2017

Annual Report and Financial Statements
of the East of England Co-operative Society for
the year ended Saturday 28 January 2017.

We’re proud to be a local, independent business operating in the East of England. We provide food stores and specialist services such as funerals, travel agents, opticians and pharmacies across Essex, Norfolk, Suffolk and Cambridgeshire.

As a co-operative business we’re run differently to other big organisations, putting people before profits. Our focus has always been the local communities in our region.

£207.5m
MEMBERS’ FUNDS
Down from £233.1m last year

£347.7m
TURNOVER
Up from £338.5m last year

£4.4m
UNDERLYING TRADING PROFIT
Up from £3.8m last year

£6.1m
PROFIT BEFORE DISTRIBUTIONS AND TAXATION
Down from £7.8m last year

All our hard work has been recognised

East of England COOP

CONTENTS

04-05 PRESIDENT’S STATEMENT
06-11 YOUR SOCIETY
12-13 DIRECTORS AND LEADERSHIP TEAM
14-17 REVIEW
18-21 OUR COLLEAGUES
22-23 MEMBERSHIP
24-29 COMMUNITY ENGAGEMENT
30-45 GOVERNANCE
30 Measuring our Co-operative Performance
31 Corporate Governance Report
39 Internal Control
41 Financial and Business Risk Assessment
43 Modern Slavery Statement
44 Corporate Matters
46-76 FINANCIAL STATEMENTS
46 Statement of Directors’ Responsibilities
47 Independent Auditors’ Report
51 Group Revenue Account
51 Group Statement of Comprehensive Income
52 Group Balance Sheet
52 Group Statement of Changes in Equity
54 Group Cash Flow Statement
55 Accounting Policies
56 Notes to the Financial Statements
76 Members and Community Services’ Expenditure Statement

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We are proud to display the Fair Tax Mark. This is awarded to organisations that display a high degree of transparency in their corporation tax affairs. We are fully committed to paying the right amount of tax, in the right place at the right time.
President’s STATEMENT

We are pleased to present an annual report full of good news for our members. Our business enjoyed healthy growth, with underlying trading profit increasing by 17.0% to £4.4m, and there have been a number of high profile success stories we are proud to share with you.

How we performed
Our colleagues continue to work as hard as ever and have delivered an excellent trading performance, with an increase in both sales and profits.

Our members enjoyed a share of our £3.0m dividend payment last year.

It is pleasing to see the investment in our food business is delivering improved sales and profits, despite additional cost pressures and exceptionally challenging competition. Our investment in existing stores continued, notably with the opening of our pivotal new generation supermarket in Woodbridge, Suffolk. We took the difficult decision to sell six food stores during the year as, despite our best efforts, they were different from our competitors.

Our new format Annual Members’ Meeting (AMM) was a great success last year, offering a more interactive experience and doubling our attendance figure.

We recruited 19,118 new members this year — a tremendous achievement.

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Membership is at the heart of everything we do and is one of the key things that makes us different from our competitors.

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Our colleagues
Every day our colleagues do small things which can make a big difference to our members, and we continue to see industry-leading levels of colleague engagement.

We have delivered over 21,000 hours of training in 2016, as we encourage a culture of learning. Thanks to the introduction of new digital and interactive content innovations, our training is more accessible than ever.

We are proud of the numerous colleagues that go above and beyond, and in this year’s report we have highlighted just a few of their amazing goodwill deeds.

From a wonderful celebration for a loyal customer’s 100th birthday, to skydiving and climbing towers for charity, our colleagues have once again impressed with their commitment and passion.

Community engagement
As a community retailer we recognise that we need to play a key role in the communities in which we trade, and are delighted that we interact with members through social media as well as face to face.

We have made huge strides towards achieving our aim to be the region’s leading Dementia Friendly Retailer and are incredibly proud to be named the Alzheimer’s Society’s Dementia Friendly Large Organisation of the Year.

Helping Ipswich Town Football Club become dementia friendly, co-hosting a reminiscence afternoon tea at Portman Road.

Our governance
A strong Board of Directors is an essential component of a successful Co-op and we have a great combination of longstanding and new Directors. Although there is a good range of ages and a gender balance on our Board, we recognise the need for further diversity and welcome candidates for election from a wider range of ethnic groups.

At our last election we were delighted to see some members interested in becoming Directors. During a highly contested election, 31 members stood for the five available places on the Board. As a result, several longstanding Directors were re-elected, and we welcomed two new Board Directors, both bringing a new perspective to the boardroom.

Very sadly, soon after the AMM, John Pendle, a longstanding Director of the Society, lost his short battle with cancer.

One of our major governance goals last year was to increase participation in online voting, and we saw 625 votes cast online, an increase of over 75%. We aim to increase this every year to ensure the widest possible participation in our democracy.

We continue to protect our Independent Society corporate investments through active participation in the Co-operative Group and Federal Retail Trading Services (FRTS). Beverley Perkins and Phil Hartwell continue to participate in the Group’s Member Council and Roger Grose, joint Chief Executive, represents our business on the FRTS Board.

Our aspirations
We are delighted that sales and profits have increased, although we expect 2017 to present its own set of challenges, as we deal with changeable market conditions. We continue to focus on the long-term prosperity of the Society and reshaping what we offer and where we offer it.

At always, I would like to thank our colleagues, my fellow Board Directors and the Leadership Team for another successful year. The East of England Co-op continues to be a Society to be proud of thanks to their hard work, and we will build on this to shape your Co-op for the future.

Sally Chicken
President
On behalf of the East of England Co-operative Society Board
Refurbishments

It has been another big year for investment within our estate, including the refurbishment of a further 38 food stores, and the opening of our new flagship supermarket in Woodbridge.

Thanks to this continued investment, stores refurbished in the past year are reporting an average 3.1% increase in sales. Following an increase in travel sales in 2016, we opened new travel branches in our Waveney Court Supermarket in Halesworth and within Murrays in Sproatley, Ipswich.

We have also continued to support community Post Office services, incorporating a further five within our food stores. Aside from our retail units, we are growing our property portfolio and this year have been working on two new residential developments. Once completed, seven newly built houses on Wimpole Road in Colchester and five apartments on Ramsey Road, Dovercourt will be let and managed by us.

A project to extensively develop our site in Roseshill in Ipswich is underway to maximise the potential from this large piece of land. We have signed up retailers Greggs, Poundstretcher and Poundland, and improvements.

Redundant property assets were also disposed of many years ago. Sometimes this involves making extremely difficult decisions. During 2016, the decision to sell six stores was unfortunately the most viable option for those sites. This is no reflection on the hard work of our colleagues at those stores, who we know provided great service for many years.

Redundant property assets were also disposed of, generating additional funds for future acquisitions and improvements.

Expansions into New Areas

This year we expanded into Cambridgeshire for the first time with the opening of our new funeral branch in Ely. We made this strategic move after identifying parts of the county as key opportunities to grow our funeral services business and reach new clients.

We continued this expansion with the opening of a branch in Havant, on the Suffolk/Cambridgeshire border, with further new branches set to open in 2017. Across the region we opened seven brand new funeral branches in total, including Frinton in Essex and Attleborough, Ingham and Cromer in Norfolk, the furthest north we have taken this area of our business. We also relocated our funeral branch in Woodbridge.

Joint Chief Executive, Nick Denzey, said:

“Across our entire property portfolio, we have had one of our biggest years yet. From the rapid expansion of our funeral business to the progress of our substantial development in Roseshill, we have achieved a great deal over a short period, with even more in the pipeline.”

As a member-owned business we have a duty to run our business effectively for our members across the region. Sometimes this involves making extremely difficult decisions. During 2016, the decision to sell six stores was unfortunately the most viable option for those sites. This is no reflection on the hard work of our colleagues at those stores, who we know provided great service for many years.

RENEWED COMMITMENT TO PEOPLE

Changing Attitudes

After one of our food stores experienced negative behaviour from pupils from a nearby school, our anti-social behaviour officer, Scott Walker, decided to tackle the problem head on. Scott and store colleagues led a programme of activity at the school, including engagement mornings, assemblies and a competition, to discuss the impact anti-social behaviour can have in their community and how to help prevent it.

As a result of this action, there was a significant reduction in anti-social behaviour problems at the store. Scott is now a member of Ipswich Central Board, which sets out to tackle anti-social behaviour in the community.

Acquisitions and Refurbishments

New Retail Partners

We have continued to increase our retail partnerships, doubling the number of Subway sandwich outlets and starting our partnerships with new retailers’ giving our members and customers more choice and attracting new customers through our doors.

Our Felixstowe Supermarket welcomed clothing company M&G. Within our Halstead store, Subway and women’s clothing retailer Bananamarche were added. Subway and The Original Factory Shop department stores both opened in Leiston. Three new Subway franchises have opened in our food stores on Dereham Road and on Earlham Green Lane in Norwich and Wickham Market.

SAFE AND SECURE

As well as providing a first-class service for us, our Secure Response Services (SRS) team now offers a range of security services for external organisations, transforming this in-house department into a revenue generator for the business. In its second year, SRS has seen its turnover more than double, gaining a reputation for providing a cost-efficient and professional security service, using state-of-the-art technology.

From solar farms and factories to domestic properties and business parks, the team work with an ever-growing list of clients to help make our communities safer.

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Obituary

John Pendle

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Last year, we were all greatly saddened by the sudden loss of John Pendle, our former President and one of our longest serving Board Directors. John grew up in the south west of England, moving to Wivenhoe in Essex after attending the University of Essex to study Computing Science. He went on to lead a highly successful career as an internationally renowned telecoms consultant and expert project manager, working around the world.

He joined the Board of the Colchester and East Essex Co-operative Society in 2002 and was instrumental in the 2005 merger with the Ipswich and Norwich Co-operative Society to form the East of England Co-operative Society.

As Chair of the Audit Committee and serving on the Remuneration Committee, John was kept busy helping oversee a smooth union between the two societies.

After becoming Chair of the Membership and Community Committee in 2010, John was then elected our President.

During his four-year term as President, the Leadership Team was created, running our business as a true co-operative, and our new branding was launched.

John’s hard work and enthusiasm were instrumental in shaping the East of England Co-op as we know it today. As a passionate and driven member of our Board, he was greatly liked and respected by his colleagues for his progressive approach and strategic thinking.

John lost a short battle with cancer in May 2016, aged 64. He is greatly missed by everyone at the East of England Co-op and our thoughts remain with his wife Lyn, son Matt and family and friends.

Joint Chief Executive, Nick Denzey, said:

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A NEW generation supermarket

In October, after a 12-week refurbishment, we opened a brand new flagship supermarket on the site of a former Budgens store in Woodbridge. Having been a part of the Woodbridge community for many years, we were delighted to expand our services and range, redefining our supermarkets and setting the benchmark for the future.

To ensure we were meeting the needs of the community, we held a public consultation with 120 local residents who were keen to understand whether we could deliver a premium offer.

Addressing these concerns, we increased the space for fresh food by 33% and ambient (food stored at room temperature) by 25%. We made more than 700 products available from 74 local suppliers in our biggest ever Sourced Locally range. This investment paid off, with sales of local produce accounting for 12% of the store’s turnover in the first three days of opening.

The new store also includes a Deli to Go range, a Co-op operated Subway sandwich franchise, in-store bakery and a vibrant ‘welcome wall’ for community engagement. Among other unique design elements is feature pendant lighting at the front of the store.

Our former Thoroughfare store remained open until the new supermarket opened its doors. Colleagues then transferred to the new supermarket, less than 400ft away, joining the existing Budgens team, alongside 30 new roles that were created.

The store has surpassed all expectations, with sales up 200% on the former Thoroughfare store and up 100% on the Budgens site takings. Our two smaller food stores in Woodbridge have also continued to trade well, with figures also up on the previous year.

Who makes your Co-op work?

Michael Scarlett, Quantity Surveyor

Day to day I manage internal costs for projects undertaken by the Building Services team. As project manager for the Woodbridge Supermarket, my role was to manage the programme of work, the budget, the project team and ensure overall quality.

As with any development of this size, it was not without challenges and it was a tricky job balancing a brand new store design with the fast pace of the build and high customer expectations.

Woodbridge supermarket was an important project for the East of England Co-op and the whole team did an outstanding job delivering it quickly and safely. Since then I have been pricing potential future food supermarket developments and working with the team to help produce a new, fresher design for our funeral branches which will add value as we grow this area of our business.

I am also working with the team to explore opportunities to expand concessions, such as Subway sandwich outlets, in our stores which will help us reach new customers. Recently I negotiated for us to use one of only two new generation self-serve Costa Coffee machines in the UK, which offers customers all the coffee options they would get from a regular Costa Coffee shop.

It has been a busy year but thankfully I did manage to get away for just enough time to get married!
ENSURING QUALITY

As Sourced Locally continues to grow, we have improved our processes with suppliers to ensure our customers can continue shopping with us with confidence. We created a new role, Product Standards and Safety Manager, to ensure all our suppliers are fully compliant with all relevant regulations. We check our suppliers meet the high standards we expect, before confirming their listing in store.

In 2016 we sold £17.5 MILLION of local produce

Demand for great quality local products has never been higher. We’re proud to offer our customers more than 3,500 products in our Sourced Locally range, from over 100 local suppliers across Essex, Norfolk and Suffolk.

Over 3,500 products from over 100 local suppliers

SOURCED LOCALLY Fortnight

Sourcéd Locally Fortnight encourages our customers to shop local, from everyday essentials such as potatoes, milk, and bread, to treats like chocolate and cakes.

After a successful launch of Sourced Locally Fortnight in 2015, we held a second fortnight from 30 May to 12 June 2016, to raise awareness online and at local county shows, we launched #KeepItLocal and boosted our customer experience with in-store decorations, producer visits and food sampling. Our breakfast promotion offered customers five local breakfast products for £5, which led to over 7,000 purchases throughout the fortnight.

Sales of Sourced Locally produce increased by 10% throughout the fortnight to £913,111

54,000 punnets of strawberries were sold

12,000 bunches of asparagus were sold

PRODUCER OF THE YEAR 2016

A record-breaking 15,000 votes were cast across the region by members and customers for Producer of the Year in 2016.

Our 2016 winner was Fairfields Farm, known for its delicious range of crisps and pre-packed potatoes grown and produced in Essex.

Rather than a supplier-buyer relationship it is very much a partnership, which is so refreshing when working with a supermarket. We really appreciate their continued support of our business.

Laura and Robert of Fairfields Farm

We are incredibly proud to have been awarded both the Arrow XL Collaboration Award and the prestigious Hermes Grand Prix Award for Sourced Locally. The awards recognise genuine collaboration across supply chains – be it between one retailer and another or retailers and their suppliers.

Laura and Robert of Fairfields Farm

SOURCED LOCALLY Award WINS

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GOVERNING THE SOCIETY

The Board of Directors are responsible for governance, policy and strategic decisions. The collegiate Leadership Team is collectively responsible for the day-to-day management.

During the year covered by this report, your Directors met formally 13 times. 11 were ordinary scheduled meetings concerned with items of policy and strategy, matters reserved for Board decision and general oversight of performance. The other two meetings were arranged at short notice to consider the acquisition of the former Budgens Supermarket in Woodbridge. The Directors also met informally on a number of occasions as they visited our premises and sites and took part in professional development workshops. These are described in further detail later in this report.

In May, the Board of Directors re-elected Sally Chicken and Colin Barrett to serve as President and Vice-President respectively, each for a further period of 12 months.

THE LEADERSHIP TEAM

Day-to-day management of the Society is delegated by the Directors to the collegiate Leadership Team, which is responsible for implementing our strategy within the framework laid down by the Board.

The Leadership Team also provides advice and guidance on strategic and commercial issues, helping the Directors to perform their governance role.

The Directors can also draw on the advice and services of the Society Secretary, who is responsible for advising them on governance and regulatory matters.

In 2016, a record 31 candidates stood for election to fill the five vacancies arising on the Board of Directors at the Annual Members’ Meeting (AMM).

At the AMM in May 2016, John Hawkins, Nicola Fox and Steve Shaw were re-elected to the Board and Chris Matthews and Maria Veronese were each elected for their first term of office. Maria was elected to fill a casual vacancy for three years, created by the resignation of Tereza Scrogie, who was moving away from the Society’s trading area.

Shortly after the election, we were greatly saddened by the death of John Pendle, a Director since April 2002. Further details of John’s contribution to the Board are detailed separately in this report, on page 7.

To maintain a Board of 16 Directors, the Board used its power to co-opt a suitably qualified member. In view of the timing of the vacancy, the Board naturally referred to the election results and was pleased to co-opt the next available, highest polling candidate, John Cook.
Our sales have grown this year – turnover has increased by 2.7% to £347.7m. Comparing on a 52-week basis, this is a sales growth of £2.6m (0.8%).

The majority of our businesses saw healthy like-for-like sales growth, with a number of notable success stories.

Sales are up

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As a core part of our business, we were pleased to see a 3.0% (£7.8m) increase in food sales with a 4.2% like-for-like increase. On a comparable 52-week basis, this equates to a 1.0% (£2.7m) increase with a 2.3% like-for-like increase.

The like-for-like sales increase has been driven by a number of changes, including improved employee engagement, higher operational standards, our store refurbishment programme and the benefits of investments in technology.

We have traded well this year and we are delighted to report both significant sales and trading profit growth despite challenging market conditions.

We remain debt-free and although our members’ funds have decreased this year to £207.5m, we retain a healthy balance sheet.

This year we benefited from a week’s extra trading because the financial year was 53 weeks long rather than the usual 52. Like-for-like figures against 52 weeks have also been included to provide a basis for comparison.

Joint Chief Executive, Doug Field, comments: “we are a people business and these results are testament to the true co-operative spirit and dedication of our 4,300 colleagues.

Thanks to their hard work, key investments and improvement in our standards across the board, we are reaping the rewards with impressive growth.

There will inevitably be new challenges ahead, but with our strategy firmly focused on future-proofing our business, we can, and will, continue to thrive.”

The marketplace in food retail remains competitive and occasionally we must make difficult decisions to sell and close stores that are not producing a profit for the business. This year we sold six of our food stores, including the package sale of five stores to McColl’s, retaining a retail offer in the community.

