



# A CO-OP FOR THE FUTURE



Annual Report and  
Financial Statements

# 2020

Annual Report and Financial Statements  
of the East of England Co-operative Society  
for the year ended 25 January 2020



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Our hard work has  
been recognised

UK BIDDABLE  
MEDIA AWARDS  
2019 WINNER



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



# 2020

## Annual Report and Financial Statements

of the East of England  
Co-operative Society  
for the year ended  
25 January 2020.

**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 Essex, Norfolk, Suffolk and Cambridgeshire.

With a significant property portfolio, and other businesses such as security services and events, we are a diverse and modern business.

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

# £348.5m

## TURNOVER

Down £5.0m from last year

# £2.5m

## PROFIT BEFORE DISTRIBUTIONS AND TAXATION

Down from £5.2m last year

# £4.5m

## UNDERLYING TRADING PROFIT

Down 19.2% from last year's £5.6m

# £214.5m

## MEMBERS' FUNDS

Down from £224.6m last year

East of  
England  
COOP

# President's STATEMENT

## Preparing for the future

We are in uncertain times and we need to be alert to respond to the challenges we face. Investing in our colleagues, our stores and technology is helping us to prepare for that uncertain future. Concentrating our efforts on businesses that have the potential to grow and thrive is vital.



SALES  
FROM OUR CONTINUING  
BUSINESSES GREW BY

**1.8%**

## How we performed

It is a challenging market, especially in our Food retail and Funeral operations. This has led to a fall in profits. This was anticipated, given last year's tremendous result and the rising costs of doing business, especially the impact of the National Living Wage on our cost base.

Decisions made in previous years saw us exit our Pharmacy, Optical and Distribution businesses. Pleasingly sales from our continuing businesses grew by 1.8%.

We continue to invest in our business and have invested over £76m in the last five years to ensure we improve the daily lives of our members, customers, colleagues and communities. Our members also benefit from our success, enjoying a share of a £2.2m dividend last year, as well as a proposed dividend this year.

## Our colleagues

Our colleagues are our greatest asset. The care they show for our communities has been welcomed by our members, never more so than during the recent unprecedented outbreak of COVID-19.

This year we have placed a focus on encouraging colleagues' continued development and recognising their achievements. 'You're the Co-op' has been introduced to celebrate the actions taken by our colleagues to deliver great service to our members and customers, whilst our Apprenticeship scheme and internal learning opportunities have continued to expand.

With an increased focus on good mental health, we introduced new support for colleagues including online resources and access to colleague support programme GroceryAid. We also welcomed several specialists, including Clinical Psychologist Dr Hazel Harrison to speak to our colleagues about the importance of mental wellbeing and supporting each other.







## Making a difference, the Co-op way

As a Co-op embedded in our communities, we are in a unique position to support and collaborate with local businesses, charities, communities and individuals. From housing and education to reducing our impact on the environment, lots of actions have been taken this year, bringing our values and principles to life and demonstrating the power of co-operation.

## What does the future hold?

Whatever the future holds, we need to make sure we focus on making a positive local impact and improving the daily lives of our members, colleagues, customers and communities.

I am incredibly proud of our Co-op, the continuing efforts of our colleagues and the support from my fellow Directors ensuring we grow and thrive. We have made progress this year and will continue to do so for many years to come.

**WE RECRUITED OVER  
14,800 NEW MEMBERS  
THIS YEAR**



## Our governance – how our Co-op works

We know that strong governance is vital for our success. Our participation in the wider co-operative movement allows us a voice on the social issues of today. We have embraced the new Code of Governance issued by Co-operatives UK and contributed to the funeral market investigations by both the Competition and Markets Authority (CMA) and the Financial Conduct Authority (FCA).



The Society Secretary plays a crucial role in co-operative governance. I'd like to take this opportunity to say a hearty thank you to Society Secretary Mike Faulkner who retired at the end of March 2020.

During his 18 years with the Society, Mike's many achievements included ensuring a smooth Society merger in 2005, updating the Board elections, modernising the Board's terms of reference and overseeing the introduction of a collegiate leadership team.

Mike has been succeeded in his role by Jonathan Carey, formerly the Society's Deputy Secretary.

Jonathan has worked for our Co-op, for the past 16 years. His extensive experience of co-op governance and corporate legal matters, as well as his knowledge of, and service to, our Co-op, make him ideally suited to take on this important role.

*Sally Chicken*

**Sally Chicken  
President**

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

# IMPROVING *Together*

At any one time, there are dozens of projects underway across our business to respond to trading conditions, meet seasonal demand, exceed customer expectations and, ultimately, keep our competitive edge. Some of these projects are small, involving just a handful of people, while others are much larger, bringing together a wide range of colleagues across multiple departments.

## REFRESH

Ensuring our stores and branches are kept looking fresh and modern, this year we continued our programme of refurbishments, completing a further 16 Food stores and supermarkets across the region.

Now in the final stages of the major refurbishment programme, our larger stores benefit from our premium format providing a completely different ambience. As well as new flooring, ceilings and paintwork, we took the opportunity to upgrade our lighting and refrigeration, helping to reduce our carbon footprint. We also significantly extended ranges and introduced new services.

Our Witham Food store reopened to customers with an improved layout and a brighter, more welcoming atmosphere.

Our Long Stratton Supermarket welcomed one of our new self-service coffee stations Barista Bar, as well as installing new lower-power refrigeration and lighting to reduce our environmental impact.

We ended the year with our Framlingham Supermarket undergoing an impressive £750,000 transformation, just in time for Christmas.



## SELF-SERVICE

Following a survey of our members, where 30% of respondents said they would use self-service tills all or most of the time, we introduced self-service tills in to several of our stores.

The trial explored whether our customers use them and what for. Self-service won't be for everyone; our attended checkouts, manned by our fantastic colleagues, remain at the forefront of our shopper experience.



## RECORD-BREAKING SUCCESS

In celebration of all things local, our Sourced Locally Fortnight was bigger and better than ever. We achieved over £1 million of sales of local produce in just two weeks!

This year, we kicked off the Fortnight with an exclusive food and wine pairing event at Toppesfield Vineyard – before touring our All-Day Breakfast Roadshow across Norfolk, Suffolk and Essex. Encouraging passers-by to taste our locally sourced bacon, eggs, sausages and burgers, more than 3,000 breakfast baps were given away in 10 locations to some very happy customers.

### We also held some extra special events ...

Colchester played host to our Battle of the Bangers competition. Students from Suffolk New College took part in a MasterChef-style invention test using locally sourced products. And, at Norwich Train Station, we gave away free burgers to hungry commuters whilst they were entertained by rock, pop and soul choir Invidia Voices.

*Invidia Voices, Norwich Train Station*



**FAIRTRADE  
SCHOOLS**

This year we worked with local schools in our region to encourage more to sign up to be Fairtrade Supporters.





We found lots of fun and interesting ways to encourage members and customers to vote in our annual Producer of the Year Awards. From a Valentine's Day-themed cook-off in Suffolk and a Battle of the Brewers in Norfolk, to an invite-only afternoon tea in Essex for those aged over 70 and under seven.

Over 19,000 votes were cast, crowning The Cake Shop Bakery, The Norfolk Brewhouse and Thursday Cottage our County Winners.

And we were very pleased to crown The Norfolk Brewhouse as our overall Producer of the Year 2019, as voted for by the judges.

The Norfolk Brewhouse, run by successful husband-and-wife team David and Rachel Holliday, was praised for its passion and commitment to using local produce. David said: "We were absolutely thrilled to have received the backing of shoppers, helping us to reach the finals, but to win the overall title is the froth on the beer."

*"We are only a small team, but we put our hearts and soul into what we do and to have this sort of feedback validates that. I couldn't be prouder of everything we have achieved."*

Producer of the Year County Winners,  
**RIGHT:** The Cake Shop Bakery  
**BELOW:** Thursday Cottage



## Who makes your Co-op work?

**Paul Bates,**  
Branch Manager at Manningtree Supermarket, Essex

Requiring participation from every Food store, as well as several Wherstead Park and field-based teams, our 'Fresh Theatre' project is a great example of co-operation in action.

We delivered a complex plan designed to improve Fresh sales across our business. Branch Manager Paul Bates shares his thoughts on the project and the reaction from customers.

I recently celebrated 34 years at the Co-op, having started out at the Dovercourt store (then part of the Colchester and East Essex Co-op) on 1 April 1986. In that time I've worked all over Essex, from our small stores up to supermarkets, before settling in Manningtree where I've been Branch Manager for 12 years.

The Fresh Theatre project was designed to create in-store theatre for all fresh food departments including fruit and vegetables, dairy and meat, that would work in any store – no matter the size – from the smallest to the largest, right across the estate.

Has it been successful? In my opinion yes, definitely! Showcasing the excellent range of products available in our stores, this, in conjunction with a focus on availability, has helped improve perception and ultimately improve performance. The project has visually enhanced our displays, making them brighter and fresher and more appealing to customers.

I personally like the green grass and hessian bag effect shelving on the butchery and greengrocery areas of the store, giving a nostalgic twist. We've had only positive feedback from customers, with some saying it looked like an old-fashioned butchery shop. The new signage clearly highlights the different departments, helping our customers quickly and easily find what they are looking for.

What I enjoy most about my role is every day is different. There is lots to keep you busy. When you've had a good week of sales it makes you feel proud that all the team's hard work has paid off.



# New AND IMPROVED

## RAISING AWARENESS

With almost 30 years' experience in the Funeral industry, our Professional Services Manager Michael Davies DipFD MBIFD completed his 50th seminar this year, seeing over 300 staff from local care homes and hospices learn more about the funeral industry and East of England Co-op Funeral Services.

As well as visiting our Chapel of Rest at Boss Hall, Ipswich, where they can see our state-of-the-art facilities and meet our expert teams, they can also learn about the preparations that go into arranging a funeral service.

Care staff are often an important part of the bereavement process, so increasing their understanding of the process of arranging a funeral means families can receive greater care and support at a time when it's needed most.

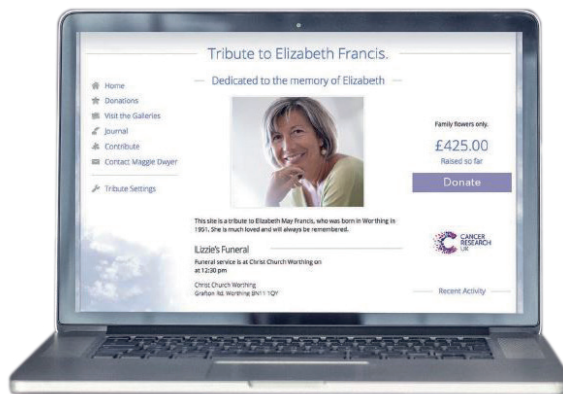
## NEW PLANS

Our Funeral Services offer a range of inflation-proof pre-paid funeral plans, making it easy to arrange and pay for a funeral in advance. Having reviewed our existing offering, this year we were pleased to launch six new plans. Ranging from Silver to Diamond, we also introduced eco-friendly options and a Bespoke package.

We also introduced a new 'Without Ceremony Affordable Funerals' package. This package provides a lower cost funeral without a traditional ceremony. There are many reasons people choose not to have a ceremony, whether it's affordability or simply that they would like family and friends to be able to celebrate their life in a way they choose.



Following years of expansion, including into Cambridgeshire, this year we focused on developing our services and refurbishing our branches. Having completed the final 16, no matter which East of England Co-op Funeral Services branch you visit, you will be greeted by a fresh, modern and welcoming environment.



## REMEMBERING LOST LOVED ONES

With online memorials becoming increasingly popular, this year we introduced a new online tribute service for our clients as part of our ongoing support.

A new partnership with MuchLoved, the platform was founded in 1998 by Jonathan Davies following the passing of both his brother and mother. Finding very limited online resources to help with his own grief, Jonathan was inspired to design a web-based tribute service for others.

Each online tribute includes details of the funeral service, enables family and friends to share memories and stories, add music and photos, and leave messages, as well as donate to a chosen charity.



## Giving THE GIFT OF TIME

Working with Sands (Stillbirth and Neonatal Death Charity) and Kym Field, co-founder of Cambridgeshire Sands support group, we have made available a Cuddle Cot to bereaved families.

A Cuddle Cot looks like a traditional Moses basket, but has a cooling mattress which allows recently bereaved parents to spend time with their baby ahead of a funeral service.

The Cuddle Cot is available to families, referred by Cambridgeshire Sands, to use at our Funeral branches in Cambridgeshire, where our team can transform the Chapel of Rest into a nursery. The cot can also be taken home so a family can spend time together in their own space.



# BUILDING ON *Success*

With a thriving property portfolio, our Property team have had another successful year. Continuing to provide high-quality homes, 475 properties let to tenants, this year, generated over £8.1m in income.

Our residential property portfolio is set to increase further, with works currently under way to create an additional five new family homes on New Street in Woodbridge, Suffolk.

Great Blakenham – based contractors Elliston, Steady and Hawes are completing the build of the four three-bed homes and one four-bed home, at the site of our former Funeral branch.

This is our second residential development in Woodbridge in recent years, following the creation of four flats above our former Food store on the Thoroughfare.

*Artist's Impression at Boss Hall site*

This year permission was granted for the redevelopment of our former dairy and distribution centre at Boss Hall, Ipswich. The approved plans will see the site transformed into a business park, with the potential to create nearly 200 jobs, as well as providing leisure and retail facilities for the local community.

**Mark Phillips, Director at Elliston, Steady and Hawes, said:**

*"We're very pleased to be working with the East of England Co-op Property team to transform the site at New Street into valuable new homes. It is great to have the support of fellow local businesses, helping retain and create jobs for local people."*

Over  
**475**  
PROPERTIES  
let to tenants

Generating over  
**£8.1m**  
IN INCOME

## HAVE YOU HEARD THE BUZZ ABOUT HIVE?

**Our new online learning platform HIVE is now live.**

HIVE offers a broad and expanding range of personal development courses, not just compliance training. We've partnered with Video Arts and Inrehearsal, as well as adding content from across the web, to bring a range of learning opportunities to our colleagues.

## Who makes your Co-op work?

**Nikki Syers, Senior Events Manager at Wherstead Park, Suffolk**

From weddings, school proms and conferences, to Christmas Party nights, shopping events and Yoga Days, Wherstead Park regularly plays host to a wide range of events and their visitors.

Managed and organised by our Wherstead Park Events Team, they work tirelessly behind the scenes to make sure each event goes without a hitch. Senior Events Manager Nikki Syers gives an update on 2019 and the team's plans to put Wherstead Park firmly on the map.

I joined the team at Wherstead Park in June 2014 and fell in love with the venue so much so that I got married here myself in October 2015.

Organising and hosting hundreds of events, meetings and conferences in one year is a lot of hard work and I feel really lucky to have such a close-knit team. As well as handling the day-to-day running of Wherstead Park, we still find time to come up with new and exciting ideas to put Wherstead Park on the map.

This year we increased the number of our own Wherstead Park events. As well as our ever-popular Christmas Party nights and Christmas Shopping event, we were really excited to hold our first ever Yoga Day and Corporate Open Day. With the return of the Suffolk Wedding Show to Wherstead Park, we also brought back our own Wedding Open Days.

Conferencing this year has continued to grow for us. A particular highlight this year was hosting the Headway Suffolk Conference, with Chris Tarrant and Dr Jane Hawking among the speakers.

The icing on the cake was welcoming Michael Portillo to film in the Mansion and grounds for his programme *Great British Railway Journeys*. Wherstead Park looked stunning and we received lots of enquiries from people wanting to book the venue having seen the programme on TV.

It's been a really great year for Wherstead Park, and we have lots more exciting plans on the horizon.



# GOVERNING THE SOCIETY

The Board is responsible for determining the objectives, strategy and policy of the Society in consultation with the collegiate Leadership Team who are collectively responsible for the day-to-day management of the Society.

During the year covered by this report, your Directors met formally 11 times to consider items of policy and strategy and all matters reserved for the Board. This included business disposals, freehold land acquisitions and disposals and revenue and capital expenditure commitments over certain agreed levels.

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

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.

