



GIVING BACK TO OUR COMMUNITIES



Annual Report and Financial Statements

2019

Annual Report and Financial Statements
of the East of England Co-operative Society
for the year ended 26 January 2019

East of
England
COOP

1868 - 2018

150

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Our hard work has been recognised



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.

2019

Annual Report and Financial Statements

of the East of England Co-operative Society for the year ended 26 January 2019.

We're proud to be the **largest independent retailer operating in the East of England.** We provide food stores and specialist services such as funerals, security, travel agents and petrol filling stations to communities across Essex, Norfolk, Suffolk and Cambridgeshire.

With a significant property investment portfolio and other businesses, such as events and conference facilities and stonemasonry, **we are a diverse and modern business.**

As a co-operative business, we're run differently to other big organisations, **putting our members first.** Our focus has always been, and always will be, the local communities in our region.



£353.5m

TURNOVER

Down £0.1m from last year

£5.2m

PROFIT BEFORE DISTRIBUTIONS AND TAXATION

Down from £6.6m last year

£5.6m

UNDERLYING TRADING PROFIT

Up 33.2% from £4.2m last year

£224.6m

MEMBERS' FUNDS

Up from £212.5m last year

President's STATEMENT

2018 has been a milestone year – we have celebrated 150 years since co-op society number 1099R evolved into the East of England Co-op.

Thanks to the continued hard work of our colleagues and investment in technology, we've delivered a growth in trading profit despite a turbulent economy. We will continue to innovate and adapt as we have throughout our 150 year history to ensure we continue to meet the needs of our members and communities, whilst positioning our Society for a long and successful future.



How we performed

We have had a strong year, generating underlying trading profits in excess of £5m – a tremendous result in the current economic climate.

Our investment in technology over the last few years is delivering efficiencies, helping our Food business increase its profits. Our Property Investment business continues to grow, with rental income nearing £8 million per year. Despite a reduction in the UK death rate, our Funeral Services continue to be strong, with our market share increasing.

During the year we took the difficult decision to sell our Pharmacy and Optical businesses, as well as close a small number of food stores. Although not a decision taken lightly, this will help us ensure that we are fit for the future.

With membership at the heart of our business we continue to share our profits with members, last year issuing £2.1m in dividends. Continuing the great things we do in the community, this year we attended 100 external events across East Anglia, as well as hosting many community activities in stores and at Wherstead Park.

WE HAVE GENERATED UNDERLYING TRADING PROFITS IN EXCESS OF £5M



Our colleagues

I am immensely proud of the work of our colleagues, how they support each other, their communities and local good causes.

This report can only highlight a few of the magnificent good deeds undertaken. Whether it's completing a cycle challenge, restoring a vandalised woodland site or raising money during our busiest time, the festive period, our colleagues have once again blown us away by going the extra mile.

We continue to provide development opportunities to all colleagues across our Society with our award-winning apprenticeship programme.

In 2018 I was delighted to see us hold our first International Women's Day event, bringing together colleagues from across our business and inspiring the attendees.



LEADING THE WAY IN REDUCING FOOD WASTE WE ACHIEVED THE GROCER GOLD 'WASTE NOT WANT NOT' AWARD



Making an impact

Our commemorative book celebrating 150 years of history highlights the positive impact we have had on the communities in which we trade.

This year has seen a new limited-edition range of Sourced Locally products, the re-launch of our Co-op Secure Response business and over 200,000 products saved from going to waste.

We continue to receive national accolades for our work, including the Grocer Gold "Waste Not Want Not Award" for our 'Co-op Guide to Dating' campaign. Our work in communications has also been recognised on a regional level as we won four awards at the Regional CIPR PRide Awards.

The local community continues to benefit positively from the way we do business. £70,000 has been provided to help tackle loneliness, over 10,000 carrier bags were donated to support local foodbanks and we appointed our first official Dementia Ambassador.

WE RECRUITED OVER 17,000 NEW MEMBERS THIS YEAR



Our governance – how our Co-op works

We continue to actively participate in the wider co-operative movement with representation on Co-operatives UK Board, Co-op Group Senate and Members' Council, and the Federal Retail and Trading Services (FRTS) Board.

We remain true to our co-operative values and principles, seeking to deepen our links with members, and to widen diversity in the workplace and on the Board.

We care about the bigger social issues facing our members and our business, as you will see with our efforts to address food waste and recycling, and provide a safe working environment for our colleagues.

What does the future hold?

We are in uncertain times and we anticipate 2019 to be challenging given the turbulent environment both economically and politically.

We will continue to focus on reshaping and growing your Co-op to ensure long-term success, accepting that this can mean making difficult decisions.

I would like to thank our colleagues, my fellow Directors and the Leadership Team for another successful year. I continue to be proud of the Co-op we have created in the East of England and am sure we will continue to build on this success for the years to come.

Sally Chicken

Sally Chicken
President
For and on behalf of the
East of England Co-operative Society Board



New BEGINNINGS

Our former Long Wyre Street department store is being transformed into five new restaurants and two retail units, with 24 flats above.

As one of the three cornerstones of our business, our Property Investment team has continued to work hard to ensure we continue to make the most of our assets whilst providing high-quality services and housing for our local communities.

Continuing to grow our residential property portfolio, the site of our former funeral home on Cauldwell Hall Road, Ipswich became our fourth rental housing scheme in the region to be completed over a 12 month period, with the five new three-bed family homes now let.

The upper floor of our former Woodbridge Thoroughfare food store was also transformed into four one and two-bed flats providing new homes at the heart of a much sought-after town.

Our former department store on Carr Street, Ipswich will be opening its doors to a new generation, having been sold to make way for a primary school. The site was purchased by Ipswich Borough Council and will be developed by the Government's Education and Skills Funding Agency.

Work is also underway to transform our former Long Wyre Street department store into five new restaurants and two retail units, with 24 flats above, whilst our former Witham department store on Newland Street has been let to gym providers Anytime Fitness.

Joint Chief Executive, **Nick Denny**, said:

"We're very pleased to have completed a number of housing developments in the past year, providing much needed homes and supporting local contractors. Whilst our former department stores, which each hold a special place in our 150-year history, are being given new leases of life, bringing new services to our communities."



let to tenants

Generating nearly

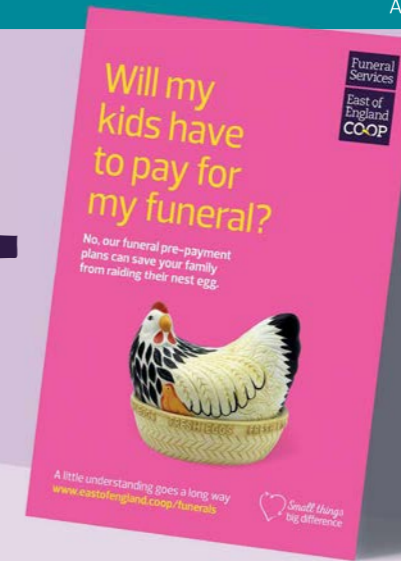
£8M  **IN INCOME**

FUNERAL Services

A LITTLE UNDERSTANDING GOES A LONG WAY

In September we launched a new campaign helping to answer the questions people find difficult to ask.

We understand that for most people, talking about funerals is not something they want to do, but we also understand how important having a conversation can be.



We are the region's local, friendly and knowledgeable experts. We launched our 'A Little Understanding' campaign to tackle some of the misconceptions head on and to encourage people to have a conversation with us. We also created a comprehensive list of answers based on the most searched for questions on Google.

Visit www.eastofengland.coop/understanding to find out more.

HIGH STANDARDS

We're pleased to be providing our colleagues with the opportunity to complete Diplomas from the National Association of Funeral Directors (NAFD).

Area Manager Emily Houghton is a qualified NAFD Tutor and has been tutoring colleagues from across our Funeral business for the past 18 months, as they work towards their Diploma in Funeral Arranging and Administration (DipFAA), consisting of essays, written and practical exams, the first four of our colleagues graduated in December.

Emily explained:

"These qualifications promote best practice across the country and encourage people to embrace professional development. I am grateful to East of England Co-operative Funeral Services for facilitating these qualifications as I truly believe they play a vital part in helping our team members to continue to provide the best service possible for our clients and the people in our care."



AWARD WINNING DEMENTIA CARE

Our Funeral Services team were named winners in the Outstanding Dementia Care Innovation category at the National Dementia Care Awards 2018.

This award recognises the vital role of innovation in developing high-quality services for people living with dementia.

To help us better support families affected by dementia, our Funeral Service colleagues took part in bespoke dementia-friendly training, the first comprehensive training of its kind in the funeral industry.



COMMUNITY GIVING SCHEME LAUNCHED

Our Funeral Services teams go above and beyond to support not only those in their care, but also the wider community.

From football tournaments and masquerade balls to quiz nights and abseiling, the Funeral Services team support a number of local charities and organisations.

Further extending our community support, this year we launched the Community Giving Scheme. Based on the Community Token Scheme in our food stores, the scheme enables members who have used our Funeral Services to choose which good causes receive a share of a £2,500 donation in each county, every three months.

Every three months we share **£7,500** BETWEEN CHOSEN CHARITIES

In the PINK

This year we re-launched our Security business branded as Co-op Secure Response, extending the availability of our expert in-house security services to businesses across East Anglia and the United Kingdom.

Having invested in state-of-the-art technology and a uniquely qualified team, our 24/7 monitoring services are already being utilised by businesses across the country.



Head of Co-op Secure Response, **Lee Hammond**, said:

“This has been a really exciting year for us. We have worked hard over the past seven years to ensure that the services we offer are the very best for both the East of England Co-op and our clients’ businesses. We look forward to continuing the hard work that we do for the local community as part of the East of England Co-op, as well as protecting businesses and people locally and nationally.”

BUILDING SAFER AND THRIVING COMMUNITIES

In January 2019, Co-op Secure Response hosted the first 'Building Safer and Thriving Communities' conference.

Over 100 people attended the conference, hosted in partnership with Suffolk Constabulary, Suffolk County Council and Suffolk Chamber of Commerce. The conference brought together leading experts to discuss issues of anti-social behaviour affecting local businesses and to share practical and cost-effective advice on how businesses can protect their property, people and assets.

Following positive feedback, we plan to hold similar events in other counties across our region.

EDUCATION AND PARTNERSHIP

Our Co-op Secure Response colleagues have been working with schools, youth groups and accommodation units to help raise awareness of the consequences of anti-social behaviour to help prevent crime in our communities.

Throughout summer, 40 children took part in a six-week programme, combining educational sessions with the opportunity to play football with local police officers and our security team, helping to break down barriers and build relationships.

Co-op Secure Response also provide the opportunity for young people, convicted for anti-social behaviour, to take part in Restorative Justice. 15 young people have taken part so far, with only one going on to reoffend in the following three months.

Find out more at www.secureresponse.coop



Combining traditional skills AND NEW TECHNOLOGY



Our HL Perfitt workshop on Vines Road, Diss was transformed thanks to a £1.1 million investment.

As well as the installation of new state-of-the-art equipment, there is also a fantastic new kitchen showroom showcasing the high standards and skill of our stonemasons. The showroom also features Augmented Reality software enabling customers to view their selected stone on screen and superimpose it onto a representation of their kitchen design.

A second showroom is also now open on Handford Road, Ipswich, providing customers with the opportunity to speak to our experts about everything from memorial masonry to kitchen worktops and interiors.

Handford Road, Ipswich

LOVE ME
from my head
to-ma-toes

This year alone, we've saved over 200,000 products that would otherwise have gone to waste. This includes...



Our Co-op Guide to Dating initiative, which champions the sale of food past its Best Before date in all our stores, continues to go from strength to strength. We have now introduced fresh and frozen lines to the hugely successful scheme.

WASTE NOT WANT NOT

This year we reduced our net carbon dioxide emissions by **358 TONNES TO 13,825 TONNES**
See page 30

The fantastic reaction to our Co-op Guide to Dating campaign inspired us to look at other ways we can help our customers to reduce waste.

We decided to run an in-store trial, in partnership with Ipswich Borough Council, to increase awareness of items that can and can't be recycled. We also introduced recycling points for plastic packaging, carrier bags and batteries – items which can't currently be recycled at home – in 20 stores across Ipswich.

CARBON CHARTER CHAMPIONS

This year we were presented with five gold accreditations for our Clapgate Lane, Coggeshall, Woodbridge, Thorpe St Andrew and Costessey stores, four silver accreditations for our Harleston, Acle, Heath Road and Rands Way stores and a bronze award for our Hatfield Peverel branch.

We're not bidders WE'RE WINNERS!

We are incredibly proud to have received two major national awards for Co-op Guide to Dating this year.

Our first triumph was receiving the Waste Not Want Not Award, at this year's Grocer Gold Awards. The category was hotly contested, with judges saying our Co-op Guide to Dating scheme was "truly pioneering" and "one for others to follow". The Grocer described it as "brilliantly executed and hugely influential".

We also won the Sustainable Futures Award at the 2018 IGD Awards. We beat Coca-Cola, Arla, Aldi, Tideford Organics and Co-op Group to the award, which was given to us following a unanimous decision by the judges.

Our Joint Chief Executive, **Roger Grosvenor**, said:

“Receiving recognition from our industry is the latest in a string of successes for this scheme, which continues to flourish in stores. Reduced products fly off the shelves, often within hours, and we anticipate it will save 350 tonnes of edible food from going to waste every year.”

We also scooped four awards at the Regional CIPR PRide Awards. We were presented with a Gold award for Regional Campaign of the Year and two Silver awards for Corporate and Business Campaign of the Year and Best Use of Media Relations.

MESSAGE IN A BOTTLE

As part of our mission to tackle waste and minimise its impact on the environment, we invited local MP Dr Therese Coffey, a Parliamentary Under-Secretary at the Department for Environment, Food and Rural Affairs to support our new 'bottle for life' scheme.

Eco-friendly bottles for life are now available in all our food stores and we have made a pledge to exchange them free of charge and ensure that the returned bottle is recycled.

THIS YEAR, WE SOLD 6,500 BOTTLES



Get your Bottle For Life in store

Local sales soar

To celebrate 150 years in business during this year's Sourced Locally Fortnight, we teamed up with local food historian Monica Askay.

Dressed in traditional Victorian servant clothes, Monica (as pictured on the cover) visited children at Bluebell Primary School in Norwich and St Mary's Primary School in Burnham-on-Crouch, demonstrating unusual Victorian kitchenalia whilst teaching them all about local agriculture and the importance of shopping locally.

Monica commented:

"I am really passionate about traditional cooking, there is a lot to learn from looking to the past and understanding how local produce has shaped our diets throughout history. These classes were a real treat and I was delighted to be able to talk to the children about what a rich local food history East Anglia has and continues to have to this day."

Sales soared to more than **£999,000**
 THAT'S A 2.8% INCREASE ON LAST YEAR

We sold over...

- 57,000 PUNNETS OF STRAWBERRIES
- 29,000 PACKS OF MUSHROOMS
- 30,000 BOXES OF EGGS
- 10,000 BUNCHES OF ASPARAGUS

PRODUCER OF THE YEAR 2018

We're very proud to say that Producer of the Year 2018 was our most successful to date, with over 28,000 votes.

From a panel of Co-op Juniors food critics to our Tremendous Tractor Tour which visited landmarks in Essex, Suffolk and Norfolk to give away free samples, we found lots of fun and interesting ways to encourage the public to try something local and cast their votes this year.

WICKS MANOR PORK go the whole hog

Fergus Howie from Wicks Manor Pork in Essex was crowned Producer of the Year 2018, beating off stiff competition from our Norfolk and Suffolk county finalists, Buxton Potatoes and Havensfield Eggs.