As expected, we saw a decrease in profits from our funeral business due to a decline in sales. With long-term future profit front of mind, we expanded our funeral services, increasing our number of funeral branches to 53 and extending our geographic reach to Cambridgeshire, leading to an inevitable increase in costs short-term.

Our profit before distributions and taxation fell by £1.7m to £6.1m due to:

- The £0.6m write-off of goodwill and assets relating to a number of optical branches and food stores, reflecting the competitive nature of the markets in which we operate
- A reduction in investment income from funeral bonds of £1.4m
- No profits being realised on disposal of property this year, compared with £2.8m last year

These reductions were partially offset by a rise in value of our investment property portfolio of £1.6m thanks to general market conditions and improved lettings in Tiptree, Colchester, Ipswich and Norwich.

Underlying trading profit is up 17.0% to £4.4m from £3.8m.

Sales growth and control of overheads more than offset reduced margins and personnel cost increases arising from the introduction of the National Living Wage.

Sales went up by £2.0m at our Distribution Centre, largely thanks to the handling of an additional 105,000 cases for our neighbouring Co-operative Society, Chelmsford Star.

Secure Response Services continues to experience significant growth, with sales more than doubling this year.

Our funerals and events businesses experienced a decrease in sales this year. Although we opened eight new funeral branches this year, sales fell by £0.4m (3.0%) as competition intensified, notably in Suffolk. Fewer conferences saw our events income fall by 8.3% in the year.

Sales from our pharmacy business were broadly in line with last year.

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Despite lower margins, we achieved an increase in profit in our food, distribution, travel, filling station, optical and property businesses. This profitability has been achieved through a combination of sales increases, efficiencies and cost control.

Investment property income

New tenants in Coggeshall and at our Stanway Retail Park development helped grow the rental income from our investment property portfolio to over £7.3m.

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Funeral Arranger, Frances Tallent, outside the new Funeral Services branch for Hellesdon which opened in December 2016.

Investment

Investment in our property estate will continue in 2017 with 30+ stores already completed.

Expansion

We plan to refurbish 30 stores this coming year with 50+ stores already completed.

Menbers’ Funds

£207.5M

Members’ funds decreased by £25.6m over the year to £207.5m.

Cashflow

We continue to be debt free with a cash balance of £18.5m.

Looking Ahead

Brexit has created some uncertainty for the retail sector and the economy as a whole. Although we have not so far seen any discernible impact on consumer behaviour following the referendum, wider industry data suggests market conditions will remain challenging.

Our long-term strategy is to maintain a strong sustainable business, continue to generate profits and support our communities. We remain focused on the three cornerstones of our business: food, funerals and property.

We are continuing our successful food strategy in refurbishing more of our stores, with over 30 planned for the coming year to add to the 50+ stores already completed.

The success of the current year is due in part to making sure that we have the right store in the right place. With the potential for a small number of store closures in 2017, we continue to make these difficult decisions as they are important to ensure our long-term prosperity.

Our Funeral business, a crucial part of our offering, is expanding rapidly and we will continue to extend our geographical reach in the coming year.

Investment in our property estate will continue and we expect to complete a number of developments in Ipswich, Colchester and Dovercourt during 2017.

To ensure our business remains healthy, we must budget to allow for the effect of external influences on our margins, such as rising inflation, the National Living Wage and the Apprenticeship Levy, as we continue to build a co-operative business for the future.

Thanks to our robust strategy and hard work all round, we have a strong balance sheet and will continue to provide the resources needed to invest and safeguard the future growth of your Co-op.

As a business that is not just for profit, we believe in working together for the collective good of our communities, members, customers and colleagues. We will remain true to our values and principles which means taking long-term decisions for the ultimate benefit of you, our members.

Planned for completion in 2018: the new Rosehill development in Ipswich.
OVER 21,000 HRS of learning delivered in 2016

Training for colleagues has become more engaging than ever, thanks to the introduction of new digital and interactive content within courses and training innovations. These improvements have made a real difference to how we support colleague development, with more than 21,000 hours of learning delivered this year alone.

Our managers have benefited this year from new ‘Know How’ courses. Delivered as a combination of face-to-face and e-learning, this package was developed to hone the key skills needed by managers throughout the business, from people and time management skills to confidence in leadership and management.

Improvements have also been made to the colleague e-learning platform, Upskill, with more interactive and engaging training tools, such as animation and video. At Wherstead Park, colleagues can undertake training from Lynda.com, the online learning portal from LinkedIn. Since introducing Lynda.com, colleagues have embraced self-learning and more than 140 courses have been undertaken, amounting to a fantastic 250 hours spent learning.

APRENTICESHIPS PILOT

Trialled in food stores, funeral services and HL Perfitt stonemasons, our Apprenticeships Pilot has given our colleagues the opportunity to progress in their career, with many success stories already emerging.

Apprenticeships combine practical training with study, providing skills for our apprentices to move onwards and upwards, including to other areas of the business.

Jodi Adams, Team Manager Apprentice at our Frinton food store, said of her Apprenticeship: “It’s good to know that I’m working towards getting a qualification and furthering my skills. I would highly recommend the Apprenticeship for others. It has allowed me to get hands-on experience and I’ve learnt a lot about the business.”

Ayon Bailey also joined the Apprenticeships Pilot and within a year was promoted to Team Manager at our Capel St Mary food store. After the success of the pilot, a permanent Apprenticeships Programme has been launched and we are planning to recruit 75 Apprentices during 2017.

In 2017 we plan to recruit 75 new Apprentices

COLLEAGUE ENGAGEMENT ON THE UP AGAIN

Our annual Colleague Engagement survey gives colleagues an opportunity to tell us what they think and provides a useful insight into how we can improve our business, ensuring it is a fair and positive place to work.

80% PARTICIPATION 5% increase on last year

80% are proud to work for us
82% enjoy their work
79% receive praise from their manager
82% feel their manager cares about them
81% receive feedback from their managers
77% feel their job lets them use their skills and abilities

We want to continue this positive trend in our results and all areas of the business have been asked to create an action plan to help improve colleague engagement within their team.

Mark O’Loughan, Joint Chief Executive, said: “We see colleague engagement as a key business measure. The way our colleagues feel about their work influences the service they provide. Our managers are giving this more focus through coaching, feedback and encouraging teamwork.”

Who makes your Co-op work?

Jeremy Usher, Trainer and Learning Technology Lead in the Learning and Development team.

I have always had a passion for learning and before joining the Learning and Development team, I was considering embarking on a career in teaching. At the time, I was a Co-op Department Store Manager and my favourite part of the job was helping my team grow and forge a career for themselves, from their first day through to promotion.

Since joining the team as a trainer six years ago, I haven’t looked back. My role has changed hugely in that time. From the early days of delivering face-to-face manager training, I’m now leading on digital learning. This means producing content such as videos, graphics and photography as well as software programming and other technical elements. I was already a keen photographer, but for the other digital skills I was able to learn a lot online, including taking Lynda.com courses. Practice makes perfect and the more I’ve done, the easier it has become.

This year, as a team we have produced more content than ever before, and I’m really proud of how we have been able to directly support business objectives.

By making our training more engaging and quirky, we bring it to life which makes for much more effective learning. We would never just put text in front of a learner. At every stage, they have to actively gain the knowledge themselves, whether that’s through the click of a mouse or answering questions.

I am lucky to be part of a superb and very close team, and I think we pack a big punch for our size. I’ve really enjoyed being part of the Co-op over the past 25 years. Working for a business which has a caring approach to the way it operates really matters to me.

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OUR COLLEAGUES

Whether it’s going the extra mile to help our customers, supporting their local community or fundraising for charity, we are proud of our colleagues for the incredible good deeds they carry out, both big and small.

Here are just some of the highlights from the past year.

SETTING THE BAR HIGH

Co-op colleagues have gone above and beyond in their fundraising efforts recently, quite literally in some cases.

To raise money for St Nicholas Hospice, Funeral Arranger Jack Robinson from Meredith Greengrass Funeral Services in Bury St Edmunds jumped out of a plane for his first skydive.

He said: ‘I meet many grieving families who have just lost someone they love. During this difficult time, I often hear how caring, attentive and helpful St Nicholas Hospice were, and continue to be, towards them and their loved ones.’

Funeral Director Aaron Farrell from our Stowmarket funeral branch also donned a parachute. Colleagues at the branch were helping to raise money for St Mary’s Church in Combs, Stowmarket which sadly had been seriously damaged by thieves.

Fundraising for repairs, the Stowmarket team organised a quiz night and raffle, and with sponsorship from the skydive too, eventually raised more than £1,000.

The team at our Burnham Supermarket leapt into action to help a customer raise funds for an operation for her seven-year-old son, Samuel, who has cerebral palsy.

The team dressed as Wally, his favourite character, to encourage donations from customers.

Store Manager, Neil Hammond, said: ‘I’m really proud of how willing the team were to get involved. Customers said how they enjoyed seeing their local Co-op support a little boy in the community.

Colleagues Chris Matthews, Harry Holt, Dan Newton and Kern Chapman-Chamberlain from our Aldeburgh store rallied together to raise funds for the Royal National Lifeboat Institution (RNLI) with a weekend of activities, including a car wash, cake sale, raffle and virtual balloon race in May.

Chris and Team Manager Harry then went on to run the Great North Run in September, raising further funds for this worthwhile cause.

Kelvin Sherman, Team Manager at our Combs Ford Supermarket, and Roz Budinger, Customer Service Assistant at our Whitton food store, both sacrificed a night’s sleep to take part in the St Elizabeth Hospice Midnight Walk in Ipswich.

Kelvin said: ‘I take part in the walk every year in memory of my Granddad who passed away in 2008, as this was his charity of choice.’

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HARK, THE LONG STRATTON ANGEL SINGS!

Customers in Long Stratton are now familiar with the sight and sound of food store team member Craig Catchpole, who for the last two years has sung Christmas songs on Christmas Eve at the store. His carols for last-minute Christmas food shoppers have helped the store raise hundreds of pounds for charity East Anglia’s Children’s Hospices (EACH).

Craig, who performs regularly outside of work, said: ‘It is a pleasure to provide some extra festive spirit for our customers on Christmas Eve, while raising money for a great cause too.’

HELPING HANDS AT THE HOSPICE

To help St Elizabeth Hospice improve its accessible parking, Gary Chase, Chris Quinton and Lewis Wood from our Building Services team spent a day working tirelessly helping the hospice with the very tricky job of relocating a shed.

SAILS RAISED IN ALDEBURGH

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Walking MIDNIGHT MILES

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Our HEROES

OUR COLLEAGUES
This year we recruited
19,118
NEW MEMBERS

Membership is at the heart of everything we do and growing our membership is part of our ethos. It is one of the key things that makes us different from our competitors.

This year we recruited 19,118 new members in total, another incredible uplift on the previous year. This was thanks in no small part to our store colleagues, who, for two weeks, focused their efforts on turning customers into members.

Membership recruitment drive

To help incentivise our customers to become members, we held a prize draw for all members to win a £500 voucher and offered a £3 voucher when £20 is spent, for new members in their Welcome Pack.

We developed training tools for our store managers to brief their team and help colleagues understand the importance of membership recruitment. With a variety of eye-catching marketing materials, including t-shirts and balloons, and a handy reference card, colleagues across the region championed the benefits of being a member. The store push for new members was an overwhelming success and we recruited nearly 2,000 new members during the drive thanks to the hard work and enthusiasm of colleagues in store.

As well as in stores, this big upswing in new members over just two weeks also kept our Co-op Cuppa busy, as the team of three then had to swiftly process every single application. To maintain momentum from this successful campaign, we are developing new training materials to help colleagues build confidence in promoting the benefits of membership to our customers.

A NEW APPROACH FOR THE ANNUAL MEMBERS’ MEETING

Each year, we invite our members to join us for our Annual Members’ Meeting. It’s an opportunity to find out more about how we have performed over the previous 12 months and for members to have their say.

This year we doubled our attendance figures by offering members a more interactive experience. They met Sourced Locally producers, attended workshops, viewed exhibits showcasing our community work through the year, and added suggestions, questions and ideas to a new ‘Ideas Wall’. Members also enjoyed a two-course Sourced Locally meal following the meeting.

OUT & ABOUT

We have had a busy year attending more than 70 events, big and small, from county shows and festivals to store openings and community events.

Attending events gives us an ideal opportunity to recruit new members. This year we focused on providing members and customers with a memorable experience showcasing the benefits of membership while engaging with the community. Over the course of 2016 we recruited a fantastic 2,300 new members at shows and events.

We had a significant presence at the Suffolk and Norfolk County Shows, offering member perks and benefits such as free tea and coffee in our Co-op Cuppa Café, children’s face painting and goody bags, as well as plenty of interactive experiences.

Our Co-op Cuppa afternoon tea at the Tending Show was such a success that we will be hosting more of these during 2017 at some of our bigger events.

We also attended the Woodbridge Shuck Shellfish Festival, the Golden Age Fair in Needham Market and Freshers’ Fairs at the University of Suffolk and University of East Anglia, where we recruited 700 new members in just four hours.

NEW MEMBERS

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Who makes your Co–op work?

Joanne Creek, Store Manager at Sible Hedingham, winners of the in-store membership recruitment drive

My Dad worked as a Co-op Store Manager for 40 years and when I was 16 I went to join him. What started as a part–time job while I was in sixth form has led to a career that I love.

When I’m asked what I do as Store Manager, the answer is... everything. As well as office administration, money management and looking after my team, I am of course on the shop floor too. Every day is different. For example, we had one of my favourite Sourced Locally suppliers, Great Tickey Honey, bring bees into the store and offer honey tastings for customers. It was fantastic.

In Sible Hedingham there were lots of people who weren’t members, so we got right behind the membership recruitment drive to help change attitudes locally.

We used balloons to really grab our customers’ attention and the store looked incredible. It was a real hit with children especially. Reference cards also helped to garner membership recruitment drive to help change attitudes locally.

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We were absolutely delighted when we were crowned ‘superior champions’ of the recruitment drive. It’s such a boost for the whole store and I’m so proud of them all. Three of my team in particular went above and beyond, so I made sure to recognise their hard work by thanking them with wine and chocolates at a little in-store ceremony.

We think the most important part of my job is knowing my team inside out and maximising their strengths. My team here love a bit of competition so I used this to get them engaged in membership recruitment with our own internal competition on the number of new member sign-ups. We had a chart in the office that showed how every team member was doing and it really got everyone motivated to beat their colleagues.

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It’s been more than a decade since I joined the Co-op and I have made some great friends along the way. It is a great place to work and I genuinely love what I do.
COMMUNITY ENGAGEMENT

Dementia Friendly Retail

Recognising the important role we play as a community retailer in the lives of those living with dementia, their families and carers, we made a pledge to become the region’s leading Dementia Friendly Retailer. This year, we’ve made huge strides towards achieving this aim, and we were proud to have been named Alzheimer’s Society’s Dementia Friendly Large Organisation of the Year.

Taking Action in Our Region

Working in true co-operation with local businesses has enabled whole communities to take steps towards becoming dementia friendly. We’re proud to be members of 12 Dementia Action Alliances, as well as founding members of the Ipswich and Norwich Dementia Action Alliances.

In October, we supported the inaugural 10-mile Ipswich Alzheimer’s Memory Walk, which raised over £18,000 for the Alzheimer’s Society. Colleagues and volunteers gave out glasses of prosecco at a pit stop at our store on Colchester Road for the 150 fundraisers taking part, which included four of our Board of Directors.

ACTION IN RETAIL ACROSS THE COUNTRY

This year we were invited to contribute to a national Dementia Friendly Retail Guide, a project set up by the Alzheimer’s Society as a result of the Prime Minister’s Challenge on Dementia 2020 Policy.

The guide was created to improve the everyday shopping experience for people with dementia by helping retailers better understand the condition and giving practical examples of what they can do to provide customers and colleagues with extra support.

Jeremy Hughes, CEO of the Alzheimer’s Society, said, “The Dementia Friendly Retail Guide is significant because shopping is a fundamental part of society. It’s not about rocket science or financial investment or lengthy training courses. It’s about a little bit of humanity enabling people living with dementia to participate in society.”

Dementia Friendly Organisation of the Year

Our efforts to improve the shopping experience for people with dementia were recognised this year by the Alzheimer’s Society, who named us Dementia Friendly Large Organisation of the Year. There were a record number of entries for this prestigious award, which is judged by people living with dementia and industry experts.

Jeremy Hughes, CEO of the Alzheimer’s Society, said: “The East of England Co-op has gone the extra mile to make a difference in their community for people living with dementia and they will inspire others to follow their example in all walks of life.”

ITFC KICK OFF PLEDGE

We also helped Ipswich Town Football Club kick off their pledge to become a dementia friendly football club by co-hosting a reminiscence afternoon tea at Portman Road for Town fans living with dementia and later delivering Dementia Friends sessions to club staff.

10 MILES WALKED OVER £18,000 RAISED AT THE IPSWICH ALZHEIMER’S MEMORY WALK

Take Part in Dementia Awareness Training

This year we continued the roll-out of our multi-award-winning Dementia Friendly Retail Training programme. Thanks to the commitment of our colleagues, an impressive 3,964 have completed the voluntary training and are now able to provide extra support to those affected by dementia.

Colleagues as Carers

Understanding what it can be like for someone caring for a person living with dementia is an important part of becoming a Dementia Friendly employer. We introduced a Carers’ Survey to measure the impact of dementia on colleagues, assess and to find out how best we can care for the carers’ across our workplace.

From the responses, we found 48% of colleagues had a parent living with dementia and 35% admitted that dementia had impacted their work. Several key areas were also identified, highlighting where more information or support is required, including coping with challenging behaviour, financial and legal advice and dementia diagnosis. Feedback is being used to shape the support we provide our colleagues.

I feel incredibly proud of all that we have done this year as a collective to help improve the lives of people living with dementia across the region. Every small thing can really make a big difference.”

Minnie Moll, Joint Chief Executive.

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COMMUNITY ENGAGEMENT

There have been more than
900 APPLICATIONS FOR OUR COMMUNITY TOKEN SCHEME

COMMUNITY TOKEN SCHEME
Our Community Token Scheme allows us to offer support to a variety of fantastic local causes, from parent and toddler groups to local hospices. Since we began the scheme 18 months ago, we’ve supported 540 local causes with £180,000 worth of donations.