Our Society Secretary Mike Faulkner retired in March 2020, after serving 18 years for this and predecessor Societies. Mike has been succeeded in the role by Jonathan Carey, formerly the Society's Deputy Secretary.

East of  
England  
CCOP

## THE LEADERSHIP TEAM

The day-to-day management of the Society is delegated by the Board 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.

During 2019, in the light of the departure of the Joint Chief Executive for People and Performance, the Board agreed to restructure the Leadership Team and the key roles and responsibilities of that post were distributed to remaining members of the Leadership Team.



PICTURED LEFT TO RIGHT: Our Joint Chief Executives, Doug Field, Niall O'Keeffe, Nick Denny and Roger Grosvenor, and Society Secretary Jonathan Carey.



# BOARD OF DIRECTORS

In May 2019, 16 candidates stood for election to fill the four vacancies arising on the Board of Directors at the Annual Members' Meeting (AMM).

At the AMM in May 2019, Richard Youngs, Emma Howard and Maria Veronese were re-elected to the Board and Mandy Errington was elected for her first term of office. All four are due to serve until May 2023.

*Directors as at 25 January 2020*



**Sally Chicken**  
President



**Mandy Errington**



**John Cook**



**Nicola Fox**



**Belinda Bulsing**  
Vice-President



**Chris Newbury**



**Fiona Powell**



**Frank Moxon**



**Maria Veronese**



**John Hawkins**



**Chris Matthews**



**Richard Youngs**



**Emma Howard**



**Beverley Perkins**



**Steve Shaw**



**Judi Newman**

## OVERVIEW

### Underlying trading profit

# £4.5m

We are pleased to have generated an underlying trading profit of £4.5m in this challenging market. Underlying trading profits are down 19.2% compared with last year but this was expected, given the rising costs of doing business, especially the impact of the National Living Wage on our cost base.

The move of our distribution operation into the wider Co-op network and the exit from our Pharmacy and Optical businesses reduced our overall turnover to £348.5m from £353.5m last year. Pleasingly, thanks to growth in our Food business, turnover from our continuing operations increased by £6.0m.

We continue to have a strong balance sheet with members' funds of £212.5m. Our cash balance of £7.2m was 10.3% higher than last year with net cash from operating activities in excess of £10m.

#### Doug Field,

Joint Chief Executive, comments:

*“The efforts of all our colleagues fills me with pride. The positive impact we make locally wouldn't be possible without their hard work.”*

## TURNOVER



# ↑ £6.0m

### Sales from continuing businesses are up

Sales from continuing operations grew by 1.8% in the year with an increase in Food sales offsetting a reduction in our Funeral business.

Overall sales are down £5.0m because of the exit from our Pharmacy and Optical businesses together with the impact of the move of our distribution operation into the wider Co-op network.



# ↑ £5.0m

### increase in Food sales

As the principal part of our business, we are delighted to see a £5.0m (1.8%) increase in sales in Food. Continued investment in technology, consistently high employee engagement, good operational standards and our store refurbishment programme all contributed to the increase.





↑ **1.9%**

### increase in Investment Property income

Rental income from our Investment Property portfolio now exceeds £8.0m, with a £0.1m increase in the current year, with increases in rental income from both the Residential and Commercial portfolios.



↓ **123**

### fewer funerals conducted

The sales from our Funeral business fell by £0.5m with 123 fewer funerals being conducted. We have broadly maintained our market share.

The investment made in our stonemasonry business H L Perfitt, during the prior year, has helped sales growth of over 15%.

Our one-stop security shop Co-op Secure Response continues to grow, with sales now in excess of £1.5m.

Our four Forecourts saw sales growth of £0.8m (3.5%), selling an additional 0.8m litres of fuel.

Sales in both our Travel and Events businesses were broadly the same as the prior year.

We have worked hard to generate higher sales from our Post Office counters.

## PROFITABILITY

### Underlying trading profit

**£4.5m**

**Our underlying trading profit is down 19.2% to £4.5m from £5.6m.**

The rise in the National Living Wage contributed to a £1.9m (3.4%) increase in personnel costs from continuing operations. Whilst an element of this increase was covered by both growing sales and controlling other costs, we have not been able to cover the full cost increase.

Profits in our Food business fell due to the increase in personnel costs. Trading profits from our Funeral business, including stonemasonry, were in line with last year. Our investment property saw year-on-year profit growth as did all our other continuing businesses.

Our profit before distributions and taxation decreased by £2.7m to £2.5m with several significant one-off items arising:

- Investment income from our prepaid funeral plan investment fell £4.0m.
- Our investment property portfolio saw several properties decrease in value (£3.3m) due to general market conditions, especially in relation to the challenges faced by the High Street.
- Overall, we generated a profit of £1.6m on the disposal of our Pharmacy, Optical and Distribution operations.

The impact of the above one-off items is that we generated a loss for the year after tax of £0.5m.



## MEMBERS' FUNDS

# £214.5m

Members' funds decreased  
by £10.0m over the year



Continued growth in pre-paid funerals, has increased the value of our fixed assets. We now hold £62.8m of pre-paid funerals, up £2.2m in the year.

We have seen a £2.3m reduction in our stock holding as a result of changes to our supply chain arrangements.

Our pension deficit increased to £38.3m, an increase of £11.3m. This reflects a decrease in corporate bond yields, partially offset by asset returns, falling long-term inflation expectations and changes in the mortality assumptions.

## CASHFLOW

We have increased  
our cash by

# £0.7m

To fund investment property developments in Colchester and Woodbridge, we obtained a £5m bank facility, borrowing £2.6m of this during the year.

Proceeds from the sale of the Pharmacy business and a Fixed-Term Withdrawable Share offering to Members generated cash in excess of £3.7m.

We continued to invest in the long-term success of the business with £4.3m spent on Food store refurbishments and £2.8m on technology.

We ended the year with a net cash balance of £7.2m (2019: £6.6m).



## COVID-19 update

**Our priority in dealing with the exceptional challenges posed by COVID-19 is to ensure the safety of our colleagues, members and customers.**

The challenges facing the Society vary across our diverse family of businesses.

In the first few weeks of the crisis, significant panic buying (c.30% uplift in the UK) cleared the supply chain in our Food Stores of certain items. This has now stabilised, and more normal sales volumes are being experienced.

Our Funeral branches are open with funeral arrangements being carried out by phone or other electronic means.

Requests have been received from tenants to defer rent in our Investment property business.

Our Secure response services and petrol filling stations continue to trade and remain open for business. Government guidance on social distancing is reducing fuel volumes in our petrol filling stations.

At the time of writing our Travel, Events and stonemasonry businesses are closed to customers, in line with government guidance.

To help our local communities we have made an initial donation of £75,000 as the first part our efforts to support local groups during the Coronavirus outbreak. This donation covered 22 foodbanks, Age UK in Essex, Suffolk and Norfolk, and Community foundations in Essex, Suffolk and Norfolk.

During the crisis our colleagues have been amazing. It has been an heroic effort to continue to provide essential services for our Members, Customers and Communities.

# Looking AHEAD

**COVID-19 is having a material impact on the operations of our business and we are incurring additional costs to ensure we continue to provide essential supplies to the communities in which we trade.**

It is impossible to predict the full financial impact of the COVID-19 situation on our 2020/21 results with any certainty. We have a robust balance sheet and the resources we need to continue in operational existence for the foreseeable future.

Our focus remains on improving the daily lives of members, customers, colleagues and communities. To do this, we will continue to invest in the business to ensure we have a vibrant future. This includes more Food store refurbishments and further investment in technology.

Our Funeral business will continue to provide care, reassurance and excellent service when it's most needed.

Investment in our Property estate will continue, and we expect to complete the developments in Colchester and Woodbridge. During 2020, we expect to start redeveloping the distribution centre and dairy site in Ipswich.

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



# Our Colleagues

## MAKING THE CO-OP DIFFERENCE

We often say our colleagues make the 'Co-op Difference' – the warm welcome, genuine community spirit and enthusiastic helping hand that's hard to find in giant, national supermarkets. Investing in our colleagues and supporting them in their roles is important to us, so this year we introduced a new learning campaign called 'You're the Co-op'. Focused around customer care and emphasising our local connections, the campaign will help our colleagues – the true face of our Co-op – to continue to deliver amazing service.



## COLLEAGUE Wellbeing

As a co-operative, it is in our DNA to care. This is especially true when it comes to our colleagues; the 4,200 women and men at the heart of our business. That's why this year we launched a new Wellbeing initiative designed to support our colleagues' mental and physical health needs. A comprehensive new learning and development programme rolled out, alongside a new confidential 24/7 helpline, providing colleagues with round-the-clock emotional and practical advice.

## A heartfelt THANK YOU

As this Annual Report went to print, the UK – and the world – were facing an unprecedented challenge in the face of the COVID-19 pandemic, with the way we live, work and socialise changing overnight. We'd like to take a moment to say a massive "thank you" to our colleagues across our business who continue to do a fantastic job under very difficult circumstances, so we can continue to provide the best possible service to our customers, members and communities.





## *An inspiring* **INTERNATIONAL WOMEN'S DAY**

On Friday 8 March 2019, colleagues from across our business came together to celebrate International Women's Day at our second annual event. Thanks to the enthusiasm of everyone who came along, the day was a great success.

Here's what some of our colleagues had to say about the event...

**"I have never felt more empowered as a female. Being surrounded by strong women was amazingly inspiring."**

**"I loved the atmosphere. Women feeling comfortable to share ideas and feeling in a safe space!"**

**"Fantastic host. Fantastic panel. Fantastic speaker – all of it was ace."**



## Who makes **your Co-op** work?

**Amy Warminger,**  
Customer Service Assistant at  
Colman Road, Norwich

Our colleagues are at the heart of our Co-op. Their hard work, dedication and local knowledge ensure our stores and branches are open, welcoming and genuinely supporting the communities they serve. We have almost 4,200 colleagues, all of whom have an important role to play in making our Co-op work. Our Food store Customer Service Assistants are no exception. Each day, they exemplify our values, bringing the Co-op difference to members, customers and communities across our region.

I first joined the East of England Co-op four years ago when I left high school. As a Customer Service Assistant, no two days are the same. From helping customers find what they're looking for, to keeping our shelves stocked, my days are always busy, varied and interesting.

Colman Road is a close community. Everyone knows everyone. Our regular customers often pop in for a chat while they shop, knowing they'll be welcomed warmly by a familiar face. I love our friendly regular customers here at Colman Road.

I think good customer service is so important, especially as a co-operative. The team and I here genuinely care about our customers and want to help. I think great service means being as friendly, polite and as accommodating as possible. It means having pride in the job you're doing, knowing you're helping to make someone's day that little bit easier. I just don't think you get that level of attention in larger, national supermarkets.

It's a real team effort here at Colman Road. We work together to support each other, so there's always someone on hand to help if you have a question or need help with something. I still learn something new every day!



# OUR APPRENTICESHIP PROGRAMME

Our Apprenticeship Training Programme is a fantastic way to build confidence, learn new skills and obtain qualifications, all whilst earning a wage. This year, 35 Apprentices chose from 10 different apprenticeships to start their learning journey. We're proud to maintain a 100% pass rate within the programme, with 47% of our Apprentices completing at Distinction level. By attracting, developing and maintaining talented people, we'll have a highly skilled, productive workforce for the future, to continue the great work we're doing today.



## Congratulations

This May, we held a graduation ceremony to celebrate the achievements of our latest batch of Apprentices.

**TOP:** Retail Team Leader Apprenticeship (left to right) Emma Jolly, Kieran Harris, Sean Ellis, Ben Kester, Charley Edgar, Natasha Goodchild, Tamsin Butcher and Jake Logan

**BOTTOM LEFT:** Business and Administration Advanced Apprenticeship (left to right) Millie Wilding, Sharon Barker of West Suffolk College and Beth Brown

**BOTTOM RIGHT:** Marinos Paphitis, Chairman of Fareport Training, and Charley Edgar



## INTREPID APPRENTICES!

This September, we once again invited our Apprentices to embark on an 'Apprentice Outdoor Adventure'. 16 Apprentices joined us for two days of adventures designed to challenge them and build their leadership skills. Our colleagues took part in a wide variety of activities including problem-solving, zip wire, aerial trekking and canoeing. Each day ended with a reflection session for the Apprentices to think about how to apply what they had learned. Many overcame their fears, including heights and water, and came away with a great sense of achievement and self-belief.

47%  
ACHIEVED  
DISTINCTIONS

100%  
PASS RATE



# Our Heroes

Our colleagues are truly at the heart of our Society and our local communities. No matter what part of our Co-op they work in, every one of our colleagues helps to deliver the valued services our members and customers rely upon.

Some of our colleagues go even further in their support of our communities, lending a helping hand or raising money for good causes. Here are just some of the great colleague stories we were proud to hear about this year...

## GOING THE EXTRA MILE

In June, Dominic Tomlinson, a Project Surveyor from our Property team, ran the gruelling Orwell Challenge marathon in aid of Alzheimer's Society. Dominic smashed his target of £250, with his fundraising pot topping a fantastic £829.

## LONDON TO BRIGHTON

In June, Adrian Harper, Funeral Director at our Wimpole Road branch, completed an epic 54-mile bike ride from London to Brighton to raise money for the British Heart Foundation. Adrian raised over £500.

Over  
**£20k**  
raised by our colleagues

## HAPPY BIRTHDAY EDIE!

Colleagues at our Long Stratton Supermarket helped organise a surprise birthday bash for Long Stratton



resident Edie Bason, who turned 100. Supplying a cake, flowers, a card and bubbly, they turned our Subway seating area into Edie's very own tea party for her guests.

## RESCUING BLANKY

On Easter Sunday, Paul Bates, Store Manager at Manningtree Supermarket, opened the doors of his store to come to the rescue of a distraught little boy and his blanky. Following a visit to the store with his mum on Saturday, the little boy became separated from his comfort blanket. Discovering that the precious item was missing, mum took to Facebook in a bid to find the blanket. Paul happened to see the appeal and pledged to make a special trip to take a look around his store. After a good hunt, Paul located the blanket and reunited it with the family.

## TREMENDOUS TEDDIES!

This year, we raised a fantastic £6,678.10 for Children in Need. Colleagues from around the business invited their furry friends to join them for the day and helped to collect much welcomed donations.



Gerry Gardiner, Property Administrator, with his teddy, Bobby



## A RIGHT OL' KNEES UP

Each year, we are proud to pay our respects to our Armed Forces, attending our local services and sharing our communities' special memories in our branch windows. This year, our Stalham Funeral branch colleagues organised a 1940s themed tea party for the local community, raising £450 for The Royal British Legion.



# Driving CHANGE

We know we have a responsibility to reduce our impact on the environment, as well as support our members, customers and communities to be able to do the same.

We've taken some important steps this year towards becoming a more environmentally responsible retailer and continue to plan for the future.

## CO-OP GUIDE TO DATING

This year, 216,771 edible food items were saved from landfill, thanks to our Co-op Guide to Dating initiative.

## TOP-UP

As we become more aware of our effect on the planet, having the choice to shop 'green' and 'clean' is a growing draw for customers – including the option to shop plastic-free.



This year, we launched several trials, including refillable cleaning products from Ecover in our Framlingham Supermarket, offering washing up liquids, fabric softeners and all-purpose cleaners.

We are also offering refillable food items in Felixstowe in partnership with small local business Cupboard Love.

These may be trials, but they are an important step forward in seeing what works for both us as a business as well as for our members and customers in the future.

## STREAMLINED REPORTING

The rules around reporting greenhouse gas emissions (including carbon dioxide) are changing, with the introduction of the Streamlined Energy and Carbon Reporting (SECR) scheme.