Fergus and his team oversee the entire process of creating their bacon, ham and sausages – from growing the pig feed to producing the sausages themselves, the welfare of their animals is always the highest priority.

"I am so thrilled we won; it is such a great accolade, particularly in this milestone year for the East of England Co-op as they celebrate 150 years in business. All the nominated producers are inspiring and it is a privilege to be part of the network of East of England Co-op Sourced Locally producers. We all do our part to make people proud of East Anglian food and drink."

Meet our **PRODUCER OF THE YEAR 2018**

FERGUS HOWIE
 Wicks Manor Pork
 MALDON, ESSEX



THERE'S NO PLACE like home

After 10 months of extensive refurbishments, our Dedham High Street store reopened this year, after it was badly damaged in a ram raid in December 2017.

With the support of the local community, a temporary home was found for the shop in the Duchy Barn, located behind Dedham Parish Church.

Although a devastating event, it did give historians the opportunity to uncover more about the building and its past. A report carried out by Colchester Archaeological Trust revealed that the timber frame structure is one of the finest ever seen by the historic architect.

"Sourced Locally is one of the points of difference that makes me proud to be a member of the East of England Co-op."



Who makes your Co-op work?

Richard Johnson,
 Branch Manager at Connaught Avenue, Essex

I have been with the East of England Co-op for 13 years, starting as a Weekend Night-time Cashier and working my way up the ranks to Branch Manager.

I have a fantastic team of Team Managers and Customer Service Assistants – we are like a micro co-operative. Everyone knows what they need to do and gets on and does it. One of the best parts of my job is helping my colleagues achieve and perform as well as they do.

There is no greater satisfaction than seeing them go on to bigger and better roles or doing that job they never thought they could do – and we were very proud to be recognised for our increased sales of Sourced Locally produce this Christmas.

We are one of the smallest food stores but are busy with both regular and new customers who are just as fantastic as my colleagues. There is a real community spirit. They support us in the good times and rally around in hard times; they are amazingly understanding and generous.

We do a brisk trade in Sourced Locally products, mostly Peacock Foods cakes and bread and Taste of Suffolk ham. Retrocorn is also a real favourite. When something is on promotion then the shelves can empty as fast as we can fill them!

We have all year round displays of local seasonal products at the till point. However, at Christmas we amped this up and dedicated even more space to local seasonal lines. This year it was Peacock Foods mince pies (they were my guilty pleasure this Christmas!) and Gnow Hot Chocolate Shots went down a treat too.

We created custom advertising for each line and talked to customers about the products and how good they were. I feel it is important that we push the right local products in the right store. Sourced Locally provides not only a boost to the local communities where we all live and work, but it also has a positive environmental and ethical impact making it one of the points of difference that makes me proud to be a member of the East of England Co-op.

Keep it LOCAL
 LIVE • BUY • LOVE

Suffolk Finalists
HAVENSFIELD EGGS



Norfolk Finalists
BUXTON POTATOES



GOVERNING THE SOCIETY

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

During the year covered by this report, your Directors met formally 12 times. 11 were scheduled meetings concerned with items of policy, strategy, matters reserved for Board decision and general oversight of performance.

The other meeting was arranged to consider the appointment of a new member of the Leadership Team following the resignation of Minnie Moll, Joint Chief Executive for Membership and Marketing.

The Directors also met informally on a number of occasions as they visited our premises and sites and took part in professional development workshops.

In May, the Board of Directors elected Sally Chicken and Belinda Bulsing to serve as President and Vice-President respectively, each for a 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 matters helping the Directors to perform their governance role.

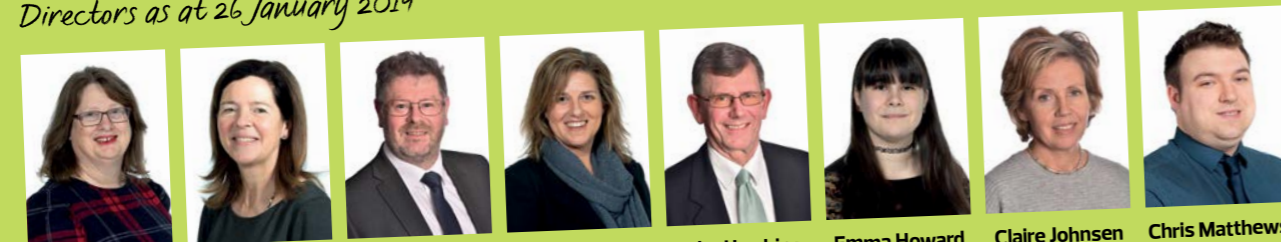
The Directors can also draw on the advice and services of the Society Secretary, who is responsible for advising them on governance and regulatory matters.

In June Minnie Moll departed to pastures new and we wish her well in her new role. Niall O'Keeffe joined the business in February 2019 as Joint Chief Executive, Membership and Marketing. We look forward to him progressing our membership proposition and further developing our brand.



Nick Denny, Joint Chief Executive Property
Doug Field, Joint Chief Executive Finance & Technology
Roger Grosvenor, Joint Chief Executive Retail
Mark O'Hagan, Joint Chief Executive People & Performance
Niall O'Keeffe, Joint Chief Executive Membership & Marketing
Mike Faulkner, Society Secretary

Directors as at 26 January 2019



Sally Chicken President
Belinda Bulsing Vice-President
John Cook
Nicola Fox
John Hawkins
Emma Howard
Claire Johnsen
Chris Matthews



BOARD OF DIRECTORS

In 2018, 18 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 2018, Sally Chicken, Belinda Bulsing and Beverley Perkins were re-elected to the Board and Karla Powell and Frank Moxon were each elected for their first term of office. Karla was elected to fill a casual vacancy for one year, created when Phil Hartwell was required to stand down after serving the full 12-year term limit without break of service.



Frank Moxon **Chris Newbury** **Judi Newman** **Beverley Perkins** **Fiona Powell** **Karla Powell** **Steve Shaw** **Richard Youngs**

OVERVIEW

Underlying trading profit
UP 33%

We are thrilled to report a £1.4m increase in underlying trading profit to £5.6m. This increase reflects the hard work of our colleagues and our investment in technology.

Sales fell by £0.1m as changes to our distribution arrangements resulted in lower sales to our neighbouring co-op, Chelmsford Star. Many of our businesses enjoyed year-on-year sales increases.

Our members' funds have increased by £12.1m to £224.6m. We continue to generate cash, seeing an additional £5.6m of cash from trading activities. This healthy balance sheet and our strong cash generation will serve us well in the turbulent times ahead.

Doug Field,
Joint Chief Executive, comments:

"We are seeing the benefits of doing business the co-operative way and investing in our business. I am incredibly proud of the efforts of all our colleagues in delivering the increase in profits. It wouldn't be possible without their hard work."

TURNOVER

Sales are down
£0.1M

Sales are down due to changes to our distribution arrangements, which resulted in decreased sales to our neighbouring co-op, Chelmsford Star. Excluding the sales from our Distribution Centre, our sales grew by 2.9%.

2.2%

increase in food sales

As the principal part of our business, we are delighted to see a 2.2% (£6.0m) increase in sales in Food, with a 1.2% like-for-like increase.

Food store sales benefited from both the long hot summer and the "Beast from the East". This together with the continued investment in technology, consistently high employee engagement, good operational standards and our on going store refurbishment programme all contributed to the increase.

3.6%

increase in investment property income

Rental income from our Property Investment portfolio is approaching £8.0m with a £0.3m increase in the current year.

This increase is a result of income from the Rosehill development in Ipswich, which was completed during 2018, together with a full year's contribution from developments completed in 2017.

99

more funerals conducted

The sales from our Funeral business grew by £0.6m with the new branches opened last year conducting more than 375 funerals. Despite a fall in the UK death rate, our Funeral Services continue to be strong, with our market share increasing.

Sales from our Distribution Centre fell by £9.5m as a result of a change in our supply arrangements which saw us further integrate into the national co-operative supply chain.

Our stonemasons, HL Perfitt, also saw a decline in sales; however, we anticipate that the investment made in that business at the end of the year will provide significant growth.

Our four forecourts saw sales growth of £1.8m (8.8%) due to rising market prices and selling an additional 0.4m litres of fuel.

Sales continued to grow in our Travel business with a 4.9% (£0.3m) increase, with strong growth in both currency and holiday sales thanks to our first-class service, independent advice and extensive choice of destinations from local airports.

Our one-stop security shop, Co-op Secure Response, continues to experience significant growth, with sales now approaching £1.5m.

We did see a sales decline at our Post Office counters, reflecting the challenging operating model.

Our Events business grew its sales by over £0.1m as it increased its income-generating activities.

As a member-owned business we have a duty to run our business effectively, ensuring we have the right stores and services in the right places to best meet the needs of our members, customers and the local community.

In 2018 we announced the decision to sell our Optical and Pharmacy businesses. Unfortunately, our Opticians faced strong competition, whilst our Pharmacies were challenged by significant operating costs and regulation. We're pleased to confirm the sale of both our Optical and Pharmacy businesses. The sale has meant all branches can remain open and has secured the employment of our colleagues, who have been transferred to the new owners.

We also took the difficult decision to close our Darsham Hamper food store and café, Cromer Road food store in Norwich and Handford Road food store in Ipswich. All colleagues were redeployed within the business. Both the Darsham and Cromer Road sites have been leased, whilst Handford Road has been repurposed as an HL Perfitt showroom.

PROFITABILITY

Underlying trading profit
£5.6M

Our underlying trading profit is up
33.2% to £5.6m from £4.2m.

Our ability to leverage the technology we have invested in within our Food business saw us generate more profitability from the key Christmas trading period. This together with work undertaken throughout the year helped improve our food margin resulting in a significant increase in contribution from our Food business.

The cost of doing business continued to rise. Excluding restructuring costs, we saw personnel costs grow by £1.2m (2.0%). Occupancy costs grew by £0.7m (5.5%) reflecting the costs of the expanded funeral estate. Our investment in technology also increased our overheads through annual support costs, amortisation of the software costs and depreciation of the related hardware.

Trading profits from our Funeral business were in line with last year. Our property investment portfolio saw year-on-year profit growth as did many of our other businesses.

In line with other operators, our Post Office counters saw a decline in profits. Both the Distribution Centre and our stonemasonry business, HL Perfitt, saw profits decline due to the fall in sales.

Our profit before distributions and taxation decreased by £1.4m to £5.2m with a number of significant one-off items arising:

- A reduction in value of our Distribution Centre and our Rosehill food store (£1.5m)
- Our investment property portfolio saw a number of properties decrease in value (£1.8m) due to general market conditions, especially in relation to the challenges faced by the High Street
- The costs of closing a number of food stores in the year (£0.6m).



MEMBERS' FUNDS
£224.6M

Members' funds increased by £12.1m over the year



Continued growth in sales of pre-paid funerals plans has increased the value of our fixed assets. We now hold £60.5m of pre-paid funerals plans, up £7.3m in the year.

We have seen a reduction in our stock holding as a result of changes to our supply chain arrangements.

A reduction in our pension liabilities by £14.9m reflects increases in corporate bond yields, falling long term inflation expectations and changes in mortality assumptions.

CASHFLOW

We have increased our cash by

£3.6M

We have continued the essential investment in future-proofing our business in addition to selling surplus assets.

There has been £18.1m cash generated from our trading activities, up by £5.6m on last year primarily due to a reduction in stock due to the change in our supply chain arrangements.

The value of our completed investment properties increased by £1.4m to £113.8m.

We have invested £11.1m, including £2.1m on technology, a further £2.8m on food store refurbishments and £3.3m on investment property developments.

We generated £3.1m of cash by selling surplus assets, including various property holdings in Carr Street, Ipswich and previously closed food stores.

We ended the year with a net cash balance of £6.6m (2018: £3.0m).

Looking AHEAD

We expect 2019 to be a turbulent year, with difficult market conditions and the continued rise of business costs.

Our long-term strategy remains the same – to continue to maintain a strong and sustainable business, to generate profits and support our communities. We remain focussed on the three cornerstones of our business: Food, Funerals and Property Investment.

We are continuing our successful Food strategy, investing in technology and ensuring we have a contemporary food store estate.

The success of recent years is in part due to making sure that we have the right stores in the right places. Whilst this led to a small number of store closures in 2018, we are constantly looking for new store opportunities.

Our Funeral business will see a number of branch refurbishments over the coming year as we continue to provide care, reassurance and excellent service when it's most needed.

Investment in our Property estate will continue, and we expect to start a number of developments in Colchester and Woodbridge during 2019. We will make use of loan finance to fund these projects.

The development of our security business, Co-op Secure Response, will continue. We anticipate this becoming a significant cornerstone of our business in the future.



The decline in profitability of our Post Office counters, whilst beyond our control, remains a concern. We are in discussions with the Post Office and other interested parties to find a viable economic solution.

We are continuing to progress our in-principle decision to move our distribution operation into the wider co-op network. Subject to various stakeholder consultations, we anticipate a final decision during 2019.

We will continue to run our Co-op as it should be run; working for our communities, customers and colleagues. With a strengthened estate, dedicated colleagues and healthy balance sheet, we have much to look forward to in the coming year and beyond.



“Business intelligence and technology are crucial in keeping us agile and relevant in today's fast changing world.”

Who makes your Co-op work?

Mohsin Mughees,
Business Intelligence Solutions Architect

I lead the internal Business Intelligence Team based at Wherstead Park. The first of its kind for the East of England Co-op, our team is made up of business intelligence developers, analysts and testers. We also work closely with a third party offshore team.

Every day we wake up to a more connected world. It's an inherent human need to connect with others, and technology is making that possible. Businesses don't run in isolation, especially the East of England Co-op. We are dependent on our customers, and even more so on our members.

Business intelligence enables us to connect to and understand the changing needs of our members and customers and equip the business with the information to meet those needs.

What I enjoy most about my role is getting to understand colleagues' challenges, and designing a solution to help eliminate them. Colleagues can then perform most effectively and focus their time and skills on what they do best.

Our focus this year has been on bringing together all the sources of data from across the business and placing it into one central data warehouse. From here we will be able to provide automated dashboards, data visualisation and analytics.

Providing highly enriched data will enable us to measure business performance trends and ensure competitiveness. This data will deliver insights into the way we do business and will expose areas that are yet to be explored. Business intelligence and technology are crucial in keeping us agile and relevant in today's fast changing world.

Unlocking POTENTIAL

Our Apprenticeship Training Programme offers opportunities to colleagues across our Co-op. With a wide-ranging family of businesses, we're able to offer opportunities for our colleagues to 'earn whilst they learn' in a wide range of areas, including Food Retail, Funeral Services and Stonemasonry.

By attracting, developing and maintaining talented people, we'll have a highly skilled, productive workforce for the future, to continue the great work we're doing today.

This year, 30 colleagues joined our Apprenticeship Programme, supported in their development by trained mentors. We're proud to have seen five Apprentices graduate, all of whom have chosen to continue working with us.

Over the course of 2018 we delivered **36,569** HOURS OF TRAINING FOR COLLEAGUES
See page 30



Apprentice ADVENTURE

ON 5 AND 6 SEPTEMBER 2018, INTREPID APPRENTICES TOOK PART IN OUR FIRST EVER 'APPRENTICE OUTDOOR ADVENTURE'.

It was designed to push the apprentices out of their comfort zone and build their leadership and communication skills, with a focus on assertiveness, confidence and teamwork.