At the till, members are given a token to put in one of three boxes championing a local cause in their community. After three months, we give the cause with the most tokens £500, with a further £300 and £200 donated to second and third place.

So far we have donated £180,000 TO LOCAL CAUSES

Essex Retired Police Dogs
It has been wonderful that local people have supported Essex Retired Police Dogs with their tokens. We are so grateful to the East of England Co-op and their members for supporting these exceptional dogs that served faithfully in their working life and deserve to be cared for in their retirement.

RPD Buster served from Sep 2004 to Feb 2012
RPD Kato served from Jul 2009 to May 2014

WE HAVE NOW DONATED MORE THAN 500,000 TEA BAGS TO OVER 550 LOCAL GOOD CAUSES

Co-op Cuppa provides local causes and communities throughout the East of England with a free one-off or regular supply of Co-op Fairtrade 99 Tea. This year alone, we provided an incredible 294,979 tea bags, fueling 223 local good causes and 44 events.

This year, we hosted our own Co-op Cuppa Community Outreach events. Working alongside the Rural Coffee Caravan, we helped bring people together over a cup of tea at the charity’s Golden Age Fairs and ‘Ending Loneliness’ Workshops.

As the country came together to celebrate The Queen’s 90th birthday last year, we helped revellers raise a cup to Her Majesty by donating 20,320 tea bags to royal celebrations across the region.

Thank you for your support; everyone is absolutely delighted. This will save us some money and keep our volunteers happy during their duties on the phone.

Grundisburgh Lunch Club
Our club meets twice a month for a cup of tea, lunch, a chat, a game of cards or dominoes, and another cuppa. The members mostly live alone and find it difficult to get out so they really enjoy seeing their friends. Thank you Co-op for a brilliant idea to support local community projects and clubs.

“Thank you for your support; everyone is absolutely delighted. This will save us some money and keep our volunteers happy during their duties on the phone.”

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Food banks are a vital last resort for people who are hungry and unable to buy food. We collect donations of non-perishable food and toiletries in all our food stores for 22 food banks across the region, including independent local food banks. Thanks to the continued generosity of our customers, more than 80,000 meals were provided over the past year, more than double the previous year.

"It makes such a difference to our community as we serve local people in need."  
Hannah Worsley, Norwich Foodbank Project Manager
Measuring our Co-operative Performance

Key performance indicators

<table>
<thead>
<tr>
<th>Area</th>
<th>Measurement</th>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member economic involvement</td>
<td>Trade (£) conducted with members as a proportion of total sales (%)</td>
<td>Trade with members</td>
<td>43.7%</td>
<td>43.9%</td>
</tr>
<tr>
<td>Member democratic participation</td>
<td>Number of members voting in elections as a % of total membership</td>
<td>Members registered to vote</td>
<td>8,755</td>
<td>8,687</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Members who voted by post</td>
<td>2,533</td>
<td>2,777</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Members who voted online</td>
<td>625</td>
<td>267</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Members who voted in person</td>
<td>30</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total number of members who voted</td>
<td>3,100</td>
<td>3,058</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% of total membership</td>
<td>1.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Colleague profile - gender and ethnicity</td>
<td>Number of male colleagues</td>
<td>Number of male colleagues</td>
<td>1,413</td>
<td>1,383</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of female colleagues</td>
<td>2,831</td>
<td>2,926</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Women in management grades</td>
<td>375</td>
<td>350</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% of management grades held by women</td>
<td>55%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% of colleagues not identifying as white British</td>
<td>2.3%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>The percentage of customers who are satisfied with a key aspect of the business</td>
<td>Distribution centre product availability</td>
<td>98.8%</td>
<td>99.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer complaints</td>
<td>2,306</td>
<td>1,971</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of transactions</td>
<td>40m</td>
<td>40m</td>
</tr>
<tr>
<td>Investment in community initiatives</td>
<td>Total monies invested in community initiatives</td>
<td>Healthy living activities</td>
<td>£32,432</td>
<td>£54,996</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community dividend fund</td>
<td>£113,364</td>
<td>£90,558</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hours donated</td>
<td>1,942</td>
<td>2,460</td>
</tr>
<tr>
<td>Investment in co-operative initiatives</td>
<td>Total monies invested in co-operative initiatives</td>
<td>Supported groups</td>
<td>£50,899</td>
<td>£51,939</td>
</tr>
<tr>
<td></td>
<td></td>
<td>% waste recycled</td>
<td>76.8%</td>
<td>76.0%</td>
</tr>
<tr>
<td>Waste recycled/reused</td>
<td>The weight or volume of waste recycled and/or reused as a proportion (%) of total waste</td>
<td>% waste recycled</td>
<td>78.1%</td>
<td>76.0%</td>
</tr>
<tr>
<td>Net carbon dioxide (CO₂) emissions arising from operations</td>
<td>Net tonnes of CO₂ emissions associated with energy used for all on-site operations over the year</td>
<td>Tonnes of CO₂</td>
<td>19,954</td>
<td>26,055</td>
</tr>
</tbody>
</table>

Corporate Governance Report

The Board is pleased to report on the governance policies and practices within the Society for the year ended 28 January 2017.

This report is published in accordance with the Corporate Governance Code for Consumer Co-operative Societies (November 2013). The Code sets out the recommended best practice on issues of governance for consumer co-operative societies.

The Board is responsible for making sure the Society complies with recommendations in the Code that are appropriate to its circumstances and for reporting to members on this matter. Where the Society does not comply, the Board has an obligation to tell members why it does not. This report is intended to meet these obligations.

The Board believes the Society’s governance arrangements are appropriate for an organisation of its size, nature and complexity, although there are a number of areas of the Code, detailed on page 45, with which the Society does not comply.

The Board is conscious that governance and related compliance matters can be difficult to convey within the confines of a formal report. The Board therefore welcomes questions and comments from members on this report at the Society’s Annual Members’ Meeting, or at any other time. In either case, please contact the Secretary.

The following sections in this report cover the key areas of governance as set down in the Code (copies of which are available from the Secretary).

Principal activities

The Society’s principal business activities are food retailing, funeral services and management of its investment property portfolio. In addition, the Society has interests in petrol forecourts, travel, pharmacy, optical, events and conferencing, security and stonemasonry.

Membership matters

Membership is at the heart of any true co-operative enterprise and it is vital to building the Society’s future. The Board aims to recruit, engage and involve members in the Society, and to reach out to those who have not previously engaged with the Society. Throughout the year, the Society attends many events across the region which facilitate contact with members. This work is combined with traditional methods of member engagement such as the Annual Members’ Meeting. All membership meetings are published on the Society’s website, and through email and posters in all trading outlets.

Application of profits

The distributions made by the Society recognise and reward members and the community for their contribution to the Society.

The Dividend Card records points earned for purchases from the Society and, based on trading in the year to 28 January 2017, the Society proposes to pay a dividend representing 2% (2016: 2%) of each member’s qualifying purchases. This will be issued in the form of Society vouchers shortly after approval at the Annual Members’ Meeting in May 2017.

Financial Reporting Standards determine how we treat this dividend and other profit distributions in our financial statements.

The Society rules govern the distributions made. The table below details the amounts the Board plans to distribute in the year under review in accordance with these rules. The aggregate dividends recognised as an expense in the year amount to £2,732,000 (2016: £2,860,000).

Distribution of profits

<table>
<thead>
<tr>
<th></th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on share accounts</td>
<td>75</td>
</tr>
<tr>
<td>Dividend</td>
<td>3,040</td>
</tr>
<tr>
<td>Member and communities</td>
<td>615</td>
</tr>
<tr>
<td>Community Investment</td>
<td>150</td>
</tr>
<tr>
<td>Co-operative Party</td>
<td>32</td>
</tr>
<tr>
<td>Donations</td>
<td>15</td>
</tr>
<tr>
<td>Amounts retainable (the Society for reinvestment)</td>
<td>543</td>
</tr>
<tr>
<td><em>Total profit available for distribution</em></td>
<td>4,466</td>
</tr>
</tbody>
</table>

*These represent non-statutory measures and are shown for the purpose of providing additional information to members.

The Board

This section gives you details about the Society’s Board, its duties and responsibilities, and how it is structured and functions.

Society rules

The Society is bound by a set of rules that are approved by its members. Broadly speaking, these prescribe how the Society operates and the way it is structured.

Copies of the Society’s rules are available from the Secretary.
The Board – duties and responsibilities
The Directors, as elected by members, are ultimately responsible for:

- Setting the Society’s policy objectives
- Monitoring the achievement by management of those objectives
- Identifying and managing risk
- Given the distinctive nature of co-operative societies, the Board also has a duty to ensure that the Society operates as a bona fide co-operative and adheres to the values and principles unique to these organisations.

All Directors on the Board, who are collectively responsible for the success of the Society, are answerable in law for the Board’s decisions and are bound by the overriding fiduciary duty to act in good faith in pursuit of the best interests of the Society as a whole.

The Society’s rules prescribe certain duties and responsibilities that are the sole preserve of the Board. The Board also has a formal schedule of matters reserved for its decision. The rules and the schedule include, for example, all matters concerning the determination and general operation of the Society’s rules, all aspects of membership policy, the approval of all funding arrangements, and approval of property acquisitions and disposals above certain thresholds.

The Board has delegated the day-to-day management of the Society’s activities to the Management Executive, which is responsible for the execution of the Society’s strategy within the framework laid down by the Board.

Board procedures
The Board meets regularly throughout the year. At meetings it receives reports from management on trading and other matters, and it reviews the financial performance of the Society (both by trading period and cumulatively for the year) and considers papers presented for decision or information. In addition, the Board holds ad hoc meetings to consider particular issues and informal meetings to consider strategic and other concerns. Whenever possible, papers are circulated in advance to give Directors the opportunity to prepare, and the minutes of all Board meetings are submitted to Directors for their review and approval. Decisions made are actioned as appropriate by management. The Board meets in private session without the presence of management as and when required.

Independent advice
The Directors have access to the advice and services of the Secretary, who is responsible for advising the Board on governance matters. A number of external consultants also provide advice to the Board and its committees. There is an agreed procedure by which Directors may take independent professional advice at the Society’s expense in furtherance of their duties.

During the year, the Directors and the Management Executive sought professional external advice. Individual providers receiving fees over £25,000 are set out in the table below.

<table>
<thead>
<tr>
<th>Consultant</th>
<th>Purpose</th>
<th>Fees paid (£00)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knights Solicitors</td>
<td>Legal advice including advice on disposals and property transactions</td>
<td>£15</td>
</tr>
<tr>
<td>Ferr Wright</td>
<td>Property advice and agency fees</td>
<td>£14</td>
</tr>
<tr>
<td>KPMG LLP</td>
<td>Pension advice and internal audit</td>
<td>£10</td>
</tr>
<tr>
<td>PricewaterhouseCoopers LLP</td>
<td>External audit and HR advice</td>
<td>£13</td>
</tr>
<tr>
<td>Ellisons</td>
<td>General property advice and acquisitions</td>
<td>£13</td>
</tr>
<tr>
<td>Boyer Planning Ltd</td>
<td>Planning consultancy</td>
<td>£10</td>
</tr>
<tr>
<td>Emens</td>
<td>Acquisition due diligence</td>
<td>£11</td>
</tr>
<tr>
<td>FMS Ltd</td>
<td>Property advice and property valuations</td>
<td>£4</td>
</tr>
<tr>
<td>Grant Thornton UK Ltd</td>
<td>Corporate tax compliance and capital allowances claims</td>
<td>£44</td>
</tr>
</tbody>
</table>

In addition, the Trustees of the Society’s pension funds received external advice at the Society’s expense as follows:

<table>
<thead>
<tr>
<th>Consultant</th>
<th>Purpose</th>
<th>Fees paid (£00)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buch Consultants</td>
<td>Actuarial and administration services</td>
<td>£94</td>
</tr>
<tr>
<td>Pension Protection Fund</td>
<td>Annual levy for security fund</td>
<td>£13</td>
</tr>
</tbody>
</table>

Board development and evaluation
The Board regularly reviews its own performance and practices. In December 2016 KPMG were asked to undertake a formal Board Effectiveness Review and their report was reviewed by the Board on 11 March 2017. The Board assessed the conclusions as encouragingly positive but noted too that there were areas where further improvement could be made. In particular, the Board is looking at communications with stakeholders and at its Director induction and development processes.

In parallel with the KPMG review, the Board set up a working group of Directors, with advice from the Secretary and Management Executive, to look at its ways of working. The initial focus has been on freeing up more Board time to consider strategy-level issues. The working group has made some initial recommendations and should complete its work during 2017.

Notwithstanding the use of external consultants, the Directors are keen to keep their own knowledge and experience up to date and they all participate in an extensive programme of learning opportunities arranged by the Secretary.

Other learning opportunities are presented at a number of conferences to which the Board regularly sends delegates. These include the National Retail Consumer Conference and the Co-operative Congress, both of which have programmes of speakers of international repute.

The Board has established a structured programme of induction training that is overseen and reviewed annually by the Remuneration and Search Committee.

Board size
The rules provide for a Board of 16 Directors. The Directors are elected by all eligible members across the region irrespective of where the candidates or the members live.

Terms of office
The standard term of office on the Board is four years and one quarter of the Board retires each year.

The Rules also prescribe that a Director may be removed from office at any time by a two-thirds majority of votes cast at a special meeting of members.

The Rules provide that, after 12 years’ continuous service on the Board, a Director must stand down for at least one year. This is to ensure a degree of Director turnover and meets the best practice guideline of ensuring Board renewal.

The President and Vice-President
The President chairs the Board and is supported by a Vice-President. Each year, the Board of Directors elects candidates for these roles. The President leads the Board in the determination of Society policy.

The President cannot be an employee of the Society and cannot hold office for more than four years in a row.

Board independence
To ensure the Board retains its independence, the Society’s rules prescribe that neither a Director, nor their spouse nor partner, may be engaged in a managerial capacity in any business that competes with the Society. Nor may they have an interest of more than 1% of the issued share capital of a business trading with the Society.

Additionally, no more than two Directors on the Board can be current employees or have worked for the Society within the last three years. In order to ensure that new Directors are elected to the Board, the Rules limit the continuous length of time that a Director may serve on the Board.

The Secretary maintains a record to keep any conflicts of interest that may arise for Directors and the Management Executive of the Society. Formal updates to the register are requested biannually, and individuals must inform the Secretary at the first opportunity of any conflicts that should arise in the interim. The register is open to inspection by members. In addition, at each Board or Committee meeting, Directors are asked to declare any interests they may have in relation to the business on the agenda. The table on page 34 lists Director and Management Executive external directorships or equivalent. The Board believes the above measures ensure to serve the independence of Directors and management is safeguarded.

Board attendance record
The table on page 34 lists the attendance record of Directors at Board and Committee meetings for the year under review. The figures show the number of meetings each Director actually attended, against the number of meetings they were eligible to attend (this latter figure is shown in parentheses).

Elections
During the year, elections to the Board were conducted by postal/on-line voting and voting in person at the Annual Members’ Meeting. The Board is keen to encourage members to use the facility for postal and online voting.

In May 2016, there were five vacancies on the Board and 31 candidates contested these places.

Board committees
In order to discharge its responsibilities effectively, the Board has appointed a number of committees to review specific matters on its behalf and to bring forward recommendations for consideration by the Board as and when appropriate.

The membership of these committees and the number of meetings that were held during the year are shown on the attendance table on page 34.
Board and Committee membership

Attendances 2016–17

Attendance shown in parentheses at meeting attended.

| Attendees | 9(10) | 8 meetings attended out of a possible 11. |

The Remuneration and Search Committee has oversight of the following matters:

- The Remuneration and Search Committee has oversight of the 
- Terms of reference
- Membership
- Committees
- Remuneration and Search
- Rules
- Ways of working guide

The following matters:

- The Committee has also been responsible for the review of 
- Board renewal and succession planning, inducting the code of 
- and recommended appointments to committees.

The Terms of Reference are derived from those recommended by Co-operatives UK for separate Remuneration and Search Committees.

Meetings

The Committee met seven times during the year. Members of the Leadership Team were present at the discretion of the Chairman.

To assist with its work and to ensure it received independent advice, the Committee retained a number of external consultants during the year. These are shown in the table on page 32.

Activities during the year

The regular business of the Committee covers all aspects relating to Directors’ fees and expenses, the approval of new Executive and senior management posts, Executive appraisal and remuneration and the employee benefit structure, including pensions. The Committee also makes recommendations to the Board on appointments to Board committees and on Directors’ fees and expenses policy.

The key terms considered by the Committee during the year were as follows:

- Colleague relations
- Although Directors delegate all matters regarding the structure and management of the Society’s workforce other than at Executive and senior management level to the Leadership Society, the Board maintains a close oversight to ensure that the organisation’s needs continue to be met and that the approach taken is consistent with the Society’s co-operative values and principles.

The Committee undertakes this role on behalf of the Board.

Oversight of the Executive and Collegiate Leadership Team

The single most important responsibility of the Board of Directors is to ensure that the professional leadership of the Society is of the highest calibre and able to achieve the business and co-operative goals set by the Board. It is the Remuneration and Search Committee that takes the primary oversight role in these matters.

In carrying out this role during the year, the Committee has continued to develop and refine the Executive appraisal process, with the help of its external consultants PicasaHR. The Committee has also carried out its annual review of Executive remuneration, resulting in recommendations which were subsequently approved by the Board relating to salaries, Leadership Team allowances, and pension contribution rates.

Details of Executive remuneration are set out on page 37.

Directors’ expenses and fees

Directors’ fees are determined by the Society’s members on a recommendation from the Remuneration and Search Committee. At the Annual Meeting in May 2016, members approved a formula for Directors’ fees based on a single wage-related increase reflecting the USDAW annual settlement. For 2016–17 this formula could not be used as there was no single USDAW rate. For 2017–18 Directors used the official figures for the annual increase in salaries as a guideline and have proposed an increase of 2.4%. If approved by members, this will increase Director fees by £195 to £8,305.

No additional supplements are payable for the particular officers held by Directors and no delegation fees are payable for Directors attending meetings or conferences on behalf of the Society. There is no provision for loss of earnings.