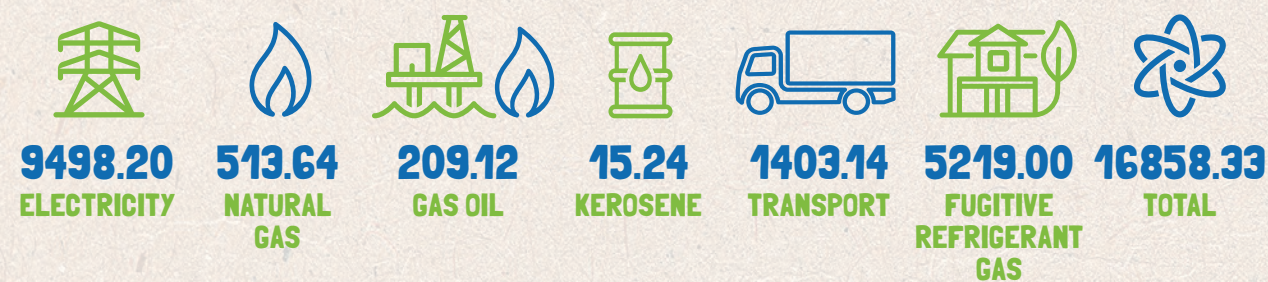
These rules do not apply for us until the end of our next financial year; however, we have decided to begin aligning our reporting to this method in this report. The new method\* changes what we report, the level of detail required and, as a consequence, the figures we report.

Using this new method, our carbon dioxide equivalent (CO<sub>2</sub>e) emissions in metric tonnes for this financial year (2019/20) are as follows:

If we were to calculate the MtCO<sub>2</sub>e using our previous methods, on a like-for-like basis, we would have seen a **decrease in CO<sub>2</sub>e emissions of 17%, from 13,825 tonnes in 2018/19, to 11,411 tonnes in 2019/20.**

This decrease is approximately equivalent to: **3.9 metric tonnes of carbon dioxide equivalent (MtCO<sub>2</sub>e) per East of England Co-op colleague.**

**We also achieved a 5.3% decrease in electricity consumption and a reduction of gas consumption by 20%.**



Find out more about how we achieved this on page 30.

\*We have chosen to align emissions calculation methodology with the 'Greenhouse Gas (GHG) Protocol – Corporate Accounting and Reporting Standard' Scopes 1 and 2, with reference to 'UK Government GHG Conversion Factors for Company Reporting, 2019' and improved internally developed tools. Financial Year 2019/20 will be set as the base year for comparison of future emissions targets.



## THAT'S A WRAP

To avoid as much packaging as possible from going to landfill, we extended our in-store recycling points, first trialled in Ipswich in 2018, into over 40 of our Food stores and supermarkets across Norfolk, Suffolk and Essex. From carrier bags and food packaging to magazine wrap and batteries, members and customers can recycle many materials that currently cannot be recycled at home.

## GOING FOR GOLD

The Suffolk Carbon Charter is an award presented to recognise the steps taken by small and medium-sized local businesses to reduce their carbon emissions and support the local environment.

Having extended the scheme to Norfolk and Essex, we are incredibly proud that our Wickham Market, Coggeshall and Fifers Lane Food stores have been recognised as achieving a Gold standard – the highest level possible – bringing our total number of Carbon Charter awards to 17.

In awarding the Gold Carbon Charter Awards, the panel was particularly impressed with Wickham Market's large solar installation, heat recovery from refrigeration and low energy lighting as well as exemplary waste management performance and electric vehicle charging points.

Similarly, Coggeshall was recognised for its comprehensive use of LED lighting, the introduction of new mixed dry recycling and glass waste collections and foodbank collections.

Our Fifers Lane store impressed the panel with its closed fronted refrigeration, reduction of waste and energy use, publicity of recycling and local produce. They also acknowledged store colleagues for their enthusiasm and engagement.

This is another proud step towards ensuring our business is as green and sustainable as possible, both now and in the future.



## Who makes your Co-op work?

**Steven Fendley GradIOSH DipNEBOSH,**  
Building & Environmental  
Compliance Manager

*At the East of England Co-op, we know we have a responsibility to minimise our impact on the environment. Our Building & Environmental Compliance Manager, Steven, not only ensures all our properties are functioning as efficiently as possible, but this year brought together colleagues from across the business to create a new Sustainability Group.*

I joined the East of England Co-op 12 years ago. Today, I not only help ensure that our properties are safe for our customers and colleagues, but I also lead our Sustainability Group.

Our Co-op is a large and diverse business which presents both opportunities and challenges. Formed this year, the Sustainability Group, made up of colleagues with different areas of expertise from across our business, work together to design and implement ideas that will have a positive impact on sustainability and provide social and environmental value, within our local communities and across the globe.

As a population, our level of understanding as to the effect that we have on our environment has radically changed and our customers are rightly much more concerned about the impact of the products they buy.

As well as bringing together all of the great work that our Co-op has already been doing to support our environment, this year I've been exploring options for installing additional renewable energy technology and increasing our provision of electric vehicle charging points. I also worked closely with our Building Services and Retail teams on our refurbishment programme, ensuring, where possible, our stores are using the most energy-efficient technology whilst providing a great customer experience.

Looking ahead to 2020, the Sustainability Group will continue to work together to implement our strategy. This will include raising awareness of sustainability issues with our colleagues, members, customers and communities. We will also continue to aim to reduce our energy use and CO2 emissions, keeping engaged with our suppliers and the wider industry to make best use of new technologies and innovations.



See page 31

over 200 MEMBERS JOINED US FOR OUR AMM

Over the course of 2019 we recruited

14,867 NEW MEMBERS

Our members own our business, share in our profits and have a say in how we're run. Our Co-op simply could not exist without its members. From long-time locals who inherited their divi number from their parents, to teenagers new to our Co-op, we love that our members reflect the diversity of the communities we serve.

THIS YEAR 4,766 MEMBERS VOTED IN OUR ANNUAL DIRECTOR ELECTIONS See page 31

# Our Members

## 2019 ANNUAL MEMBERS' MEETING

On Saturday 18 May, over 200 members joined us for our Annual Members' Meeting (AMM). One of the most important dates in our calendar each year, our AMM brings members together to have their say on issues that affect their Co-op.

At this year's AMM, as well as voting on important decisions and hearing of our successes throughout 2018/19, members were invited to take part in a series of workshops. The East of England Co-op Community Engagement team also talked about the community issues we are looking to tackle, as voted for by members. These include focusing on combatting food waste, improving understanding of food waste and recycling, supporting the challenges of an ageing population and creating a positive environment for young people to thrive. The event was rounded out nicely with musical performances from the Co-op Juniors and a hearty Sourced Locally lunch.



# Double Divi!

This Christmas, there was an extra special present awaiting our members in all of our Food stores. From 1 to 31 December, members received double dividend points on Food store spends (on qualifying purchases only, as usual). 'Double Divi' point events are just one of the exclusive benefits available to members of our Co-op – a great reason to shop and a great reason to join.



## SUPPORTING YOUR CO-OP



This year, we launched an exciting new opportunity for members to help us develop, grow and explore new opportunities. For a limited period, between July and September 2019, members were invited to buy a fixed-term withdrawable share\* in our business. Offered exclusively to our members at a great rate of interest, the fixed-term withdrawable shares offered a new way to support our Co-op.

\*Members were advised that fixed-term withdrawable shares in the East of England Co-op are classified as risk capital. In the unlikely event that we fail, members may not have all or any of their money returned to them.

## PROMOTING CO-OPERATIVE WORKING



At the end of June, we joined hundreds of Co-ops across the UK in celebrating Co-op Fortnight. Led by Co-operatives UK, the annual event aims to inspire tens of thousands of people up and down the country to work together (a true co-operative principle).

This year, we teamed up with GoodGym to host three special runs across the region. Twenty-five runners joined the 5.5km each-way run to Redmayne View Housing with Care facility in Norwich where they weeded the main garden and helped clear residents' individual gardens. In Ipswich, 15 runners helped to check the 55 Elmer the Elephant sculptures situated across the town to clear them of litter and check for any damage.



*A foodbank was the destination for 20 runners in Colchester, who helped organise food donations and give the site a good spring clean.*



# DOING AMAZING THINGS Together!

We believe in supporting the communities we've been at the heart of for over 150 years.

Whether it's a prize for a charity raffle, raising money for new play equipment, attending a community event or tackling food poverty, we can make a real difference by supporting local good causes.

During 2019, we reviewed how we support our communities. We've done some really great things over the years, but we felt it was time to make some changes to keep our focus on making a real and positive difference for local people.

## SUPPORTING LOCAL

As a community retailer, we are regularly asked to support charities and activities. Whilst they are all great causes, we have to be realistic in what we can do and how many people we can help. As a local business trading in Essex, Suffolk, Norfolk and Cambridgeshire, we want to support charities and groups that are local to our branches, where we know money will be spent addressing local needs and issues.

## MEMBER BENEFIT

To try to ensure we are supporting local good causes, we updated our website so that all requests for community funding support can now only be made online and applications need to be made by a member of our Co-op.

Having applications made through a single online point has helped us monitor what we are doing and where and how we are having an impact, as well as helping us to pinpoint where we can do more.

## COMMUNITY GIFT VOUCHER

From tea for local community cafés to a prize for a tombola, groups and charities can now apply for a community gift voucher to exchange in store for a raffle prize or other goods to support their events and activities.



## TOKEN AND GIVING SCHEMES

The majority of our community funding continues to be given out via our established schemes: the Community Token Scheme for Food stores and the Community Giving Scheme for Funeral branches.

Both schemes allow us to give out sums to local groups to help them pay for all sorts of things, from play equipment and sports kits to arranging days out for vulnerable and isolated people. They are also a great way for our members to have a say in who we support in their area.





## COMMUNITY Issues

As a member-owned business, it's important to us to make sure that our community funding is used in the way our members feel it should be, so in May, we asked our members to choose the causes we support.

We had a fantastic response to our vote and the four community issues our members asked us to tackle were:

- Improving understanding of food waste and recycling
- Supporting the challenges of an ageing population
- Helping to combat food poverty
- Creating a positive environment for young people to thrive

We're not experts in these areas, so we've been building relationships to get to know the groups, charities and good causes in our region that are already tackling these issues.

During 2019, we've focused on helping to combat food poverty and creating a positive environment for young people to thrive.



## SINCE MAY, WE'VE DONATED NEARLY £30,000 TO YOUTH PROJECTS ACROSS OUR REGION

We're helping young people with their confidence, skills and self-esteem through creative interventions.

Youth hubs across our region give hundreds of young people a safe place to be themselves, hang out with their friends or just have some downtime. Level Two Youth Hub in Felixstowe supports over 650 young people every year. The hub was put forward by one of our members as a youth resource in need of support.



In August, we hosted our first foodbank summit. This event, which was held at Wherstead Park, gave representatives from the 22 foodbanks we currently support through in-store collections, the chance to get together to discuss challenges and opportunities and look at how we could work together to combat food poverty. Sam Porter from Lowestoft Foodbank said it was a great opportunity to get together and share ideas.

*"Days like this are great because it's an opportunity for everyone who's in that same field to be able to talk and it's definitely good to meet with the Co-op to get their perspective on what's actually possible."*

WE  
DONATED OVER  
**£17,000**  
OVER THE FESTIVE  
PERIOD TO FOODBANKS  
AND SOUP KITCHENS

There are many groups and charities working with young people in our region. Following a series of conversations with youth experts at grassroots level we have been focusing on two areas; supporting the delivery of creative programmes and supporting local safe spaces.

*"It's very important for young people to have somewhere to go and take part in lots of activities together. It's lovely to be helping the team to bring young people together."*

Pat Cockerill, Memorable Murals  
Commissioned artist for the Level Two  
Youth Hub mural

With a good deal of co-operation, we were able to support the hub by transforming a tired room at the hub into a cool new chill-out space that the young people could enjoy and be proud of.

Up for the challenge, colleagues from our Community Engagement team, colleagues from our Community Events team, Building Services and Felixstowe Supermarket got stuck in, prepping walls, painting, putting up new blinds and filling the room with new furniture and equipment.

The makeover was overseen by contractors from Bellcorp Ltd who provided their much-needed skills and supervision free of charge! Shez Hopkin, Project Manager at Level Two, said, "It's been really exciting to have the East of England Co-op actually coming in, getting hands on, rolling their sleeves up and helping with a complete make-over."

## DOING AMAZING THINGS TOGETHER!

As a co-operative, supporting our communities to support themselves is a key founding value. As well as our community funding projects, colleagues from across our family of businesses are busy supporting our local communities.

## EMPOWERING COMMUNITIES TO SAVE LIVES

Having raised £1,000 to purchase Critical Injury Kits, the St Vincent De Paul Society, in partnership with Suffolk Police, approached us about our stores being potential locations to site the kits.

Critical Injury kits are designed to provide immediate, lifesaving first aid to someone who has sustained a severe injury. The dressing not only covers the wound, but also reduces the chance of severe blood loss.

With our stores open from 6am to 11pm, they make ideal homes for the kits. Public Services and other organisations are aware of these locations, and if a 999 call is made, the operator will be able to direct them to the nearest kit.

With the potential to save lives in our communities, we were pleased to donate funds for a further four kits.

## GIVING HOPE TO THE HOMELESS

Having seen that The Selig (Suffolk) Trust and Hope into Action needed help in providing homes for the homeless in our area, with the support of Orwell Housing Association, we were delighted to provide a two-bedroom home in Ipswich.

The first Hope into Action tenant, Mark\*, had previously been using a church-based winter night shelter, before being offered the opportunity of a home in Ipswich. Having settled into Suffolk life,

## FOCUSING ON Footie

Following the success of the first football programme run by our Co-op Secure Response team in partnership with Suffolk Police and Chantry Academy, this summer saw the project evolve to run in two areas of West Ipswich. Over 50 young people (including some familiar faces) joined the weekly sessions held at Whitton Sports Centre and Chantry Academy. Led by Graham Starling from our Co-op Secure Response team and PCSO Craig Gibbs from Suffolk Police, the project's ambition was to break down preconceived opinions and build on relationships between uniformed services and the communities' young people.



*The project culminated in a grand final tournament held at the Ipswich Town Football Club training ground.*

he said: "If it wasn't for organisations like this, I'd still be on the streets – or worse. When you think you're low, there's no light at the end of the tunnel; but when something like this happens to you, it gives you hope. My life's completely different now."

Julia from The Selig (Suffolk) Trust added: "Not many people are brave enough to do what Mark did – moving to a new place to leave temptation and unhelpful influences behind. Partnerships like this with the East of England Co-op are absolutely invaluable."



## FANTASTIC FIND50 APPEAL

Thanks to our Food store colleagues fundraising in stores and customers participating in our Community Token Scheme,

**£1,300 WAS RAISED FOR  
LOCAL FOODBANK, FIND.**

The donation was put towards the building costs of a brand new purpose-built foodbank. To help with the set-up of the new foodbank we donated fixtures and fittings, as well as labour.



East of  
England  
COOP

## SUPPORT FOR PRIDE

Brimming with diversity, celebration, dancing and community spirit, this year we were proud to sponsor Pride events across Essex and Suffolk. The Suffolk Pride 2019 Committee, said,

*“We would like to thank the East of England Co-op for giving their support to Suffolk Pride 2019. We had an enormously successful Pride that exceeded all our expectations. We estimate that there were at least 3,500 people in attendance which is an amazing turnout especially as this is the first Pride in five years!”*

## UNLOVED SPORTS KITS GET A NEW *Lease of Life*



This year, we ran a collection in all our Food stores, taking donations of sports kit and equipment for local charity Futurestars. We had an overwhelming response from colleagues, customers and local sports clubs, collecting enough equipment to fill a 20ft shipping container in just two months.

Futurestars, who run a series of exciting help-through-sports programmes, support over 4,000 children in Ghana and Togo with free coaching sessions. Our donations were shared with children in Togo to help them continue in their training.



# COMMUNITY *Action*

Our Community Events team has been busy supporting community activities across the region and sponsoring lots of groups and events. Here's just a few of the ways we've helped people to do amazing things.

## WELLIES-ON TOGETHER ON TUESDAYS LAUNCH

The team joined the celebrations marking the launch of Together on Tuesdays at Wellies-On Care Farm in Abberton, Essex.



*As well as meeting all the animals, the team were on hand to provide free drinks and snacks.*



## HAVERHILL FC U10S

We were thrilled to help the Haverhill FC Under-10s team secure a new away kit.



*It was great to see the local community come together on a sunny day!*

## BELLE VUE ROAD COMMUNITY BIG LUNCH

We were delighted to support the Belle Vue Road Community Big Lunch, providing a donation to purchase refreshments and food.

