

GIVING BACK TO OUR COMMUNITIES



Annual Report and
Financial Statements

2018

Annual Report and Financial Statements
of the East of England Co-operative Society
for the year ended 27 January 2018

East of
England
CCOP

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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.

2018

Annual Report and Financial Statements

of the East of England Co-operative Society for the year ended 27 January 2018.

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, travel agents, opticians and pharmacies to communities across **Essex, Norfolk, Suffolk and Cambridgeshire**.

With a significant property portfolio and other businesses, such as events and conference facilities and security, **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.



£353.6m
TURNOVER

Up £12.5m on comparable basis from last year

£6.6m
PROFIT BEFORE DISTRIBUTIONS AND TAXATION

Up from £6.1m last year

£4.2m
UNDERLYING TRADING PROFIT

Down from £4.4m last year

£212.5m
MEMBERS' FUNDS

Up from £207.5m last year

President's STATEMENT

Throughout my 50+ years with the Co-op, I am always amazed by our colleagues who go above and beyond. It is this level of commitment that contributes to our success year after year.

We continue to make a real difference to our members and in the communities in which we trade, as we have throughout the 150 years of our existence.



How we performed

Thanks to the hard work of our colleagues, we have grown our business, seeing sales grow to over £350m.

Like many other retailers, we have been the victim of ATM raids and robberies this year and as a result significantly increased our investment in protection for colleagues, which has contributed to a decrease in profits. While this decision has hurt our results, we will never hesitate to do what is right by our hard-working colleagues.

Profits have increased across our main businesses of Food, Funerals and Property, which is great news given the rising costs of doing business. We have opened new food stores in Acle and Harleston and we have continued to expand our Funeral business.

The decision in principle to move our distribution operation into the wider co-op network will help reduce costs in the future. The service of our colleagues in our distribution operation has always been, and continues to be, exemplary.

We continue to support our Post Office services despite incurring losses for reasons beyond our control. This is not sustainable and we are considering what may need to change to continue offering those valuable services.

Our members continue to participate in our success, enjoying a share of our £3.0m dividend payment last year.

With membership at the heart of everything we do, it is fantastic that we recruited over 20,000 new members this year.



Our colleagues

Our colleagues continue to do small things that make a big difference to our members and the communities in which we trade.

This report can only highlight a few of these magnificent good deeds. Whether it is conquering Mount Snowdon, doing Paul Hollywood proud with their finest charity bakes or even hand-knitting poppies for The Royal British Legion, we have once again been blown away by our colleagues going the extra mile.

The safety of our colleagues is paramount and we once again supported the Freedom from Fear campaign (run by the Union of Shop, Distributive and Allied Workers or Usdaw) with a series of roadshows in our stores to help tackle anti-social behaviour.



Leading the way on reducing food waste

Making an impact

This year we continued to see our achievements recognised, with notable award successes including Training Journal Awards' Team of the Year for our Learning and Development team.

The co-operative model is all about the way we do business and the impact of the 'Co-op Guide to Dating', our initiative to sell food past its 'Best Before' date, exceeded all our expectations, taking your Co-op global, with interest from Italy and the USA.

The 10 years of Sourced Locally has made a significant impact on our business and the wider regional economy. Since we started, the initiative has ploughed £62 million back into the region and our range of fantastic local produce has grown to more than 3,500 products.



We also began a new partnership with HMP Hollesley Bay open prison this year, running a work placement programme. The scheme helps with the rehabilitation of offenders and has been a success for all involved.

WE RECRUITED OVER 20,000 NEW MEMBERS THIS YEAR



Our governance – how the Co-op works

This year has seen the Board of Directors take a big step forward in the way your Co-op works. Towards the end of 2016 the Board looked carefully at how it could participate in the process of setting and reviewing our business and co-operative strategy. Taking confidence from our unique Joint Chief Executive structure, we agreed to devolve more decisions to groups of Directors (our four key committees) and the Leadership Team itself. Further detail is included in the governance section of this report.

These changes should give us the time to ensure that we are being true to the co-operative values and principles – in short, better decision-making. But, we still need more diversity in the boardroom and stronger links with our members, something that our social media team are helping to deliver.

Looking outwards, using our connections with MPs, councillors and the media, we have been able to show how co-operatives care about bigger social issues, leading the way with initiatives on food waste, recycling and a safe working environment for retail colleagues.

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

What does the future hold?

As the costs of doing business increase, we anticipate 2018 to be challenging. We will continue to focus on growing and reshaping your Co-op to ensure long-term success, even if this means making difficult decisions.

Our members can look forward to celebrating our 150th year in style during 2018.

As I sign off from serving the Co-op for over 50 years, I would like to thank our colleagues, my fellow Board of Directors and the Leadership Team for another successful year. I will always be proud of the Co-op we have created and I know your Directors will continue to build on this success.

Clive Mann
President

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

New homes and SERVICES

We let 500 properties to tenants, generating an income of more than **£7.7m** a year



Rental development at Dairy Close, Wimpole Road

Our Property business has continued to flourish, with big investment in our estate, including the refurbishment of a further 35 Food stores, the opening of two new-generation Food stores and 11 new Funeral branches.

Aside from retail units, we've continued to grow our property portfolio. Adding to our 222 residential properties, we began letting seven new-build homes at the site of our former dairy at Wimpole Road in Colchester, with a further five new rental homes developed on both Cauldwell Hall Road in Ipswich and at Dovercourt, Essex.

Continuing our efforts to minimise empty retail space, our Long Wyre Street building in Colchester is set to be rejuvenated with the construction of new restaurants, retail units and 24 flats. We also cleared vacant property at Carr Street, Ipswich, greatly improving the local environment and providing us with the opportunity to explore ways to regenerate the area for the future.

A project to extensively develop our site in Rosehill, Ipswich is progressing well, with tenants Greggs, Aldi and energie Fitness open and trading. As part of the development, we relocated our travel branch to our Ravenswood store, paving the way for a new-look Rosehill food store opening later in 2018.

Our Wherstead Park headquarters offers a prime location for local businesses to base themselves. In 2017 we welcomed the arrival of new tenants CamCan and NHS Property Services, and were pleased to offer additional office space for existing tenants Ellisons Solicitors.

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

KEEPING COLLEAGUES, CUSTOMERS AND COMMUNITIES SAFE

Committed to ensuring our workplaces and communities are as safe as possible, we once again partnered with Usdaw (Union of Shop, Distributive and Allied Workers) for our Freedom from Fear campaign. Our security team held interactive roadshows across East Anglia to help tackle anti-social behaviour by highlighting the real-life situations colleagues face.

Throughout the year our Anti-Social Behaviour Officer Scott Walker has also been working with young offenders convicted of committing crimes in stores. Unique to the East of England Co-op, this restorative justice programme offers youth offenders the opportunity to spend a day with Scott. They are shown the impact of their actions upon colleagues and customers, before looking at their skill set with the aim of putting them on a more positive path.



Nick Denny, Joint Chief Executive, said: *"It has been another productive year for the Property team. Opening a further two funeral branches in Cambridgeshire has further strengthened our presence in the county and our 60th funeral branch in Lowestoft was a significant landmark. With an ever growing residential portfolio, these developments lay the foundations for the East of England Co-op's long-term success."*

"There is no greater reward than receiving a thank you from a family after arranging a final send-off which reflects the wishes of their loved ones."



Who makes your Co-op work?

David Downes,
Funeral Services Sector Manager

Day to day I oversee our caring and passionate Funeral Services team, providing support to communities in Cambridgeshire and West Suffolk.

I joined the East of England Co-op Funeral Services team five years ago, starting as a pallbearer. With no previous experience in the funeral sector, it was a little daunting at first. However, I soon realised that there were some great opportunities and a clear career path, and I've been able to progress to the role of Sector Manager.

It is true that it takes a certain type of person to work in this field. You need to be professional and empathetic during the most emotionally difficult times for families. Although it can be challenging, for me there is no greater reward than receiving a thank you from a family after arranging a final send-off which reflects the wishes of their loved ones.

Over the past year I have been particularly busy helping to co-ordinate our expansion into Cambridgeshire and supporting the set-up of brand new branches. I also embarked on my Level 5 Operations/Departmental Manager Apprenticeship which is proving invaluable as I take my first steps into management. This has helped me to further develop my team and it has been really rewarding to see them grow as professionals and continue delivering the high standards of care that the East of England Co-op is known for.



EXTENDING OUR SERVICES



This year we continued our expansion into Cambridgeshire with the opening of a further two Funeral branches in the county. Our first branch, located in the city of Cambridge on Histon Road, features a Chapel of Rest and multi-faith facilities to meet the needs of the diverse local community. This was followed in early 2018 by the opening of a branch in the village of Sawston.

As part of our continued strategy to be the funeral directors of choice in our region, we opened a further nine brand new funeral branches this year, including Newmarket, Needham Market, Stanway and Acle. We also relocated our Aylsham Road branch in Norwich.

The opening of a second Lowestoft branch on Westwood Avenue also marked our landmark 60th branch in the region, doubling the size of our funeral services in just two years and reaching new clients.



Funeral Arranger Ben Seward with David at the new Histon Road branch

Our new-look store in Harleston

NEW-LOOK STORES *fit for the future*

After an ambitious programme of refurbishments in 2016, this year marked another period of continued investment into our food business, with a further 35 food stores refurbished, and the opening of two new-generation food stores.

Already a popular presence in Acle, we had outgrown our store on Main Street and so developed a new, much larger store at the site of the former Budgens in the village.

Returning customers were greeted by former Budgens' colleagues joining those from our former Main Street store, keeping familiar faces in the community and maintaining local jobs.

Having a larger store has allowed us to greatly extend the range of products and services we can offer to local customers, including an in-store bakery, Deli to Go and a free-phone home delivery service, plus an extended range of local produce.

The opening in Acle was shortly followed by another landmark development in Harleston. The 8,280 sq ft store was also a previous Budgens. Once again the former Budgens' colleagues joined the team from our former store on London Road and together now run the new-generation store.

With a larger retail space we were able to expand our range to ensure greater convenience and choice for customers, including more than 450 lines of local produce. We were also pleased to support Redenhall with Harleston Town Council to retain the free parking adjacent to the store on Bullock Fair Close. The store was officially opened by community advocates, Annie Chapman BEM and Carol Wiles MBE.

The continued refurbishment of our existing food stores is a vital investment, ensuring our store environments are modern, customer friendly and profitable for the future. Many of the refurbishments involved updating both the customer areas and back of house, marking an exciting change for members and customers, as well as colleagues. We've introduced bolder messaging in store about our co-operative ethos to increase communication about how we engage with our local communities and the benefits of being a member.



Top: Hundreds of people eagerly awaited the opening of our Harleston store

Middle: Bolder messaging and new design features create vibrant stores

Bottom: Long-serving colleagues Julie and Pat cut the ribbon at the Acle opening, with Store Manager Peter

A more SUSTAINABLE FUTURE

REDUCING FOOD WASTE

Following a successful three month trial period in 14 of our stores, December saw the full launch of the Co-op Guide to Dating. This new initiative established us as the first major retailer to sell perfectly edible food past its 'Best Before' date for just 10p with the aim of significantly reducing waste and keeping more food in the food chain.

It has been an incredible success, with products often sold out within hours of being reduced and positive feedback from members and customers.



We were overwhelmed with the resulting positive global media attention that the initiative received, such as this comment in national newspaper, The Times: "The world just got a little more sensible with the decision by East of England Co-op".

Roger Grosvenor, Joint Chief Executive, commented:

"Reducing our impact on the environment and operating as a leader in the industry has been a huge focus for us. Our Co-op Guide to Dating initiative was the first of its kind and prompted responses from other major retailers across the country, encouraging them to consider their strategies to reduce food waste."

Our Wickham Market and Coggeshall stores have received Silver and Gold Awards respectively from the Suffolk Carbon Charter for their green credentials.

