SUPPORTING OUR COMMUNITY HEROES

Annual Report and Financial Statements

2021

Annual Report and Financial Statements of the East of England Co-operative Society for the year ended 23 January 2021

East of England CO-OP

2021

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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, Suffolk and Norfolk.

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 from other big organisations, since we put our members first. Our focus has always been, and always will be, the local communities in our region.

£349.6M
TURNOVER
Up 4.2% from last year

£1.0M
PROFIT BEFORE DISTRIBUTIONS AND TAXATION
Down from £2.5m last year

£7.2M
UNDERLYING TRADING PROFIT
Up 60.8% from last year

£199.5M
MEMBERS' FUNDS
Down from £214.5m last year

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

A word from OUR PRESIDENT

The past year has been unlike any other, and certainly a unique time to be elected President.

I am very proud of how all our colleagues have embraced and adapted to the challenges that Covid and Brexit have thrown at them.

Something that has been particularly striking for me is that no matter how tough this pandemic has been, you can walk into any East of England Co-op branch and be greeted by smiling, friendly and helpful colleagues.

In recognition of the dedication and resilience they have shown, the Board and I were pleased to provide our colleagues with an additional week's pay in April 2020, with a further gift of thanks in the form of store vouchers, delivered to every colleague to enjoy over the Christmas and New Year period.

Colleagues also benefit from an increased discount, rising from 10% to 20%, which will remain in place throughout 2021.

We pride ourselves on the care and assistance we provide our colleagues and have done our best to ensure that all clinically extremely vulnerable colleagues and those furloughed due to government restrictions, have been supported.

COLLEAGUE DISCOUNT STAYING AT 20% THROUGH 2021

Keeping our colleagues & customers safe

Our priority throughout this year has undoubtedly been the safety and wellbeing of our colleagues, members and customers.

We worked hard at the start of the pandemic, rapidly installing screens at our till points and kiosks, hand sanitising stations at store entrances and signage on floors and other visible locations to aid social distancing.

Further measures have been implemented since. We have been limiting the number of people in our branches and, when face coverings became mandatory for customers on 24 July 2020, we took the decision to show solidarity by making them a requirement for our colleagues too.

I would like to thank our members and customers for embracing the measures we have put in place, and for the overwhelming number of letters and messages of thanks we have received, recognising the continued service and dedication of colleagues across our family of businesses.

Supporting our communities

Supporting our communities has been incredibly important this past year, with community groups and charitable organisations needing to adapt their services and cater to increased numbers of beneficiaries while often under financial pressure themselves.

The creation of the East of England Co-op Community Cares Fund enabled us to make a real difference, in some cases helping services on the brink of collapse to remain open. From foodbanks and unpaid carers, to supporting those impacted by domestic abuse, our grants have provided critical support to individuals in our communities.

It was also heart-warming to see new groups forming, with neighbours supporting neighbours and individuals doing amazing things. We're incredibly privileged to have been able to support and celebrate their efforts, as well as those of our emergency services.

Our governance

Strong governance is vital to the success of our Co-op. I would like to thank Chris Matthews and Steve Shaw, who retired from the Board of Directors in November 2020, for their contribution over the past four and five years respectively, and Sally Chicken, who preceded me as President and continues as a Director, for her unfaltering dedication to the Society during her time in office.

RISE IN TRADING PROFITS TO £7.2M

How we performed

Covid impacted our family of businesses in many ways. Unsurprisingly our Travel, Petrol Filling Station and Events businesses were adversely affected with sales down over 40%. We also incurred substantial costs in keeping our colleagues and customers safe. However, despite a lower number of visits to our Food stores, those who visited spent more which helped increase sales and profits.

Overall, the success of our food business and the government support we received meant that we saw a rise in trading profits to £7.2m.

Nevertheless, challenges faced by the high street, which have been accelerated by Covid, contributed to an £8.9m reduction in the value of our investment property portfolio resulting in an overall loss before tax of £1.7m.

Looking ahead

Supporting our communities is part of our DNA as a co-operative and will remain at the heart of our objectives and priorities for the year ahead.

To ensure that we can continue to support our communities and look after our members and colleagues, we will need to work hard to stay ahead of the curve and keep each part of our business thriving. That will be a key focus for us in 2021 and beyond.

I'm sure there will be more challenges to come but there will also be many opportunities. I'm very excited about what we at our Co-op can achieve together.

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

Innovation
IN THE FACE OF ADVERSITY

SAME DAY DELIVERY

It's really important for us to meet the needs of our diverse range of members and customers, ensuring they have lots of different options for shopping with us.

During the Covid pandemic, more and more people have turned to online shopping. Wanting to make sure we could offer this to our local communities, we partnered with grocery delivery app Snappy Shopper.

Customers can order a wide range of items, including fruit and vegetables, frozen food, confectionery, alcohol, meat and dairy, as well as Sourced Locally products. Thirty-two Food stores across Norfolk, Suffolk and Essex now offer the Snappy Shopper service with same-day home delivery, in as little as 30 minutes, as well as the option to Click and Collect.

Ensuring our members and customers receive the same great service as they would in-store, when an order is made from the app a member of the team from the local store will personally take that order, pick out the items and then deliver them.

Since launching in December 2020

We've made **20,000** HOME DELIVERIES and counting!

Keep it LOCAL
LIVE • BUY • LOVE

Wicks Manor

SALES INCREASED **118%**

SHOPPERS SAVOUR SOURCED LOCALLY

The Covid crisis has seen our members and customers get behind our Sourced Locally partners with even more gusto.

Behind every Sourced Locally product on our shelves is a passionate local team of producers or farmers, who have been working around the clock to keep food in our baskets. Whether it's ingredients for an evening meal, baking supplies or treats to bring comfort at home during a difficult period, our locally sourced produce has truly been appreciated over the past few months.

We've recorded a significant rise in sales of our Sourced Locally range, with purchases of eggs from Suffolk supplier Havensfield Eggs up 71%, flour from master millers Marriage's rising 454% and pork from Essex farmer Wicks Manor up 118%. In total, this surge in demand has resulted in a sales increase of £1.1m compared to last year.

Marriage's Flour

SALES INCREASED **454%**

35%
OF STORE TRANSACTIONS COMPLETED ON SELF-SERVICE TILLS
where installed

SELF-SERVICE CHECKOUTS

Following a successful pilot, in just eight weeks, our Retail, IT and Building Services colleagues worked together to install self-service checkouts at 86 of our stores.

Feedback from members, customers and colleagues has been hugely positive, with over 35% of all transactions completed using self-service till points in the stores where they are installed.

Analysis of member and customer transactions, including product type and basket size, was used to help decide in which stores self-service checkouts would be most beneficial, reducing queueing time, improving customer experience and attracting a new audience.

Senior Project Manager Stephen Lamb co-ordinated the programme, which saw three to four installations a week, with teams often working through the night to minimise disruption to colleagues delivering a vital service to their communities.

Utilising the expertise of colleagues from across the business, as well as a performance improvement company, the process, speed and positive results are testament to the project team's co-operation, appreciation of each member's role and understanding of business needs.

Golden supply chain

In June, we were proud to be named as finalists in the Supply Chain Initiative of the Year category at the Grocer Gold Awards.

Head of Commercial, Sean McLaughlin, said: "In collaboration with Thomas Ridley Foodservice and our local producers, we've worked hard to simplify our operations, to allow us to minimise deliveries, administration, distribution mileage and costs.

"We have never been more committed to our Sourced Locally family and wanted to take a fresh look at how we could work together more efficiently for the benefit of everyone.

We had a simple aim: to bring the fantastic local produce of our region to our members and customers.

"As well as improved availability and a significant increase in sales of local produce, our local suppliers' food miles have lowered, with some recording up to a 90% reduction in distribution-related travel."

SOME LOCAL SUPPLIERS RECORDED A
90% REDUCTION
IN DISTRIBUTION-RELATED TRAVEL

HELPING OUR FAMILIES *say farewell*

Whilst near-normal services have resumed, at the height of the pandemic our Funeral Services were faced with a number of new regulations.

As well as preparing to support an increased number of families in the wake of the Covid pandemic, using their knowledge and expertise, our Funeral Services team were able to adapt to new restrictions, whilst continuing to provide the same level of care and support to our families, as they would in person.

Working from behind closed doors, our teams were communicating with those who had lost loved ones by phone and email.

Whilst adhering to social distancing guidelines, for several months, we were unable to provide limousines. Floral arrangements were also paused, and restrictions on the number of people able to attend the service saw family and friends turning to online streaming services.

REMEMBERING LOVED ONES AT CHRISTMAS

With restrictions on social gatherings in place, this year, we hosted an online memorial concert for families and friends to watch from the comfort and safety of their own homes.

We know our annual memorial concerts bring comfort to many and so it was important to us that we still provided an opportunity to remember and reflect.

Hosted by our Funeral Services team, the service, which has had more than 500 views, featured readings and songs to celebrate the lives of those we've lost in the past year. Donations were also collected for local foodbanks in our region, with over £440 raised.

Tree to Remember tags were also sent to families to write a message or memory on and place on their tree at home.

Over **£440** raised for local foodbanks

FUNERAL MANAGEMENT TEAM

This year we welcomed a new management team to oversee the running of our Funeral Services business. The team consists of two Area Managers – Sam Carvell and Sarah Steels. Brendan Smith, Head of Retail said:

"Sam and Sarah have both been great additions to our team, and their skills and experience provide us with a great platform to lead, support and deliver on the opportunities that lie ahead.

"The funeral industry is often seen as traditional, and whilst the values of care and professionalism are a key part of the service we provide, the way people are accessing our services and what they expect from us is changing.

"There has been growth in simple funeral services with no ceremony and many more people are looking to access information and services online. We have also noticed an increasing trend for our customers to talk more openly about funerals and planning ahead.

"We are focussed on being at the forefront of this evolving industry, delivering a market leading service that is valued in our communities and that meets changing customer needs, whilst celebrating our proud heritage and values."

SPECIAL DELIVERY

Our H.L. Perfitt Kitchen team took delivery of a brand-new stone edge polishing machine. 10 metres long and weighing 7.5 tonnes, the machine will help the team to polish and shape the edges of worktops, significantly reducing the time it would take to do manually.

VENTURING INTO THE *great outdoors*

With social distancing measures and the eventual ban on all gatherings, including weddings, our Events team at Wherstead Park saw bookings disappear overnight.

However, thanks to the innovative thinking and sheer hard work of the team to make Wherstead Park a Covid-secure venue, and as restrictions allowed, they were able to run a number of hugely successful events throughout the summer.

Making the most of the 17-acre grounds, they hosted a Family Fun Day, Opera in the Park and an Outdoor Food and Beer Garden, complete with music.

Catering for their corporate clients, the team also stepped into the world of virtual events, streaming conferences live from Wherstead Park.

The team's hard work and dedication to keep Wherstead Park on the map has led to bookings dating as far ahead as 2023.

Supporting TENANTS

Our Property team worked closely with our tenants across the region, to support them through this challenging time, tailoring agreements to meet their individual circumstances.

Under no illusion as to how difficult the last few months have been for many of them, as a co-operative we're committed to dealing with our tenants fairly, objectively and considerately.

Our residential tenants were relatively unaffected, however for those who were impacted, we worked closely with them to find agreements to help keep them in their homes.

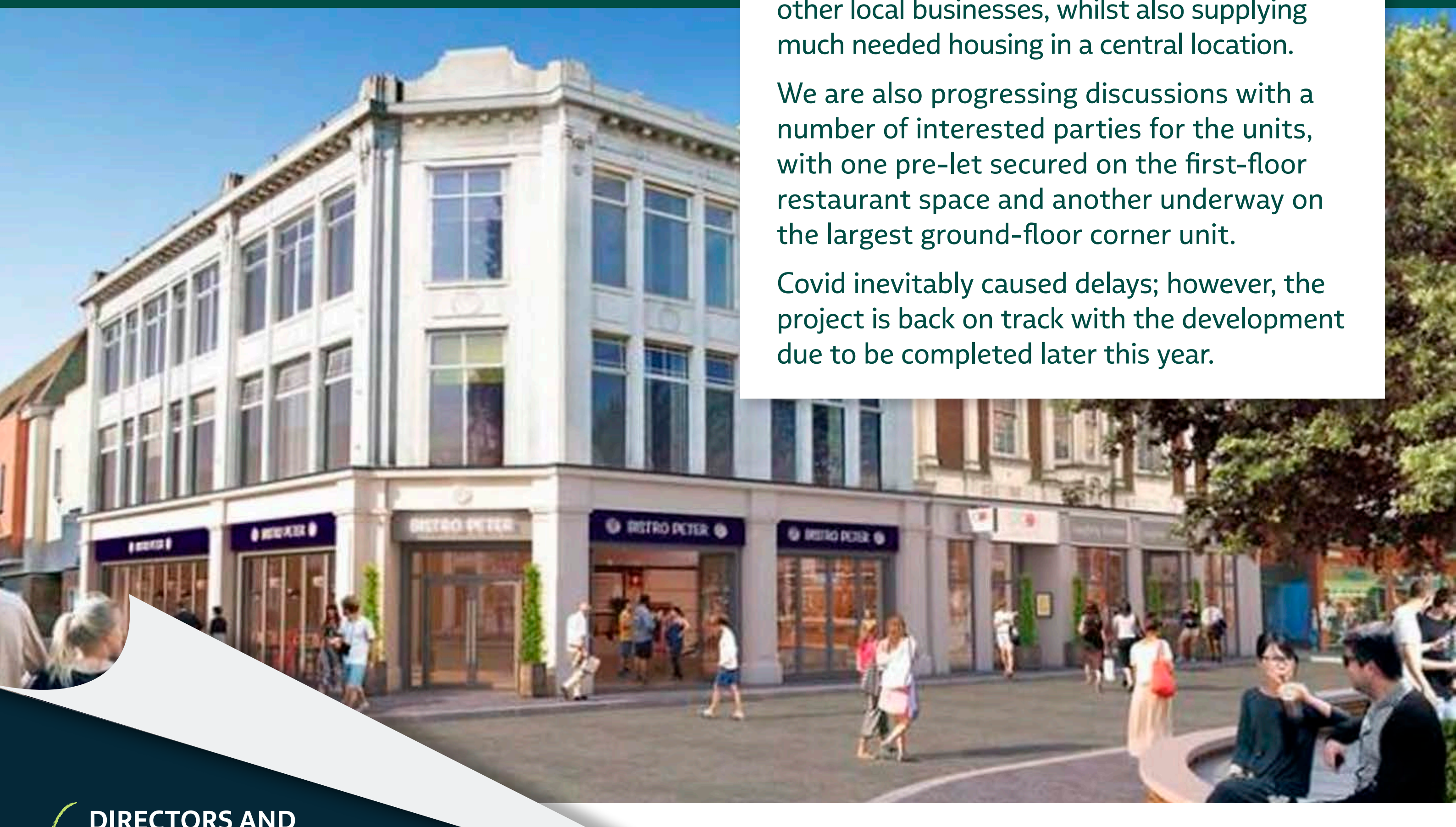
LONG WYRE STREET *latest...*

Investing over £5.5m into the redevelopment, in addition to two retail and five restaurant units, the development also includes 24 apartments, comprising suites and one and two bed units, two of which will be available at affordable rents through Colchester Borough Homes.

