Annual Report and Financial Statements 2023

Annual Report and Financial Statements
of the East of England Co-operative Society
for the 53 weeks ended 28 January 2023

East of England
COOP

2023

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East of England CO-OP

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

We're proud to be the largest independent retailer operating in the East of England. We provide Food stores and specialist services, such as Funerals, Travel agents and Petrol filling stations to communities across Norfolk, Suffolk and Essex.

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

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

£377.5m
Turnover
Up £29.0m from last year

£8.8m
Loss before taxation
Profits down £16.4m from last year

£5.5m
Underlying trading loss
Trading profits down £7.0m from last year

£232.2m
Members' Funds
Down £2.7m from last year

Contents

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

Fair Tax® accredited

A word from our President

The past year has proven to be yet another challenging one. We've witnessed the price of essentials like food and energy spiral, and all of us have, in one way or another, been affected by the rising cost of living.

Our co-op is in no way immune to these challenges, but what is striking is the way our colleagues continue to weather the storm with professionalism. You can enter any East of England Co-op store or branch and continue to be welcomed with a smile and a friendly 'hello'. To show our appreciation for our colleagues' hard work, we recently rolled out a support package to assist them in navigating the cost of living crisis. This includes an enhanced 25% colleague discount over the winter months and several new, long-term benefits such as partial salary advances to help with unexpected bills and expenditure.

Meaningful membership

Our members and customers are fundamental to our business – we never forget that they are our reason for being here. I'd like to thank them for their loyalty throughout this period of instability and uncertainty, especially at a time when choosing where to shop has become so important. As a thank you for their commitment to us, we've continued to strengthen our member proposition. Our Member Perks scheme has grown over the last 12 months and offers discounts at selected family attractions, leisure providers and restaurants throughout the region. We have also held member-only competitions with desirable prizes, including a holiday.

Using our resources to make a positive impact

Our co-op is part of the community that it serves. Our colleagues, members and customers all live, shop and work within our community and we recognise how privileged we are to be part of it with them. Many of the challenges we face as a co-op are also being felt hard by those with whom we work and interact and that's why we've maintained support for our communities during this difficult period. Over the last 12 months we've focused our efforts on ensuring that people continue to be fed and can keep warm and we're grateful to our customers for generously donating nearly £15,000 to local foodbanks and warm hubs.

How we performed

Challenging economic and trading conditions and rising costs during 2022 reduced our ability to trade profitably. In particular, significantly increased energy costs have had a huge impact. As a result, we've made a trading loss of £5.5 million this year. We've also seen a £1.8m reduction in the value of our investment property portfolio.

We're working hard on creating a new strategy for growth across our family of businesses to provide a route back to profitability. Already, our reorganised Food retailing business has successfully achieved growth in sales volumes in our Food stores in the latter half of the 2022 financial year, continuing into 2023.

Our governance

Having successfully navigated the challenges of Covid and Brexit and faced with significantly increased energy costs and the cost of living crisis, both the Board and Leadership team felt it was time to review our operational management structure to ensure that it remained fit for purpose as we began to plan for stabilisation, recovery and growth. The result of a detailed and independently facilitated consultation process during 2022 was that we decided to move away from our unique joint-CEO model by appointing a single Chief Executive and restructuring our Senior Management team.

At the end of November 2022, we announced Doug Field's appointment as Chief Executive Officer of our co-op. To ensure our co-op achieves sustained success, we need to be true to our Vision and Mission, connect with one another through our Values and have clear direction. Doug will lead and develop our co-op into the future, tackling challenges and optimising opportunities presented. Doug has 14 years of experience at our co-op and was latterly one of three Joint Chief Executive Officers with particular responsibility for finance and technology. He has championed the use of data and insight to drive change within our business and this will be fundamental as he moves the East of England Co-op into this new and exciting era, as we look to change how we focus our energies and resources.

I'd like to thank and pay tribute to Nick Denny and Niall O'Keeffe, who left us at the end of last year, for their valuable contribution to our co-op in their roles as Joint Chief Executive Officers. Nick joined us in 2007 and was appointed Joint CEO with primary responsibility for Property in 2012. During his time with us he was instrumental in overseeing our diverse Property portfolio, including the opening of numerous new stores. Niall joined our co-op in 2019 and was CEO with primary responsibility for Marketing, Membership, Media and Learning and Development. Among his many achievements he was responsible for overseeing the launch of our colleague engagement app, The Loop, and he led our co-op's Membership and Community programme. On behalf of the Board, I'd like to say thank you to both Nick and Niall, and I wish them all the best with their future endeavours.