## SMALL TOKENS, MAKING A BIG DIFFERENCE

Since 2015, we've donated over £596,000 to more than 1,788 community groups and charities in our region through our Community Token Scheme. We always knew that these little green discs made a big difference to local good causes. Here are just some of the worthy recipients we've helped through the scheme this year.

### STOWMARKET GUIDE DOGS

Branch Manager Shaun Hydes presenting the Token Scheme cheque to Stowmarket Guide Dogs representative Graham Waspe with guide dog Opal.



### NORFOLK AIR CADET FORCE

Cadets from the Norfolk Air Cadet Force collect their cheque for £500 which will help to fund parachute training.



### BIG FRIENDLY GARDENERS AND RAINBOW PRESCHOOL

Colleagues from our Mile End store presented cheques to Big Friendly Gardeners and Rainbow Preschool – some more shy than others!





## NATIONAL COASTWATCH CROMER



Colleagues from Repps Road Food store hand over a cheque to Linda Lawrence from National Coastwatch Institution, Cromer.

## RETIRED POLICE DOGS



Colleagues from our Wivenhoe store met representatives from the Essex Retired Police Dogs Fund and retired police dog Studsy to present them with a cheque for £500 which will help towards vet and welfare costs.

## LAYHAM PLAYING FIELD

Michael Woods, Chairman of Layham Playing Field Committee, along with members of his community, collected a cheque for £300 from Team Manager Vanessa Mitchell at our Hadleigh Food store.

## LOVE THE BROADS

Love the Broads Trustee Peter Howe, received £500 from our Acle Food store. Peter said:

*"We are delighted that the East of England Co-op have supported us within their stores and that their wonderful customers have taken the work that we do to their hearts and voted for us with their tokens. The generous donation which we have received will enable us to ensure that the Broads remain a special place for the future."*

*"The donation of £1,250 is going to help a child in desperate need of support, whether it is for equipment such as a wheelchair or sensory equipment, it will make a real difference to both the child and their family. We cannot thank the East of England Co-op enough for supporting the work we do."*

Bev Lambert, Over the Rainbow Children's Charity

# Giving IN MEMORY

Our Community Giving Scheme gives those who have used our Funeral Services the chance to choose which local good causes receive a share in funding.

*We're proud to have PROVIDED OVER £32,500 to good causes this year*

## NORFOLK CITIZENS ADVICE BUREAU

Jon Cheyette from the Norfolk Citizens Advice Bureau visited our St Stephens Square branch to meet the team and collect a cheque for £1,250.

## IPSWICH AND COLCHESTER HOSPITAL CHARITY

Ipswich and Colchester Hospital Charity received £1,000, presented by Adrian Harper. The donation will go towards supporting the Time Garden at Colchester Hospital, which provides space for people nearing end of life to spend time with their families and pets.

## OVER THE RAINBOW CHILDREN'S CHARITY

The Over the Rainbow Children's Charity received £1,250. Collected by Bev Lambert, the donation will help provide sensory and other equipment to help children and their families in need of support.



## VENTURE FARM CAT RESCUE

Norfolk-based Venture Farm Cat Rescue received £750 which will support them to rescue even more cats and kittens.

# Measuring our Co-operative Performance

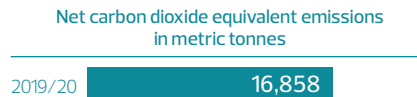
## What we measure and why

## Performance

## Commentary

### Are we improving our impact on the environment?

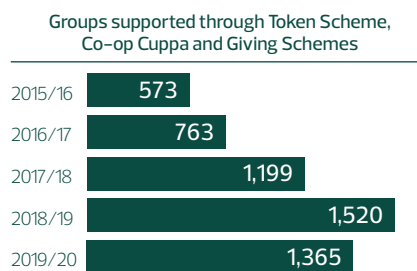
The rules around Greenhouse Gas / Carbon emissions reporting are changing with the implementation of Streamlined Energy & Carbon Reporting (SECR). For the Society, these rules do not apply until the end of our next financial year however we have decided to begin aligning our reporting methodology in this year's annual report. This has had an impact on what we report, the level of detail required and as a consequence the reported figure. We have chosen to align emissions calculation methodology with the 'Greenhouse Gas (GHG Corporate and Reporting Standard)' reporting Scopes 1 and 2, with reference to 'UK Government GHG Conversion Factors for Company Reporting, 2019 and internally developed tools.



This year, we have reduced our electricity consumption by 5.3% and gas by 20% (compared to previous years). Investment in refurbishing our Food stores and Funeral branches has led to installation of more energy-efficient refrigeration, LED lighting and remote refrigeration monitoring. The closure of our Distribution Centre in October 2019 will have also contributed to the fall in consumption, although the full effect will not be evident until 2020/21.

### Are we supporting communities?

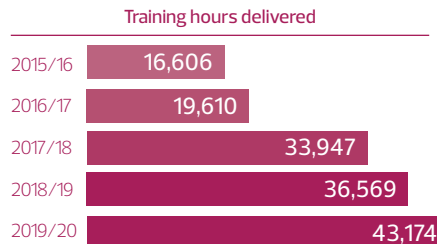
The number of groups supported through our Community Token Scheme and Giving Schemes, donations and event sponsorships allows us to measure our impact on communities at a grassroots level. Supporting good causes from schools and charities to Brownies and sports clubs, we're helping to develop and sustain our communities.



This year, we made a number of changes to how we distribute funding to our communities. All requests for fundraising and support were made online and only open to members of our Co-op. This may explain the slight decrease in the number of groups we have supported.

### Do we develop and train our colleagues?

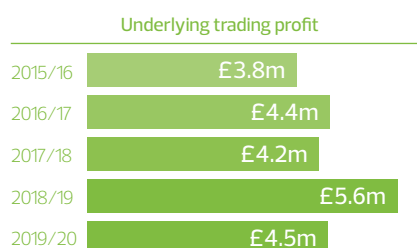
The total learning hours across the Society are made up of face-to-face, eLearning, on-the-job and apprenticeship hours.



Apprenticeships continue to grow in volume. The rise of digital also allows us to reach further colleagues. A great example of which is nearly 90% of all CSAs completing the 'You make the Co-op difference' and 100% completion of 'Heart of the Diamond' training.

### Is the Society profitable?

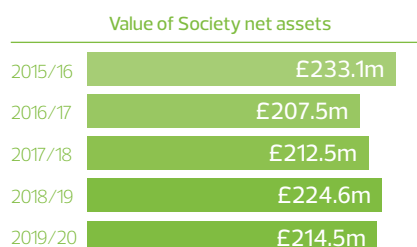
We measure our underlying trading profit, which is the money we make before we take off any exceptional items. We do this to see if the core business is profitable and provide a more comparable figure on a year-on-year basis.



Profits are down compared to last year but this was expected, given the rising costs of doing business, especially the impact of the National Living Wage.

### 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.



An £11.3m increase in our pension deficit has reduced the value of the Society's net assets.



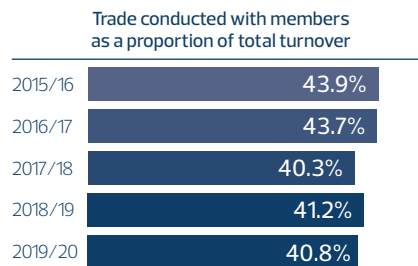
## What we measure and why

## Performance

## Commentary

## What trade do we do with members?

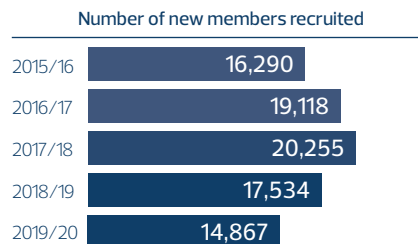
We measure the qualifying spend by our members as a percentage of total turnover. As a co-operative society owned by our members, we want to deliver the goods and services that meet their needs.



The proportion of spend by members has reduced in 2019/20, primarily due to a decrease in qualifying spend within our Food business.

## Are we attracting new members?

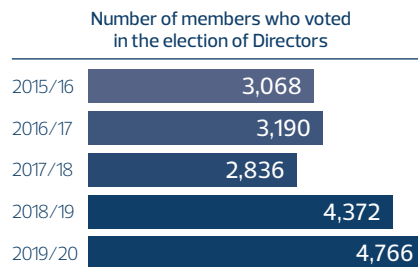
We measure the number of new members who have joined us at events, in store and online. As a co-operative with a voluntary and open membership, it's important we continue to recruit new members, giving customers an equal say in how we're run.



We continue to attract new members. This year we took the decision to not attend the large county shows, which we believe will have contributed to the decrease in sign-ups.

## How many members are involved in democracy?

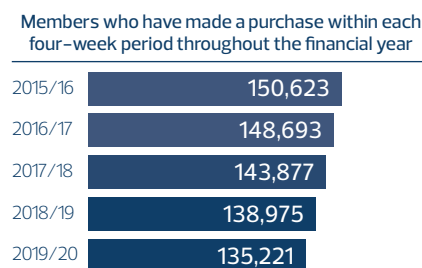
As a core co-operative value, members should have an equal say in the running of our co-operative. We measure democratic member control through measuring the number of members who vote in our election to the Board of Directors.



The increase in voting is due to members utilising the facility to vote online.

## How many of our members are active?

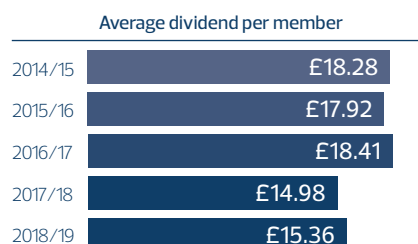
We measure this by the average number of members who have made a purchase within each four-week period throughout the financial year. We want to encourage our members to engage with our Co-op, as we know that more active and engaged members lead to a more successful and vibrant local Co-op.



The number of active members has been reducing in recent years, with a decrease of 2.7% in 2019/20.

## 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 25 January 2020.

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 46, with which the Society does not comply.

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

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

### Principal activities

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

### Membership matters

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

### Application of profits

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

The Dividend Card records points earned for purchases from the Society and, based on trading in the year to 25 January 2020, the Society proposes to pay a dividend representing 1.5% (2019: 1.5%) of each member's qualifying purchases. This will be issued in the form of Society Vouchers in June 2020.

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

The Society rules govern the distributions made. The table below details the amounts the Board plans to distribute in the year under review, in accordance with these rules. The aggregate dividends recognised as an expense in the year amount to £2,013,000 (2019: £1,923,000).

### Distribution of profits

	£000
Interest on share accounts	45
Dividend	2,131
Community engagement	600
Co-operative Party	34
Donations	10
Amounts retained by the Society for reinvestment*	1,718
<b>Total profit available for distribution*</b>	<b>4,538</b>

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

### The Board

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

### Society rules

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

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

### The Board – duties and responsibilities

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

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

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

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

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

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

### Board procedures

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

### Independent advice

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

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

Consultant	Purpose	Fees paid £000
KPMG LLP	Pension advice and internal audit	197
Ellisons Solicitors	General property advice and acquisitions	139
PricewaterhouseCoopers LLP	External audit	128
Boyer Planning Ltd	Planning consultancy	81
Mills & Reeve LLP	Legal advice	63
Kerseys Solicitors	Legal advice, including advice on disposals and property transactions	52
Fenn Wright	Property advice and agency fees	50
RSM UK Group LLP	Corporate tax compliance and capital allowances claims	37

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

Consultant	Purpose	Fees paid £000
Conduent HR Services	Actuarial and administration services	228
Pension Protection Fund	Annual levy – members protection scheme	47



### Board development and evaluation

In 2019 the Board adopted a Board competency framework and identified its collective strengths and weaknesses. This has been used as the basis for a programme of development workshops to address where knowledge and confidence can be increased.

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. These include the Co-operative Retail Conference and the Co-operative Congress, both of which have programmes of speakers of international repute.

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

### Board size

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

### Terms of office

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

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

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

### The President and Vice-President

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

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

### Board independence

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

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

The Secretary maintains a register to record any conflicts of interest that may arise for Directors and the Management Executive of the Society. Formal updates to the register are requested biannually and individuals must inform the Secretary at the first opportunity of any conflicts that should arise in the interim. The register is open to inspection by members. In addition, at each Board or Committee meeting, Directors are asked to declare any interests they may have in relation to the business on the agenda. The table on page 39 lists Director and Management Executive external directorships or equivalent.

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

### Board attendance record

The table on page 35 lists the attendance record of Directors at Board and Committee meetings for the year under review. The figures show the number of meetings each Director actually attended, against the number of meetings they were eligible to attend (this latter figure is shown in parentheses).

### Elections

During the year, elections to the Board were conducted by postal and online voting.

In May 2019, there were four vacancies on the Board and 16 candidates contested these places.

### Board committees

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

The membership of these committees and the number of meetings that were held during the year are shown on the attendance table on page 35.

## Board and Committee membership

**Attendances 2019–20** Attendance shown 9(11) = 9 meetings attended out of a possible 11.

	Last Elected	Term Ends	Board	Audit and Risk	Performance Review	Membership and Community Engagement	Remuneration and Search
<b>Directors</b>	<b>Term of Office</b>		<b>Committees</b>				
Mrs B Bulsing	May 18	May 22	11(11)		4(4)		
Mrs S Chicken	May 18	May 22	11(11)				6(6)
Mr J Cook	May 17	May 21	9(11)				2(3)
Mrs M Errington	May 19	May 23	8(8)		2(2)		
Mrs N Fox	May 16	May 20	11(11)	5(5)			1(1)
Mr J Hawkins	May 16	May 20	11(11)	3(3)			
Ms E Howard	May 19	May 23	10(11)		3(4)		
Mrs C Johnsen	May 15	May 19	3(3)	1(1)			
Mr C Matthews	May 16	May 20	11(11)			4(4)	
Mr F Moxon	May 18	May 22	8(11)	5(5)			
Mr C Newbury	May 17	May 21	11(11)		4(4)		
Mrs J Newman	May 17	May 21	10(11)		1(2)	2(2)	
Ms B Perkins	May 18	May 22	11(11)				6(6)
Mrs F Powell	May 17	May 21	11(11)			4(4)	
Ms K Powell	May 18	May 19	3(3)			1(1)	
Mr S Shaw	May 16	May 20	10(11)			4(4)	
Mrs M Veronese	May 19	May 23	6(8)				3(3)
Mr R Youngs	May 19	May 23	10(11)	1(2)			3(3)

This table does not record attendance at the AMM, informal development workshops and visits to stores and potential developments. On 22 May 2019, Sally Chicken was elected President and Belinda Bulsing was elected Vice-President, each to serve for one year to May 2020.

## Remuneration and Search Committee

The Remuneration and Search Committee oversees remuneration policy for Directors and Executives and has a watching brief on general employment and colleague engagement. The Committee also helps the Board to fulfil its obligations regarding Board renewal and Director and Executive succession planning.

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

### Activities during the year

Key activities for the year included:

#### Colleague relations

During the year, the Committee has overseen the arrangements for management of the Society's workforce by the Leadership Team, being mindful of the need to ensure that the approach taken is consistent with the Society's co-operative values and principles. A key item of interest concerns gender diversity, inclusion and development and the Committee has welcomed the on-going action in this area including strong support for International Women's Day (Sunday, 8 March 2020), promotion of flexible working, improvements in shortlisting and succession planning, better use of language in job descriptions and efforts to understand the factors relating to female colleague retention. The gender pay differential is monitored closely and a separate report on this is included on page 45.

### Oversight of the Executive and Collegiate Leadership Team

The single most important responsibility of the Board of Directors is to ensure that the professional leadership of the Society is of the highest calibre and able to achieve the business and co-operative goals set by the Board.

The Committee has completed its review of the Executive appraisal process, with the help of its external consultants MAD-HR. The Committee has also carried out its annual review of Executive remuneration, resulting in recommendations which were subsequently approved by the Board relating to salaries and the Leadership Team allowance paid to the Joint Chief Executives. Details of Executive remuneration are set out on page 38.

Following notice of retirement from the Society Secretary, Mike Faulkner, the Committee took a lead role in helping the Board to find a successor, by updating the role profile and person specification and initiating the recruitment process before handing over to an Appointments Committee to conduct interviews and make a recommendation to the Board.