Directors are reimbursed for expenses which are necessarily, wholly and reasonably incurred in the discharge of their duties. Where a Director is the sole carer for a dependant, be they a child, elderly relative or person suffering a disability, and that Director incurs costs in arranging alternative care for that dependant to enable them to attend Board meetings, the actual costs that are necessarily, wholly and reasonably incurred in the provision of such care may be recovered from the Society.

Directors receive employee discount during their term of office. For full details of expenses paid, see table on page 37.

Performance Review Committee

The purpose of the Performance Review Committee is to complement the Board’s responsibilities for strategic review. During the year, the Committee has met regularly to monitor the commercial performance of the Society as reported in the quarterly performance statements. It has also refined the content of these reports to address the care requirements of Directors for performance monitoring. These core elements form the basis for the Board’s constructive challenge of the Society’s Leadership Team.

- Was the strategy on track?
- Was the budget on track?
- Was planned development and growth on track?
- Were customer satisfaction improvements on track?
- Were major projects on track?

If not – why? Would the position recover or is remedial action required?

Discussions focused on the key areas of sales, margin, personnel costs and contribution levels. With the review of the food retail strategy in January 2016 and January 2017, the Committee has helped the Board to set appropriate targets by which to measure success and, through a system of interim meetings introduced during the year, has carried out in-depth reviews of other parts of the business and helped to set targets for these areas.

The Committee also monitors the return on recent investment in the business including major store refurbishments and the acquisition of key investment properties.

Membership and Community Engagement Committee

The Board has delegated to the Membership and Community Engagement Committee the responsibility for the development and oversight of the strategy for member engagement along with monitoring the Society’s role within the wider co-operative movement.

Terms

- The Committee’s terms of reference include:
  - All matters relating to member recruitment, retention and engagement
  - All matters relating to the Society’s Community Policy
  - All matters relating to the strategic framework for the Society’s Community Policy
  - Allocation of the Society’s Community Investment

Delegated powers

- Allocation of the Community Investment according to the strategic framework approved by the Board
- Agreement of the strategic framework for member and community engagement

Membership

- Membership of the Committee during the year under review is shown in the table on page 34.

Meetings

- The Committee met formally five times during the year. In addition, a Membership and Community Investment Strategy Day was held in September 2016 which all Board Directors were invited to attend.

Activities during the year

- A report on the activities of the Membership and Community Engagement Committee is included on pages 22 to 29 of this report.

This table does not record attendance at the AWG/On-format development workshops and a visit to stores and potential developments. Two special Board meetings were arranged at short notice to discuss the acquisition of the former Budgens shops by House of Woodford and the one stated with an important external conference. Eight Board meeting absences above related to these difficulties. John Pendle was due to serve until May 2017 but sadly died soon after the 2016/2017 Annual Member Meeting. Phil Harvey and Colo Moore each served complete 12 years continuous service in May 2016 and will need to stand down at the next AGM for at least one year. Terza Scoglio stood down after one year as she moved out of the region. Maria Vennerini was elected to fill a casual vacancy for a term of office with three years remaining to be served. On 8 May 2016, Sally Chicken was re-elected President and Colin Barrett was re-elected Vice-President, each to serve for one year to May 2017.

Remuneration and Search Committee

Terms of reference

- The Remuneration and Search Committee has oversight of the following matters:
  - Application of the Executive remuneration policy
  - Setting Executive KPIs and undertaking performance appraisals
  - Approval of new additional Senior Management Team posts
  - Executive Service Agreements (excluding salary) and role profiles
  - Executive appointments – shortlisting for interview
  - Appointment of pension scheme Trustees
  - Director induction
  - Appointment of Directors to subsidiaries

The Committee makes recommendations when necessary to the Board on these and related matters, including recommendations for subsequent consideration by members regarding Directors’ fees. Since merging with the Search Committee, it has also been responsible for the review of Board renewal and succession planning, induction, the code of conduct and recommended appointments to committees.

The Terms of Reference are derived from those recommended by Co-operatives UK for separate Remuneration and Search Committees.
Audit Committee

Terms

The Audit Committee’s terms of reference are based on the Corporate Governance Code for Consumer Co-operative Societies (November 2013) which states the Committee's focus on the routine use of appropriate and effective financial controls.

After each meeting, the Committee reports formally to the Board on its proceedings, making recommendations to the Board on any actions and improvements that it deems appropriate.

Membership

Committee membership during the year is shown in the table on page 34.

The Directors of the Society are elected by and from the Society’s members. The Committee members bring a diverse range of experience to their work; however, the Committee does not contain at least one member with recent and relevant financial experience as recommended under the Corporate Governance Code for Consumer Co-operative Societies (November 2013).

Members of the Audit Committee are aware of this issue which is mitigated through the Committee's training programme and access to independent advice from external consultants.

Meetings

The Committee met formally six times during the year. At all meetings at least one member of the Leadership Team was present. When external or internal auditors were also present, a period was set aside in the meeting for the Committee to meet with them in private, without any Leadership Team members (or the Secretary/Deputy Secretary) being present.

Training/continued development

During the year the Committee did not undertake any formal training courses. The Committee did however hold special meetings in February and May 2016 to receive a technical response paper from the Society’s External Auditor, PwC, relating to changes to the accounting treatment of funeral bonds, required due to the introduction of FRS102 (Financial Reporting Standard).

At the time of writing the Committee are arranging for a training session to be held in 2017 focusing on developing an understanding of a number of key areas including IT Security, Data Breaches, Prevention of Cyber Threats and Cyber Insurance.

Activities during the year

Below are the Audit Committee's principal activities over the last year:

- Review of the audit plan with the external auditor at the planning and reporting stages
- Effectiveness of the internal and external audit function
- Relevant disclosures in this report
- Review and ongoing monitoring of the Society’s IT strategy
- Monitoring and understanding changes within financial accounting standards – in particular the treatment of funeral bonds and deferred tax under FRS102 (Financial Reporting Standards)
- Overseeing a Board effectiveness review conducted by the Society’s internal auditor KPMG
- Review and approval of the Society’s:
  - Fraud reporting policy
  - Modern Slavery Statement
  - Taxation policy – Fair Tax Mark
- Review of post investment appraisals completed between 2012 and 2014
- Receive HMRC’s business risk review

Financial reporting

After discussion with both the Leadership Team and the External Auditor, the Audit Committee determined that the key risks of a misstatement of the Group’s financial statements related to:

- Stock/GNI reconciliations
- Net inventory carrying value
- Investment and trading property valuations
- Defined benefit pension plan net liability
- Other areas of focus for the Audit Committee were:
  - Compulsory purchase order of Society-owned land (Network Rail)
  - Taxation
  - Impairment review – loss-making units
  - Funeral bonds
  - Dormant Members’ share capital
  - Fraud risk

These issues were discussed with management during the year and with the auditor at the time the Committee reviewed and agreed the audit plan and also at the conclusion of the audit of the financial statements.

Misstatements

The Leadership Team confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported to the Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted. The Committee confirms that it is satisfied that the auditors have fulfilled their responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from the Leadership Team and consulting where necessary with the auditors, the Audit Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both with respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets, and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Committee performance appraisal

The Board encourages Committees to review their performance annually and to bring forward recommendations that might improve their effectiveness. This has led to regular updating of Committee terms of reference and occasional review of the Board Committee structure. In June 2013, the Board combined the Remuneration and Search Committees and agreed to take new venture proposals at Board level. The Rules Committee is established as an ad hoc working group and when required and meets during 2016–17 to propose rule amendments that will be put to members at a Special Members’ Meeting to be held on 13 May 2017.

During 2016–17 the Board commissioned its internal auditors, KPMG, to undertake a Board Effectiveness Review and the feedback from that review is being considered by the Board. Separately, the Board established a ‘Ways of Working’ group to consider whether more effective arrangements could be found for Board structures and procedures. This will include careful consideration of the current Board Committee structure and the delegation of authority to committees and the Leadership Team.

Management Executive emoluments

<table>
<thead>
<tr>
<th>Name</th>
<th>Basic salary (£000)</th>
<th>Benefits in kind (£000)</th>
<th>Employer pension contributions (£000)</th>
<th>2016/17 total emoluments (£000)</th>
<th>2015/16 total emoluments (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nick Denny</td>
<td>180</td>
<td>11</td>
<td>11</td>
<td>209</td>
<td>192</td>
</tr>
<tr>
<td>Mike Faulkner</td>
<td>145</td>
<td>11</td>
<td>11</td>
<td>171</td>
<td>170</td>
</tr>
<tr>
<td>Doug Field</td>
<td>109</td>
<td>9</td>
<td>20</td>
<td>228</td>
<td>219</td>
</tr>
<tr>
<td>Roger Grosvenor</td>
<td>256</td>
<td>12</td>
<td>22</td>
<td>290</td>
<td>290</td>
</tr>
<tr>
<td>Minnie Moll*</td>
<td>15.3</td>
<td>11</td>
<td>12</td>
<td>176</td>
<td>155</td>
</tr>
<tr>
<td>Math O’Hagan</td>
<td>18.4</td>
<td>12</td>
<td>16</td>
<td>212</td>
<td>191</td>
</tr>
</tbody>
</table>

*Minnie Moll operates flexible working hours.

Directors’ fees and expenses

<table>
<thead>
<tr>
<th>Director</th>
<th>2016/17 fees received £</th>
<th>2016/17 expenses £</th>
<th>2015/16 fees received £</th>
<th>2015/16 expenses £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colin Barrett</td>
<td>8,110</td>
<td>984</td>
<td>8,046</td>
<td>1,408</td>
</tr>
<tr>
<td>Mary Blackburn</td>
<td>–</td>
<td>–</td>
<td>2,567</td>
<td>66</td>
</tr>
<tr>
<td>Gillian Biver</td>
<td>–</td>
<td>–</td>
<td>2,567</td>
<td>494</td>
</tr>
<tr>
<td>Graham Biver</td>
<td>–</td>
<td>–</td>
<td>2,567</td>
<td>425</td>
</tr>
<tr>
<td>Belinda Burtin</td>
<td>8,110</td>
<td>649</td>
<td>8,046</td>
<td>30</td>
</tr>
<tr>
<td>Sally Chicken</td>
<td>8,110</td>
<td>2,224</td>
<td>8,046</td>
<td>3,145</td>
</tr>
<tr>
<td>John Cook</td>
<td>8,110</td>
<td>481</td>
<td>8,046</td>
<td>30</td>
</tr>
<tr>
<td>Nicola Fox</td>
<td>8,110</td>
<td>318</td>
<td>8,046</td>
<td>71</td>
</tr>
<tr>
<td>Phoebe Newalls</td>
<td>8,110</td>
<td>541</td>
<td>8,046</td>
<td>828</td>
</tr>
<tr>
<td>John Hawkins</td>
<td>8,110</td>
<td>664</td>
<td>8,046</td>
<td>463</td>
</tr>
<tr>
<td>Emma Howard</td>
<td>8,110</td>
<td>273</td>
<td>5,459</td>
<td>351</td>
</tr>
<tr>
<td>Claire Lintern</td>
<td>8,110</td>
<td>21</td>
<td>5,459</td>
<td>30</td>
</tr>
<tr>
<td>Olga Mann</td>
<td>8,110</td>
<td>894</td>
<td>8,046</td>
<td>1316</td>
</tr>
<tr>
<td>Chris Matthews*</td>
<td>5,459</td>
<td>146</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Carla Moore</td>
<td>8,110</td>
<td>21</td>
<td>8,046</td>
<td>279</td>
</tr>
<tr>
<td>Chris Newbury</td>
<td>8,110</td>
<td>553</td>
<td>8,046</td>
<td>224</td>
</tr>
<tr>
<td>John Pendle</td>
<td>2,807</td>
<td>32</td>
<td>8,046</td>
<td>668</td>
</tr>
<tr>
<td>Beverley Pethers</td>
<td>8,110</td>
<td>600</td>
<td>8,046</td>
<td>2,057</td>
</tr>
<tr>
<td>Teresa Scroggie</td>
<td>2,651</td>
<td>222</td>
<td>8,046</td>
<td>724</td>
</tr>
<tr>
<td>Steven Shaw</td>
<td>8,110</td>
<td>688</td>
<td>5,459</td>
<td>258</td>
</tr>
<tr>
<td>Maria Vennerse*</td>
<td>5,459</td>
<td>138</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>129,916</td>
<td>10,484</td>
<td>128,736</td>
<td>13,329</td>
</tr>
</tbody>
</table>

Directors’ expenses are materially dependent on their home location and the dates and times of events that they may need to attend.

This Director only served for part of the current year, see table page 34.
Management Executive pension table

<table>
<thead>
<tr>
<th>Name</th>
<th>Age at year end</th>
<th>Years in the pension scheme</th>
<th>Total pension accrued at year end £000</th>
<th>Increase/ (decrease) in accrued pension during the year (net of inflation) £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nick Denny</td>
<td>48</td>
<td>4</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Mike Faulkner</td>
<td>56</td>
<td>10</td>
<td>21</td>
<td>–</td>
</tr>
</tbody>
</table>

Roger Grosvenor chose to take his pension in August 2015.

Internal Control

This section of the report sets out the Society’s approach to internal control and the measures taken to review its effectiveness, so as to provide members with assurance that this critical area receives sufficient attention.

The Board has ultimate responsibility for the Society’s system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failing to achieve the Society’s objectives and can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

The aims of the system of internal control are:
- To safeguard the Society’s assets
- Ensure that proper accounting records are maintained
- Ensure that the financial information used within the business and for publication is accurate, reliable and fairly presents the financial position of the Society and the results of its operations

The Board is also responsible for reviewing the effectiveness of the system of internal control and for this purpose it has its Audit Committee.

With the assistance of the Audit Committee, the Directors have continued to review the effectiveness of the Society’s system of non-financial as well as financial controls, including operational and compliance controls, risk management and the Society’s high level internal control arrangements.

The Board believes that the controls and processes in place are appropriate for an organisation of the size and complexity of the Society.

Control environment

The quality and competence of our people, their integrity, ethics and behaviour are all vital to the maintenance of the Society’s system of internal control.

The Society’s control environment framework is designed to create an attitude of taking acceptable business risk within clearly defined limits. This framework contains the following key elements:
- An organisational structure with clear lines of responsibility, delegation of authority and reporting requirements
- Co-ordinated activity across the whole Society by the Management Executive Team
- A risk management process designed to monitor the major risks facing the Society
- Board review and approval of annual budget and longer-term plans for each business group and support function
- Comprehensive systems of financial reporting – actual results together with comparisons to budget and prior year are reported regularly to the Board throughout the year
- Clearly defined policies for capital and revenue expenditure, for example larger capital and revenue expenditure proposals require Board authorisation
- An independent internal audit function which reports directly to the Audit Committee

N.B. All Directors of the Society are directors of subsidiary co-operatives.

Clive Mann and Chris Newbury are directors of subsidiary companies.
Financial and Business Risk Assessment

Effective risk management is at the heart of the business, supporting delivery of the Society’s strategy by ensuring the business continues to be safe and sustainable and protects members’ interests.

The Board and Leadership Team have the primary responsibility for identifying the key business risks facing the Society.

The Society operates a risk management process that identifies the key risks facing each business. The Society has a risk register which identifies the likelihood and impact of those risks occurring, and the actions being taken to monitor and control them. Risk assessments are updated regularly and reported to the Audit Committee which has responsibility for establishing a coherent framework for the Society to manage risk, which also includes a Business Continuity Plan.

The objective of the Committee is to assist the Board in carrying out its responsibility to ensure effective risk management and systems of control.

Top and emerging risks

Whilst the Society accepts that all its activities involve risk, it seeks to protect its members by managing risks that arise from its activity appropriately. Risk management activity has focused on strengthening business resilience. The Society’s top and emerging risks remain largely unchanged and fall within the themes of economic uncertainty, competition / market disruption and loss of central IT. The impact of the ageing population is also likely to influence the business in the future.