The adventure day included archery, aerial trekking, canoeing, bush craft and an obstacle course. It proved to be a very successful event.

One of our apprentices told us:

"The outdoor adventure was excellent. It was clear there were real team and character-building benefits for everybody involved."

THIS YEAR, MORE COLLEAGUES THAN EVER HAD THEIR SAY, WITH 88% OF COLLEAGUES TAKING OUR COLLEAGUE ENGAGEMENT SURVEY

THE RESULTS

Each question is scored out of five.

4.14 4.12 last year up 0.02	4.18 4.19 last year down 0.01	3.97 3.98 last year down 0.01	3.97 3.98 last year down 0.01	4.12 4.12 last year same score	4.53 4.52 last year up 0.01	3.94 3.93 last year up 0.01
 My manager CARES about me	 I enjoy MY WORK	 I am PRAISED by my manager	 We treat each other with RESPECT	 I am PROUD to work for the society	 I know what's EXPECTED of me	 My job lets me use my SKILLS & ABILITIES



Award winning

This year, we scooped Highly Commended at the National Apprenticeship Awards for the East of England and received a Silver award for the Best Apprenticeship Programme at the Training Journal Awards.

These prestigious accolades recognise the hard work of all involved in our Apprenticeship scheme. A fantastic achievement.



Collecting our award; (left-right) Effie Burrell, Learning and Development Consultant, with apprentices Jade Driver, Stuart Heal and Tamsin Butcher



Accepting our award on behalf of our business and all our apprentices; (left-right) Susannah Browning, Fareport Training, Mike Clark, Store Manager, Effie Burrell, Learning and Development Consultant, Stephen Flurrie, Head of Learning and Development, David Downes, Sector Manager for Funeral



"A thank you at the end of every shift can make a real difference."

Who makes your Co-op work?

Lisa Trabucchi, Branch Manager at Onley Street, Norfolk

I first joined the East of England Co-op 16 years ago whilst I was at college. I started out working evenings and weekends, going full time once I had completed my studies. Since then, I have worked my way up and have been a Branch Manager now for eight years.

We are a relatively small store, close to the University of East Anglia. We have lots of student housing nearby, so during term time we're kept busy with lots of students visiting our store.

As well as ensuring the smooth running of the store, organising rotas and managing stock, I like to roll my sleeves up and work out on the shop floor, putting out deliveries and creating promotional displays.

The things I enjoy most about my role are interacting with our customers and taking the time to get to know my team.

Being open and starting conversations is really important. It can be as simple as asking if they have plans for the weekend and making sure I follow up when I see them next or asking how their families are.

If your colleagues feel comfortable speaking to you, they won't feel awkward or embarrassed approaching you with any issues or worries they might have. It shows that I take an interest in them and that they are not just a number but a person. A thank you at the end of every shift can make a real difference.

Celebrating INTERNATIONAL WOMEN'S DAY TOGETHER

This year our Co-op held its first International Women's Day event. Bringing together colleagues from across our business, this inaugural meeting celebrated female achievement, both locally and nationally, and explored important issues affecting women today. The event was a great success, with 97% of those attending finding the day inspiring.

Joint Chief Executive, Mark O'Hagan, said:

"This year saw our Co-op's first International Women's Day event. I am proud to have added our support to this global initiative. As an ethical co-operative it is in our DNA to promote equality, both in our business and in our wider communities. We continue to work hard to empower our colleagues, supporting their development and listening to their feedback. Together, we are making our Co-op an even fairer, progressive place to work."

Our HEROES

Our colleagues are the beating heart of our business. We are immensely proud of how they support each other, their communities and local good causes, raising thousands of pounds and going above the call of duty to help others.

Here are just some of the great stories we heard this year...



ON YOUR BIKE!

This September, six colleagues from Funeral Services took part in a 33 mile cycle challenge to raise funds for the Time Garden at Colchester General Hospital, a peaceful and quiet place for terminally ill patients to spend time alone or with their families.

OUR TEAM RAISED AN INCREDIBLE £1,300 TO HELP TOWARDS THE GARDEN'S DEVELOPMENT.

BAKE FOR HEROES

To show their support for Armed Forces Day this year, our Westwood Avenue Funeral branch in Lowestoft opened their doors and community gardens for a special tea party to raise vital funds for Help for Heroes. A wonderful opportunity for the community to get together over a good cup of tea and a piece of cake – all in aid of a good cause.

SNOW STOPPING US

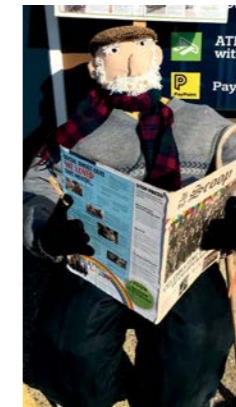
Our business faced a big challenge when the 'Beast from the East' hit the region in February. With heavy snow falls and deep drifts caused by strong winds, people across Norfolk, Suffolk and Essex looked to us, as their community retailer, to 'keep calm and carry on'. And indeed, we did! Our colleagues faced the extreme conditions with energy, enthusiasm and fantastic teamwork. Together, they ensured our stores, branches and services were affected as little as possible.



This photo taken by Funeral Director Luke Harrison is a great example of how our colleagues persevered through the snowy conditions to continue to support our members, customers and communities

SCARECROW FESTIVAL

Our colleagues don't just raise money for local good causes – they get stuck in too. Whether it's an annual village event or a one-off community gathering, our teams will often be seen helping out and getting involved. This fabulous scarecrow was created by our Repps Road Food store for the popular Martham Scarecrow Festival.



FESTIVE FUNDRAISING

This year, we invited colleagues to raise money over the festive season for three local charities: EACH, RNLI and The East Anglian Air Ambulance. Over the course of just one week (the busiest week of the year!) our colleagues raised over £8,000. A fantastic boost for three amazing charities that make a difference to thousands of lives across Norfolk, Suffolk and Essex.



Over £8,000 WAS RAISED FOR THREE CHARITIES

FORGET-ME-NOT FRIDAY



Colleagues truly got stuck into this year's fundraising efforts for Forget-Me-Not Friday, digging out something blue, donating and collecting money in aid of Alzheimer's Research UK.

HEARTFELT FUNDRAISING

Colleagues at our Elmswell food store raised an amazing £1,550 for the Norfolk and Norwich University Hospital Neonatal Intensive Care Unit (NNUH NICU) to show their support for Store Manager Ryan Studd and his family, after Ryan's son was born 13 weeks premature and needed specialist care.



LENDING A HAND AT BRICKMAKERS WOOD

After suffering a spate of vandalism and thefts, the Ipswich charity Brickmakers Wood, who transform urban areas into beautiful woodland for people with serious illnesses, needed help to restore their wrecked site. Our Co-op Secure Response team rallied round to restore the centre as quickly as possible. We were happy to lend not only our time, but our expertise, to help get the site up and running and safe again.



HELPING HANDS

Mike Clark, as well as being the Branch Manager at Halstead Supermarket, is also Chair and founding member, of Colchester Rough Sleepers Group. The group aims to provide a means to help people into accommodation through support and temporary safe places to stay. Mike and the team at the charity are currently spending their spare time fitting out a bus where homeless people can sleep and receive advice on the support available to them through the council and other services.



This year, our colleagues collected over
£28,000
FOR GOOD CAUSES

Over the course of 2018 we recruited **17,534** NEW MEMBERS

Our membership offers local people the chance to share in our success through our annual dividend, as well as giving them a say in how we support our local communities. And as a thank you, they have access to a host of exclusive members' benefits.

See page 31

THIS YEAR **4,372** MEMBERS VOTED IN OUR ANNUAL DIRECTOR ELECTIONS

See page 31

JACK BROCK TAKES CENTRE STAGE AT OUR ANNUAL MEMBERS' MEETING



On Saturday 12 May 2018, Wherstead Park played host to the Annual Members' Meeting. All our members were invited to come along and take part in an informative and fun morning, with the opportunity to learn about our plans for the coming months, as well as voting on the dividend.

Over 200 people attended, taking part in workshops that included learning about our 150-year history, our work in the community (complete with a visit from Dementia Friendly Ambassador Jack Brock), an update from our Sourced Locally team and an update on how the business is performing.

We also celebrated our 150th anniversary, with a Co-op Juniors rendition of 'Happy Birthday'. *Find out more about our 150th Anniversary celebrations on pages 28 and 29.*



ON THE ROAD

From large county shows and Freshers' Fairs, to small community get-togethers, in 2018 we attended 112 events across East Anglia, not only spreading the word about the great things we do at the Co-op but also getting involved in wonderful activities taking place in our communities.

HERE ARE SOME OF OUR FAVOURITE EVENTS THIS YEAR



Recruiting new members at University of Suffolk Freshers' Fair



Wellies on! We visited several schools, including St Mary's Primary School in Burnham-On-Crouch.



We took our 150th Anniversary out on the road, including the Suffolk Show.

Royal Norfolk Show WINNERS

At this year's Royal Norfolk Show our teams made 1,100 Co-op Cuppas and signed up almost 100 new members.

But the icing on the cake was Funeral Services and HL Perfit picking up the award for the Best Trade Stand in the Service Sector.



Over the course of 2018 we recruited **576** NEW MEMBERS AT SHOWS AND EVENTS



MEMBERSHIP RECRUITMENT

We have over 280,000 members. Our members are at the heart of what we do; without them, we simply wouldn't be a co-operative. That's why recruiting members is so important – the more members we have, the stronger we are.

Our colleagues in-store and in-branch continue to share the benefits of becoming a member with their customers, with three dedicated recruitment drives taking place throughout 2018.



DID YOU KNOW THAT
5% OF ADULTS
IN ENGLAND FEEL
LONELY 'OFTEN'
OR 'ALWAYS'?

TACKLING LONELINESS

Together

We can all feel lonely from time to time, but chronic and severe loneliness is fast becoming a major problem. Research carried out by the Office for National Statistics found that 5% of adults in England feel lonely 'often' or 'always'.

Working in partnership with the Community Foundations in Norfolk, Suffolk and Essex, we allocated £70,000 to local charities and groups across the region to help tackle the problem.

24 projects across the region were allocated grants for a variety of activities, including Norfolk-based befriending project New Routes. New Routes works to address the extreme isolation and lack of information that can be experienced by recently resettled asylum seekers, through partnering them with a volunteer befriender.

WITH THEIR £2,500 GRANT, THE NEW ROUTES CHARITY TRAINED 165 NEW VOLUNTEERS AND PAIRED 28 AS YOUTH MENTORS OR BEFRIENDERS.



BAGS OF HELP

We continue to support our local foodbanks. This year we provided an additional 10,000 bags in which to pack three-day food parcels over the busy winter period.

Our stores across Ipswich helped to raise over £800 for the foodbank FIND (Families in Need). Combined with a further £500 from our Community Token Scheme, the money raised will help towards the building costs of a new purpose-built foodbank.



THIS YEAR WE SUPPORTED 1,520 COMMUNITY GROUPS AND GOOD CAUSES THROUGH CO-OP CUPPA AND THE COMMUNITY TOKEN SCHEME. SEE PAGE 30

PRIDE & Periods

DID YOU KNOW THAT
1 IN 7 GIRLS
STRUGGLE TO AFFORD
SANITARY ITEMS OR HAVE
HAD TO ASK FOR HELP
FROM FRIENDS?

We've teamed up with Suffolk Libraries to offer free Co-op branded sanitary items in eight libraries in Ipswich, Lowestoft and Bury St. Edmunds.

Sarah Lungley, Mental Health and Wellbeing Co-ordinator at Suffolk Libraries, said:

"Affording the right kind of products, or any at all, can be a real struggle for some and this can have a big effect on their lives. We also know that stigma surrounding periods can make it difficult for some women, including those from the transgender community, to access sanitary items and we hope that by offering free items through our libraries, we can help this. Pride & Periods is a 'no questions asked' project."



JACK BROCK NAMED OUR DEMENTIA AMBASSADOR

Colleagues and invited guests came together during Dementia Awareness Week at Wherstead Park to see Jack Brock named our official Dementia Ambassador.

Jack Brock and his owner Ali Champion have been working with us since 2016 to raise dementia awareness and bring joy to people affected.

In honour of Jack's dedication to his work, he received a branded horse rug to wear on his official duties and even got to tuck into his very own carrot cake.

During December, we were really pleased to work in partnership with Jack and Ali, Minidonks and Wellie's On to fund visits to homes throughout the region to promote wellbeing, increase social participation, evoke memories and bring joy to people living with dementia.



Inspirational CYCLE CHALLENGE

In June, we supported Suffolk resident Peter Berry, who took on the challenge of cycling from Aberystwyth to Aldeburgh to raise awareness of dementia in younger people.

Peter, who was diagnosed with dementia himself when he was just 50 years old, took six days to complete the 300-mile challenge.

Peter raised £3,500 for Young Dementia UK and was welcomed at the finish-line by an enthusiastic crowd and enjoyed a well-earned glass of Co-op Prosecco.



PETER RAISED £3,500 FOR YOUNG DEMENTIA UK



MEET UP Mondays



Since its launch in 2015, Co-op Cuppa has fuelled

1,136
LOCAL CAUSES WITH
867,916
TEA BAGS

Through our Co-op Cuppa scheme, we teamed up with Meet Up Mondays in Suffolk, to offer complimentary tea.

Meet Up Mondays was the brainchild of Mick Dore, Landlord of the Alexander pub in Wimbledon, who began to offer a free lunch every Monday to bring older people together to combat loneliness.

In Suffolk, Ann Osborn at the Rural Coffee Caravan and Sally Connick from Community Action Suffolk are encouraging pubs, tearooms and coffee shops to host their own Meet Up Monday events to help combat loneliness.

Helping people

POP TO THE CO-OP

In September, we helped support residents of Oak House in Stutton 'pop to the Co-op' in Manningtree by funding a pilot assisted shopping scheme.

Run in partnership with Stutton Support Network, Suffolk County Council and Stowmarket Minibus and Coach Hire, the scheme offers free transport and support for up to 12 residents to enable them to do a regular fortnightly shop at our Manningtree Supermarket.



CELEBRATING OUR CO-OP DIFFERENCE

We joined hundreds of co-ops and organisations to run a series of events to celebrate Co-operatives Fortnight between 23 June and 7 July. This year we teamed up with GoodGym, a community of runners who get fit by doing good, to host a series of runs in Norwich, Ipswich and Colchester.

In Norwich, GoodGym runners picked up their soap and sponges along with their running shoes, as they took on the GoGoHares trail in Norwich, scrubbing all 50 of the sculptures to keep them looking their best for summer.

Our Ipswich run saw a group of green-fingered runners help a community garden run by local charity, ActivLives. The runners weeded, watered, painted and pruned at the ActivGardens, before taking on the return run which incorporated sprint intervals and a final dash along the Waterfront. Impressive!

And in Essex, nine runners swapped their water bottles for paintbrushes as they completed a 5k run to Beacon House in Colchester. The GoodGym runners gave the team at Beacon House, which supports homeless people in the town, a helping hand with decorating the new building to make it a welcoming place for people to stay.



COLLEGES COME ON BOARD FOR FAIRTRADE FORTNIGHT

Students from Tendring Technology College popped into Frinton Supermarket during Fairtrade Fortnight for a tour of the store and to find out about some of the great Fairtrade products we sell.

As well as some Fairtrade bananas to take back to their college, students were given a Fairtrade resource pack to help continue discussions back in the classroom. And, as part of our Co-op Cuppa scheme, we provided Fairtrade tea for the teachers' staff room.