### Directors' expenses and fees

Directors' fees are determined by the Society's members on a recommendation from the Board, which itself considers a recommendation from the Remuneration and Search Committee. In recent years the benchmark used has been the average weekly earnings index as produced by the Office for National Statistics. For 2020–21 Directors propose to retain this measure, which delivers an increase of 2.4%. If approved by members, this will increase Director fees by £211 from £8,794 to £9,005.

To date, no additional supplements have been payable for any additional hours contributed by Directors (e.g. President, Vice-President, Committee chair) and there has been no payment of loss of earnings. However, the Board has acknowledged that the existing policy may result in Directors not being able to commit additional time to undertake Society activities beyond those that are core to the role, or those that would reasonably be expected to form part of the role when a member stands for election.

The Board has therefore agreed to introduce a mechanism whereby Directors be compensated for committing to such additional time. The Remuneration and Search committee is currently considering the practical operation of such a scheme, for the Board's review and approval. Details will be provided to members for approval at the relevant Annual Members' Meeting.

No delegate fees are payable for Directors attending meetings or conferences on behalf of the Society although Directors are reimbursed for expenses which are necessarily, wholly and reasonably incurred on Society business.

Where a Director is the sole carer for a dependant 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.

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

### Colleague Pensions

The Committee oversees pension provision for colleagues, receiving reports on the funding level of the former defined benefit scheme and liaising with the scheme Trustees to ensure they are well informed of the Society's business plans and long-term viability. The Committee also receives performance and governance reports from Royal London, the provider of the current stakeholder scheme available for all colleagues and used for auto-enrolment purposes.

### Board Composition and Competency

Following last year's development of a Board competency framework, the Committee recommended the Board should work with Co-operatives UK to produce a template skills register. This informs Board training and development and in the last year led to the provision of workshops on business risk and on the UK 'Third Sector'.

### Performance Review Committee

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

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

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

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

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

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

### Membership and Community Engagement Committee

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

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

#### Scope

All matters relating to:

- Member recruitment and retention
- Member development (i.e. member understanding of the co-operative movement and co-operative principle 5)
- The Society's Community Strategy, including the Community Investment Fund
- The raising of member and community engagement beyond merely using Society shops and services
- Oversight of strategy, activity and finance relating to the Society's connection with members in terms of trading and democratic engagement as well as community engagement

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

### Membership

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

### Meetings

The Committee met formally four times during the year.

### Activities during the year

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

## Audit and Risk Committee

### Terms

The Audit and Risk Committee's terms of reference are based on the Co-operative Corporate Governance Code (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 35.

The Committee members bring a diverse range of experience to their work. The Audit and Risk Committee does not contain at least one member with recent and relevant financial experience as recommended under the Co-operative Corporate Governance Code (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.

### Meetings

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

### Training/continued development

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

### Activities during the year

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

- Review and approval of full year results (Society and its subsidiaries)
- Review of the internal audit plan and the results of the internal auditors' work, including monitoring management's responsiveness to findings and recommendations
- Review of the Society's internal financial controls and the internal control and risk management system
- Formal Review and Tender of both the internal and external audit firms
- 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 disclosures in this report
- Review and ongoing monitoring of the Society's IT strategy
- Monitoring the Society's cyber security arrangements
- Monitoring and understanding changes within financial accounting standards
- Review and approval of the Society's:
  - Fraud reporting policy
  - Modern slavery statement
- Review of post investment appraisals completed between 2016 and 2017

### Financial reporting

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

- Revenue Recognition
- Investment Property Valuations
- Defined Benefit Pension Valuation

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

- Retail Inventory Valuations and Counts
- Funeral Bond Accounting
- Accounting for Business Disposals; and
- Assessment of Store Impairment

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



### Misstatements

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

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

### Committee performance appraisal

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

### Directors' fees and expenses

Director	2019/20 fees received £	2019/20 expenses £	2018/19 fees received £	2018/19 expenses £
Belinda Bulsing	8,668	445	9,079	503
Sally Chicken	8,668	830	6,204	1,202
John Cook	8,668	995	9,079	255
Mandy Errington*	5,566	1,437	–	–
Nicola Fox	8,668	310	9,079	226
Phil Hartwell	–	–	2,875	489
John Hawkins	8,668	627	9,079	332
Emma Howard	8,426	368	9,079	351
Claire Johnsen*	3,102	–	9,079	–
Clive Mann	–	–	2,875	–
Chris Matthews	8,426	1,688	9,079	625
Celia Moore	–	–	2,875	–
Frank Moxon	8,668	672	6,204	1,130
Chris Newbury	8,668	927	9,079	831
Judi Newman	8,668	44	9,079	–
Beverley Perkins	8,668	2,082	9,079	3,139
Fiona Powell	8,668	934	9,079	643
Karla Powell*	3,102	14	6,204	367
Steven Shaw	8,668	199	9,079	688
Maria Veronese*	5,566	1,850	–	–
Richard Youngs	8,668	796	9,079	1,075
	<b>138,204</b>	<b>14,218</b>	<b>145,264</b>	<b>11,856</b>

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

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

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

### Management Executive emoluments

	Salary £000	Benefits in kind £000	Employer pension contributions £000	2019/20 total emoluments £000	2018/19 total emoluments £000
Nick Denny	196	28	–	224	231
Mike Faulkner	153	13	15	181	190
Doug Field	207	9	21	237	249
Roger Grosvenor	266	35	–	301	318
Niall O'Keefe*	159	11	8	178	–
	<b>981</b>	<b>96</b>	<b>44</b>	<b>1,121</b>	<b>988</b>

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

\*Niall O'Keefe was appointed on 4 February 2019.

A further member of the Management Executive, Mark O'Hagan served for part of the period under review. His total emoluments for the year were £335,000 (2019: £199,000).

## Management Executive pension table

	Age at year end	Years in the pension scheme	Total pension accrued at year end £000	Increase/(decrease) in accrued pension during the year (net of inflation) £000
Mike Faulkner	62	10	23	–

## Directors' and Management Executive external directorships

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

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



# Internal Control

**This section of the report sets out the Society's approach to internal control and the measures taken to review its effectiveness, 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
- Ensure that proper accounting records are maintained
- Ensure that the financial information used within the business and for publication is accurate, reliable and fairly presents the financial position of the Society and the results of its operations

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

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

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

## **Control environment**

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

The Society's control environment framework is designed to create an attitude of taking acceptable business risk within clearly defined limits. This framework contains the following key elements:

- An organisational structure with clear lines of responsibility, delegation of authority and reporting requirements
- Co-ordinated activity across the whole Society by the Management Executive Team
- A risk management process designed to monitor the major risks facing the Society
- Board review and approval of annual budget and longer-term plans for each business group and support function
- Comprehensive systems of financial reporting – actual results together with comparisons to budget and prior year are reported regularly to the Board throughout the year
- Clearly defined policies for capital and revenue expenditure – larger capital and revenue expenditure proposals require Board authorisation
- An independent internal audit function which reports directly to the Audit Committee

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

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

### **Control procedures**

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

### **Monitoring**

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

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

### **Review process**

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

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

### **Opinion on internal control system**

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



# Financial and Business Risk Assessment

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

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

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

To further strengthen our risk management, an assurance map is being developed. The assurance map will provide an

assessment of the governance, risk management and control processes for the Society. This will enable the Board to ensure that the assurances gained map to the risks facing the Society.

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

## Top and emerging risks

Whilst the Society accepts that all its activities involve risk, it seeks to protect its members by managing risks that arise from its activity appropriately. Risk management activity has focused on strengthening business resilience. The Society's top and emerging risks fall within the themes of economic uncertainty, competition/market disruption and loss of central IT. The decision to leave the EU (Brexit), as well as contributing to economic uncertainty, has the potential to cause supply chain disruption and increases the risk in this area.

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

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

Principal risk	Potential impact	How it is managed
<b>Economic environment</b>	Adverse economic conditions arising from the COVID-19 pandemic and the decision to leave the EU, may give rise to significant changes in consumer spending patterns in our markets.  This could have a substantial impact on the performance of businesses operated by the Society.	We seek to understand and respond to the needs of our customers. This includes offering a broad appeal to all customers in our different markets, which is appropriate to economic and market conditions.  Financial forecasts are frequently updated to reflect economic indicators and monitor trading conditions.
<b>Competition</b>	The Society trades in highly competitive markets, and faces an increasing threat from national and international businesses seeking growth opportunities through expansion into new geographical areas and new formats.  There continues to be a significant number of projects being undertaken by the Society at this time to improve its competitiveness, including technology investments and a Food store and Funeral branch refresh programme. If these projects aren't implemented effectively and on time then there could be an impact on profitability.	We measure trends in our performance and competitiveness e.g. price checks and promotional offers, as appropriate to the competitive landscape. The Society monitors competitor actions as far as is possible from information in the public domain and takes appropriate mitigating actions where possible.  Projects are managed using recognised project methodologies and are supported by learning and development programmes.
<b>Compliance with legislation and regulation</b>	The Society is subject to a wide range of legislative and regulatory requirements, principally designed to protect our customers and colleagues, and the Society is naturally fully committed to complying with all such requirements.  Compliance failures can have serious implications for the trading performance of the unit concerned, or even for the Society as a whole, as well as potentially damaging our reputation.  The National Living Wage, Apprenticeship Levy and additional energy compliance costs provide external cost pressures which will continue to impact profitability.	The Society ensures that it obtains timely information about forthcoming changes in legislation and that it has robust procedures in place to minimise any risk of non-compliance.  The Society employs suitably qualified and experienced compliance and risk individuals.  Significant 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 external cost pressures where we can.

Principal risk	Potential impact	How it is managed
<b>Major failure of IT systems or infrastructure</b>	<p>The Society has invested and continues to invest significant sums of money in technology and is heavily reliant on these operational systems. A prolonged failure of a key system or the IT infrastructure would have a detrimental impact on our business, potentially resulting in an inability to make sales, supply stores or pay employees. Cyber security threats are increasing and this, coupled with the pace of technological development, creates risks, including that of potential data loss. This could have a reputational impact with customers losing trust.</p>	<p>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.</p> <p>We continue to develop our cyber security capabilities and have become members of the Cyber Security Information Sharing Partnership (CISP).</p> <p>Regular tests of controls are undertaken and the Board use Internal Audit to obtain further assurance in this area.</p>
<b>Supply chain disruption</b>	<p>Significant disruption of supply to our trading outlets will impact the level of sales achieved by our retail operations and impact the financial performance of the Society.</p> <p>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.</p> <p>Co-operative Group also manages distribution of goods to our Food stores. The risk of supply chain disruption, especially in respect of fresh produce and short shelf life products will increase if Brexit causes delays at the border.</p>	<p>Supply chain continuity is an integral part of our business continuity plan.</p> <p>We are active participants within the FRTS organisation, attending all Strategy and Monitoring Group discussions.</p>
<b>Damage to our reputation and brand</b>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>The Society is an active participant within the co-operative movement and one of its Directors is also a Director of Co-operatives UK, the national trade body that campaigns for co-operation and works to promote, develop and unite co-operative enterprises. The Board of Directors is also represented on the Co-op Group's National Members' Council and Senate.</p> <p>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.</p>
<b>Finance and liquidity</b>	<p>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.</p>	<p>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.</p> <p>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.</p> <p>External financing is being obtained to fund investment property developments.</p> <p>The Society retains significant liquid assets and so its exposure to liquidity risk is considered low.</p>
<b>Property investment values</b>	<p>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.</p> <p>The challenging nature of the High Street and the rise of Company Voluntary Arrangements (CVAs) has the potential to depress capital values and reduce income.</p>	<p>The composition and performance of the investment property portfolio is under continual review to mitigate any risks to the Society.</p>
<b>Pension schemes</b>	<p>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.</p>	<p>The Society and the scheme trustees continue to carefully monitor the pension risks, taking action when necessary to adjust contributions to the schemes and revising the scheme investment strategy to mitigate risks.</p> <p>The final salary scheme has been closed to future accrual to reduce risk in this area.</p> <p>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.</p>



# 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 are deemed higher risk due to the varying human rights from country to country. We have made all reasonable efforts, including enquiries through supplier agents, to ensure that modern slavery does not exist within this supply chain.

## Our suppliers

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

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

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

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

## Our policies

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

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

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

## Training

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

## Our performance indicators

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

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

On behalf of the Board:



Sally Chicken  
President  
20 May 2020

# Corporate Matters

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

## Colleagues

We believe our colleagues are key to our success through their engagement and commitment to our members and delivery of brilliant customer service.

### Colleague engagement and wellbeing

This year we received the largest ever response rate to our annual colleague engagement survey with 89.8% of our colleagues participating. There was a very modest decrease in our overall high engagement score after six successive years of increases with colleagues positively agreeing on a number of statements about enjoying their work, treating each other with respect and being proud to work for the Society.

During 2019 we partnered with GroceryAid a national charity in our sector who specialise in supporting colleagues who work in the grocery industry through free confidential advice and can provide financial crisis support as well.

### Diversity and Inclusion

We are committed to making fair adjustments to support inclusion in several different areas.

We continue to report early on our gender pay gap. We have a mean gender pay difference of 18.3% which represents a slight decrease for the second successive year and is the result of a higher number of men in more senior and higher paid roles, however 57% of all our managers within the Society are female. We have undertaken a series of externally facilitated focus groups with female colleagues in managerial and professional roles in the Society to understand what our female colleagues believe stops them progressing (or stops them from wanting to progress) further in the organisation and developed an action plan to move forward. We have also reviewed our family leave policies as detailed in our 2019 Gender Pay Action Plan and are making a number of enhancements to our family leave policies including: enhanced maternity and paternity pay; improved pensions provision whilst on family leave; additional leave and pay for parents of babies placed into neonatal care at birth; paid antenatal appointments for fathers; and a new IVF policy.

We also celebrated our third International Women's Day on 6th March 2020 with a focus on personal development and achieving personal or professional goals and ambitions with speakers including a County Policing Chief Superintendent and a renowned clinical psychologist.

We are proud that our colleagues range from 16 to 86 years of age with 5.1% of our colleagues being aged 65 or over.

To further progress our diversity, we have invested in new recruitment technology to capture better diversity metrics and to help capture data from the point of recruitment rather than employment. We are also leveraging this technology to broaden and diversify the candidate pools we recruit from including the use of specific diversity job boards.

## Reward

We continue to pay our colleagues under 25 years of age the full adult National Living Wage and the hourly rate of the highest paid colleague is just over 16 times that of our lowest paid colleague, being well within the maximum ratio of 20:1 recommended by the Work Foundation. We provide sick pay, holiday and pension contributions that exceed statutory requirements. We also provide life assurance, colleague discount and access to voluntary benefits such as cycle to work. In 2019 we introduced interest-free rental deposit salary advances to help colleagues secure a rental property.

### 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 25 January 2020 were 22 days (2019: 17 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 (2019: £33,000) were paid to the Co-operative Party.

### Auditor independence

Following a tender exercise during 2019, we have changed both our internal and external auditors. Ernst & Young are now our external auditors and have audited our 25 January 2020 financial statements. PricewaterhouseCoopers are our internal auditors with effect from 26 January 2020.

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

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

In addition, in accordance with the Co-operative Corporate Governance Code (2019), the Society has adopted a policy whereby the audit engagement partner does not conduct the Society's audit for more than five years.

### Directors' and Officers' indemnity insurance

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



### Statement of compliance with Co-operative Corporate Governance Code (2019)

In November 2019, Co-operatives UK published a revised code of corporate governance, significantly streamlining the previous version.

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.

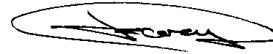
### Co-operative Corporate Governance Code (2019) – exception report

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 30 – 31.
Three-year term for Directors	The Code advises Societies to have three-year terms for Directors and to limit consecutive service to three terms. With a Board of 16 Directors, it is felt that four-year terms are more appropriate, and the consecutive service limit is expressed as 12 years rather than three terms.
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 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**



Sally Chicken  
**President**

20 May 2020

# Statement of Directors' Responsibilities

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

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

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

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

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

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

## Going concern

The Board of Directors has considered the requirement of the 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 foreseeable future.

## Board certification

The Financial Statements on pages 52 to 75 are hereby signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.