A description of significant risks faced by the Society and relevant mitigating factors

<table>
<thead>
<tr>
<th>Principal risk</th>
<th>Potential Impact</th>
<th>How it is managed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic environment</strong></td>
<td>Adverse economic conditions, the decision to leave the EU and rising inflation may give rise to significant changes in consumer spending patterns in our markets. This could have a substantial impact on the performance of businesses operated by the Society.</td>
<td>We seek to understand and respond to the needs of our customers by offering a broad appeal to all customers in our different markets, which is appropriate to economic and market conditions. Financial forecasts are frequently updated to reflect economic indicators and monitor trading conditions.</td>
</tr>
<tr>
<td><strong>Competition</strong></td>
<td>The Society trades in highly competitive markets, and faces an increasing threat from national and international businesses seeking growth opportunities through expansion into new geographical areas and new formats. There continues to be a significant number of projects being undertaken by the Society at this time to improve its competitiveness, including technology investments, a food store refresh programme and expansion of our funeral operations. If these projects aren’t implemented effectively and on time then there could be an impact on profitability.</td>
<td>We measure trends in our performance and competitiveness e.g. price checks and promotional offers, as appropriate to the competitive landscape. The Society monitors competitor actions as far as is possible from information in the public domain and takes appropriate mitigating actions where possible. Projects are managed using recognised project methodologies and are supported by Society training and development programmes.</td>
</tr>
<tr>
<td><strong>Compliance with legislation and regulation</strong></td>
<td>The Society is subject to a wide range of legislative and regulatory requirements, principally designed to protect our customers and colleagues, and the Society is naturally fully committed to complying with all such requirements. Compliance failures can have serious implications for the trading performance of the unit concerned, or even for the Society as a whole, as well as potentially damaging our reputation. The National Living Wage, Apprenticeship Levy and additional statutory compliance costs provide external cost pressures which will impact profitability.</td>
<td>The Society ensures that it obtains timely information about forthcoming changes in legislation and that it has robust procedures in place to minimise any risk of non-compliance. Employment of suitably qualified and experienced compliance and risk individuals. Significant resource is directed to training colleagues and monitoring the effectiveness of training in compliance obligations. We continue to drive efficiencies, through smarter working and technology investment to mitigate external cost pressures where we can.</td>
</tr>
<tr>
<td>Principal risk</td>
<td>Potential impact</td>
<td>How it is managed</td>
</tr>
<tr>
<td>----------------</td>
<td>------------------</td>
<td>------------------</td>
</tr>
<tr>
<td><strong>Major failure of IT systems or infrastructure</strong></td>
<td>The Society has invested significant sums of money in technology and is risk heavily reliant on these operational systems. A prolonged failure of a key system or the IT infrastructure would have a detrimental impact on our business, potentially resulting in an inability to make sales, supply stores or pay employees. Cyber security threats are increasing and this, coupled with the pace of technological development, creates risks. There could also be a reputational impact with customers losing trust.</td>
<td>Controls are in place to mitigate the risks of losing IT, including disaster recovery and business continuity plans, data-backup procedures, backup power supply, hardware maintenance agreements and server replication. Regular tests of controls are undertaken and the Board use internal Audit to stress further assurance in this area.</td>
</tr>
<tr>
<td><strong>Supply chain disruption</strong></td>
<td>Significant disruption of supply to our trading outlets will impact the level of sales achieved by our retail operations and impact the financial performance of the Society. Our supply chain is linked to the wider co-operative movement through the food retail buying group, Federal Fiscal and Trading Services (FFTS). A major participant in FFTS is the Co-operative Group. Co-operative Group also manage distribution of goods to our Distribution Centre and food stores.</td>
<td>Supply chain continuity is an integral part of our business continuity plan. We are active participants within the FFTS organisation, attending all Strategy and Monitoring Group discussions. The retention of our own ambient Distribution Centre and the related vehicle fleet also helps mitigate risk.</td>
</tr>
<tr>
<td><strong>Damage to our reputation and brand</strong></td>
<td>The Society’s reputation as an ethical brand is not only on our co-operative structure and philosophy, but also on our longstanding commitment to ethical business practices, the quality of our products and services, and our ability to respond to changing member and customer demand for our products and services. If we fail to deliver excellent standards of hygiene and safety in our products and stores there is potential harm to our customers. Any failure to meet the high standards our members expect from us in these core areas will damage our reputation and potentially affect the ongoing success of our businesses.</td>
<td>Considerable management attention and training are devoted to protecting our reputation and brand. Health and safety is a mandatory Board and leadership team agenda item. The Society is an active participant within the co-operative movement and one of its Directors is also a Director of Co-operatives UK, the national trade body that campaigns for co-operation and works to promote, develop and unite co-operative enterprises. The Board of Directors are also representation of the Co-op Group’s Members’ Council and Senate. In practical terms, elements of this risk outside the Society’s control as the Co-operative brand is managed by many different societies in different parts of the country.</td>
</tr>
<tr>
<td><strong>Finance and liquidity</strong></td>
<td>Inability to generate sufficient funds to meet business needs, including payments to members. The Society has exposure to commodity prices and fluctuations in interest rates, which can impact on financial performance.</td>
<td>The Finance function has processes and procedures in place to manage its responsibility for the Society’s liquid resources, cash flow requirements and financial risk. The Society has significant liquid assets and so its exposure to liquidity risk is considered low.</td>
</tr>
<tr>
<td><strong>Property investment values</strong></td>
<td>The Society’s property portfolio comprises both trading and investment properties. The latter are reviewed on a regular basis in line with generally accepted accounting principles and in commercial terms provide a significant source of investment income to the Society. Any downturn in the commercial and residential property markets is likely to impact on the income stream and, in consequence, reduce the capital value of those investments.</td>
<td>The investment property portfolio is under continual review to mitigate any risks to the Society.</td>
</tr>
<tr>
<td><strong>Pension schemes</strong></td>
<td>Inherent within the Society’s final salary schemes is the risk that key variables, such as life expectancy and investment returns earned, may vary from current assumptions and potentially increase the future costs that will have to be borne by the Society.</td>
<td>The Society and the schemes’ trustees continue to carefully monitor the pension risks, taking action when necessary to adjust contributions to the schemes and re-consider the scheme investment strategy to mitigate risks. Both final salary schemes have been closed to future accrual to reduce risk in this area. The asset-backed funding arrangement, introduced by the Society in 2013, has improved security for members of the two defined benefit pension schemes as well as increasing certainty for the Society in terms of funding.</td>
</tr>
</tbody>
</table>

Modern Slavery Statement

This statement is made pursuant to s54 of the Modern Slavery Act 2015 and sets out the steps that the East of England Co-operative Society has taken and is continuing to take to ensure that modern slavery or human trafficking is not taking place within our business or supply chain.

Modern slavery encompasses slavery, servitude, human trafficking and forced labour. The East of England Co-operative Society has a zero tolerance approach to any form of modern slavery. We are committed to acting ethically and with integrity and transparency in all business dealings and to putting effective systems and controls in place to safeguard against any form of modern slavery taking place within the business or our supply chain.

**Our business**

The Society’s principal business activities are food retailing, funeral services and management of its investment property portfolio. In addition, the Society has interests in petrol forecourts, travel, pharmacy, optical, events and conferencing, funeral services and management of its investment property portfolio. The Society is an active participant within the co-operative movement and one of its Directors is also a Director of Co-operatives UK, the national trade body that campaigns for co-operation and works to promote, develop and unite co-operative enterprises. The Board of Directors are also representation of the Co-op Group’s Members’ Council and Senate.

In practical terms, elements of this risk outside the Society’s control as the Co-operative brand is managed by many different societies in different parts of the country.

**Risk areas**

The signs of modern slavery can often be very subtle and difficult to identify; we are improving our understanding of where the risks are greatest and prioritising our activity accordingly. During our due diligence we identified that our highest areas of risk were our local suppliers and the masonry stone suppliers to H.L. Perfitt Ltd.

Local suppliers

Local suppliers tend to have a less formal structure and more difficult to identify; we are improving our understanding of where the risks are greatest and prioritising our activity accordingly. During our due diligence we identified that our highest areas of risk were our local suppliers and the masonry stone suppliers to H.L. Perfitt Ltd.

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Local suppliers
Corporate Matters

This section of the report covers corporate policies and practices that the Board considers should be communicated to members.

Colleagues

We value people from all backgrounds, ensuring an inclusive approach that celebrates diversity. The Society is committed to a policy of treating all its colleagues and job applicants equally and to increasing the involvement of colleagues through engagement activities.

Colleague engagement

As a key element of our strategy, we aim to achieve industry-leading levels of colleague engagement to maintain our friendly customer service.

Consultation with colleagues or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests.

Communication with all colleagues continues through in-house newsletters.

Equal opportunities

We have continued our policy of equal opportunities, including the employment of people with disabilities. We ensure full and fair consideration is given to applications for employment where a disability is advised, having regard to particular aptitudes and abilities.

In the event of colleagues becoming disabled, every effort is made to ensure that their employment with the Society continues and all reasonable adjustments are made.

It is the policy of the Society that the training, career continuity and all reasonable adjustments are made to ensure that their employment with the Society is maintained.

In the event of colleagues becoming disabled, every effort is made to ensure that their employment with the Society continues and all reasonable adjustments are made.

Auditor independence

To ensure auditor independence and objectivity, any non-audit work undertaken by the Society's auditors, All non-audit engagements of the External Auditor require formal approval by the Audit Committee except that the Committee's authorisation is not required where the External Auditor will be undertaking the proposed engagement in conjunction with other external organisations (as a member of a consortium, as a sub-contractor or through some other relationship) and the External Auditor will receive less than 15% of the value of the contract.

In addition, in accordance with the Code, the Society has adopted a policy whereby the audit engagement partner does not conduct the Society’s audit for more than five years.

Directors’ and Officers’ indemnity insurance

The Society maintains appropriate Directors’ and Officers’ liability insurance cover in respect of legal action against its Directors. The arrangements for this were reviewed during the year.

Statement of compliance

To help members assess the Society’s governance arrangements, the Society is required to specify those elements of the Code with which it does not comply. This section covers this requirement. The matters listed will be kept under review by the Board.

Members should note that the Society is required to complete a compliance questionnaire, draw up by Co-operatives UK, to enable a formal assessment of its compliance with the Code by Co-operatives UK. This questionnaire will be available to members on request. Those interested should contact the Secretary.

Political donations

The Society’s rules provide that affiliation and subscription to the Co-operative Party shall be determined by members in a general meeting.

During the year, subscriptions of £32,000 (2016: £48,000) were paid to the Co-operative Party.

Remuneration Committee

In addition to the above, a number of the Code recommendations are not applicable to this Society (e.g. reporting loss of office payments when there have been no relevant terminations).

Audit Committee

In addition to the term limit above, the Audit Committee does not have a Director with recent relevant financial experience or an accounting qualification as defined by Co-operatives UK.

However, the Committee has access to independent professional advice, internal accounting experience and considerable experience of constructively challenging the Executives.

Co-opted Directors

The Code recommends that co-opted Director appointments be ratified by members but the Board’s only appointment to date was made after the election and ANM. Ratification was not, therefore, possible on this occasion.

Role of the President

The Code expects the President to maintain links with regional boards and committees and any other groups designed to facilitate consultation with members. The Society currently has no regional committees or equivalent.

Chief Executive

The Code envisages a single Chief Executive. A number of its provisions are not applicable for a collegiate Leadership Team.

Member Value Statement

The Board has yet to develop a Member Value Statement. The value that members obtain from the Society is both economic and social and defining this is not a key priority of the Board.

Voting opportunities

The Board has introduced electronic voting in the election for Directors but on grounds of cost has not adopted this procedure for voting on motions at the Annual Members’ Meeting.

Major transactions

The Society does not have a rule requiring major transactions involving more than 25% of the entire value of the Society to be put to members for decision. No such decisions have arisen in living memory other than Society mergers, which the rules require to be put to Special Members’ Meetings.

Director remuneration

The Society does not pay Directors for earnings lost through carrying out Board duties. The matter is kept under review but currently the Board believes that the basic fee adequately compensates Directors for their contribution.

Three-year term for Directors

The Code advises Societies to have three-year terms for Directors and to limit consecutive service to three terms. With a Board of 16 Directors, it is felt that four-year terms are more appropriate and the consecutive service limit is expressed as 12 years rather than three terms.

Independent professional advice

The Code calls for a single Director to be able to seek independent professional advice at the Society’s cost. The Board believes that with 16 Directors it is not unreasonable to require a Director to gain the support of two others before it pays independent legal advice.

External Board evaluation

The Code recommends that Boards commission independent external evaluation of their effectiveness. Since publication of the Co-ops UK compliance review, the Board has commissioned KPMG to undertake such a review.

Statement of disclosure of information to auditors

So far as each of the Directors is aware, there is no relevant audit information of which the Society’s auditors are unaware, and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Society’s auditors are aware of that information.

Mike Faulkner
Secretary
22 April 2017

Sally Chicken
President

Co-operatives UK Code of Corporate Governance – Exception report

<table>
<thead>
<tr>
<th>Explanation of non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search Committee Remuneration Committee Audit Committee</td>
</tr>
<tr>
<td>The Code recommends limiting service on these Committees to no more than three consecutive years in order to prevent reliance on and dominance by individuals and to enable other Directors to gain experience. The Board does not accept a rigid three-year limit but is mindful of the need to change membership over time and seeks to balance valuable continuity with the need to develop new Directors. Committee memberships are reviewed and adjusted each year.</td>
</tr>
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</tr>
</tbody>
</table>
Statement of Directors’ Responsibilities

The Directors are responsible for preparing the Directors’ Report and the Society’s financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). Under the Co-operative and Community Benefit Societies Act 2014 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements
- Notify its members in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society’s transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Society’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Board of Directors has considered the requirement of the Corporate Governance Code for Consumer Co-operative Societies (November 2015) to confirm its view that the Society can be regarded as a going concern. After making all appropriate enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future.

Board certification

The Financial Statements on pages 51 to 75 are hereby signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.

On behalf of the Board:

Sally Chicken
President

Colin Barrett
Vice-President

Mike Faulkner
Secretary

22 April 2017

Independent Auditors’ Report

to the members of East of England Co-operative Society Limited

Report on the Group financial statements

Our opinion

In our opinion, East of England Co-operative Society Limited’s group financial statements (the “financial statements”):

- give a true and fair view of the state of the Society’s affairs as at 28 January 2017 and of its profit and cash flows for the 53 week period (the “year”) then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Co-operative and Community Benefit Societies Act 2014

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Group Balance Sheet as at 28 January 2017;
- the Group Revenue Account and Group Statement of Comprehensive Income for the year then ended;
- the Group Cash Flow Statement for the year then ended;
- the Group Statement of Changes in Equity for the year then ended;
- the Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

Our audit approach

Overview

- Overall group materiality: £3.5m (2016: £3.4m) which represents 1% of revenue
- The two core operating businesses are made up of eight reporting units and the Group financial statements are a consolidation of those eight reporting units and centralised functions
- East of England Co-operative Society, Ardencrest Limited and the centralised functions were considered to be financially significant and therefore were subject to audits of their complete financial information by the Group audit team
- Stock / GRNI reconciliations
- Retail stock valuation
- Investment and trading property valuations
- Defined benefit pension plan net liability, including the appropriateness of the assumptions used

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as “areas of focus” in the table below. We have also set out how we tackled our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

<table>
<thead>
<tr>
<th>Area of Focus</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock / GRNI</td>
<td>Reconciliations</td>
</tr>
<tr>
<td>Retail stock valuation</td>
<td></td>
</tr>
<tr>
<td>Investment and trading property valuations</td>
<td></td>
</tr>
<tr>
<td>Defined benefit pension plan net liability, including the appropriateness of the assumptions used</td>
<td></td>
</tr>
</tbody>
</table>

The risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as “areas of focus” in the table below. We have also set out how we tackled our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.
Area of focus | How our audit addressed the area of focus
--- | ---
Stock / GRNI reconciliations | We have performed testing to validate stock quantities recorded and tested the subsequent clear down of items within the GRNI year end accrual to an immaterial level. In order to give us comfort that stock was correctly recorded in the stock system, we also attended a sample of 10 stock counts at the year end date. As a result of this work, we were able to conclude that the GRNI had been appropriately cleared down post year end.
Net inventory carrying value | We assessed management’s judgements with respect to the stock provision, formulating an independent estimate that considered expected obsolescence in the stock balance along with the error rates observed during our test counts. We also agreed stock quantities and values to the underlying records and reviewed the level of provision against previous years and any actual write-offs during the period. We have concluded that the provision made by management is materially correct.
Investment and trading property valuations | We assessed and challenged management’s judgements with respect to property valuations. We confirmed that the results of the valuations conducted by the external valuers were consistent with the results of those properties valued by the Group’s internal valuation team. We did this by comparing the movement between the current year valuations performed by the external valuer and those conducted by the Group’s internal valuers. This gave evidence that the movements were consistent between the external and Group’s internal valuers. We assessed the results of management’s exercise to identify loss-making stores. We have assessed and challenged management’s judgements, specifically the store revaluation assumptions, margin assumptions and discount rate. We have then performed a sensitivity analysis, which did not identify any additional material differences.
Defined benefit pension plan net liability | We agreed the discount and inflation rates, together with the expected rates of return on plan assets used in the valuation of the pension liability by the external actuary to our internally developed benchmarks. We obtained an understanding of the methodology used to derive the discount rate used by the actuary. We compared the assumptions around salary increases and mortality to national and industry averages.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group is structured as two core operating businesses focused on retail trading and investment property across the East of England. The businesses are made up of eight reporting units and the Group financial statements are a consolidation of those eight reporting units and centralised functions. East of England Co-operative Society Limited, Ardencrest Limited and the centralised functions were considered to be financially significant and therefore were subject to audits of their complete financial information by the Group audit team. This scope of work, together with audit work on the consolidation, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| Overall group materiality | £3.5 million (2016: £3.4 million) |
| How we determined it | 1% of revenues |

Rationale for benchmark applied

We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (2016: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Other required reporting

Consistency of other information

IGAs (UK & Ireland) reporting

Information in the Annual Report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:
- a satisfactory system of control over transactions has not been maintained; or
- the Society has not kept proper accounting records; or
- the Society’s financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

We have no exceptions to report arising from this responsibility.
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors’ Responsibilities set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Society’s members as a body in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We primarily focus our work in these areas by assessing the directors’ judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich
22 April 2017

Group Revenue Account
For the 53 weeks ended 28 January 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>1.1</td>
<td>347,709</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2.1</td>
<td>(243,297)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>104,412</td>
<td>102,576</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>2.1</td>
<td>(99,578)</td>
</tr>
<tr>
<td>Trading profit</td>
<td>4,834</td>
<td>4,074</td>
</tr>
<tr>
<td>Changes in fair value of investment properties</td>
<td></td>
<td>1,571</td>
</tr>
<tr>
<td>Unrealised impairment of tangible and intangible fixed assets</td>
<td></td>
<td>(605)</td>
</tr>
<tr>
<td>Employee bonus</td>
<td>2.4</td>
<td>–</td>
</tr>
<tr>
<td>Profit on disposal of property</td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td></td>
<td>(658)</td>
</tr>
<tr>
<td>Profit before interest, distributions and taxation</td>
<td></td>
<td>4,742</td>
</tr>
<tr>
<td>Interest receivable and similar income</td>
<td>2.2</td>
<td>1,969</td>
</tr>
<tr>
<td>Other finance expense</td>
<td>2.2</td>
<td>(630)</td>
</tr>
<tr>
<td>Profit before distributions and taxation</td>
<td></td>
<td>6,081</td>
</tr>
<tr>
<td>Dividend</td>
<td>2.3</td>
<td>(2,712)</td>
</tr>
<tr>
<td>Grants/donations</td>
<td></td>
<td>(610)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td></td>
<td>2,739</td>
</tr>
<tr>
<td>Taxation</td>
<td>3.1</td>
<td>(822)</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td></td>
<td>1,917</td>
</tr>
</tbody>
</table>

The above results relate to continuing activities.