We also say farewell to Nicola Fox, who has served the maximum term of 12 years as a Director of our co-op and so retires from the Board at our May 2023 Annual Members' Meeting. I would like to thank Nicola for her wise counsel and contribution to the Board during this long period.

Frank Moxon

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

Chief Executive overview

It's an incredible honour and privilege to have been appointed as CEO to our co-op. I'm delighted to be given the opportunity to serve you: our members, our colleagues and our customers, as we navigate our way through the challenges we face and deliver on the potential our co-op has.

I'd very much like my first report as CEO of our co-op to be waxing lyrical about what a wonderful year we've had financially but that's not the case.

It's been a challenging year and we've made a trading loss of more than £5m, with increased energy costs a key factor despite us significantly reducing our energy consumption. You'll see from our Operating Review the factors that contributed to us making a loss this year. The good news is that our co-op remains a fundamentally sound business with a robust balance sheet and real potential.

So, what are we as a business going to do about the challenges we face?

Firstly, 2022 hasn't been all bad. Yes, we can't escape the fact that the national cost of living crisis has been a challenge for us, as it has been for you: our members, our colleagues and our customers. However, looking back over 2022, I'm proud of everything we've achieved as a co-op. From growing our business and improving our sustainability, to supporting our communities and working hard to improve the daily lives of our colleagues. The latter half of the year has seen our Food business become the fastest growing in the co-operative movement with the biggest volume turnaround, which means we are selling a higher quantity of products.

Growing and evolving our business

Lots of hard work is needed to get us back into profit but we have a strong pipeline of new Food stores to help us on that journey. We were proud to open our newest Food store in September 2022 in Needham Market. At just under 4,000 square feet, the Hurstlea Road store replaced the former King William Street store in the town and is well situated to serve the Chamber's Green housing development.

Over the year we refitted our Food stores in West Bergholt near Colchester, Haughley near Stowmarket, Lovelace Road in Norwich, Connaught Avenue in Frinton on Sea and Wood Road in Heybridge. We modernised all these stores for colleagues and customers with alterations such as installing new energy-efficient fridges and LED lights and updating the branding to create a sleek, modern appearance. These refurbishments are all about delivering an improved shopping experience to our customers and members across Suffolk, Norfolk and Essex.

Taking action to help save our planet

As we've worked to take action to help save our planet in 2022, energy costs have been a key factor in our sustainability strategy, as well as having a big impact on our profitability.

Looking to grow our own renewable power, and reduce our costs, we've installed additional solar panels at our Acle, Brightlingsea and Long Stratton stores. To date, these have generated 193,000 kWh, saving around 41 tonnes of CO_2 emissions. The suitability of solar panels, and other environmentally friendly measures, are now considered as part of the design process for all our new stores and developments.

This year we became the largest retailer in the East of England to partner with innovative food saving app, Too Good to Go. Following a successful pilot scheme, Too Good to Go is now available in all our Food stores, continuing our work to keep edible food in the food chain and away from landfill. Since launching in May 2022, we've saved over 50,000 meals from going to waste.

Building our fanbase

Our members are at the heart of our business, we couldn't exist without you, and we're proud to have welcomed more than 13,000 new members this year.

Our 'Member Perks' scheme continued to give exclusive money-saving offers at several leading retailers, restaurants, and leisure operators across our region over the last 12 months. We also know they're making a difference as we've seen more than 5,000 member perks redeemed in the last year.

Chief Executive overview continued

Championing local

Making a difference in our local communities is a key part of being a co-op. It's at the heart of who we are, and it's been a big personal driver for me in my 14 years at our co-op.

Set up in April 2020 in response to the pandemic, the Community Cares Fund allows us to support a variety of amazing projects and organisations which are making a difference to the lives of others. This year, the cost of living crisis has deepened the need for support in our communities. Since our last annual report, we've awarded over £200,000 to a diverse range of local groups focusing on everything from community action and food justice to mental health and wellbeing.