The judges were particularly impressed with the heat recovery system and electric vehicle charging point at our Wickham Market store, and the solar panels at Coggeshall which can generate up to 100% of the energy needed to run the store.

"I am most proud of my work with our Sourced Locally suppliers. As a former Trading Standards Officer, I help them access and understand regulatory advice."



Who makes your Co-op work?

Ayse Singh, Product Safety and Standards Manager

I joined the Co-op in 2016 in the brand new role of Product Safety and Standards Manager, created specifically to support the rapidly growing supply chain in our Sourced Locally initiative. Day to day I ensure that our suppliers are fully compliant with relevant regulations so customers can shop with us with confidence. A key part of this is working closely with more than 100 Sourced Locally suppliers on over 3,500 products.

Last year, I was part of the team behind the 'Co-op Guide to Dating', helping ensure our decision to sell food past its 'Best Before' date was safe and legal. As the first initiative of its kind, it was my job to make sure that what we were doing was fully compliant and that there would be no change in the high standards our customers expect.

I pulled together the list of products to be included in the scheme, where I was confident the quality of the product would still be acceptable up to a month past its 'Best Before' date. I also worked closely with Store Managers, training them and helping them to co-ordinate a smooth roll-out of the new scheme with the support of the Health and Safety team.

Over the past year I am most proud of my work with our Sourced Locally suppliers. As a former Trading Standards Officer, I help them access and understand regulatory advice, a common challenge for small businesses. With our support, we ensure their labelling and production processes are compliant and provide them with support on a day-to-day basis. I have met many of our lovely suppliers and know them well and it's a pleasure to work with such a great team of hard-working and inspirational business owners making great food in our region.

THIS YEAR WE
REDUCED OUR NET CARBON
DIOXIDE EMISSIONS BY
632
TONNES TO
19,322 TONNES
See page 30



Celebrating 10 YEARS OF SOURCED LOCALLY

This year we were proud to celebrate the 10 year anniversary of Sourced Locally.

Launched in 2007, the award-winning initiative has enabled us to reconnect members and customers with where their food comes from, shine a spotlight on fantastic local producers across our region and reduce food miles. We now have over 3,500 products from over 100 local producers across Norfolk, Suffolk and Essex.

Encouraging our shoppers to consciously 'buy local', sales of local produce have continued growing year on year, ploughing more than £62 million back into the local economy.

It's been an incredible success and we're committed to continuing to grow Sourced Locally.



Over 3,500 products from over 100 local suppliers

In 2017 we sold **£17.6 MILLION** of local produce

PRODUCER OF THE YEAR 2017

After a record-breaking 19,000 votes, **Great Tilkey Honey** was named our Producer of the Year for 2017.

Family-run business, Great Tilkey Honey, known for its 100% natural local honey, was crowned at our annual Supplier Supper in March. The honey producer beat stiff competition from the Norfolk and Suffolk county finalists, Krusty Loaf and Alder Tree Cream Ices.

"The guidance and support that the East of England Co-op has provided over the years has been invaluable. I'm also doubly delighted that we were named Producer of Year in the same year that Sourced Locally celebrated its 10th anniversary. The journey has been phenomenal and the future looks bright."

Michael Coe, Great Tilkey Honey



Michael Coe, Great Tilkey Honey



Nick Henry, Krusty Loaf



Stephany Hardingham, Alder Tree Cream Ices

SOURCED LOCALLY 2017 PRODUCER OF THE YEAR



THE FUTURE OF BRITISH PRODUCE

Inspired by a study that shows the number of women enrolling on agricultural courses is now overtaking men, this year's Sourced Locally Fortnight campaign centred around a special portrait. It featured 10 of the inspiring women behind some of the food and drink produced here in the region.

The portrait was photographed by award-winning photographer Jenny Lewis, known for her One Day Young project photographing new mums. Jenny is also well known for her photographs of a host of well-known female icons, including Dame Maggie Smith, Keira Knightley, Celia Imrie and Naomie Harris.

Our iconic portrait titled 'The Future of British Produce' was taken at Lane Farm in Brundish, Suffolk, and celebrates authenticity and camaraderie, showcasing a group of inspirational women with a passion for great food and business acumen.



Celebrating 10 years of Sourced Locally at our Supplier Supper 2017

Sales of Sourced Locally produce skyrocketed to **£972,050**

throughout the fortnight, an increase of 5.9% from 2016



Over **60,000** punnets of strawberries were sold



Over **11,500** packets of crisps were sold



Nearly **7,000** bunches of asparagus were sold



Nearly **5,000** bottles of beer were sold

Main photo from left to right: Emily French (Foxes Farm), Rebecca Miles (Lane Farm), Sue Whitehead (Lane Farm), Louise Jones (Dan Hull Prepared Foods), Sarah Savage (Essence Foods), Fiona Brice (Havensfield Eggs), Deborah Coe (Great Tilkey Honey), Laura Strathern (Fairfield Farm Crisps), Stephany Hardingham (Alder Tree Cream Ices), Hannah Marriage (Marriage's Flour).

GOVERNING THE SOCIETY

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

During the year covered by this report, your Directors met formally 13 times. 12 were scheduled meetings concerned with items of policy and strategy, matters reserved for Board decision and general oversight of performance.

The other meeting was arranged at short notice to consider the acquisition of the former Budgens Supermarket in Harleston.

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 Clive Mann and Phil Hartwell 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.

Management Executive Team from left to right:
Minnie Moll, Joint Chief Executive – Membership and Marketing
Mark O'Hagan, Joint Chief Executive – People and Performance
Mike Faulkner, Society Secretary
Nick Denny, Joint Chief Executive – Property
Doug Field, Joint Chief Executive – Finance and Technology
Roger Grosvenor, Joint Chief Executive – Retail



Directors as at 27 January 2018



Clive Mann
President
Phil Hartwell
Vice-President

Belinda Bulsing

John Cook

Nicola Fox

John Hawkins

Emma Howard

Claire Johnsen



BOARD OF DIRECTORS

In 2017, nine 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 2017, John Cook and Chris Newbury were re-elected to the Board and Fiona Powell, Judi Newman and Richard Youngs were each elected for their first term of office. Richard was elected to fill a casual vacancy for two years, created by the resignation of Maria Veronese.



Chris Matthews

Cella Moore

Chris Newbury

Judi Newman

Beverley Perkins

Fiona Powell

Steve Shaw

Richard Youngs

OVERVIEW

Sales are up
1.7%

We are delighted to report sales growth of 1.7%; a result to be proud of as last year we benefited from an extra week's trading. On a comparable 52-week basis, sales are up an impressive 3.7%.

Disappointingly, underlying trading profit has fallen since last year by £0.2m to £4.2m. This change reflects the rising costs of doing business, and our decision to significantly increase our investment in safeguarding measures for in-store colleagues in the wake of recent robberies on retailers in the region.

We continue to maintain a healthy balance sheet and we are pleased that our members' funds have increased by £5.0m to £212.5m. To manage working capital fluctuations from our capital investment programme, including our new food stores in Acle and Harleston, we have utilised a bank overdraft during the year.

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

Doug Field, Joint Chief Executive, comments:

“It has been a year of significant investment in the business and next year we will continue to reap those rewards while addressing the challenges ahead. I am proud that we have lived by the ethos of a true co-operative and haven't put profit at the expense of our people.”

TURNOVER

sales are up
£5.9M

Our sales have grown this year – on a comparable 52 week basis turnover has increased by 3.7% to £353.6m

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

1.2%
increase in food sales

As a core part of our business, we are delighted to see a 1.2% (£3.6m) increase in sales in Food, with a 2.3% like-for-like increase on a comparable 52 week basis.

The like-for-like sales increase continues to be driven by a number of changes, including consistently high colleague engagement, good operational standards, our store refurbishment programme and the benefits of investments in technology.

Our new food stores in Acle and Harleston replaced smaller stores we had in those towns. These significant investments have paid off and across these locations we have seen over 100% growth in sales.



5.2%
increase in investment property income

Rental income from our investment property portfolio is now over £7.7m, having grown by over 19% (£1.2m) over the last five years.

This increase is a result of income from the Rosehill development in Ipswich and residential developments in Colchester and Dovercourt along with a number of new commercial tenants.

200
more funerals conducted

We have expanded our Funeral business, adding 11 new branches this year. More than 120 funerals conducted by these new branches alone has helped lead to a £0.8m sales increase.

Sales grew an impressive 18% in our Travel business due to strong growth in both money and holiday sales thanks to our first-class service, independent advice and extensive choice with more destinations available from local airports.

On a comparable 52 week basis, our four Forecourts saw sales growth of £1.8m (9.5%), selling an additional 0.3m litres of fuel.

Sales went up by £2.8m at our Distribution Centre on a comparable 52 week basis largely thanks to the handling of an additional 147,000 cases for our neighbouring Chelmsford Star Co-operative Society.

Our one-stop security shop Secure Response Services continues to experience significant growth, with sales nearly doubling in the year.

Both our stonemasons H.L.Perfitt and Events & Conferences businesses also saw sales growth compared with last year.

Our Post Office services, Pharmacy and Optical businesses saw a decline in sales, reflecting the challenging markets across those industries.

PROFITABILITY

Underlying trading profit
£4.2M

Our underlying trading profit is down 5.6% to £4.2m from £4.4m.

Increased operating expenses offset the sales and margin growth we experienced.

Excluding restructuring costs, we saw personnel costs grow by £0.6m (1.0%), with £0.9m due to our new Food and Funeral branches, National Living Wage increases and the new Apprenticeship Levy.

After accounting for new Food stores and Funeral branches, overheads grew by £2.7m (8.5%) reflecting our increasing reliance on technology, property repairs and maintenance and security costs, together with additional investment in learning and development.

Pleasingly we saw trading profits increase in our main businesses of Food, Funerals and Property. Our Food business saw its profits rise an impressive 16.6% thanks to strong sales and margin growth, more than offsetting the additional costs of the National Living Wage.

Our Post Office services saw a decline in profits. Both our Pharmacy and Optical businesses saw losses increase despite reduction in their cost base. However, Travel, Forecourts and Events & Conferences all enjoyed a growth in trading profits.

Our profit before distributions and taxation increased by £0.5m to £6.6m with a number of significant one-off items arising:

- Costs relating to the decision in principle to move our distribution operation into the wider co-op network, which reduced trading profits by £1.8m and led to a decrease of £2.9m in the value of the related property.
- A rise in value of our investment property portfolio by £4.5m thanks to the development at Rosehill, Ipswich, general market conditions and improved lettings.
- The merger of our two defined benefit pension schemes in the year to reduce administration costs. This led to a number of pension scheme members taking a 'winding up' lump sum and gives rise to a curtailment gain and past service costs.
- An increase in investment income from pre-paid funeral plans of £2.7m.



MEMBERS' FUNDS
£212.5M

Members' funds increased
by £5.0m over the year



The merger of our two defined benefit pension schemes, together with higher than expected asset returns, contributed to a decrease in pension liabilities of £3.7m.

Investment of £20.6m in the business this year, with a rise in value of the investment property portfolio and continued growth in pre-paid funerals, has increased the value of our fixed assets. We now hold £53.1m of pre-paid funerals, up £9.5m in the year.

CASHFLOW

We continue to generate cash
with a net cash balance of

£3.0M

We continue to generate good levels of cash, however cash has decreased by £15.5m as we have continued the essential investment in future-proofing our business.

There has been £12.6m cash generated from our trading activities, up by £5.3m on last year, primarily due to timing of supplier payments.

Our investment of £20.6m includes over £6.3m on new food stores in Acle and Harleston, a further £3.7m on food store refurbishments, £5.3m on investment property developments and £2.5m on new funeral branches and vehicles.

After careful consideration, we have utilised a bank overdraft to the value of £1.8m at the year end to manage our working capital fluctuations. We ended the year with a net cash balance of £3.0m (2017: £18.5m).



LOOKING AHEAD

Market conditions remain challenging with the rising costs of doing business which include the National Living Wage and rising inflation.