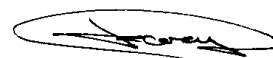
On behalf of the Board:



Sally Chicken  
**President**



Belinda Bulsing  
**Vice-President**



Jonathan Carey  
**Secretary**

20 May 2020



# Independent Auditor's Report

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

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of East of England Co-operative Society Limited (the "Society") for the 52 week period ended 25 January 2020 which comprise the Group Revenue Account and Group Statement of Comprehensive Income, the Group Balance Sheet as at 25 January 2020, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 7, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation 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).

In our opinion the Society's group financial statements:

- give a true and fair view of the state of the Society's affairs as at 25 January 2020 and of the Society's loss for the 52-week period ("the period") then ended;
- 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.

### 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## Overview of our audit approach

### Key audit matters

- Impact of COVID-19
- Revenue recognition
- Investment property valuations
- Defined benefit pension plan net liability

### Audit scope

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

### Materiality

- Overall group materiality of £3.5 million which represents 1% of group revenue.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the key audit matter	Key observations communicated to the Audit Committee
<p><b>Impact of COVID 19</b></p> <p>We draw attention to the Going Concern disclosures in the Accounting Policies section and note 7.8 Post Balance Sheet Events in the financial statements which outline the uncertainties arising from the recent COVID-19 outbreak and their impact on the Society's ability to continue as a going concern and events after the balance sheet date.</p> <p>COVID-19 has created significant uncertainty for businesses due to potential illness affecting the ability of employees to work and economic factors impacting upon the operations of retail stores, the level of sales demand and the ability for the supply chain to provide the necessary inventory.</p>	<p>We read the Directors' assessment of the risks and impact of COVID-19 on the business. We compared this assessment to our own understanding of the risks, and the nature of the Society's operations, customer-base and suppliers.</p> <p>We obtained the forecast for the period to 30 May 2021 and checked it for accuracy. We tested the underlying assumptions to underlying data and for reasonableness. We also considered the forecasting accuracy from previous years noting that past actual results have been in line with forecast projections.</p> <p>We performed stress tested scenarios focused on reductions in revenue from forecast in the non-retail revenue streams, including property, fuel, travel and events. We checked the calculations for accuracy and evaluated the underlying assumptions for reasonableness.</p> <p>We have also understood and modelled management's potential mitigating actions which include adjustment to the level of ongoing retail store refurbishment capital expenditure and capital redevelopment projects. The majority of forecast capital expenditure costs are not committed.</p> <p>We assessed current trading performance by inspecting the April period end management accounts and latest daily cash projections to identify any issues with current trading, in particular retail store takings, debtor recoverability, and supply chain lead times.</p> <p>We assessed the completeness and accuracy of the matters covered in the going concern and post balance sheet disclosures by comparing them to the outcome of our procedures detailed above.</p>	<p>The disclosures in the Accounting Policies section on Going Concern and 7.8 Post Balance Sheet Events adequately reflect the Directors' conclusions around the uncertainties and impact of COVID-19 and, that the going concern assumption remains appropriate.</p>
<p><b>Revenue recognition</b></p> <p>The group's retail sales arrangements of £370.3m 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.</p> <p>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.</p>	<p>We understood and challenged the Society's revenue recognition policies and how they are applied, including the relevant controls.</p> <p>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.</p> <p>For those revenue streams where we did not use data analysis tools, we performed appropriate alternative procedures over revenue recognition as follows:</p> <p>We obtained a detailed understanding of the manual adjustments to revenue. Due to the manual nature of these adjustments, we performed substantive analytical audit procedures over each material adjustment and corroborating where required to supporting evidence such as cash receipt.</p> <p>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.</p>	<p>Based on the procedures performed we did not identify any evidence of material misstatement in the revenue recognised in the period.</p>



Key audit matter	How our audit addressed the key audit matter	Key observations communicated to the Audit Committee
<p><b>Investment property valuations</b></p> <p>The Society holds a large number of investment properties with a carrying value of £118.7 million. This represents an increase of £3.5 million compared to the prior year.</p> <p>Given that these amounts are significant, there is a risk that the valuations performed at the year-end may be inaccurate.</p>	<p>We understood the Society's investment property portfolio and how valuation policies are applied.</p> <p>We selected a sample of investment properties, including internally and externally valued properties. This included those properties that are material to the Society individually and an additional random sample.</p> <p>We engaged our property valuation experts to independently assess the valuation methodology and year end valuation of each sampled property.</p> <p>We assessed management's review of the work of the external valuers as well as the competence, independence and integrity of the external valuers.</p> <p>We discussed and challenged the valuation process, significant assumptions and critical judgement areas. We benchmarked these assumptions to relevant market evidence including specific property transactions and other external data.</p>	<p>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.</p>
<p><b>Defined benefit plan liability</b></p> <p>The Society has a defined benefit pension plan net liability of £38.3 million (2019: £27.0 million), which is significant in the context of the group balance sheet.</p> <p>The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. These assumptions include salary increases, inflation, discount rates, expected rate of return on plan assets and mortality rates.</p>	<p>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.</p> <p>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.</p>	<p>Based on the procedures performed, we did not identify any evidence of material misstatement in the valuation of the defined benefit liabilities in the period.</p>

## An overview of the scope of our audit

### Tailoring the scope

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

The group is structured as two core operating businesses focused on retail trading and investment property across the East of England. The businesses are made up of nine reporting units and the group financial statements are a consolidation of those nine reporting units and centralised functions.

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

### 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 as a whole to be £3.5 million (2019: £3.5 million), which is 1% (2019: 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 50% of our planning materiality, namely £1.75 million. We have set performance materiality at this percentage due to this being a first-year audit.

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 £174,000 (2019: £175,000), 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 set out on pages 52 to 75, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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

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:

- a satisfactory system of control over the Society's transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit; or

- proper books of account have not been kept by the Society; or
- the Society's financial statements are not in agreement with the books of account.

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 47, 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. 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 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company'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  
20 May 2020



## Group Revenue Account

For the 52 weeks ended 25 January 2020

	Note	2020			2019		
		Continuing Operations £000	Discontinued Operations £000	Total £000	Continuing Operations £000	Discontinued Operations £000	Total £000
<b>Turnover</b>	1.1	<b>335,439</b>	<b>13,041</b>	<b>348,480</b>	<b>329,424</b>	<b>24,089</b>	<b>353,513</b>
Cost of sales	2.1	(232,244)	(8,379)	(240,623)	(228,277)	(15,497)	(243,774)
<b>Gross profit</b>		<b>103,195</b>	<b>4,662</b>	<b>107,857</b>	<b>101,147</b>	<b>8,592</b>	<b>109,739</b>
Operating expenses	2.1	(98,505)	(4,848)	(103,353)	(96,311)	(8,475)	(104,786)
<b>Trading profit/(loss)</b>		<b>4,690</b>	<b>(186)</b>	<b>4,504</b>	<b>4,836</b>	<b>117</b>	<b>4,953</b>
Changes in fair value of investment properties		(3,314)	–	(3,314)	(1,769)	–	(1,769)
Unrealised impairment of tangible fixed assets		–	–	–	(484)	–	(484)
Profit/(loss) on disposal of businesses	7.7	1,596	–	1,596	(993)	–	(993)
Restructuring costs		(563)	–	(563)	(510)	–	(510)
<b>Profit/(loss) before interest, distributions and taxation</b>		<b>2,409</b>	<b>(186)</b>	<b>2,223</b>	<b>1,080</b>	<b>117</b>	<b>1,197</b>
Interest receivable and similar income	2.2	995	–	995	4,997	–	4,997
Interest payable and similar expense	2.2	(36)	–	(36)	–	–	–
Other finance expense	2.2	(690)	–	(690)	(1,011)	–	(1,011)
<b>Profit/(loss) before distributions and taxation</b>		<b>2,678</b>	<b>(186)</b>	<b>2,492</b>	<b>5,066</b>	<b>117</b>	<b>5,183</b>
Dividend		(2,013)	–	(2,013)	(1,923)	–	(1,923)
Grants/donations	2.3	(599)	–	(599)	(693)	–	(693)
<b>(Loss)/profit before taxation</b>		<b>66</b>	<b>(186)</b>	<b>(120)</b>	<b>2,450</b>	<b>117</b>	<b>2,567</b>
Taxation	3.1	(373)	–	(373)	(339)	–	(339)
<b>(Loss)/profit for the financial year</b>		<b>(307)</b>	<b>(186)</b>	<b>(493)</b>	<b>2,111</b>	<b>117</b>	<b>2,228</b>

	Note	2020 £000	2019 £000
<b>Alternative performance measure – underlying trading profit</b>			
Profit before interest, distributions and taxation		2,223	1,197
Changes in fair value of investment properties		3,314	1,769
Unrealised impairment of tangible fixed assets		–	484
Loss on disposal of food stores		–	621
Profit/(loss) on disposal of businesses	7.7	(1,596)	993
Restructuring costs		563	510
<b>Underlying trading profit for the year</b>		<b>4,504</b>	<b>5,574</b>

## Group Statement of Comprehensive Income

For the 52 weeks ended 25 January 2020

	Note	2020 £000	2019 £000
(Loss)/profit for the financial year		(493)	2,228
Remeasurements of net defined benefit obligations	5.4	(13,514)	13,301
Remeasurements of UURBS obligations	5.4	(195)	–
Movement in deferred tax relating to pension liability	3.1	2,569	(3,437)
Total other comprehensive (expense)/income		(11,140)	9,864
<b>Total comprehensive (expense)/income for the year</b>		<b>(11,633)</b>	<b>12,092</b>

## Group Balance Sheet

As at 25 January 2020

	Note	£000	2020 £000	£000	2019 £000
<b>Fixed assets</b>					
Intangible assets	4.1		11,971		11,697
Tangible assets	4.2		229,459		228,000
Investments	4.3		59,118		56,692
			300,548		296,389
<b>Current assets</b>					
Stocks	4.4	14,332		16,658	
Debtors	4.5	8,213		9,533	
Investments	4.3	4,510		4,714	
Cash at bank and in hand		7,231		6,553	
		34,286		37,458	
<b>Current liabilities</b>					
Creditors - amounts falling due within one year	5.1	(34,517)		(36,109)	
<b>Net current (liabilities) /assets</b>			(231)		1,349
<b>Total assets less current liabilities</b>			300,317		297,738
<b>Long-term liabilities</b>					
Creditors - amounts falling due after more than one year	5.1		(44,467)		(41,644)
Provision for other liabilities	5.3		(1,154)		(2,794)
<b>Net assets excluding pension liabilities</b>			254,696		253,300
<b>Pension liabilities</b>					
Deficit on defined benefit scheme	5.4		(38,264)		(26,999)
Other retirement benefits	5.4		(1,893)		(1,736)
<b>Net assets</b>			<b>214,539</b>		<b>224,565</b>
<b>Capital and reserves</b>					
Share capital	6.1		9,172		7,812
Fair value reserve			45,540		46,703
Revenue reserve			159,827		170,050
<b>Members' funds</b>			<b>214,539</b>		<b>224,565</b>



## Group Statement of Changes in Equity

For the 52 weeks ended 25 January 2020

	Share capital £000	Fair value reserve £000	Revenue reserve £000	Total £000
<b>As at 27 January 2018</b>	<b>7,810</b>	<b>40,579</b>	<b>164,154</b>	<b>212,543</b>
Profit for the year	–	–	2,228	2,228
Other comprehensive income	–	–	9,864	9,864
Transfer	–	6,124	(6,124)	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>6,124</b>	<b>5,968</b>	<b>12,092</b>
Contributions to share capital	400	–	–	400
Dividend cheques paid in	406	–	–	406
Withdrawals	(873)	–	–	(873)
Share interest	69	–	(72)	(3)
<b>Total transactions with members recognised directly in equity</b>	<b>2</b>	<b>–</b>	<b>(72)</b>	<b>(70)</b>
<b>As at 26 January 2019</b>	<b>7,812</b>	<b>46,703</b>	<b>170,050</b>	<b>224,565</b>
Loss for the year	–	–	(493)	(493)
Other comprehensive expense	–	–	(11,140)	(11,140)
Transfer	–	(1,163)	1,163	–
<b>Total comprehensive expense for the year</b>	<b>–</b>	<b>(1,163)</b>	<b>(10,470)</b>	<b>(11,633)</b>
Contributions to share capital	2,214	–	–	2,214
Dividend cheques paid in	376	–	–	376
Withdrawals	(933)	–	–	(933)
Share interest	68	–	(49)	19
Dormant share accounts released to reserves	(365)	–	365	–
Corporation tax on dormant share accounts	–	–	(69)	(69)
<b>Total transactions with members recognised directly in equity</b>	<b>1,360</b>	<b>–</b>	<b>247</b>	<b>1,607</b>
<b>As at 25 January 2020</b>	<b>9,172</b>	<b>45,540</b>	<b>159,827</b>	<b>214,539</b>

## Group Cash Flow Statement

For the 52 weeks ended 25 January 2020

	Note	2020 £000	2019 £000
<b>Net cash from operating activities</b>	7.3	10,445	18,171
Taxation paid		(1,340)	(30)
<b>Net cash generated from operating activities</b>		9,105	18,141
<b>Cash flow from investing activities</b>			
Purchase of intangible assets		(2,015)	(1,362)
Purchase of tangible assets		(11,241)	(9,957)
Purchase of fixed asset investments		–	(50)
Proceeds from disposals of tangible assets		88	3,061
Purchase of funeral bond investments		(2,222)	(7,404)
Net proceeds from sale of businesses		1,882	–
Interest received and similar income		88	1,229
Interest payable and similar expense		(36)	–
<b>Net cash used in investing activities</b>		(13,456)	(14,483)
<b>Cash flow from financing activities</b>			
Contributions to share capital		2,214	400
Dividend cheques paid in		376	406
Share capital withdrawn		(933)	(873)
Interest paid on closed share accounts		(6)	–
New finance lease acquired		778	–
New bank loan entered into		2,600	–
<b>Net cash received from/(used in) financing activities</b>		5,029	(67)
<b>Net increase in cash and cash equivalents</b>		678	3,591
Cash and cash equivalents at the beginning of the year	7.3	6,553	2,962
<b>Cash and cash equivalents at the end of the year</b>		<b>7,231</b>	<b>6,553</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		7,231	6,553
<b>Cash and cash equivalents</b>		<b>7,231</b>	<b>6,553</b>

# 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, Essex and Cambridgeshire. 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 25 January 2020 (2019: 52 weeks ended 26 January 2019).

## Basis of consolidation

The consolidated financial statements include the audited results of East of England Co-operative Society Limited and all its subsidiaries. However, not all subsidiaries' financial statements are subject to audit. Please refer to note 7.6 for details.

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

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

## Going concern

As of 25 January 2020, the Society had net assets of £214.5m (2019: £224.6m) and net current liabilities of £231,000 (2019: net current assets of £1,349,000). The Society has access to a £5m revolving credit facility, £2.4m of which was not drawn down at the year end date.

As of 15 May 2020, the Society has current cash resources totalling £4.6m and has repaid the £2.6m revolving credit facility drawn down at the year end date in full.

With regard to the current COVID-19 pandemic, there remains uncertainty on its impact on the Society. The Directors have considered the impact of the pandemic on all of the Society's operations and future prospects. Following the guidance issued by the UK government, specific measures have

been implemented in our food stores and funeral branches to ensure adequate protection for our colleagues and customers. Observing government guidance food stores and funeral branches have remained, and are expected to continue to remain, accessible for our members and customers during the crisis.

The Society's financial forecasts, taking into consideration the current environment, show that the Society is expected to remain profitable and generate positive cash flows giving the Society the ability to continue to operate for the foreseeable future. The Directors have considered the impact of these uncertainties on the cash flows of the Society, performing a reforecasting analysis on key inputs, including adjusting for potential reductions to non-retail revenue streams, including property, fuel, travel and events. The results indicate that there is headroom even in these revised conditions. An analysis of the potential mitigations that could be put in place by management has also been considered to offset the impact of these potential downside scenarios, including adjustment to the level of capital expenditure on retail stores and property redevelopments.

Based on these facts, the healthy balance sheet and forecast cash flows of the Society, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Significant accounting policies

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

## Provisions

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

## Financial instruments

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

## Use of non-GAAP profit measures – underlying trading profit

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

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

## Exceptional items

The Society classifies certain one-off charges or credits that have a material impact on the financial results as exceptional



### Accounting Policies (continued)

items. These significant items are separately disclosed by virtue of their size or incidence to enable a full understanding of the Society's financial performance. Transactions which may give rise to exceptional costs/gains are principally re-organisation/restructuring costs, significant changes to pension arrangements and any surplus/deficit arising in respect of discontinuance of operations.

In determining underlying trading profit, it is considered appropriate to adjust for exceptional items as these gains or losses can have a significant impact on both absolute profit and profit trends.

### Cash and cash equivalents

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

### Borrowing costs

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

### Critical accounting judgements and estimation uncertainty

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

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

	Note
Deferred taxation – estimation of deferred tax liability in relation to revalued investment property	3.1
Measurement of the recoverable amounts from cash-generating units containing intangible assets or goodwill – estimation of future cashflows and selection of pre-tax discount rate	4.1
Valuation of investment properties – inherently subjective nature of valuations	4.2
Stock valuation – estimation of stock provision which requires judgement	4.4
Measurement of pension obligations – inherent uncertainty in use of assumptions	5.4

## 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) **Rental income**  
Rental income from operating leases, excluding charges for insurance and maintenance, is recognised on a straight-line basis over the period of the lease, even if payments are not made on this basis.
  - c) **Agency fees and commissions**  
Turnover includes amounts in relation to commission receivable in respect of sales made on an agency basis, principally relating to travel and concession sales, and is recognised at the point of sale.
  - d) **Income from franchise locations**  
In certain locations the Group operates a franchised brand from third parties. Income from these locations is recognised at point of sale.
  - e) **Rendering of services**  
Turnover from a contract to provide security services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract.

## 1.1 SEGMENTAL REPORTING

**KEEPING IT SIMPLE – SEGMENTAL REPORTING**

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

	2020			2019		
	Continuing Operations £000	Discontinued Operations £000	Total £000	Continuing Operations £000	Discontinued Operations £000	Total £000
<b>Turnover</b>						
Retail	327,308	13,041	340,349	321,442	24,089	345,531
Property	8,131	–	8,131	7,982	–	7,982
	<b>335,439</b>	<b>13,041</b>	<b>348,480</b>	<b>329,424</b>	<b>24,089</b>	<b>353,513</b>

## 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.

	2020			2019		
	Continuing Operations £000	Discontinued Operations £000	Total £000	Continuing Operations £000	Discontinued Operations £000	Total £000
<b>Cost of sales</b>	<b>232,244</b>	<b>8,379</b>	<b>240,623</b>	<b>228,277</b>	<b>15,497</b>	<b>243,774</b>
Personnel (note 2.1.1)	58,210	2,944	61,154	56,169	5,560	61,729
Occupancy costs	12,492	491	12,983	12,223	670	12,893
Loss on sale of fixed assets	32	–	32	385	–	385
Hire of plant and machinery	147	3	150	120	7	127
Vehicle contract hire/lease	310	245	555	260	290	550
Depreciation and other amounts written off tangible fixed assets	6,346	82	6,428	6,268	212	6,480
Amortisation of intangible fixed assets	1,706	–	1,706	1,744	–	1,744
Auditors' remuneration						
– Fees payable for the audit of consolidated financial statements	115	–	115	12	–	12
– Fees payable for the audit of the Society and its subsidiaries	20	–	20	108	–	108
– Non-audit fees	–	–	–	8	–	8
Directors' fees (note 2.1.3)	138	–	138	145	–	145
Other expenses	18,989	1,083	20,072	18,869	1,736	20,605
<b>Operating expenses</b>	<b>98,505</b>	<b>4,848</b>	<b>103,353</b>	<b>96,311</b>	<b>8,475</b>	<b>104,786</b>

## 2.1.1 COLLEAGUES

	2020 Number	2019 Number
<b>The average number of persons employed by the Society during the year was:</b>		
Full time	986	1,077
Part time	3,188	3,205
	<b>4,174</b>	<b>4,282</b>

	2020 £000	2019 £000
<b>The cost incurred in respect of these employees was:</b>		
Wages and salaries	54,523	55,410
Social security costs	3,002	3,012
Other pension costs	3,629	3,307
	<b>61,154</b>	<b>61,729</b>

## 2.1.2 KEY MANAGEMENT COMPENSATION

### KEEPING IT SIMPLE – KEY MANAGEMENT COMPENSATION

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

	2020 £000	2019 £000
Key management includes members of the Management Executive. The compensation paid or payable to key management for employee services is shown below:		
Salary	1,310	1,109
Taxable benefits	102	116
Pension contributions	44	44
	<b>1,456</b>	<b>1,269</b>

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

One of the Management Executive in service at the year end is a member of the Society's defined benefit pension scheme.

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.

	2020 £000	2019 £000
Salary	266	281
Taxable benefits	35	37
	<b>301</b>	<b>318</b>

	2020 £000	2019 £000
Transfer value of total accrued pension	1,005	998

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

	2020 Number	2019 Number
£80,000 – £90,000	–	1
£170,000 – £180,000	1	–
£180,000 – £190,000	1	1
£190,000 – £200,000	–	1
£220,000 – £230,000	1	–
£230,000 – £240,000	1	1
£240,000 – £250,000	–	1
£300,000 – £310,000	1	–
£310,000 – £320,000	–	1



## 2.1.3 TRANSACTIONS WITH DIRECTORS

**KEEPING IT SIMPLE – TRANSACTIONS WITH DIRECTORS**

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

	2020 £000	2019 £000
<b>Directors' emoluments</b>		
<b>The total remuneration of the Directors for their Board duties was as follows:</b>		
Fees	138	145
The number of Directors whose emoluments fell in each £5,000 bracket was as follows:		
	2020 Number	2019 Number
£0 – £5,000	2	3
£5,001 – £10,000	16	16

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

## 2.2 FINANCE COSTS/INCOME

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

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

	2020 £000	2019 £000
<b>INTEREST RECEIVABLE AND SIMILAR INCOME</b>		
Interest receivable (note 4.3)	88	57
Investment income (note 4.3)	907	4,940
	<b>995</b>	<b>4,997</b>

	2020 £000	2019 £000
<b>INTEREST PAYABLE</b>		
Interest payable	36	–

	2020 £000	2019 £000
<b>OTHER FINANCE EXPENSE</b>		
Interest expense on pension obligations (note 5.4)	690	1,011

## 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.*

	2020 £000	2019 £000
<b>GRANTS/DONATIONS</b>		
Member and Community Services expenditure	589	691
Donations	10	2
	<b>599</b>	<b>693</b>

## Section 3 – Tax

### IN THIS SECTION

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

### 3.1 INCOME TAX AND DEFERRED TAX

#### KEEPING IT SIMPLE – INCOME TAX EXPENSE

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

#### KEEPING IT SIMPLE – DEFERRED TAX

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

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

#### Accounting policy:

Taxation expense for the 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 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	2020 £000	£000	2019 £000
<b>Current tax:</b>				
UK corporation tax on profits for the year	–		963	
Adjustment in respect of prior years	(487)		32	
UK current tax (credit)/charge		(487)		995
<b>Deferred tax:</b>				
Timing differences arising in the year	1,045		(389)	
Adjustment in respect of prior years	(116)		(267)	
UK deferred tax charge/(credit)		929		(656)
<b>Total UK tax charge</b>		<b>442</b>		<b>339</b>

	2020 £000	2019 £000
Charged through the Group Revenue Account	373	339
Charged directly through the Revenue Reserve	69	–
<b>Total UK tax charge</b>	<b>442</b>	<b>339</b>

## 3.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

## TAX RECONCILIATION

The current tax charge assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	£000	2020 £000	£000	2019 £000
(Loss)/profit before tax	(120)		2,567	
Tax due if paid at the applicable UK corporation tax rate 19% (2019: 19%)	(23)		488	
<b>Adjustments relating to current tax:</b>				
Expenses not deductible for tax purposes	177		164	
Expenses not deductible relating to property revaluations	516		548	
Expenses not deductible relating to pension scheme	136		249	
Accelerated capital allowances	(155)		(78)	
Short-term timing differences in relation to accounting provisions	(340)		(84)	
Short-term timing differences in relation to funeral bonds	108		108	
Effect of tax relief on pension contributions	(424)		(430)	
Effect of land remediation relief	(7)		(2)	
Adjustment to tax charge in prior period	(486)		32	
R&D expenditure credits	11		–	
<b>UK current tax (credit)/charge</b>		<b>(487)</b>		<b>995</b>
<b>Adjustments relating to deferred taxation:</b>				
Adjustment in respect of prior period	(116)		(267)	
Accelerated capital allowances	862		590	
Short-term timing differences in respect of pension contributions	24		(97)	
Short-term timing differences in relation to funeral bonds	(97)		(108)	
Capital gains/(losses)	366		(849)	
Other short-term timing differences	304		75	
Unrelieved tax losses arising in the period	(414)		–	
<b>UK deferred tax charge/(credit)</b>		<b>929</b>		<b>(656)</b>
<b>Total UK tax charge</b>		<b>442</b>		<b>339</b>

## 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](http://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.

At period end, the main rate of corporation tax was expected to reduce from 19% to 17% on 1 April 2020 and this is the rate at which deferred tax assets/liabilities have been measured. In the March 2020 budget, it was announced that the main rate of corporation tax would remain at 19% instead of decreasing to 17% as previously enacted. The impact of this amendment made after the balance sheet date will be reflected in the 2020/21 results.

## Expenses not deductible for tax purposes

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

## Expenses not deductible/income not taxable relating to property revaluations

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

## Expenses not deductible relating to pension scheme

During the year, the Society has recognised other finance expenses of £690,000 (2019: £1,011,000) and operating expenses of £23,000 (2019: £300,000) relating to movements in the defined benefit pension scheme. Although these expenses have reduced accounting profits, they are not recognised for tax purposes.

## Accelerated capital allowances

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

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

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

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

The Society's transition to new accounting standards on 25 January 2015 has led to an accelerated recognition of profit on funeral bond sales. To assist companies in this position, HMRC have allowed for some tax liabilities, which arise specifically as a result of transition, to be spread over a 10-year period. This relief resulted in a deferred tax liability being recognised at our transition date, which is being released to the revenue account over 10 years.

## Adjustments to tax charges/credit in prior years

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

## Capital gains and losses

During the year the Society disposed of its pharmacy business which will result in a capital gain for tax purposes. The gain has been fully offset using brought forward capital losses. The deferred tax asset in relation to these losses has therefore reduced.



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

#### Tax relief on pension contributions and tax losses

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

#### DEFERRED TAX

	Balance as at	Current year deferred tax		Adjustment	Balance as at
	26 January 2019	credit/(charge)		in respect of	25 January 2020
	Revenue	OCI /			
	account	Reserves			
	£000	£000	£000	£000	£000
Capital allowances	(1,774)	(862)	–	271	(2,365)
Short-term difference in relation to funeral bonds	(578)	97	–	–	(481)
Other short-term timing differences	755	(304)	–	(36)	415
Capital (gains)/losses	793	(366)	–	–	427
Tax losses	2,305	414	–	(119)	2,600
Deferred tax liability in relation to revalued property	(3,239)	–	–	–	(3,239)
Deferred tax (liability)/asset relating to pension scheme	(1,056)	(24)	2,569	–	1,489
<b>Total deferred tax liability (note 5.3)</b>	<b>(2,794)</b>	<b>(1,045)</b>	<b>2,569</b>	<b>116</b>	<b>(1,154)</b>



## Section 4 – Assets

#### IN THIS SECTION

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

#### KEEPING IT SIMPLE – ASSETS

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

### 4.1 FIXED ASSETS – INTANGIBLE

#### KEEPING IT SIMPLE – FIXED ASSETS – INTANGIBLE

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

#### Accounting policy:

##### Goodwill

Business combinations are accounted for by applying the purchase method.

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

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

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

#### 4.1 FIXED ASSETS – INTANGIBLE (CONTINUED)

##### Accounting policy (continued):

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

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

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

##### Other intangible assets

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

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

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

- Technological advancement
- Changes in market price

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

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

##### Impairment of non-financial assets

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

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

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

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

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

	Goodwill £000	Software £000	Customer lists £000	Licences £000	Total £000
<b>FIXED ASSETS – INTANGIBLE</b>					
<b>Cost</b>					
At 27 January 2019	16,408	11,137	38	49	27,632
Additions	–	2,015	–	–	2,015
Disposals	(81)	(1,350)	(38)	–	(1,469)
At 25 January 2020	16,327	11,802	–	49	28,178
<b>Amortisation</b>					
At 27 January 2019	8,057	7,833	38	7	15,935
Charge for the year	871	833	–	2	1,706
Disposals	(81)	(1,315)	(38)	–	(1,434)
At 25 January 2020	8,847	7,351	–	9	16,207
Net book value at 25 January 2020	7,480	4,451	–	40	11,971
Net book value at 26 January 2019	8,351	3,304	–	42	11,697

Included within software is £2,891,000 (2019: £1,452,000) related to assets in the course of construction.

#### 4.2 FIXED ASSETS – TANGIBLE

##### KEEPING IT SIMPLE – FIXED ASSETS – TANGIBLE

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

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

## 4.2 FIXED ASSETS – TANGIBLE (CONTINUED)

### Accounting policy:

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

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

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

Depreciation is not provided on freehold land.

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

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

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

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

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

- a) investment properties are measured at fair value annually with any change recognised in the revenue account and
- b) no depreciation or amortisation is provided in respect of freehold investment properties and long leasehold investment properties.

	Land & buildings £000	Investment properties £000	Fixtures, fittings & plant £000	Transport £000	Total £000
<b>FIXED ASSETS – TANGIBLE</b>					
<b>Cost or valuation</b>					
<b>At 27 January 2019</b>	<b>137,091</b>	<b>115,145</b>	<b>46,282</b>	<b>6,817</b>	<b>305,335</b>
Additions	987	3,454	6,056	905	11,402
Disposals	–	(113)	(2,948)	(2,676)	(5,737)
Transfers	(9,675)	3,508	(175)	–	(6,342)
Revaluation	–	(3,314)	–	–	(3,314)
<b>At 25 January 2020</b>	<b>128,403</b>	<b>118,680</b>	<b>49,215</b>	<b>5,046</b>	<b>301,344</b>
<b>Depreciation</b>					
<b>At 27 January 2019</b>	<b>45,320</b>	<b>–</b>	<b>25,586</b>	<b>6,429</b>	<b>77,335</b>
Charge for the year	2,112	–	4,035	281	6,428
Disposals	–	–	(2,863)	(2,673)	(5,536)
Transfers	(6,152)	–	(190)	–	(6,342)
<b>At 25 January 2020</b>	<b>41,280</b>	<b>–</b>	<b>26,568</b>	<b>4,037</b>	<b>71,885</b>
<b>Net book value at 25 January 2020</b>	<b>87,123</b>	<b>118,680</b>	<b>22,647</b>	<b>1,009</b>	<b>229,459</b>
<b>Net book value at 26 January 2019</b>	<b>91,771</b>	<b>115,145</b>	<b>20,696</b>	<b>388</b>	<b>228,000</b>

Included within tangible fixed assets is £4,804,000 (2019: £2,051,000) relating to assets in the course of construction, of which £3,742,000 (2019: £1,355,000) is in investment properties and £1,062,000 (2019: £696,000) is in fixtures, fittings and plant.

The net carrying value of assets held under finance leases included in transport is £775,000 (2019: £nil).

Particulars relating to revalued assets are given below:

	2020 £000	2019 £000
<b>Investment properties</b>		
<b>At valuation</b>	118,680	115,145
<b>At historical cost</b>	112,784	105,935

### Revaluation of investment properties

Each year, 20% of the Society investment properties are valued by Roche. The valuation is undertaken in accordance with the RICS Valuation – Professional Standards. Investment properties and properties held for development (non-trading) are valued on a market value basis. The remainder have been valued by the Society's Joint Chief Executive – Property, Nick Denny FRICS on a consistent basis.