In December, with rising energy costs and huge demand on foodbanks predicted, we donated £100,000 to helping people in the region keep warm and fed. Working with Suffolk Community Foundation, as well as Norfolk and Essex Community Foundations, £70,000 was split among warm hubs and has provided a warm space, food and drink, guidance, and signposting to additional support to more than 17,500 people across 191 warm hubs in Suffolk, Norfolk and Essex. The remaining £30,000 went to our 25 local foodbanks. Our generous customers helped to raise this total to more than £44,500 with £14,660 being donated in store at the till, in collection buckets and through the purchase of foodbank donation gift cards.

Improving the daily lives of our colleagues

I want our colleagues to enjoy coming to work and to do that we need to work to improve their lives on a daily basis.

I've seen first-hand the energy, pride and momentum that our 'Perfect Days' have created in our Food stores. Our 'Perfect Days' initiative encourages stores to create some real theatre related to key dates in the retail calendar such as Halloween, Christmas and Mother's Day, with the aim of improving our member and customer experience in-store.

In December 2022, we launched a new initiative called Helping Hands in which our Central Support colleagues, including our Management and Leadership teams, spend time working in our Food stores. This has been an excellent opportunity to learn more about our business and our customers, as well as getting to know their colleagues in the field, creating a team that is stronger together.

We are always looking for ways to improve what we do, so we prioritise listening to our colleagues and have a, 'you said, we did' approach to actioning feedback. Our colleagues have told us what's important to them here at our co-op. Through the 2021 Our Co-op workshops and the first Our Co-op, Your Voice colleague survey, our colleagues had their say, and we listened.

Our colleagues' feedback has led to real change. As a direct result of what our colleagues told us we've improved how we work, including better communications, access to more colleague benefits via our new Your Benefits Gateway, as well as reviewing colleague uniform and improving our in-store radio in our Food stores. We've also initiated new programmes, such as Helping Hands, to build even stronger relationships across our family of businesses.

Improving how we share information and work together has been a focus this year and we made a big stride forward in June by launching a brand new online colleague community called The Loop, which showcases the very best of our co-op. The Loop is a hub for news from across the business, as well as fun competitions, photo sharing and essential information pages. More than 2,200 colleagues are active on the platform so far.

Looking ahead

Yes, it's uncomfortable to be saying we made a trading loss of more than £5m but as you can see there was lots to be proud of in 2022.

The good news is that our co-op remains a fundamentally sound business with a robust balance sheet and real potential. One of my key tasks during 2023 is to deliver on that potential as we face yet another challenging year, with increasing costs, especially when it comes to energy, being a key factor.

We need to be doing the best we can, where we are, with what we've got. That's only going to be possible with the help of everyone involved with our co-op: colleagues, members, customers, suppliers, and the communities in which we trade.

So, what are we going to do to get us back into profit and address the challenges we face?

- **We need to grow and evolve our business, opening new Food stores and investing in our Funeral business.**
- **We need to build on the success we saw in the latter half of 2022 and grow our sales.**
- **We need to simplify what we do and operate for less to address the continual rise in costs.**

I'd like to take this opportunity to thank each, and every one involved with our co-op: our colleagues, members, customers, suppliers and communities. By continuing to work together to overcome the challenges of the cost of living crisis and rising energy costs, we can make the most of the potential that we know our co-op has.

Doug Field OBE
Chief Executive Officer
For and on behalf of the
East of England Co-operative Society

Governing the East of England Co-op

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

Advice on governance matters is provided in the first instance by the Society 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 to consider items of policy and strategy and all matters reserved for the Board.

The Leadership team

Day-to-day management of our co-op is delegated by the Directors to the Chief Executive Officer, Doug Field OBE, who is responsible for implementing our strategy within the framework laid down by the Board.

The Chief Executive Officer is supported in the day-to-day running of the East of England Co-op by five Chief Officers, titled below.

Senior Leadership team as at 28 January 2023:

Doug Field OBE
Chief Executive Officer

Jonathan Carey
Society Secretary

Lyndsie Goodwin
Chief Financial Officer

Karen Hill
Chief People Officer

Andy Rigby
Chief Operating Officer

Sarah Steels
Chief Transformation Officer

Oli Watts
Chief Member and Customer Officer

Board of Directors

In 2022, five candidates stood for election to fill four vacancies on the Board of Directors at the Annual Members' Meeting (AMM).