Our long-term strategy remains the same – 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.

We are continuing our successful Food strategy; looking for new stores and reviving more of our existing stores. We have 15 planned refurbishments for the coming year, adding to the 80+ stores already completed.

The success of recent years is in part due to ensuring that we have the right stores in the right places. With the potential for a small number of store closures in 2018, we continue to make these difficult decisions as they are important to ensure our long-term prosperity. The investment in technology will continue with over £1m expected to be spent in 2018.

Our Funeral business, a crucial part of our offering, has expanded rapidly and we will look to establish new locations over the coming year.

Investment in our property estate will continue and we expect to start a number of developments in Colchester, Woodbridge and Witham during 2018.

We are considering the use of loan finance to fund projects that will grow our business over the coming years.

To ensure long term success, action must now be taken to address losses in our Pharmacy and Optical businesses. The decline in profitability of our Post Office services, whilst beyond our control, is also a concern and we are working with relevant stakeholders to find ways to maintain these services in a sustainable way.

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

Investment

We have invested
£20.6M
in the business this year
which has increased the
value of our fixed assets

Investment in our
property estate will
continue and we expect
to start a number of
developments in
Colchester, Woodbridge
and Witham in 2018



We plan to refurbish
15 STORES
this coming year with 80+
stores already completed





THE NEXT GENERATION of Co-op colleagues

Following a successful pilot, this year we launched an Apprenticeship Programme, developing our colleagues and retaining local talent for the future.

The programme has been hugely successful and we are very pleased that 100% of our Apprentice graduates are still working with us. Four have gone on to higher level Apprenticeships, the equivalent of a foundation degree, whilst eight of our Apprentice Team Managers have gone on to permanent Team Manager roles, with a further 17 well on their way to achieving this.

This year we've recruited a further 35 new Apprentices and trained 58 colleagues as mentors to support them through their Apprenticeships, in a wide range of areas from Food Retail and Funeral Services, to HR, Events and Stonemasonry.

Main photo: Our first Apprentice graduates come together to celebrate their success



TOP OF THE CLASS

This year our Learning and Development team were named Team of the Year at the prestigious Training Journal Awards, taking the top title from over 260 entries.

The team of five, who are responsible for designing and delivering training for all our 4,300 colleagues, also received a Silver Award for Best Organisation Development Programme for our 'Know How: Leadership' management training programme.



WORKING WITH HOLLESLEY BAY PRISON

In 2017, we started a new partnership with HMP Hollesley Bay, a prison based in Suffolk, to work together to help rehabilitate offenders. Hollesley Bay is a 'Category D' open prison, housing around 470 offenders approaching their release date.

Prisoners are much less likely to reoffend if they find work and so we launched a new work placement programme for inmates.

This year we employed eight offenders in different parts of our business. Only the most reliable offenders are considered for the scheme and every potential candidate undergoes an extensive risk assessment and pre-release preparation. A proportion of the inmate's salary also goes to a victims' fund to support the compensation of those affected by crime.

The partnership has been a positive experience for all involved, with managers reporting offenders with 'exceptional levels of enthusiasm and willingness to learn'.

TACKLING THE GENDER PAY GAP

In 2017, Gender Pay Gap regulations were introduced, requiring employers to report their gender pay gap under the Equality Act 2010.

In 2017, 55% of all our managers were female, an increase of 5% on the previous year. We're also pleased that we have a 50/50 split on our Board of Directors and 50% of all applicants for our Management Advanced Apprenticeship programme were female. However, with a 20% pay difference we know we have much more to do.

As a co-operative, we strongly believe in a fair and ethical approach to pay and in 2018 we will be focussing on achieving gender pay parity in all of our higher paying roles, whilst putting a greater emphasis on flexible working and creating better access to management training opportunities.



Mark O'Hagan, Joint Chief Executive, said: "With industry recognition for our Learning and Development team, it has been another year of progress. I am particularly proud of the 100% retention of our Apprentice graduates, demonstrating our credentials as a top employer. As we work hard to continue narrowing our gender pay gap, there is much to do in 2018 but we are confident of further progress in the next 12 months."

Colleague engagement HITS AN ALL-TIME HIGH

Our annual Colleague Engagement survey tells us what it's like to be a colleague at the East of England Co-op, assessing colleague happiness, fulfilment and enthusiasm. Each question on the engagement survey is scored out of 5.

83% PARTICIPATION
3% increase on last year

4.05 Our overall score	4.52 I know what is expected of me
4.19 I enjoy my work	4.14 My manager cares about me
4.05 I receive feedback from my manager	4.25 I have received the training to do my job

This year saw our highest ever response rate to our Colleague Engagement survey and our highest ever overall rating with 4.05 out of 5. Our overall rating has increased every year that we have carried out this survey and we hope to continue this positive trend in 2018.



Who makes your Co-op work?

Mike Clark, Branch Manager at Mile End, Essex

I've always enjoyed helping members of my team to get the most out of their careers and discover their full potential, so when an opportunity to take on an Apprentice came along I was keen to get involved.

Amie Hassell was the first Apprentice we took on. I thought she had so much potential but was held back by being shy. Thanks to the scheme, Amie really came out of her shell, developed some great business skills and is now a highly capable Team Manager at our store in West Bergholt. My second Apprentice, Kieran Harris, is thriving on the scheme and similarly is now helping to lead the team in Mile End.

The Apprenticeship scheme impacted on the whole team, and colleagues became more motivated to develop themselves and help train junior colleagues. In turn, my team has inspired me and after 11 years with the Co-op, I'm now training towards a Level 5 Apprentice qualification in management to help me add further value to the business.

Apprenticeships provide a fantastic opportunity for colleagues to progress within the business, giving them the skills to take them to the next level.

While it can be difficult to make the time to invest in training an Apprentice, the time commitment is short term and I have since reaped the benefits tenfold by gaining more dependable team members. I'm so proud of both of my Apprentices and I'm sure they have a really bright future with the Co-op.



Our HEROES

This year our stores collected over **£43,503** for local causes

Whether it's going the extra mile for our customers, supporting their local community or fundraising for charity, we are very proud of our colleagues and all the small things they do that are making a big difference.

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

MAKING WAVES FOR OUR LOCAL LIFEBOATS

Our funeral teams have been supporting their local RNLI lifeboats this year. The Caister team hosted a very successful coffee and cake morning and, thanks to the generosity of the local community, raised £126. The Cromer team have also proved that small donations can all add up, hosting a quiz night which raised over £1,000!



KNITTING POPPIES FOR POUNDS

Angela Watson from our Haughley food store put her knitting skills to good use by hand-knitting beautiful poppies, which were sold in store in aid of the Royal British Legion. The handmade poppies were so popular that Angela was awarded with a special certificate of appreciation from the charity.



ON TRACK TO SUCCESS

Our funeral teams across Suffolk took part in a week-long programme of fundraising activities to help send local athletes to the Special Olympics Great Britain National Games. From bake sales and raffles, to a three-legged race and car wash, they raised almost £900.



THE WORLD'S BIGGEST COFFEE MORNING

Cakes were baked and coffee poured by colleagues across the region, including Funeral Arranger Jackie Hatton from our Tiptree branch. Jackie once again joined forces with Tiptree Art Club to host their popular coffee and cake morning at St Luke's Church, raising over £500.



Marvellous MOVEMBER

Head of Finance, Andy Stevenson, embraced November's Movember moustache growing challenge, not only growing a fine crop of facial hair but also dyeing it bright green to mark his fundraising goal. Andy smashed his £400 target, with all money raised going to the Movember Foundation, a charity dedicated to men's health.



CHILDREN IN NEED

On Friday 17 November our colleagues baked cakes, dusted off fancy dress outfits and enlisted teddies to work for the day, raising a fantastic £7,364.43.



Family FUN DAY

Kelly Harvey from our Long Stratton Funeral Services branch hosted a family fun day this summer, raising money for both East Anglia's Children's Hospice's Nook Appeal and Nelson's Journey. Families enjoyed a fantastic day, with activities including a mobile petting zoo, face painting, bouncy castle and the chance to meet Disney characters Belle and Maui.



Kelly commented:

"We were really excited to organise this event, which was great fun and gave a chance to give something back to the families in our local community, which is something we are really passionate about."

HIKING SNOWDON

Branch Manager, Laura Battle, from our Brunswick Road store in Ipswich took on the mammoth challenge of climbing Mount Snowdon. After losing her Great Auntie to cancer not long before the climb, Laura decided to raise money for Macmillan Cancer Support, achieving over £400 with the support of the Matched Funding scheme.



Laura commented:

"So many people are affected by cancer, and I wanted to make a difference."



'FLIP IT FOR EACH'

Our Funeral teams took part in 'Flip it for EACH' to kick-start their fantastic fundraising efforts for East Anglia's Children's Hospices' Nook Appeal in Norfolk.

SUPPORTING COLLEAGUES FUNDRAISING

Our Matched Funding scheme helps our colleagues make a difference to the charities that matter to them. When our colleagues organise or take part in a charity fundraising event, the scheme will add up to £50 to the overall total.

Over the course of 2017 we recruited

20,225
NEW MEMBERS

See page 31



Membership is at the core of being a co-operative. Our members each have an equal share in our business and a say in how we're run. Converting customers into members gives us valuable insight into what they would like to see from their local co-op, and provides them access to a host of exclusive member benefits.

Membership recruitment drive

Following the success of last year's member recruitment drive, we once again challenged our colleagues to convert customers into members with two recruitment drives in all our stores and branches.

During each drive, store teams shouted loud and proud about the benefits of being a member, while handing out balloons and promoting our in-store competitions. We ran a prize draw during each event, giving members the chance to win co-op vouchers, as well as giving all new members a £3 voucher in their welcome pack.

CO-OP JUNIORS PLAY STARRING ROLE AT ANNUAL MEMBERS' MEETING

Our members were invited to join us for our Annual Members' Meeting once again in 2017 to find out our plans for the future and dividend for the year.

Over 200 members enjoyed interactive workshops and learned more about our work in the community, including our Co-op Cuppa scheme. We gave members the chance to learn about the story of the last 10 years of Sourced Locally and hear about the work of the Co-op Juniors.

We also launched our new campaign Small Things, Big Difference, find out more on pages 28 and 29.



OUT&ABOUT

Once again, we've been touring East Anglia, attending 85 shows and events, spreading the word about the great things we are doing in the local community and the benefits of being a member.

At the Suffolk, Norfolk and Tendring Shows, our marquee was packed full of activities and tasty Sourced Locally food. Members were able to enjoy free tea and coffee in our Co-op Cuppa Café, with live musical entertainment. Children enjoyed free face painting, as well as the opportunity to meet some four-legged friends from Wellies-On care farm.

We also used the opportunity to introduce Small Things, Big Difference, encouraging people to decorate our big 'Big' with examples of how our colleagues had gone the extra mile for them.

As well as these popular county shows, we also attended events such as the Aldeburgh Food & Drink Festival, Freshers' weeks, new store openings and other events in the community.



Over the course of 2017 we recruited a fantastic

954
NEW MEMBERS
at shows and events

THIS YEAR
2,836
MEMBERS VOTED IN
OUR ANNUAL DIRECTOR
ELECTIONS
See page 31



THE PERKS OF BEING A MEMBER

There are lots of benefits to being a member of the East of England Co-op.

As well as the annual dividend, affectionately known as the 'divi', and having a say in how we are run, our members have access to a host of exclusive member benefits and offers, from coupons to money off great local attractions.

These can be found in our bi-annual members' magazine, available for free in all stores and branches, as well as our monthly Members' Mash-up email.

Members can also enjoy preferential rates at local gyms, earn dividend on our holiday lets in Aldeburgh, as well as on stonemasonry from H.L. Perfit and wedding venue hire at Wherstead Park.