## 4.3 INVESTMENTS

**KEEPING IT SIMPLE – INVESTMENTS**

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

**Accounting policy:**

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

	Fixed assets		Current assets		Interest / investment income	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
<b>INVESTMENTS</b>						
Co-operative Group Limited						
– Shares	757	757	–	–	–	–
Other I & P societies						
– Shares	1	1	–	–	–	–
Other	101	101	–	–	–	–
Short-term deposits	–	–	–	–	30	33
Overnight deposit	–	–	–	–	58	24
Funeral bonds	58,259	55,833	4,510	4,714	907	4,940
	<b>59,118</b>	<b>56,692</b>	<b>4,510</b>	<b>4,714</b>	<b>995</b>	<b>4,997</b>

## 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.

	2020 £000	2019 £000
<b>STOCK</b>		
Goods for resale	14,332	16,658

Goods for resale is stated after provision for impairment of £656,000 (2019: £959,000). The movement in the provision is charged/credited to cost of sales each year.

## 4.5 TRADE AND OTHER DEBTORS

**KEEPING IT SIMPLE – TRADE AND OTHER DEBTORS**

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

**Accounting policy:**

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

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

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

**4.5 TRADE AND OTHER DEBTORS (CONTINUED)**

	2020 £000	2019 £000
<b>DEBTORS</b>		
Trade debtors	2,231	3,301
Corporation tax	462	–
Other debtors	1,413	2,020
Prepayments and accrued income	4,107	4,212
	<b>8,213</b>	<b>9,533</b>

Trade debtors are stated after provision for impairment of £349,000 (2019: £280,000). The movement in the provision is charged/credited to operating expenses each year.

**Section 5 – Liabilities****IN THIS SECTION**

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

**KEEPING IT SIMPLE – LIABILITIES**

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

**5.1 TRADE AND OTHER CREDITORS****KEEPING IT SIMPLE – TRADE AND OTHER CREDITORS**

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

**Accounting policy:**

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

**KEEPING IT SIMPLE – FUNERAL BONDS**

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

**Accounting policy:**

Amounts received in advance for funeral plans are recorded as liabilities on the balance sheet. The liability has been apportioned between current and long-term liabilities based upon the Group's experience of funerals carried out under its pre-payment plans over the last five years. All monies received for funeral plans taken out from 1 January 2002 are paid into a contract for whole life insurance on the life of the customer for the purpose of providing the funeral and disclosed within investments. This is to comply with the provisions of the Financial Services and Markets Act 2000. Interest income earned in the year is recognised in the revenue account.

	Due within 1 year		Due after 1 year	
	2020 £000	2019 £000	2020 £000	2019 £000
<b>CREDITORS</b>				
Bank loans	2,600	–	–	–
Trade creditors	14,551	11,583	–	–
Finance leases	119	–	659	–
Corporation tax	–	1,364	–	–
Other taxation and social security	970	3,434	–	–
Other creditors	1,662	2,056	–	–
Accruals and deferred income	11,078	14,118	–	–
Funeral bonds	3,537	3,554	43,808	41,644
	<b>34,517</b>	<b>36,109</b>	<b>44,467</b>	<b>41,644</b>

**Bank loan**

During the year, 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.

	2020 £000	2019 £000
Less than one year	119	–
Later than one year and not later than five years	659	–
	<b>778</b>	<b>–</b>

## 5.3 PROVISION FOR OTHER LIABILITIES

	2020 £000	2019 £000
Deferred tax (note 3.1)	1,154	2,794

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

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

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

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

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

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the revenue account as "other finance expense".

##### Defined contribution pension plan

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

## PENSIONS

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

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

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



## 5.4 PENSION OBLIGATIONS (CONTINUED)

### Asset-backed funding arrangement

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

On 20 November 2017, the two former schemes transferred their interest in the Partnership to East of England Co-op Retirement Benefit Scheme which is now entitled to an annual distribution of £3.0m for a remaining 18 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:

	2020	2019
Rate of increase of pensions in payment		
– prior to 31 August 2008	3.00%	3.10%
– post 31 August 2008	2.20%	2.10%
Rate of increase of pensions in deferment	3.05%	3.25%
Discount rate	1.70%	2.70%
Rate of inflation	3.05%	3.25%

	2020 years	2019 years
The mortality assumptions used were as follows:		
Longevity at age 65 for current pensioners		
– Men	21.4	21.8
– Women	23.3	23.7
Longevity at age 65 for future pensioners		
– Men	22.8	23.2
– Women	24.9	25.3

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 25/01/2020 £000	Value at 26/01/2019 £000
Equities	42,197	56,100
Diversified growth funds	66,089	59,050
Multi-asset credit	46,890	24,572
Bonds	28,202	24,086
Liability-driven investment	58,455	49,754
Cash	270	290
Amounts owed to the Society	(572)	(679)
Insured annuities	1,113	1,087
Total market value of assets	242,644	214,260
Actuarial value of liability	(280,908)	(241,259)
<b>Total deficit in the scheme</b>	<b>(38,264)</b>	<b>(26,999)</b>

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

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

During the year, the Society made pension payments on behalf of the scheme. The amount owed to the Society of £572,000 (2019: £679,000) represents the balance due from the scheme in respect of these payments.

## 5.4 PENSION OBLIGATIONS (CONTINUED)

## Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 27 January 2019	214,260	(241,259)	(26,999)
Interest income/(expense)	5,714	(6,404)	(690)
<b>Remeasurement gains/(losses)</b>			
Actuarial losses	–	(41,476)	(41,476)
Return on plan assets excluding interest income	27,962	–	27,962
Benefits paid	(8,231)	8,231	–
Contribution by employer	2,962	–	2,962
Administrative expense	(23)	–	(23)
<b>At 25 January 2020</b>	<b>242,644</b>	<b>(280,908)</b>	<b>(38,264)</b>

## Analysis of the amount charged to the revenue account

	2020 £000	2019 £000
Interest income	5,714	5,698
Interest on pension liabilities	(6,404)	(6,709)
Scheme administration expenses	(23)	(300)
<b>Total expense recognised in revenue account</b>	<b>(713)</b>	<b>(1,311)</b>

## Return on plan assets

	2020 £000	2019 £000
Interest income	5,714	5,698
Return on plan assets less interest income	27,962	(16,843)
<b>Total return on plan assets</b>	<b>33,676</b>	<b>(11,145)</b>

## Stakeholder scheme

The stakeholder pension scheme is a defined contribution plan. The contributions due to the plan during the year were £3,583,000 (2019: £3,536,000). As at 25 January 2020, no unpaid contributions were outstanding (2019: £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 (2019: £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.

	2020 £000	2019 £000
Benefit obligation at the beginning of the year	1,736	2,051
Interest cost	46	50
Past service credit	–	(155)
Actuarial losses/(gains)	195	(126)
Benefits paid	(84)	(84)
<b>Benefit obligation at the end of the year</b>	<b>1,893</b>	<b>1,736</b>

## Section 6 – Equity

### IN THIS SECTION

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

### 6.1 CAPITAL AND RESERVES

#### KEEPING IT SIMPLE – CAPITAL AND RESERVES

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

#### Accounting policy:

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Society are recorded at the proceeds received, net of direct issue costs.

Dividends are paid using dividend vouchers and calculated by reference to dividend points earned rather than as a return on capital invested. They are therefore recorded in the group revenue account as an expense of the business rather than directly in reserves as an equity distribution. The dividend vouchers issued during the year are valid until 31 December of the relevant year and as such only those that have been redeemed have been accounted for as payments at the year end. No liability is therefore held for those dividend vouchers not redeemed at the balance sheet date. Any unredeemed dividends are released to the revenue account for the year. Dividend distribution to the Society's members is recognised as a liability in the Society's financial statements in the period in which the dividends are approved by the members at the Annual Members' Meeting.

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

#### SHARE CAPITAL

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.

#### 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 OWNER

*An operating lease is where rent is paid to the owner of an asset to allow the Society to use it, for example a property.*

#### Accounting policy:

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



**7.1 OPERATING LEASES (CONTINUED)**

At 25 January 2020, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	2020 £000	2019 £000	2020 £000	2019 £000
Operating leases expiring:				
Within one year	1,208	1,400	290	661
Later than one year and not later than five years	4,621	5,346	269	649
After five years	5,884	7,517	–	–
	<b>11,713</b>	<b>14,263</b>	<b>559</b>	<b>1,310</b>

**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 January 2020, the Group had the following minimum lease receivables under non-cancellable operating leases for each of the following periods:

	Land and buildings	
	2020 £000	2019 £000
Within one year	8,155	7,509
Later than one year and not later than five years	19,226	18,836
After five years	15,324	16,078
	<b>42,705</b>	<b>42,423</b>

**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 25 January 2020, there were capital commitments of £5.0 million (2019: £1.2 million) which have not been provided for in the financial statements.

**7.3 NOTES TO CASH FLOW STATEMENT****KEEPING IT SIMPLE – CASH FLOW STATEMENT**

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

### 7.3 NOTES TO CASH FLOW STATEMENT (CONTINUED)

	2020 £000	2019 £000
<b>RECONCILIATION OF (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/profit for the financial year	(493)	2,228
Adjustments for:		
Tax on (loss)/profit on ordinary activities	373	339
Distributions	2,612	2,616
Net interest income	(269)	(3,986)
<b>Profit before interest, distributions and taxation</b>	<b>2,223</b>	<b>1,197</b>
Grants and donations	(599)	(693)
Depreciation	6,428	6,500
Amortisation	1,706	1,744
Loss on sale of tangible fixed assets	32	385
Profit on disposal of businesses	(1,596)	–
Changes in fair value of investment properties	3,314	1,769
Unrealised impairment of tangible and intangible fixed assets	–	1,477
Unrealised gain on funeral bond investments	907	3,767
Decrease in stocks	2,178	2,877
Decrease/(increase) in debtors	1,762	(134)
(Decrease)/increase in creditors	(920)	4,108
Dividend paid	(2,013)	(1,923)
Pension contributions	(3,046)	(2,972)
Pension past service credit	–	(155)
UURBS current service costs/(credit)	46	(76)
Legal and professional fees covered by pension expense reserve	23	300
<b>Net cash from operating activities</b>	<b>10,445</b>	<b>18,171</b>

	2019 £000	Cash flow £000	2020 £000
<b>ANALYSIS OF MOVEMENT IN NET FUNDS</b>			
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	6,553	678	7,231
<b>Borrowings</b>			
Debt due within one year	–	(2,719)	(2,719)
Debt due after one year	–	(659)	(659)
	–	(3,378)	(3,378)
<b>Total</b>	<b>6,553</b>	<b>(2,700)</b>	<b>3,853</b>

### MAJOR NON-CASH TRANSACTIONS

During the year, the Society had no major non-cash transactions (2019: £nil).

### 7.4 RELATED PARTY DISCLOSURES

During the year the Society received rental income of £10,671 (2019: £13,120) from New Anglia Local Enterprise Partnership, of which Doug Field, Joint Chief Executive, is Chair and £18,148 (2019: £17,940) of rental income from The Recovery Hub Ipswich, of which Roger Grosvenor, Joint Chief Executive, is a Director.

### 7.5 GENERAL CONTINGENCIES

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

## 7.6 WHOLLY OWNED SUBSIDIARIES

### KEEPING IT SIMPLE – WHOLLY OWNED SUBSIDIARIES

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

### SUBSIDIARY SOCIETIES AND COMPANIES

The subsidiaries of the Society are listed below.

#### **Ardencrest Limited (27074R)**

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

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

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

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

A dormant company formerly operating the W H Shephard funerals business.

#### **Colchester and East Essex Co-operative Society (Trustees) Limited (1005897)**

A company holding the trusteeship of the Colchester and East Essex Co-operative Society Limited Employees' Superannuation Fund (Dissolved 5 March 2019).

#### **INCS (Trustees) Limited (8292252)**

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

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

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

#### **Colchester Funeral Services Limited (2768938)◊**

A dormant company which has never traded.

#### **Anglian Convenience Stores Limited (03244781)\***

A company operating the Anglian Convenience Stores business.

#### **Local Convenience Stores Limited (04066060)◊**

A dormant property holding company acquired with Anglian Convenience Stores Limited.

#### **H.L. Perfitt Limited (01012287)\***

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

#### **Perfitt Holdings Limited (03806203)◊**

A dormant holding company.

#### **Anglia Memorial Services Limited (4071526)◊**

A dormant company acquired with H.L. Perfitt Limited.

#### **East of England (SLP) General Partner Limited (SC436963)\***

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

#### **East of England Scottish Limited Partnership (SL011854)**

A property holding partnership registered in Scotland, established in connection with the Society's defined benefit pension schemes (see note 5.4).

#### **Ben's Limited (05741336)◊**

A dormant company formerly operating three supermarkets.

#### **East of England Co-op Travel Limited (10588432)\***

A company operating the Society's travel business from 29 January 2017.

### DORMANT COMPANY EXEMPTION

Subsidiaries marked ◊ have taken advantage of the exemption from preparing accounts for a dormant subsidiary available under s394A of the Companies Act 2006 for the period ended 25 January 2020.

### SUBSIDIARY EXEMPTION

Subsidiaries marked \* have taken advantage of the exemption from an audit for the period ended 25 January 2020 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 25 January 2020.

## 7.7 DISPOSALS

### DISTRIBUTION CENTRE

In July 2017, the Society announced plans to join to Co-operative Group's National Integrated Supply Chain and part of this agreement involved a decision to close the distribution centre. On 11 October 2019, the distribution centre closed and the building was transferred to the Society's investment property portfolio. The disposal proceeds and costs of the closure are categorised as follows:

	2020 £000	2019 £000	2018 £000
Proceeds from disposal of vehicles, fixtures and equipment	81	–	–
Costs associated with disposal of vehicles, fixtures and equipment	(43)	–	–
Net consideration received	38	–	–
Impairment of tangible fixed assets	(2)	(993)	(2,903)
Restructuring costs	(294)	–	(1,800)
Onerous contracts and termination fees	(233)	–	–
Costs relating to distribution centre closure	<b>(491)</b>	<b>(993)</b>	<b>(4,703)</b>



**PHARMACY BUSINESS**

On 30 March 2019 the Society disposed of its Pharmacy business to Suffolk Pharma Limited, retaining the ownership of the freehold sites. The consideration and related costs are detailed below:

	<b>2020 £000</b>
Cash consideration received	2,379
Professional fees and other related costs	(81)
Net consideration received	2,298
Disposal of tangible fixed assets	(11)
Impairment of stocks	(102)
Redundancy and other associated personnel costs	(35)
<b>Profit recognised on disposal of Pharmacy business</b>	<b>2,150</b>

**OPTICAL BUSINESS**

On 2 February 2019 the Society disposed of its Optical business to Armstrong and North Opticians, retaining the ownership of the freehold sites. The consideration and related costs are detailed below:

	<b>2020 £000</b>
Cash consideration received	137
Professional fees and other related costs	(30)
Net consideration received	107
Disposal of tangible fixed assets	(104)
Impairment of stocks	(46)
Impairment of debtor balance	(20)
<b>Loss recognised on disposal of Optical business</b>	<b>(63)</b>

**7.8 POST BALANCE SHEET EVENTS**

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of COVID-19 to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. The Society is currently being impacted both through government restrictions on our own working practices, on the operations of our suppliers and on our members and customers.

It is impossible to predict the full financial impact of the COVID-19 situation on the Society. Any impact on the future performance and position of the Society, including any considerations of impairment or recoverability of receivables will be included in the 2020/21 results.

## Members and Community Services' Expenditure Statement (unaudited)

	2020 Net Expenditure	
	£	£
<b>Community engagement events and projects</b>		
Community Funding	156,831	
Community Campaigns	51,394	
Community Events	86,516	
		<b>294,741</b>
<b>Community and engagement costs</b>		
Fore Street Education Centre	58,627	
Salaries and Overheads	234,686	
		<b>293,313</b>
<b>Members and Community Services expenditure (note 2.3)</b>		<b>588,054</b>

Donations totalling £122,000 were made to organisations during the financial year from the Society's Community Dividend Fund. The Community Dividend Fund is supported by members who kindly divert their dividend to the '660' share account.

**This statement does not form part of the financial statements.**





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