At the AMM in May 2022, Frank Moxon, Belinda Bulsing and Sally Chicken were re-elected to the board for a further four years and Beverley Perkins for a further three years, due to reaching the 12-year limit in 2025.

Directors as at 28 January 2023:


Frank Moxon President


Joy Burnford Vice-President


Belinda Bulsing

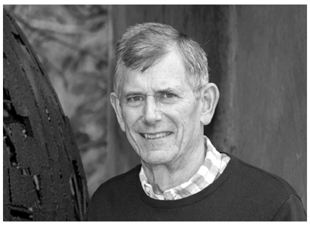

Sally Chicken


Esme Cole


John Cook


Mandy Errington


Nicola Fox


John Hawkins


Emma Howard


Caroline Ley


Judi Newman


Jane Nice


Beverley Perkins


Maria Veronese


Richard Youngs

Operating review

Underlying trading loss £5.5m

Overview

As described by Doug in his overview, this has been a very difficult year for our co-op with rising costs impacting our ability to trade profitably.

Energy costs increased by more than 70% when compared to last year, which reduced our profits by close to £4m. Other notable cost pressures were the 6.6% rise in the National Living Wage in April 2022 and increases in the cost of delivering goods to store.

Turnover

Sales

Sales have grown by 8.3% to £377.5m, when compared to last year. Unusually, this financial year has 53 weeks of trading, compared to 52 weeks last year but we have seen significant sales growth, even after adjusting for the extra week.

Food sales

The Food business saw an increase in sales of 5.5% compared to 2021/22. Although some of this will relate to the extra week of trading and some will be resulting from rising inflation, I'm pleased to report that we have also seen growth in the quantity of products sold in our Food business in the latter half of the financial year. Our colleagues have worked hard to meet the shopping needs of our members and customers, and this is reflected in our sales figures.

Investment property income

Rental income has increased by 11.1% compared to last year due to new lettings at Boss Hall in Ipswich and Long Wyre Street in Colchester.

Funeral sales

We have helped more families in their time of need this year than last, but the average price of a funeral has decreased by 2.3%. This trend towards simpler arrangements is expected to continue.

The other parts of our business have all seen sales growth in comparison to last year, but at differing rates. The end of all Covid-related restrictions led to a 331.5% increase in sales in our Travel business and an 82.8% increase in our Events business. Our Forecourt business saw a 27.5% increase in sales due to increased pump prices throughout the year and our Secure Response business grew its sales by 17.7%.

Profitability

Underlying trading loss of £5.5m

We made a loss of £5.5m this year, compared with a profit of £1.5m last year.

Increases in energy costs and personnel costs were the main factors that led to this drop in profitability, impacting our Food and Funeral businesses most heavily. Additionally, our Food business saw significant increases in the cost of delivering goods to store.

The margin of our Funeral business fell as the trend towards simpler arrangements continued.

Businesses that are less exposed to the energy market performed well this year when compared to last. The contribution of our investment property business increased following growth in rental income and our Forecourt and Travel businesses also performed well as customers resumed pre-pandemic levels of travel.

Profit before tax has fallen from £7.6m last year, to a loss of £8.8m this year.

In addition to the reduction in our trading contribution, our investment property portfolio fell in value this year by £1.8m (compared to a £6.4m gain last year). Following internal restructure this year, our co-op also incurred one-off costs of £1.2m.

Members' funds

Our total members' funds are £232.2m, a decrease of £2.7m compared to last year.

The primary reason for the fall is a £9.8m reduction in the value of our fixed assets (excluding investments) due to investment property impairments and relatively low levels of capital investment. This is partially offset by a reduction in the deficit of our defined benefit pension scheme from £11.4m to £2.6m. This is due to a reduction in the valuation of the scheme's liabilities following an increase in corporate bond yields.

The shape of our balance sheet has also changed this year. New legislation, which took effect in July 2022, brought pre-paid funeral plans under the regulation of the Financial Conduct Authority (FCA). The Society chose not to become an FCA regulated business and instead elected to partner with Ecclesiastical Planning Services Limited (EPSL). The transfer of invested plans to EPSL resulted in a £67.4m reduction in investments and the creation of a £64.0m accrued income debtor, which significantly improves our current asset position but has an overall negative impact on members' funds.