Supporting OUR SCHOOLS

We were approached by Heddingham School and Sixth Form to ask if we could become involved in their Enterprise Challenge – a fabulous Apprentice-style event where the school joins forces with local businesses.

Our Sible Heddingham food store was enthusiastic and excited to get involved with the school, with Georgie Streamer, Team Manager, taking the lead on behalf of our Co-op.

We challenged the students to look at how we could target a younger audience and get them to join the Co-op. As part of the challenge, they had to create an entire campaign in just two days, including a leaflet, social media posts, youth member cards and even a radio jingle.

Georgie Streamer, Team Manager said,

"It was a great opportunity for us as a store and Society to get involved with the school. Witnessing the students' motivation, excitement and creativity was inspiring."



1963
Green Ace Garage,
Norwich Road, Ipswich



1952
Whitehouse, Ipswich



1982
Co-op New Year Sale
Long Wyre Street, Colchester

Celebrating
150 YEARS
of co-operation



1898
The Ipswich Co-operative Society
York Road, Ipswich



1979
Dr David Bellamy
attends Co-op Day

1970s
Comedy duo Morecambe and Wise relaunching
the first Fiveways store in Colchester



1910
Norwich Society bread delivery man and hand cart -
St Stephen's back street, site of the Society's second baker



1957
A cookery demonstration
at the opening of
St Nicholas House, Colchester



1967
The Co-operative Mobile Shop

1868 - 2018

The first co-operatives were formed to do business in a way that was better for everyone and driven by values and principles which still guide co-ops to this day.

For 150 years we have always been looking at the small things we can do that make a big difference. Never afraid to try new things and adapt to change.

To mark this significant anniversary we produced a book, held tea parties, gave away a car, launched a range of special-edition locally produced products and collected treasured memories from our members, customers and colleagues.

150 YEARS IN 50 PAGES

Created to celebrate a century and a half of co-operation, our commemorative book delved through 150 years of our history, journeying decade to decade from the 1860s to 2018.

It tells the story of how we began, why we do business the way we do and the role we played in some significant points in history. We hope the book will become a valuable resource for future East of England Co-op colleagues and members.



A taste OF THE PAST



We partnered with our Sourced Locally producers to create a limited-edition range of products, from eggs, flour and jam to beer, chocolate, sausages and potatoes.

Chosen to represent some of the first products early co-operatives would have sold, we even produced a special tea card, celebrating the Co-operative Women's Guild, which was packed into boxes of Butterworth & Son tea.



"The best way to bring our story to life was to design it decade by decade in the style of the time."

Who makes your Co-op work?

Deb Murray,
Graphic Designer

I'm one of four designers in the studio at Wherstead Park. Collectively we are responsible for designing almost every piece of Co-op artwork, from point-of-sale and in-store theatre, digital assets for the website and social media, to marketing collateral for events and branding for all our family of businesses.

My background is in print design, with 20 years' experience in book and magazine layout, so I also work with the communications team to produce our internal magazine 'The Scoop' and now the Members' Magazine.

Being involved in the 150-year anniversary was great fun. I got a real sense of the history of the East of England Co-op from listening to people's memories and looking through all the archived boxes while researching material for the anniversary book.

There were so many fascinating objects. There were a couple of handwritten letters that dated back to the 1880s, as well as leather-bound ledgers and receipt books. I enjoyed reading these and imagining the lives of the people who wrote them - they had such beautiful handwriting.

All the marketing material we found was so evocative, it quickly became obvious that the best way to bring our story to life was to design it decade by decade in the style of the time. This gave me the chance to research graphic design and fonts from the 1860s to present day, which I loved.

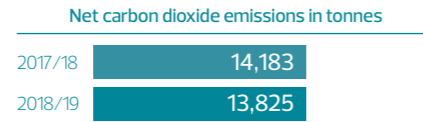
I was also really pleased to work on 'Co-op Guide to Dating'. It was planned to launch on Valentine's Day, so the name worked perfectly. The aim of the campaign was to help people understand the difference between 'Use by' and 'Best Before' dates on food. We wanted the campaign to have a light-hearted feel, despite its serious message. I used food dating puns with a deliberately simple black and white design, which stood out well in store against all the bright colours.

Measuring our Co-operative Performance

What we measure and why	Performance	Commentary
-------------------------	-------------	------------

Are we improving our impact on the environment?

Carbon emissions from electricity, gas and heating oil usage for trading and central function premises, road fuel (excluding personal mileage claims) and refrigerated trailer fuel are measured. Our aim is for our Co-op to meet its target of a 3% reduction in carbon emissions year on year.

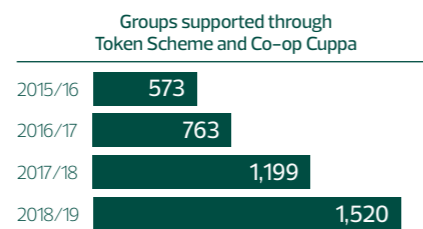


Figures for 2017/18 have been recalculated in line with the recommended UK Government GHG Conversion Factors for Company Reporting for 2018.

Our carbon emissions represent a 2.5% decrease from last year. However we did see an increase in heating oil consumption, possibly relating to the "Beast from the East", and road fuel consumption, in part due to an increase in our security fleet.

Are we supporting communities?

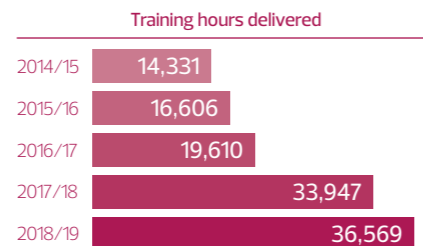
The number of groups supported through our Community Token Scheme and Co-op Cuppa allows us to measure both impact on communities at a grassroots level and member partnership. Supporting good causes from schools and charities to Brownies and sports, we're helping to develop and sustain our communities.



Through the introduction of our Community Giving scheme in our funeral branches at the end of 2018, we're helping to support more community groups.

Do we develop and train our colleagues?

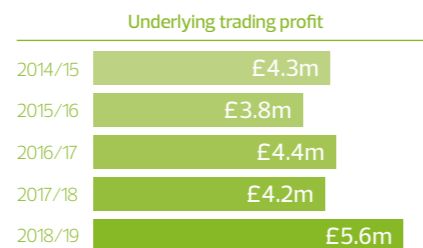
We measure all formal training delivered to our colleagues which encompasses face to face training programmes, eLearning courses, induction hours and apprenticeship hours. Measuring the training we provide is important to ensure our colleagues receive the right support to develop their careers and live the Co-op values.



The slight increase in learner hours has been driven mainly by the introduction of our high level Retail apprenticeships along with increasing access to online courses to support our management development programme.

Is the Society profitable?

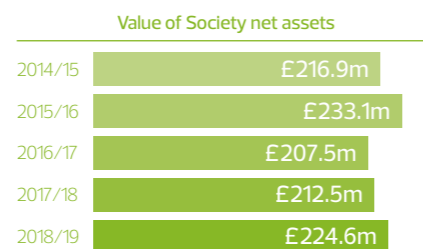
We measure our underlying trading profit, which is the money we make before we take off any exceptional items. We do this to see if the core business is profitable and provide a more comparable figure on a year-on-year basis.



Leveraging our investment in technology, together with work undertaken to improve gross margin in our Food Business, has resulted in an increase in underlying trading profit.

Is the business sustainable for the future?

We measure the value of our net assets by taking our total liabilities from our total assets. We do this as a strong balance sheet provides confidence to our members that we can finance our business goals and invest in our future.



A decrease in our defined benefit pension scheme liability has strengthened our balance sheet.

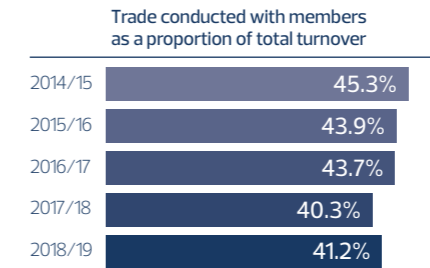
What we measure and why

Performance

Commentary

What trade do we do with members?

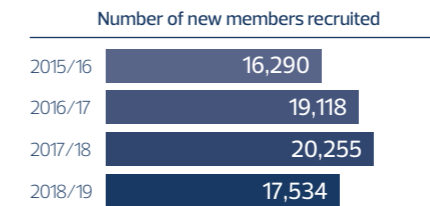
We measure the qualifying spend by our members as a percentage of total turnover. As a co-operative society owned by our members, we want to deliver the goods and services that meet their needs.



The proportion of spend by members has grown in 2018/19 due to an increase in qualifying spend.

Are we attracting new members?

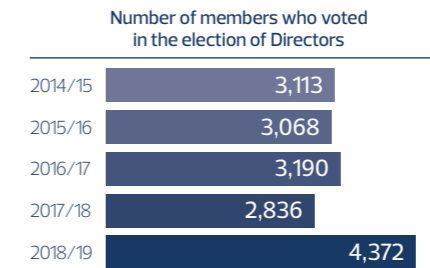
We measure the number of new members who have joined us at events, in-store and online. As a co-operative with a voluntary and open membership, it's important we continue to recruit new members, giving customers an equal say in how we're run.



We continue to attract new members. There was a decrease in sign-ups at the large county shows. We believe this is due to the majority of attendees already being East of England Co-op members, having seen good recruitment figures in previous years.

How many members are involved in democracy?

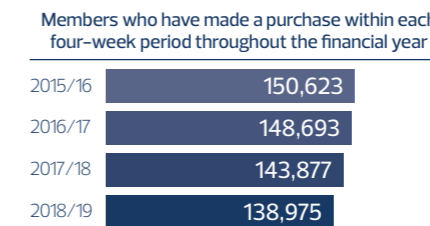
As a core co-operative value, members should each have an equal say in the running of our co-operative. We measure democratic member control through measuring the number of members who vote in our election to the Board of Directors.



This year we saw an increase of 54.2% in voting. This is potentially due to the introduction of a new third party organisation to run the election, making it easier for our members to have their say.

How many of our members are active?

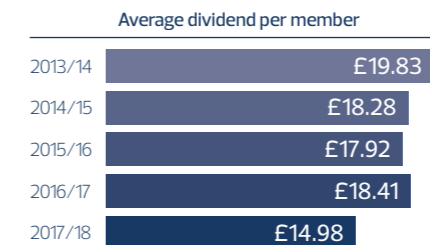
We measure this by the average number of members who have made a purchase within each four-week period throughout the financial year. We want to encourage our members to engage with our Co-op, as we know that more active and engaged members lead to a more successful and vibrant local Co-op.



The number of active members has been reducing in recent years, with a decrease of 3.4% in 2018/19.

How do our members benefit?

With each member receiving a dividend based on the amount spent with us, average dividend is a good measurement of how our members benefit. We measure the average dividend received by members for all transactions across our family of businesses.



The average dividend received includes that earned on high-value transactions, such as holidays and funeral services. In 2017/18 the dividend payment reduced from 2% to 1.5% of qualifying purchases.

Corporate Governance Report

The Board is pleased to report on the governance policies and practices within the Society for the year ended 26 January 2019.

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 46, 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, 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 publicised on the Society's website, and through email and posters in all food stores.

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 26 January 2019, the Society proposes to pay a dividend representing 1.5% (2018: 1.5%) 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 2019.

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 £1,923,000 (2018: £2,711,000).

Distribution of profits

	£000
Interest on share accounts	95
Dividend	2,184
Community engagement	551
Co-operative Party	34
Donations	10
Amounts retained by the Society for reinvestment*	2,713
Total profit available for distribution*	5,587

*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 on our website or 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 on a regular basis.

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.

Consultant	Purpose	Fees paid £000
KPMG LLP	Pension advice, internal audit and VAT advice	228
Ellisons Solicitors	General property advice and acquisitions	124
PricewaterhouseCoopers LLP	External audit	85
Boyer Planning Ltd	Planning consultancy	74
Fenn Wright	Property advice and agency fees	72
Kerseys Solicitors	Legal advice, including advice on disposals and property transactions	66
Ensors	Legal advice on disposals	42
RSM UK Group LLP	Corporate tax compliance and capital allowances claims	36
EWS Ltd	Property valuation and rent review	32
Mills & Reeve LLP	Legal advice	26

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

Consultant	Purpose	Fees paid £000
Conduent HR Services	Actuarial and administration services	361
Pension Protection Fund	Annual levy-members protection scheme	31
RSM UK Group LLP	Audit advice	27

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. The Board is currently looking to develop a Board competency framework to help with training and development, and Board succession planning.

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 focus was on freeing up more Board time to consider strategy-level issues. The result was a fundamental review of committee and officer delegation and the adoption of a programme of strategy-focussed discussions throughout the year. The effectiveness of these measures will be kept under review.

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 Co-operative Retail 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 register to record 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 39 lists Director and Management Executive external directorships or equivalent.

The Board believes the above measures serve to ensure the independence of Directors and management is safeguarded.

Board attendance record

The table on page 35 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/online voting.

In May 2018, there were five vacancies on the Board and 18 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 35.

Board and Committee membership

Attendances 2018–19 Attendance shown 9(11) = 9 meetings attended out of a possible 11.

	Last Elected	Term Ends	Board	Audit and Risk	Performance Review	Membership and Community Engagement	Remuneration and Search
Directors	Term of Office		Committees				
Mrs B Bulsing	May 18	May 22	9(12)		4(4)		
Mrs S Chicken	May 18	May 22	8(8)				6(6)
Mr J Cook	May 17	May 21	8(12)				5(9)
Mrs N Fox	May 16	May 20	11(12)	4(4)			1(1)
Mr P Hartwell	May 15	May 18	4(4)			2(2)	
Mr J Hawkins	May 16	May 20	12(12)	4(4)			
Ms E Howard	May 15	May 19	11(12)		4(4)		
Mrs C Johnsen	May 15	May 19	10(12)	4(4)			
Mr C E Mann	May 14	May 18	4(4)				1(1)
Mr C Matthews	May 16	May 20	12(12)			5(5)	
Mr C Moore	May 15	May 18	3(4)	1(1)			
Mr F Moxon	May 18	May 22	7(8)	3(3)			
Mr C Newbury	May 17	May 21	10(12)		3(4)		
Mrs J Newman	May 17	May 21	10(12)		4(4)		
Ms B Perkins	May 18	May 22	11(12)				9(9)
Mrs F Powell	May 17	May 21	8(12)			5(5)	
Ms K Powell*	May 18	May 19	8(8)			3(3)	
Mr S Shaw	May 16	May 20	12(12)			4(4)	
Mr R Youngs**	May 17	May 19	10(12)				9(9)

This table does not record attendance at the AGM, informal development workshops and visits to stores and potential developments. A special meeting of the Board and three meetings of the Remuneration and Search Committee were required at short notice in connection with the appointment of a new Joint Chief Executive, Membership and Marketing.

*Karla Powell was elected to fill a casual vacancy for one year.

**Richard Youngs was elected to fill a casual vacancy for two years.

On 23rd May 2018, Sally Chicken was elected President and Belinda Bulsing was elected Vice-President, each to serve for one year to May 2019.

Remuneration and Search Committee

Purpose/role

Most corporate governance codes of best practice require the appointment of remuneration and search/nomination committees. For this Society, the Board believes it is appropriate to combine these into a single Remuneration and Search Committee. This committee oversees remuneration policy for Directors and Executives and has a watching brief on general employment and colleague engagement. The Committee also helps the Board to fulfil its obligations regarding Board renewal and Director and Executive succession planning.