Group Statement of Comprehensive Income
For the 53 weeks ended 28 January 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the financial year</td>
<td></td>
<td>1,917</td>
</tr>
<tr>
<td>Remeasurements of net defined benefit obligations</td>
<td>5.3</td>
<td>(29,595)</td>
</tr>
<tr>
<td>Movement in deferred tax relating to pension liability</td>
<td>3.1</td>
<td>2,410</td>
</tr>
<tr>
<td>Effect of change in rates on movement in deferred tax relating to pension liability</td>
<td>3.1</td>
<td>61</td>
</tr>
<tr>
<td>Total other comprehensive (expense)/income</td>
<td></td>
<td>(27,524)</td>
</tr>
<tr>
<td>Total comprehensive (expense)/income for the year</td>
<td></td>
<td>(25,207)</td>
</tr>
</tbody>
</table>
### Group Balance Sheet

**As at 28 January 2017**

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>4.1</td>
<td>9,973</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>4.2</td>
<td>220,477</td>
</tr>
<tr>
<td>Investments</td>
<td>4.3</td>
<td>41,060</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>271,510</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>4.4</td>
<td>19,939</td>
</tr>
<tr>
<td>Debtors</td>
<td>4.5</td>
<td>8,512</td>
</tr>
<tr>
<td>Investments</td>
<td>4.3</td>
<td>5,439</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>16,479</td>
<td>25,541</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>50,369</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors – amounts falling due within one year</td>
<td>5.1</td>
<td>(33,758)</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td></td>
<td>16,611</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td></td>
<td>288,121</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors – amounts falling due after more than one year</td>
<td>5.1</td>
<td>(32,947)</td>
</tr>
<tr>
<td>Provision for other liabilities</td>
<td>5.2</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Net assets excluding pension liabilities</strong></td>
<td></td>
<td>255,164</td>
</tr>
<tr>
<td>Pension liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deficit on defined benefit schemes</td>
<td>5.3</td>
<td>(45,645)</td>
</tr>
<tr>
<td>Other retirement benefits</td>
<td>5.3</td>
<td>(2,008)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>207,511</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>6.1</td>
<td>8,147</td>
</tr>
<tr>
<td>Fair value reserve</td>
<td>40,638</td>
<td>38,139</td>
</tr>
<tr>
<td>Revenue reserve</td>
<td>158,726</td>
<td>185,642</td>
</tr>
<tr>
<td><strong>Members’ funds</strong></td>
<td></td>
<td>207,511</td>
</tr>
</tbody>
</table>

### Group Statement of Changes in Equity

**For the 53 weeks ended 28 January 2017**

<table>
<thead>
<tr>
<th></th>
<th>Share capital £000</th>
<th>Fair value reserve £000</th>
<th>Revenue reserve £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 24 January 2015</td>
<td>14,572</td>
<td>37,562</td>
<td>164,731</td>
<td>216,865</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>4,174</td>
<td>4,174</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>13,429</td>
<td>13,429</td>
</tr>
<tr>
<td>Transfer</td>
<td>–</td>
<td>577</td>
<td>(577)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>–</td>
<td>577</td>
<td>17,626</td>
<td>17,626</td>
</tr>
<tr>
<td>Contributions to share capital</td>
<td>1,026</td>
<td>–</td>
<td>–</td>
<td>1,026</td>
</tr>
<tr>
<td>Dividend cheques paid in</td>
<td>612</td>
<td>–</td>
<td>–</td>
<td>612</td>
</tr>
<tr>
<td>Share interest</td>
<td>60</td>
<td>–</td>
<td>(70)</td>
<td>(10)</td>
</tr>
<tr>
<td>Withdrawals</td>
<td>(2,019)</td>
<td>–</td>
<td>–</td>
<td>(2,019)</td>
</tr>
<tr>
<td>Dormant share accounts released to reserves</td>
<td>(4,948)</td>
<td>–</td>
<td>4,948</td>
<td>–</td>
</tr>
<tr>
<td>Corporation tax on dormant share accounts</td>
<td>–</td>
<td>(193)</td>
<td>(193)</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets excluding pension liabilities</strong></td>
<td>255,164</td>
<td>252,079</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 25 January 2016</td>
<td>9,303</td>
<td>38,139</td>
<td>185,642</td>
<td>233,084</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>–</td>
<td>–</td>
<td>1,917</td>
<td>1,917</td>
</tr>
<tr>
<td>Other comprehensive expense</td>
<td>–</td>
<td>–</td>
<td>(27,124)</td>
<td>(27,124)</td>
</tr>
<tr>
<td>Transfer</td>
<td>–</td>
<td>2,499</td>
<td>(2,499)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensive expense for the year</strong></td>
<td>–</td>
<td>2,499</td>
<td>(27,706)</td>
<td>(25,207)</td>
</tr>
<tr>
<td>Contributions to share capital</td>
<td>812</td>
<td>–</td>
<td>–</td>
<td>812</td>
</tr>
<tr>
<td>Dividend cheques paid in</td>
<td>501</td>
<td>–</td>
<td>–</td>
<td>501</td>
</tr>
<tr>
<td>Withdrawals</td>
<td>(1,497)</td>
<td>–</td>
<td>–</td>
<td>(1,497)</td>
</tr>
<tr>
<td>Share interest</td>
<td>70</td>
<td>–</td>
<td>(75)</td>
<td>(5)</td>
</tr>
<tr>
<td>Dormant share accounts released to reserves</td>
<td>(1,042)</td>
<td>–</td>
<td>1,042</td>
<td>–</td>
</tr>
<tr>
<td>Corporation tax on dormant share accounts</td>
<td>–</td>
<td>(177)</td>
<td>(177)</td>
<td></td>
</tr>
<tr>
<td><strong>Total transactions with members recognised directly in equity</strong></td>
<td>(1,156)</td>
<td>–</td>
<td>3,885</td>
<td>(1,384)</td>
</tr>
<tr>
<td>As at 28 January 2017</td>
<td>8,147</td>
<td>40,638</td>
<td>158,726</td>
<td>207,511</td>
</tr>
</tbody>
</table>
Group Cash Flow Statement
For the 53 weeks ended 28 January 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities</td>
<td>7.3</td>
<td>7,312</td>
</tr>
<tr>
<td>Taxation (paid)/received</td>
<td>(3)</td>
<td>527</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>7,309</td>
<td>18,131</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of subsidiary</td>
<td>(1,234)</td>
<td>(1,234)</td>
</tr>
<tr>
<td>Purchase of Intangible assets</td>
<td>(520)</td>
<td>(1,042)</td>
</tr>
<tr>
<td>Purchase of tangible assets</td>
<td>(11,183)</td>
<td>(12,756)</td>
</tr>
<tr>
<td>Purchase of fixed asset investments</td>
<td>(7)</td>
<td>10</td>
</tr>
<tr>
<td>Proceeds from disposals of tangible assets</td>
<td>4,234</td>
<td>10,253</td>
</tr>
<tr>
<td>Proceeds from disposal of fixed asset investments</td>
<td>(3)</td>
<td>9</td>
</tr>
<tr>
<td>Purchase of funeral bond investments</td>
<td>(7,781)</td>
<td>(6,233)</td>
</tr>
<tr>
<td>Interest received and similar income</td>
<td>1,111</td>
<td>893</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(15,173)</td>
<td>(9,767)</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share interest paid</td>
<td>(25)</td>
<td></td>
</tr>
<tr>
<td>Contributions to share capital</td>
<td>812</td>
<td>1,026</td>
</tr>
<tr>
<td>Dividend cheques paid</td>
<td>501</td>
<td>672</td>
</tr>
<tr>
<td>Share capital withdrawn</td>
<td>(1,497)</td>
<td>(2,019)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(1,964)</td>
<td>(400)</td>
</tr>
<tr>
<td>Net (decrease)/increase in cash and cash equivalents</td>
<td>(8,048)</td>
<td>7,958</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>7.3</td>
<td>26,541</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>18,493</td>
<td>26,541</td>
</tr>
</tbody>
</table>

Cash and cash equivalents consists of:
- Cash at bank and in hand | 16,479 | 25,541 |
- Short term deposits (included in current asset investments) | 2,014 | 1,000 |
| Cash and cash equivalents | 18,493 | 26,541 |

Accounting Policies

General Information
The East of England Co-operative Society (registered number 109691) and its subsidiaries operate convenience stores, supermarkets, travel pharmacy, optical and funeral services branches across Norfolk, Suffolk, Essex and Cambridgeshire. In addition, the Group also holds a large portfolio of investment properties.

The Society is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and its registered address is Wherstead Park, The Street, Wherstead, Ipswich, IP9 2BJ.

Basis of accounting
The following accounting policies have been applied consistently. The Group financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”). The financial statements are also prepared in accordance with the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and the Co-operative and Community Benefit Societies Act 2014.

Accounting date
The Group financial statements are made up to the fourth Saturday in January of each year. The financial year represents the 53 weeks ended 28 January 2017 (2016: 52 weeks ended 23 January 2016).

Basis of consolidation
The consolidated financial statements include the audited results of East of England Co-operative Society Limited and all its subsidiaries. However, not all subsidiaries’ financial statements are subject to audit. Please refer to note 7.5 for details.

Subsidiaries are those entities controlled by the Group. Control exists when the Society has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting policies are consistent across all of the Society’s subsidiaries.

Going concern
The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Significant accounting policies
Accounting policies relating to specific areas of the financial statements can be found in their relevant sections.

Provisions
The Group makes provision for liabilities and charges when it has a legal or constructive obligation arising from a past event. It is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not discounted on the basis of materiality.

Financial instruments
Financial assets and financial liabilities are recognised on the Group’s balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Use of non-GAAP profit measures – underlying trading profit
The Directors believe that an underlying trading profit measure provides additional useful information for members on underlying trends and performance. This measure is used for internal performance analysis. Underlying profit is not defined by UK GAAP and therefore may not be directly comparable with other societies’ or companies’ adjusted profit measures. It is not intended to be a substitute for, or superior to, UK GAAP measurements of profit.

Underlying trading profit is calculated by reference to profit before interest, distributions and taxation, adjusted for impairments of investment and trading properties, and exceptional items.

Exceptional items
The Society classifies certain one-off charges or credits that have a material impact on the financial results as exceptional items. These significant items are separately disclosed by virtue of their size or incidence to enable a full understanding of the Society’s financial performance. Transactions which may give rise to exceptional costs/gains are principally re-organisation/restructuring costs, significant changes to pension arrangements and any surplus/deficit arising in respect of discontinuance of operations.

In determining underlying trading profit, it is considered appropriate to adjust for exceptional items as these gains or losses cannot have a significant impact on both absolute profit and profit trends.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.
Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Information about areas of estimation, uncertainty and critical judgements used in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Notes to the Financial Statements

KEEPING IT SIMPLE

The 'keeping it simple' boxes are included as additional disclosure to help readers’ understanding and interpretation.

Section 1 - Turnover

IN THIS SECTION

This section provides information used to establish the turnover of the Society.

KEEPING IT SIMPLE - TURNOVER

Turnover represents the amount of money customers pay or are liable to pay at the point of sale and delivery, less VAT, staff discount and agency fees.

Accounting policy:

Turnover includes cash sales, goods sold on credit, commissions and property rental income and arises wholly in the United Kingdom.

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales tax or duty. Turnover is recognised when:

- the significant risks and rewards of ownership have been transferred to the buyer
- the Group retains no continuing involvement or control of the goods
- the amount can be measured reliably
- it is probable the future economic benefits will flow to the entity and
- when the specific criteria relating to each of the Group’s sales channels have been met, as described below

a) Retail sales
   Sales of goods are recognised on sale to the customer, which is considered point of delivery. Retail sales are usually by cash, debit or credit card.

b) Rental income
   Rental income from operating leases, excluding charges for insurance and maintenance, is recognised on a straight-line basis over the period of the lease, even if payments are not made on this basis.

c) Agency fees and commissions
   Turnover includes amounts in relation to commission receivable in respect of sales made on an agency basis, principally relating to travel and concession sales, and is recognised at the point of sale.

d) Income from franchise locations
   In certain locations the Group operates a franchised brand from third parties. Income from these locations is recognised at point of sale.

Section 2 - Expenses

IN THIS SECTION

This section contains details of costs incurred by the Society during the year, transactions with Directors, finance costs and payments to and on behalf of members.

2.1 EXPENSES

KEEPING IT SIMPLE - COST OF SALES

Cost of sales are the costs we incur in buying the goods and services we provide to our customers.

KEEPING IT SIMPLE - OPERATING EXPENSES

Operating expenses are the costs we incur in providing the goods and services we deliver to our customers. This includes the amount we pay our colleagues and the costs of running our retail outlets.

2.1.1 SEGMENTAL REPORTING

KEEPING IT SIMPLE - SEGMENTAL REPORTING

The segmental report details the breakdown of turnover between the Society’s different business activities, in this case retail and property.

The average number of persons employed by the Society during the year was:

- Full time: 1,158
- Part time: 3,141

The total number of persons employed by the Society during the year was:

- Full time: 4,379
- Part time: 4,310
### 2.1.1 COLLEAGUES (CONTINUED)

#### 2017 2016

<table>
<thead>
<tr>
<th></th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>53,449</td>
<td>52,478</td>
</tr>
<tr>
<td>Social security costs</td>
<td>2,900</td>
<td>2,914</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>3,884</td>
<td>3,908</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60,233</td>
<td>59,700</td>
</tr>
</tbody>
</table>

The cost incurred in respect of these employees was:

#### 2.1.2 KEY MANAGEMENT COMPENSATION

**KEEPING IT SIMPLE – KEY MANAGEMENT COMPENSATION**

This is the amount we pay to the Society’s Management Executive.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>1,117</td>
<td>1,064</td>
</tr>
<tr>
<td>Taxable benefits</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>103</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,286</td>
<td>1,219</td>
</tr>
</tbody>
</table>

#### 2.1.3 TRANSACTIONS WITH DIRECTORS

**KEEPING IT SIMPLE – TRANSACTIONS WITH DIRECTORS**

This section shows any payments made to Directors for their role in the Society.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors’ emoluments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The total remuneration of the Directors for their Board duties was as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>133</td>
<td>129</td>
</tr>
<tr>
<td>The number of Directors whose emoluments fell in each £5,000 bracket was as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0 – £5,000</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>£5,001 – £10,000</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

#### 2.2 FINANCE COSTS / INCOME

**KEEPING IT SIMPLE – FINANCE COSTS / INCOME**

This is the amount of money we have paid out or received from our investments. We include interest received on bank accounts and pension obligations and interest paid on overdraft facilities used. Investment income relates to pre-paid funeral plans.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interests receivable and similar income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receivable (note 4.3)</td>
<td>261</td>
<td>256</td>
</tr>
<tr>
<td>Investment income (note 4.3)</td>
<td>1,708</td>
<td>3,135</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,969</td>
<td>3,391</td>
</tr>
</tbody>
</table>

**Other finance expense**

Interest expense on pension obligations (note 5.3)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>610</td>
<td>999</td>
</tr>
</tbody>
</table>

#### 2.3 PAYMENTS TO AND ON BEHALF OF MEMBERS

**KEEPING IT SIMPLE – PAYMENTS TO AND ON BEHALF OF MEMBERS**

We return some of the profits earned each year to our members. We also support a range of co-operatives and other organisations through grants and donations.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants/donations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member and Community Services expenditure</td>
<td>610</td>
<td>897</td>
</tr>
<tr>
<td>Donations</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>612</td>
<td>917</td>
</tr>
</tbody>
</table>

#### 2.4 EMPLOYEE BONUS

**KEEPING IT SIMPLE – EMPLOYEE BONUS**

In the comparative year, we returned some of the profits back to the employees of the Society.

**Accounting policy:**

No employee bonus was paid during this financial year. In the comparative year, the employee bonus approved by the Board was paid in the form of vouchers during the year and these were valid until 23 January 2016. No liability was held for vouchers not redeemed at the balance sheet date. Any unredeemed vouchers after the expiry date were released to the profit and loss account for that year.
### Section 3 - Tax

**3.1 INCOME TAX AND DEFERRED TAX**

**KEEPING IT SIMPLE - INCOME TAX EXPENSE**

This section shows the adjustments we make to our profits to calculate how much tax we have to pay.

**KEEPING IT SIMPLE - DEFERRED TAX**

Deferred tax arises because financial accounting rules and tax accounting rules are different.

A deferred tax asset is generally a tax saving which will be made in the future as a result of transactions which have already occurred. A deferred tax liability recognises tax which may be payable in the future as a result of events which have already occurred.

**TAXATION**

Taxation expense for the year comprises current and deferred tax recognised in the year. Tax is recognised in the revenue account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

**Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

The Society is subject to the standard rate of corporation tax, which was 20% throughout the Society’s financial year.

The Society adopted a tax policy on 18 April 2015. A copy is available on our website at www.eastofengland.coop/about-us/our-co-op-today/our-annual-reports-and-accounts/tax-policy. The disclosure made in these financial statements complies with the commitments made in that tax policy.

The accounting treatment of expenditure on fixed assets differs from the taxation treatment. For accounting purposes, an annual rate of depreciation is applied by the Society. Depreciation in excess of capital allowances is not recognised in deferred tax.

Some expenses incurred by the Society may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction against taxable income when calculating the Society’s tax liability. The most significant examples of this are accounting depreciation or losses incurred on assets that do not qualify for capital allowances (generally, land and buildings). Other examples include some legal expenses and some repair costs.

Income tax not relating to property disposal

During the prior year, the Society sold property and recognised an accounting profit of £2.8m. As mentioned above, the accounting treatment in relation to fixed assets is different from the taxation treatment and the accounting profit was not recognised for tax purposes.

**Expenses not deductible relating to pension scheme**

During the year, the Society has recognised other finance expense of £630,000 (2016: £999,000) relating to movements in the defined benefit pension scheme. Although this expense has reduced accounting profits, it is not recognised for tax purposes.

**Expenses not deductible relating to pension scheme**

During the year, the Society sold property and recognised an accounting profit of £2.8m. As mentioned above, the accounting treatment in relation to fixed assets is different from the taxation treatment and the accounting profit was not recognised for tax purposes.

**Deferred tax charge/(credit) for the year**

Deferred tax charge/(credit) for the year is £822 (2016: £1,752).

**Total tax charge/(credit) for the year**

Total tax charge/(credit) for the year is £822 (2016: £1,752).