Finance and liquidity

Our net cash decreased by £3.2m

At the end of the year, we had net debt of £6.2m compared with £3.0m last year.

Lower cash inflows from operating activities, along with the maturity of our three-year Fixed Term Withdrawal Share offer, have led to an increase in the utilisation of both our overdraft and revolving credit facilities.

Net cash inflows from the sale of investment property and fixed asset investments, along with reduced levels of capital investment, helped to ensure that we maintained the appropriate level of liquidity throughout the year.

At present, the Society is using an overdraft to manage its working capital requirements and a revolving credit facility to support capital investment. The revolving credit facility expires in June 2025 and the overdraft is due for renewal in June 2023. The ongoing availability of these facilities is a key part of the Directors' assessment of the Society's going concern status. The Society is in discussion with its bankers and fully expects the overdraft to be renewed given the Society's cash generation and its property asset base. Prior to the formal renewal of the overdraft, a material uncertainty has been identified in relation to going concern. Please refer to our Accounting Policies for additional information.

Championing local

Community Cares Fund

As a co-operative, supporting our community is at the heart of what we do.

Set up in April 2020 in response to the pandemic, the Community Cares Fund allows us to support a variety of amazing projects and organisations which are making a difference to the lives of others.

This year, the cost of living crisis has deepened the need for support in our communities. Grants awarded to organisations focusing on mental health and wellbeing account for 69% of the funding awarded this year, compared to 54% in 2021.

“With this year’s funding we have responded to the profound need of those affected by the cost of living crisis. Many of the grants awarded throughout the year, particularly in our autumn round of funding, went directly to supporting vulnerable local people with their mental wellbeing during this difficult time.” – Helen Raven, Senior Community Manager

Since our last annual report, we’ve awarded more than £200,000 to a diverse range of local groups focusing on everything from community action and food justice to mental health and wellbeing. In total since the Fund launched, we’ve awarded more than £400,000 of grants which have been supplemented by our generous members who donate their annual dividend. Our Community Cares Fund grants have helped more than 100,000 people in our region and counting.

Our latest round of funding was awarded in December 2022, and we’ve been able to support 29 charities and community groups across our region with grants ranging from £1,000 to £5,000. The funding will support more than 17,200 people. The projects we’ve supported largely have an emphasis on reducing isolation in our communities. They include:

- The first LGBTQ+ rugby team in East Anglia, who are widening access to team sport.
- A family cooking project bringing together the families of children in receipt of free school meals to enjoy preparing food as a group.
- A link-up socialising programme for adults with learning disabilities.

Shop and Share

The cost of living crisis has made our fight for food justice even more vital. This year, we’ve continued to support our local foodbanks through cash and food donations.

From January to November 2022, we raised more than £7,500 for the 25 foodbanks we support.

Through working closely with our local foodbanks, we knew that summer was set to be a challenging time, with families facing the additional financial pressures of the school holidays and the amount of donations to foodbanks dropping to typically less than half that of peak periods. So, we asked our members and customers to ’Shop and Share’ and help us support their local community by donating to local foodbanks using the collection points in-store.

At our biannual summit in October, we met with representatives from our supported foodbanks to find out how the cost of living crisis was affecting them and those who need their support. They told us there had been a rapid increase in referrals for employed people who were needing to use foodbanks for the first time. The rise in demand at our foodbanks, along with the spike in energy costs, led us to launch our winter support campaign, donating more than £100,000 to keeping our community warm and fed.

Winter Support – Warm Hubs and Foodbanks

The money was redirected from our Christmas marketing budget and would typically have been spent on marketing leaflets featuring our Christmas offers, usually distributed to 500,000 homes across the region.

Working with Suffolk Community Foundation, as well as Norfolk and Essex Community Foundations, £70,000 was split among warm hubs and has provided a warm space, food and drink, guidance and signposting to additional support to more than 17,500 people across 191 warm hubs in Suffolk, Norfolk and Essex.

The remaining £30,000 went to our 25 local foodbanks. Our generous customers helped to raise this total to more than £44,500 with £14,660 being donated in store at the till, in collection buckets and through the purchase of foodbank donation gift cards.