Find out more about member benefits at www.eastofengland.coop/memberbenefits





Since its launch in 2015, Co-op Cuppa has fuelled 816 local causes with **645,330** tea bags

Stirring up CONVERSATION

Co-op Cuppa was launched to create conversations in local communities throughout our region. Since then we've gone from strength to strength and this year donated a whopping 195,840 tea bags to 275 good causes. That's a lot of tea and a lot of conversations!

To help combat loneliness and social isolation at Christmas, this year we launched our new Tea for Two campaign as part of Co-op Cuppa. We gave away pairs of tea bags to our customers in the lead-up to Christmas.

In one week alone, our colleagues gave away an incredible 420,000 free pairs of tea bags. With each pack, we encouraged our customers to use the tea as a way of starting a conversation with someone they know, someone they may want to reconnect with or who might enjoy seeing a friendly face.

With help from local community groups who specialise in bringing people together, we also compiled top tips on how to stir up a conversation.



Serving up A CUPPA FOR OUR SERVICES VETERANS

We were also proud to provide tea and coffee for Suffolk Armed Forces Weekend in June, which was held this year in Felixstowe to mark the 350th anniversary of the Dutch attack on Landguard Fort. Past and present day personnel from the Army, RAF and Navy came together and shared memories over a Co-op Cuppa, while they enjoyed historical re-enactments, live music and fireworks.

East of England
COOP
cuppa

BRINGING YOUR COMMUNITIES together



A SMALL TOKEN MAKING A BIG DIFFERENCE

Our Community Token Scheme has made a real difference to hundreds of local people (and animals) across East Anglia. From local Scouts, Guides and Brownies to sports groups and schools, this year our members have helped us to support over 384 charities and good causes, with donations of £128,000.

Our colleagues know their local communities better than anyone, so this year for the first time we gave our stores the opportunity to choose, from those who had applied, which good causes to support.

Home-Start Mid and West Suffolk received a £500 donation; they wrote in to say:

“A big thank you to the wonderful East of England Co-op. We have purchased some lovely new toys and equipment for our family group. The children are enjoying playing with the new soft baby cubes, the wooden sensory toys, musical instrument collection and soft baby play area.”

Since the scheme started over two years ago, **£308,000** has been donated to local good causes



Helping **FOODBANKS**



In 2017, over **23,000** items of food or essentials were donated to foodbanks across East Anglia in our stores

Every day hundreds of people in the UK face the prospect of going without food and our region is sadly no exception. Foodbanks are a vital service to support these vulnerable people in our communities.

Thanks to the generosity of our members and customers, this year we've been able to provide more than 800 emergency food parcels distributed by foodbanks across Norfolk, Suffolk and Essex. With enough food and toiletries to last three days, food parcels usually include tinned meals, pasta, rice, biscuits, baby products and toiletries and can make a huge difference to the people they support.

This year we supported **1,199** COMMUNITY GROUPS AND GOOD CAUSES THROUGH CO-OP CUPPA AND THE COMMUNITY TOKEN SCHEME
See page 30

Growing a DEMENTIA-FRIENDLY COMMUNITY

As the region's leading Dementia-Friendly Retailer, we are constantly looking for new ways to support those living with dementia, their families and carers. This year we continued our commitment, sharing our award-winning training with other businesses both locally and nationally and supporting local Dementia Cafés and events in our communities, whilst continuing to train our own colleagues.

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



Walking to DEFEAT DEMENTIA

In October, we once again supported the Ipswich Defeat Dementia Walk which raised over £14,000 for Alzheimer's Research UK. This was the second consecutive year we have been involved in the local event which saw hundreds taking in the sights of Ipswich as well as enjoying a glass of fizz at our own 'Prosecco Point', where more than 120 glasses were poured outside our Colchester Road store.

POP-UP DEMENTIA CAFE



In December, we joined forces with Greater Anglia, Norwich City Dementia Action Alliance and Wymondham Dementia Support Group to host a dementia café at Norwich railway station. More than 50 people enjoyed a visit to the pop-up café where they were able to get into the festive spirit, listening to carol singers and meeting some miniature donkeys.



CREATING DEMENTIA Friends



Since launching our multi-award-winning Dementia-Friendly Training, an impressive 5,435 colleagues, past and present, have completed the programme. Our Dementia Champion, Sharon Harkin, has also helped create a further 392 Dementia Friends, providing training to local businesses from vets to solicitors, as well as Greater Anglia, P&O and Coastal Partnership East.

We are also incredibly proud to have been invited to take part in the Dementia-Friendly Business Guide. Launched in May, we worked alongside Barclays, British Gas, BT, Lloyds Banking Group, Sainsbury's, Zurich Insurance, Celesio, Coutts and Heathrow Airport to inform and develop the guide which is now available at www.alzheimers.org.uk



A seaside trip DOWN MEMORY LANE

As part of Dementia Awareness Week in May, we took over 40 people living with dementia, and their carers, to the seaside town of Felixstowe. Travelling on a 1940s bus provided by Ipswich Transport Museum, the group visited the seafront for a seaside sing-a-long and stick of rock, before enjoying afternoon tea at the Orwell Hotel.

At this year's Forget Me Not Friday, our colleagues raised an incredible **£4,821** for the Alzheimer's Society



All ages TEAM UP FOR FAIRTRADE FORTNIGHT

Following the success of 2016's Fairtrade Breakfast during Fairtrade Fortnight, we marked this year's event (27 February to 12 March) by encouraging colleagues and three local schools to hold their own Fairtrade Breaks.

Fairtrade Breaks are designed to raise awareness about the importance of ethical food production.

More than 80 colleagues attended our own Fairtrade Break at Wherstead Park where we provided Fairtrade chocolate, coffee, tea and the chance to win one of three goodie bags of Fairtrade produce.

Our Community Engagement team visited Gilbert School in Colchester, Sir John Leman High School in Beccles and Cobholm Primary Academy in Great Yarmouth to highlight the importance of trading fairly to a younger generation, providing them with donations so they could host their own Fairtrade Breaks.



NEW INITIATIVE FOR OUR FUNERAL SERVICES TEAM

Since last summer, 97 of our funeral colleagues have participated in our new Dementia-Friendly Funeral Services training. In 2018, we plan to roll this out further to provide greater support to families who place their trust in us during their time of need.



Small things BIG DIFFERENCE

This year, we launched Small Things, Big Difference to help explain why we are different.

Our vision is to be trusted by our members, our customers and our communities as the first choice locally. To be the local shop you pick up dinner or a pint of milk from on the way home, or the trusted funeral professionals to organise the final journey of a loved one.

Small Things, Big Difference embodies the actions we take as a business to achieve our purpose; to be a business for people and communities, not just for profit.

From the friendly welcome our colleagues offer in our stores to the countless occasions our colleagues go that extra mile for our customers and community, it all adds up to what we believe is the Co-op difference.

To help bring Small Things, Big Difference to life, we have been busy this year gathering stories from our members, customers, colleagues and local producers, and turning them into a series of short films which tell our story.

From Jack Brock, a delightful pony who helps us start conversations about dementia, to the young people in the Co-op Juniors, the Ipswich-based children's theatre company we have supported for more than 70 years, you can enjoy all our short films at www.smallthings.coop

Minnie Moll, Joint Chief Executive, said:

"We have always been there for our community, but Small Things, Big Difference, brings this to life and helps our colleagues strive to do more and our customers be even prouder of their local Co-op."



HOW COLLEAGUES MAKE THE DIFFERENCE

To help all our colleagues understand how important Small Things, Big Difference is to our business, we developed a new interactive e-learning course, which all colleagues undertook. The course provides information on how our business has developed and looks at our vision and purpose to help colleagues understand why we are here and what we want to achieve. Our values – 'we care', 'we can do' and 'we grow' – underpin the training.

The training used real colleague and customer stories to bring Small Things, Big Difference to life, including customer Julie Preston's story and how our Dementia Friendly Retail initiative helped her.

Julie's mum, Beryl, was a regular customer at our store in Colman Road, Norwich, and was living with progressive dementia. Maintaining her independence was crucial for 84 year old Beryl, and Julie was keen for her Mum to keep doing everything she had done before.

"Mum wanted to live independently so, while keeping an eye on her, we let her do as she wished," said Julie.

"She had always shopped at our local Co-op and started to go in a few times each day as she felt safe there and everyone was so nice. They really looked after her, called me if she needed help and, without a doubt, were responsible for keeping Mum going strong and happy for a good few extra years".

"We'll always go above and beyond and I think that is the Co-op difference."



Who makes your Co-op work?

Emma Bettis, Branch Manager at Costessey, Norfolk

I started at the East of England Co-op as a Saturday job when I was still in school and never left! Now, 18 years on I'm Branch Manager and love what I do.

I joined the Costessey branch last April and it's been a brilliant year getting to know the store, our customers and of course the team. I'm known for having a personable and approachable management style, described by some as firm but fair, and I like everyone to equally share jobs and get involved. For me, communication is key and I think it is really important that my team are engaged with the business and understand why we do what we do.

I was delighted when our store had the greatest increase in participation in the Colleague Engagement survey. There was no magic formula to it; I simply asked the team to do it and gave them the privacy to fill it in so they could share their opinions freely.

Thanks largely to the tireless work of one of our colleagues, I was really proud when our branch successfully recruited hundreds of new members during one of this year's membership recruitment drives, the most across the whole business.

Locally we are known for being a friendly store and have many regular customers. Whether it's helping our customers with their shopping, ordering in specific items or even just taking the time to have a conversation, these small things can often mean a great deal. We'll always go above and beyond and I think that is the Co-op difference.

Measuring our Co-operative Performance

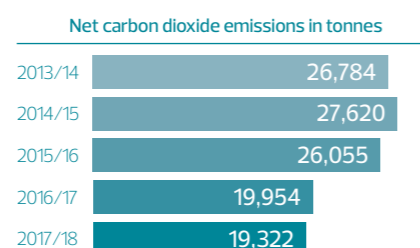
What we measure and why

Performance

Commentary

Are we improving our impact on the environment?

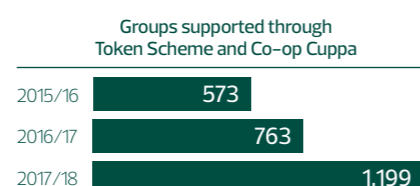
Carbon emissions from electricity, gas and heating oil usage for trading and central function premises, road fuel (excluding personal mileage claims) and refrigerated trailer fuel are measured. We do this to ensure our Co-op is meeting its target of a 3% reduction in carbon emissions year on year.



Despite an increase in our trading space, such as the opening of Acle and Harleston stores, our net carbon emissions represents a 3.2% decrease from last year and an overall 39% decrease since we started measuring in 2010/11.

Are we supporting communities?

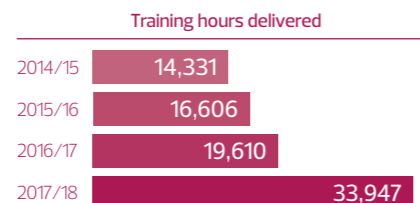
The number of groups supported through our Community Token Scheme and Co-op Cuppa allows us to measure both impact on communities at a grassroots level and member participation. Supporting good causes from schools and charities to Brownies and sports, we're helping to develop and sustain our communities.



Now in its third year, Co-op Cuppa is growing in popularity and being used as a tool by our family of businesses to forge relationships with their communities.

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.



Learner hours have increased significantly since we launched our eLearning platform. This year the introduction of the Apprenticeship Levy has allowed us to launch several new apprenticeship programmes across the business and is largely responsible for the significant growth in learning hours.

Is the Society profitable?

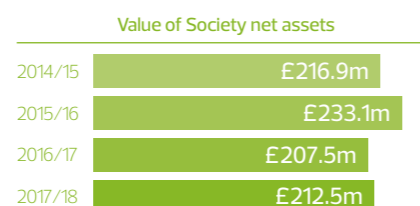
We measure our underlying trading profit, which is the money we make before we take off any exceptional items. We do this to see if the core business is profitable and provide a more comparable figure on a year-on-year basis.