### 3.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

**TAX RECONCILIATION**

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

**Profit before tax**

£000 2017 £000 2016 £000

2,739 3,992

Tax due if paid at the applicable UK corporation tax rate 20.00% (2016: 20.00%) 548 806

**Adjustments relating to current tax:**

**Expenses not deductible for tax purposes**

171 939

**Income not taxable relating to property disposal**

– (906)

**Expenses not deductible relating to pension scheme**

126 203

**Impact of depreciation in excess of capital allowances**

957 896

**Short-term timing differences in relation to accounting provisions**

166 (34)

**Short-term timing differences in relation to funeral bonds**

114 115

**Effect of tax relief on pension contributions**

(2,107) (2,798)

**Unrelieved tax losses arising in period**

225 779

**Adjustment to tax charge in prior period**

– (10)

**Current tax credit for the year**

– (10)

**Adjustments relating to deferred taxation:**

**Effect of change in rate on opening liability**

(39) 41

**Adjustment in respect of prior period**

297 (629)

**Impact of depreciation in excess of capital allowances**

(813) (801)

**Impact of rental payments to property partnership**

107 201

**Impact of pension scheme movement in revenue account**

(1,077) (160)

**Unrelieved tax losses arising in period**

(2,369) (816)

**Short-term timing differences in respect of pension contributions**

1,089 2,078

**Short-term timing differences in relation to funeral bonds**

(97) (122)

Other short-term timing differences

(118) 36

**Deferred tax charge/(credit) for the year**

822 (1,752)

**Total tax charge/(credit) for the year**

822 (1,752)

**Tax policy**

The Society adopted its tax policy on 18 April 2015. A copy is available on our website at www.eastofengland.coop/about-us/our-co-op-today/our-annual-reports-and-accounts/tax-policy. The disclosure made in these financial statements complies with the commitments made in that tax policy.

**Tax rates**

The Society is subject to the standard rate of corporation tax, which was 20% throughout the Society’s financial year. Legislation which was enacted on 6 September 2016 reduced the main rate of corporation tax from 20% to 19% on 1 April 2017 and then 17% on 1 April 2020.

Deferred tax assets and liabilities which are expected to crystallise after 1 April 2017 have been measured at 19%, and deferred tax assets and liabilities that are expected to crystallise after 1 April 2020 have been measured at 17%.

**Expenses not deductible for tax purposes**

Some expenses incurred by the Society may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction against taxable income when calculating the Society’s tax liability. The most significant examples of this are accounting depreciation or losses incurred on assets that do not qualify for capital allowances (generally, land and buildings). Other examples include some legal expenses and some repair costs.

Income tax not relating to property disposal

During the prior year, the Society sold property and recognised an accounting profit of £2.8m. As mentioned above, the accounting treatment in relation to fixed assets is different from the taxation treatment and the accounting profit was not recognised for tax purposes.

**Expenses not deductible relating to pension scheme**

During the year, the Society has recognised other finance expense of £630,000 (2016: £999,000) relating to movements in the defined benefit pension scheme. Although this expense has reduced accounting profits, it is not recognised for tax purposes.

**Depreciation in excess of capital allowances**

The accounting treatment of expenditure on fixed assets differs from the taxation treatment. For accounting purposes, an annual rate of depreciation is applied by the Society. For taxation purposes, the Society is able to claim capital allowances, as tax relief provided by law.

As the Society is loss-making for corporation tax purposes, no capital allowances have been claimed which results in a difference between the profit for taxation and accounting purposes.

**Short-term timing differences in relation to accounting provisions**

Accounting provisions which are general in nature are not allowed for tax purposes until utilised. This gives rise to a short-term timing difference which is recognised in deferred tax.

**Short-term timing differences in relation to funeral bonds**

The Society’s transition to new accounting standards on 25 January 2015 has led to an accelerated recognition of profit on funeral bond sales. To assist companies in this transition, the accounting treatment of expenditure on fixed assets differs from the taxation treatment. For accounting purposes, an annual rate of depreciation is applied by the Society. For taxation purposes, the Society is able to claim capital allowances, as tax relief provided by law.

As the Society is loss-making for corporation tax purposes, no capital allowances have been claimed which results in a difference between the profit for taxation and accounting purposes.

Adjustments to tax charges/credit in prior years

Adjustments to tax charges/credit in earlier years arise because the tax charge/credit in the financial statements is estimated before the detailed corporation tax calculations are prepared. Additionally, HM Revenue & Customs (HMRC) may not agree with the tax return that was submitted for a year and the tax liability/asset for a previous year may be adjusted as a result.
### 3.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

#### FIXED ASSETS - INTANGIBLE

**Accounting policy:**

Goodwill:

Business combinations are accounted for by applying the purchase method.

The cost of the business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated into goodwill.

Goodwill represents the excess of the fair value and the directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

#### Section 4 - Assets

**IN THIS SECTION**

This section shows the assets used to generate the Society's trading performance.

**KEEPING IT SIMPLE - ASSETS**

An asset is something which is usable by the Society to generate a financial benefit. For example, stock is an asset because we will sell it to generate income. Similarly, we use our properties to enable our retail outlets to trade and generate income.

**4.1 FIXED ASSETS - INTANGIBLE**

**KEEPING IT SIMPLE - FIXED ASSETS - INTANGIBLE**

An intangible asset is an asset which cannot be physically touched, for example, software or licences.

**Accounting policy:**

Goodwill:

Business combinations are accounted for by applying the purchase method. The cost of the business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated into goodwill.

Goodwill represents the excess of the fair value and the directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

#### Deferred Tax

<table>
<thead>
<tr>
<th>Balance as at 24 January 2016</th>
<th>Revenue account – rate change</th>
<th>Revenue account</th>
<th>OCI – Reserve – rate change</th>
<th>OCI – Reserve</th>
<th>Balance as at 28 January 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
<td><strong>£000</strong></td>
</tr>
<tr>
<td>Capital allowances</td>
<td>(768)</td>
<td>67</td>
<td>813</td>
<td>–</td>
<td>(447)</td>
</tr>
<tr>
<td>Short-term differences in relation to pension contributions</td>
<td>2,075</td>
<td>(115)</td>
<td>(1,965)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Short-term difference in relation to funeral bonds</td>
<td>(620)</td>
<td>51</td>
<td>97</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other short-term timing differences</td>
<td>338</td>
<td>(18)</td>
<td>118</td>
<td>–</td>
<td>(14)</td>
</tr>
<tr>
<td>Capital gains</td>
<td>(59)</td>
<td>3</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tax losses</td>
<td>1,851</td>
<td>(106)</td>
<td>369</td>
<td>(177)</td>
<td>134</td>
</tr>
<tr>
<td>Deferred tax liability in relation to revalued property</td>
<td>(2,878)</td>
<td>160</td>
<td>–</td>
<td>–</td>
<td>(2,718)</td>
</tr>
<tr>
<td>Deferred tax liability relating to pension scheme</td>
<td>(1,104)</td>
<td>–</td>
<td>61</td>
<td>2,410</td>
<td>–</td>
</tr>
<tr>
<td>Total deferred tax liability (note 5.2)</td>
<td>(3,482)</td>
<td>39</td>
<td>(564)</td>
<td>61</td>
<td>2,233</td>
</tr>
</tbody>
</table>

#### INCOME TAX AND DEFERRED TAX

**FIXED ASSETS - TANGIBLE**

**Cost**

- At 24 January 2016: £15,680, 8,798, 38, 22, 20,548
- Additions: 1,696, 311
- Transfers: – (13)

- At 28 January 2017: 32,978, 8,998, 38, 44, 22,554

**Amortisation**

- At 24 January 2016: 5,919, 4,311, 2, 10, 853
- Charge for the year: 534, 1,087, 2
- Impairments: 69

- At 28 January 2017: 6,502, 6,018, 38, 3, 12,581

**Net book value at 28 January 2017:** £6,854, 3,078, – 41, 9,973

**Net book value at 28 January 2016:** £7,781, 3,887, 36, 21, 9,889

Included within additions above is goodwill on the Society’s purchase of Ben’s Limited for a cash consideration of £1,181,000. Included within software is £771,000 (2016: £814,000) related to assets in the course of construction.

**4.2 FIXED ASSETS - TANGIBLE**

**KEEPING IT SIMPLE - FIXED ASSETS - TANGIBLE**

These are the sites that the Society trades from and the fixtures and fittings within these sites. Also included are delivery vehicles used within the Society’s business.

**Accounting policy:**

Fixed assets, excluding investment properties, are stated at cost (being the purchase cost, together with any incidental costs of acquisition) less accumulated depreciation and any accumulated impairment losses.
4.2 FIXED ASSETS – TANGIBLE

Accounting Policy (continued)

Depreciation is not provided on freehold land.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already at the stage in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate.

Repairs, maintenance and minor inspection costs are expensed as they occur.

 Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Freehold properties transferred into the East of England Co-operative Society relating to the former Colchester and East Essex Co-operative Society were valued at their fair values on merger. This carrying value is deemed cost in the case of these properties.

KEEPING IT SIMPLE – INVESTMENT PROPERTY

Investment property is property held by the Society which is not used by one of our trading companies. Properties used for the day to day trade of the business (such as our food stores and funeral branches, etc) are shown as land and buildings within tangible fixed assets.

Accounting policy:

Certain of the Group's properties are held for long-term investment and, in accordance with UK GAAP:

(a) investment properties are measured at fair value annually with any change recognised in the revenue account; and

(b) no depreciation or amortisation is provided in respect of freehold investment properties and long leasehold investment properties.

<table>
<thead>
<tr>
<th>Land &amp; buildings £000</th>
<th>Investment properties £000</th>
<th>Fixtures, fittings &amp; plant £000</th>
<th>Transport £000</th>
<th>Total £000</th>
</tr>
</thead>
</table>

**FIXED ASSETS – TANGIBLE**

Cost or valuation

At 28 January 2017

£133,343 106,553 42,319 6,888 289,103

Depreciation

At 28 January 2017

£37,090 – 25,639 5,897 69,626

Net book value at 28 January 2017

£96,253 106,553 16,680 991 220,477

Net book value at 23 January 2016

£95,463 103,686 16,134 936 216,219

Included within investment properties is £2,588,000 (2016: £1,019,000) relating to assets in the course of construction.

Particulars relating to revalued assets are given below:

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment properties At valuation</td>
<td>106,553</td>
<td>103,686</td>
</tr>
<tr>
<td>At historical cost</td>
<td>100,001</td>
<td>96,735</td>
</tr>
</tbody>
</table>

Revaluation of investment properties

Each year, 20% of the Society investment properties are valued by Rochi (2016: EWS Chartered Surveyors). The valuation is undertaken in accordance with theRICS’s Valuation – Professional Standards. Investment properties and properties held for development (non-trading) are valued on a market value basis. The remainder have been valued by the Society's Joint Chief Executive – Property on a consistent basis.

4.3 OTHER INVESTMENTS

KEEPING IT SIMPLE – OTHER INVESTMENTS

Other investments are mostly related tofuneral pre-payment plans which have not yet been used and shares held in other businesses. All monies received for funerals taken out from 1 January 2002 are paid into a contract for whole-life insurance on the life of the customer for the purpose of providing the funeral and disclosed within investments. This is to comply with the provisions of the Financial Services and Markets Act 2000.

Funeral bond investments are stated at fair value through the revenue account.

Accounting policy:

Investments in shares are stated at cost, less provision for any impairment in value. Interest and investment income is accounted for on an accruals basis.

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVESTMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-operative Group Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Shares</td>
<td>757</td>
<td>757</td>
</tr>
<tr>
<td>– Other I &amp; P Societies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Shares</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Shares</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Shares</td>
<td>2,014</td>
<td>1,000</td>
</tr>
<tr>
<td>– Other</td>
<td>207</td>
<td>178</td>
</tr>
<tr>
<td>Funeral bonds</td>
<td>40,251</td>
<td>32,976</td>
</tr>
<tr>
<td>Sundry interest</td>
<td>1,708</td>
<td>3,135</td>
</tr>
<tr>
<td></td>
<td>41,060</td>
<td>33,785</td>
</tr>
<tr>
<td></td>
<td>5,439</td>
<td>3,919</td>
</tr>
<tr>
<td></td>
<td>1,969</td>
<td>3,391</td>
</tr>
</tbody>
</table>

4.4 STOCKS

KEEPING IT SIMPLE – STOCK

Stock is an asset which is purchased by the business for resale to our customers.

Accounting policy:

Stock consists of goods held for resale and is stated at the lower of cost and estimated selling price less costs to sell.

Cost is calculated using the weighted average cost method.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to sell and any charge recognised in the revenue account. If a reversal is required then the impairment charge is reversed and the credit is recognised in the revenue account.

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>STOCKS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods for resale</td>
<td>19,939</td>
<td>11,335</td>
</tr>
<tr>
<td>Goods for resale is stated after provision for impairment of £133,000 (2016: £965,000). The movement in the provision is charged/(credited) to cost of sales each year.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.5 TRADE AND OTHER DEBTORS

KEEPING IT SIMPLE – TRADE AND OTHER DEBTORS

A debtor is the amount owed by a person or business that has purchased goods or services from the Society but has not yet paid for them.

Accounting policy:

Trade debtors are non-interest bearing and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts. A provision for impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debtor.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade debtor is impaired. The amount of any loss is recognised in the revenue account within operating expenses.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the revenue account.

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment properties At valuation</td>
<td>106,553</td>
<td>103,686</td>
</tr>
<tr>
<td>At historical cost</td>
<td>100,001</td>
<td>96,735</td>
</tr>
</tbody>
</table>
Section 5 - Liabilities

IN THIS SECTION

This section shows the liabilities incurred in order for the Society to carry out its trading activities.

KEEPING IT SIMPLE - LIABILITIES

A liability is generated when the Society has carried out an activity which results in an expense that will be paid in the future. This includes amounts owed to suppliers for goods or services the Society has received.

KEEPING IT SIMPLE - FUNERAL PLANS

Customers of the Funeral business are able to plan and purchase their funeral in advance to be redeemed when the funeral is arranged.

KEEPING IT SIMPLE - TRADE AND OTHER CREDITORS

When the Society receives goods or services which are to be paid for at a later date, a creditor is created. This reflects money which the Society must pay out in the future.

Accounting policy: Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are not interest bearing and are stated at their nominal value.

In This Section

- Financial Statements
- Section 5 – Liabilities
- Cash Flows
- Accounting Policies
- Notes to Financial Statements

5.1 TRADE AND OTHER CREDITORS

KEEPING IT SIMPLE - TRADE AND OTHER CREDITORS

The Society operates two defined benefit pension schemes covering certain full-time and part-time employees funded by employees’ and employer’s contributions. Both schemes are closed to new members and closed to future accrual.

A defined benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually, the Society engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are determined in valuing, and that have terms approximating the estimated period of the future payments (discount rate).

The fair value of the plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Society’s policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as “remeasurements of net defined benefit obligations.”

The cost of the defined benefit plan, recognised in the revenue account as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and
(b) the cost of plan contributions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

This cost is recognised in the revenue account as “other finance expense.”

Defined contribution pension plan

The Society also operates a defined contribution plan. A defined contribution plan is a pension plan under which the Society pays fixed contributions into a separate entity. Once the contributions have been paid the Society has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid in arrears are accrued in the balance sheet. The assets of the plan are held separately from the Society in independently administered funds.

PENSIONS

The Group operates two defined benefit pension schemes. These are the Ipswich and Norwich Co-operative Society Employees’ Pension Fund and the Colchester and Eastern Essex Co-operative Society Limited Employees’ Supernumerary Fund. The assets of both schemes are held separately from the Society.

Both of these funds are closed to new members and closed to future accrual.

Asset-backed funding arrangement

On 29 August 2013, the Society established the East of England Scottish Limited Partnership (the Partnership) with the Schemes. Under this arrangement, properties transferred to the Partnership will revert to the Society’s ownership after settlement of any remaining funding deficit on the Schemes at that time.

The Partnership is controlled by the Society and its results are consolidated by the Society. The Partnership’s interest in the Partnership entitles them to an annual distribution of £2.6 million for 25 years, increasing on a compound basis by 2.5% per annum.

The Schemes’ interest in the Partnership is based on a variety of properties, including land and buildings. The properties transferred to the Partnership are valued at the Society’s cost at the date of transfer. The Partnership is not subject to the Society’s credit risk and the Society does not control the Partnership’s activities.

The Partnership is a tax-efficient vehicle for the Schemes and is intended to provide a stable source of income for the Schemes.

The Schemes’ interest in the Partnership entitles them to an annual distribution of £2.6 million for 25 years, increasing on a compound basis by 2.5% per annum.

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### 5.3 PENSION OBLIGATIONS (CONT IN CLJC)

#### Return on plan assets

<table>
<thead>
<tr>
<th>Year</th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>4,496</td>
<td>3,921</td>
</tr>
<tr>
<td>Return on plan assets less interest income</td>
<td>23,821</td>
<td>(7,856)</td>
</tr>
<tr>
<td>Total return on plan assets</td>
<td>28,317</td>
<td>(3,935)</td>
</tr>
</tbody>
</table>

#### Colchester and East Essex Co-operative Society Limited Employees’ Superannuation Fund (closed to new members on 31 December 2007)

The Society operates a defined benefit pension fund for its employees (the Colchester and East Essex Co-operative Society Limited Employees’ Superannuation Fund). A full actuarial valuation was carried out at 31 December 2015 and updated to 28 January 2017 by a qualified independent actuary.

The service cost has been calculated using the projected unit credit method. The major assumptions used by the actuary are:

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of increase of pensions in payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– prior to 31 August 2008</td>
<td>3.30%</td>
<td>2.95%</td>
</tr>
<tr>
<td>– post 31 August 2008</td>
<td>2.15%</td>
<td>2.05%</td>
</tr>
<tr>
<td>Rate of increase of pensions in deferment</td>
<td>3.55%</td>
<td>3.05%</td>
</tr>
<tr>
<td>Discount rate</td>
<td>2.85%</td>
<td>3.75%</td>
</tr>
<tr>
<td>Rate of inflation</td>
<td>3.55%</td>
<td>3.05%</td>
</tr>
</tbody>
</table>

The mortality assumptions used were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longevity at age 65 for current pensioners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Men</td>
<td>22.6</td>
<td>22.2</td>
</tr>
<tr>
<td>– Women</td>
<td>25.2</td>
<td>24.6</td>
</tr>
<tr>
<td>Longevity at age 65 for future pensioners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Men</td>
<td>24.4</td>
<td>23.9</td>
</tr>
<tr>
<td>– Women</td>
<td>27.2</td>
<td>26.5</td>
</tr>
</tbody>
</table>

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale involved, may not necessarily be borne out in practice.