Improving the daily lives of our colleagues

New colleague benefits

As part of our continual listening and learning programme, we've been asking our colleagues what's important to them here at our co-op. Through the 2021 Our Co-op workshops and our first Our Co-op, Your Voice colleague survey, our colleagues had their say and we listened. Our colleagues told us workplace benefits are a priority, with many sharing concerns about the rapid rise in the cost of living.

In direct response to our colleagues' feedback, this October we launched a new colleague benefits platform, Your Benefits Gateway. Your Benefits Gateway is a 'one stop shop' home for all colleague benefits, bringing together access to every tool and resource available from our co-op to support our colleagues' financial wellbeing. The dedicated website includes access to discount and benefit schemes to empower our colleagues to save money on almost anything, from everyday groceries and healthcare to new technology and even trips to the cinema. There are hundreds of offers from top high street retailers including M&S, Currys PC World, Cineworld, Hotels.com, John Lewis and many more. To date, our colleagues have made more than £4,500 of savings.

The successful launch of Your Benefits Gateway was followed a few weeks later by Wagestream, an initiative that allows our colleagues to access up to 30% of their pay, in advance of payday, as well as providing expert coaching, tools, tips and articles to help support the management of their personal finances. In December, we launched a third new benefit: SmartTech, a service designed to help manage unexpected expenses. Through SmartTech, colleagues can purchase new technology at point of need and then spread the payments over 12 paydays, interest-free.

This year, we've been proud to prioritise improving our colleague benefits. In the coming months, we will continue to look at how we can best support our colleagues and make our co-op the best place to work in the East of England.

Pennies from Heaven

This year we introduced Pennies from Heaven to provide an easy and affordable way for our colleagues to donate to good causes. Through Pennies from Heaven, our colleagues can sign up to donate the spare pennies from their pay each month, with all money raised going to our East of England Co-op Community Cares Fund. Our Community Cares Fund supports the work of local groups who make a real and meaningful impact in our region's communities.

Suffolk Mind training for managers

This year, with the support of our wellbeing partner Suffolk Mind, we introduced new mental health and awareness training for our managers. Initiated in February 2022, and continuing into 2023, the face-to-face training shares practical advice and toolkits to help our managers create healthy working environments. The course also emphasises the importance of manager mental health, ensuring our managers have the resources they need to build their confidence, as well as motivation, productivity and positivity within their teams. The training has been very well received, with all those responding to a follow-up survey saying they'd recommend the course.

Building our fanbase

Building our membership

This year we welcomed 13,090 new members. Many of these new sign-ups were driven by online advertising campaigns, complemented by in-store activity.

Providing an enticing benefit to being an East of England Co-op member, as well as rewarding our existing members, we this year partnered with 16 brands, companies and experiences, providing exclusive offers to our members through our 'Member Perks' scheme.
Fourteen of the offers came from regional companies and brands, setting us apart from other member offer platforms. Many of these partnerships will continue with us into the year ahead.

The discounts available, and partners we work with, are constantly refreshing. You can read more at: www.eastofengland.coop/membership/offer-finder.

Customer satisfaction survey

Since launching 'How Did We Do?' across our Food stores, we've seen increasing uptake from both members and non-members, with up to 2,000 responses received each month.

From the service they received, to the products they purchased, the feedback allows us to improve the experience we give our customers.

As well as emailing members that have recently shopped with us, we also introduced QR codes across our stores allowing customers to quickly and easily scan to complete the survey too.

The information we collect is collated each day and shared with our colleagues in-store via an app. This means our store colleagues can immediately act on the feedback and drive the change their customers want to see.

The feedback is also viewable across the business, making for rapid sharing of best practice across our Food stores and Central Support teams, helping us to convert our members and customers into Ambassadors.

Ambassadors are members and customers who are happy with all aspects of their experience – they feel valued by our colleagues and consider our stores competitive. Since launching 18 months ago, we've seen the proportion of respondents that fall into the Ambassador category grow, demonstrating that we're listening, learning and having a positive impact on our members' and customers' experience shopping with us.

Energy and carbon reporting

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

Our emissions data is reported in line with the UK government's Streamlined Energy and Carbon Reporting (SECR) policy and is calculated using the Greenhouse Gas (GHG) Protocol – Corporate Standard with reference to UK Government GHG Conversion Factors for Company Reporting 2022 and in-house tools.