By revitalising our property and bringing in restaurant and retail units, we hope to entice more people to the area which will in turn help other local businesses, whilst also supplying much needed housing in a central location.

We are also progressing discussions with a number of interested parties for the units, with one pre-let secured on the first-floor restaurant space and another underway on the largest ground-floor corner unit.

Covid inevitably caused delays; however, the project is back on track with the development due to be completed later this year.



GOVERNING THE EAST OF ENGLAND CO-OP SOCIETY

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

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

During the year covered by this report, your Directors met formally 10 times (this excludes two informal meetings, Covid updates and workshops) to consider items of policy and strategy and all matters reserved for the Board.

Our Annual Members' Meeting (AMM) usually takes place in May, however this year, in light of the pandemic, the Board took the decision to delay the AMM and Director Elections to November. With restrictions on in-person meetings still in place at the time, the AMM was instead hosted online. (Read more on page 21).

THE LEADERSHIP TEAM

The day-to-day management of the East of England Co-op 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.

Pictured left to right: **Joint Chief Executives Doug Field, Niall O'Keeffe, Nick Denny and Roger Grosvenor, and Secretary Jonathan Carey.**

Photo taken in 2019

BOARD OF DIRECTORS

Taking place in November 2020, nine candidates stood for election to fill four vacancies on the Board of Directors.

John Hawkins and Nicola Fox were re-elected, with Jane Nice and Caroline Ley appointed as new Directors.

All will serve a four-year term, with the exception of Nicola Fox who will serve a three-year term due to reaching 12 consecutive years' service in 2023.

Frank Moxon President

Belinda Bulsing Vice-President

Sally Chicken

John Cook

Mandy Errington

Nicola Fox

John Hawkins

Emma Howard

Caroline Ley

Chris Newbury

Judi Newman

Jane Nice

Beverley Perkins

Fiona Powell

Maria Veronese

Richard Youngs

DIRECTORS AS AT 23 JANUARY 2021

Overview

Underlying trading profit

£7.2M

In a year like no other we are delighted to have generated an underlying trading profit of £7.2m. This £2.7m increase on last year's trading profits, wouldn't have been possible without the dedication and resilience of our colleagues. We also benefited from the support provided by the government.

UP over 60% FROM £4.5M

Despite an increase in trading profits we ended the financial year with a loss before tax of £1.7m. Challenges faced by the high street, which have been accelerated by Covid, contributed to a £8.9m reduction in the value of our investment property portfolio.

We continue to have a strong balance sheet with members' funds of £199.5m. The cash we generated from operating activities exceeds £8m and we ended the year with net debt of £0.5m.

Doug Field, Joint Chief Executive, comments:

"It's been a tough 12 months but what's kept me going is the unshakeable dedication and commitment of all our colleagues, they have been extraordinary. Without them we wouldn't be able to make the incredibly positive impact we have had on the daily lives of our members, customers and communities."

Turnover

4.2 %

increase in sales from continuing businesses

The impact of Covid saw sales in our Travel, Petrol filling stations and Events business down over 40%. Despite a lower number of visits to our Food stores, those who visited spent more which helped increase sales and offset the negative Covid impacts from across our family of businesses.

£26.6M

increase in Food sales

Along with our continued investment in technology, the hard work of our colleagues and our commitment to provide a safe shopping environment during the Covid pandemic helped boost our Food sales by 9.5% (£26.6m)

£0.1M

decrease in Investment Property income

Rental income from our Investment Property portfolio fell by £0.1m. Although income from our residential properties grew by 5.0% this was offset by a reduction of 2.9% from our Commercial estate.

£0.5M

decrease in Funeral sales

Although we conducted six more funerals than last year, Covid restrictions reduced the average price for funerals by 5.9%. This resulted in a £0.5m reduction in sales.

Several of our businesses have seen sales negatively impacted by Covid. Travel sales were down nearly 90%. Our Petrol Filling Stations saw volumes down by over 20%. Restrictions on events saw sales down by over 80% in that business. H.L. Perfitt, our stonemasonry business, was also affected with sales down over 25%, with funeral masonry sales down by over 40%. Co-op Secure Response continues to grow, with sales now in excess of £2.6m, an increase of over 60%.

Profitability

Underlying trading profit

£7.2M

Our underlying trading profit is up over 60% to £7.2m from £4.5m.

The boost in trading profits is down to additional profits being generated from our Food stores during the pandemic.

Although we've had a lower number of members and customers in our Food stores, those who visited spent more which helped increase sales and profits from this business.

With our priority throughout this year being the safety and wellbeing of our colleagues, members and customers we have invested well over £1m to keep everyone safe. We have benefited from government support in relation to business rates relief, job retention scheme and retail grants, which has helped offset the costs we have been incurring.

We have worked hard to ensure our colleagues feel valued, with them receiving an additional week's pay in April, with a further gift of thanks in the form of store vouchers over the festive period. Colleagues have also benefited from an increased discount in store.

The increase in Secure Response sales saw them broadly break even. Our Investment Property business maintained its profitability despite the reduction in rental income. Thanks to changes to opening hours our Post Office branches contributed more than last year.

Unsurprisingly, given the impact of Covid on sales, our Funerals, H.L. Perfitt, Petrol filling stations, Travel and Events business all saw profits fall. The Travel business lost over £1m.

Our profit before distributions and taxation decreased by £1.5m to £1.0m with several significant one-off items arising:

- With Covid accelerating the challenges faced by the High Street, our investment property portfolio decreased in value by £8.9m.
- A £1.0m reduction in value of several funeral branches.
- £4.1m of income was generated from our pre-paid funeral plan investment – up £3.1m from last year.
- Last year we benefited from a profit of £1.6m on the disposal of our Pharmacy, Optical and Distribution operations.

Despite our accounting loss before tax increasing compared with the prior year, our tax charge of £2.4m is £1.9m higher. This is due to our taxable profits being higher than last year reflecting the improved trading performance, the increased investment income from our pre-paid funeral plans and the non-taxable nature of the investment property revaluations.

The impact of the above one-off items is that we generated a loss for the year after tax of £4.1m.

MEMBERS' FUNDS

£199.5M

Members' funds decreased by £15m over the year

The reduction in the value of our investment property portfolio along with an increased pension deficit have reduced our net assets by over £18m.

Our pension deficit increased to £47.5m, an increase of £9.2m. This reflects a decrease in corporate bond yields on which the discount rate for the scheme liabilities is based.

Continued growth in pre-paid funerals has increased the value of our fixed assets. We now hold £66.4m of pre-paid funerals, up £3.6m in the year.

Photo taken prior to March 2020

To fund investment property developments in Colchester and Woodbridge, we have a £5m bank facility, with all of this borrowing facility in use at the year end.

Last year we benefited from receiving £3.7m from the sale of our Pharmacy business and a Fixed Term Withdrawable Share offer to members.

At the end of the year we purchased a site in Framlingham with a petrol filling station and investment property. Over £4m was spent on investment property developments and we continued to invest in technology spending over £1.1m on self-checkouts for our Food stores.

We had net debt of £0.5m compared with a net cash position of £3.9m last year.

CASHFLOW

Our net cash decreased by

£4.3M

Looking AHEAD

> *At the time of writing Covid continues to have a material impact on the operations of our business. Our priority is to ensure the safety of our colleagues, members and customers*

We continue to work hard to stay ahead of the curve and keep our business thriving. Things will never be the same again and 2021 is likely to be much more challenging than 2020. We expect to see trading profits reduce to the levels of 2019/20 in the coming year. Changes will need to be made to ensure our business is fit for the future. Stores and branches that are not generating the desired level of profitability are an area of continual focus and attention.

With assets in excess of £250m our asset base is strong, and we have a robust balance sheet and the resources we need to continue in operational existence for the foreseeable future.

We will continue to invest in the business to ensure we have a vibrant future. This includes leveraging the benefit of our investment in technology and looking for more Food stores.

Our Funeral Services business will continue to adapt to the changing market conditions whilst continuing to provide care, reassurance and excellent service when it's most needed.

We will continue to run our Co-op as it should be, improving the daily lives of our members, communities, customers and colleagues. Given the dedication of our colleagues and the adaptability they have shown in the last year together with our strong financial foundation, we have much to look forward to in the coming year and beyond.

ASSETS IN EXCESS OF £250M

New ways of working

Towards the end of March 2020, our colleagues saw their way of working change overnight. Our office-based teams found their workplaces closed as the government asked anyone able to do so to work from home, while our frontline colleagues in our stores and branches had to adopt comprehensive new safety measures. We had little time to prepare for this unprecedented change to our daily lives and working practices, yet despite this we reacted swiftly and pulled together as one team to make it happen. Since then, thanks to the resilience and commitment of all our colleagues, we have not only embraced this new way of working but we have made a real success of it.

WORKING FROM HOME

One of our colleagues, Josh Aiken from the Marketing team told us about their experiences of working from home during the height of the 2020 Covid pandemic:

"My first full day of working from home was Monday 23 March 2020. It felt strange but also familiar. I had all my usual equipment and was immediately able to video call and message my team members. We adapted quite quickly to working remotely. Once we all got used to using the mute button (I still forget to take myself off mute sometimes, even now), interacting online felt like second nature. We could collaborate like we did before, holding team meetings and sharing documents. We've even had fun social events, such as team quizzes, to keep us connected while we're apart. None of us asked for the changes imposed by Covid but together we've made the best of it and learnt a great deal about flexible working."

COLLEAGUES ON THE FRONTLINE

Covid presented worries and challenges for everyone, but our colleagues on the frontline, who kept essential services going for the communities who rely on us, bore the brunt of government policy changes and increased demand for essentials. We asked one colleague, Steve Charlton, Store Manager at Harleston Supermarket, to tell us his experience:

"My colleagues have all been amazing throughout the last year. They've shown tremendous courage day after day, working tirelessly in an extremely challenging environment. We've all had to adapt to things so quickly, often at short notice when the government guidelines change. My colleagues have shown great team spirit; working extra hours, helping each other out by swapping shifts to allow parents to look after their children and showing tremendous resilience.

"Our Co-op recently introduced same-day online shopping for home delivery and Click & Collect. This means we can supply groceries to our elderly and vulnerable customers that haven't been able to leave their houses. Our store colleagues select and deliver orders when they come in and, aware of how vital this service is to our customers, they've been dropping shopping off to customers to make sure we can provide for our community as much as possible. We're very much a community-based store and it's been incredible to be part of an effort in which we have all pulled together to support each other in these unprecedented times."

KEEPING OUR COLLEAGUES CONNECTED

Technology has been vital in our Co-op's ability to adapt to the challenges of Covid. Through the remarkable efforts of our ICT Services team, hundreds of our colleagues went from working in our central offices to working at home, virtually overnight. Colleague Shannon Smith, System Support Engineer with our ICT Services team, tells us how they managed this colossal undertaking:

"We always aim to remain aware of things that may impact the IT needs of our teams. While none of us can claim to have a crystal ball, we started to prepare for possible changes from early February when the concerning news reports about Covid became more prevalent. We proactively started to look at ways to keep our teams connected to our servers, the information they'd need to do their jobs and critically, to each other. A key responsibility of the ICT Services team was to ensure every central support colleague, usually based at Wherstead Park, Ipswich, had ready access to the right equipment so they could work safely and comfortably from home. A technology audit spanning every department helped us understand what each colleague had and anticipate what they may need in the coming months.

"In addition to physical equipment, we quickly rolled out the use of Microsoft Teams, a platform that allows colleagues across the business to interact, chat and collaborate in real time. It's become a standard feature in the lives of many workers around the country, but it was relatively new to us at the start of 2020. Overall, I think we've been able to adapt very well to the regularly changing demands of the pandemic, ensuring our colleagues can stay connected no matter where they are based."

A focus on
THE WELLBEING OF OUR COLLEAGUES

2020 was a year like no other. The personal and professional challenges faced by our colleagues were unprecedented, with life and working practices changing virtually overnight. The wellbeing of our teams was a priority throughout the Covid pandemic and we put in place a number of measures to ensure our colleagues felt as safe, well and happy in their place of work as possible.

In July 2020, we took the decision to put the normal Performance Development Review (PDR) process on hold so that we could focus our efforts on safety, wellbeing and keeping essential business operations going. In place of PDRs, we ensured every single colleague had a 'wellbeing check-in' with their line manager. These sessions provided a valuable opportunity for colleagues to discuss their concerns and for managers to understand what more we could do to support the people at the heart of our Co-op.

In addition to these 1-on-1 sessions, we provided regular links to our online Learning and Development platform, HIVE, where a comprehensive library of mental and physical health advice, courses, action plans, videos and playlists is stored. We also continued to advocate our colleague support service provided by GroceryAid, a charity who specialises in providing free confidential advice, as well as emotional, practical and financial help, to colleagues in the grocery industry.