The fair value of the scheme’s assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme’s liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

<table>
<thead>
<tr>
<th></th>
<th>Value at 28/01/2017 £000</th>
<th>Value at 23/01/2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td>41,277</td>
<td>78,822</td>
</tr>
<tr>
<td><strong>Diversified growth funds</strong></td>
<td>41,550</td>
<td>–</td>
</tr>
<tr>
<td><strong>Multi-asset credit</strong></td>
<td>15,295</td>
<td>–</td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td>14,357</td>
<td>42,815</td>
</tr>
<tr>
<td><strong>Liability-driven investment</strong></td>
<td>33,654</td>
<td>–</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>469</td>
<td>1</td>
</tr>
<tr>
<td><strong>Amounts owed to the Society</strong></td>
<td>(324)</td>
<td>(448)</td>
</tr>
<tr>
<td><strong>Total market value of assets</strong></td>
<td>146,878</td>
<td>121,198</td>
</tr>
<tr>
<td><strong>Actuarial value of liability</strong></td>
<td>(127,372)</td>
<td>(127,372)</td>
</tr>
<tr>
<td><strong>Total deficit in the scheme</strong></td>
<td>(29,118)</td>
<td>(6,174)</td>
</tr>
</tbody>
</table>

The liability-driven investment holds a mixture of cash, government bonds and swaps, with the aim of hedging inflation and interest rate risk within the pension fund. It currently aims to hedge 70% of the movement in the liabilities.

To develop the expected long-term rate of return on assets assumption, the Society considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Return on plan assets less interest income 23,821 (7,856)

#### Analysis of the amount charged to the revenue account

<table>
<thead>
<tr>
<th>Year</th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>4,496</td>
<td>3,921</td>
</tr>
<tr>
<td>Interest on pension liabilities</td>
<td>(4,496)</td>
<td>(4,379)</td>
</tr>
<tr>
<td>Total expense recognised in revenue account</td>
<td>(193)</td>
<td>(458)</td>
</tr>
</tbody>
</table>

The liability-driven investment holds a mixture of cash, government bonds and swaps, with the aim of hedging inflation and interest rate risk within the pension fund. It currently aims to hedge 70% of the movement in the liabilities.

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During the year, the Society made pension payments on behalf of the scheme. The amount owed to the Society of £200,000 (2016: £191,000) above represents the balance due from the scheme in respect of these payments.

### Reconciliation of scheme assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actuarial losses</strong></td>
<td>–</td>
<td>(48,635)</td>
</tr>
<tr>
<td><strong>Return on plan assets excluding interest income</strong></td>
<td>23,821</td>
<td>23,821</td>
</tr>
<tr>
<td><strong>Contributions by employer</strong></td>
<td>2,063</td>
<td>–</td>
</tr>
<tr>
<td><strong>Benefits paid</strong></td>
<td>(4,200)</td>
<td>4,700</td>
</tr>
<tr>
<td><strong>Total at 28 January 2017</strong></td>
<td>146,878</td>
<td>(127,372)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
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<tr>
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<td>(458)</td>
</tr>
</tbody>
</table>

The liability-driven investment holds a mixture of cash, government bonds and swaps, with the aim of hedging inflation and interest rate risk within the pension fund. It currently aims to hedge 70% of the movement in the liabilities.

To develop the expected long-term rate of return on assets assumption, the Society considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

During the year, the Society made pension payments on behalf of the scheme. The amount owed to the Society of £200,000 (2016: £191,000) above represents the balance due from the scheme in respect of these payments.
5.3 PENSION OBLIGATIONS (CONTINUED)

Reconciliation of scheme assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 24 January 2016</td>
<td>67,736</td>
<td>(79,732)</td>
<td>(11,996)</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,492</td>
<td>(2,929)</td>
<td>(437)</td>
</tr>
<tr>
<td>Total expense recognised in revenue account</td>
<td>(437)</td>
<td>(541)</td>
<td></td>
</tr>
<tr>
<td>Stakeholder scheme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions by employer</td>
<td>687</td>
<td>–</td>
<td>687</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(3,285)</td>
<td>3,285</td>
<td>–</td>
</tr>
<tr>
<td>At 28 January 2017</td>
<td>80,754</td>
<td>(97,281)</td>
<td>(16,527)</td>
</tr>
</tbody>
</table>

Analysis of the amount charged to the revenue account

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>2,492</td>
<td>2,209</td>
<td></td>
</tr>
<tr>
<td>Total expense recognised in revenue account</td>
<td>(437)</td>
<td>(541)</td>
<td></td>
</tr>
<tr>
<td>Return on plan assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total return on plan assets</td>
<td>15,816</td>
<td>(2,302)</td>
<td></td>
</tr>
</tbody>
</table>

Stakeholder scheme

The stakeholder pension scheme is a defined contribution plan. The contributions due to the plan during the year were £3,518,000 (2016: £3,417,000). As at 28 January 2017, no unpaid contributions were outstanding (2016: £nil).

Other Retirement Benefits

The Society has in place an UURBS (pension promise) in respect of the former Chief Executives, into which the Society has paid £nil in the year (2016: £nil). These amounts are fully provided for and the liability calculated each year by external actuaries. The actual assumptions are consistent with those of the defined benefit schemes.

Section 6 - Equity

This section contains details of reserves and the share capital invested by members through their membership and any share accounts held with the Society.

6.1 CAPITAL AND RESERVES

KEEPING IT SIMPLE - CAPITAL AND RESERVES

The Society’s share capital is raised via contributions from members, comprising money paid into member share accounts. A dividend distribution, or share of profits, is made to members once a year based on membership points earned within the period. The value apportioned per point is agreed by the members of the Society. Reserves represent profits earned in earlier years.

Accounting policy:

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Society are recorded at the proceeds received, net of direct issue costs. Dividends are paid using dividend vouchers and calculated by reference to dividend points earned rather than as a return on capital invested. They are therefore recorded in the group revenue account as an expense of the business rather than directly in reserves as an equity distribution. The dividend vouchers issued during the year are valid until 31 December of the relevant year, and as such only those that have been redeemed have been accounted for as payments at the year end. No liability is therefore held for those dividend vouchers not redeemed at the balance sheet date. Any unclaimed dividends are released to the revenue account for the year. Dividend distributions to the Society’s members is recognised as a liability in the Society’s financial statements in the period in which the dividends are approved by the members at the Annual Members’ Meeting.

The members’ share capital is maintained at a fixed nominal value and attracts a rate of interest. Share interest is disclosed as a movement in equity and in the Statement of Changes in Equity.

SHARE CAPITAL

Called-up share capital represents the nominal value of shares that have been issued.

Share capital comprises 8,147,000 (2016: 9,303,000) shares of £1 currently attracting interest at 1% per annum. Shares are withdrawable on varying periods of notice dependent on the amount involved. Each member is entitled to one vote.

Member rights on winding up are contained in the Society rules.

RESERVES

Fair value reserve

This reserve is used to record increases in the fair value of investment properties and decreases to the extent that such decrease relates to an increase on the same asset.

Revenue reserve

This reserve includes all current and prior period retained profits and losses.
Section 7 – Other notes

IN THIS SECTION
This section contains details of operating leases, capital commitments, cash flow and subsidiaries.

7.1 OPERATING LEASES

KEEPING IT SIMPLE – OPERATING LEASES – LEASING FROM OWNER
An operating lease is where rent is paid to the owner of an asset to allow the Society to use it, for example a property.

Operating leases
At 28 January 2017, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

<table>
<thead>
<tr>
<th>Land and buildings</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>£000</td>
</tr>
<tr>
<td>Operating leases expiring:</td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>914</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>3,372</td>
</tr>
<tr>
<td>After five years</td>
<td>5,426</td>
</tr>
<tr>
<td>Total</td>
<td>9,712</td>
</tr>
</tbody>
</table>

KEEPING IT SIMPLE – OPERATING LEASES – LEASING TO TENANTS
The Society leases assets to tenants, such as property. The asset is still owned by the Society and the tenant pays rent to use it.

Accounting policy:
Leasing and hire purchase commitments
Rentals payable under operating leases are charged to income on a straight line basis over the term of the lease. Rental income from operating leases, excluding charges for insurance and maintenance, is recognised on a straight line basis over the period of the lease, even if payments are not made on this basis.

The future minimum rental receivables are as follows:

<table>
<thead>
<tr>
<th>Land and buildings</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>£000</td>
</tr>
<tr>
<td>Within one year</td>
<td>7,343</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>19,270</td>
</tr>
<tr>
<td>After five years</td>
<td>16,144</td>
</tr>
<tr>
<td>Total</td>
<td>42,657</td>
</tr>
</tbody>
</table>

7.2 CAPITAL COMMITMENTS

KEEPING IT SIMPLE – CAPITAL COMMITMENTS
This is the value the Society has approved to spend on assets after the year end.

Capital commitments
At 28 January 2017, there were capital commitments of £4.0 million (2016: £0.5 million) which have not been provided for in the financial statements.

7.3 NOTES TO CASH FLOW STATEMENT

KEEPING IT SIMPLE – CASHFLOW STATEMENT
This is the breakdown of the total cash flow from operating activities shown on the cash flow statement.

RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the financial year</td>
<td>1,917</td>
<td>4,174</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax on profit on ordinary activities</td>
<td>(182)</td>
<td>(162)</td>
</tr>
<tr>
<td>Distributions</td>
<td>3,342</td>
<td>3,777</td>
</tr>
<tr>
<td>Net interest income</td>
<td>(1,339)</td>
<td>(2,392)</td>
</tr>
<tr>
<td>Profit before interest, distributions and taxation</td>
<td>4,742</td>
<td>5,377</td>
</tr>
<tr>
<td>Grants and donations</td>
<td>(610)</td>
<td>(957)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>6,441</td>
<td>6,544</td>
</tr>
<tr>
<td>Amortisation</td>
<td>1,625</td>
<td>1,435</td>
</tr>
<tr>
<td>Profit on sale of tangible fixed assets</td>
<td>(2)</td>
<td>(2,733)</td>
</tr>
<tr>
<td>Changes in fair value of investment properties</td>
<td>(1,571)</td>
<td>205</td>
</tr>
<tr>
<td>Unrealised impairment of tangible and intangible fixed assets</td>
<td>605</td>
<td>–</td>
</tr>
<tr>
<td>Change in value of fixed asset investments</td>
<td>–</td>
<td>55</td>
</tr>
<tr>
<td>Unrealised gain on funeral bond investments</td>
<td>858</td>
<td>2,502</td>
</tr>
<tr>
<td>Decrease in stocks</td>
<td>1,416</td>
<td>624</td>
</tr>
<tr>
<td>(Increase)/decrease in debtors</td>
<td>(729)</td>
<td>143</td>
</tr>
<tr>
<td>(Decrease)/increase in creditors</td>
<td>(245)</td>
<td>10,092</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(2,732)</td>
<td>(2,860)</td>
</tr>
<tr>
<td>Pension contributions</td>
<td>(2,831)</td>
<td>(2,764)</td>
</tr>
<tr>
<td>(URBS) current service cost/(credit)</td>
<td>364</td>
<td>(108)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>7,312</td>
<td>17,554</td>
</tr>
</tbody>
</table>

ANALYSIS OF MOVEMENT IN NET FUNDS

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and in hand</td>
<td>25,541</td>
<td>19,056</td>
</tr>
<tr>
<td>Current asset investments</td>
<td>1,000</td>
<td>1,014</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26,541</td>
<td>20,064</td>
</tr>
</tbody>
</table>

MAJOR NON–CASH TRANSACTIONS
During the year, the Society had no major non–cash transactions (2016: £nil).
7.4 ACQUISITIONS AND DISPOSALS

KEEPING IT SIMPLE - ACQUISITIONS AND DISPOSALS

These are purchases or sales of companies by the Society.

ACQUISITIONS

On 17 August 2016, the Group purchased Ben’s Limited, a company formerly operating three supermarkets, for a total consideration of £1,303,000. The total adjustments required to the book values of the assets and liabilities of the company acquired in order to present the net assets of the company at fair values in accordance with group accounting policies was £1,402,000, details of which are set out below, together with the resultant amount of goodwill arising. This purchase has been accounted for as an acquisition.

For the period since acquisition, a loss of £123,000 is included within the consolidated revenue account. This has not been separately disclosed on the face of the statement, as the acquisition is not considered material.

<table>
<thead>
<tr>
<th>Book values</th>
<th>Adjustments</th>
<th>Working capital adjustments</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible fixed assets - property</td>
<td>4,202</td>
<td>(1,402)</td>
<td>-</td>
</tr>
<tr>
<td>Tangible fixed assets - other assets</td>
<td>90</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>13</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debtors</td>
<td>146</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Creditors</td>
<td>(3,427)</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Taxation</td>
<td>(105)</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Cash</td>
<td>68</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net liabilities acquired</strong></td>
<td><strong>987</strong></td>
<td><strong>(1,402)</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

Goodwill: 1,696

Consideration satisfied by:

Cash: 1,303

The book values of the assets and liabilities have been taken from the completion statement of Ben’s Limited at 17 August 2016, the date of acquisition. Revaluation adjustments in respect of tangible fixed assets relate to freehold properties.

The consideration includes £204,000 of stamp duty and professional fees that have been paid by the Society as part of the acquisition. Goodwill will be amortised over a period of ten years from the date of acquisition.

7.5 WHOLLY OWNED SUBSIDIARIES

KEEPING IT SIMPLE - WHOLLY OWNED SUBSIDIARIES

These are separate legal entities that form part of the East of England Co-operative Society which are owned, managed and controlled by the Society.

SUBSIDIARY EXEMPTION

The following subsidiaries of the Society, with the exception of Ardencrest Limited, have taken advantage of the exemption from an audit for the period ended 28 January 2017 available under s479A of the Companies Act 2006 as the Society has given a statutory guarantee of all of the outstanding liabilities of the subsidiaries (with the exception of Ardencrest Limited) as at 28 January 2017.

SUBSIDIARY SOCIETIES AND COMPANIES

The subsidiaries of the Society are listed below.

Ardencrest Limited (27074R)
A Co-operative and Community Benefit Society holding investment properties.

INCS Limited (30032R) - dissolved 21/9/16
A Co-operative and Community Benefit Society, currently dormant, established to hold properties for the Society.

A Smith & Sons (Funerals) Limited (04015388)
A dormant company formerly operating the Smith and Sons funerals business.

W. H. Shephard Funeral Furnishing Service Limited (00154547)
A dormant company formerly operating the W. H. Shephard funeral business.

Colchester and East Essex Co-operative Society (Trustees) Limited (1005897)
A company holding the trusteeship of the Colchester and East Essex Co-operative Society Employees’ Superannuation Fund.

INCS (Trustees) Limited (8292252)
A company holding the trusteeship of the Ipswich and Norwich Co-operative Society Limited Employees’ Pension Fund.

Colchester Funeral Services Limited (2766938)
A dormant company formerly a possible holding company for the funeral business of the Colchester and East Essex Co-operative Society.

Anglian Convenience Stores Limited (03244781)
A company operating the Anglian Convenience Stores business.

Local Convenience Stores Limited (04066060)
A property holding company acquired with Anglian Convenience Stores Limited.

H. L. Perfitt Limited (01012287)
A company operating the H. L. Perfitt stonemasonry business.

Perfitt Holdings Limited (038066203)
A dormant holding company.

Anglia Memorial Services Limited (4071526)
A dormant company acquired with H. L. Perfitt Limited.

East of England (SLP) General Partner Limited (SLS0001275)
A company registered in Scotland, established to administer the East of England Scottish Limited Partnership.

East of England Scottish Limited Partnership (SLP) (SL07154)
A property holding partnership registered in Scotland, established in connection with the Society’s defined benefit pension schemes (see note 5.3).

Ben’s Limited (05741336)
A company formerly operating three supermarkets.

East of England Co-op Travel Limited (10588432)
A company operating the society’s travel business from 29 January 2017.

DORMANT COMPANY EXEMPTION

The following subsidiaries have taken advantage of the exemption from preparing accounts for a dormant subsidiary available under s394c of the Companies Act 2006 for the period ended 28 January 2017:

A Smith & Sons (Funerals) Limited
Colchester Funeral Services Limited
Perfitt Holdings Limited
W. H. Shephard Funeral Furnishing Service Limited
Members and Community Services’ Expenditure Statement (unaudited)

<table>
<thead>
<tr>
<th></th>
<th>2017 Net Expenditure £</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Co-operative sponsored groups</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-op Juniors*</td>
<td>28,683</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>16,216</td>
<td>44,899</td>
</tr>
<tr>
<td><strong>Membership activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member magazine</td>
<td>72,862</td>
<td></td>
</tr>
<tr>
<td>Member recruitment campaign</td>
<td>14,983</td>
<td></td>
</tr>
<tr>
<td>Members’ events</td>
<td>83,046</td>
<td>191,603</td>
</tr>
<tr>
<td>Other</td>
<td>20,712</td>
<td></td>
</tr>
<tr>
<td><strong>Co-operative learning and related events</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthy Living promotional activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td>Co-op Cuppa</td>
<td>2,692</td>
<td></td>
</tr>
<tr>
<td>Defibrillators</td>
<td>6,482</td>
<td></td>
</tr>
<tr>
<td>Projects</td>
<td>22,536</td>
<td></td>
</tr>
<tr>
<td>Vehicle depreciation</td>
<td>8,519</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>40,951</td>
</tr>
<tr>
<td><strong>Office costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel costs</td>
<td>248,652</td>
<td></td>
</tr>
<tr>
<td>Other operating costs</td>
<td>82,026</td>
<td>330,678</td>
</tr>
<tr>
<td><strong>Members and Community Services expenditure (note 2.3)</strong></td>
<td></td>
<td>608,131</td>
</tr>
</tbody>
</table>

*Special provision from the Board.

Donations totalling £131,289 were made to organisations during the financial year from the Society’s Community Dividend Fund. The Community Dividend Fund is supported by members who kindly divert their dividend to the ‘660’ share account.

This statement does not form part of the financial statements.
Keep up to date with what we’re up to in the community...

East of England Co–operative Society Ltd
The Street, Wherstead, Ipswich, Suffolk IP9 2BJ
Registered Number 1099R

eastofengland.coop
/eastofenglandcoop
@eoecoop
0800 389 5354