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

	Electricity	Natural Gas	Gas Oil	Kerosene	Transport	Fugitive Refrigerant Gas	Total
2021/22	7,728.47	307.63	20.49	8.44	500.94	2,551.14	11,117.11
2022/23	6,788.25	188.25	5.52	14.79	520.04	2,242.75	9,759.60

9,759.59 tonnes of CO2e is equivalent to 25.8 tCO2e per £1m turnover.
We've achieved a 12.2% decrease in our overall tCO2e (Metric tonnes of carbon dioxide equivalent) (since previous year).

Energy use from electricity, gas and transport fuel 2022/23

Source	Energy use kWh
Electricity	35,029,857.59
Natural Gas	1,031,258.00
Gas Oil	188.15
Kerosene	566.34
Transport (Scope 1)	1,841,476.01
Transport (Scope 2)	73,306.31
Transport (Scope 3)	305,244.02

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

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

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

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

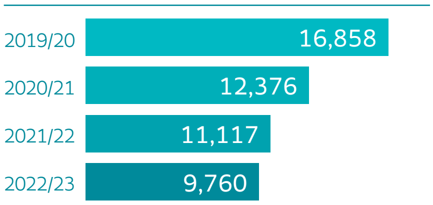
Measuring our Co-operative Performance

What we measure and why | **Performance** | **Commentary**

Are we improving our impact on the environment?

The rules around greenhouse gas/carbon emissions reporting changed with the implementation of Streamlined Energy & Carbon Reporting (SECR) in 2019. We have chosen to align emissions calculation methodology with the 'Greenhouse Gas (GHG) Reporting Protocol – Corporate Standard' reporting Scopes 1 and 2, with reference to 'UK Government GHG Conversion Factors for Company Reporting, 2022' and internally developed tools.

Net carbon dioxide equivalent emissions in metric tonnes



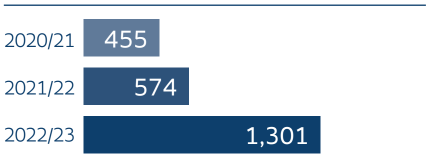
Since 2021/22 we've achieved a 12.2% decrease in our overall tCO2e (metric tonnes of carbon dioxide equivalent). We've continued a programme of lighting replacement with LED alternatives throughout our branches and head office, alongside the removal of natural gas heating, replacing it with more efficient alternatives during branch refurbishments or as equipment reaches the end of its serviceable life.

The replacement of obsolete refrigerant gases with modern equivalents combined with a robust preventative maintenance regime has continued to realise reductions in tCO2e emissions from fugitive gas.

Are we supporting communities?

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

Groups supported by the East of England Co-op

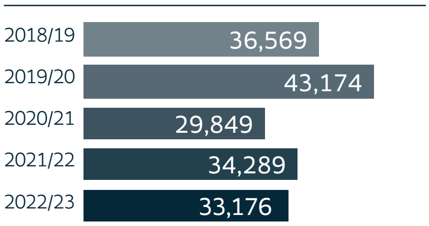


This year we have continued to support our communities through the Community Cares Fund, donations, sponsorships and our Supported Community Groups. The 127% increase in the number of groups supported versus 2021/22 is primarily due to the pandemic easing and community groups being able to recommence activities and fundraising, along with additional celebratory events for the Queen's Platinum Jubilee.

Do we develop and train our colleagues?

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

Training hours delivered

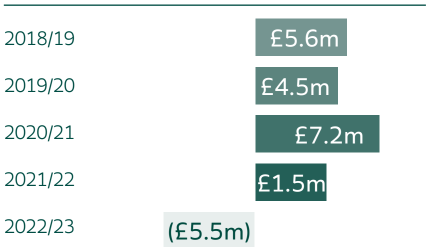


This year sees a decline in overall training hours due to the substantial one-off Society-wide training programme that introduced our new vision, mission and values to all colleagues in 2020/21 and 2021/22. There was no comparable programme running in 2022/23. We continue to introduce efficient learning techniques, which have resulted in a 15% increase in virtual training sessions. This has reduced learning hours, yet achieved equivalent knowledge transfer.

Is the Society profitable?