Although a decrease from last year, our underlying trading profit has remained relatively stable for the last few years, with the small drop due to increased operating expenses.

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.



Our balance sheet has remained strong over recent years.

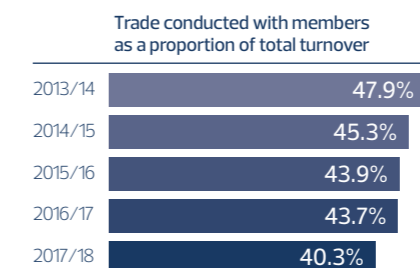
What we measure and why

Performance

Commentary

What trade do we do with members?

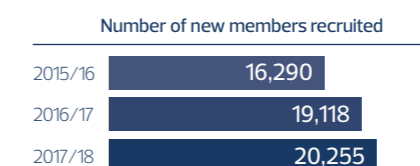
We measure the qualifying spend by our members as a percentage of total turnover. As a co-operative society owned by our members, we want to deliver the goods and services that meet their needs.



The proportion of spend by members has been falling by a small percentage each year. We will continue to work hard to attract and retain new members of our Society.

Are we attracting new members?

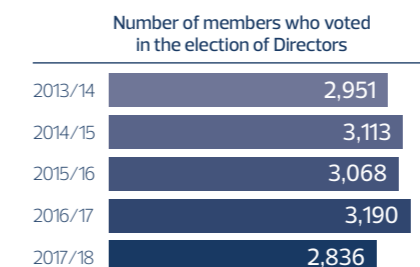
We measure the number of new members who have joined us at events, in-store and online. As a co-operative with a voluntary and open membership, it's important we continue to recruit new members, giving customers an equal say in how we're run.



Member recruitment is at a three year high, with a 5.9% increase in new members joining us in 2017/18 compared to 2016/17. We are pleased to have exceeded our target of 20,000 new members.

How many members are involved in democracy?

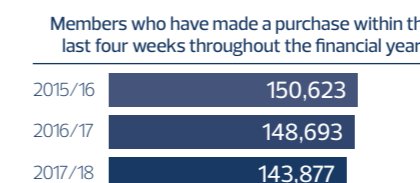
As a core co-operative value, members should each have an equal say in the running of our co-operative. We measure democratic member control through measuring the number of members who vote in our election to the Board of Directors.



The number of votes cast in our elections has fluctuated over the years. We believe this year's decrease in votes was due to fewer members standing for election – just nine compared to 31 in 2016.

How many of our members are active?

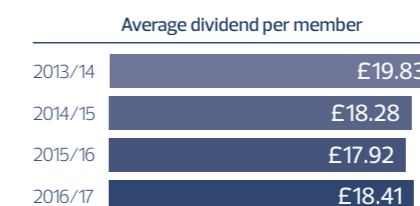
We measure this by the average number of members who have made a purchase within the last four weeks throughout the financial year. We want to encourage our members to engage with our Co-op, as we know that more active and engaged members lead to a more successful and vibrant local Co-op.



The number of active members has been reducing in recent years, which is consistent with the reduction in member spend reported above.

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.

Corporate Governance Report

The Board is pleased to report on the governance policies and practices within the Society for the year ended 27 January 2018.

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, pharmacy, optical, events and conferencing, security and stonemasonry.

Membership matters

Membership is at the heart of any true co-operative enterprise and it is vital to building the Society's future. The Board aims to recruit, engage and involve members in the Society, and to reach out to those who have not previously engaged with the Society. Throughout the year, the Society attends many events across the region which facilitate contact with members. This work is combined with traditional methods of member engagement such as the Annual Members' Meeting. All membership meetings are 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 27 January 2018, the Society proposes to pay a dividend representing 1.5% (2017: 2.0%) 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 2018.

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

The Society rules govern the distributions made. The table below details the amounts the Board plans to distribute in the year under review, in accordance with these rules. The aggregate dividends recognised as an expense in the year amount to £2,711,000 (2017: £2,732,000).

Distribution of profits

	£000
Interest on share accounts	75
Dividend	2,140
Member and communities	597
Community investment	110
Co-operative Party	33
Donations	15
Amounts retained by the Society for reinvestment*	1,327
Total profit available for distribution*	4,297

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

The Board

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

Society rules

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

Copies of the Society's rules are available from the Secretary.

The Board – duties and responsibilities

The Directors, as elected by members, are ultimately responsible for:

- Setting the Society's policy objectives
- Monitoring the achievement by management of those objectives
- Identifying and managing risk

Given the distinctive nature of co-operative societies, the Board also has a duty to ensure that the Society operates as a bona fide co-operative and adheres to the values and principles unique to these organisations.

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

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

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

Board procedures

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

Independent advice

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

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

Consultant	Purpose	Fees paid £000
KPMG LLP	Pension advice and internal audit	230
Ellisons Solicitors	General property advice and acquisitions	166
Fenn Wright	Property advice and agency fees	99
PricewaterhouseCoopers LLP	External audit and VAT advice	83
Boyer Planning Ltd	Planning consultancy	78
Kerseys Solicitors	Legal advice including advice on disposals and property transactions	76
Mills & Reeve LLP	Legal advice	72
RSM UK Group LLP	Corporate tax compliance and capital allowances claims	68

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	264
Pension Protection Fund	Annual levy for security fund	123
Shoosmiths LLP	Legal advice	67
Pan Trustee Services Ltd	Independent Trustee	44

Board development and evaluation

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

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 focused 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 2017, there were five vacancies on the Board and nine 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 2017–18 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	Ways of Working Group
Directors	Term of Office		Committees					
Mr C J Barrett	May 13	May 17	4(4)				1(1)	
Mrs B Bulsing	May 14	May 18	11(13)		4(4)	2(2)		6(6)
Mrs S Chicksen	May 13	May 17	4(4)				1(1)	4(4)
Mr J Cook	May 17	May 21	13(13)				7(7)	
Mrs N Fox	May 16	May 20	12(13)	5(5)			1(1)	
Mr P Hartwell*	May 15	May 18	12(13)		4(4)	3(3)	1(1)	5(6)
Mr J Hawkins	May 16	May 20	13(13)	3(3)	4(4)		1(1)	6(6)
Ms E Howard	May 15	May 19	13(13)		8(8)			6(6)
Mrs C Johnsen	May 15	May 19	9(13)	5(5)				
Mr C E Mann	May 14	May 18	13(13)	2(2)			6(6)	
Mr C Matthews	May 16	May 20	13(13)			5(5)		
Mrs C Moore*	May 15	May 18	10(13)	4(5)				
Mr C Newbury	May 17	May 21	13(13)		8(8)			6(6)
Mrs J Newman	May 17	May 21	8(9)		3(4)			
Ms B Perkins	May 14	May 18	13(13)			2(2)	5(5)	4(6)
Mrs F Powell	May 17	May 21	7(9)			3(3)		
Mr S Shaw	May 16	May 20	13(13)			5(5)		
Ms M Veronese**	May 16	May 17	3(4)				1(1)	
Mr R Youngs**	May 17	May 19	8(9)				4(5)	

This table does not record attendance at the AMM, three informal development workshops and a visit to stores and potential developments.

One special Board meeting was arranged at short notice to discuss the acquisition of the former Budgens store in Harleston.

Absences indicated above include instances of meetings being called at short notice, other Director duties and cases of ill-health.

* Phil Hartwell and Celia Moore will each complete 12 years continuous service in May 2018 and will need to stand down at this time for at least one year.

**Richard Youngs was elected to fill a casual vacancy for two years arising on the resignation of Maria Veronese, in May 2017.

On 24 May 2017, Clive Mann was elected President and Phil Hartwell was elected Vice-President, each to serve for one year to May 2018.

Remuneration and Search Committee

Terms of reference

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 seven times during the year. 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 during the year: PicassoHR (principally for Executive appraisal advice) and FIT Remuneration Consultants (for Executive remuneration advice).

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 PicassoHR. 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' fees and expenses

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. Last year it was reported that as there was no longer a single Usdaw annual settlement figure it was felt more appropriate to use the average weekly earnings index as produced by the Office for National Statistics. For 2018/19 Directors propose to retain this measure, which delivers an increase of 2.5%. If approved by members, this will increase Director fees by £208 to £8,513.

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 suffering a disability, and that Director incurs costs in arranging alternative care for that dependant to enable them to attend Board meetings, the actual costs that are necessarily, wholly and reasonably incurred in the provision of such care may be recovered from the Society.

Directors receive employee discount during their term of office.

For full details of expenses paid, see table on page 38.

Pension Review

A major project undertaken by the Pensions, HR and Finance teams involved the merger of the Society's closed final salary pension schemes. The schemes of the former Colchester and East Essex Society and the Ipswich and Norwich Society have now been combined to form the East of England Co-op Retirement Benefits Scheme. The scheme is closed but exists to pay the benefits that accrued to scheme members up until 2011. Merger will result in significant administration savings and

reflect a clear link to the East of England Co-op for the many years over which pension benefits will be paid.

The Society now meets its obligations to provide access to a pension scheme through a single stakeholder scheme operated by the Royal London Group.

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 (last format review December 2017) 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, to oversee the implementation of the strategy and to check 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 February 2018 Board agenda.

Activities during the year

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

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.

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

Meetings

The Committee met formally five 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 members attended (as part of the wider Board) a Report and Accounts Masterclass presented by colleagues from the Society's Finance Team. In addition the Committee held a special meeting in February with the Remuneration and Search Committee to receive findings from KPMG following completion of a Board Effectiveness review.

At the time of writing, the Committee are arranging for a training session to be held in 2018 focussing on developing an understanding of a number of key areas relating to Cyber Security.

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 and understanding changes within financial accounting standards
- Overseeing a Board effectiveness review conducted by the Society's internal auditor KPMG
- Review and approval of the Society's:
 - Fraud reporting policy
 - Modern slavery statement
 - Taxation policy – Fair Tax Mark
- Review of the format used when reporting Health and Safety matters to the Board
- Review of post investment appraisals completed between 2013 and 2015
- 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:

- Net inventory carrying value
- Investment and trading property valuations
- Defined benefit pension plan net liability

Other areas of focus for the Audit and Risk Committee were:

- Closure of distribution centre

- Compulsory purchase order of Society-owned land (Network Rail)
- Funeral bonds
- 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.

Ways of Working Group

Through 2017 the Board looked at how it works, with a view to finding more space on Board agendas for serious discussion of Society business and co-operative strategy.

More time needed to be found at Board meetings and the only realistic option was to reduce the number of routine items that filled the Board agenda. The only way to do this was to delegate more power to Board Committees and to the Joint Chief Executives.

All Committee terms of reference were reviewed and their delegated powers were increased. Similarly, the authority levels for Joint Chief Executives to commit capital expenditure were increased, strictly subject to the expenditure falling within the headline strategy or project already discussed and agreed by the Board.

Making this significant change has been a challenge for the Board and will require trust and confidence in the abilities of the Committees and the Executive team. However, steps have been taken to fill future Board agendas with strategy items by programming two-hour discussions at each of seven Board meetings through the year. The Board is confident that the level of strategic discussion in the boardroom will rise considerably, both in quality and quantity, for the benefit of the whole Society.

Directors' fees and expenses

Director	2017/18 fees received £	2017/18 expenses £	2016/17 fees received £	2016/17 expenses £
Colin Barrett*	2,807	232	8,110	984
Belinda Bulsing	8,238	504	8,110	649
Sally Chicken*	2,807	–	8,110	2,224
John Cook	8,238	265	8,110	481
Nicola Fox	8,238	385	8,110	318
Phil Hartwell	8,238	1,199	8,110	541
John Hawkins	8,238	754	8,110	664
Emma Howard	8,238	206	8,110	273
Claire Johnsen	8,238	–	8,110	21
Clive Mann	8,238	1,949	8,110	894
Chris Matthews	8,238	1,183	5,459	146
Celia Moore	8,238	154	8,110	21
Chris Newbury	8,238	1,315	8,110	553
Judi Newman*	5,430	157	–	–
John Pendle	–	–	2,807	32
Beverley Perkins	8,238	241	8,110	600
Fiona Powell*	5,430	194	–	–
Tereza Scrogie	–	–	2,651	222
Steven Shaw	8,238	476	8,110	688
Maria Veronese*	2,807	379	5,459	1,183
Richard Youngs*	5,430	1,030	–	–
	131,805	10,623	129,916	10,494

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

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

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.

Management Executive emoluments

	Salary £000	Benefits in kind £000	Employer pension contributions £000	2017/18 total emoluments £000	2016/17 total emoluments £000
Nick Denny	181	18	10	209	209
Mike Faulkner	148	11	15	174	171
Doug Field	201	8	20	229	228
Roger Grosvenor	258	34	–	292	290
Minnie Moll*	157	11	14	182	176
Mark O'Hagan*	180	18	11	209	212
	1,125	100	70	1,295	1,286

*Minnie Moll and Mark O'Hagan operate flexible working hours. Payment for time worked in excess of contracted hours means that salary can fluctuate year-on-year for these members of the management executive.

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	60	10	22	–

Nick Denny chose to transfer his pension in May 2017.

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)	
John Cook	Ipswich Borough Councillor	Co-op Loan Fund (Director)
Nicola Fox	Your Confidence Expert Ltd	
Phil Hartwell	Harwich Connexions (Director) Co-operatives UK (Director) Co-op Group Members' Council	
John Hawkins	St Helena Hospice (Trustee and Vice-Chair)	
Chris Matthews	Co-operatives East (Director)	
Judi Newman	Inderwick Pubs Ltd Inderwick Equestrian Activities Ltd Inderwick Investments Ltd	We Are Relish Ltd The Very Sensible Company Ltd The Seckford Foundation
Beverley Perkins	Co-operative Press (Director) Co-op Group Members' Council Co-op Group Members' Senate	Co-op Group Vice President Strategy Performance & Development
Steve Shaw	Co-op Juniors Theatre Company (Director)	
Nick Denny	Eastern Enterprise Hub (Director)	ASSET Education (Director)
Doug Field	Give & Take Care community interest company (Director) New Anglia Local Enterprise Partnership (Chair) Ipswich Vision Board	
Roger Grosvenor	FRTS Ltd The Recovery Hub Ipswich (Director) Raedwald Trust (Director)	
Minnie Moll	Ipswich Central Management Ltd Suffolk Business Women (Director)	The Prince's Responsible Business Ambassador for the East of England
Mark O'Hagan	Co-operative Employer's Association Ltd	Grandmentors Ipswich

NB All Directors of the Society are directors of subsidiary co-operatives. Clive Mann 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.

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 remain largely unchanged and fall within the themes of economic uncertainty, competition/market disruption and loss of central IT. The changing demographics of the UK, especially the ageing population along with the impact of artificial intelligence and other technologies, are also likely to influence the business in the future.

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, the decision to leave the EU and rising inflation may give rise to significant changes in consumer spending patterns in our markets. This could have a substantial impact on the performance of businesses operated by the Society.	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, a food store refresh programme and expansion of our funeral operations. If these projects aren't implemented effectively and on time then there could be an impact on profitability.	We measure trends in our performance and competitiveness e.g. price checks and promotional offers, as appropriate to the competitive landscape. The Society monitors competitor actions as far as is possible from information in the public domain and takes appropriate mitigating actions where possible. Projects are managed using recognised project methodologies and are supported by Society training and development programmes.
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 General Data Protection Regulation (GDPR) comes into force in May 2018. Work is in progress to ensure 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 significant sums of money in technology and is now 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. Cybersecurity 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. 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 Nisa and Costcutter acquisitions by Co-op Group could potentially impact our supply chain if not managed appropriately.	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. The retention of our own ambient Distribution Centre and the related vehicle fleet also helps mitigate risk.
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 recent Nisa and Costcutter acquisitions by Co-op Group have the potential to add to brand confusion with the risk of 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 also being considered for investment property developments and a new IT system. 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 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 merged its two final salary schemes during the financial year, which will reduce risk and administration. 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, pharmacy, optical, 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. Audits are also 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 is 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:



Clive Mann **President**
21 April 2018

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 (3,561 replies) to our annual colleague engagement survey. There has been an increase in overall engagement for the fifth year in a row. Colleagues have recorded the highest scores for feeling pride in the Society, enjoying their job and receiving praise from their manager.

Equal opportunities

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

The Society employs 188 colleagues who are aged 65 or over (equal to 4.3% of our workforce). We even have two colleagues in their 80s. The Society was featured positively in an ITV Anglia TV report as an employer that recruits on merit.

We continue to pay our colleagues under 25 years of age the full adult National Living Wage.

We were the first retailer in the country to report on our gender pay gap. We have a mean gender pay difference of 20% and we recognise that there is an imbalance in our higher paying roles. We want female colleagues to be better represented in the talent pools from which we recruit our future senior managers. 55% of all our managers (including Team Managers) are female which has increased by 5% from the previous year.

We have provided employment to eight serving prisoners from Hollesley Bay 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 re-offending.

The Society employs 20 members of staff in Food Retail who have learning disabilities. They play an important role in their stores and communities, working from six hours per week up to full time.

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 27 January 2018 were 21 days (2017: 22 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 £32,000 (2017: £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 is required to complete a compliance questionnaire, drawn up by Co-operatives UK, to enable a formal assessment of its compliance with the Code by Co-operatives UK. This questionnaire will be available to members on request. Those interested should contact the Secretary.

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 'Member Value Statement'. The value that members obtain from the Society is both economic and social and defining this is not a key priority of the Board.
Voting opportunities	The Board has introduced electronic voting in the election for Directors but on grounds of cost has not adopted this procedure for voting on motions at the Annual Members' Meeting.
Major transactions	The Society does not have a rule requiring major transactions involving more than 25% of the entire value of the Society to be put to members for decision. No such decisions have arisen in living memory other than Society mergers, which the rules require to be put to Special Members' Meetings.
Director remuneration	The Society does not pay Directors for earnings lost through carrying out Board duties. The matter is kept under review but currently the Board believes that the basic fee adequately compensates Directors for their contribution.
Three-year term for Directors	The Code advises Societies to have three-year terms for Directors and to limit consecutive service to three terms. With a Board of 16 Directors, it is felt that four-year terms are more appropriate and the consecutive service limit is expressed as 12 years rather than three terms.
Independent professional advice	The Code calls for a single Director to be able to seek independent professional advice at the Society's cost. The Board believes that with 16 Directors it is not unreasonable to require a Director to gain the support of two others before it pays for independent legal advice.

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.

On behalf of the Board:



Mike Faulkner
Secretary

21 April 2018



Clive Mann
President

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 76 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:



Clive Mann
President



Phil Hartwell
Vice-President



Mike Faulkner
Secretary

21 April 2018

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 27 January 2018 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 27 January 2018;
- 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 group 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: £3.6 million (2017: £3.5 million), based on 1% of revenue

Audit scope

- The two core operating businesses are made up of eight reporting units and the Group financial statements are a consolidation of those eight reporting units and centralised functions
- East of England Co-operative Society, Ardencrest Limited and the centralised functions were considered to be financially significant and therefore were subject to audits of their complete financial information by the Group audit team

Key audit matters

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

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>Refer to page 37 (Corporate Governance Report).</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.</p>	<p>We assessed management's judgements with respect to the stock provision. The key judgement related to the provision rates applied to fresh produce and each store. We compared these rates to those used in prior years and challenged management where those rates had changed during the period, agreeing to corroborative evidence where appropriate.</p> <p>We also agreed stock quantities and values to the underlying records and reviewed the level of provision against previous years and any actual write-offs during the period.</p> <p>We have concluded that the key judgements made by management were appropriate.</p>
<p>Investment and trading property valuations</p> <p>Refer to page 37 (Corporate Governance Report).</p> <p>The Society holds a large number of investment properties with a carrying value of £115.9 million. This represents an increase of £9.3 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 upward revaluation gain of £4.5 million was recognised in the Group Revenue Account relating to investment properties. No impairment charge was recognised against the trading properties.</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 Group'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 Group's internal valuers. This gave us evidence that the movements were consistent between the external and Group'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>Refer to page 37 (Corporate Governance Report).</p> <p>See also note 5.3 to the financial statements for the directors' disclosures of the related accounting policies and detailed pension disclosures.</p> <p>The Group has a defined benefit pension plan net liability of £41.9 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.

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 eight reporting units and the Group financial statements are a consolidation of those eight reporting units and centralised functions.

East of England Co-operative Society Limited, Ardencrest Limited and the centralised functions were considered to be financially significant and therefore were subject to audits of their complete financial information by the Group audit team. This scope of work, together with audit work on the consolidation, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and 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	£3.6 million (2017: £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 £1.3m to £3.2m. 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 £100,000 (2017: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 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.

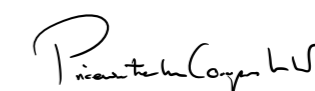
Other required reporting

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:

- 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



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors
Cambridge
21 April 2018

Group Revenue Account

For the 52 weeks ended 27 January 2018

	Note	2018 £000	2017 £000
Turnover	1.1	353,622	347,709
Cost of sales	2.1	(246,451)	(243,297)
Gross profit		107,171	104,412
Operating expenses	2.1	(103,487)	(99,978)
Trading profit		3,684	4,434
Changes in fair value of investment properties		4,457	1,571
Unrealised impairment of tangible and intangible fixed assets		–	(605)
Curtailment gains		1,544	–
Past service costs		(1,279)	–
Costs relating to distribution centre restructure	2.1	(4,703)	–
Restructuring costs		(323)	(658)
Profit before interest, distributions and taxation		3,380	4,742
Interest receivable and similar income	2.2	4,496	1,969
Other finance expense	2.2	(1,246)	(630)
Profit before distributions and taxation		6,630	6,081
Dividend		(2,711)	(2,732)
Grants/donations	2.3	(672)	(610)
Profit before taxation		3,247	2,739
Taxation	3.1	(1,209)	(822)
Profit for the financial year		2,038	1,917

The above results relate to continuing activities.

Costs relating to distribution centre restructure include restructuring costs of £1,800,000 and unrealised impairment of tangible fixed assets of £2,903,000.

	Note	2018 £000	2017 £000
Alternative performance measure – underlying trading profit			
Profit before interest, distributions and taxation		3,380	4,742
Changes in fair value of investment properties		(4,457)	(1,571)
Unrealised impairment of tangible and intangible fixed assets		–	605
Pension scheme merger fees		500	–
Curtailment gains		(1,544)	–
Past service costs		1,279	–
Costs relating to distribution centre restructure	2.1	4,703	–
Restructuring costs		323	658
Underlying trading profit for the year		4,184	4,434

Group Statement of Comprehensive Income

For the 52 weeks ended 27 January 2018

	Note	2018 £000	2017 £000
Profit for the financial year		2,038	1,917
Remeasurements of net defined benefit obligations	5.3	2,367	(29,595)
Movement in deferred tax relating to pension liability	3.1	840	2,410
Effect of change in rates on movement in deferred tax relating to pension liability	3.1	–	61
Total other comprehensive income/(expense)		3,207	(27,124)
Total comprehensive income/(expense) for the year		5,245	(25,207)

Group Balance Sheet

As at 27 January 2018

	Note	£000	2018 £000	£000	2017 £000
Fixed assets					
Intangible assets	4.1		12,079		9,973
Tangible assets	4.2		231,303		220,477
Investments	4.3		50,039		41,060
			293,421		271,510
Current assets					
Stocks	4.4	19,535		19,939	
Debtors	4.5	9,384		8,512	
Investments	4.3	3,913		5,439	
Cash at bank and in hand		5,778		16,479	
		38,610		50,369	
Current liabilities					
Creditors – amounts falling due within one year	5.1	(37,098)		(33,758)	
Net current assets			1,512		16,611
Total assets less current liabilities			294,933		288,121
Long-term liabilities					
Creditors – amounts falling due after more than one year	5.1		(38,450)		(32,947)
Provision for other liabilities	5.2		(13)		(10)
Net assets excluding pension liabilities			256,470		255,164
Pension liabilities					
Deficit on defined benefit schemes	5.3		(41,876)		(45,645)
Other retirement benefits	5.3		(2,051)		(2,008)
Net assets			212,543		207,511
Capital and reserves					
Share capital	6.1		7,810		8,147
Fair value reserve			40,579		40,638
Revenue reserve			164,154		158,726
Members' funds			212,543		207,511

Group Statement of Changes in Equity

For the 52 weeks ended 27 January 2018

	Share capital £000	Fair value reserve £000	Revenue reserve £000	Total £000
As at 23 January 2016	9,303	38,139	185,642	233,084
Profit for the year	–	–	1,917	1,917
Other comprehensive expense	–	–	(27,124)	(27,124)
Transfer	–	2,499	(2,499)	–
Total comprehensive income/(expense) for the year	–	2,499	(27,706)	(25,207)
Contributions to share capital	812	–	–	812
Dividend cheques paid in	501	–	–	501
Withdrawals	(1,497)	–	–	(1,497)
Share interest	70	–	(75)	(5)
Dormant share accounts released to reserves	(1,042)	–	1,042	–
Corporation tax on dormant share accounts	–	–	(177)	(177)
Total transactions with members recognised directly in equity	(1,156)	–	790	(366)
As at 28 January 2017	8,147	40,638	158,726	207,511
Profit for the year	–	–	2,038	2,038
Other comprehensive income	–	–	3,207	3,207
Transfer	–	(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

Group Cash Flow Statement

For the 52 weeks ended 27 January 2018

	Note	2018 £000	2017 £000
Net cash from operating activities	7.3	12,563	7,312
Taxation paid		–	(3)
Net cash generated from operating activities		12,563	7,309
Cash flow from investing activities			
Purchase of subsidiary		–	(1,234)
Purchase of intangible assets		(3,716)	(320)
Purchase of tangible assets		(16,916)	(11,183)
Proceeds from disposals of tangible assets		1,279	4,234
Purchase of funeral bond investments		(9,467)	(7,781)
Interest received and similar income		903	1,111
Net cash used in investing activities		(27,917)	(15,173)
Cash flow from financing activities			
Contributions to share capital		886	812
Dividend cheques paid in		517	501
Share capital withdrawn		(1,580)	(1,497)
Net cash used in financing activities		(177)	(184)
Net decrease in cash and cash equivalents		(15,531)	(8,048)
Cash and cash equivalents at the beginning of the year	7.3	18,493	26,541
Cash and cash equivalents at the end of the year		2,962	18,493
Cash and cash equivalents consists of:			
Cash at bank and in hand		2,962	16,479
Short term deposits (included in current asset investments)	4.3	–	2,014
Cash and cash equivalents		2,962	18,493

Accounting Policies

General information

The East of England Co-operative Society (registered number 1099R) and its subsidiaries operate convenience stores, supermarkets, travel, pharmacy, optical 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 27 January 2018 (2017: 53 weeks ended 28 January 2017).

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 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.

	2018 £000	2017 £000
Turnover		
Retail	345,913	340,383
Property	7,709	7,326
	353,622	347,709

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.

	2018 £000	2017 £000
Cost of sales	246,451	243,297
Personnel (note 2.1.1)	60,539	60,233
Occupancy costs	12,216	12,025
Profit on sale of fixed assets	(217)	(21)
Hire of plant and machinery	96	5
Vehicle contract hire/lease	520	568
Depreciation and other amounts written off tangible fixed assets	6,413	6,441
Amortisation of intangible fixed assets	1,610	1,625
Auditors' remuneration		
– Fees payable for the audit of consolidated financial statements	12	12
– Fees payable for the audit of the Society and its subsidiaries	65	63
– Non-audit fees – VAT advice and assistance	–	45
Directors' fees (note 2.1.3)	132	133
Other expenses	22,101	18,849
Operating expenses	103,487	99,978

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:

	2018 £000	2017 £000
Restructuring costs	1,800	–
Unrealised impairment of tangible fixed assets	2,903	–
Total relating to distribution centre restructuring	4,703	–

2.1.1 COLLEAGUES

	2018 Number	2017 Number
The average number of persons employed by the Society during the year was:		
Full time	1,120	1,138
Part time	3,185	3,141
	4,305	4,279

	2018 £000	2017 £000
The cost incurred in respect of these employees was:		
Wages and salaries	53,840	53,449
Social security costs	3,060	2,900
Other pension costs	3,639	3,884
	60,539	60,233

2.1.2 KEY MANAGEMENT COMPENSATION

KEEPING IT SIMPLE – KEY MANAGEMENT COMPENSATION

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

	2018 £000	2017 £000
Key management includes members of the Management Executive. The compensation paid or payable to key management for employee services is shown below:		
Salary	1,125	1,117
Taxable benefits	100	66
Pension contributions	70	103
	1,295	1,286

Two of the Management Executive who served during the year are members of the Society's defined benefit pension schemes. Four 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.

	2018 £000	2017 £000
Salary	258	256
Taxable benefits	34	34
	292	290

	2018 £000	2017 £000
Transfer value of total accrued pension	1,018	1,199

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

	2018 Number	2017 Number
£170,000 – £180,000	1	2
£180,000 – £190,000	1	–
£200,000 – £210,000	2	1
£210,000 – £220,000	–	1
£220,000 – £230,000	1	1
£290,000 – £300,000	1	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.

	2018 £000	2017 £000
Directors' emoluments		
The total remuneration of the Directors for their Board duties was as follows:		
Fees	132	133
The number of Directors whose emoluments fell in each £5,000 bracket was as follows:		
	2018 Number	2017 Number
£0 – £5,000	3	2
£5,001 – £10,000	16	16

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.

	2018 £000	2017 £000
INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable (note 4.3)	112	261
Investment income (note 4.3)	4,384	1,708
	4,496	1,969
	2018 £000	2017 £000
OTHER FINANCE EXPENSE		
Interest expense on pension obligations (note 5.3)	1,246	630

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.

	2018 £000	2017 £000
GRANTS/DONATIONS		
Member and Community Services expenditure	651	608
Donations	21	2
	672	610

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**

	£000	2018 £000	£000	2017 £000
Current tax:				
UK corporation tax on profits for the year	359		–	
Adjustment in respect of prior years	7		–	
UK current tax charge		366		–
Deferred tax:				
Effect of change in rate on opening liability	–		(39)	
Timing differences arising in the year	232		564	
Adjustment in respect of prior years	611		297	
UK deferred tax charge		843		822
Total UK tax charge		1,209		822

3.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

TAX RECONCILIATION

The current tax charge assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £000	2017 £000
Profit before tax	3,247	2,739
Tax due if paid at the applicable UK corporation tax rate 19.18% (2017: 20.00%)	623	548
Adjustments relating to current tax:		
Expenses not deductible for tax purposes	16	171
Income not taxable relating to property revaluations	(298)	–
Expenses not deductible relating to pension scheme (Accelerated)/decelerated capital allowances	322	126
Short-term timing differences in relation to accounting provisions	(279)	957
Short-term timing differences in relation to funeral bonds	323	166
Effect of tax relief on pension contributions	109	114
Effect of land remediation relief	(439)	(2,307)
Unrelieved tax losses arising in period	(18)	–
Adjustment to tax charge in prior period	–	225
UK current tax charge	7	–
Adjustments relating to deferred taxation:		
Effect of change in rate on opening liability	–	(39)
Adjustment in respect of prior period	611	297
Accelerated/(decelerated) capital allowances	682	(813)
Impact of rental payments to property partnership	–	107
Impact of pension scheme movements in revenue account	–	(107)
Unrelieved tax losses arising in period	–	(369)
Short-term timing differences in respect of pension contributions	(66)	1,961
Short-term timing differences in relation to funeral bonds	(97)	(97)
Other short-term timing differences	(287)	(118)
UK deferred tax charge	843	822
Total UK tax charge	1,209	822

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 changed from 20% to 19% on 1 April 2017 which was during the financial year. The standard rate of 19.18% applicable for the year has therefore been calculated on a time-apportioned basis.

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.

Income not taxable relating to property revaluations

The Society's property portfolio has increased in value during the year. As this is not a realised profit it does not give rise to a current tax charge. 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 £1,246,000 (2017: £630,000) and operating expenses of £434,000 (2017: £nil) relating to movements in the defined benefit pension scheme. Although these expenses have reduced accounting profits, they are not recognised for tax purposes.

Accelerated/decelerated 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 will be released to the revenue account over the next 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.

3.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

Tax relief on pension contributions

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 difference in timing between the recognition of the pension contribution in the accounts and the tax deduction received led to the reconciling item disclosed in the comparative above.

Tax losses

The large deduction from taxable profits arising from the 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 28 January 2017	Current year deferred tax credit/(charge)		Adjustment in respect of prior years	Balance as at 27 January 2018
	£000	Revenue account £000	OCI / Reserves £000	£000	£000
Capital allowances	(323)	(682)	–	(209)	(1,214)
Short-term difference in relation to funeral bonds	(772)	97	–	–	(675)
Other short-term timing differences	424	287	–	1	712
Capital gains	(56)	–	–	–	(56)
Tax losses	2,068	–	–	118	2,186
Deferred tax liability in relation to revalued property	(2,718)	–	–	(521)	(3,239)
Deferred tax asset relating to pension scheme	1,367	66	840	–	2,273
Total deferred tax liability (note 5.2)	(10)	(232)	840	(611)	(13)



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 29 January 2017	13,376	9,096	38	44	22,554
Additions	3,029	686	–	1	3,716
Transfers	3	(7)	–	4	–
At 27 January 2018	16,408	9,775	38	49	26,270
Amortisation					
At 29 January 2017	6,522	6,018	38	3	12,581
Charge for the year	667	941	–	2	1,610
At 27 January 2018	7,189	6,959	38	5	14,191
Net book value at 27 January 2018	9,219	2,816	–	44	12,079
Net book value at 28 January 2017	6,854	3,078	–	41	9,973

Included within software is £1,307,000 (2017: £771,000) 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 are 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 29 January 2017	133,343	106,553	42,319	6,888	289,103
Additions	4,457	6,012	6,194	84	16,747
Disposals	(12)	(912)	(3,554)	(36)	(4,514)
Transfers	(92)	(239)	184	22	(125)
Revaluation	–	4,457	–	–	4,457
At 27 January 2018	137,696	115,871	45,143	6,958	305,668
Depreciation					
At 29 January 2017	37,090	–	25,639	5,897	68,626
Charge for the year	2,110	–	3,896	407	6,413
Impairments	2,903	–	–	–	2,903
Disposals	(3)	–	(3,416)	(33)	(3,452)
Transfers	(54)	–	(71)	–	(125)
At 27 January 2018	42,046	–	26,048	6,271	74,365
Net book value at 27 January 2018	95,650	115,871	19,095	687	231,303
Net book value at 28 January 2017	96,253	106,553	16,680	991	220,477

Included within investment properties is £3,483,000 (2017: £2,588,000) relating to assets in the course of construction.

Particulars relating to revalued assets are given below:

	2018 £000	2017 £000
Investment properties		
At valuation	115,871	106,553
At historical cost	104,892	100,031

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 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	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
INVESTMENTS						
Co-operative Group Limited						
– Shares	757	757	–	–	16	30
Other I & P societies						
– Shares	1	1	–	–	–	–
Other	51	51	–	–	1	–
Short-term deposits	–	–	–	2,014	21	24
Overnight deposit	–	–	–	–	74	207
Funeral bonds	49,230	40,251	3,913	3,425	4,384	1,708
	50,039	41,060	3,913	5,439	4,496	1,969

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.

	2018 £000	2017 £000
STOCKS		
Goods for resale	19,535	19,939

Goods for resale is stated after provision for impairment of £1,283,000 (2017: £1,339,000). 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 a person or business 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)

	2018 £000	2017 £000
DEBTORS		
Trade debtors	3,289	3,868
Other debtors	1,471	1,484
Prepayments and accrued income	4,624	3,153
Corporation tax	–	7
	9,384	8,512

Trade debtors are stated after provision for impairment of £282,000 (2017: £745,000). 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	
	2018 £000	2017 £000	2018 £000	2017 £000
CREDITORS				
Bank overdraft	2,816	–	–	–
Trade creditors	14,090	14,449	–	–
Corporation tax	400	–	–	–
Other taxation and social security	1,095	1,958	–	–
Other creditors	2,723	2,575	–	–
Accruals and deferred income	12,890	11,938	–	–
Funeral bonds	3,084	2,838	38,450	32,947
	37,098	33,758	38,450	32,947

Bank overdraft

During the year, 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

	2018 £000	2017 £000
Deferred tax (note 3.1)	13	10

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

At the start of the year, 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 existing schemes, a new defined benefit scheme was established and the rights and benefits of eligible members of the two existing 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 still in existence at the balance sheet date. The Trust Boards are in the process of arranging for the funds to be formally wound up which is expected to be completed during the year ending 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.

The two former schemes have transferred their interest in the Partnership to East of England Co-op Retirement Benefit Scheme which will now be entitled to an annual distribution of £2.9m for a remaining 20 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:

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

5.3 PENSION OBLIGATIONS (CONTINUED)

	2018 years
The mortality assumptions used were as follows:	
Longevity at age 65 for current pensioners	
– Men	22.5
– Women	24.9
Longevity at age 65 for future pensioners	
– Men	23.9
– Women	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 27/01/2018 £000
Equities	64,875
Diversified growth funds	63,087
Multi-asset credit	25,355
Bonds	25,566
Liability-driven investment	50,881
Cash	1
Amounts owed to the Society	(931)
Insured annuities	1,282
Total market value of assets	230,116
Actuarial value of liability	(271,992)
Total deficit in the scheme	(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 £931,000 above 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 20 November 2017	–	–	–
Interest income/(expense)	1,141	(1,399)	(258)
Remeasurement gains/(losses)			
Actuarial losses	–	(6,587)	(6,587)
Return on plan assets excluding interest income	3,229	–	3,229
Benefits paid	(1,319)	1,319	–
Bulk transfers in/(out) on scheme merger	227,499	(264,046)	(36,547)
Past service cost	–	(1,279)	(1,279)
Admin expense	(434)	–	(434)
At 27 January 2018	230,116	(271,992)	(41,876)

Analysis of the amount charged to the revenue account

	2018 £000
Interest income	1,141
Interest on pension liabilities	(1,399)
Total expense recognised in revenue account	(258)

5.3 PENSION OBLIGATIONS (CONTINUED)

Return on plan assets

	2018 £000
Interest income	1,141
Return on plan assets less interest income	3,229
Total return on plan assets	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.

Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 29 January 2017	146,878	(175,996)	(29,118)
Interest income/(expense)	3,395	(4,021)	(626)
Remeasurement gains/(losses)			
Actuarial losses	–	(103)	(103)
Return on plan assets excluding interest income	2,996	–	2,996
Contributions by employer	2,113	–	2,113
Benefits paid	(3,490)	3,490	–
Settlement of (assets)/liabilities in respect of WULS	(4,291)	5,089	798
Bulk transfers (out)/in on scheme merger	(147,601)	171,541	23,940
At 27 January 2018	–	–	–

Analysis of the amount charged to the revenue account

	2018 £000	2017 £000
Interest income	3,395	4,496
Interest on pension liabilities	(4,021)	(4,689)
Total expense recognised in revenue account	(626)	(193)

Return on plan assets

	2018 £000	2017 £000
Interest income	3,395	4,496
Return on plan assets less interest income	2,996	23,821
Total return on plan assets	6,391	28,317

5.3 PENSION OBLIGATIONS (CONTINUED)

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.

Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 29 January 2017	80,754	(97,281)	(16,527)
Interest income/(expense)	1,850	(2,212)	(362)
Remeasurement gains/(losses)			
Actuarial losses	–	(83)	(83)
Return on plan assets excluding interest income	2,915	–	2,915
Contributions by employer	704	–	704
Benefits paid	(2,774)	2,774	–
Settlement of (assets)/liabilities in respect of WULS	(3,551)	4,297	746
Bulk transfers (out)/in on scheme merger	(79,898)	92,505	12,607
At 27 January 2018	–	–	–

Analysis of the amount charged to the revenue account

	2018 £000	2017 £000
Interest income	1,850	2,492
Interest on pension liabilities	(2,212)	(2,929)
Total expense recognised in revenue account	(362)	(437)

Return on plan assets

	2018 £000	2017 £000
Interest income	1,850	2,492
Return on plan assets less interest income	2,915	13,124
Total return on plan assets	4,765	15,616

Balance sheet values for the year ended 28 January 2017

The amount disclosed in the balance sheet for the year ended 28 January 2017 under the heading 'Deficit on defined benefit schemes' is comprised as shown below. A full actuarial valuation was carried out as at 31 December 2015 and updated to 28 January 2017 by a qualified independent actuary.

The service cost was calculated by a qualified actuary using the projected unit credit method. The major assumptions used by the actuary were:

	2017
Rate of increase of pensions in payment	
– prior to 31 August 2008	3.30%
– post 31 August 2008	2.15%
Rate of increase of pensions in deferment	3.55%
Discount rate	2.85%
Rate of inflation	3.55%

5.3 PENSION OBLIGATIONS (CONTINUED)

	2017 years
The mortality assumptions used were as follows:	
Longevity at age 65 for current pensioners	
– Men	22.6
– Women	25.2
Longevity at age 65 for future pensioners	
– Men	24.4
– Women	27.2

The assumptions used by the actuary were 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.

	Ipswich and Norwich Co-operative Society Limited Employees' Pension Fund	Colchester and East Essex Co-operative Society Limited Employees' Superannuation Fund
	Value at 28/01/2017 £000	Value at 28/01/2017 £000
Equities	41,277	22,985
Diversified growth funds	41,560	23,045
Multi-asset credit	15,085	8,377
Bonds	14,957	8,403
Liability-driven investment	33,854	17,900
Cash	469	244
Amounts owed to the Society	(324)	(200)
Total market value of assets	146,878	80,754
Actuarial value of liability	(175,996)	(97,281)
Total deficit in the scheme	(29,118)	(16,527)

During the year ended 28 January 2017, the Society made pension payments on behalf of the schemes. The amounts owed to the Society of £324,000 and £200,000 above represent the balance due from each scheme in respect of these payments.

Stakeholder scheme

The stakeholder pension scheme is a defined contribution plan. The contributions due to the plan during the year were £3,513,000 (2017: £3,518,000). As at 27 January 2018, no unpaid contributions were outstanding (2017: £nil).

OTHER RETIREMENT BENEFITS

The Society has in place an UURBS (pension promise) in respect of the former Chief Executives, into which the Society has paid £nil in the year (2017: £nil). These amounts are fully provided for and the liability calculated each year by external actuaries. The actual assumptions are consistent with those of the defined benefit schemes.

	2018 £000	2017 £000
Benefit obligation at the beginning of the year	2,008	1,725
Interest cost	57	65
Actuarial losses	69	299
Benefits paid	(83)	(81)
Benefit obligation at the end of the year	2,051	2,008

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 7,810,000 (2017: 8,147,000) shares of £1 currently attracting interest at 1% per annum.

Shares are withdrawable on varying periods of notice dependent on the amount involved.

Each member is entitled to one vote.

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

RESERVES

Fair value reserve

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

Revenue reserve

This reserve includes all current and prior period retained profits and losses.

Section 7 – Other notes

IN THIS SECTION

This section contains details of operating leases, capital commitments, cash flow, 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 27 January 2018, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	2018 £000	2017 £000	2018 £000	2017 £000
Operating leases expiring:				
Within one year	1,328	914	547	453
Later than one year and not later than five years	4,941	3,372	964	799
After five years	8,004	5,426	–	–
	14,273	9,712	1,511	1,252

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	
	2018 £000	2017 £000
Within one year	7,466	7,243
Later than one year and not later than five years	19,064	19,270
After five years	17,575	16,144
	44,105	42,657

7.2 CAPITAL COMMITMENTS

KEEPING IT SIMPLE – CAPITAL COMMITMENTS

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

Capital commitments

At 27 January 2018, there were capital commitments of £2.2 million (2017: £4.0 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.

	2018 £000	2017 £000
RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Profit for the financial year	3,247	1,917
Adjustments for:		
Tax on profit on ordinary activities	–	822
Distributions	3,383	3,342
Net interest income	(3,250)	(1,339)
Profit before interest, distributions and taxation	3,380	4,742
Grants and donations	(672)	(610)
Depreciation	6,413	6,441
Amortisation	1,610	1,625
Profit on sale of tangible fixed assets	(217)	(21)
Changes in fair value of investment properties	(4,457)	(1,571)
Unrealised impairment of tangible and intangible fixed assets	2,903	605
Unrealised gain on funeral bond investments	3,592	858
Decrease in stocks	404	1,416
Increase in debtors	(879)	(729)
Increase/(decrease) in creditors	5,801	(245)
Dividend paid	(2,711)	(2,732)
Pension contributions	(2,900)	(2,831)
Pension curtailment gains	(1,544)	–
Pension past service costs	1,279	–
UURBS current service cost	127	364
Legal and professional fees covered by pension expense reserve	434	–
Net cash from operating activities	12,563	7,312

	2017 £000	Cash flow £000	2018 £000
ANALYSIS OF MOVEMENT IN NET FUNDS			
Cash at bank and in hand	16,479	(13,517)	2,962
Current asset investments	2,014	(2,014)	–
	18,493	(15,531)	2,962

MAJOR NON-CASH TRANSACTIONS

During the year, the Society had no major non-cash transactions (2017: Enil).

7.4 RELATED PARTY DISCLOSURES

During the year the Society received rental income of £7,545 (2017: £8,652) from New Anglia Local Enterprise Partnership, of which Doug Field, Joint Chief Executive, is Chair and £19,095 (2017: £6,540) 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.

INCS (Trustees) Limited (8292252)

A company holding the trusteeship of the Ipswich and Norwich Co-operative Society Limited Employees' Pension Fund.

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 formerly a possible holding company for the funeral business of the Colchester and East Essex Co-operative Society.

Anglian Convenience Stores Limited (03244781)*

A company operating the Anglian Convenience Stores business.

Local Convenience Stores Limited (04066060)*

A property holding company acquired with Anglian Convenience Stores Limited.

H.L.Perfitt Limited (01012287)*

A company operating the H.L.Perfitt stonemasonry business.

Perfitt Holdings Limited (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 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 27 January 2018.

SUBSIDIARY EXEMPTION

Subsidiaries marked * have taken advantage of the exemption from an audit for the period ended 27 January 2018 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 27 January 2018.

Members and Community Services' Expenditure Statement (unaudited)

	2018 Net Expenditure	
	£	£
Co-operative sponsored groups		
Co-op Juniors*	36,400	
Other	5,986	
		42,386
Membership activities		
Member magazine	76,630	
Member recruitment campaign	5,972	
Members' events	67,226	
Other	23,392	
		173,220
Co-operative learning and related events		
Co-op Cuppa	925	
Defibrillators	22,582	
Dementia Friendly	12,581	
Loneliness Fund	66,893	
Projects	17,530	
Vehicle depreciation	8,358	
		128,869
Office costs		
Personnel costs	232,238	
Other operating costs	74,562	
		306,800
Members and Community Services expenditure (note 2.3)		651,275

*Special provision from the Board.

Donations totalling £100,180 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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