The Committee's scope includes all matters relating to:

- The size, structure and composition of the Board
- The Director Code of Conduct
- Directors' fees (recommendation to the Board and onward to Members)
- Board effectiveness
- Succession planning for Directors
- The search for, selection and appointment of co-opted Directors
- Membership of Board committees (recommendation to the Board)
- Executive service agreements, terms and conditions

- Executive succession planning
- Society pension schemes
- Colleague relations (including relationship with unions)
- Colleague culture (recommendation to the Board)

The Committee makes recommendations when necessary to the Board on these and related matters, including recommendations for subsequent consideration by Members regarding Directors' fees.

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

Meetings

The Committee met nine times during the year: four regular quarterly meetings, the annual review of Board committees, three special meetings on the Leadership Team vacancy and one special meeting to review the provision of Executive appraisal services. Members of the Leadership Team were only present at the discretion of the Committee.

To assist with its work and to ensure it received independent advice, the Committee retained two external consultants for Executive appraisal services (PicassoHR and Mad-HR) and for Executive remuneration advice (FIT Remuneration Consultants).

Activities during the year

Key activities for the year included:

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 Team, 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.

The Committee is in the process of reviewing the Executive appraisal process, with the help of its external consultants Mad-HR. 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 allowance, and pension contribution rates. Details of Executive remuneration are set out on page 39.

Directors' expenses and fees

Directors' fees are determined by the Society's members on a recommendation from the Board, which itself considers a recommendation from the Remuneration and Search Committee. In recent years the benchmark used has been the average weekly earnings index as produced by the Office of National Statistics. For 2019-20 Directors propose to retain this measure, which delivers an increase of 3.3%. If approved by members, this will increase Director fees by £281 to £8,794.

No additional supplements are payable for the particular offices held by Directors and no delegate 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 on Society business.

Where a Director is the sole carer for a dependant, be they a child, elderly relative or person with 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 38.

Other matters

During the year the Committee has spent considerable time scoping a Board skills matrix project with the help of Co-operatives UK. It is hoped to produce a matrix during 2019 and use this as the basis for Board training and as an input for considering Board succession planning.

The Committee has also given considerable time to the appointment of a new Joint Chief Executive, Membership and Marketing as well as progressing the review of Executive appraisal arrangements. Both activities have been taken forward with help from external consultants.

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 via quarterly performance statements prepared by the Leadership Team. The content of these reports has been refined to address the core requirements of Directors for performance monitoring. These core elements form the basis for the Board's constructive challenge of the Society's Leadership Team, including:

- 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 focussed on the key areas of sales, margin, personnel costs and contribution levels. The Committee assists the Board in setting appropriate targets by which to measure success, and where appropriate has carried out deep-dive reviews of specific business areas.

The Committee also monitors the return on recent investment in the business through a series of post-investment appraisals. The appraisals include investments made in: major store refurbishments; store developments; acquiring key investment properties; investment property developments; and developing the Society's IT infrastructure.

Membership and Community Engagement Committee

The purpose/role of the Membership and Community Engagement Committee is to help the Board to determine (in consultation with the Leadership Team) the Membership and Community Strategy and to oversee the implementation of the strategy, checking that community investment plans are on track.

The Committee receives, at the frequency it decides is appropriate, membership and other data and analysis in respect of all matters within the Committee's scope.

Scope

All matters relating to:

- Member recruitment and retention
- Member development (i.e. member understanding of the co-operative movement and co-operative principle 5).
- The Society's Community Strategy, including the Community Investment Fund

- The raising of member and community engagement beyond merely using Society shops and services (monitoring customer satisfaction falls within Performance Review Committee terms of reference)
- Oversight of strategy, activity and finance relating to the Society's connection with members in terms of trading and democratic engagement as well as community engagement

The Committee makes recommendations when necessary to the Board on these and related matters.

Membership

Membership of the Committee during the year under review is shown in the table on page 35.

Meetings

The Committee met formally five times during the year. The Board has also programmed an annual discussion of Membership and Community Strategy as part of its September board agenda.

Activities during the year

A report on the activities of the Membership and Community Engagement Committee is included on pages 22 to 27 of this report.

Audit and Risk Committee

Terms

The Audit and Risk Committee's terms of reference are based on the Corporate Governance Code for Consumer Co-operative Societies (November 2013) which aids the Society'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 35.

The Committee members bring a diverse range of experience to their work. The Audit and Risk 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).

The Directors of the Society are elected by and from the Society's members and currently no eligible Director has the specified experience.

The Society's Board is 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 four times during the year. At all meetings at least one member of the Leadership Team was present, although 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 facilitate a training session on cyber security for the Board as a whole.

Activities during the year

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

- Review and approval of full year results (Society and its subsidiaries)
- Review of the internal audit plan and the results of the internal auditors' work, including monitoring management's responsiveness to findings and recommendations
- Review of the Society's internal financial controls and the internal control and risk management system
- Approval of the terms of engagement with the external auditor
- 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 the Society's cyber security arrangements
- Monitoring and understanding changes within financial accounting standards
- 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 2014 and 2016
- Receive HMRC's business risk review

Financial reporting

After discussion with both the Leadership Team and the External Auditor, the Audit and Risk Committee determined that the areas of focus for the Group's financial statements related to:

- Retail stock valuation
 - Investment and trading property valuations
 - Defined benefit pension plan
- Other areas of focus for the Audit and Risk Committee were:
- Closure of distribution centre
 - Compulsory purchase order of Society-owned land (Network Rail)
 - 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 and Risk 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.

Directors' fees and expenses

Director	2018/19 fees received £	2018/19 expenses £	2017/18 fees received £	2017/18 expenses £
Colin Barrett	–	–	2,807	232
Belinda Bulsing	9,079	503	8,238	504
Sally Chicken*	6,204	1,202	2,807	–
John Cook	9,079	255	8,238	265
Nicola Fox	9,079	226	8,238	385
Phil Hartwell*	2,875	489	8,238	1,199
John Hawkins	9,079	332	8,238	754
Emma Howard	9,079	351	8,238	206
Claire Johnsen	9,079	–	8,238	–
Clive Mann*	2,875	–	8,238	1,949
Chris Matthews	9,079	625	8,238	1,183
Celia Moore*	2,875	–	8,238	154
Frank Moxon*	6,204	1,130	–	–
Chris Newbury	9,079	831	8,238	1,315
Judi Newman	9,079	–	5,430	157
Beverley Perkins	9,079	3,139	8,238	241
Fiona Powell	9,079	643	5,430	194
Karla Powell*	6,204	367	–	–
Steven Shaw	9,079	688	8,238	476
Maria Veronese	–	–	2,807	379
Richard Youngs	9,079	1,075	5,430	1,030
	145,264	11,856	131,805	10,623

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

Directors are paid on a four-weekly basis which usually results in 13 pay periods per financial year. This year, exceptionally, 14 pay periods have been disclosed, which results in a misleading year-on-year comparison.

*These Directors only served for part of the current year, see table on page 35.

Management Executive emoluments

	Salary £000	Benefits in kind £000	Employer pension contributions £000	2018/19 total emoluments £000	2017/18 total emoluments £000
Nick Denny	202	29	–	231	209
Mike Faulkner	162	12	16	190	174
Doug Field	219	8	22	249	229
Roger Grosvenor	281	37	–	318	292
Minnie Moll**	71	5	6	82	182
Mark O'Hagan*	174	25	–	199	209
	1,109	116	44	1,269	1,295

Society colleagues are paid on a four-weekly basis which usually results in 13 pay periods per financial year. This year, exceptionally, 14 pay periods have been disclosed which results in a misleading year-on-year comparison.

*Mark O'Hagan operates flexible working hours. Payment for time worked in excess of contracted hours means that salary can fluctuate year on year.

**Minnie Moll left the Society on 21 June 2018. She also operated flexible working hours.

Management Executive pension table

	Age at year end	Years in the pension scheme	Total pension accrued at year end £000	Increase/(decrease) in accrued pension during the year (net of inflation) £000
Mike Faulkner	61	11	23	–

Directors' and Management Executive external directorships

Director/Management Executive	External Directorship (or equivalent)
Belinda Bulsing	Parish Councillor – Pettaugh Parish Council Gilchrist Unit Supporters' Trust, (known as the GUS Trust) (Trustee)
Sally Chicken	Eastern Savings & Loans Credit Union Ltd Sunrise Community Energy Ltd Rainbow Saver Anglia Credit Union Ltd (Chair) Shotley Heritage Charitable Community Benefit Society Ltd (Vice Chair)
John Cook	Ipswich Borough Councillor Co-op Loan Fund
Nicola Fox	Your Confidence Expert Ltd
John Hawkins	St Helena Hospice (Trustee and Vice Chair)
Emma Howard	Co-operatives UK
Claire Johnsen	Parish Councillor – Stanstead Parish Council
Chris Matthews	Co-operatives East Co-op Group – Members' Council Co-op Juniors Theatre Productions Ltd
Frank Moxon	Drake Energy Ltd Harvest Minerals Ltd Jersey Oil & Gas Plc Worshipful Company of International Bankers (member of the Court) Graves Moxon Group Ltd Hoyt Moxon Ltd The Brokerage Citylink (Trustee) CISI Educational Trust (Trustee)
Judi Newman	Inderwick Pubs Ltd Inderwick Equestrian Activities Ltd Inderwick Investments Ltd We Are Relish Ltd The Very Sensible Company Ltd
Beverley Perkins	Co-operative Press Co-op Group – Members' Council Co-op Group – Members' Senate Kent and Essex Inshore Fisheries and Conservation Authority (MMO Appointee)
Steve Shaw	Co-op Juniors Theatre Productions Ltd
Richard Youngs	East Suffolk and North Essex NHS Foundation Trust (Non-Executive Director) Diss RAFA Branch (President)
Nick Denny	ASSET Education
Doug Field	New Anglia Local Enterprise Partnership (Chair) Ipswich Vision Board Give & Take care community interest company
Roger Grosvenor	FRTS Ltd The Recovery Hub Ipswich
Mark O'Hagan	Co-operative Employers Association Ltd
Niall O'Keefe	Grasshopper Coaching Ltd British Heart Foundation (Retail Committee Member)

N.B. All Directors of the Society are directors of subsidiary co-operatives. John Hawkins and Chris Newbury are directors of subsidiary companies.

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 and Risk Committee.

With the assistance of the 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 – larger capital and revenue expenditure proposals require Board authorisation
- An independent internal audit function which reports directly to the Audit Committee

The Society has a formal Colleague Handbook which sets out the policies that explain and illustrate the high standards of conduct and personal behaviour that are expected of all colleagues in their dealings with members, customers, suppliers and each other.

The Colleague Handbook also contains the Society's Whistleblowing Policy and Procedures.

Control procedures

The Society's control procedures are designed to ensure appropriate levels of control are maintained with complete and accurate accounting for financial transactions, thereby limiting the potential exposure to loss of assets or fraud. Measures taken include preventative controls (including physical and systems access controls), authorisation procedures, detective controls (including review and reconciliation procedures), segregation of duties, and reviews of processes by management, Internal Audit and the external auditors.

Monitoring

The operation of the system of internal control is the responsibility of line management. It is subject to review by the Finance Department and independent review by Internal Audit. Review also takes place, where appropriate, by the Society's external auditors.

At the start of each financial year the Leadership Team produces a budget for the Society based on each of the trading businesses. The Board reviews the underlying assumptions and resulting figures. Throughout the year, following each trading period, comprehensive performance reviews are presented by the Leadership Team that compare the results with both the budget and previous year. Significant variations are examined by the Board. This process is complemented by the Board's Performance Review Committee who meet regularly to monitor the commercial performance of the Society.

Review process

The process used by the Audit and Risk Committee to review the effectiveness of the Society's system of internal control includes the following:

- Review of external and internal audit work plans
- Consideration of reports from the independent internal and external auditors on the system of internal control
- Discussion with management of the actions taken to resolve issues identified in such reports

Opinion on internal control system

The Audit and Risk Committee has reviewed the operation and effectiveness of the Society's internal control system during the year under review and through to the date of this report. The Committee considers that there have been no weaknesses that have resulted in any material losses or contingencies that require disclosure.

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 and Risk Committee which has responsibility for establishing a coherent framework for the Society to manage risk, which also includes a Business Continuity Plan.

To further strengthen our risk management, an assurance map is being developed. The assurance map will provide an assessment of the governance, risk management and control

processes for the Society. This will enable the Board to ensure that the assurances gained map to the risks facing the Society.

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 focussed on strengthening business resilience. The Society's top and emerging risks fall within the themes of economic uncertainty, competition/market disruption and loss of central IT. The decision to leave the EU (Brexit), as well as contributing to economic uncertainty, has the potential to cause supply chain disruption and increases the risk in this area.

The changing demographics of the UK, especially the ageing population, along with the impact of artificial intelligence and other technologies, are likely to influence the business in the future. We are also mindful of the rising importance of sustainability especially in relation to plastic use and food waste.

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

Principal risk	Potential impact	How it is managed
Economic environment	Adverse economic conditions, including the decision to leave the EU, 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.	We seek to understand and respond to the needs of our customers. This includes 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.
Competition	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 and a food store and funeral branch refresh programme. If these projects aren't implemented effectively and on time then there could be an impact on profitability.	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 learning and development programmes.
Compliance with legislation and regulation	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 energy compliance costs provide external cost pressures which will continue to impact profitability.	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. The Society employs 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.

Principal risk	Potential impact	How it is managed
Major failure of IT systems or infrastructure	The Society has invested and continues to invest significant sums of money in technology and is 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, including that of potential data loss. This could have a reputational impact with customers losing trust.	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. We continue to develop our cyber security capabilities and have become members of the Cyber Security Information Sharing Partnership (CISP). Regular tests of controls are undertaken and the Board use Internal Audit to obtain further assurance in this area.
Supply chain disruption	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 Retail and Trading Services (FRTS). A major participant in FRTS is the Co-operative Group. Co-operative Group also manage distribution of goods to our Distribution Centre and food stores. The risk of supply chain disruption, especially in respect of fresh produce and short shelf life products will increase if Brexit causes delays at the border.	Supply chain continuity is an integral part of our business continuity plan. We are active participants within the FRTS organisation, attending all Strategy and Monitoring Group discussions.
Damage to our reputation and brand	The Society's reputation as an ethical retailer is based not only on our co-operative structure and philosophy, but also 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. The supply of goods to Nisa and Costcutter by Co-op Group has the potential to add to brand confusion with the sale of co-op branded goods in non-co-op stores.	Considerable management attention and training are devoted to protection of 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 is also represented on the Co-op Group's National Members' Council and Senate. In practical terms, elements of this risk are outside the Society's control as the Co-operative 'brand' is managed by many different societies in different parts of the country.
Finance and liquidity	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.	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. Due to the significant capital investment that has taken place over the last few years, the Society now has an overdraft facility in place to cover any working capital fluctuations. External financing is being obtained to fund investment property developments. The Society retains significant liquid assets and so its exposure to liquidity risk is considered low.
Property investment values	The Society's property portfolio comprises both trading and investment properties. The latter are revalued 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 this income stream and, in consequence, reduce the capital value of those investments. The challenging nature of the High Street and the rise of Company Voluntary Arrangements (CVAs) has the potential to depress capital values and reduce income.	The composition and performance of the investment property portfolio is under continual review to mitigate any risks to the Society.
Pension schemes	Inherent within the Society's final salary scheme is the risk that key variables, such as life expectancy and investment returns earned, may vary from current expectations and potentially increase the future costs that will have to be borne by the Society.	The Society and the scheme trustees continue to carefully monitor the pension risks, taking action when necessary to adjust contributions to the schemes and revising the scheme investment strategy to mitigate risks. The final salary scheme has 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 defined benefit pension scheme as well as increasing certainty for the Society in terms of funding.

Modern Slavery Statement

This statement is made pursuant to s.54 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, events and conferencing, security and stonemasonry.

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.

None of our turnover is generated by overseas operations. We do acquire some of our products direct from overseas suppliers, but this is largely isolated to the purchase of stone for our masonry business, H.L. Perfitt Ltd.

Within the last twelve months the Society has used around 1,500 individual suppliers. A significant majority of our turnover is generated from goods purchased through a buying group which comprises the Co-operative Group and a number of other independent co-operative societies. The Co-operative Group has published its own Modern Slavery Statement outlining the steps it takes to ensure fundamental labour standards are applied throughout its supply chains and we are confident that we can place reliance on their procedures and policies.

Our high-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 fluid worker arrangements, often relying on migrant, seasonal and agency workers, which may carry a higher risk of human rights abuses.

Local suppliers are often less aware of the circumstances surrounding modern slavery. We will, where necessary, educate our suppliers and make full enquiries regarding their processes and procedures. To help raise awareness of modern slavery, we have encouraged our larger local suppliers to come together to discuss the labour trends and challenges faced by them via a supplier forum. We also hosted a workshop to help our smaller producers think about their supply chain and how modern slavery issues could affect them. Audits are carried out periodically on new and existing suppliers using a risk-based approach.

H.L. Perfitt Ltd

H.L. Perfitt Ltd currently sources stone from China and India which are deemed higher risk due to the varying human rights from country to country. We have made all reasonable efforts, including enquiries through supplier agents, to ensure that modern slavery does not exist within this supply chain.

Our suppliers

The East of England Co-operative Society operates a supplier policy. We conduct due diligence on all suppliers before allowing them to become a preferred supplier. Since 29 January 2017 this due diligence includes an online search to ensure that the organisation has never been convicted of offences relating to modern slavery, on-site audits which include a review of working conditions for relevant suppliers, and inclusion of a section within our supplier manual which asks suppliers to report any issues or concerns that they may have. Our anti-slavery policy forms part of our bond with relevant suppliers and they are required to confirm that no part of their business operations contradicts this policy.

In addition to the above, as part of our bond with our suppliers, we require that they confirm to us that:

- They ensure that their employees have the right to work in the UK
- They meet the requirements of UK employment legislation, which is assumed to include the requirement to pay the National Minimum Wage
- They have systems in place to ensure that their employees are not enslaved or forced to work contrary to the Modern Slavery Act 2015

We may terminate the contract at any time should any instances of modern slavery come to light.

Our policies

We operate a number of other internal policies to ensure that we are conducting business in an ethical and transparent manner. These include:

- Recruitment policy
- Dignity at work policy
- Whistleblowing policy
- Equal opportunities policy

In partnership with the charity City Hearts, we are proud to be part of the Bright Future programme, which offers a pathway to paid employment for survivors of modern slavery.

Training

We conduct training for our procurement/buying teams so that they understand the signs of modern slavery and what to do if they suspect that it is taking place within our supply chain.

Our performance indicators

We will know the effectiveness of the steps that we are taking to ensure that slavery and/or human trafficking are not taking place within our business or supply chain if:

- No reports are received from colleagues, the public or law enforcement agencies to indicate that modern slavery practices have been identified
- All suppliers deemed by the Society to be at a higher risk of human rights abuses have been subject to the Society's audit procedures and no concerns have been highlighted

On behalf of the Board:



Sally Chicken
President
13 April 2019

Corporate Matters

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

Colleagues

As a people-centric community co-operative, our colleagues play a crucial role in the delivery of our services. This is an important part of our competitive difference in so many ways and we recognise the importance of their feedback to us.

Colleague engagement

This year we received the largest ever response to our annual colleague engagement survey with 88% of colleagues participating. There has been an increase in overall engagement for the sixth year in a row. Colleagues have recorded the highest scores for knowing what was expected of them, receiving the training they need and enjoying their work.

Equal opportunities

We are committed to making fair adjustments to support inclusion in a number of different areas.

Our support of flexible working is key to engaging with our colleagues and retaining talent and we continue to successfully process a number of applications.

The Society employs 211 colleagues who are aged 65 or over (equal to 4.9%) of our workforce and we continue to pay our colleagues under 25 years of age the full adult National Living Wage.

We continue to report early on our gender pay gap. We have a mean gender pay difference of 19.3% which shows a slight decrease on our previous year's reporting. We continue to strive for better representation of female colleagues in the talent pools from which we recruit our future senior managers and in support of this we have reviewed the language we use when advertising our vacancies. 57% of all our managers (including Team Managers) are female which has increased by 2% from the previous year.

We are investing in new recruitment technology to capture better diversity metrics and to help capture data from the point of recruitment rather than employment.

Since we began working with Hollesley Bay prison, we have provided employment to 15 serving prisoners to support their rehabilitation. We recognise that offenders, once they have served their time, need support to help them move on and to break a cycle of reoffending.

We were proud to support the recent NHS Black History Month event held at Wherstead Park and we continued to build on the success of our inaugural International Women's Day in 2018 by once again welcoming colleagues from around our business to celebrate female success and discuss issues affecting women today.

Supplier payment policy

It is our policy to agree the terms of payment with suppliers at the start of the commercial arrangement, ensure that suppliers are aware of the terms of payment and then pay according to those terms once we receive an accurate invoice.

Trade creditor days as at 26 January 2019 were 17 days (2018: 21 days). This represents the ratio, expressed in days, between the amounts we are invoiced by our suppliers in the year and the amounts due at the year end to trade creditors.

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 £33,000 (2018: £32,000) were paid to the Co-operative Party.

Auditor independence

To ensure auditor independence and objectivity are safeguarded, the Board has a policy of monitoring any non-audit work undertaken by the Society's auditors.

All non-audit engagements of the External Auditor require formal approval by the Audit and Risk 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 undertakes a formal assessment of its compliance with the Code by Co-operatives UK.

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.

Co-operatives UK Code of Corporate Governance – exception report

Explanation of non-compliance	
Search Committee Remuneration Committee Audit Committee	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.
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 accountancy 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 Annual Members' Meeting. Ratification was not, therefore, possible on that occasion.
Role of the President	The Code expects the Boards to limit candidates for President to those Directors who have served at least one term of office. This Society's Board no longer has a rule to this effect, believing that experience will be known and will be taken into account when Directors are electing 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 formal 'Member Value Statement'. A number of elements that we would include in a Member Value Statement are contained within Measuring our Co-operative Performance on pages 30–31.
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 for independent legal advice.

On behalf of the Board:


Mike Faulkner
Secretary

Sally Chicken
President

13 April 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 Accountancy 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
- 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 2013) 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 52 to 74 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

Belinda Bulsing
Vice-President

Mike Faulkner
Secretary

13 April 2019

Independent Auditors' Report

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

Report on the audit of the financial statements

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 26 January 2019 and of its profit and cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Group Balance Sheet as at 26 January 2019; the Group Revenue Account and Group Statement of Comprehensive Income; the Group Cash Flow Statement; the Group Statement of Changes in Equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall group materiality: £3.5 million (2018: £3.5 million), based on 1% of total revenues

Audit scope

- The two core operating businesses are made up of nine reporting units and the group financial statements are a consolidation of those nine 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

Key audit matters

- Retail stock valuation
- Investment and trading property valuations
- Defined benefit pension plan net liability

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in

the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Retail stock valuation</p> <p>Stock is a material balance. The stock provision is inherently judgemental as a result of the perishable nature of the Society's grocery products and uncertainty as to whether it will be able to sell all of the stock in the appropriate timescale.</p> <p>The stock provision is calculated in two ways. The provision for fresh produce is calculated at 1.5% based on the average cycle count error. The provision for remaining food stock is calculated for each individual store based on its count error rate, extrapolated for the period of time remaining between the most recent count and year end. A 20% provision rate is applied to cap any provision resulting from the expected error rate method.</p>	<p>We assessed management's judgements with respect to the stock provision. The key judgements related to the provision rate applied of 1.5% to fresh product, the appropriateness of calculating the provision based on store count error and the 20% capping rate. We formulated our own independent estimate that considered expected obsolescence in the stock balance along with the error rates observed during our test counts.</p> <p>We 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.</p> <p>We have concluded that the key judgements made by management were appropriate.</p>
<p>Investment and trading property valuations</p> <p>The Society holds a large number of investment properties with a carrying value of £115.1 million. This represents a decrease of £0.7 million compared to the prior year. Given that these amounts are significant, and the judgement involved, there is a risk that the valuations performed at the year end may be inaccurate.</p> <p>In addition, there is a risk that trading properties will need to be impaired given that trading conditions have continued to be challenging during the period.</p> <p>As a result of the exercise performed by management, a net revaluation impairment of £1.8 million was recognised in the Group Revenue Account relating to investment properties. An impairment charge of £0.5 million was recognised against the trading properties in respect of one property.</p>	<p>We assessed and challenged management's judgements with respect to property valuations.</p> <p>We confirmed that the results of the valuations conducted by the external valuers were consistent with the results of those properties valued by the Society's internal valuation team. We did this by comparing the movement between the current and prior year valuations performed by the external valuers and those conducted by the Society's internal valuers. This gave us evidence that the movements were consistent between the external and Society's internal valuers.</p> <p>We assessed the results of management's exercise to identify loss making stores. We have assessed and challenged management's judgements, specifically the store revenue growth assumptions, margin assumptions and discount rate. We have then performed a sensitivity analysis, which did not identify any additional material impairment.</p>
<p>Defined benefit pension plan net liability</p> <p>The Society has a defined benefit pension plan net liability of £27.0 million, which is significant in the context of the Group Balance Sheet.</p> <p>The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. These assumptions include salaries increase, inflation, discount rates, expected rate of return on plan assets and mortality.</p>	<p>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 through discussion with the external actuary of the methodology used to derive the discount rate. We compared the assumptions around salaries increase and mortality to national and industry averages.</p> <p>All of the assumptions used were within our expected range and therefore we concluded that they were appropriate to support the valuation of the net pension liability.</p>

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 structure of the group, the accounting processes and controls, and the industry in which it 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 nine reporting units and the group financial statements are a consolidation of those nine 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 in aggregate 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 (2018: £3.5 million).
How we determined it	1% of revenue.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, in the absence that an alternative benchmark would be appropriate.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1.4 million and £3.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £175,000 (2018: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Society's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Society's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities set out on page 47, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

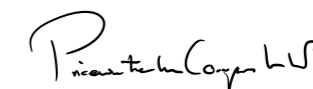
This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 87 (2) and Section 98 (7) of the Co-operative and Community Benefit Societies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility 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.

Other required reporting

Co-operative and Community Benefit Societies Act 2014 exception reporting

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> · a satisfactory system of control over the Society's transactions has not been maintained; or · we have not received all the information and explanations we require for our audit; or · proper books of account have not been kept by the Society; or · the Society's financial statements are not in agreement with the books of account. 	We have no exceptions to report arising from this responsibility
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PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors
Cambridge
13 April 2019

Group Revenue Account

For the 52 weeks ended 26 January 2019

	Note	2019 £000	2018 £000
Turnover	1.1	353,513	353,622
Cost of sales	2.1	(243,774)	(246,451)
Gross profit		109,739	107,171
Operating expenses	2.1	(104,786)	(103,487)
Trading profit		4,953	3,684
Changes in fair value of investment properties		(1,769)	4,457
Unrealised impairment of tangible fixed assets		(484)	–
Curtailment gains		–	1,544
Past service costs		–	(1,279)
Costs relating to distribution centre restructure	2.1	(993)	(4,703)
Restructuring costs		(510)	(323)
Profit before interest, distributions and taxation		1,197	3,380
Interest receivable and similar income	2.2	4,997	4,496
Other finance expense	2.2	(1,011)	(1,246)
Profit before distributions and taxation		5,183	6,630
Dividend		(1,923)	(2,711)
Grants/donations	2.3	(693)	(672)
Profit before taxation		2,567	3,247
Taxation	3.1	(339)	(1,209)
Profit for the financial year		2,228	2,038

The above results relate to continuing activities.
Costs relating to distribution centre restructure include unrealised impairment of tangible fixed assets of £993,000 (2018: restructuring costs of £1,800,000 and unrealised impairment of tangible fixed assets of £2,903,000).

	Note	2019 £000	2018 £000
Alternative performance measure – underlying trading profit			
Profit before interest, distributions and taxation		1,197	3,380
Changes in fair value of investment properties		1,769	(4,457)
Unrealised impairment of tangible fixed assets		484	–
Loss on disposal of food stores		621	–
Pension scheme merger fees		–	500
Curtailment gains		–	(1,544)
Past service costs		–	1,279
Costs relating to distribution centre restructure	2.1	993	4,703
Restructuring costs		510	323
Underlying trading profit for the year		5,574	4,184

Group Statement of Comprehensive Income

For the 52 weeks ended 26 January 2019

	Note	2019 £000	2018 £000
Profit for the financial year		2,228	2,038
Remeasurements of net defined benefit obligations	5.3	13,301	2,367
Movement in deferred tax relating to pension liability	3.1	(3,437)	840
Total other comprehensive income		9,864	3,207
Total comprehensive income for the year		12,092	5,245

Group Balance Sheet

As at 26 January 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	4.1	11,697	12,079
Tangible assets	4.2	228,000	231,303
Investments	4.3	56,692	50,039
		296,389	293,421
Current assets			
Stocks	4.4	16,658	19,535
Debtors	4.5	9,533	9,384
Investments	4.3	4,714	3,913
Cash at bank and in hand		6,553	5,778
		37,458	38,610
Current liabilities			
Creditors – amounts falling due within one year	5.1	(36,109)	(37,098)
Net current assets			1,349
Total assets less current liabilities			297,738
Long-term liabilities			
Creditors – amounts falling due after more than one year	5.1	(41,644)	(38,450)
Provision for other liabilities	5.2	(2,794)	(13)
Net assets excluding pension liabilities			253,300
Pension liabilities			
Deficit on defined benefit scheme	5.3	(26,999)	(41,876)
Other retirement benefits	5.3	(1,736)	(2,051)
Net assets			224,565
Capital and reserves			
Share capital	6.1	7,812	7,810
Fair value reserve		46,703	40,579
Revenue reserve		170,050	164,154
Members' funds			224,565

Group Statement of Changes in Equity

For the 52 weeks ended 26 January 2019

	Share capital £000	Fair value reserve £000	Revenue reserve £000	Total £000
As at 28 January 2017	8,147	40,638	158,726	207,511
Profit for the year	–	–	2,038	2,038
Other comprehensive expense	–	–	3,207	3,207
Transfer (expense)/income	–	(59)	59	–
Total comprehensive (expense)/income for the year	–	(59)	5,304	5,245
Contributions to share capital	886	–	–	886
Dividend cheques paid in	517	–	–	517
Withdrawals	(1,580)	–	–	(1,580)
Share interest	75	–	(71)	4
Dormant share accounts released to reserves	(235)	–	235	–
Corporation tax on dormant share accounts	–	–	(40)	(40)
Total transactions with members recognised directly in equity	(337)	–	124	(213)
As at 27 January 2018	7,810	40,579	164,154	212,543
Profit for the year	–	–	2,228	2,228
Other comprehensive income	–	–	9,864	9,864
Transfer	–	6,124	(6,124)	–
Total comprehensive income for the year	–	6,124	5,968	12,092
Contributions to share capital	400	–	–	400
Dividend cheques paid in	406	–	–	406
Withdrawals	(873)	–	–	(873)
Share interest	69	–	(72)	(3)
Total transactions with members recognised directly in equity	2	–	(72)	(70)
As at 26 January 2019	7,812	46,703	170,050	224,565

Group Cash Flow Statement

For the 52 weeks ended 26 January 2019

	Note	2019 £000	2018 £000
Net cash from operating activities	7.3	18,171	12,563
Taxation paid		(30)	–
Net cash generated from operating activities		18,141	12,563
Cash flow from investing activities			
Purchase of intangible assets		(1,362)	(3,716)
Purchase of tangible assets		(9,957)	(16,916)
Purchase of fixed asset investments		(50)	–
Proceeds from disposals of tangible assets		3,061	1,279
Purchase of funeral bond investments		(7,404)	(9,467)
Interest received and similar income		1,229	903
Net cash used in investing activities		(14,483)	(27,917)
Cash flow from financing activities			
Contributions to share capital		400	886
Dividend cheques paid in		406	517
Share capital withdrawn		(873)	(1,580)
Net cash used in financing activities		(67)	(177)
Net increase/(decrease) in cash and cash equivalents		3,591	(15,531)
Cash and cash equivalents at the beginning of the year	7.3	2,962	18,493
Cash and cash equivalents at the end of the year		6,553	2,962
Cash and cash equivalents consists of:			
Cash at bank and in hand		6,553	2,962
Cash and cash equivalents		6,553	2,962

Accounting Policies

General information

The East of England Co-operative Society (registered number 1099R) and its subsidiaries operate convenience stores, supermarkets, travel, petrol forecourts and funeral services branches across Norfolk, Suffolk, Essex and Cambridgeshire. In addition, the Group 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 52 weeks ended 26 January 2019 (2018: 52 weeks ended 27 January 2018).

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 7.6 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 can 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.

Borrowing costs

All borrowing costs are recognised in the revenue account in the period in which they are incurred.

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:

	Note
Deferred taxation – estimation of deferred tax liability in relation to revalued investment property	3.1
Measurement of the recoverable amounts from cash-generating units containing intangible assets or goodwill – estimation of future cashflows and selection of pre-tax discount rate	4.1
Valuation of investment properties – inherently subjective nature of valuations	4.2
Stock valuation – estimation of stock provision which requires judgement	4.4
Measurement of pension obligations – inherent uncertainty in use of assumptions	5.3

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, colleague discount and agency fees.

Accounting policy:

Turnover includes cash sales, goods and services 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, credit or debit 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.
 - e) Rendering of services
 - Turnover from a contract to provide security services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract.

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.

	2019 £000	2018 £000
Turnover		
Retail	345,531	345,913
Property	7,982	7,709
	353,513	353,622

Section 2 – Expenses

IN THIS SECTION

This section contains details of costs incurred by the Society during the year, transactions with Directors, finance costs/income 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 the 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.

	2019 £000	2018 £000
Cost of sales	243,774	246,451
Personnel (note 2.1.1)	61,729	60,539
Occupancy costs	12,893	12,216
(Loss)/profit on sale of fixed assets	385	(217)
Hire of plant and machinery	127	96
Vehicle contract hire/lease	550	520
Depreciation and other amounts written off tangible fixed assets	6,480	6,413
Amortisation of intangible fixed assets	1,744	1,610
Auditors' remuneration		
– Fees payable for the audit of consolidated financial statements	12	12
– Fees payable for the audit of the Society and its subsidiaries	108	65
– Non-audit fees	8	–
Directors' fees (note 2.1.3)	145	132
Other expenses	20,605	22,101
Operating expenses	104,786	103,487

Profit before interest, distributions and taxation is stated after charging costs relating to the distribution centre restructure. In July 2017, the Society announced plans to join the Co-op Group's National Integrated Supply Chain. Part of this agreement involves a decision in principle to close our distribution centre in early 2020. This is subject to consultation with colleagues and the Usdaw trade union. These costs are categorised as follows:

	2019 £000	2018 £000
Restructuring costs	–	1,800
Unrealised impairment of tangible fixed assets	993	2,903
Total relating to distribution centre restructuring	993	4,703

2.1.1 COLLEAGUES

	2019 Number	2018 Number
The average number of persons employed by the Society during the year was:		
Full time	1,077	1,120
Part time	3,205	3,185
	4,282	4,305

	2019 £000	2018 £000
The cost incurred in respect of these employees was:		
Wages and salaries	55,410	53,840
Social security costs	3,012	3,060
Other pension costs	3,307	3,639
	61,729	60,539

2.1.2 KEY MANAGEMENT COMPENSATION

KEEPING IT SIMPLE – KEY MANAGEMENT COMPENSATION

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

	2019 £000	2018 £000
Key management includes members of the Management Executive. The compensation paid or payable to key management for employee services is shown below:		
Salary	1,109	1,125
Taxable benefits	116	100
Pension contributions	44	70
	1,269	1,295

Society colleagues are paid on a four-weekly basis which usually results in 13 pay periods per financial year. This year, exceptionally, 14 pay periods have been disclosed, which results in a misleading year-on-year comparison.

One of the Management Executive who served during the year is a member of the Society's defined benefit pension scheme. Three members of the Management Executive who served during the year participated in the Society stakeholder pension scheme.

The remuneration of the Joint Chief Executive – Retail (who is also the highest paid employee) included above is set out below.

	2019 £000	2018 £000
Salary	281	258
Taxable benefits	37	34
	318	292

	2019 £000	2018 £000
Transfer value of total accrued pension	998	1,018

The emoluments of the members of the Management Executive fell in the following £10,000 brackets:

	2019 Number	2018 Number
£80,000 – £90,000	1	–
£170,000 – £180,000	–	1
£180,000 – £190,000	1	1
£190,000 – £200,000	1	–
£200,000 – £210,000	–	2
£220,000 – £230,000	–	1
£230,000 – £240,000	1	–
£240,000 – £250,000	1	–
£290,000 – £300,000	–	1
£310,000 – £320,000	1	–

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.

	2019 £000	2018 £000
Directors' emoluments		
The total remuneration of the Directors for their Board duties was as follows:		
Fees	145	132
The number of Directors whose emoluments fell in each £5,000 bracket was as follows:		
	2019 Number	2018 Number
£0 – £5,000	3	3
£5,001 – £10,000	16	16

Society colleagues are paid on a four-weekly basis which usually results in 13 pay periods per financial year. This year, exceptionally, 14 pay periods have been disclosed, which results in a misleading year-on-year comparison.

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.

	2019 £000	2018 £000
INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable (note 4.3)	57	112
Investment income (note 4.3)	4,940	4,384
	4,997	4,496
	2019 £000	2018 £000
OTHER FINANCE EXPENSE		
Interest expense on pension obligations (note 5.3)	1,011	1,246

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.

	2019 £000	2018 £000
GRANTS/DONATIONS		
Member and Community Services expenditure	691	651
Donations	2	21
	693	672

Section 3 – Tax

IN THIS SECTION

This section shows the current tax and deferred tax charged during the year.

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.

Accounting policy:

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 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.

TAXATION**Revenue account**

	2019 £000	2018 £000
Current tax:		
UK corporation tax on profits for the year	963	359
Adjustment in respect of prior years	32	7
UK current tax charge	995	366
Deferred tax:		
Timing differences arising in the year	(389)	232
Adjustment in respect of prior years	(267)	611
UK deferred tax (credit)/charge	(656)	843
Total UK tax charge	339	1,209

3.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

TAX RECONCILIATION

The current tax charge assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	£000	2019 £000	£000	2018 £000
Profit before tax	2,567		3,247	
Tax due if paid at the applicable UK corporation tax rate 19% (2018: 19.18%)	488		623	
Adjustments relating to current tax:				
Expenses not deductible for tax purposes	164		16	
Expenses not deductible/(income not taxable) relating to property revaluations	548		(298)	
Expenses not deductible relating to pension scheme	249		322	
Accelerated capital allowances	(78)		(279)	
Short-term timing differences in relation to accounting provisions	(84)		323	
Short-term timing differences in relation to funeral bonds	108		109	
Effect of tax relief on pension contributions	(430)		(439)	
Effect of land remediation relief	(2)		(18)	
Adjustment to tax charge in prior period	32		7	
UK current tax charge		995		366
Adjustments relating to deferred taxation:				
Adjustment in respect of prior period	(267)		611	
Accelerated capital allowances	590		682	
Short-term timing differences in respect of pension contributions	(97)		(66)	
Short-term timing differences in relation to funeral bonds	(108)		(97)	
Capital losses	(849)		–	
Other short-term timing differences	75		(287)	
UK deferred tax (credit)/charge		(656)		843
Total UK tax charge		339		1,209

Tax policy

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.

Tax rates

The Society is subject to the standard rate of corporation tax, which was 19% throughout the financial year.

The main rate of corporation tax will reduce from 19% to 17% on 1 April 2020 and this is the rate at which deferred tax assets/liabilities have been measured.

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 example of this is 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.

Expenses not deductible/income not taxable relating to property revaluations

The Society's property portfolio has decreased in value during the year. As this is not a realised loss it does not give rise to a current tax credit. A deferred tax provision is maintained to recognise the future liability to tax on capital gains.

Expenses not deductible relating to pension scheme

During the year, the Society has recognised other finance expense of £1,011,000 (2018: £1,246,000) and operating expenses of £300,000 (2018: £434,000) relating to movements in the defined benefit pension scheme. Although these expenses have reduced accounting profits, they are not recognised for tax purposes.

Accelerated 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, a tax relief provided in law.

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 position, HMRC have allowed for some tax liabilities, which arise specifically as a result of transition, to be spread over a 10-year period. This relief resulted in a deferred tax liability being recognised at our transition date, which is being released to the revenue account over 10 years.

Adjustments to tax charges/credit in prior years

Adjustments to tax charges/credits 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.

Capital losses

During the year the Society disposed of a number of investment properties which will result in a capital loss for tax purposes. As we expect to be able to relieve this loss against future capital gains, a deferred tax asset has been recognised.

3.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

Tax relief on pension contributions and tax losses

During the financial year ended 25 January 2014, the Society took steps to improve the security of the members of our two former defined benefit pension schemes. To do this, we placed a variety of trading and investment properties into the East of England Scottish Limited Partnership, directing rental income into the pension scheme as a form of cash contribution. The value of the transaction was £65.9m of which £48.1m was eligible for tax relief over four years, the last of which was the year ended 28 January 2017. The large deduction from taxable profits arising from this pension contribution described above resulted in losses for tax purposes in earlier periods. In earlier years, the Society was unable to relieve these losses against profits from the current or previous periods, which resulted in a reconciling item in the current tax reconciliation. As these losses can be used to reduce taxable profits in future periods, a deferred tax asset has been recognised.

DEFERRED TAX

	Balance as at 27 January 2018	Current year deferred tax credit/(charge)	Adjustment in respect of prior years	Balance as at 26 January 2019
	£000	Revenue account £000	OCI/ Reserves £000	£000
Capital allowances	(1,214)	(590)	–	30
Short-term difference in relation to funeral bonds	(675)	97	–	–
Other short-term timing differences	712	(75)	–	118
Capital (gains)/losses	(56)	849	–	–
Tax losses	2,186	–	–	119
Deferred tax liability in relation to revalued property	(3,239)	–	–	–
Deferred tax asset/(liability) relating to pension scheme	2,273	108	(3,437)	–
Total deferred tax liability (note 5.2)	(13)	389	(3,437)	267



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 used 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.

4.1 FIXED ASSETS – INTANGIBLE (CONTINUED)**Accounting policy (continued)**

On acquisition, goodwill is allocated to cash-generating units ('CGUs') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the revenue account.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Other intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method, to allocate the depreciable amount of the assets over their useful economic lives at the following principal rates:

- Software 20 to 33.3%
- Customer lists 5 to 10%
- Licences 5%

The assets are reviewed for impairment if the factors detailed below indicate that the carrying value may be impaired:

- Technological advancement
- Changes in market price

Costs associated with maintaining computer software are recognised as an expense as incurred.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

Impairment of non-financial assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the revenue account for the year.

The recoverable amount of the asset (or asset's CGU) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's CGU) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's CGU) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the revenue account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the revenue account.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the revenue account.

Goodwill is allocated on acquisition to the CGU expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of CGUs for impairment testing.

	Goodwill £000	Software £000	Customer lists £000	Licences £000	Total £000
FIXED ASSETS – INTANGIBLE					
Cost					
At 28 January 2018	16,408	9,775	38	49	26,270
Additions	–	1,362	–	–	1,362
At 26 January 2019	16,408	11,137	38	49	27,632
Amortisation					
At 28 January 2018	7,189	6,959	38	5	14,191
Charge for the year	868	874	–	2	1,744
At 26 January 2019	8,057	7,833	38	7	15,935
Net book value at 26 January 2019	8,351	3,304	–	42	11,697
Net book value at 27 January 2018	9,219	2,816	–	44	12,079

Included within software is £1,452,000 (2018: £1,307,000) 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.

Tangible fixed assets also includes investment property, which is property held by the Society which is not used by one of our trading companies.

4.2 FIXED ASSETS – TANGIBLE (CONTINUED)**Accounting policy:**

Fixed assets, excluding investment properties, are stated at cost (being the original purchase price together with costs directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight-line method to allocate the depreciable amount of the assets over the expected useful economic lives at the following principal rates:

- Freehold buildings 2%
- Fixtures, fittings and plant 5 to 33.3%
- Transport 15 to 40%

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 of the age and 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.

A number 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.

	Land & buildings £000	Investment properties £000	Fixtures, fittings & plant £000	Transport £000	Total £000
FIXED ASSETS – TANGIBLE					
Cost or valuation					
At 28 January 2018	137,696	115,871	45,143	6,958	305,668
Additions	876	3,379	5,500	–	9,755
Disposals	(1,421)	(1,658)	(4,854)	(141)	(8,074)
Transfers	(60)	(678)	493	–	(245)
Revaluation	–	(1,769)	–	–	(1,769)
At 26 January 2019	137,091	115,145	46,282	6,817	305,335
Depreciation					
At 28 January 2018	42,046	–	26,048	6,271	74,365
Charge for the year	2,159	–	4,042	299	6,500
Impairments	1,477	–	–	–	1,477
Disposals	(119)	–	(4,502)	(141)	(4,762)
Transfers	(243)	–	(2)	–	(245)
At 26 January 2019	45,320	–	25,586	6,429	77,335
Net book value at 26 January 2019	91,771	115,145	20,696	388	228,000
Net book value at 27 January 2018	95,650	115,871	19,095	687	231,303

Included within tangible fixed assets is £2,051,000 (2018: £3,483,000) relating to assets in the course of construction, of which £1,355,000 (2018: £3,483,000) is in investment properties and £696,000 (2018: £nil) is in fixtures, fittings and plant.

Particulars relating to revalued assets are given below:

	2019 £000	2018 £000
Investment properties		
At valuation	115,145	115,871
At historical cost	105,935	104,892

Revaluation of investment properties

Each year, 20% of the Society investment properties are valued by Roche. The valuation is undertaken in accordance with the RICS 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, Nick Denny FRICS on a consistent basis.

4.3 INVESTMENTS

KEEPING IT SIMPLE – INVESTMENTS

Investments are mostly related to funeral pre-payment plans which have not yet been used and shares held in other businesses. All monies received for funeral plans 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.

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

	Fixed assets		Current assets		Interest / investment income	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
INVESTMENTS						
Co-operative Group Limited						
– Shares	757	757	–	–	–	16
Other I & P societies						
– Shares	1	1	–	–	–	–
Other	101	51	–	–	–	1
Short-term deposits	–	–	–	–	33	21
Overnight deposit	–	–	–	–	24	74
Funeral bonds	55,833	49,230	4,714	3,913	4,940	4,384
	56,692	50,039	4,714	3,913	4,997	4,496

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 is 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.

	2019 £000	2018 £000
STOCKS		
Goods for resale	16,658	19,535

Goods for resale is stated after provision for impairment of £959,000 (2018: £1,283,000). The movement in the provision is charged/credited to cost of sales each year.

4.5 TRADE AND OTHER DEBTORS

KEEPING IT SIMPLE – TRADE AND OTHER DEBTORS

A debtor is an amount owed by a person or business that has purchased goods or services from the Society but has not yet paid for them. A prepayment is an amount paid by the Society in advance of the goods or services being received.

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 debt.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments 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.

4.5 TRADE AND OTHER DEBTORS (CONTINUED)

	2019 £000	2018 £000
DEBTORS		
Trade debtors	3,301	3,289
Other debtors	2,020	1,471
Prepayments and accrued income	4,212	4,624
	9,533	9,384

Trade debtors are stated after provision for impairment of £280,000 (2018: £282,000). The movement in the provision is charged/credited to operating expenses each year.

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.

5.1 TRADE AND OTHER CREDITORS

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:

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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.

KEEPING IT SIMPLE – FUNERAL BONDS

Customers of the Funeral business are able to plan and purchase their funeral in advance to be redeemed when the funeral is arranged. The income from the sale of the bond is not recognised until the plan is redeemed and the funeral takes place.

Accounting policy:

Amounts received in advance for funeral plans are recorded as liabilities on the balance sheet. The liability has been apportioned between current and long-term liabilities based upon the Group's experience of funerals carried out under its pre-payment plans over the last five years. All monies received for funeral plans 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. Interest income earned in the year is recognised in the revenue account.

	Due within 1 year		Due after 1 year	
	2019 £000	2018 £000	2019 £000	2018 £000
CREDITORS				
Bank overdraft	–	2,816	–	–
Trade creditors	11,583	14,090	–	–
Corporation tax	1,364	400	–	–
Other taxation and social security	3,434	1,095	–	–
Other creditors	2,056	1,922	–	–
Accruals and deferred income	14,118	13,691	–	–
Funeral bonds	3,554	3,084	41,644	38,450
	36,109	37,098	41,644	38,450

During the year, the Society has reviewed the presentation of Note 5.1 and has chosen to reclassify £801,000 of rents received in advance out of other creditors and into accruals and deferred income for the year ended 27 January 2018. It is believed that the new presentation provides better information to the users of the financial statements.

Bank overdraft

During 2017, the Society entered into a £10m overdraft arrangement. The overdraft is secured on specific investment properties, is interest bearing and repayable on demand.

5.2 PROVISION FOR OTHER LIABILITIES

	2019 £000	2018 £000
Deferred tax (note 3.1)	2,794	13

5.3 PENSION OBLIGATIONS

KEEPING IT SIMPLE – PENSION OBLIGATIONS

The Society runs two types of pension scheme: defined benefit and defined contribution.

- A defined benefit scheme provides a pension based on a colleague's salary and length of service.
- A defined contribution scheme sets the value which will be paid into a pension scheme; the amount of pension this generates is variable and depends on the performance of the investments into which contributions are paid and the annuity rates at the time of retirement.

Accounting policy:

Defined benefit pension plans

The Group operates a defined benefit pension scheme covering certain full-time and part-time employees, funded by employees' and employer's contributions. The scheme is closed to new members and to future accrual.

A defined benefit 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 denominated in sterling 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:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, 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 are shown in accruals in the balance sheet. The assets of the plan are held separately from the Society in independently administered funds.

PENSIONS

Until 20 November 2017, the Group operated two defined benefit pension schemes. These were the Ipswich and Norwich Co-operative Society Limited Employees' Pension Fund and the Colchester and East Essex Co-operative Society Limited Employees' Superannuation Fund. The assets of both schemes were held in separate funds administered by Trustees. Both of these funds were closed to new members and closed to future accrual.

On 20 November 2017, with the consent of a majority of members of the two former schemes, a new defined benefit scheme was established and the rights and benefits of eligible members of the two former schemes were transferred into the East of England Co-op Retirement Benefit Scheme. This scheme is also closed to new members and to future accrual.

The two former schemes were wound up during the year ended 26 January 2019.

Asset-backed funding arrangement

In August 2013, the Society established the East of England Scottish Limited Partnership (the Partnership) together with the former schemes and transferred to it properties with a value of £65.9 million.

On 20 November 2017, the two former schemes transferred their interest in the Partnership to East of England Co-op Retirement Benefit Scheme which is now entitled to an annual distribution of £2.9m for a remaining 19 years, increasing on a compound basis by 2.5% per annum. The properties transferred to the Partnership will revert to the Society's ownership after settlement of any remaining funding deficit on the Scheme at that time.

The Partnership is controlled by the Society and its results are consolidated by the Society. The investment held by the Scheme in the Partnership does not qualify as a plan asset for the purposes of the Society's consolidated financial statements and is therefore not included within the fair value of plan assets.

The value of the properties transferred to the Partnership remains included within the Society's tangible fixed assets on the balance sheet. In addition, the Society retains full operational flexibility to extend, develop and substitute the properties within the Partnership.

East of England Co-op Retirement Benefit Scheme

Since 20 November 2017, the Society has operated a single defined benefit pension fund for its employees (the East of England Co-op Retirement Benefit Scheme).

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

	2019	2018
Rate of increase of pensions in payment		
– prior to 31 August 2008	3.10%	3.20%
– post 31 August 2008	2.10%	2.15%
Rate of increase of pensions in deferment	3.25%	3.35%
Discount rate	2.70%	2.50%
Rate of inflation	3.25%	3.35%

5.3 PENSION OBLIGATIONS (CONTINUED)

	2019 years	2018 years
The mortality assumptions used were as follows:		
Longevity at age 65 for current pensioners		
– Men	21.8	22.5
– Women	23.7	24.9
Longevity at age 65 for future pensioners		
– Men	23.2	23.9
– Women	25.3	26.4

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:

	Value at 26/01/2019 £000	Value at 27/01/2018 £000
Equities	56,100	64,875
Diversified growth funds	59,050	63,087
Multi-asset credit	24,572	25,355
Bonds	24,086	25,566
Liability-driven investment	49,754	50,881
Cash	290	1
Amounts owed to the Society	(679)	(931)
Insured annuities	1,087	1,282
Total market value of assets	214,260	230,116
Actuarial value of liability	(241,259)	(271,992)
Total deficit in the scheme	(26,999)	(41,876)

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 £679,000 (2018: £931,000) represents the balance due from the scheme in respect of these payments.

Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 28 January 2018	230,116	(271,992)	(41,876)
Interest income/(expense)	5,698	(6,709)	(1,011)
Remeasurement gains/(losses)			
Actuarial gains	–	30,144	30,144
Return on plan assets excluding interest income	(16,843)	–	(16,843)
Benefits paid	(7,298)	7,298	–
Contribution by employer	2,887	–	2,887
Administrative expense	(300)	–	(300)
At 26 January 2019	214,260	(241,259)	(26,999)

Analysis of the amount charged to the revenue account

	2019 £000	2018 £000
Interest income	5,698	1,141
Interest on pension liabilities	(6,709)	(1,399)
Scheme administration expenses	(300)	(434)
Total expense recognised in revenue account	(1,311)	(692)

5.3 PENSION OBLIGATIONS (CONTINUED)**Return on plan assets**

	2019 £000	2018 £000
Interest income	5,698	1,141
Return on plan assets less interest income	(16,843)	3,229
Total return on plan assets	(11,145)	4,370

Ipswich and Norwich Co-operative Society Limited Employees' Pension Fund

The rights and benefits of eligible members were transferred to East of England Co-op Retirement Benefit Scheme on 20 November 2017. Eligible members who requested to do so received winding up lump sums (WULS) in lieu of future benefits. All remaining assets and liabilities of this scheme were transferred to East of England Co-op Retirement Benefit Scheme on 20 November 2017.

Analysis of the amount charged to the revenue account

	2019 £000	2018 £000
Interest income	–	3,395
Interest on pension liabilities	–	(4,021)
Total expense recognised in revenue account	–	(626)

Return on plan assets

	2019 £000	2018 £000
Interest income	–	3,395
Return on plan assets less interest income	–	2,996
Total return on plan assets	–	6,391

Colchester and East Essex Co-operative Society Limited Employees' Superannuation Fund

The rights and benefits of eligible members were transferred to East of England Co-op Retirement Benefit Scheme on 20 November 2017. Eligible members who requested to do so received winding up lump sums (WULS) in lieu of future benefits. All remaining assets and liabilities of this scheme were transferred to East of England Co-op Retirement Benefit Scheme on 20 November 2017.

Analysis of the amount charged to the revenue account

	2019 £000	2018 £000
Interest income	–	1,850
Interest on pension liabilities	–	(2,212)
Total expense recognised in revenue account	–	(362)

Return on plan assets

	2019 £000	2018 £000
Interest income	–	1,850
Return on plan assets less interest income	–	2,915
Total return on plan assets	–	4,765

Stakeholder scheme

The stakeholder pension scheme is a defined contribution plan. The contributions due to the plan during the year were £3,536,000 (2018: £3,513,000). As at 26 January 2019, no unpaid contributions were outstanding (2018: Enil).

5.3 PENSION OBLIGATIONS (CONTINUED)**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 Enil in the year (2018: Enil). 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.

	2019 £000	2018 £000
Benefit obligation at the beginning of the year	2,051	2,008
Interest cost	50	57
Past service credit	(155)	–
Actuarial (gains)/losses	(126)	69
Benefits paid	(84)	(83)
Benefit obligation at the end of the year	1,736	2,051

Section 6 – Equity**IN THIS SECTION**

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 dividend 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 unredeemed dividends are released to the revenue account for the year. Dividend distribution 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 7,812,000 (2018: 7,810,000) 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 except for those not included in the fair value reserve.

Section 7 – Other notes

IN THIS SECTION

This section contains details of operating leases, capital commitments, cash flow, related party disclosures, general contingencies 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.

Accounting policy:

Leasing and hire purchase commitments

Rentals payable under operating leases are charged to the revenue account 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.

Operating leases

At 26 January 2019, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	2019 £000	2018 £000	2019 £000	2018 £000
Operating leases expiring:				
Within one year	1,400	1,328	661	547
Later than one year and not later than five years	5,346	4,941	649	964
After five years	7,517	8,004	–	–
	14,263	14,273	1,310	1,511

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.

The future minimum rental receivables are as follows:

	Land and buildings	
	2019 £000	2018 £000
Within one year	7,509	7,466
Later than one year and not later than five years	18,836	19,064
After five years	16,078	17,575
	42,423	44,105

7.2 CAPITAL COMMITMENTS

KEEPING IT SIMPLE – CAPITAL COMMITMENTS

This is the value the Society has committed to spend on assets after the year end.

Capital commitments

At 26 January 2019, there were capital commitments of £1.2 million (2018: £2.2 million) which have not been provided for in the financial statements.

7.3 NOTES TO CASH FLOW STATEMENT

KEEPING IT SIMPLE – CASH FLOW STATEMENT

This is the breakdown of the total cash flow from operating activities shown on the cash flow statement.

	2019 £000	2018 £000
RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Profit for the financial year	2,228	2,038
Adjustments for:		
Tax on profit on ordinary activities	339	1,209
Distributions	2,616	3,383
Net interest income	(3,986)	(3,250)
Profit before interest, distributions and taxation	1,197	3,380
Grants and donations	(693)	(672)
Depreciation	6,500	6,413
Amortisation	1,744	1,610
Loss/(profit) on sale of tangible fixed assets	385	(217)
Changes in fair value of investment properties	1,769	(4,457)
Unrealised impairment of tangible and intangible fixed assets	1,477	2,903
Unrealised gain on funeral bond investments	3,767	3,592
Decrease in stocks	2,877	404
Increase in debtors	(134)	(879)
Increase in creditors	4,108	5,801
Dividend paid	(1,923)	(2,711)
Pension contributions	(2,972)	(2,900)
Pension curtailment gains	–	(1,544)
Pension past service (credit)/costs	(155)	1,279
UURBS current service (credit)/costs	(76)	127
Legal and professional fees covered by pension expense reserve	300	434
Net cash from operating activities	18,171	12,563

	2018 £000	Cash flow £000	2019 £000
ANALYSIS OF MOVEMENT IN NET FUNDS			
Cash at bank and in hand	2,962	3,591	6,553

MAJOR NON-CASH TRANSACTIONS

During the year, the Society had no major non-cash transactions (2018: £nil).

7.4 RELATED PARTY DISCLOSURES

During the year the Society received rental income of £13,120 (2018: £10,208) from New Anglia Local Enterprise Partnership, of which Doug Field, Joint Chief Executive, is Chair and £17,940 (2018: £19,095) of rental income from The Recovery Hub Ipswich, of which Roger Grosvenor, Joint Chief Executive, is a Director.

7.5 GENERAL CONTINGENCIES

In the ordinary course of its business, the Society is subject to commercial disputes and litigation, including customer claims, employee disputes, taxes and other kinds of lawsuits. These matters are inherently difficult to quantify. In appropriate cases, a provision is recognised based on best estimates and Management's judgement but there can be no guarantee that these provisions will result in an accurate prediction of the actual costs and liabilities that may be incurred. These are not expected to have a material impact on the financial position of the Society.

7.6 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 SOCIETIES AND COMPANIES

The subsidiaries of the Society are listed below.

Ardencrest Limited (27074R)

A Co-operative and Community Benefit Society holding investment properties.

A Smith & Sons (Funerals) Limited (04015388)◊

A dormant company formerly operating the Smith and Sons funerals business.

W. H. Shephard Funeral Furnishing Service Limited (00354547)◊

A dormant company formerly operating the W H Shephard funerals 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 Limited Employees' Superannuation Fund (Dissolved 5 March 2019).

INCS (Trustees) Limited (8292252)

A company holding the trusteeship of the Ipswich and Norwich Co-operative Society Limited Employees' Pension Fund (Dissolved 5 March 2019).

East of England Co-operative Society (Trustees) Limited (11059352)

A company holding the trusteeship of the East of England Co-op Retirement Benefits Scheme.

Colchester Funeral Services Limited (2768938)◊

A dormant company which has never traded.

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 (03806203)◊

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 (SC436963)*

A company registered in Scotland, established to administer the East of England Scottish Limited Partnership.

East of England Scottish Limited Partnership (SL011854)

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 dormant 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

Subsidiaries marked ◊ have taken advantage of the exemption from preparing accounts for a dormant subsidiary available under s394A of the Companies Act 2006 for the period ended 26 January 2019.

SUBSIDIARY EXEMPTION

Subsidiaries marked * have taken advantage of the exemption from an audit for the period ended 26 January 2019 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 as at 26 January 2019.

Members and Community Services' Expenditure Statement (unaudited)

	2019 Net Expenditure	
	£	£
Community outreach events		77,564
Other projects		
Community projects	88,379	
Member and customer communication	58,446	
Supported groups	46,088	
Community and engagement costs		192,913
Salaries and wages	206,470	
Depreciation	19,263	
Other overhead costs	63,795	
Community engagement total		289,528
Community investment – token scheme		130,300
Members and Community Services expenditure (note 2.3)		690,305

Donations totalling £31,400 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.

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