membership database and followed this up with a range of recruitment activities. By the end of July, Society membership had increased to over 520,000 and participation in Membership events had increased in like proportion.

A busy programme is in place to build on this success through

special Member invitation events at Leiston, Norwich, Dovercourt, Earls Colne and Great Yarmouth before the end of the year. These will follow on from major events within the region including the Mersea Youth Regatta and the Clacton Air Show.

The Society is working towards achieving meaningful 'co-operative outreach' – supporting the community and championing co-operation. Activity groups, events and projects continue to thrive and gain interest such as Permission to Rock, Promoting Enterprising Behaviour and the Co-operative Education Conference.

Work by the team has resulted in the Society receiving a Business in the Community East Award for Social Cohesion and a dialogue with the Minister for the Third Sector on potential co-operative solutions to key social issues of the day.

The Membership and Community Committee has overseen this work and carried out its responsibilities to Members for distributing the Dividend that Members kindly donate to charitable and other good causes through Share 660. During the first half of the year, over £50,000 has been distributed to groups and charities in this way.

Further new initiatives are being explored, including innovative ways of providing Members with tangible support in the pursuit of healthier lifestyles



East of England
CO-OPERATIVE SOCIETY

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CO-OPERATIVE SOCIETY

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INTERIM REPORT

for the 28 weeks ended 9th August 2008



OSCAS
Outstanding Service to
Customers and Staff 2008

Building a better Society

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Interim Report

East of England
CO-OPERATIVE SOCIETY
Building a better Society

Independent Review Report to the
Members of East of England Co-operative Society Limited

Society Review

Although the economic climate has deteriorated considerably during the period covered by this report and beyond, we are pleased to confirm that the Society has not only been able to continue with its investment programme by updating trading properties and acquiring suitable commercial properties, but has also improved its underlying level of Trading Profit before surplus on sale of assets and employee bonus.

However, as trading conditions seem likely to continue to worsen through the remainder of this year and well into 2009, we expect pressures in the retail sector on both sales and profits to intensify considerably. The acquisition of the Triangle Shopping Centre in Frinton was successfully completed as was the purchase in August of the former E.ON administration centre at Wherstead Park, Suffolk, which will become a multi-use site for the Society, including the location for its new Head Office.

Sales in our core business, Food Retail, have progressed well, with the Society showing the best like-for-like sales

comparison in 2008 out of the five largest UK consumer co-operatives.

The Co-operative Group's purchase of Somerfield will, if completed, help consolidate the Co-operative Movement's combined position as the UK's 5th largest food retailer, although its impact on many communities across the country will not be visible until 2009.

We were pleased to be able to celebrate the success of many of our best performing Society colleagues in June, when Christopher Biggins was our special guest at the second OSCAS (Outstanding Service to Customers and Staff) Event



OSCAS nominees

at Trinity Park, Suffolk.

The Directors are pleased to announce that during the current period they have agreed to pay an Employee Bonus amounting to £751k, thus enabling our employees to share in the success of the Society.

Trading Update

We are delighted to report that Trading Profit for continuing operations before surplus on sale of assets and employee bonus has increased by £464,000 or 9.4% over the equivalent period last year.

In the light of the present property market conditions the Directors consider it prudent to provide an amount of £4.45m within the interim financial information in respect of a potential decrease in investment property values of which £538k has been charged to Trading Profit and the remainder to the Revaluation Reserve.

Our commitment to investing for the future has continued, with major refurbishment taking place in our food stores in Dedham, Kelvedon and across our whole range of retail operations in Felixstowe town centre, including the updating

and re-branding of our Supermarket, Opticians, Pharmacy, Petrol Forecourt and Home Store.

Our Elmswell food store has also benefited from a major extension and refit, with further work still ongoing to complete the site alterations.

Major refurbishments have been approved for our Wivenhoe, Framlingham and Manningtree stores, with more to come in 2009.

As a key element in our planning for the future, our dairy doorstep delivery business was sold to Dairy Crest in February and the processing plant subsequently closed and decommissioned.



OSCAS reception

The Directors are continuing to scrutinise under-achieving activities with a view to ensuring that our Society's future success and security are not jeopardised by continuing to subsidise significant loss-making operations.

Sales Update

Selling the Dairy has inevitably had a negative impact on Society revenues, but the loss of Dairy sales has been partially compensated for by a significant improvement in Food Retail sales, which have now moved into a period of significant price inflation.

Overall Society sales decreased by 1.2% when compared with last year, with the total sales for

continuing operations showing an increase of 3.9%

Within our two major trading departments, Food Retail recorded a creditable like-for-like sales increase of 6.3%, whilst sales in Department and Home Stores suffered a significant downturn, within a very depressed retail sector.

We anticipate the sales environment becoming even more intense in the latter part of the year, as the harsh economic climate continues.

Board of Directors

The Board wishes to record its appreciation to John Booth for his significant contribution to the Society during more than 25 years' service on the Board, and also to Christine Hay and Mick Cornish who both retired from the Board after completing more than one term of office. John's place has been taken by Andy Moore, who was elected back onto the Board having previously served as a Director from 2003-07.

Andy is the Society's Food Retail and Pharmacy Controller.

Introduction

We have been engaged by the Society to review the interim financial information in the interim report for the 28 weeks ended 9 August 2008, which comprises the summary group revenue account, group balance sheet and 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 interim 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 presentation applied in preparing the preceding annual accounts except where any changes and the reasons for them, are disclosed.

Our Responsibility

Our responsibility is to express to the Society a conclusion on the interim financial information in the interim report based on our review. 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.

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

On the basis of our review we are not aware of any material modifications that should be made to the interim financial information in the interim report for the 28 weeks ended 9 August 2008.

PricewaterhouseCoopers LLP
Chartered Accountants

Norwich
9 October 2008

Notes:

- 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 interim financial information since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdiction.