Annual Report and Financial Statements 2022

Annual Report and Financial Statements
of the East of England Co-operative Society
for the year ended 22 January 2022

East of England COOP

2022

Annual Report and Financial Statements of the East of England Co-operative Society for the year ended 22 January 2022.

Co-operatives were first formed as a different way of doing business that was better for everyone, driven by values and principles which still guide co-ops to this day.

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 and Petrol filling stations to communities across Norfolk, Suffolk and Essex.

With a significant Property portfolio and other businesses, such as security services and events, we're a diverse and modern Society.

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

£348.6m
Turnover
down **£1.0m** from last year

£7.6m
Profit before taxation
up **£9.3m** from a loss of £1.7m last year

£1.5m
Underlying trading profit
down from **£7.2m** last year

£234.9m
Members' Funds
up **£35.4m** from last year

Contents

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

Fair Tax accredited

OUR PRESIDENT'S STATEMENT

A word from our President

Having completed my first 18 months as President of our co-op, I find myself once again writing these words against a backdrop of global unrest and uncertainty. It's clear that co-operative values and principles remain just as relevant as ever.

After two years of lockdown periods and other restrictions, as we learn to live and work with the continuing risk of Covid-19, I want to acknowledge and thank our colleagues, members and customers for their unwavering support during the last financial year.

Our colleagues have continued to work incredibly hard to keep our members and customers safe, often covering at their neighbouring stores to ensure we could provide essential services to our communities. In recognition of their ongoing contributions, the Board and I were pleased to announce the continuation of the 20% colleague discount for a further year.

Meaningful membership

We simply wouldn't be a co-operative without our members. Your loyalty has enabled us to weather the past 12 months. In recognition of your importance to us, we're pleased to have been able to strengthen our member proposition with the introduction of Member Perks – a range of discounts with local restaurants, attractions and local services.

While our 2021 virtual Annual Members' Meeting proved a success, we're pleased this year to be welcoming our members to join us once again at Wherstead Park, as we host our first hybrid event.

Using our profit to make a positive impact

Our Community Cares Fund continues to make an impact across our region, with over £490,000 worth of grants now awarded since its creation in April 2020. This year alone, we've provided over £200,000 in grants – ranging from £725 to £5,000 – to local voluntary, community and social enterprise organisations supporting community action, mental health and wellbeing, and food justice.

I would also like to personally thank all our colleagues, members and customers who kindly donated to our Foodbank donation drive, helping us to donate an incredible £22,000, to help keep local families warm and fed.

How we performed

We've had another challenging year. With the continuing effects of Covid-19 and Brexit, a lower level of trading profit was always anticipated. However, results were worse than expected due to supply chain disruptions beyond our control further depressing Food Retail sales in the second half of the year. Our reduced trading profit of £1.5m was therefore disappointing.

Nevertheless, the Society delivered an increase in profit before tax. This was due to significant gains in the value of our Investment Property portfolio together with a reduction in our defined benefit pension scheme deficit. As a result, Members' funds increased by over £35m to £235m.

Our governance

Following 50 years of dedicated service to the co-operative movement, Joint Chief Executive Roger Grosvenor retired in March 2022.

Roger pioneered several fantastic initiatives – many of which have been adopted across the food retail industry, including the multi-award-winning Sourced Locally range, as well as sustainable innovations such as 'Co-op Guide to Dating' and the removal of single-use plastic shopping bags.

Roger has made a major contribution to our Society and is highly respected both within our co-op and throughout the co-operative movement. We are immensely grateful for all he has done and wish him well for his thoroughly well-deserved retirement.

I would also like to thank Chris Newbury and Fiona Powell, who retired from the Board of Directors in May 2021, for their contribution over the past twelve and four years respectively.

What does the future hold?

Our expectation is that our 2022/23 financial year will be more challenging, given the global unrest and economic uncertainty. This, together with the reduction in trading profits, is why the Board of Directors have taken the difficult decision to reduce the level of Members' dividend from 1.5% to 1%.

In addition to these challenges, the costs of doing business are rising due to a range of macroeconomic and other factors. We will need to make structural changes over the next few years to mitigate these costs. However, we have a strong balance sheet and sound finances and will continue to invest wisely to support our members and our communities and build our business stronger.

Frank Moxon
President
For and on behalf of the
East of England Co-operative Society

Governing the East of England Co-op

The Board of Directors is responsible for determining the objectives, strategy and policy of our co-op in conjunction with the collegiate Leadership team, who are collectively responsible for the day-to-day management of the East of England Co-op.

Advice on governance matters is provided in the first instance by the Secretary, with further professional support available from Co-operatives UK and external lawyers as appropriate.

During the year covered by this report, your Directors met formally 12 times to consider items of policy and strategy and all matters reserved for the Board.

The Leadership team

Day-to-day management of our co-op 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 strategic role.

Leadership team as at 22 January 2022:
Below from left to right

Doug Field, Joint Chief Executive – Finance, Technology & HR

Niall O'Keeffe, Joint Chief Executive – Membership & Marketing

Nick Denny, Joint Chief Executive – Property

Roger Grosvenor, Joint Chief Executive – Retail

Jonathan Carey, Society Secretary

Board of Directors

In 2021, 10 candidates stood for election to fill four vacancies on the Board of Directors at the Annual Members' Meeting (AMM).

At the AMM in May 2021, John Cook and Judi Newman were re-elected to the Board and Joy Burnford and Esme Cole were each elected for their first term in office.

Directors as at 22 January 2022:


Frank Moxon President


Belinda Bulsing Vice-President


Joy Burnford

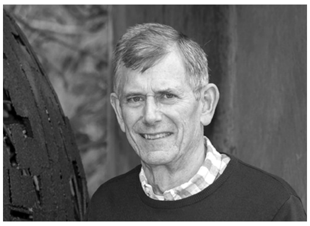

Sally Chicken


Esme Cole


John Cook


Mandy Errington


Nicola Fox


John Hawkins


Emma Howard


Caroline Ley


Judi Newman


Jane Nice


Beverley Perkins


Maria Veronese


Richard Youngs

Review

Underlying trading profit £1.5m

Overview

After a challenging year, we generated an underlying trading profit of £1.5m. This is lower than we expected which is disappointing and resulted in part from supply chain challenges in the second half of the year within our Food business.

More positively, we ended the financial year with a profit before tax of £7.6m, compared with a loss before tax of £1.7m in the prior year. The previous loss came from several one-off costs and a reduction in the value of our investment property portfolio. This year, the value of our investment property portfolio increased by £6.4m and we didn't have any one-off costs.

We continue to have a robust balance sheet with members' funds of £234.9m, an increase of £35.4m on the prior year.

Doug Field, Joint Chief Executive, comments: "It's been a much tougher 12 months than we anticipated due to factors outside of our control. However, the resolve shown by our colleagues in dealing with the challenges we've faced has been staggering. They deserve all the credit for our positive impact in the region."

Turnover

Sales down 0.3%

Sales fell by £1.0m compared with the prior year. This was to be expected as shopping habits returned to normal following the national lockdowns. However, a decline in food sales was partially offset by an increase in sales from our Petrol filling stations.

Food sales down 3.6%

While Food sales were down £11.1m compared to prior year, they were 5.9% higher than in 2019/20 (pre-pandemic).

£0.1m increase in Investment Property income

Rental income from our Investment Property portfolio increased by £0.1m. Income from our residential property grew by more than 10%, thanks in part to the completion of our Long Wyre Street development in Colchester.

£0.2m increase in Funeral sales

We saw a 1.2% increase in the number of funerals conducted compared with prior year. The average price for funerals remained broadly consistent.

Looking at other parts of our business, Petrol filling stations saw sales grow by more than 50% as volumes returned to pre-pandemic levels and prices increased. Travel sales, although markedly higher than 2020/21, remained significantly down on the levels generated in 2019/20. Co-op Secure Response generated sales in excess of £2m and sales in H L Perfitt, our stonemasonry business, increased by 18.3%. Although sales in our Events business grew, ongoing restrictions meant they have not yet returned to pre-pandemic levels.

Profitability

Underlying trading profit £1.5m

Our underlying trading profit fell by £5.8m, to £1.5m.

The contribution to trading profit from our Food business fell substantially. This was down to a combination of shopping habits stabilising following the height of the pandemic, and supply chain disruption in the second half of this year which depressed our sales volumes.

Elsewhere in the business, the increase in Funeral sales together with control of costs saw our Funeral business increase its profits. Forecourts also saw profits increase, while losses in Travel and H L Perfitt were much reduced compared to last year.

Our Investment Property business saw profits fall due to increased level of repairs and increases in rates.

An increase in the value of our Investment Property portfolio by £6.4m saw our profit before tax grow to £7.6m, compared with a loss before tax of £1.7m in the prior year.

Members' funds

Members' funds £234.9m up £35.4m

Our defined benefit scheme pension deficit reduced by £36.1m. The two main reasons for the change are better than expected returns on investments, and also the positive experience adjustment arising from updating the data at the 2021 funding valuation.

The value of our Investment Property portfolio increased by nearly £10m.

At the year end we held £67.4m of pre-paid funerals, which is £1.0m up in the year.

Cash flow

Our net cash decreased by £2.5m

At the year-end we had net debt of £3m compared with £0.5m last year. We repaid £2m of our £5m bank facility during the year.

The reduction in trading profits reduced the cash generated from our operating activities.

Proceeds from the sale of our Subway operations and of our funeral branches in Cambridgeshire and West Suffolk generated £1m.

We continued to invest in our business with two new Food stores opening in the year and our Investment Property development at Long Wyre Street, Colchester was completed. We also continued to invest in technology, self-checkouts, point of sale system, new handheld terminals and business intelligence.

Review continued

Looking ahead

Global unrest is contributing to rising costs, especially commodity prices and energy costs. Inflation is rising and interest rates, at the time of writing, are at their highest level since March 2020. These factors are all contributing to an increase in the costs of doing business.

The year 2021/22 was a challenging one, but we expect 2022/23 to be even more challenging given the economic headwinds. The cost of implementing the changes to Food stores for High Fat, Salt and Sugar (HFSS) legislation could impact profits, and the regulation of pre-paid funeral plans also comes into force during 2022. We will review if any changes need to be made to mitigate the increase in costs of doing business.

The reduction in trading profits combined with the challenges ahead in 2022/23 is why we have reduced the level of Members' dividend, but we retain a strong balance sheet with Members' funds growing by £35.4m to £234.9m.

However, with all that said, we have the funds and resources to continue to invest to grow the business, and we will continue to work hard to improve the daily lives of our members, communities, customers and colleagues. The success of our co-op is based on this foundation, and we'll continue to support our communities through these changing times.

Championing Local

Sourced Locally success

We're now an incredible 15 years into Sourced Locally, our award-winning initiative to supply our customers with products made by local suppliers.

After proving a hit with shoppers during the height of the pandemic, our Sourced Locally range has continued to perform well this year, with sales up on 2019/20 (pre-pandemic).

A number of our suppliers have recorded huge growth within our stores during this time. The demand for frozen fruit has seen sales of D C Williamson's berries increase by 59%, while wines from Toppesfield Vineyard continue to grow in popularity, with sales up 100%.

Earlier in the year, when national suppliers were experiencing availability issues, our trusted Sourced Locally partners were able to support us to meet customer demand and keep our shelves stocked.

Community Cares Fund

Supporting our local communities is deep-rooted in our values as a co-operative, and we feel passionately about investing in organisations which make a difference to the lives of others. Our Community Cares Fund helps us to do just that.

Set up in April 2020 in response to the pandemic, the Community Cares Fund allows us to support a variety of projects and organisations which are helping people in our communities to thrive.

Since our last Annual Report, we've awarded £200,000 to a diverse range of local groups focusing on everything from community action and food justice, to mental health and wellbeing. In total since the Fund launched, we've given away £490,000 worth of grants which has been supplemented by our generous members who donate their annual dividend.

Our latest round of funding was announced in January 2022 when 33 organisations across Norfolk, Suffolk and Essex received grants ranging from between £725 and £5,000. The funding is expected to support more than 23,000 people and projects included counselling services, mother and baby groups and activity clubs for young people.

One of the beneficiaries was Inclusion Ventures; they received a £4,500 grant to create a new community garden in Jaywick, Essex for children and adults to grow fruit and vegetables, helping to promote healthy eating and encouraging appreciation for food. Elsewhere in Suffolk, Emmaus received £4,000 to run a cooking club to help local people in crisis make healthy, affordable meals.

For more information visit:
www.eastofengland.coop/community/community-cares-fund/grantsawards

Supporting our local foodbanks

We continue to lead the fight for food justice in the region through our support of local foodbanks. Last year we donated more than £22,000 to 25 different organisations, which included cash donations directly to foodbanks, along with money raised through our foodbank donation gift cards.

Helen Raven, Senior Community Manager, said: "With the cost of living rising sharply, this financial contribution has enabled the foodbanks to offer practical, targeted support which directly addresses individual needs; things like being able to afford fuel to take the kids to school, as well as putting food on the table."

At our annual Summit in October, we asked foodbanks how we can best support them. They told us they had a major undersupply of much-needed items such as nappies, so we created Shop and Share donation bins which move around our stores, directing customers to the products foodbanks need the most.

Healthy Start vouchers

With recent figures from the Trussell Trust indicating that up to 40% of foodbank users are children, we have continued to increase the value of Healthy Start vouchers from £4.25 to £5. In 2021, we provided 5,723 boosts to Healthy Start vouchers. That's £4,292 worth of extra healthy, nutritious food that struggling families may not otherwise had.

Improving the daily lives of our colleagues

Our Co-op, Your Voice

In November we undertook a brand new, society-wide colleague survey called ‘Our Co-op, Your Voice’ to give us a more detailed insight into how our colleagues feel about working for us. We were grateful for responses from nearly 2,000 colleagues who took the time to share their views.

Our overall engagement score was 71%, which tells us a good majority of our colleagues feel connected to us and satisfied that we have created a supportive workplace where they’re able to thrive. This is slightly lower than the average of other UK retailers, but better than their scores during Covid-19 specifically.

More than three quarters of colleagues feel that we do everything we can to make our customers and members feel valued. Colleagues feel that we have a culture of fairness and inclusion where everybody is welcomed and respected, and understand how their work and performance helps us move forward.

Our colleagues feel trusted to come to work and get on with the job, and 93% say they are clear about what is expected of them.

A positive team spirit was also noted. Three quarters of colleagues said they work within teams where colleagues help each other out, and their team is the biggest reason why they continue working for us.

We're now developing action plans to address the areas where scores were lower and discussing with our colleagues the changes that can be made to improve their working lives.

Our partnership with Suffolk Mind

In 2021 we established a ground-breaking wellbeing partnership with Suffolk Mind. The pandemic impacted mental health and wellbeing for many people, and we wanted to make sure we were offering the right support to our colleagues.

We now have a fulltime Wellbeing Programme Manager who is helping us to embed Suffolk Mind’s principles within our organisation. They are also delivering training to line managers, giving them the confidence and tools to support their teams.

Colleague Engagement Manager, Laura Stiff, said: “Ultimately, we want to become the best retail organisation for talking about and taking care of mental health, and improve the wellbeing and daily lives of our colleagues.”

Building our fanbase

Member Perks

In December, we launched our 'Member Perks' scheme, offering exclusive money-saving offers to our members.

Our members are central to our business – we could not exist without them – so these rewards are yet another benefit to being part of the East of England Co-op family.

Offers range from money off local attractions and discounts on eating out, to reductions on gym memberships and magazine subscriptions. Previous perks have included half-price admission to Banham Zoo and Africa Alive, and 10% off bookings at Go Ape.

The launch of the scheme also saw a surge in member sign-ups, showing real consumer demand for these kinds of rewards.

We'll be refreshing our perks throughout the year, offering a continuous stream of discounts from a range of local partner brands.

How are we doing?

This year we launched a new customer survey – 'How did we do?', helping us to better understand what our customers think about us and what we can do better. Launching in October 2021, so far almost 1 in 4 (23%) customers have completed the email survey after visiting one of our stores.

Our colleagues are able to track their store's progress via an online feedback portal, helping them to identify where they can improve to ensure they're giving their customers the very best service.

So far, we've found that around 60% of our customers are pleased with their overall experience, which is fantastic news. But there are always aspects that can be improved – so we'll be working hard to drive this score up over the coming year and ensure we're giving our customers more of what they want from us.

Energy and Carbon Reporting

Reducing our carbon emissions and improving our energy efficiency are top priorities for our Co-op. We're committed to using energy from sustainable sources to power our stores, branches and head office and deliver our services to our members and customers.

Our emissions data is reported in line with the UK government's Streamlined Energy and Carbon Reporting (SECR) policy and is calculated using the Greenhouse Gas (GHG) Protocol – Corporate Standard with reference to UK Government GHG Conversion Factors for Company Reporting 2021 and in-house tools.

Using this method, our carbon dioxide equivalent (CO2e) emissions in metric tonnes for the past two financial years are as follows:

	Electricity	Natural Gas	Gas Oil	Kerosene	Transport	Fugitive Refrigerant Gas	Total
2020/21	8,309.50*	376.22	24.00	11.89	517.37	3,137.32	12,376.30
2021/22	7,728.47	307.63	20.49	8.44	500.94	2,551.14	11,117.10

*Restated following a change to a more accurate source of energy usage data.

Energy use from electricity, gas and transport fuel 2021/22

Source	Energy use kWh
Electricity	36,338,752
Natural Gas	1,679,595
Gas Oil	691
Kerosene	323
Transport (Scope 1)	1,842,343
Transport (Scope 2)	255,104

Electricity
This is the total amount of electricity used at our commercial and operational premises, excluding on-site generated renewable energy.

Natural Gas
The total amount of Natural Gas used at our commercial premises.

Gas Oil and Kerosene
A very small number of our premises have oil fired heating. We're looking to replace these.

Transport
This is the amount of energy in the form of fuel used for transport on Society business, excluding deliveries by others.

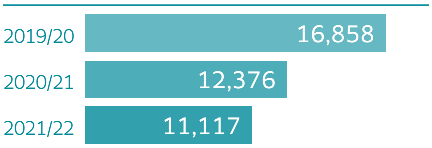
Measuring our Co-operative Performance

What we measure and why	Performance	Commentary

Are we improving our impact on the environment?

The rules around greenhouse gas / carbon emissions reporting changed with the implementation of Streamlined Energy & Carbon Reporting (SECR) in 2019. We have chosen to align emissions calculation methodology with the 'Greenhouse Gas (GHG) Reporting Protocol – Corporate Standard' reporting Scopes 1 and 2, with reference to 'UK Government GHG Conversion Factors for Company Reporting, 2020' and internally developed tools.

Net carbon dioxide equivalent emissions in metric tonnes



We have continued a programme of lighting replacement with LED alternatives throughout our branches and head office, alongside the removal of natural gas heating, replacing it with more efficient alternatives during branch refurbishment or as equipment reaches the end of its serviceable life.

The replacement of obsolete refrigerant gases with modern equivalents combined with a robust preventative maintenance regime has continued to realise reductions in CO2e emissions from fugitive gas.

Are we supporting communities?

Following the launch of the Community Cares Fund (CCF) in 2020, we now have three ways of providing funding for activities and groups in our communities – the CCF, donations and sponsorships.

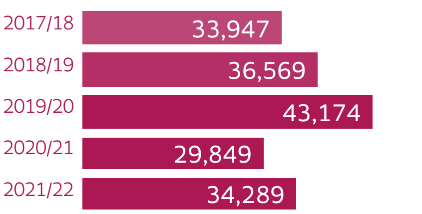
Groups supported by the East of England Co-op Community Cares Fund

We have focused on supporting community activity and allocating funding in three key areas: Community Action, Mental Health and Wellbeing, and Food Justice.

Do we develop and train our colleagues?

We measure all formal training delivered to our colleagues which encompasses face-to-face training programmes, e-learning 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.

Training hours delivered

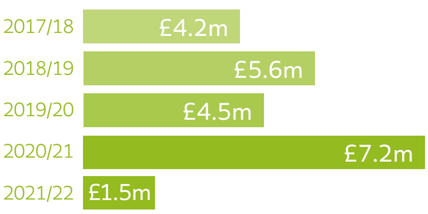


This year has seen the return of some essential face-to-face training courses such as first aid training and other essential health and safety courses. This, along with the launch of several courses that utilise a variety of delivery methods, such as Zoom, e-learning and virtual classrooms has seen learning hours increase across all areas of the business.

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.

Underlying trading profit

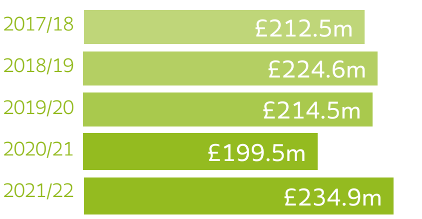


After a challenging year, we generated an underlying trading profit of £1.5m. The decrease in profits compared with last year is in part due to supply chain challenges in the second half of the year within our Food business. 2020/21 was boosted by pandemic shopping habits and government support measures.

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.

Value of Society net assets

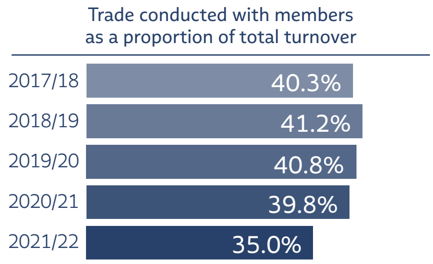


Although trading profits reduced, we generated more profit thanks to an increase in the value of our investment property portfolio. This increase in profit together with a £36.1m reduction in our pension deficit saw Members' funds increase by £35.4m to £234.9m.

What we measure and why | Performance | Commentary

What trade do we do with members?

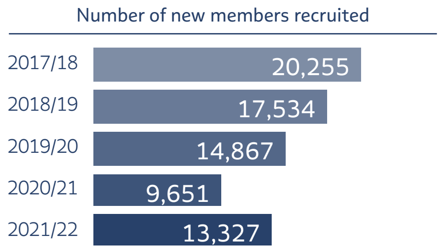
We measure the qualifying spend by our members as a percentage of total turnover. As a co-operative owned by our members, we want to deliver the goods and services that meet their needs.



Trade conducted with members as a proportion of total turnover has fallen this year. This means that more of our customers are people who either choose not to be members of our Society, or not to present their membership card when shopping.

Are we attracting new members?

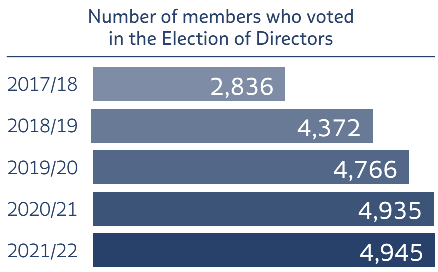
We measure the number of new members who have joined us at events, in store and online. As a co-operative with a voluntary and open membership, it's important we continue to recruit new members, giving each one an equal say in how we're run.



We continued to build on what we learned in 2020 about recruiting members online, rather than in-store, and increased the number of online channels we used and refined our campaigns to make us more successful. Towards the end of the year we also trialled some new in-store techniques to replace colleague intensive store recruitment drives of previous years, with some success.

How many members are involved in democracy?

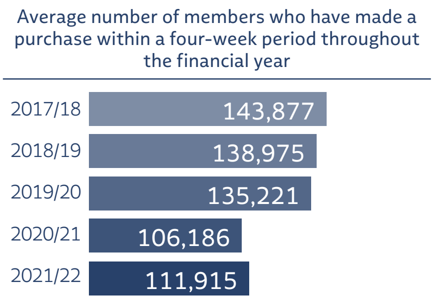
As a core co-operative value, members should have an equal say in the running of our co-operative. We measure democratic member control through measuring the number of members who vote in our election to the Board of Directors.



We saw a small increase in the number of people involved in the democratic process last year, with more people choosing to vote online. This seems to be a continuing trend, accelerated by the pandemic.

How many of our members are active?

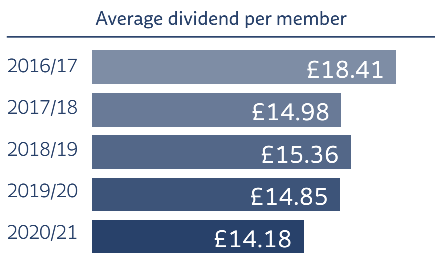
We measure this by the average number of members who have made a purchase within each four-week period throughout the financial year. We want to encourage our members to engage with our Co-op, as we know that more active and engaged members lead to a more successful and vibrant local Co-op.



The number of active members has been reducing in recent years. The reduction seen over the past two years is in part due to the pandemic, where the use of dividend cards was paused.

How do our members benefit?

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



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

Corporate Governance Report

The Board is pleased to report on the governance policies and practices within the Society for the year ended 22 January 2022.

This report is published in accordance with the Co-operative Corporate Governance Code (2019). 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 several areas of the Code, detailed on page 31 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, Post Offices, Travel, Events and conferencing, Security, and Stonemasonry.

Membership matters

Membership is at the heart of any true co-operative enterprise and it is vital to building the Society's future. The Board aims to recruit, engage and involve members in the Society, and to reach out to those who have not previously engaged with the Society. Throughout the year, the Society facilitated many events with members across the region, both online and in the community at a safe social distance. 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, through email and on 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 22 January 2022, the Society proposes to pay a dividend representing 1% (2021: 1.5%) of each member's qualifying purchases. This will be issued in the form of Society Vouchers in June 2022.

Financial Reporting Standards determine how we treat this dividend and other profit distributions in our financial statements. The Society rules govern the distributions made. The table below details the amounts the Board plans to distribute in the year under review, in accordance with these rules. The aggregate dividends recognised as an expense in the year amount to £1,566,000 (2021: £1,907,000).

Distribution of profits

	£000
Interest on share accounts	41
Dividend	1,221
Community engagement	496
Co-operative Party	34
Donations	10
Total distribution	**1,802**

The Board

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

Society rules

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

Copies of the Society's rules are available on our website or from the Secretary.

The Board – duties and responsibilities

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

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

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

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

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

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

Board procedures

The Board meets regularly throughout the year. Due to government restrictions throughout the pandemic the Board continued to hold the majority of meetings (including workshops) virtually. 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
Ellisons	General property advice, acquisitions and disposals	170
Fenn Wright	Property advice and agency fees	152
Ernst & Young LLP	External audit	149
PricewaterhouseCoopers LLP	Internal audit	104
Kerseys Solicitors	Legal advice including advice on disposals and property transactions	94
RSM UK Audit LLP	Corporation tax compliance and capital allowances claims	55
Birketts LLP	Legal advice including advice on disposals	30
Boyer Planning Ltd	Planning consultancy	27
Isio Group Ltd	Pension advice	27
Ensors*	Legal advice including advice on disposals	12

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
Buck UK	Actuarial and administration services	143
Pension Protection Fund	Annual levy – members protection scheme	97
Ross Trustees	Professional trustee services	38
Ensors*	Pension scheme audit	13

*Combined spend with Ensors by the Society and Pension fund exceeds £25,000

Board development and evaluation

The Board regularly reviews its own performance and practices.

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 (be it in person or remotely). 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.

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 22 lists Directors' 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 18 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 and online voting. For 2021 this was held during April/May at which time there were four vacancies on the Board and 10 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 18.

Remuneration and Search Committee

The Society's Remuneration and Search Committee oversees remuneration policy for both members of the Executive Team and the Board – whilst maintaining a watching brief on general employment and colleague engagement throughout the year. In addition, the Committee supports the Board with Director recruitment and Executive succession planning.

Summary of activities during the year

Executive remuneration/objective setting

The Committee has undertaken an annual review of the remuneration of the Executive Team (with support from FIT Remuneration to ensure that the Committee are aware of current trends and best practice and that these are considered when determining executive pay). In 2021, this led to recommendations being presented to the Board (which were subsequently approved) relating to both salaries and the Leadership Team allowance (as paid to the Joint Chief Executives).

Members can find a full breakdown of Executive Remuneration on page 21.

Board and Committee membership

Attendances 2021-22 Attendance shown 9(10) = 9 meetings attended out of a possible 10.

	Last Elected	Term Ends	Board	Audit and Risk	Performance Review	Membership and Community Engagement	Remuneration and Search
Directors	**Term of Office**		**Committees**				
Belinda Bulsing	May 18	May 22	11(12)		4(4)		
Joy Burnford	May 21	May 25	8(8)			3(3)	
Sally Chicken	May 18	May 22	12(12)				8(9)
Esme Cole	May 21	May 25	6(8)		1(2)		
John Cook	May 21	May 24	10(12)	4(4)			
Mandy Errington	May 19	May 23	12(12)		4(4)		
Nicola Fox	Nov 20*	May 23	12(12)	4(4)			
John Hawkins	Nov 20*	May 24	12(12)				9(9)
Emma Howard	May 19	May 23	11(12)		4(4)		
Caroline Ley	Nov 20*	May 24	12(12)	4(4)			
Frank Moxon	May 18	May 22	12(12)				9(9)
Chris Newbury	May 17	May 21	4(4)		1(1)		
Judi Newman	May 21	May 25	11(12)			5(5)	
Jane Nice	Nov 20*	May 24	12(12)			5(5)	
Beverley Perkins	May 18	May 22	12(12)				9(9)
Fiona Powell	May 17	May 21	4(4)			2(2)	
Maria Veronese	May 19	May 23	11(12)			5(5)	
Richard Youngs	May 19	May 23	10(12)	4(4)			

This table does not record attendance at the AMM, informal development workshops or where a Director has participated as an observer.
On 22 May 2021, Frank Moxon was re-elected President and Belinda Bulsing re-elected Vice-President, each to serve to May 2022.
*Due to the pandemic the Board agreed to postpone holding the AMM and Director Election until November 2020 (usually held in May).

Alongside the review of Remuneration, the Committee has completed a collaborative review of the Executive appraisal process – setting objectives by which the Committee (with support and advice from MAD-HR) can review the performance of the Executive team. This revised process further supports the Committee's oversight of the Leadership Team's accountability framework.

Following 50 years of dedicated service to the co-operative movement, Roger Grosvenor, JCEO Retail, provided notice to the Society that he would be retiring on the 31 March 2022. As a result, the Committee worked in close collaboration with the Leadership Team in reviewing both the JCEO Retail role and recruitment process.

Gender pay gap reporting

As the largest independent retailer operating in the East of England, with more than 4,100 colleagues, the Society is committed to reducing the mean pay difference between men and women. The Committee recognises that a series of long-term actions are required to realise real change to improve the Society's gender pay gap; and also attracting and progressing people from diverse backgrounds. To support the Society with this aim, the Committee both reviews the gender pay gap data along with the Society's Forward Plan – setting actions and specific commitments that are being taken to address the Society's gender pay balance.

Colleague pensions

Ensuring that colleagues have access to a suitable pension arrangement is a fundamental part of the Society's pay and conditions. The Committee works with management to ensure that Royal London, the provider of the current stakeholder scheme (open to all colleagues and used for auto-enrolment purposes), remains a good fit for colleagues. During the year the Committee has taken a lead role in reviewing an alternative governance model for the former defined benefit scheme (working in conjunction with the former Trustee Board). This has led to a new 'Platform' governance model being adopted which the scheme is currently transitioning towards.

Board composition and competency

With an ever-changing governance landscape, it is important for Directors to be kept up to date on forthcoming developments which may impact the Society's business operations. Therefore, the Committee regularly monitors and recommends suitable workshops for the Board to undertake.

To ensure that the annual Director election process is accessible and engaging for eligible Members to participate – either through standing for election or voting, the Committee oversees and reviews the process in conjunction with the Secretary (and where required the external electoral partner).

Directors' expenses and fees

Directors' fees are determined by members at the Annual Members' Meeting (AMM), on recommendation from the Board. In recent years the benchmark used has been the average weekly earnings index as produced by the Office for National Statistics. However, due to the continued fluctuation to this index due in part to the pandemic it has been determined that this measure would not be appropriate for 2022/23, instead linking any proposed increase to that awarded to colleagues based at the Society's Wherstead Park office. This measure will now form part of a wider review of Directors' fees during 2022.

Payments intended to support Directors in contributing their skills and experience over and above those hours and duties usually expected were calculated and actioned in line with Member support provided at the 2021 AMM (total payments for the period May 2020 to May 2021 falling below the agreed budget of £12k).

Where a Director is the sole carer for a dependant and incurs costs in arranging alternative care to enable them to attend Board meetings the costs may be recovered from the Society.

Directors receive colleague discount during their term of office.

Members can find a complete listing of expenses paid to Directors on page 21.

Performance Review Committee

The purpose of the Performance Review Committee is to complement the Board's responsibilities for strategic review.

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

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

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

Discussions focused on the key areas of sales, availability, 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; and reviews the Society's Sustainability Approach (including Environmental Sustainability Policy for onward recommendation to the Board).

Membership and Community Engagement Committee

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

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

Scope

All matters relating to:

- Member recruitment and retention
- Member development (i.e. member understanding of the co-operative movement and co-operative principle 5)
- The Society's Community Strategy, including the Community Investment Fund
- The raising of member and community engagement beyond merely using Society shops and services
- 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 18.

Meetings

The Committee met formally five times during the year.

Activities during the year

For details of the activities of the Membership and Community Engagement Committee, please visit www.eastofengland.coop/community

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 2019) 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 18.

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 2019).

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

The Society's Board is aware of this issue, which is mitigated through the Committee's training programme and access to independent advice from external consultants. Moreover, Audit and Risk Committee members are, whenever possible, selected from Directors with operational finance or business experience.

Meetings

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

Training/Continued Development

During the year, the Committee did not undertake any formal training courses.

Activities during the year

To follow 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 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
- Relevant disclosure in this Report
- Review and ongoing monitoring of the Society's IT strategy
- Monitoring the Society's cyber security arrangements
- Monitoring and understanding changes within financial accounting standards
- Review and approval of the Society's:
  - Fraud reporting policy
  - Modern slavery statement
- Review of post investment appraisals completed between 2018 and 2019

Financial Reporting

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

- Revenue recognition
- Investment property valuations
- Defined benefit pensions valuation

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

- Accounting for funeral bonds
- Assessment of recoverability of non-current assets
- Assessment of inventory valuation and completeness
- Recoverability of Deferred Tax Asset
- Accounting for Subway and Funeral branches disposal

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 that no misstatements had been 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 in respect to the amounts reported and the disclosures).

The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Committee performance appraisal

The Board encourages Committees to review their performance annually and to bring forward recommendations that might improve their effectiveness. This has led to regular updating of Committee terms of reference and occasional review of the Board Committee structure.

Directors' fees and expenses

Director	2021/22 fees received £	2021/22 expenses £	2020/21 fees received £	2020/21 expenses £
Belinda Bulsing	10,157	190	8,919	–
Joy Burnford*	5,837	248	–	–
Sally Chicken	10,382	190	8,919	184
Esme Cole*	5,837	345	–	–
John Cook	9,145	479	8,919	189
Mandy Errington	9,077	–	8,919	88
Nicola Fox	9,077	190	8,919	23
John Hawkins	9,842	–	8,919	510
Emma Howard	9,257	274	8,806	–
Caroline Ley	9,077	–	1,459	190
Chris Matthews	–	–	7,460	–
Frank Moxon	10,180	1,669	8,919	–
Chris Newbury*	3,241	–	8,919	–
Judi Newman	9,167	–	8,919	–
Jane Nice	9,077	311	1,459	190
Beverley Perkins	9,932	326	8,919	269
Fiona Powell*	3,241	40	8,919	–
Steven Shaw	–	–	7,460	6
Maria Veronese	9,077	106	8,919	52
Richard Youngs	9,257	930	8,919	232
	150,860	**5,298**	**142,591**	**1,933**

Directors' expenses are materially dependent on their home location and the number of courses, conferences or other activities undertaken on behalf of the Society.

*These Directors only served for part of the current year, see table on page 18.

Board fees include additional awards for the period May 2020 to May 2021, in accordance with Members' approval at the 2021 AMM. Such payments enable any Director to contribute their skills and experience to benefit the Society, over and above the hours and duties usually expected.

Management Executive emoluments

	Salary £000	Benefits in kind £000	Employer pension contributions £000	2021/22 total emoluments £000	2020/21 total emoluments £000
Jonathan Carey**	140	14	7	161	122
Nick Denny	221	26	–	247	235
Mike Faulkner*	–	–	–	–	44
Doug Field	241	8	12	261	241
Roger Grosvenor	291	31	–	322	308
Niall O'Keeffe	212	15	11	238	202
	1,105	**94**	**30**	**1,229**	**1,152**

* Mike Faulkner retired from the Society on 28 March 2020

**Jonathan Carey was appointed on 29 March 2020

Directors' and Management Executive external directorships

Director/Management Executive	External Directorship (or equivalent)
Belinda Bulsing	Pettaugh Parish Council (Parish Councillor)
Joy Burnford	My Confidence Matters Ltd Simply Practical Ltd
Sally Chicken	Eastern Savings & Loans Credit Union Ltd Rainbow Saver Anglia Credit Union Ltd (Chair) Shotley Heritage Charitable Community Benefit Society Ltd (Vice Chair)
Esme Cole	Alec Hunter Academy (Governor) Edith-Winifred Foundation (Trustee)
John Cook	Ipswich Borough Councillor Co-op Loan Fund (stepped down February 2021)
Mandy Errington	Eastern Savings & Loans Credit Union Ltd
John Hawkins	St Helena Hospice (Trustee and Vice Chair)
Emma Howard	Co-operatives UK Co-op Group – Members' Council (stepped down January 2022)
Frank Moxon	Jersey Oil & Gas Plc Hoyt Moxon Ltd CISI Educational Trust Co-op Loan Fund (appointed February 2021)
Judi Newman	Inderwick Equestrian Activities Ltd Inderwick Investments Ltd The Very Sensible Company Ltd St Elizabeth Care Agency Ltd Hospice Trading (Ipswich) Ltd Ipswich and East Suffolk Alliance (Board Member)
Beverley Perkins	Co-operative Press Co-op Group – National Members' Council
Maria Veronese	Mediapro Media Training
Richard Youngs	East Suffolk and North Essex NHS Foundation Trust (Non-Executive Director) Chair – Royal Air Force Charity Diss & District Branch
Nick Denny	ASSET Education
Doug Field	Green Light Trust (Trustee) Federal Retail and Trading Services Ltd (from 1 February 2022)
Roger Grosvenor	Federal Retail and Trading Services Ltd (to 31 January 2022) The Recovery Hub Ipswich CIC
Niall O'Keeffe	Grasshopper Coaching Ltd British Heart Foundation (Retail Committee Member) Member of British Heart Foundation Advisory Council

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

Directors and Members of the Management Executive who do not hold any external directorships (save for subsidiary entities of the Society) are not included within the above table.

Internal Control

This section of the Report sets out the Society's approach to internal control and the measures taken to review its effectiveness, to provide members with assurance that this critical area receives enough 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
- To ensure that proper accounting records are maintained
- To 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 formal policies on procedures 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. This includes the Society's Whistleblowing Policy and Procedures, which is reviewed annually both by management and the Audit Committee.

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, 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

The Society accepts that all its activities involve risk, and it seeks to protect its members by managing risks that arise from its activity appropriately. Risk management activity has focused on strengthening business resilience. The Society's top and emerging risks fall within the themes of colleague safety, mental health and wellbeing, economic uncertainty, supply chain disruption, cyber-attacks and loss of central IT.

The changing demographics of the UK, especially the ageing population, along with any long-term changes in mental health and wellbeing, consumer behaviour and workforce trends as we emerge from the pandemic, are likely to influence the business in the future. We are also mindful of the importance of sustainability especially in relation to climate change, plastic use and food waste.

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

Principal risk	Potential impact	How it is managed
Colleague safety and wellbeing	Our business has continued to operate throughout the Covid pandemic and the ever-changing guidelines. The need to protect our colleagues both from infection and the wellbeing implications of the pandemic has been our top priority. The repercussions on individual wellbeing arising from anxiety, isolation in lockdown and health fears will be unique to individuals but could adversely impact our business in terms of high absence rates, reduction in morale and reduced service to customers.	Colleague and customer safety has been front of mind throughout the pandemic. We are committed to being a Covid-secure organisation and have adapted our premises to make sure we provide a welcoming and safe environment for all. Colleagues have access to any relevant personal protective equipment they need to perform their role. We have supported colleagues classed as clinically extremely vulnerable. All colleagues have access to support from GroceryAid, a charity who provides emotional, practical and financial support. We have strengthened our wellbeing support by entering in a partnership with Suffolk Mind.
Economic environment	The current global situation, rising inflation and energy costs will 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. Action is taken, as required, through cost reductions and innovation to stay ahead of the curve.

Principal risk	Potential impact	How it is managed
Competition	The Society trades in highly competitive markets and faces a continuing threat from national and international businesses seeking growth opportunities through expansion into new geographical areas and new formats. There continues to be a significant number of projects being undertaken by the Society at this time to improve its competitiveness, including technology investments and a Food store and Funeral branch refresh programme. If these projects aren't implemented effectively and on time, then there could be an impact on profitability.	We measure trends in our performance and competitiveness, e.g., price checks and promotional offers, as appropriate to the competitive landscape. Improvements are being made to our quick commerce solution. The Society monitors competitor actions as far as is possible from information in the public domain and takes appropriate mitigating actions where possible. Projects are managed using recognised project methodologies and are supported by learning and development programmes.
Compliance with legislation and regulation	The Society is subject to a wide range of legislative and regulatory requirements, principally designed to protect our customers and colleagues, and the Society is naturally fully committed to complying with all such requirements. Compliance failures can have serious implications for the trading performance of the unit concerned, or even for the Society as a whole, as well as potentially damaging our reputation. The National Living Wage, funeral plan regulation and High in Fat Salt and Sugar (HFSS) legislation will impact profitability.	The Society ensures that it obtains timely information about forthcoming changes in legislation and that it has robust procedures in place to minimise any risk of non-compliance. The Society employs suitably qualified and experienced compliance and risk individuals. Significant resources are 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 impacts on profitability where we can.
Major failure of IT systems or infrastructure	The Society has invested and continues to invest significant sums of money in technology and is heavily reliant on these operational systems. A prolonged failure of a key system or the IT infrastructure would have a detrimental impact on our business, potentially resulting in an inability to make sales, supply stores or pay employees. IT risks are increased with higher levels of cyber attacks and potential data fraud arising from home working. The pace of technological development also creates risks, including that of potential data loss. This could have a reputational impact with customers losing trust.	Controls are in place to mitigate the risks of losing IT, including disaster recovery and business continuity plans, data backup procedures, backup power supply, hardware maintenance agreements and server replication. We continue to develop our cyber security capabilities and report in this area with a cyber security dashboard presented to the Audit Committee at every meeting. 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 availability of products, which in turn can impact the level of sales achieved by our retail operations, especially our Food stores. 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. The Co-operative Group also manages distribution of goods to our Food stores. There are also external risks to the supply chain in the form of labour availability and rising fuel costs.	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. Availability challenges are a constant area of focus and where possible alternative sources of supply, including local suppliers, are sought.

Principal risk	Potential impact	How it is managed
Damage to our reputation and brand	The Society's reputation as an ethical retailer is based not only on our co-operative structure and philosophy, but also our longstanding commitment to ethical business practices, the quality of our products and services, and our ability to respond to changing member and customer demand for our products and services. If we fail to deliver excellent standards of hygiene and safety in our products and stores, there is potential harm to our customers. Any failure to meet the high standards our members expect from us in these core areas will damage our reputation and potentially affect the ongoing success of our businesses. The supply of goods to Nisa and Costcutter by Co-op Group has the potential to add to brand confusion with the sale of Co-op branded goods in non-Co-op stores.	Considerable management attention and training are devoted to protection of our reputation and brand. Health and safety is a mandatory Board and Leadership Team agenda item. The Society is an active participant within the co-operative movement and one of its directors is also a Director of Co-operatives UK, the national trade body that campaigns for co-operation and works to promote, develop and unite co-operative enterprises. The Board of Directors is also represented on the Co-op Group's National Members' Council. 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	An inability to generate sufficient funds to meet business needs, including payments to members, would lead to cash-flow difficulties. The Society also 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 had been obtained to fund investment property developments. The Society retains access to liquid funds and so its exposure to liquidity risk is considered low. The Society's revolving credit facility expired in March 2022 and its overdraft is due for renewal in June 2022. The Society is in discussion with its bankers and fully expects both to be renewed given the Society's strong cash generation and its property asset base.
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 composition and performance of the investment property portfolio is under continual review to mitigate any risks to the Society.
Pension schemes	Inherent within the Society's final salary scheme is the risk that key variables, such as life expectancy and investment returns earned, may vary from current expectations, and potentially increase the future costs that will have to be borne by the Society.	The Society has moved to a platform approach using a sole trustee model to manage its defined benefit pension scheme. A pension steering group has been set up to carefully monitor the pension risks, taking action when necessary to adjust contributions to the schemes and revising the scheme investment strategy to mitigate risks. The final salary scheme has been closed to future accrual to reduce risk in this area. The asset-backed funding arrangement, introduced by the Society in 2013, has improved security for members of the defined benefit pension scheme as well as increasing certainty for the Society in terms of funding.

Modern Slavery Statement

This statement is made pursuant to s.54 of the Modern Slavery Act 2015 and sets out the steps that the East of England Co-operative Society has taken and is continuing to take to ensure that modern slavery or human trafficking is not taking place within our business or supply chain.

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

Our business

The Society's principal business activities are Food retailing, Funeral Services and management of its Investment Property portfolio. In addition, the Society has interests in Petrol Forecourts, Travel, Events and conferencing, Security and Stonemasonry.

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

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

Within the last 12 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 as part of our ongoing audit of our local suppliers.

H.L. Perfitt Ltd

H.L. Perfitt Ltd currently sources stone from China and India which is 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
- Whistleblowing policy
- Dignity at work policy
- Equal opportunities policy

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

Training

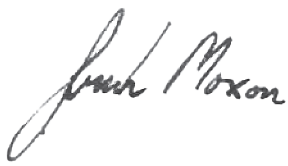
We conduct training for our procurement/buying teams so that they understand the signs of modern slavery and what to do if they suspect that it is taking place within our supply chain.

Our performance indicators

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

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

On behalf of the Board:



Frank Moxon
President

29 April 2022

Corporate Matters

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

The pandemic has continued to play a major role in the lives of our communities, customers and colleagues in the past year. Our family of businesses have been impacted in very different ways by Covid but every business, site, colleague and customer has continued to experience changes in the way we operate.

Colleagues

We continued to provide our colleagues with additional leave allowances on full pay for self-isolation and associated emergency childcare into a second year. Whilst we respect and support individual choice on vaccination, we supported colleagues with paid time off (or providing equivalent time back) for colleagues' first two Covid vaccination appointments. We also offered reimbursement for a pharmacy-provided flu vaccination to all colleagues who were not eligible for a free NHS flu jab.

Once again, colleagues from every part of our business have risen to the challenges presented by the pandemic and adapted to rapidly evolving guidelines and we thank them for everything they have done to support our membership, customers, local communities, and each other during these challenging times. We provided an additional thank you to our colleagues in the form of vouchers in spring 2021.

The pandemic has driven a number of changes in the way we work, and we have adopted an agile form of working in our central functions, enabling us to reduce our office space requirement. The introduction of a multi-team open-plan office space and more digital ways of working has improved cross-functional working, reduced paperwork and provided a more flexible operating model for the business and colleagues.

Colleague engagement and wellbeing

We undertook a significant listening exercise with our colleagues though workshops launching our new Our Co-op strategy. More than 2,500 colleagues attended workshops across Essex, Suffolk and Norfolk and provided valuable feedback and input into how we live our new values in practice. Supplementing this, we also refreshed our Colleague Engagement Survey process to provide us with tangible insights and measures into colleague engagement across the organisation. The insights from both these endeavours will inform both local line management and organisation-wide initiatives.

The last year saw the launch of our partnership with the mental health charity Suffolk Mind to provide the best possible wellbeing support to our colleagues with a Suffolk Mind colleague embedded in the organisation. The coming year will see the launch of a training programme for all line managers and a communications and awareness programme to support mental wellbeing.

We strive to create a positive, inclusive team that everyone wants to be part of. With the help of our internal auditors PwC and with the support of a newly formed Steering Group, an Inclusion and Diversity Strategic Plan was developed for 2021-2022. So far, we have launched a new Inclusion and Diversity Policy, introduced family-friendly policies and procedures (e.g., to support those returning from Family Leave, as well as a new Pregnancy Loss policy) and are working to further promote options for flexible working within our co-op. The Inclusion and Diversity Strategic Plan will continue to evolve, taking account of colleague feedback within the Our Co-op Workshops and the Colleague Survey.

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 22 January 2022 were 14 days (2021: 14 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 £34,000 (2021: £34,000) 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.

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 with Co-operative Corporate Governance Code (2019)

Co-operatives UK published a revised code of corporate governance during 2019. To help members assess the Society's governance arrangements, the Society has specified key elements of the Code with which it does not comply. The matters listed will be kept under review by the Board.

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:

Jonathan Carey
Secretary

Frank Moxon
President

29 April 2022

Co-operative Corporate Governance Code (2019) – exception report

	Explanation of non-compliance
Member Value Statement	Although no formal Member Value Statement is presented, several elements that we would include in such a statement are contained within Measuring our Co-operative Performance on pages 13 to 14.
Three-year term for Directors and cumulative term limit for the role of President (Chair)	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. The code also advises Societies to have a cumulative maximum term limit of nine years for any one Director to hold the position of Society President (Chair). The Society does not have such a cumulative term limit, but does maintain a maximum consecutive term limit of four-years for any one Director to hold the position of President (Chair). Following which, a break of at least one-year is required to be taken before being eligible for re-election to the position.
Audit Committee	The Audit Committee does not have a Director with recent relevant financial experience or an accountancy qualification. However, the Committee has access to independent professional advice and considerable experience of constructively challenging the Executives.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Society's financial statements in accordance with United Kingdom 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
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Society's financial position and financial performance
- 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

Under applicable law and regulations, the Directors are also responsible for preparing a governance report that complies with that law and those regulations. 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 Co-operative Corporate Governance Code (2019) 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 period to 17 June 2023.

Board certification

The Financial Statements on pages 38 to 62 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:

Frank Moxon
President

Belinda Bulsing
Vice-President

Jonathan Carey
Secretary

29 April 2022

Independent Auditor's 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 (the "Society") group financial statements (the "financial statements") give a true and fair view of the state of the Society's affairs as at 22 January 2022 and of the Society's profit for the 52-week period ("the period") then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 of the Society which comprise:

The Group Balance Sheet as at 22 January 2022
Group Revenue Account and Group Statement of Comprehensive Income for the period then ended
Group Statement of Changes in Equity for the period then ended
Group Statement of Cash Flows for the period then ended
Related notes 1 to 7 to the financial statements, including a summary of significant accounting policies

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period to the end of 17 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Overview of our audit approach

Audit scope

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

- Revenue recognition
- Investment property valuations
- Defined benefit pension plan liability

Materiality

- Overall group materiality of £5.2 million which represents 1.5% of group revenue.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality, and our allocation of performance materiality determine our audit scope for each entity within the Society. Taken together, this enables us to form an opinion on the consolidated financial statements.

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 seven reporting units and the group financial statements are a consolidation of those nine reporting units and centralised functions.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified.

These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition The group's retail sales arrangements are generally straightforward, being on a point of sale basis and requiring little judgement to be exercised. However, there are a number of central manual adjustments to the revenue recorded and in a number of the smaller revenue streams, there is increased manual processing of revenue transactions. Our procedures were designed to address the risk of manipulation of accounting records and the risk that management may override controls through posting of manual journal entries.	We understood the Society's revenue recognition policies and how they are applied, including the relevant controls. We ensured these policies were in line with the relevant accounting framework. As part of our overall revenue recognition testing we used data analysis tools on 100% of revenue transactions for retail food sales in the year to test the correlation of revenue to cash receipts to verify the occurrence of revenue. This provided us with a high level of assurance over the revenue from the retail stores. For those revenue streams where we did not use data analysis tools, we performed appropriate alternative procedures over revenue recognition as follows: We obtained a detailed understanding of the material manual adjustments to revenue. Due to the manual nature of these adjustments, we performed substantive analytical audit procedures or other substantive procedures over each material adjustment and corroborating where required to supporting evidence such as cash receipt. We performed other audit procedures specifically designed to address the risk of management override of controls including journal entry testing, analytical procedures and cut-off testing at period end, applying particular focus to the timing of revenue transactions.	Based on the procedures performed we did not identify any evidence of material misstatement in the revenue recognised in the period.
Investment property valuations The Society holds a large number of investment properties with a carrying value of £125.4 million. This represents an increase of £9.6 million compared to the prior year. Given that these amounts are significant assets for the Society and there is inherent complexity within the valuation methodologies applied, there is a risk that the valuations performed at the year-end may be inaccurate.	We understood the Society's investment property portfolio and how valuation policies are applied. We selected a sample of investment properties, including internally and externally valued properties. This included those properties that are material to the Society individually, those with large valuation movements, new acquisitions and an additional random sample. We engaged our property valuation experts to independently assess the valuation methodology and year end valuation of each sampled property. We assessed management's review of the work of the external valuers as well as the competence, independence and integrity of the external valuers. We discussed and challenged the valuation process, significant assumptions and critical judgement areas on a sample basis. We challenged these by engaging our property valuation experts, by benchmarking these assumptions to relevant market evidence including specific property transactions and other external data , and by ensuring consistency of assumptions across the portfolio. We have performed analytical procedures over the entire investment property valuation for the year, including individual property by property analysis for significant movements.	Based on the procedures performed, we did not identify any evidence of material misstatement in the valuation of the investment property portfolio in the period. In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 4.2 to the financial statements concerning the material valuation uncertainty in the assessment of the valuation of the investment properties.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Defined benefit plan liability The Society has a defined benefit pension plan net liability of £11.4 million (2021: £47.5 million), which is made up of a liability of £267.5m (2021: £291.3m) offset by assets of £256.1m (2021: £243.8m). This is significant in the context of the group balance sheet. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. These assumptions include salary increases, inflation, discount rates, expected rate of return on plan assets and mortality rates.	We involved our actuarial experts to assess the assumptions used in calculating the pension plan liabilities, including salary increases and mortality rate assumptions. This allowed us to ensure the assumptions used were consistent with the specifics of the plan and, where applicable, with relevant national and industry benchmarks. We also assessed the discount and inflation rates used in the valuation of the pension liabilities to our internally developed benchmarks and assessed the extent to which these were in line with other companies' recent external reporting.	Based on the procedures performed, we did not identify any evidence of material misstatement in the valuation of the defined benefit plan liabilities in the period.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Society to be £5.2 million (2021: £3.5 million), which is 1.5% (2021: 1%) of total revenues. We believe that using revenue as a benchmark is a generally accepted audit practice, in the absence of another alternative benchmark which would be appropriate.

During the course of our audit, we reassessed initial materiality which was in line with our original assessment at the planning stage.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Society's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £3.9 million (2021: £1.6 million). We have set performance materiality at this percentage due to the strength of the control environment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on performance materiality.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £261k (2021: £174k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the society, or returns adequate for our audit have not been received from branches not visited by us; or
- the society financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Society and determined that the most significant are those that relate to the reporting framework, FRS 102, the Co-operative and Community Benefit Societies Act 2014 and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements relating to health and safety, employee matters and data protection. These include General Data Protection Regulations, Health and Safety at Work Act 1974, HMRC regulations, The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Coronavirus Job Retention Scheme), UK Bribery Act, Equality Act 2010 and Anti-Money Laundering Regulations.
- We understood how the Society is complying with those frameworks by making enquiries of management, the Audit Committee and the Board of Directors. We corroborated our enquiries through our review of board minutes and consideration of the results of our audit procedures across the group.
- We assessed the susceptibility of the Society's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where they considered there was susceptibility to fraud and reviewed the entity level controls in place across the Society. We considered the controls that the Society has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions; enquiries of management; and challenging the assumptions and judgements made by management by reviewing third party evidence wherever possible. We also leveraged our data analytics platform in performing our work to assist in identifying higher risk transactions for testing. The results of our procedures did not identify any instances or irregularities, including fraud.

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

Use of our 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. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Anup Sodhi (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
3 May 2022

Group Revenue Account

For the 52 weeks ended 22 January 2022

	Note	2022 £000	2021 £000
Turnover	*1.1*	**348,561**	**349,571**
Cost of sales	*2.1*	(246,191)	(242,949)
Gross profit		**102,370**	**106,622**
Operating expenses	*2.1*	(100,915)	(99,378)
Trading profit		**1,455**	**7,244**
Changes in fair value of investment properties	*4.2*	6,417	(8,908)
Unrealised impairment of tangible and intangible fixed assets		–	(1,015)
ATM rates rebate relating to prior years		–	837
Restructuring costs		–	(541)
Profit/(loss) before interest, distributions and taxation		**7,872**	**(2,383)**
Interest receivable and similar income	*2.2*	2,449	4,060
Interest payable and similar expense	*2.2*	(51)	(26)
Other finance expense	*2.2*	(666)	(625)
Profit before distributions and taxation		**9,604**	**1,026**
Dividend		(1,566)	(1,907)
Grants/donations	*2.3*	(464)	(804)
Profit/(loss) before taxation		**7,574**	**(1,685)**
Taxation	*3.1*	(1,798)	(2,446)
Profit/(loss) for the financial year		**5,776**	**(4,131)**

	Note	2022 £000	2021 £000
Alternative performance measure – underlying trading profit			
Profit/(loss) before interest, distributions and taxation		7,872	(2,383)
Changes in fair value of investment properties	*4.2*	(6,417)	8,908
ATM rates rebate relating to prior years		–	(837)
Unrealised impairment of tangible and intangible fixed assets		–	1,015
Restructuring costs		–	541
Underlying trading profit for the year		**1,455**	**7,244**

Group Statement of Comprehensive Income

For the 52 weeks ended 22 January 2022

	Note	2022 £000	2021 £000
Profit/(loss) for the financial year		5,776	(4,131)
Remeasurements of net defined benefit obligations	*5.4*	33,652	(11,611)
Remeasurements of UURBS obligations	*5.4*	42	(141)
Movement in deferred tax relating to pension liability	*3.1*	(3,828)	831
Total other comprehensive income/(expense)		29,866	(10,921)
Total comprehensive income/(expense) for the year		**35,642**	**(15,052)**

Group Balance Sheet

As at 22 January 2022

	Note	£000	2022 £000	£000	2021 £000
Fixed assets					
Intangible assets	*4.1*		11,826		12,323
Tangible assets	*4.2*		229,541		224,388
Investments	*4.3*		63,410		62,313
			304,777		299,024
Current assets					
Stocks	*4.4*	14,191		14,282	
Debtors	*4.5*	8,196		7,638	
Investments	*4.3*	4,887		4,948	
Cash at bank and in hand		3,890		5,207	
		31,164		32,075	
Current liabilities					
Creditors – amounts falling due within one year	*5.1*	(34,786)		(35,581)	
Net current liabilities			(3,622)		(3,506)
Total assets less current liabilities			301,155		295,518
Long-term liabilities					
Creditors – amounts falling due after more than one year	*5.1*		(45,305)		(44,582)
Provision for other liabilities	*5.3*		(7,717)		(1,972)
Net assets excluding pension liabilities			248,133		248,964
Pension liabilities					
Deficit on defined benefit scheme	*5.4*		(11,370)		(47,465)
Other retirement benefits	*5.4*		(1,878)		(1,979)
Net assets			**234,885**		**199,520**
Capital and reserves					
Share capital	*6.1*		8,670		9,243
Fair value reserve			52,529		42,055
Revenue reserve			173,686		148,222
Members' funds			**234,885**		**199,520**

Group Statement of Changes in Equity

For the 52 weeks ended 22 January 2022

	Share capital £000	Fair value reserve £000	Revenue reserve £000	Total £000
As at 25 January 2020	**9,172**	**45,540**	**159,827**	**214,539**
Loss for the year	–	–	(4,131)	(4,131)
Other comprehensive expense	–	–	(10,921)	(10,921)
Transfer	–	(3,485)	3,485	–
Total comprehensive expense for the year	–	(3,485)	(11,567)	(15,052)
Contributions to share capital	1,851	–	–	1,851
Withdrawals	(1,867)	–	–	(1,867)
Share interest	87	–	(38)	49
Total transactions with members recognised directly in equity	71	–	(38)	33
As at 23 January 2021	**9,243**	**42,055**	**148,222**	**199,520**
Profit for the year	–	–	5,776	5,776
Other comprehensive income	–	–	29,866	29,866
Transfer	–	10,474	(10,474)	–
Total comprehensive income for the year	–	10,474	25,168	35,642
Contributions to share capital	568	–	–	568
Withdrawals	(766)	–	–	(766)
Share interest	43	–	(43)	–
Dormant share accounts released to reserves	(418)	–	418	–
Corporation tax on dormant share accounts	–	–	(79)	(79)
Total transactions with members recognised directly in equity	(573)	–	296	(277)
As at 22 January 2022	**8,670**	**52,529**	**173,686**	**234,885**

Group Cash Flow Statement

For the 52 weeks ended 22 January 2022

	Note	2022 £000	2021 £000
Net cash from operating activities	*7.3*	4,525	8,088
Taxation (paid)/received		(910)	438
Net cash generated from operating activities		3,615	8,526
Cash flow from investing activities			
Purchase of intangible assets		(1,556)	(1,800)
Purchase of tangible assets		(7,893)	(12,812)
Proceeds from disposals of tangible assets		1,194	1,396
Disposal of funeral bond investments		1,342	338
Net proceeds from sale of businesses		972	–
Interest received and similar income		71	89
Interest payable and similar expense		(51)	(26)
Net cash used in investing activities		(5,921)	(12,815)
Cash flow from financing activities			
Contributions to share capital		568	1,851
Share capital withdrawn		(766)	(1,867)
(Bank loan repaid)/new bank loan entered into		(2,000)	2,400
Capital element of finance lease repaid		(126)	(119)
Net cash (used in)/received from financing activities		(2,324)	2,265
Net decrease in cash and cash equivalents		(4,630)	(2,024)
Cash and cash equivalents at the beginning of the year	*7.3*	5,207	7,231
Cash and cash equivalents at the end of the year		**577**	**5,207**
Cash and cash equivalents consists of:			
Cash at bank and in hand		3,890	5,207
Bank overdraft		(3,313)	–
Cash and cash equivalents		**577**	**5,207**

Accounting Policies

General information

The East of England Co-operative Society (registered number 1099R) and its subsidiaries operate convenience stores, supermarkets, travel branches, petrol forecourts and funeral services branches across Norfolk, Suffolk and Essex. In addition, the Group holds a large portfolio of investment properties and offers security services.

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 22 January 2022 (2021: 52 weeks ended 23 January 2021).

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 7.7 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

As of 22 January 2022, the Society had net assets of £234.9m (2021: £199.5m) and net current liabilities of £3.6m (2021: £3.5m). At the year end date, the Society had utilised £3m of its £5m revolving credit facility.

Global unrest is contributing to rising costs especially commodity prices and energy costs. Inflation is rising and interest rates, at the time of writing, are at their highest level since March 2020. These factors are all contributing to an increase in the costs of doing business and there remains uncertainty regarding the long-lasting impact on the Society. The Directors have considered the impact of these economic headwinds on all of the Society's operations and future prospects.

The Society has a history of strong cash generation and forecasts that this will continue for the foreseeable future. The Board-approved budgets and forecasts for the going concern assessment period to 17 June 2023 continue to show a positive cashflow from operating activities.

Included in the budget is significant uncommitted and discretionary capital expenditure, much of which is related to new Food stores and Food store refurbishments.

Our forecasts demonstrate that we will be able to settle our external borrowings as they fall due in 2022. We have subsequently repaid the £3m drawn down from our revolving credit facility (March 2022) and are assuming repayment of the £2m fixed-term withdrawable shares in October 2022. Our forecasts include the renewal of our £10m overdraft facility and £5m RCF, which expires in June 2022. The overdraft was in use at the date the accounts are signed. This overdraft facility renewal is, at present, uncommitted. The Society is in discussion with its bankers and fully expects the overdraft to be renewed, given its strong cash generation and its property asset base.

Notwithstanding the above, as the capital expenditure is discretionary and uncommitted, the Society is not dependent on replacement external funding. A scenario where funding and overdraft facilities are not renewed, and the resultant capital expenditure and other discretionary spend is also not incurred, has been modelled. This scenario also demonstrates that the Society has sufficient cash for the going concern assessment period.

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 ntractual 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 include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. 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 which includes estimation of future rental income, cashflows and determination of rental yield, specific to each property. Given the impact of Covid on the real estate market, the valuer has also reported on the basis of 'material valuation uncertainty' and has stated that less certainty and a higher degree of caution should be attached to their valuations than would normally be the case	*4.2*
Stock valuation – estimation of stock provision which requires judgement	*4.4*
Measurement of pension obligations – inherent uncertainty in use of assumptions	*5.4*

Notes to the Financial Statements

KEEPING IT SIMPLE

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

Section 1 – Turnover

IN THIS SECTION

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

KEEPING IT SIMPLE – TURNOVER

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

Accounting policy:

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

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

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

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

b) **Investment property 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**
Until 29 June 2021, in certain locations the Group operated a franchised brand from third parties. Income from these locations was 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.

	2022 £000	2021 £000
Turnover		
Retail	340,433	341,553
Property	8,128	8,018
	348,561	**349,571**

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.

	2022 £000	2021 £000
Cost of sales	**246,191**	**242,949**
Personnel (note 2.1.1)	58,343	63,029
Occupancy costs	11,390	8,397
(Profit)/loss on sale of fixed assets	(159)	2
Hire of plant and machinery	67	248
Vehicle contract hire/lease	473	288
Depreciation and other amounts written off tangible fixed assets (note 4.2)	6,717	6,544
Amortisation of intangible fixed assets (note 4.1)	1,950	1,426
Auditors' remuneration		
– Fees payable for the audit of consolidated financial statements	158	128
– Fees payable for the audit of the Society and its subsidiaries	22	21
– Non-audit fees	–	23
Directors' fees (note 2.1.3)	151	143
Other expenses	21,803	19,129
Operating expenses	**100,915**	**99,378**

Included within operating expenses is the benefit of government support totalling £2.2m (2021: £5.9m). This related to rates relief, retail grants and claims under the Job Retention Scheme. This has helped offset additional costs we have incurred in relation to Covid which total £8.4m over the two-year period.

2.1.1 COLLEAGUES

	2022 Number	2021 Number
The average number of persons employed by the Society during the year was:		
Full time	859	932
Part time	2,975	3,314
	3,834	**4,246**

	2022 £000	2021 £000
The cost incurred in respect of these employees was:		
Wages and salaries	51,818	56,251
Social security costs	2,994	3,198
Other pension costs	3,531	3,580
	58,343	**63,029**

2.1.2 KEY MANAGEMENT COMPENSATION

KEEPING IT SIMPLE – KEY MANAGEMENT COMPENSATION

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

	2022 £000	2021 £000
Key management includes members of the Management Executive.		
The compensation paid or payable to key management for employee services is shown below:		
Salary	1,105	1,017
Taxable benefits	94	96
Pension contributions	30	39
	1,229	**1,152**

Three members of the Management Executive in service at the year end participated in the Society stakeholder pension scheme.
The remuneration of the Joint Chief Executive – Retail (who is also the highest paid employee in service at the year end) included above is set out below.

	2022 £000	2021 £000
Salary	291	272
Taxable benefits	31	36
	322	**308**

	2022 £000	2021 £000
Transfer value of total accrued pension	1,036	1,081

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

	2022 Number	2021 Number
£40,000 – £50,000	–	1
£120,000 – £130,000	–	1
£160,000 – £170,000	1	–
£200,000 – £210,000	–	1
£230,000 – £240,000	1	1
£240,000 – £250,000	1	1
£260,000 – £270,000	1	–
£300,000 – £310,000	–	1
£320,000 – £330,000	1	–

2.1.3 TRANSACTIONS WITH DIRECTORS

KEEPING IT SIMPLE – TRANSACTIONS WITH DIRECTORS

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

	2022 £000	2021 £000
Directors' emoluments		
The total remuneration of the Directors for their Board duties was as follows:		
Fees	151	143
The number of Directors whose emoluments fell in each £5,000 bracket was as follows:	**2022 Number**	**2021 Number**
£0 – £5,000	2	2
£5,001 – £10,000	13	16
£10,001 - £15,000	3	–

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 and loan facilities used. Investment income relates to pre-paid funeral plans.

	2022 £000	2021 £000
INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable (note 4.3)	71	90
Investment income (note 4.3)	2,378	3,970
	2,449	**4,060**

	2022 £000	2021 £000
INTEREST PAYABLE		
Interest payable	51	26

	2022 £000	2021 £000
OTHER FINANCE EXPENSE		
Interest expense on pension obligations (note 5.4)	666	625

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.

	2022 £000	2021 £000
GRANTS/DONATIONS		
Member and Community Services' expenditure	454	804
Donations	10	–
	464	**804**

Section 3 – Taxation

IN THIS SECTION

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

3.1 CURRENT TAX AND DEFERRED TAX

KEEPING IT SIMPLE – CURRENT TAX

This section shows the adjustments we make to our profits or losses 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 period comprises current and deferred tax recognised in the year. Tax is recognised in the Revenue Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

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

Deferred tax

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

	£000	2022 £000	£000	2021 £000
Current tax:				
UK corporation tax on profits for the year	85		767	
Adjustment in respect of prior years	(125)		30	
UK current tax (credit)/charge		(40)		797
Deferred tax:				
Effect of change in rate on opening liability	1,324		344	
Timing differences arising in the year	720		1,019	
Adjustment in respect of prior years	(127)		286	
UK deferred tax charge		1,917		1,649
Total UK tax charge		**1,877**		**2,446**

	2022 £000	2021 £000
Charged through the Group Revenue Account	1,798	2,446
Charged directly through the Revenue Reserve	79	–
Total UK tax charge	**1,877**	**2,446**

3.1 CURRENT TAX AND DEFERRED TAX (CONTINUED)

TAX RECONCILIATION

The current tax charge assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	£000	2022 £000	£000	2021 £000
Profit/(loss) before tax	7,574		(1,685)	
Tax due if paid at the applicable UK corporation tax rate 19% (2021: 19%)	1,439		(320)	
Adjustments relating to current tax:				
Adjustment to tax charge in prior period	(125)		30	
Expenses not deductible for tax purposes	122		71	
(Income not taxable)/expenses not deductible relating to property revaluations	(1,219)		1,692	
Expenses not deductible relating to pension scheme	92		90	
Impact of depreciation in excess of capital allowances	(545)		(654)	
Impact of super deduction for capital allowances	(18)		–	
Accelerated capital allowances	436		697	
Short-term timing differences in relation to accounting provisions	50		(73)	
Short-term timing differences in relation to pension scheme contributions	34		28	
Short-term timing differences in relation to funeral bonds	108		108	
Effect of tax relief on pension contributions	(408)		(416)	
Effect of land remediation relief	(6)		(1)	
R&D expenditure credits	–		(10)	
Impact of funeral bond tax credits	(115)		–	
Utilisation of trade losses arising from prior periods	115		(445)	
UK current tax (credit)/charge		**(40)**		**797**
Adjustments relating to deferred taxation:				
Effect of change in rate on opening liability	1,324		344	
Adjustment in respect of prior period	(127)		286	
Deferred tax liability in relation to revalued property	631		–	
Impact of ineligible depreciation	717		654	
Short-term timing differences in respect of pension scheme contributions	(45)		(28)	
Short-term timing differences in relation to funeral bonds	(142)		(108)	
Capital losses	(224)		(17)	
Other short-term timing differences	(66)		73	
Unrelieved tax losses arising in the period	(151)		445	
UK deferred tax charge		**1,917**		**1,649**
Total UK tax charge		**1,877**		**2,446**

Tax policy

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

Tax rates

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

In the prior year, the main rate of corporation tax was expected to remain at 19% for the foreseeable future. All prior year deferred tax assets and liabilities were remeasured to reflect this tax rate.

On 3 March 2021, the Chancellor announced the corporation tax rate will rise to 25% on 1 April 2023. This announcement has now been substantively enacted within the Finance Bill 2021. The current year deferred tax assets and liabilities have therefore been remeasured to reflect this increase in tax rate.

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.

3.1 CURRENT TAX AND DEFERRED TAX (CONTINUED)

Expenses not deductible/income not taxable relating to property revaluations

The Society's property portfolio has been revalued upwards during the year. As this is not a realised gain it does not give rise to a current tax credit. Instead, 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 expenses of £666,000 (2021: £625,000) and operating expenses of nil (2021: 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 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 led to an accelerated recognition of profit on funeral bond sales. To assist companies in this position, HMRC allowed for some tax liabilities, which arise specifically as a result of transition, to be spread over a 10-year period. This relief resulted in a deferred tax liability being recognised at our transition date, which is being released to the Revenue Account over 10 years.

Impact of funeral bond tax credits

The Society is a funeral plan provider. 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. These investments are considered to be "investment life insurance contracts" for corporation tax purposes. As the Society is not a life insurance company, it works with a third party provider who bears the tax on the income and gains on the assets in the funds underlying each contract. As such, when a prepaid plan is surrendered, a tax credit is available to the Society in recognition of the tax that has already been suffered by the third party.

Adjustments to tax charges/credit in prior years

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

Capital gains and losses

During the year the Society disposed of a small number of investment properties which will result in an overall capital loss for tax purposes. The loss will be carried forward so it can be utilised against future gains. The deferred tax asset in relation to capital losses has therefore increased.

Tax relief on pension contributions and tax losses

During the financial year ended 25 January 2014, the Society took steps to improve the security of the members of our two former defined benefit pension schemes. To do this, we placed a variety of trading and investment properties into the East of England Scottish Limited Partnership, directing rental income into the pension scheme as a form of cash contribution. The value of the transaction was £65.9m of which £48.1m was eligible for tax relief over four years, the last of which was the year ended 28 January 2017. The large deduction from taxable profits arising from this pension contribution described above resulted in losses for tax purposes in earlier periods. In earlier years, the Society was unable to fully 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 24 January 2021	Current year deferred tax credit/(charge)		Adjustment in respect of prior years	Balance as at 22 January 2022
		Revenue Account	OCI / Reserves		
	£000	£000	£000	£000	£000
Capital allowances	(3,257)	(1,414)	–	1,049	(3,622)
Short-term difference in relation to funeral bonds	(429)	6	–	–	(423)
Other short-term timing differences	426	205	–	16	647
Capital losses	118	261	–	(2)	377
Tax losses	2,442	627	–	(936)	2,133
Deferred tax liability in relation to revalued property	(3,620)	(1,774)	–	–	(5,394)
Deferred tax asset/(liability) relating to pension scheme	2,348	45	(3,828)	–	(1,435)
Total deferred tax liability (note 5.3)	**(1,972)**	**(2,044)**	**(3,828)**	**127**	**(7,717)**

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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.

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, other than goodwill, 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%
- 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 fixed 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 gain. 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.

4.1 FIXED ASSETS – INTANGIBLE (CONTINUED)

	Goodwill £000	Software £000	Licences £000	Total £000
FIXED ASSETS – INTANGIBLE				
Cost				
At 24 January 2021	**17,007**	**11,715**	**49**	**28,771**
Additions	361	1,168	–	1,529
Disposals	(86)	(976)	(49)	(1,111)
Transfers	–	28	–	28
At 22 January 2022	**17,282**	**11,935**	**–**	**29,217**
Amortisation				
At 24 January 2021	**9,771**	**6,666**	**11**	**16,448**
Charge for the year	943	1,006	1	1,950
Disposals	(86)	(909)	(12)	(1,007)
At 22 January 2022	**10,628**	**6,763**	**–**	**17,391**
Net book value at 22 January 2022	**6,654**	**5,172**	**–**	**11,826**
Net book value at 23 January 2021	**7,236**	**5,049**	**38**	**12,323**

Included within software is £2,240,000 (2021: £3,378,000) 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 vehicles used within the Society's business.

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

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 are recognised as investment properties. In accordance with UK GAAP:

a) on acquisition, investment properties are initially measured at cost

b) investment properties are measured at fair value annually with any change recognised in the Revenue Account and,

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

Tangible fixed 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. Please refer to Note 4.1 for the detailed policy for impairment of fixed assets.

4.2 FIXED ASSETS – TANGIBLE (CONTINUED)

	Land & buildings £000	Investment properties £000	Fixtures, fittings & plant £000	Transport £000	Total £000
FIXED ASSETS – TANGIBLE					
Cost or valuation					
At 24 January 2021	**128,439**	**115,837**	**50,999**	**4,790**	**300,065**
Additions	1,105	2,333	4,483	–	7,921
Disposals	(1,239)	(1,215)	(4,164)	(541)	(7,159)
Transfers	(2,747)	2,037	(151)	–	(861)
Revaluations	–	6,417	–	–	6,417
At 22 January 2022	**125,558**	**125,409**	**51,167**	**4,249**	**306,383**
Depreciation					
At 24 January 2021	**43,374**	**–**	**28,252**	**4,051**	**75,677**
Charge for the year	2,048	–	4,458	211	6,717
Disposals	(595)	–	(3,599)	(525)	(4,719)
Transfers	(758)	–	(75)	–	(833)
At 22 January 2022	**44,069**	**–**	**29,036**	**3,737**	**76,842**
Net book value at 22 January 2022	**81,489**	**125,409**	**22,131**	**512**	**229,541**
Net book value at 23 January 2021	**85,065**	**115,837**	**22,747**	**739**	**224,388**

Included within tangible fixed assets is £2,727,000 (2021: £8,541,000) relating to assets in the course of construction, of which £1,213,000 (2021: £5,850,000) is in investment properties and £1,514,000 (2021: £2,691,000) is in fixtures, fittings and plant.

The net carrying value of assets held under finance leases included in transport is £532,000 (2021: £633,000).

Particulars relating to revalued assets are given below:

	2022 £000	2021 £000
Investment properties		
At valuation	125,409	115,837
At historical cost	122,004	118,849

Revaluation of investment properties

Each year, 20% of the Society's investment properties are valued by Roche. The valuation is undertaken in accordance with the RICS Valuation – Professional Standards. The valuer has reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, they have stated that less certainty and a higher degree of caution should be attached to their valuations than would normally be the case. Investment properties and properties held for development (non-trading) are valued on a market value basis. The remainder have been valued by the Society's Joint Chief Executive – Property, Nick Denny FRICS on a consistent basis.

4.3 INVESTMENTS

KEEPING IT SIMPLE – INVESTMENTS

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

Accounting policy:

Investments in shares are stated at cost less provision for any impairment in value. Interest and investment income is accounted for on an accruals basis. Funeral bond investments are stated at fair value through the Revenue Account.

4.3 INVESTMENTS (CONTINUED)

	Fixed assets		Current assets		Interest / investment income	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
INVESTMENTS						
Co-operative Group Limited						
– Shares	757	757	–	–	–	–
Other I & P societies						
– Shares	1	1	–	–	–	–
Other	101	101	–	–	–	–
Short-term deposits	–	–	–	–	41	34
Overnight deposit	–	–	–	–	30	56
Funeral bonds	62,551	61,454	4,887	4,948	2,378	3,970
	63,410	**62,313**	**4,887**	**4,948**	**2,449**	**4,060**

4.4 STOCK

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.

	2022 £000	2021 £000
STOCK		
Goods for resale	14,191	14,282

Goods for resale is stated after provision for impairment of £553,000 (2021: £457,000). 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 pre-payment is an amount paid by the Society in advance of the goods or services being received.

Accounting policy:

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debtor is impaired. The amount of any loss is recognised in the Revenue Account within operating expenses.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Revenue Account.

	2022 £000	2021 £000
DEBTORS		
Trade debtors	2,583	2,855
Corporation tax	268	–
Other debtors	577	759
Pre-payments and accrued income	4,768	4,024
	8,196	**7,638**

Trade debtors are stated after provision for impairment of £1,251,000 (2021: £1,044,000). The movement in the provision is charged/credited to operating expenses each year. The increase in the provision during the year reflects the uncertainty surrounding the collection of deferred property rental payments.

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

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. Investment income earned in the year is recognised in the Revenue Account.

	Due within 1 year		Due after 1 year	
	2022 £000	**2021 £000**	**2022 £000**	**2021 £000**
CREDITORS				
Bank loans	3,000	5,000	–	–
Bank overdraft	3,313	–	–	–
Trade creditors	9,612	9,583	–	–
Finance leases (note 5.2)	133	126	399	532
Corporation tax	–	766	–	–
Other taxation and social security	1,818	2,642	–	–
Other creditors	1,801	2,392	–	–
Accruals and deferred income	11,571	11,501	–	–
Funeral bonds	3,538	3,571	44,906	44,050
	34,786	**35,581**	**45,305**	**44,582**

Bank loan

During the year ended 25 January 2020, the Society entered into a £5m revolving credit facility. The facility is secured on specific investment properties and is interest bearing.

5.2 FINANCE LEASE LIABILITIES

Leases where the Group takes on substantially all the risks and rewards of ownership are classified as finance leases. Vehicles acquired under finance leases are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at the start of the lease, less accumulated depreciation and any impairment losses.

Depreciation is provided on the same basis as for owned assets. Minimum finance lease payments are apportioned between the finance charge and the repayment of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

	2022 £000	2021 £000
Less than one year	133	126
Later than one year and not later than five years	399	532
	532	**658**

5.3 PROVISION FOR OTHER LIABILITIES

	2022 £000	2021 £000
Deferred tax (note 3.1)	7,717	1,972

5.4 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 on 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 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 on the Balance Sheet. The assets of the plan are held separately from the Society in independently administered funds.

5.4 PENSION OBLIGATIONS (CONTINUED)

PENSIONS

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

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

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

Asset-backed funding arrangement

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

On 20 November 2017, the two former schemes transferred their interest in the Partnership to East of England Co-op Retirement Benefit Scheme which is now entitled to an annual distribution of £3.2m for a remaining 16 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:

	2022	2021
Rate of increase of pensions in payment		
– prior to 31 August 2008	3.39%	2.95%
– post 31 August 2008	2.29%	2.15%
Rate of increase of pensions in deferment	3.50%	3.00%
Discount rate	2.00%	1.45%
Rate of inflation	3.50%	3.00%

	2022 years	2021 years
The mortality assumptions used were as follows:		
Longevity at age 65 for current pensioners		
– Men	21.8	21.5
– Women	24.5	23.5
Longevity at age 65 for future pensioners		
– Men	23.1	22.9
– Women	25.6	25.1

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 22/01/2022 £000	Value at 23/01/2021 £000
Equities and hedge funds	45,222	46,188
Diversified growth funds	73,372	69,529
Multi-asset credit	55,854	50,432
Bonds	21,287	24,187
Liability-driven investment	58,180	51,861
Cash	1,234	561
Insured annuities	964	1,078
Total market value of assets	256,113	243,836
Actuarial value of liability	(267,483)	(291,301)
Total deficit in the scheme	**(11,370)**	**(47,465)**

5.4 PENSION OBLIGATIONS (CONTINUED)

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.

Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 24 January 2021	243,836	(291,301)	(47,465)
Interest income/(expense)	3,502	(4,168)	(666)
Remeasurement gains/(losses)			
Actuarial losses	–	20,216	20,216
Return on plan assets excluding interest income	13,436	–	13,436
Benefits paid	(7,770)	7,770	–
Contribution by employer	3,109	–	3,109
At 22 January 2022	**256,113**	**(267,483)**	**(11,370)**

Analysis of the amount charged to the Revenue Account

	2022 £000	2021 £000
Interest income	3,502	4,086
Interest on pension liabilities	(4,168)	(4,711)
Total expense recognised in Revenue Account	**(666)**	**(625)**

Return on plan assets

	2022 £000	2021 £000
Interest income	3,502	4,086
Return on plan assets less interest income	13,436	1,670
Total return on plan assets	**16,938**	**5,756**

Stakeholder scheme

The stakeholder pension scheme is a defined contribution plan. The contributions due to the plan during the year were £3,520,000 (2021: £3,584,000). As at 22 January 2022, no unpaid contributions were outstanding (2021: £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 (2021: £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.

	2022 £000	2021 £000
Benefit obligation at the beginning of the year	1,979	1,893
Interest cost	28	31
Actuarial losses	(42)	141
Benefits paid	(87)	(86)
Benefit obligation at the end of the year	**1,878**	**1,979**

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.

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

Share capital is comprised entirely of equity shares of £1 each, currently attracting interest at rates between 0.5% and 2.5%.

Shares are withdrawable on varying periods of notice dependent on the amount involved. The right to withdraw may, by resolution of the Board, be suspended either wholly or partially and either indefinitely or for a fixed period.

Each member is entitled to one vote irrespective of the number of shares held.

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

During the year, the Society released £418,000 (2021: £nil) of members' funds from Share Capital to the Revenue Reserve. This represents the cumulative balance within the share accounts of members who have not purchased goods or services from the Society for a period of at least four years, and with whom the Society has lost contact.

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 a previous increase in the same asset.

Revenue reserve

This reserve includes all current and prior period retained profits and losses except for those included in the fair value reserve.

Section 7 – Other notes

IN THIS SECTION

This section contains details of operating leases, capital commitments, cash flow, related party disclosures, general contingencies, subsidiaries, discontinuance of business and post balance sheet events.

7.1 OPERATING LEASES

Operating leases – leasing from owners

KEEPING IT SIMPLE – OPERATING LEASES – LEASING FROM OWNERS

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:

Rentals payable under operating leases are charged to the Revenue Account on a straight-line basis over the term of the lease.

At 22 January 2022, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	2022 £000	2021 £000	2022 £000	2021 £000
Operating leases expiring:				
Within one year	1,454	1,408	414	227
Later than one year and not later than five years	5,128	5,444	806	155
After five years	9,259	8,592	–	–
	15,841	**15,444**	**1,220**	**382**

Operating leases – leasing to tenants

KEEPING IT SIMPLE – OPERATING LEASES – LEASING TO TENANTS

The Society leases assets to tenants, such as property. The asset is still owned by the Society and the tenant pays rent to use it.

Accounting policy:

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.

At 22 January 2022, the Group had the following minimum lease receivables under non-cancellable operating leases for each of the following periods:

	Land and buildings	
	2022 £000	2021 £000
Within one year	6,496	7,492
Later than one year and not later than five years	17,513	16,870
After five years	11,343	11,937
	35,352	**36,299**

7.2 CAPITAL COMMITMENTS

KEEPING IT SIMPLE – CAPITAL COMMITMENTS

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

Capital commitments

At 22 January 2022, there were capital commitments of £2.1 million (2021: £5.4 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.

	2022 £000	2021 £000
RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Profit/(loss) for the financial year	5,776	(4,131)
Adjustments for:		
Tax on proft/(loss) on ordinary activities	1,798	2,446
Distributions	2,030	2,711
Net interest income	(1,732)	(3,409)
Profit/(loss) before interest, distributions and taxation	**7,872**	**(2,383)**
Grants and donations	(464)	(804)
Depreciation	6,717	6,544
Amortisation	1,950	1,426
Loss on sale of tangible fixed assets	144	24
Loss on disposal of businesses	233	–
Changes in fair value of investment properties	(6,417)	8,908
Unrealised impairment of tangible and intangible fixed assets	–	1,015
Decrease in stocks	91	50
(Increase)/decrease in debtors	(291)	112
Decrease in creditors	(576)	(1,807)
Dividend paid	(1,566)	(1,907)
Pension contributions	(3,196)	(3,121)
UURBS current service costs	28	31
Net cash from operating activities	**4,525**	**8,088**

	2021 £000	Cash flow £000	2022 £000
ANALYSIS OF MOVEMENT IN NET FUNDS			
Cash and cash equivalents			
Cash at bank and in hand	5,207	(4,630)	577
Borrowings			
Debt due within one year	(5,126)	1,993	(3,133)
Debt due after one year	(532)	133	(399)
	(5,658)	2,126	(3,532)
Total	**(451)**	**(2,504)**	**(2,955)**

MAJOR NON-CASH TRANSACTIONS

During the year, the Society had no major non-cash transactions (2021: £nil).

7.4 RELATED PARTY DISCLOSURES

Last year the Society received rental income of £6,184 from New Anglia Local Enterprise Partnership, of which Doug Field, Joint Chief Executive, was Chair until 23 September 2020 and £5,602 of rental income from The Recovery Hub Ipswich, of which Roger Grosvenor, Joint Chief Executive, was a director until 24 June 2020.

7.5 POST BALANCE SHEET EVENT

The provision and arrangement of pre-paid funeral plans will be regulated by the Financial Conduct Authority (FCA) from 29 July 2022. Our intention is to work with an FCA-registered partner who will provide and administer funeral plans for our clients. When the time comes to redeem the plan, funeral arrangements will be conducted by our dedicated funeral team.

7.6 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.

7.7 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 & Sons funerals business. A striking-off application was made for this company on 20 October 2021.

W. H. Shephard Funeral Furnishing Service Limited (00354547) †◊
A dormant company formerly operating the W. H. Shephard funerals business. A striking-off application was made for this company on 20 October 2021.

East of England Co-operative Society (Trustees) Limited (11059352)
A company holding the trusteeship of the East of England Co-op Retirement Benefits Scheme.

Colchester Funeral Services Limited (2768938) ◊
A dormant company which has never traded. The company was dissolved on 18 January 2022.

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

Local Convenience Stores Limited (04066060) †◊
A dormant property holding company acquired with Anglian Convenience Stores Limited. The company was dissolved on 18 January 2022.

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

Perfitt Holdings Limited (03806203) ◊
A dormant holding company (Year ending 26 July). A striking-off application was made for this company on 19 April 2022.

Anglia Memorial Services Limited (4071526) †◊
A dormant company acquired with H.L. Perfitt Limited. (Year ending 31 May). The company was dissolved on 18 January 2022.

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 5.4).

Ben's Limited (05741336) ◊
A dormant company formerly operating three supermarkets. The company was placed into members' voluntary liquidation on 8 October 2021.

East of England Co-op Travel Limited (10588432) *
A company operating the Society's travel business.

† Indirectly owned by East of England Co-operative Society Limited

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 22 January 2022.

SUBSIDIARY EXEMPTION

Subsidiaries marked * have taken advantage of the exemption from an audit for the period ended 22 January 2022 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 22 January 2022.

Member and Community Services' Expenditure Statement (unaudited)

	2022 Net Expenditure £	£
Community engagement events and projects		
Community funding	162,124	
Community campaigns	6,296	
Community events	81,737	
Community and engagement costs		**250,157**
Salaries and overheads		203,955
Member and Community Services' expenditure (note 2.3)		**454,112**

Donations totalling £237,000 were made to organisations during the financial year from the Society's Community Cares Fund. The Community Cares Fund is supported by members who kindly donate their dividend towards good causes.

This statement does not form part of the financial statements.

Keep up to date with what we're up to in the community...

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