Wanting to do even more to champion our colleagues' wellbeing, we announced a ground-breaking collaboration with mental health charity Suffolk Mind.

Using Suffolk Mind's expertise and established approaches to enhancing mental health at work, this new partnership seeks to identify areas of strength and opportunities for improvement. A key first step will be to embed a member of the Suffolk Mind team – a Wellbeing Programme Manager – within our Co-op. Their role will be dedicated to developing a new strategy to promote positive mental health, ensuring colleagues know about the support available, as well as training teams to be able to look after themselves and those around them better.

GROWING TOGETHER THIS INTERNATIONAL WOMEN'S DAY

On Friday 6 March 2020, we held our third annual International Women's Day colleague event. This year's meeting focused on personal aspirations and development. With a line-up of guest speakers including a County Policing Chief Superintendent and a psychologist, colleagues came together to explore a range of ideas through presentations and interactive workshops.

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

"Just love the day"

"All the speakers were brilliant and brave to speak out and we have learnt so much"

"Great event - well organised and very motivating"

"Well done to the organisers - brilliant event. I could feel people gaining confidence"

Apprenticeships

CONTINUING TO UNLOCK THE POTENTIAL OF OUR COLLEAGUES

Effie Burrell, Learning & Development Consultant

"Since its launch in 2016, our Apprenticeship programme has helped more than 50 colleagues to learn new skills, gain a qualification and develop in their roles while earning a wage. We now have 10 different types of apprenticeship across our business, ranging from leadership, to HR, accountancy and administration. Our apprenticeships in Food, Funeral Services and at Wherstead Park continue to be really successful. Several of our existing apprentices also mentor newer apprentices, adding further expertise to their growing skill set.

This year we harnessed technology, adapting our delivery methods to create a more blended and flexible model. Learning for all apprentices has continued remotely, adopting video calling and virtual classrooms instead of traditional face-to-face approaches.

Despite the obvious challenges, this year has seen an additional apprenticeship pathway added to our offer by successfully (and virtually) launching a new Data Analyst Apprenticeship with 12 colleagues joining in October 2020. This qualification will build the skills needed to successfully support the implementation of the Business Integration (BI) project within their respective departments.

62% ACHIEVED DISTINCTIONS

100% PASS RATE

More data has been produced in the last two years than in the rest of human history and so our new apprentices will help us to improve our decision-making abilities by developing the way we use data, allowing us to make decisions based on solid facts and figures.

Additionally, during January 2021, 11 new apprentices were enrolled via remote methods onto our popular Apprentice Branch Manager programme, which prepares Team Managers for the next step in their Retail career. Technology was used to select, induct and train without the need for face-to-face contact. Our new apprentices have all settled in well and have embraced distance learning admirably.

2020 presented some new and unprecedented challenges for our learning programmes, but our apprentices have shown great resilience and flexibility in difficult circumstances, with many managing to complete their qualifications during the lockdown periods."

SINCE 2016, OVER 150 COLLEAGUES HAVE JOINED OUR APPRENTICESHIP PROGRAMME

Energy and Carbon REPORTING

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

The new method changes what we report, the level of detail required and, as a consequence, the figures we report.

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

WE'VE ACHIEVED A **25% DECREASE** in our overall tCO2e

(Metric tonnes of carbon dioxide equivalent)

	ELECTRICITY	NATURAL GAS	GAS OIL	KEROSENE	TRANSPORT	FUGITIVE REFRIGERANT GAS	TOTAL
2019/20	9,498.20	513.64	209.12	15.24	1,403.14	5,219.00	16,858.33
2020/21	8,605.14	376.22	24.00	11.89	517.37**	3,137.32	12,671.94

This is approximately equivalent to

36.2 tCO2e per £1m Turnover

* We have chosen to align our emissions calculation methodology with the 'Greenhouse Gas (GHG) Protocol – Corporate Accounting and Reporting Standard' Scopes One and Two, with reference to 'UK Government GHG Conversion Factors for Company Reporting, 2020' and improved internally developed tools.

** The Scope Three emissions resulting from our colleagues working from home as a result of the pandemic are not included in the above, however, using available calculation methodology we believe this to equate to approximately 80 tCO2e (tonnes of carbon dioxide equivalent).

Our energy efficiency measures

Over the past year we have reduced our electricity consumption by 1% and gas by 27% (compared to previous year) by investing in our properties and equipment. This included the retrofit of doors to nearing 90 refrigerators increasing their efficiency, the refurbishment of three of our Food stores, and the ongoing installation of LED lighting at our head office, Wherstead Park. The installation of a new Management System at Wherstead Park will also improve overall building efficiency. We've installed 10 workplace electric vehicle charging points and we continue to procure only green electricity.

Upgrading our refrigerators, removing older more damaging refrigerant gases and replacing them with modern equivalents has also helped to significantly reduce our CO2e emissions.

Entering into an integrated supply chain, following the closure of our Distribution Centre in 2019, has contributed to a fall in gas and transport emissions, reducing Scope One and Two emissions by around 9%, and we continue to purchase our electricity from REGO (Renewable Energy Guarantees of Origin) backed renewable sources.

REDUCING OUR CARBON EMISSIONS

This year we were incredibly pleased to receive eight Carbon Charter Awards for our work to reduce emissions in our stores.

The Carbon Charter Awards recognise the steps taken by small and medium-sized businesses in Suffolk, Norfolk and Essex, to reduce their carbon emissions and support the local environment.

Our Woodbridge, Acle and Harleston Supermarkets, along with our Costessey Food store, each received Gold-standard reaccreditation. While our Walton-on-the-Naze, Thorpe St Andrew and Heath Road Food stores each achieved a Silver award for their first accreditations.

We are particularly proud of our Riverside, Dereham Food store, who following their first assessment achieved a Gold Carbon Charter award.

Having undergone renovation, the panel were particularly impressed with our commitment to reduce emissions and effective waste management, as well as our four-bin recycling system, 100% renewably generated electricity and use of LED lighting.

27% LESS
GAS CONSUMPTION
(compared to last year)

ENERGY USE FROM ELECTRICITY, GAS, AND TRANSPORT FUEL

Emissions	Energy use kWh
Electricity	36,905,354.00
Natural Gas	2,046,094.00
Gas Oil	810.00
Kerosene	454.51
Transport (Scope 1)	1,922,477.76
Transport (Scope 3)	213,179.30
Homeworking (due to Covid)	422,980.00

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

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

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

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

Homeworking - The pandemic resulted in changes in our energy use, with falls in transport and office consumption. However, this is balanced against increased domestic consumption as a result of colleagues working from home. This figure is an estimate of the total energy (both gas and electricity) used as a result of working from home

We recruited...

Our Co-op couldn't exist without our 268,000 members. Our members represent the diversity of our local communities and each one owns a part of our business, shares in our profits and has a say in how we're run. In 2020 our generous members played a key role in supporting their communities through the pandemic by donating their Divi cheques to our Community Cares Fund (more below).

9,651
NEW MEMBERS THROUGHOUT 2021

THIS YEAR 4,935 MEMBERS VOTED IN OUR ANNUAL DIRECTOR ELECTIONS
See page 11

OUR FIRST VIRTUAL ANNUAL MEMBERS' MEETING

This year, for the first time in our 153-year history, we held our Annual Members' Meeting (AMM) online. An important date in our Co-op calendar our AMM usually takes place each May. This year the Board took the decision to postpone the meeting in the hope we could bring our members together in person later in the year. With restrictions still in place we hosted the event online on Wednesday 4 November. The event was a real success with 140 members joining us for the live-streamed event and over 400 (and counting) views of the recording.

£140,000 OF DIVI DONATED

"Throughout our history our members have always been at the heart of the local community, showing great kindness and resilience. In response to our region facing one of its most significant challenges in the form of the Covid crisis we decided to give our members the chance to make a difference by donating their dividend cheques to our Community Cares Fund; their response was phenomenal.

"Our Community Cares Fund was set up in April 2020 to support community groups and charities to provide much needed services to local people (read more on page 23). To kick-start the fund our Co-op donated over £230,000 which was quickly added to by our generous members who donated almost £140,000 from their dividend." – Victoria Oldknow – Senior Membership Marketing and Partnerships Manager

MOBILE MEMBERSHIP

We partnered with digital loyalty card app, Stocard to allow our community of members to store their membership cards on their phone. 11,000 members are now using their new digital membership card.

GET YOUR DIGITAL MEMBERSHIP CARD

Did you know we're now on digital wallet app Stocard?

11,000 MEMBERS GONE DIGITAL

A PERSONALISED EXPERIENCE

There are lots of benefits to being a member of our Co-op and we want to make sure our members can make the most of their exclusive offers by hearing about those that are most relevant to them. To enable us to provide more tailored offers we have introduced a new membership management system to give us more insight into our members' shopping habits and preferences.

Our Community Cares Fund

TOTAL FUND NEARLY

£370,000

We've donated over £304,000 so far to groups and charities, supporting young people's mental health and wellbeing, food poverty, reducing food waste and supporting our ageing population.

LOOKING AFTER YOUNG PEOPLE IMPACTED BY DOMESTIC ABUSE

Domestic abuse has sadly always been an issue, however the need to remain at home during lockdown made life even harder for those living with an abuser.

Many people who seek support from organisations like Women's Aid have children, who can often feel angry, guilty, insecure, alone, frightened, powerless or confused as a result of their experiences of domestic abuse.

In June we donated £45,000 from the Community Cares Fund to local organisations to help create safe environments and provide mental health support for children and young people impacted by domestic abuse in our region.

£45,000 DONATED

TO CHILDREN AND YOUNG PEOPLE IMPACTED BY DOMESTIC ABUSE

SUPPORTING UNPAID CARERS

There are almost 270,000 unpaid carers in our region, including 50,000 young carers, with some as young as four years old. The Covid pandemic put extra pressure on those with caring responsibilities and compounded the feeling of isolation.

This year our Community Cares Fund helped to provide vital support to unpaid carers across Suffolk, Norfolk and Essex.

In October we donated £57,000 from the fund to eight organisations that provide much needed support and respite to unpaid carers.

THANK YOU!

Celebrating our key workers

FESTIVE TREATS

This has been a challenging year, but our community has pulled together to help each other, and our key workers have worked tirelessly to keep essential services running throughout lockdown.

To say thank you to our key workers and give them a well-deserved treat we delivered festive treats selected from our stores to 30 key worker organisations throughout our region.

TEA 4 TEACHERS

Our fantastic local schools have shown incredible resilience and dedication over the past year and we wanted to show their staff our appreciation.

When the school year restarted after the summer holidays we launched 'Tea 4 Teachers'. With 50 packs of tea-riffic treats available we asked people to nominate their local schools for a chance to win one of these yummy packs. In total, we received over 1,700 nominations from across Suffolk, Norfolk, Essex and Cambridgeshire and our Community team went out to deliver the treat packs to the schools that were randomly selected as winners.

DON'T BE A TOSSER

Our Engagement Manager, Lynn Warner, said:

"This summer we had a fantastic time completing a series of litter picks in support of BBC Radio Suffolk's 'Don't be a Tosser' campaign.

"My team were joined by senior managers to complete six litter picks in Aldeburgh, Lavenham, Dedham, Framlingham, Beccles and Felixstowe.

"We also joined Proud of Mersea Volunteers on their clean-up of Mersea Island, collecting over 20 bags of litter in just two hours, as well as the Pickerel Project in Stowmarket, picking up 140kg of rubbish left along, and in, the River Gipping.

"Over the summer we're proud to have collected over 60 bags of rubbish from Suffolk beauty spots."

60 BAGS OF RUBBISH COLLECTED

Christmas prizes FOR COMMUNITY HEROES

We asked communities across Norfolk, Suffolk and Essex to nominate their local hero to 'win Christmas'. The four winners were selected for their uniqueness, selfless acts and making a difference and each won a hamper of goodies and £200 to spend in their local East of England Co-op.

Striving for food justice

CHILD FOOD POVERTY

It's estimated that there were 4.2 million children living in poverty in the UK prior to the Covid pandemic, and this number is expected to have risen in the past year.

This year we were proud to join the Child Food Poverty Task Force championed by Marcus Rashford.

We joined calls for government funding to expand free school meals to every child from a household on Universal Credit or equivalent, expand school holiday food support and increase the value of Healthy Start vouchers.

We have and will continue to fund the recommended £1.15 increase ourselves, until the government increase the value of Healthy Start vouchers for all in April 2021.

This summer we held an in-store donation drive in which colleagues, customers and members donated 4.7 tonnes of food supplies to foodbanks across our region in a campaign to tackle school holiday hunger.

4.7 TONNES
OF FOOD SUPPLIES DONATED TO FOODBANKS

TACKLING FOOD WASTE

We donated £1,600 from our Community Cares Fund to The Teapot Project, a volunteer-run group based in Woodbridge that take unwanted food from restaurants and cafes to pass it back to families in need. Our donation helped them build a cold store to keep the food they collect in the best condition.

Stoke Farm Orchards, one of our Sourced Locally producers, had some extra apples and pears this year so they offered them up to the community to ensure they didn't go to waste. Our Community team went to the orchard to pick the fruit and deliver it to our local foodbanks.

£1,600 DONATED
TO HELP FUND THE TEAPOT PROJECT

SUPPORT FOR OUR LOCAL FOODBANKS

Foodbanks are a lifeline to many people. Our fantastic local foodbanks are dedicated to ensuring members of our community don't go hungry and we want to do as much as possible to support them.

In 2020 we donated over £82,000 to local foodbanks as part of our Community Cares Fund.

An important part of our support for foodbanks is understanding the best ways we can support them.

We work closely with local organisations to understand what their most needed items are each month so that these can be promoted in-store to make sure customers know how to make the most impact with their donations.

On 17-18 November we ran a virtual Food Justice Conference where participants discussed the challenges ahead for foodbanks and other organisations striving for food justice, to understand how we can further help reduce food poverty in 2021.

£82,000 DONATED TO LOCAL FOODBANKS

1,370 TO LOCAL FOODBANKS

FOCUSING ON CHRISTMAS SUPPORT

Our Senior Community Manager, Helen Raven, said:

"Conversations with our local foodbanks revealed that they tend to get a lot of food donations throughout the festive period. They told us that financial support is the thing they're most in need of around Christmas to ensure that they're able to provide vital support throughout the year when there are fewer donations of food and supplies.

With this in mind, we launched a foodbank donation gift card in December which could be bought as a present for loved ones. When customers purchase the gift card, the £5 they pay is donated to the foodbank connected to the store they purchase it in. The card can then be given to loved ones to explain a donation has been made on their behalf. This was a huge success over the Christmas period and we're continuing to stock them into 2021. As of 23 January 2021, we have sold 1,370, resulting in a donation of £6,850."

GOVERNANCE AND FINANCIAL STATEMENTS

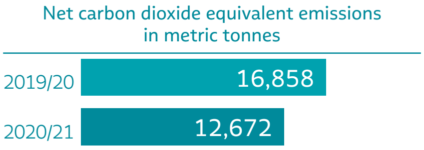
GOVERNANCE AND FINANCIAL STATEMENTS

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 have changed with the implementation of Streamlined Energy & Carbon Reporting (SECR). We have chosen to align emissions calculation methodology with the 'Green House Gas (GHG) Reporting Protocol - Corporate Standard' reporting Scopes 1 and 2, with reference to 'UK Government GHG Conversion Factors for Company Reporting, 2020' and internally developed tools.



Changes to our refrigeration portfolio, including the replacement of obsolete refrigerant gases with modern equivalents have realised significant reductions in CO2e emissions.

Entering into an integrated supply chain has contributed to a fall in energy and transport emissions reducing Scope One and Two emissions by around 9%.

Homeworking due to the pandemic is not included in the adjacent figure; however, using available methodologies we've calculated this to approximately 80 tCO2e. This is balanced by a fall in head office generated emissions of a comparable 76 tCO2e over the same period.

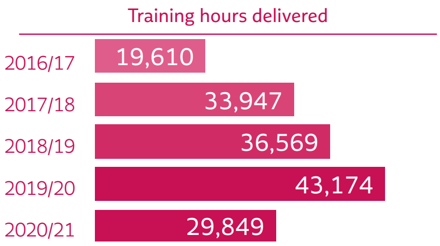
Are we supporting communities?

In April 2020, in response to the Covid pandemic, we launched the Community Cares Fund diverting funds from our usual community activity including the Community Token and Giving schemes. Through the Community Cares Fund and community engagement programme we have supported community groups and charities across our region to adapt their services to meet the needs of the most vulnerable groups in our communities during this difficult time.

The Community Cares Fund has enabled us to be much more responsive to the needs of people in our communities and direct our support in the form of grants to where it is needed most.

Do we develop and train our colleagues?

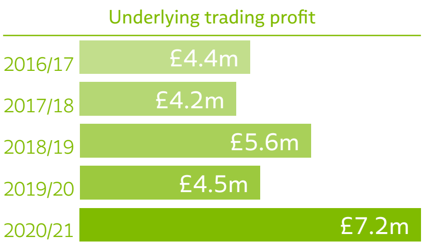
We measure all formal training delivered to our colleagues which encompasses face-to-face training programmes, eLearning courses, induction hours and apprenticeship hours. Measuring the training we provide is important to ensure our colleagues receive the right support to develop their careers and live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



All face-to-face training was suspended from March 2020. The majority of our Apprenticeships paused for several months due to the pandemic, with the recruitment of new Apprentices also being delayed. The number of colleagues accessing wellbeing courses doubled compared to the previous year.

Is the Society profitable?

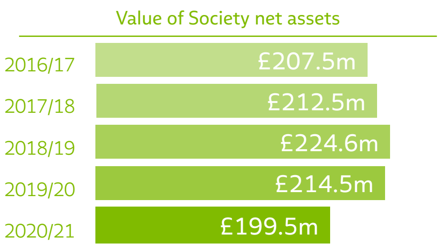
We measure our underlying trading profit, which is the money we make before we take off any exceptional items. We do this to see if the core business is profitable and provide a more comparable figure on a year-on-year basis.



Throughout the pandemic, we've helped people to shop locally and stay safe. Our focus has been on ensuring that we have the essentials in stock so that people don't have to travel too far to get them. This has helped generate additional profits from our Food stores. We have also benefited from government support measures, which helped to mitigate losses from businesses impacted by Covid restrictions such as Travel.

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.



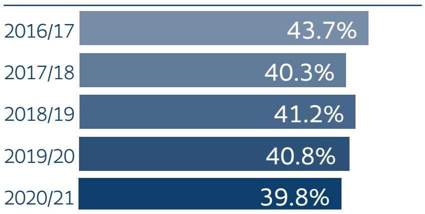
Although our trading profits have increased, due to current economic conditions, we've seen an £8.9m fall in the value of our investment properties and a £9.2m increase in our pension deficit. These contribute to an overall reduction in the value of the Society's net assets of £15.0m.

What we measure and why	Performance	Commentary

What trade do we do with members?

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

Trade conducted with members as a proportion of total turnover

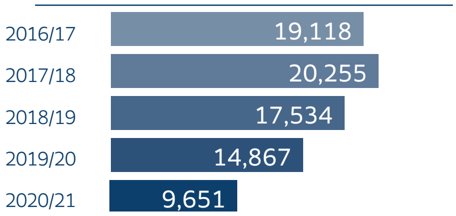


Due to the pandemic we saw an increase in qualifying spend in our Food business but a reduction in our Travel, Forecourt and Funeral businesses. We also paused the use of dividend cards in store to reduce the number of customer touch points. This has led to a slight reduction in the proportion of spend by members in 2020/21.

Are we attracting new members?

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

Number of new members recruited

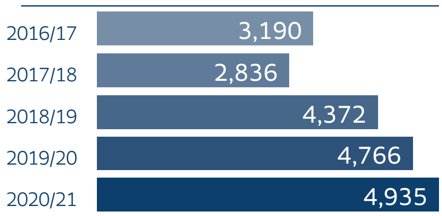


Despite a challenging year for member recruitment, with all of our usual successful recruitment channels made unavailable by the pandemic, we devised a successful 'no touch' digital sign-up process. The pilot campaign, which ran throughout December, doubled the number of new members we were able to engage with through traditional channels. The campaign will be revised, improved and rerun in 2021.

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.

Number of members who voted in the Election of Directors

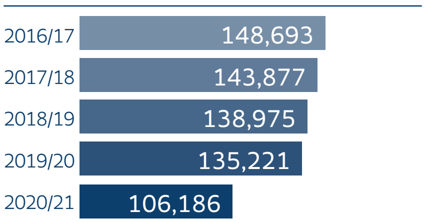


Nearly 5,000 members, the highest ever recorded for this Society, took the time to have their say in the 2020 Election of Directors. Members were able to vote either by returning a postal ballot or using an online service (hosted by Civica). Data received from Civica indicated a move towards voting online with a split of 2,850/2,085 (online/postal).

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.

Average number of members who have made a purchase within a four-week period throughout the financial year

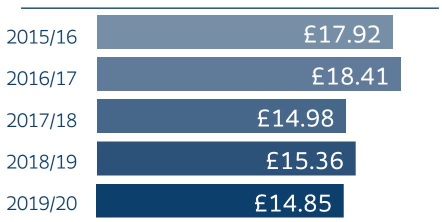


The number of active members has been reducing in recent years. The reduction of 21.5% in 2020/21 is in part due to the pandemic, where the use of dividend cards was paused.

How do our members benefit?

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

Average dividend per member



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 23 January 2021.

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 47 with which the Society does not comply.

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

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

Principal activities

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

Membership matters

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

Application of profits

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

The Dividend Card records points earned for purchases from the Society and, based on trading in the year to 23 January 2021, the Society proposes to pay a dividend representing 1.5% (2020: 1.5%) of each member's qualifying purchases. This will be issued in the form of Society Vouchers in June 2021.

Financial Reporting Standards determine how we treat this dividend and other profit distributions in our financial statements. The Society rules govern the distributions made. The table below details the amounts the Board plans to distribute in the year under review, in accordance with these rules. The aggregate dividends recognised as an expense in the year amount to £1,907,000 (2020: £2,013,000).

Distribution of profits

	£000
Interest on share accounts	46
Dividend	2,088
Community engagement	511
Co-operative Party	34
Donations	10
Amounts retained by the Society for reinvestment*	4,589
Total profit available for distribution*	**7,278**

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

Independent advice

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

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

Consultant	Purpose	Fees paid £000
Ernst & Young LLP	External audit	147
PricewaterhouseCoopers LLP	Internal audit	144
Ellisons Solicitors	General property advice and acquisitions	108
RSM UK Audit LLP	Corporation tax compliance and capital allowances claims	53
Boyer Planning Ltd	Planning consultancy	43
Fenn Wright	Property advice and agency fees	36
Isio Group Ltd	Pension advice	33

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

Consultant	Purpose	Fees paid £000
Buck UK	Actuarial and administration services	89
Pension Protection Fund	Annual levy - members protection scheme	83
Ross Trustees	Professional trustee services	56

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 (be it in person or, as a result of the pandemic, remotely). These include the Co-operative Retail Conference and the Co-operative Congress, both of which have programmes of speakers of international repute. Please note due to the pandemic Co-operative Congress was not held in 2020.

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

Board size

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

Terms of office

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

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

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

The President and Vice-President

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

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

Board independence

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

Additionally, no more than two Directors on the Board can be current employees or have worked for the Society within the last three years.

The Secretary maintains a register to record any conflicts of interest that may arise for Directors and the Management Executive of the Society. Formal updates to the register are requested biannually and individuals must inform the Secretary at the first opportunity of any conflicts that should arise in the interim. The register is open to inspection by members. In addition, at each Board or Committee meeting, Directors are asked to declare any interests they may have in relation to the business on the agenda. The table on page 38 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 34 lists the attendance record of Directors at Board and Committee meetings for the year under review. The figures show the number of meetings each Director actually attended, against the number of meetings they were eligible to attend (this latter figure is shown in parentheses).

Elections

During the year, elections to the Board were conducted by postal and online voting. Due to the pandemic the election was deferred from May to November; at which there were four vacancies on the Board and nine candidates contested these places.

Board committees

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

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

Board and Committee membership

Attendances 2020-21 Attendance shown 9(10) = 9 meetings attended out of a possible 10.

Directors	Last Elected	Term Ends	Board	Audit and Risk	Performance Review	Membership and Community Engagement	Remuneration and Search
	Term of Office		Committees				
Belinda Bulsing	May 18	May 22	10(10)		3(3)		
Sally Chicken	May 18	May 22	9(10)				5(5)
John Cook	May 17	May 21	10(10)	3(3)			
Mandy Errington	May 19	May 23	10(10)		3(3)		
Nicola Fox	Nov 20*	May 23	10(10)	3(3)			
John Hawkins	Nov 20*	May 24	10(10)				5(5)
Emma Howard	May 19	May 23	10(10)		3(3)		
Caroline Ley	Nov 20*	May 24	2(2)				
Chris Matthews	May 16	Nov 20*	8(8)			2(2)	
Frank Moxon	May 18	May 22	10(10)	3(3)			
Chris Newbury	May 17	May 21	7(10)		3(3)		
Judi Newman	May 17	May 21	10(10)			2(2)	
Jane Nice	Nov 20*	May 24	2(2)				
Beverley Perkins	May 18	May 22	10(10)				5(5)
Fiona Powell	May 17	May 21	10(10)			2(2)	
Steve Shaw	May 16	Nov 20*	8(8)			2(2)	
Maria Veronese	May 19	May 23	9(10)				5(5)
Richard Youngs	May 19	May 23	10(10)	3(3)			

This table does not record attendance at the AMM, informal development workshops or where a Director has participated as an observer.
On 23 November 2020, Frank Moxon was elected President and Belinda Bulsing elected Vice-President, each to serve to May 2021.
*Due to the pandemic the Board agreed to postpone holding the AMM and Director Election until November 2020 (usually held in May).

Remuneration and Search Committee

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

Summary of activities during the year

Executive remuneration

With support from FIT Remuneration Consultants, the Committee has undertaken a triennial benchmarking review of the remuneration of the Executive Team. This ensures that the Committee are aware of current trends and best practice and that these are considered when determining executive pay. In 2020, this led to recommendations being presented to the Board (which were subsequently approved) relating to both salaries and the Leadership Team allowance (as paid to the Joint Chief Executives).

Members can find a full breakdown of Executive Remuneration on page 37.

Alongside the benchmarking review the Committee receives support and advice from 'mad-hr' to undertake appraisals of the Executive Team's performance.

Gender pay gap reporting

As the largest independent retailer operating in the East of England, with over 4,200 colleagues, the Society is committed to reducing the mean pay difference between men and women. However, real and lasting change requires a series of long-term actions. To support the Society with this aim, the Committee receives and reviews gender pay gap data and details of any actions being taken to address the Society's gender pay balance.

Members can find full details of the latest gender pay gap report on the Society's website.

Colleague pensions

Ensuring that colleagues have access to a suitable pension arrangement is a fundamental part of the Society's pay and conditions. The Committee works with management to ensure that Royal London, the provider of the current stakeholder scheme (open to all colleagues and used for auto-enrolment purposes), remains a good fit for colleagues. Funding of the former defined benefit scheme is also closely monitored, and the Committee liaise with the Trust Board to ensure they are well informed of the Society's business plans and long-term viability.

Board composition and competency

With an ever-changing governance landscape, it is important for Directors to be kept up to date on forthcoming developments which may impact the Society's business operations. Therefore, on recommendation from the Committee a series of workshops have been agreed to take place during 2021/22.

Directors' expenses and fees

Directors' fees are determined by members at the Annual Members' Meeting, on recommendation from the Board. In recent years the benchmark used has been the average weekly earnings index as produced by the Office for National Statistics. However, due to the pandemic it has been determined that this measure is temporarily inflated for 2021-22 and so we propose linking any increase to that awarded to colleagues based at the Society's Wherstead Park office.

Following member approval of the Board's recommendation at the 2020 AMM, the Committee has established a working group to consider the practical operation of a scheme to enable any Director to contribute their skills and experience to benefit the Society and its Members, supporting the work of the Board, over and above the hours and duties usually expected. These guidelines are to be reviewed and approved by the Board.

Directors are reimbursed for expenses which are necessarily, wholly, and reasonably incurred on Society business. However, during the year in question these were minimal due to remote attendance at meetings and conferences.

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. However, both Directors and Executives decided to forgo the Covid-related additional colleague rewards.

Members can find a complete listing of expenses paid to Directors on page 37.

Performance Review Committee

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

During the year, the Committee has met regularly to monitor the commercial performance of the Society as reported 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 34.

Meetings

The Committee met formally two times during the year.

Activities during the year

A report on the activities of the Membership and Community Engagement Committee is included on pages 21 to 27 of this report.

Audit and Risk Committee

Terms

The Audit and Risk Committee's terms of reference are based on the Corporate Governance Code for Consumer Co-operative Societies (November 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 34.

The Committee members bring a diverse range of experience to their work.

The Audit and Risk Committee does not contain at least one member with recent and relevant financial experience as recommended under the Corporate Governance Code for Consumer Co-operative Societies (November 2019).

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

The Society's Board is aware of this issue, which is mitigated through the Committee's training programme and access to independent advice from external consultants.

Meetings

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

Training/Continued Development

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

Activities during the year

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

- Review and approval of full year results (Society and its Subsidiaries)
- Review of the internal audit plan and the results of the internal auditors' work, including monitoring management's responsiveness to findings and recommendations
- Review the Society's internal financial controls and the internal control and risk management system
- Approval of the terms of engagement with the external auditor
- Review of the audit plan with the external auditor and their audit 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 process

Financial Reporting

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

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

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

- Accounting for funeral bonds
- Assessment of branch impairments
- Retail inventory valuations and counts
- Property receivables

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

Misstatements

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

After reviewing the presentations and reports from the Leadership team and consulting where necessary with the auditors, the Audit and Risk Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

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

Committee performance appraisal

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

Directors' fees and expenses

Director	2020/21 fees received £	2020/21 expenses £	2019/20 fees received £	2019/20 expenses £
Belinda Bulsing	8,919	–	8,668	445
Sally Chicken	8,919	184	8,668	830
John Cook	8,919	189	8,668	995
Mandy Errington	8,919	88	5,566	1,437
Nicola Fox	8,919	23	8,668	310
John Hawkins	8,919	510	8,668	627
Emma Howard	8,806	–	8,426	368
Caroline Ley*	1,459	190	–	–
Claire Johnsen	–	–	3,102	–
Chris Matthews*	7,460	–	8,426	1,688
Frank Moxon	8,919	–	8,668	672
Chris Newbury	8,919	–	8,668	927
Judi Newman	8,919	–	8,668	44
Jane Nice*	1,459	190	–	–
Beverley Perkins	8,919	269	8,668	2,082
Fiona Powell	8,919	–	8,668	934
Karla Powell	–	–	3,102	14
Steven Shaw*	7,460	6	8,668	199
Maria Veronese	8,919	52	5,566	1,850
Richard Youngs	8,919	232	8,668	796
	142,591	1,933	138,204	14,218

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. *These Directors only served for part of the current year, see table on page 34.

Management Executive emoluments

	Salary £000	Benefits in kind £000	Employer pension contributions £000	2020/21 total emoluments £000	2019/20 total emoluments £000
Jonathan Carey**	108	9	5	122	–
Nick Denny	206	29	–	235	224
Mike Faulkner*	38	2	4	44	181
Doug Field	212	8	21	241	237
Roger Grosvenor	272	36	–	308	301
Niall O'Keeffe	181	12	9	202	178
	1,017	96	39	1,152	1,121

*Mike Faulkner retired from the Society on 28 March 2020

**Jonathan Carey was appointed on 29 March 2020

Directors' and Management Executive external directorships

Director/Management Executive	External Directorship (or equivalent)
Belinda Bulsing	Parish Councillor – Pettaugh Parish Council Gilchrist Unit Supporters' Trust, (known as the GUS Trust) (Trustee)
Sally Chicken	Eastern Savings & Loans Credit Union 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 (stepped down February 2021)
John Hawkins	St Helena Hospice (Trustee and Vice Chair)
Emma Howard	Co-operatives UK Co-op Group – Members' Council
Frank Moxon	Drake Energy Ltd Jersey Oil & Gas Plc Graves Moxon Group Ltd Hoyt Moxon Ltd The Brokerage Citylink (Trustee) CISI Educational Trust (Trustee and Chair) Co-op Loan Fund (appointed February 2021)
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
Maria Veronese	Mediapro Media Training
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) (stepped down September 2020) Ipswich Vision Board (stepped down September 2020) Green Light Trust (Trustee)
Roger Grosvenor	Federal Retail and Trading Services Ltd The Recovery Hub Ipswich CIC
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
- To ensure that proper accounting records are maintained
- To ensure that the financial information used within the business and for publication is accurate, reliable and fairly presents the financial position of the Society and the results of its operations

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

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

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

Control environment

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

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

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

The Society has formal policies on procedures that explain and illustrate the high standards of conduct and personal behaviour that are expected of all colleagues in their dealings with members, customers, suppliers and each other. This includes the Society's Whistleblowing Policy and Procedures, which is reviewed annually both by management and the Audit Committee.

Control procedures

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

Monitoring

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

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

Review process

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

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

Opinion on internal control system

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

Financial and Business Risk Assessment

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

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

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

Top and emerging risks

The Society accepts that all its activities involve risk and it seeks to protect its members by managing risks that arise from its activity appropriately. Risk management activity has focused on strengthening business resilience. The Society's top and emerging risks fall within the themes of colleague safety, mental health and wellbeing, economic uncertainty, competition/market disruption and loss of central IT. The long-term implications from Covid could result in increased anxiety, changes in consumer behaviour and ongoing economic uncertainty.

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 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
Colleague safety and wellbeing	Our business has continued to operate throughout the Covid pandemic. The need to protect our colleagues both from infection and the wellbeing implications of the pandemic has been our top priority. The repercussions on individual wellbeing arising from anxiety, isolation in lockdown and health fears will be unique to individuals but could adversely impact our business in terms of high absence rates, reduction in morale and reduced service to customers.	Colleague and customer safety has been front of mind throughout the pandemic. We are committed to being a Covid-secure organisation and have adapted our premises to make sure we provide a welcoming and safe environment for all. Colleagues have access to any relevant personal protective equipment they need to perform their role. We have supported colleagues classed as clinically extremely vulnerable. All colleagues have access to support from GroceryAid, a charity who provides emotional, practical and financial support.
Economic environment	As the economy emerges from the shock and stimulus of Covid there are likely to be 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.

Principal risk	Potential impact	How it is managed
Competition	The Society trades in highly competitive markets, and faces an increasing threat from national and international businesses seeking growth opportunities through expansion into new geographical areas and new formats. There continues to be a significant number of projects being undertaken by the Society at this time to improve its competitiveness, including technology investments and a Food store and Funeral branch refresh programme. If these projects aren't implemented effectively and on time then there could be an impact on profitability.	We measure trends in our performance and competitiveness, e.g. price checks and promotional offers, as appropriate to the competitive landscape. The Society monitors competitor actions as far as is possible from information in the public domain and takes appropriate mitigating actions where possible. Projects are managed using recognised project methodologies and are supported by learning and development programmes.
Compliance with legislation and regulation	The Society is subject to a wide range of legislative and regulatory requirements, principally designed to protect our customers and colleagues, and the Society is naturally fully committed to complying with all such requirements. Compliance failures can have serious implications for the trading performance of the unit concerned, or even for the Society as a whole, as well as potentially damaging our reputation. The National Living Wage, forthcoming funeral regulation 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.
Major failure of IT systems or infrastructure	The Society has invested and continues to invest significant sums of money in technology and is heavily reliant on these operational systems. A prolonged failure of a key system or the IT infrastructure would have a detrimental impact on our business, potentially resulting in an inability to make sales, supply stores or pay employees. IT risks are increased with higher levels of cyber attacks and potential data fraud arising from the shift to home working. The pace of technological development also creates risks, including that of potential data loss. This could have a reputational impact with customers losing trust.	Controls are in place to mitigate the risks of losing IT, including disaster recovery and business continuity plans, data backup procedures, backup power supply, hardware maintenance agreements and server replication. We continue to develop our cyber security capabilities and report in this area with a cyber security dashboard presented to the Audit Committee at every meeting. Regular tests of controls are undertaken and the Board use internal audit to obtain further assurance in this area.
Supply chain disruption	Significant disruption of supply to our trading outlets will impact the level of sales achieved by our retail operations and impact the financial performance of the Society. Our supply chain is linked to the wider co-operative movement through the food retail buying group, Federal Retail and Trading Services (FRTS). A major participant in FRTS is The Co-operative Group. Co-operative Group also 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.	Supply chain continuity is an integral part of our business continuity plan. We are active participants within the FRTS organisation, attending all strategy and monitoring group discussions.

Principal risk	Potential impact	How it is managed
Damage to our reputation and brand	The Society's reputation as an ethical retailer is based not only on our co-operative structure and philosophy, but also our longstanding commitment to ethical business practices, the quality of our products and services, and our ability to respond to changing member and customer demand for our products and services. If we fail to deliver excellent standards of hygiene and safety in our products and stores, there is potential harm to our customers. Any failure to meet the high standards our members expect from us in these core areas will damage our reputation and potentially affect the ongoing success of our businesses. The supply of goods to Nisa and Costcutter by Co-op Group has the potential to add to brand confusion with the sale of Co-op branded goods in non-Co-op stores.	Considerable management attention and training are devoted to protection of our reputation and brand. Health and safety is a mandatory Board and Leadership Team agenda item. The Society is an active participant within the co-operative movement and one of its Directors is also a Director of Co-operatives UK, the national trade body that campaigns for co-operation and works to promote, develop and unite co-operative enterprises. The Board of Directors is also represented on the Co-op Group's National Members' Council. In practical terms, elements of this risk are outside the Society's control as the Co-operative 'brand' is managed by many different societies in different parts of the country.
Finance and liquidity	An inability to generate sufficient funds to meet business needs, including payments to members, would lead to cash-flow difficulties. The Society also has exposure to commodity prices and fluctuations in interest rates, which can impact on financial performance.	The Finance function has processes and procedures in place to manage its responsibility for the Society's liquid resources, cash flow requirements and financial risk. Due to the significant capital investment that has taken place over the last few years, the Society now has an overdraft facility in place to cover any working capital fluctuations. External financing has been obtained to fund investment property developments. The Society retains access to liquid funds and so its exposure to liquidity risk is considered low. The renewal of the overdraft facility in June 2021 and the revolving credit facility in March 2022 are, at present, uncommitted. The Society is in discussion with its bankers and fully expects both to be renewed given the Society's strong cash generation and its property asset base.
Property investment values	The Society's property portfolio comprises both trading and investment properties. The latter are revalued on a regular basis in line with generally accepted accounting principles and in commercial terms provide a significant source of investment income to the Society. Any downturn in the commercial and residential property markets is likely to impact this income stream and, in consequence, reduce the capital value of those investments. The impact of Covid on the High Street and the continuing use of Company Voluntary Arrangements (CVAs) has the potential to depress capital values and reduce income.	The composition and performance of the investment property portfolio is under continual review to mitigate any risks to the Society.
Pension schemes	Inherent within the Society's final salary scheme is the risk that key variables, such as life expectancy and investment returns earned, may vary from current expectations and potentially increase the future costs that will have to be borne by the Society.	The Society and the scheme trustees continue to carefully monitor the pension risks, taking action when necessary to adjust contributions to the schemes and revising the scheme investment strategy to mitigate risks. The final salary scheme has been closed to future accrual to reduce risk in this area. The asset-backed funding arrangement, introduced by the Society in 2013, has improved security for members of the defined benefit pension scheme as well as increasing certainty for the Society in terms of funding.

Modern Slavery Statement

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

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

Our business

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

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

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

Within the last 12 months the Society has used around 1,500 individual suppliers. A significant majority of our turnover is generated from goods purchased through a buying group which comprises the Co-operative Group and a number of other independent co-operative societies. The Co-operative Group has published its own Modern Slavery Statement outlining the steps it takes to ensure fundamental labour standards are applied throughout its supply chains and we are confident that we can place reliance on their procedures and policies.

Our high-risk areas

The signs of modern slavery can often be very subtle and difficult to identify; we are improving our understanding of where the risks are greatest and prioritising our activity accordingly.

During our due diligence we identified that our highest areas of risk were our local suppliers and the masonry stone suppliers to H.L. Perfitt Ltd.

Local suppliers

Local suppliers tend to have a less formal structure and more fluid worker arrangements, often relying on migrant, seasonal and agency workers, which may carry a higher risk of human rights abuses.

Local suppliers are often less aware of the circumstances surrounding modern slavery. We will, where necessary, educate our suppliers and make full enquiries regarding their processes and procedures as part of our ongoing audit of our local suppliers.

H.L. Perfitt Ltd

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

Our suppliers

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

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

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

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

Our policies

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

These include:

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

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

Training

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

Our performance indicators

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

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

On behalf of the Board:

Frank Moxon
President
20 April 2021

Corporate Matters

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

The pandemic has impacted all our lives over the past year, and it is appropriate that we share some of the ways we have sought to protect our colleagues, customers and members during this time. Our family of businesses have been impacted in very different ways by Covid but every business, site, colleague and customer has experienced changes in the way we operate.

A wide range of measures has been put in place in all of our retail and operational sites to support social distancing and promote good hygiene standards for the safety of everyone. This has included the use of floor graphics and point-of-sale materials, limiting some operations to reduce 'touch points', managing customer numbers and the addition of hygiene screens and hand-sanitising stations.

Colleagues

From the outset of the pandemic, we put in place a number of policies and practices to support our colleagues including: additional leave allowances on full pay for self-isolation (which was reset in early 2021 as the pandemic peaked again in this region); a period of paid special leave for those with emergency childcare issues resulting from school closures; and supporting colleagues who were asked by the NHS to undertake a period of shielding at home with both full pay and a contact programme to keep in touch. We recognised the efforts of our colleagues during this time with a thank you payment in April 2020 and vouchers in December. We are also supporting colleagues to receive their Covid vaccination with paid time off, or giving time back.

Our colleagues have shown tremendous commitment, resilience and flexibility to address the unprecedented demands over the past 12 months. All our colleagues have done a brilliant job of adapting, responding to, and seeking out new ways of working.

Our Food stores are at the heart of our local communities and our colleagues there have continued to provide great customer service whilst dealing with new challenges. They managed the surge in demand in the early days of the pandemic, wore protective equipment every day at work and dealt with a number of changes to working practices to help protect themselves, their colleagues and customers.

Our Funeral colleagues have had to wear additional protective equipment and manage new working practices whilst providing valuable support to families who have lost loved ones.

Our Travel colleagues experienced the first operational impacts of the pandemic as it started to spread across the globe. They've dealt with huge numbers of cancellations, re-bookings, and navigated the ever-changing travel restrictions during a time of huge turmoil for the Travel industry.

Colleagues in central functions who, within a space of a few days, became physically separated from their teams, turned their homes into offices and ensured that they were able to support the business whether that be helpdesk operations, providing IT support or running payroll, etc. A number of colleagues offered their support to other parts of the business as they faced additional pressures.

Colleague engagement and wellbeing

We chose to replace our annual colleague engagement survey last year with a series of pulse surveys oriented towards wellbeing. These showed positive feedback on the measures put in place to protect the safety of colleagues, support from line management, our communications during the pandemic and pride in the Society. It also reflected wider UK trends and showed us that the pandemic was having an impact on the mental wellbeing of our colleagues. Wellbeing will now be at the forefront of our colleague agenda and we have entered a ground-breaking collaboration with the mental health charity Suffolk Mind to provide the best possible wellbeing support to our colleagues. This will result in Suffolk Mind embedding an employee within our organisation for at least two years, to support colleague wellbeing and help develop a new, organisation-wide strategy to combat mental ill health.

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 23 January 2021 were 14 days (2020: 22 days). This represents the ratio, expressed in days, between the amounts we are invoiced by our suppliers in the year and the amounts due at the year end to trade creditors.

Political donations

The Society's rules provide that affiliation and subscription to the Co-operative Party shall be determined by members in a general meeting. During the year, subscriptions of £34,000 (2020: £34,000) were paid to the Co-operative Party.

Auditor independence

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

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

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)

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

Statement of disclosure of information to auditors

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

On behalf of the Board:

Jonathan Carey
Secretary

Frank Moxon
President

20 April 2021

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 29 to 30.
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 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 53 to 80 are hereby signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.

On behalf of the Board:

Frank Moxon

Frank Moxon
President

Belinda Bulsing

Belinda Bulsing
Vice-President

Jonathan Carey
Secretary

20 April 2021

Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion

In our opinion:

- East of England Co-operative Society Limited's (the "Society") group financial statements (the "financial statements") give a true and fair view of the state of the Society's affairs as at 23 January 2021 and of the Society's profit for the 52-week period ("the period") then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

We have audited the financial statements of the Society which comprise:

The Group Balance Sheet as at 23 January 2021

Group Revenue Account and Group Statement of Comprehensive Income for the period then ended

Group Statement of Changes in Equity for the period then ended

Group Statement of Cash Flows for the period then ended

Related notes 1 to 7 to the financial statements, including a summary of significant accounting policies

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope

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

Key audit matters

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

Materiality

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

An overview of the scope of our audit

Tailoring the scope

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

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

The group is structured as two core operating businesses focused on retail trading and investment property across the East of England. The businesses are made up of 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. All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter	Key observations communicated to the Audit Committee
Revenue recognition The group's retail sales arrangements are generally straightforward, being on a point of sale basis and requiring little judgement to be exercised. However, there are a number of central manual adjustments to the revenue recorded and in a number of the smaller revenue streams, there is increased manual processing of revenue transactions. Our procedures were designed to address the risk of manipulation of accounting records and the risk that management may override controls through posting of manual journal entries.	We understood and challenged the Society's revenue recognition policies and how they are applied, including the relevant controls. As part of our overall revenue recognition testing we used data analysis tools on 100% of revenue transactions for retail food sales in the year to test the correlation of revenue to cash receipts to verify the occurrence of revenue. This provided us with a high level of assurance over the revenue from the retail stores. For those revenue streams where we did not use data analysis tools, we performed appropriate alternative procedures over revenue recognition as follows: We obtained a detailed understanding of the manual adjustments to revenue. Due to the manual nature of these adjustments, we performed substantive analytical audit procedures or other substantive procedures over each material adjustment and corroborating where required to supporting evidence such as cash receipt. We performed other audit procedures specifically designed to address the risk of management override of controls including journal entry testing, analytical procedures and cut-off testing at period end, applying particular focus to the timing of revenue transactions.	Based on the procedures performed we did not identify any evidence of material misstatement in the revenue recognised in the period.
Investment property valuations The Society holds a large number of investment properties with a carrying value of £115.8 million. This represents a decrease of £2.9 million compared to the prior year. Given that these amounts are significant, there is a risk that the valuations performed at the year-end may be inaccurate.	We understood the Society's investment property portfolio and how valuation policies are applied. We selected a sample of investment properties, including internally and externally valued properties. This included those properties that are material to the Society individually and an additional random sample. We engaged our property valuation experts to independently assess the valuation methodology and year end valuation of each sampled property. We assessed management's review of the work of the external valuers as well as the competence, independence and integrity of the external valuers. We discussed and challenged the valuation process, significant assumptions and critical judgement areas on a sample basis. We benchmarked these assumptions to relevant market evidence including specific property transactions and other external data. We have performed analytical procedures over the entire investment property valuation for the year, including individual property by property analysis for significant movements.	Based on the procedures performed, we did not identify any evidence of material misstatement in the valuation of the investment property portfolio in the period. In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 4.2 to the financial statements concerning the material valuation uncertainty in the assessment of the valuation of the investment properties.

Key audit matter	How our audit addressed the key audit matter	Key observations communicated to the Audit Committee
Defined benefit plan liability The Society has a defined benefit pension plan net liability of £47.5 million (2020: £38.3 million), which is significant in the context of the group balance sheet. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. These assumptions include salary increases, inflation, discount rates, expected rate of return on plan assets and mortality rates.	We involved our actuarial experts to assess the assumptions used in calculating the pension plan liabilities, including salary increases and mortality rate assumptions. This allowed us to ensure the assumptions used were consistent with the specifics of the plan and, where applicable, with relevant national and industry benchmarks. We also assessed the discount and inflation rates used in the valuation of the pension liabilities to our internally developed benchmarks and assessed the extent to which these were in line with other companies' recent external reporting.	Based on the procedures performed, we did not identify any evidence of material misstatement in the valuation of the defined benefit plan liabilities in the period.

Our application of materiality

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

Materiality

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

We determined materiality for the Society to be £3.5 million (2020: £3.5 million), which is 1% (2020: 1%) of total revenues. We believe that using revenue as a benchmark is a generally accepted audit practice, in the absence of another alternative benchmark which would be appropriate

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

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Society's overall control environment, our judgement was that performance materiality was 75% (2020: 50%) of our planning materiality, namely £1.75m (2020: £1.75m). We have set performance materiality at this percentage due to this no longer being a first year audit and our assessment of the strength of the control environment. In 2020, we set this percentage at the lower 50% 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 £174k (2020: £174k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 53 to 80, 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.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

- 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 Statement of Directors' Responsibilities set out on page 48, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Society and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Society and determined that the most significant are those that relate to the reporting framework, FRS 102, the Co-operative and Community Benefit Societies Act 2014 and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements relating to health and safety, employee matters and data protection. These include General Data Protection Regulations, Health and Safety at Work Act 1974, HMRC regulations, The Coronavirus Act 2020 Functions of Her Majesty's Revenue and Customs (Coronavirus Job Retention Scheme), UK Bribery Act, Equality Act 2010 and Anti-Money Laundering Regulations.
- We understood how the Society is complying with those frameworks by making enquiries of management, the Audit Committee and the Board of Directors We corroborated our enquiries through our review of board minutes and consideration of the results of our audit procedures across the group.
- We assessed the susceptibility of the Society's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where they considered there was susceptibility to fraud and reviewed the entity level controls in place across the Society. We considered the controls that the Society has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions; enquiries of management; and challenging the assumptions and judgements made by management by reviewing third party evidence wherever possible. We also leveraged our data analytics platform in performing our work to assist in identifying higher risk transactions for testing. The results of our procedures did not identify any instances or irregularities, including fraud.

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

Use of our report

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 87 (2) and Section 98 (7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

Luton
23 April 2021

Group Revenue Account

For the 52 weeks ended 23 January 2021

		2021	2020		
	Note	Continuing Operations £000	Continuing Operations £000	Discontinued Operations £000	Total £000
Turnover	*1.1*	**349,571**	**335,439**	**13,041**	**348,480**
Cost of sales	*2.1*	(242,949)	(232,244)	(8,379)	(240,623)
Gross profit		**106,622**	**103,195**	**4,662**	**107,857**
Operating expenses	*2.1*	(99,378)	(98,505)	(4,848)	(103,353)
Trading profit/(loss)		**7,244**	**4,690**	**(186)**	**4,504**
Changes in fair value of investment properties	*4.2*	(8,908)	(3,314)	–	(3,314)
Unrealised impairment of tangible and intangible fixed assets	*4.1/4.2*	(1,015)	–	–	–
Profit on disposal of businesses	*7.7*	–	1,596	–	1,596
ATM rates rebate relating to prior years		837	–	–	–
Restructuring costs		(541)	(563)	–	(563)
(Loss)/profit before interest, distributions and taxation		**(2,383)**	**2,409**	**(186)**	**2,223**
Interest receivable and similar income	2.2	4,060	995	–	995
Interest payable and similar expense	2.2	(26)	(36)	–	(36)
Other finance expense	2.2	(625)	(690)	–	(690)
Profit/(loss) before distributions and taxation		**1,026**	**2,678**	**(186)**	**2,492**
Dividend		(1,907)	(2,013)	–	(2,013)
Grants/donations	2.3	(804)	(599)	–	(599)
(Loss)/profit before taxation		**(1,685)**	**66**	**(186)**	**(120)**
Taxation	*3.1*	(2,446)	(373)	–	(373)
Loss for the financial year		**(4,131)**	**(307)**	**(186)**	**(493)**

	Note	2021 £000	2020 £000
Alternative performance measure – underlying trading profit			
(Loss)/profit before interest, distributions and taxation		(2,383)	2,223
Changes in fair value of investment properties	*4.2*	8,908	3,314
ATM rates rebate relating to prior years		(837)	–
Unrealised impairment of tangible and intangible fixed assets	*4.1/4.2*	1,015	–
Profit on disposal of businesses	*7.7*	–	(1,596)
Restructuring costs		541	563
Underlying trading profit for the year		**7,244**	**4,504**

Group Statement of Comprehensive Income

For the 52 weeks ended 23 January 2021

	Note	2021 £000	2020 £000
Loss for the financial year		(4,131)	(493)
Remeasurements of net defined benefit obligations	*5.4*	(11,611)	(13,514)
Remeasurements of UURBS obligations	*5.4*	(141)	(195)
Movement in deferred tax relating to pension liability	*3.1*	831	2,569
Total other comprehensive expense		(10,921)	(11,140)
Total comprehensive expense for the year		**(15,052)**	**(11,633)**

Group Balance Sheet

As at 23 January 2021

	Note	£000	2021 £000	£000	2020 £000
Fixed assets					
Intangible assets	*4.1*		12,323		11,971
Tangible assets	*4.2*		224,388		229,459
Investments	*4.3*		62,313		59,118
			299,024		300,548
Current assets					
Stocks	*4.4*	14,282		14,332	
Debtors	*4.5*	7,638		8,213	
Investments	*4.3*	4,948		4,510	
Cash at bank and in hand		5,207		7,231	
		32,075		34,286	
Current liabilities					
Creditors – amounts falling due within one year	*5.1*	(35,581)		(34,517)	
Net current liabilities			(3,506)		(231)
Total assets less current liabilities			295,518		300,317
Long-term liabilities					
Creditors – amounts falling due after more than one year	*5.1*		(44,582)		(44,467)
Provision for other liabilities	*5.3*		(1,972)		(1,154)
Net assets excluding pension liabilities			248,964		254,696
Pension liabilities					
Deficit on defined benefit scheme	*5.4*		(47,465)		(38,264)
Other retirement benefits	*5.4*		(1,979)		(1,893)
Net assets			**199,520**		**214,539**
Capital and reserves					
Share capital	*6.1*		9,243		9,172
Fair value reserve			42,055		45,540
Revenue reserve			148,222		159,827
Members' funds			**199,520**		**214,539**

Group Statement of Changes in Equity

For the 52 weeks ended 23 January 2021

	Share capital £000	Fair value reserve £000	Revenue reserve £000	Total £000
As at 26 January 2019	**7,812**	**46,703**	**170,050**	**224,565**
Loss for the year	–	–	(493)	(493)
Other comprehensive expense	–	–	(11,140)	(11,140)
Transfer	–	(1,163)	1,163	–
Total comprehensive expense for the year	–	(1,163)	(10,470)	(11,633)
Contributions to share capital	2,590	–	–	2,590
Withdrawals	(933)	–	–	(933)
Share interest	68	–	(49)	19
Dormant share accounts released to reserves	(365)	–	365	–
Corporation tax on dormant share accounts	–	–	(69)	(69)
Total transactions with members recognised directly in equity	1,360	–	247	1,607
As at 25 January 2020	**9,172**	**45,540**	**159,827**	**214,539**
Loss for the year	–	–	(4,131)	(4,131)
Other comprehensive expense	–	–	(10,921)	(10,921)
Transfer	–	(3,485)	3,485	–
Total comprehensive expense for the year	–	(3,485)	(11,567)	(15,052)
Contributions to share capital	1,851	–	–	1,851
Withdrawals	(1,867)	–	–	(1,867)
Share interest	87	–	(38)	49
Total transactions with members recognised directly in equity	71	–	(38)	33
As at 23 January 2021	**9,243**	**42,055**	**148,222**	**199,520**

Group Cash Flow Statement

For the 52 weeks ended 23 January 2021

	Note	2021 £000	2020 £000
Net cash from operating activities	*7.3*	8,088	10,445
Taxation received/(paid)		438	(1,340)
Net cash generated from operating activities		8,526	9,105
Cash flow from investing activities			
Purchase of intangible assets		(1,800)	(2,015)
Purchase of tangible assets		(12,812)	(11,241)
Proceeds from disposals of tangible assets		1,396	88
Disposal/(purchase) of Funeral Bond investments		338	(2,222)
Net proceeds from sale of businesses		–	1,882
Interest received and similar income		89	88
Interest payable and similar expense		(26)	(36)
Net cash used in investing activities		(12,815)	(13,456)
Cash flow from financing activities			
Contributions to share capital		1,851	2,590
Share capital withdrawn		(1,867)	(933)
Interest paid on closed share accounts		–	(6)
New finance lease acquired		–	778
New bank loan entered into		2,400	2,600
Capital element of finance lease repaid		(119)	–
Net cash received from financing activities		2,265	5,029
Net (decrease)/increase in cash and cash equivalents		(2,024)	678
Cash and cash equivalents at the beginning of the year	*7.3*	7,231	6,553
Cash and cash equivalents at the end of the year		**5,207**	**7,231**
Cash and cash equivalents consists of:			
Cash at bank and in hand		5,207	7,231
Cash and cash equivalents		**5,207**	**7,231**

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 23 January 2021 (2020: 52 weeks ended 25 January 2020).

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 23 January 2021, the Society had net assets of £199.5m (2020: £214.5m) and net current liabilities of £3,506,000 (2019: net current liabilities of £231,000). The Society had utilised its £5m revolving credit facility, at the year end date.

The situation with the Covid pandemic continues to evolve and there remains uncertainty on its long-lasting impact on the Society. The Directors have considered the impact of the pandemic on all of the Society's operations and future prospects. We continue to follow the guidance issued by the UK government, employing specific measures to ensure adequate protection for our colleagues and customers.

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

Included in the budgets is significant uncommitted and discretionary capital expenditures an element of which is related to potential investment property developments. Our forecasts demonstrate that we will be able to settle our external borrowings as they fall due in 2022. We are assuming repayment of the fully drawn £5m revolving credit facility (March 2022) and the £2m fixed-term withdrawable shares in October 2022.

Our forecasts include the renewal of our £10m overdraft facility, which expires in June 2021. This is not in use at the date the accounts are signed. This overdraft facility renewal is, at present, uncommitted. The Society is in discussion with its bankers and fully expects the overdraft to be renewed given its strong cash generation and its property asset base.

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

Significant accounting policies

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

Provisions

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

Financial instruments

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

Use of non-GAAP profit measures – underlying trading profit

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

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

Exceptional items

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

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

Cash and cash equivalents

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

Borrowing costs

All borrowing costs are recognised in the Revenue Account in the period in which they are incurred.

Critical accounting judgements and estimation uncertainty

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

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

	Note
Deferred taxation – estimation of deferred tax liability in relation to revalued investment property	*3.1*
Measurement of the recoverable amounts from cash-generating units containing intangible assets or goodwill – estimation of future cashflows and selection of pre-tax discount rate	*4.1*
Valuation of investment properties – inherently subjective nature of valuations which includes estimation of future rental income, cashflows and determination of rental yield, specific to each property. Given the impact of Covid on the real estate market, the valuer has also reported on the basis of 'material valuation uncertainty' and has stated that less certainty and a higher degree of caution should be attached to their valuations than would normally be the case	*4.2*
Stock valuation – estimation of stock provision which requires judgement	*4.4*
Measurement of pension obligations – inherent uncertainty in use of assumptions	*5.4*

Notes to the Financial Statements

KEEPING IT SIMPLE

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

Section 1 – Turnover

IN THIS SECTION

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

KEEPING IT SIMPLE – TURNOVER

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

Accounting policy:

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

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

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

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

  b) 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.

	2021	2020		
	Continuing Operations £000	Continuing Operations £000	Discontinued Operations £000	Total £000
Turnover				
Retail	341,553	327,308	13,041	340,349
Property	8,018	8,131	–	8,131
	349,571	**335,439**	**13,041**	**348,480**

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.

	2021	2020		
	Continuing Operations £000	Continuing Operations £000	Discontinued Operations £000	Total £000
Cost of sales	**242,949**	**232,244**	**8,379**	**240,623**
Personnel (note 2.1.1)	63,029	58,210	2,944	61,154
Occupancy costs	8,397	12,492	491	12,983
Loss on sale of fixed assets	2	32	–	32
Hire of plant and machinery	248	147	3	150
Vehicle contract hire/lease	288	310	245	555
Depreciation and other amounts written off tangible fixed assets (note 4.2)	6,544	6,346	82	6,428
Amortisation of intangible fixed assets (note 4.1)	1,426	1,706	–	1,706
Auditors' remuneration				
– Fees payable for the audit of consolidated financial statements	128	115	–	115
– Fees payable for the audit of the Society and its subsidiaries	21	20	–	20
– Non-audit fees	23	–	–	–
Directors' fees (note 2.1.3)	143	138	–	138
Other expenses	19,129	18,989	1,083	20,072
Operating expenses	**99,378**	**98,505**	**4,848**	**103,353**

Included within operating expenses is the benefit of government support totalling £5.9m. This relates to rates relief, retail grants and claims under the Job Retention Scheme. This has helped offset additional costs we have incurred in relation to Covid which total £6.7m.

2.1.1 COLLEAGUES

	2021 Number	2020 Number
The average number of persons employed by the Society during the year was:		
Full time	932	986
Part time	3,314	3,188
	4,246	**4,174**

	2021 £000	2020 £000
The cost incurred in respect of these employees was:		
Wages and salaries	56,251	54,523
Social security costs	3,198	3,002
Other pension costs	3,580	3,629
	63,029	**61,154**

2.1.2 KEY MANAGEMENT COMPENSATION

KEEPING IT SIMPLE – KEY MANAGEMENT COMPENSATION

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

	2021 £000	2020 £000
Key management includes members of the Management Executive.		
The compensation paid or payable to key management for employee services is shown below:		
Salary	1,017	1,310
Taxable benefits	96	102
Pension contributions	39	44
	1,152	**1,456**

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.

	2021 £000	2020 £000
Salary	272	266
Taxable benefits	36	35
	308	**301**

	2021 £000	2020 £000
Transfer value of total accrued pension	1,081	1,005

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

	2021 Number	2020 Number
£40,000 – £50,000	1	–
£120,000 – £130,000	1	–
£170,000 – £180,000	–	1
£180,000 – £190,000	–	1
£200,000 – £210,000	1	–
£220,000 – £230,000	–	1
£230,000 – £240,000	1	1
£240,000 – £250,000	1	–
£300,000 – £310,000	1	1

2.1.3 TRANSACTIONS WITH DIRECTORS

KEEPING IT SIMPLE – TRANSACTIONS WITH DIRECTORS

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

	2021 £000	2020 £000
Directors' emoluments		
The total remuneration of the Directors for their Board duties was as follows:		
Fees	143	138
The number of Directors whose emoluments fell in each £5,000 bracket was as follows:	**2021 Number**	**2020 Number**
£0 – £5,000	2	2
£5,001 – £10,000	16	16

2.2 FINANCE COSTS/INCOME

KEEPING IT SIMPLE – FINANCE COSTS/INCOME

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

	2021 £000	2020 £000
INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable (note 4.3)	90	88
Investment income (note 4.3)	3,970	907
	4,060	**995**

	2021 £000	2020 £000
INTEREST PAYABLE		
Interest payable	26	36

	2021 £000	2020 £000
OTHER FINANCE EXPENSE		
Interest expense on pension obligations (note 5.4)	625	690

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.

	2021 £000	2020 £000
GRANTS/DONATIONS		
Member and Community Services expenditure	804	589
Donations	–	10
	804	**599**

Section 3 – Taxation

IN THIS SECTION

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

3.1 CURRENT TAX AND DEFERRED TAX

KEEPING IT SIMPLE – CURRENT TAX

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

KEEPING IT SIMPLE – DEFERRED TAX

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

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

Accounting policy:

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

Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

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

Deferred tax

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

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

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

TAXATION

		2021		2020
	£000	£000	£000	£000
Current tax:				
UK corporation tax on profits for the year	767		–	
Adjustment in respect of prior years	30		(487)	
UK current tax charge/(credit)		797		(487)
Deferred tax:				
Effect of change in rate on opening liability	344		–	
Timing differences arising in the year	1,019		1,045	
Adjustment in respect of prior years	286		(116)	
UK deferred tax charge		1,649		929
Total UK tax charge		**2,446**		**442**

	2021 £000	2020 £000
Charged through the Group Revenue Account	2,446	373
Charged directly through the Revenue Reserve	–	69
Total UK tax charge	**2,446**	**442**

3.1 CURRENT TAX AND DEFERRED TAX (CONTINUED)

TAX RECONCILIATION

The current tax charge assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	£000	2021 £000	£000	2020 £000
Loss before tax	(1,685)		(120)	
Tax due if paid at the applicable UK corporation tax rate 19% (2020: 19%)	(320)		(23)	
Adjustments relating to current tax:				
Adjustment to tax charge in prior period	30		(486)	
Expenses not deductible for tax purposes	71		177	
Expenses not deductible relating to property revaluations	1,692		516	
Expenses not deductible relating to pension scheme	90		163	
Impact of depreciation in excess of capital allowances	(654)		(964)	
Accelerated capital allowances	697		809	
Short-term timing differences in relation to accounting provisions	(73)		(340)	
Short-term timing differences in relation to pension scheme contributions	28		(27)	
Short-term timing differences in relation to funeral bonds	108		108	
Effect of tax relief on pension contributions	(416)		(424)	
Effect of land remediation relief	(1)		(7)	
R&D expenditure credits	(10)		11	
Utilisation of trade losses arising from prior periods	(445)		–	
UK current tax charge/(credit)		**797**		**(487)**
Adjustments relating to deferred taxation:				
Effect of change in rate on opening liability	344		–	
Adjustment in respect of prior period	286		(116)	
Accelerated capital allowances	654		862	
Short-term timing differences in respect of pension scheme contributions	(28)		24	
Short-term timing differences in relation to funeral bonds	(108)		(97)	
Capital (losses)/gains	(17)		366	
Other short-term timing differences	73		304	
Unrelieved tax losses arising in the period	445		(414)	
UK deferred tax charge		**1,649**		**929**
Total UK tax charge		**2,446**		**442**

Tax policy

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

Tax rates

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

At the last 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 prior years. In the current year, the main rate of corporation tax was expected to remain at 19% for the foreseeable future. All deferred tax assets and liabilities have therefore been remeasured to reflect an increase in tax rate.

On 3 March 2021, the Chancellor announced the corporation tax rate will rise to 25% during 2023. As this announcement has not been substantively enacted at the Balance Sheet date this new rate has not been reflected in the deferred tax assets and liabilities.

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 £476,000 (2020: £690,000) and operating expenses of nil (2020: £23,000) 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 led to an accelerated recognition of profit on funeral bond sales. To assist companies in this position, HMRC allowed for some tax liabilities, which arise specifically as a result of transition, to be spread over a 10 year period. This relief resulted in a deferred tax liability being recognised at our transition date, which is being released to the Revenue Account over 10 years.

Adjustments to tax charges/credit in prior years

3.1 CURRENT TAX AND DEFERRED TAX (CONTINUED)

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

Capital gains and losses

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

Tax relief on pension contributions and tax losses

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

DEFERRED TAX

	Balance as at 26 January 2020	Current year deferred tax credit/(charge)		Adjustment in respect of prior years	Balance as at 23 January 2021
		Revenue Account	OCI / Reserves		
	£000	£000	£000	£000	£000
Capital allowances	(2,365)	(928)	–	36	(3,257)
Short-term difference in relation to funeral bonds	(481)	52	–	–	(429)
Other short-term timing differences	415	(21)	–	32	426
Capital (gains)/losses	427	28	–	(337)	118
Tax losses	2,600	(141)	–	(17)	2,442
Deferred tax liability in relation to revalued property	(3,239)	(381)	–	–	(3,620)
Deferred tax asset relating to pension scheme	1,489	28	831	–	2,348
Total deferred tax liability (note 5.3)	**(1,154)**	**(1,363)**	**831**	**(286)**	**(1,972)**

Section 4 – Assets

IN THIS SECTION

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

KEEPING IT SIMPLE – ASSETS

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

4.1 FIXED ASSETS – INTANGIBLE

KEEPING IT SIMPLE – FIXED ASSETS – INTANGIBLE

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

Accounting policy:

Goodwill

Business combinations are accounted for by applying the purchase method.

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

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

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

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

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

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

Other intangible assets

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

- Software 20 to 33.3%
- Licences 5%

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

- Technological advancement
- Changes in market price

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

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

Impairment of fixed assets

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

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

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

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Revenue Account. Goodwill is allocated on acquisition to the CGU expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of CGUs for impairment testing.

4.1 FIXED ASSETS - INTANGIBLE (CONTINUED)

	Goodwill £000	Software £000	Licences £000	Total £000
FIXED ASSETS – INTANGIBLE				
Cost	16,327	11,802	49	28,178
At 26 January 2020				
Additions	680	1,275	–	1,955
Disposals	–	(1,284)	–	(1,284)
Transfers	–	(78)	–	(78)
At 23 January 2021	**17,007**	**11,715**	**49**	**28,771**
Amortisation				
At 26 January 2020	**8,847**	**7,351**	**9**	**16,207**
Charge for the year	871	553	2	1,426
Impairments	53	–	–	53
Disposals	–	(1,238)	–	(1,238)
At 23 January 2021	**9,771**	**6,666**	**11**	**16,448**
Net book value at 23 January 2021	**7,236**	**5,049**	**38**	**12,323**
Net book value at 25 January 2020	**7,480**	**4,451**	**40**	**11,971**

Included within software is £3,378,000 (2020: £2,891,000) related to assets in the course of construction.

4.2 FIXED ASSETS – TANGIBLE

KEEPING IT SIMPLE – FIXED ASSETS – TANGIBLE

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

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

Accounting policy:

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

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

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

Depreciation is not provided on freehold land.

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

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

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

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

A number of the Group's properties are held for long-term investment and are recognised as investment properties. In accordance with UK GAAP:

a) on acquisition, investment properties are initially measured at cost
b) investment properties are measured at fair value annually with any change recognised in the Revenue Account and
c) no depreciation or amortisation is provided in respect of freehold investment properties and long leasehold investment properties.

Tangible fixed assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Revenue Account for the year. Please refer to Note 4.1 for the detailed policy for impairment of fixed assets.

4.2 FIXED ASSETS – TANGIBLE (CONTINUED)

	Land & buildings £000	Investment properties £000	Fixtures, fittings & plant £000	Transport £000	Total £000
FIXED ASSETS – TANGIBLE					
Cost or valuation					
At 26 January 2020	**128,403**	**118,680**	**49,215**	**5,046**	**301,344**
Additions	1,613	6,799	4,226	–	12,638
Disposals	(124)	(1,225)	(2,845)	(256)	(4,450)
Transfers	(1,453)	491	403	–	(559)
Revaluation	–	(8,908)	–	–	(8,908)
At 23 January 2021	**128,439**	**115,837**	**50,999**	**4,790**	**300,065**
Depreciation					
At 26 January 2020	**41,280**	–	**26,568**	**4,037**	**71,885**
Charge for the year	2,076	–	4,197	271	6,544
Impairments	771	–	191	–	962
Disposals	(124)	–	(2,696)	(257)	(3,077)
Transfers	(629)	–	(8)	–	(637)
At 23 January 2021	**43,374**	**–**	**28,252**	**4,051**	**75,677**
Net book value at 23 January 2021	**85,065**	**115,837**	**22,747**	**739**	**224,388**
Net book value at 25 January 2020	**87,123**	**118,680**	**22,647**	**1,009**	**229,459**

Included within tangible fixed assets is £8,541,000 (2020: £4,804,000) relating to assets in the course of construction, of which £5,850,000 (2020: £3,742,000) is in investment properties and £2,691,000 (2020: £1,062,000) is in fixtures, fittings and plant.

The net carrying value of assets held under finance leases included in transport is £633,000 (2020: £775,000).

Particulars relating to revalued assets are given below:

	2021 £000	2020 £000
Investment properties		
At valuation	115,837	118,680
At historical cost	118,849	112,784

Revaluation of investment properties

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

An impairment charge of £962,000 has been recognised in relation to tangible fixed assets held at a number of funeral branches. This was driven by changes in the local competitive and trading environment, and decisions taken to exit some sites.

4.3 INVESTMENTS

KEEPING IT SIMPLE – INVESTMENTS

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

Accounting policy:

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

4.3 INVESTMENTS (CONTINUED)

	Fixed assets		Current assets		Interest / investment income	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**	**2021 £000**	**2020 £000**
INVESTMENTS						
Co-operative Group Limited						
– Shares	757	757	–	–	–	–
Other I & P societies						
– Shares	1	1	–	–	–	–
Other	101	101	–	–	–	–
Short-term deposits	–	–	–	–	34	30
Overnight deposit	–	–	–	–	56	58
Funeral bonds	61,454	58,259	4,948	4,510	3,970	907
	62,313	**59,118**	**4,948**	**4,510**	**4,060**	**995**

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.

	2021 £000	**2020 £000**
STOCK		
Goods for resale	14,282	14,332

Goods for resale is stated after provision for impairment of £457,000 (2020: £656,000). The movement in the provision is charged/credited to cost of sales each year.

4.5 TRADE AND OTHER DEBTORS

KEEPING IT SIMPLE - TRADE AND OTHER DEBTORS

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

Accounting policy:

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

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

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

	2021 £000	**2020 £000**
DEBTORS		
Trade debtors	2,855	2,231
Corporation tax	–	462
Other debtors	759	1,413
Pre-payments and accrued income	4,024	4,107
	7,638	**8,213**

Trade debtors are stated after provision for impairment of £1,044,000 (2020: £349,000). The movement in the provision is charged/credited to operating expenses each year. The increase in the provision during the year reflects the uncertainty surrounding the collection of deferred property rental payments.

Section 5 – Liabilities

IN THIS SECTION

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

KEEPING IT SIMPLE – LIABILITIES

A liability is generated when the Society has carried out an activity which results in an expense that will be paid in the future. This includes amounts owed 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. Investment income earned in the year is recognised in the Revenue Account.

	Due within 1 year		Due after 1 year	
	2021 £000	**2020 £000**	**2021 £000**	**2020 £000**
CREDITORS				
Bank loans	5,000	2,600	–	–
Trade creditors	9,583	14,551	–	–
Finance leases	126	119	532	659
Corporation tax	766	–	–	–
Other taxation and social security	2,642	970	–	–
Other creditors	2,392	1,662	–	–
Accruals and deferred income	11,501	11,078	–	–
Funeral bonds	3,571	3,537	44,050	43,808
	35,581	**34,517**	**44,582**	**44,467**

Bank loan

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

5.2 FINANCE LEASE LIABILITIES

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

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

	2021 £000	2020 £000
Less than one year	126	119
Later than one year and not later than five years	532	659
	658	**778**

5.3 PROVISION FOR OTHER LIABILITIES

	2021 £000	2020 £000
Deferred tax (note 3.1)	1,972	1,154

5.4 PENSION OBLIGATIONS

KEEPING IT SIMPLE – PENSION OBLIGATIONS

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

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

Accounting policy:

Defined benefit pension plans

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

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

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

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

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

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

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

Defined contribution pension plan

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

5.4 PENSION OBLIGATIONS (CONTINUED)

PENSIONS

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

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

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

Asset-backed funding arrangement

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

On 20 November 2017, the two former schemes transferred their interest in the Partnership to East of England Co-op Retirement Benefit Scheme which is now entitled to an annual distribution of £3.1m for a remaining 17 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:

	2021	2020
Rate of increase of pensions in payment		
– prior to 31 August 2008	2.95%	3.00%
– post 31 August 2008	2.15%	2.20%
Rate of increase of pensions in deferment	3.00%	3.05%
Discount rate	1.45%	1.70%
Rate of inflation	3.00%	3.05%

	2021 years	2020 years
The mortality assumptions used were as follows:		
Longevity at age 65 for current pensioners		
– Men	21.5	21.4
– Women	23.5	23.3
Longevity at age 65 for future pensioners		
– Men	22.9	22.8
– Women	25.1	24.9

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 23/01/2021 £000	Value at 25/01/2020 £000
Equities and hedge funds	46,188	42,197
Diversified growth funds	69,529	66,089
Multi-asset credit	50,432	46,890
Bonds	24,187	28,202
Liability-driven investment	51,861	58,455
Cash	561	270
Amounts owed to the Society	–	(572)
Insured annuities	1,078	1,113
Total market value of assets	243,836	242,644
Actuarial value of liability	(291,301)	(280,908)
Total deficit in the scheme	**(47,465)**	**(38,264)**

5.4 PENSION OBLIGATIONS (CONTINUED)

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

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

During the year, the Society made pension payments on behalf of the scheme. The amount owed to the Society of £nil (2020: £572,000) represents the balance due from the scheme in respect of these payments.

Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 26 January 2020	242,644	(280,908)	(38,264)
Interest income/(expense)	4,086	(4,711)	(625)
Remeasurement gains/(losses)			
Actuarial losses	–	(13,281)	(13,281)
Return on plan assets excluding interest income	1,670	–	1,670
Benefits paid	(7,599)	7,599	–
Contribution by employer	3,035	–	3,035
At 23 January 2021	**243,836**	**(291,301)**	**(47,465)**

Analysis of the amount charged to the Revenue Account

	2021 £000	2020 £000
Interest income	4,086	5,714
Interest on pension liabilities	(4,711)	(6,404)
Scheme administration expenses	–	(23)
Total expense recognised in Revenue Account	**(625)**	**(713)**

Return on plan assets

	2021 £000	2020 £000
Interest income	4,086	5,714
Return on plan assets less interest income	1,670	27,962
Total return on plan assets	**5,756**	**33,676**

Stakeholder scheme

The stakeholder pension scheme is a defined contribution plan. The contributions due to the plan during the year were £3,584,000 (2020: £3,583,000). As at 23 January 2021, no unpaid contributions were outstanding (2020: £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 (2020: £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.

	2021 £000	2020 £000
Benefit obligation at the beginning of the year	1,893	1,736
Interest cost	31	46
Actuarial losses	141	195
Benefits paid	(86)	(84)
Benefit obligation at the end of the year	**1,979**	**1,893**

Section 6 – Equity

IN THIS SECTION

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

6.1 CAPITAL AND RESERVES

KEEPING IT SIMPLE – CAPITAL AND RESERVES

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

Accounting policy:

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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

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

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

SHARE CAPITAL

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

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

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

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

RESERVES

Fair value reserve

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

Revenue reserve

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

Section 7 – Other notes

IN THIS SECTION

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

7.1 OPERATING LEASES

Operating leases – leasing from owners

KEEPING IT SIMPLE – OPERATING LEASES – LEASING FROM OWNERS

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

Accounting policy:

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

At 23 January 2021, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	2021 £000	2020 £000	2021 £000	2020 £000
Operating leases expiring:				
Within one year	1,408	1,208	227	290
Later than one year and not later than five years	5,444	4,621	155	269
After five years	8,592	5,884	–	–
	15,444	**11,713**	**382**	**559**

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 23 January 2021, the Group had the following minimum lease receivables under non-cancellable operating leases for each of the following periods:

	Land and buildings	
	2021 £000	2020 £000
Within one year	7,492	8,155
Later than one year and not later than five years	16,870	19,226
After five years	11,937	15,324
	36,299	**42,705**

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 23 January 2021, there were capital commitments of £5.4 million (2020: £5.0 million) which have not been provided for in the financial statements.

7.3 NOTES TO CASH FLOW STATEMENT

KEEPING IT SIMPLE – CASH FLOW STATEMENT

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

	2021 £000	2020 £000
RECONCILIATION OF LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Loss for the financial year	(4,131)	(493)
Adjustments for:		
Tax on loss on ordinary activities	2,446	373
Distributions	2,711	2,612
Net interest income	(3,409)	(269)
Profit before interest, distributions and taxation	**(2,383)**	**2,223**
Grants and donations	(804)	(599)
Depreciation	6,544	6,428
Amortisation	1,426	1,706
Loss on sale of tangible fixed assets	24	32
Profit on disposal of businesses	–	(1,596)
Changes in fair value of investment properties	8,908	3,314
Unrealised impairment of tangible and intangible fixed assets	1,015	–
Unrealised gain on funeral bond investments	–	907
Decrease in stocks	50	2,178
Decrease in debtors	112	1,762
Decrease in creditors	(1,807)	(920)
Dividend paid	(1,907)	(2,013)
Pension contributions	(3,121)	(3,046)
UURBS current service costs	31	46
Legal and professional fees covered by pension expense reserve	–	23
Net cash from operating activities	**8,088**	**10,445**

	2020 £000	Cash flow £000	2021 £000
ANALYSIS OF MOVEMENT IN NET FUNDS			
Cash and cash equivalents			
Cash at bank and in hand	7,231	(2,024)	5,207
Borrowings			
Debt due within one year	(2,719)	(2,407)	(5,126)
Debt due after one year	(659)	127	(532)
	(3,378)	(2,280)	(5,658)
Total	**3,853**	**(4,304)**	**(451)**

MAJOR NON-CASH TRANSACTIONS

During the year, the Society had no major non-cash transactions (2020: £nil).

7.4 RELATED PARTY DISCLOSURES

During the year the Society received rental income of £6,184 (2020: £10,671) from New Anglia Local Enterprise Partnership, of which Doug Field, Joint Chief Executive, was Chair until 23 September 2020 and £5,602 (2020: £18,148) 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.

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. (Year ending 31 May)

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.

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 23 January 2021.

SUBSIDIARY EXEMPTION

Subsidiaries marked * have taken advantage of the exemption from an audit for the period ended 23 January 2021 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 23 January 2021.

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	**(491)**	**(993)**	**(4,703)**

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:

	2020 £000
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)
Profit recognised on disposal of Pharmacy business	**2,150**

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:

	2020 £000
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)
Loss recognised on disposal of Optical business	**(63)**

Members and Community Services' Expenditure Statement (unaudited)

	2021 Net Expenditure	
	£	£
Community engagement events and projects		
Community funding	375,221	
Community campaigns	10,739	
Community events	11,795	
Community and engagement costs		**397,755**
Fore Street Education Centre	69,963	
Salaries and overheads	336,370	
		406,333
Members and Community Services expenditure (note 2.3)		**804,088**

Donations totalling £304,000 were made to organisations during the financial year from the Society's Community Cares Fund. The Community Cares Fund is supported by members who kindly donate their dividend towards good causes.

This statement does not form part of the financial statements.

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

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East of England
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