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

Underlying trading profit/(loss)

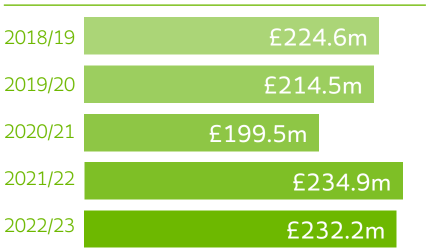


After a difficult year, we generated an underlying trading loss of £5.5m. Increases in energy costs and in personnel costs were the main factors that led to this drop in profitability, impacting our Food and Funeral businesses most heavily. Additionally, our Food business saw significant increases in the cost of delivering goods to stores. We're developing a new strategy to grow and evolve our business to provide a route back to profitability.

Is the business sustainable for the future?

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

Value of Society net assets



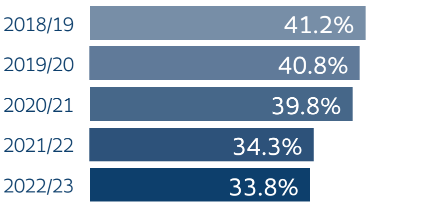
The Society continues to have a strong balance sheet. The primary reason for the £2.7m fall is a £9.8m reduction in the value of our fixed assets (excluding investments) due to investment property impairments and relatively low levels of capital investment. This is partially offset by a reduction in the deficit of our defined benefit pension scheme from £11.4m to £2.6m.

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-op 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

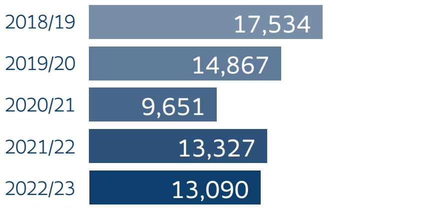


Trade conducted with members as a proportion of total turnover has fallen this year. This means that more of our customers are people who either choose not to be members of our Society, or not to present their membership card when shopping.

Are we attracting new members?

We measure the number of new members who have joined us at events, in store and online. As a co-op 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

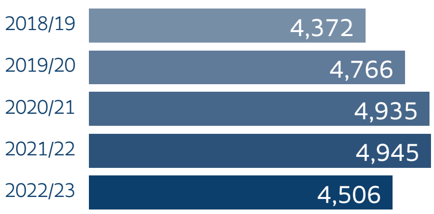


Recruitment levels stayed stable in 2022/23, but we achieved this with less marketing spend, largely driven by improvements within the member proposition. The focus on developing member perks and our Swipe to Win campaign resulted in more incentives and compelling arguments to join, and as a consequence, member recruitment became easier and more cost efficient.

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-op. 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

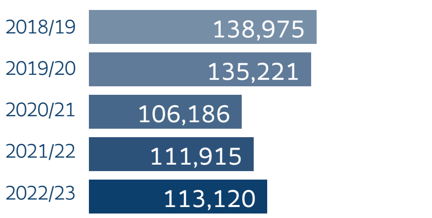


Despite an overall decrease in the number of members participating in the election last year, the proportion of those choosing to participate online continues to increase – a trend that appears to be ongoing.

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

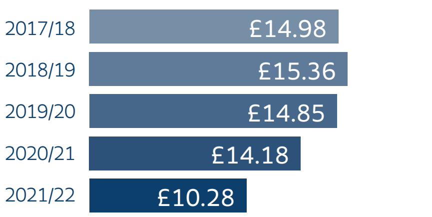


The Swipe to Win campaign was developed to counter the trend in declining member participation. This was a success, with 140,000 members participating during the campaign. This led to an overall uplift in participating members.

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 2021/22 the dividend payment reduced from 1.5% to 1.0% 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 28 January 2023.

This report is published in accordance with the Co-operative Corporate Governance Code (2019). The Code sets out the recommended best practice on issues of governance for consumer co-operative societies.

The Board is responsible for making sure the Society complies with recommendations in the Code that are appropriate to its circumstances and for reporting to members on this matter. Where the Society does not comply, the Board has an obligation to tell members why it does not. This report is intended to meet these obligations.

The Board believes the Society's governance arrangements are appropriate for an organisation of its size, nature and complexity, although there are several areas of the Code, detailed on page 31 with which the Society does not comply.

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

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

Principal activities

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

Membership matters

Membership is at the heart of any true co-operative enterprise and it is vital to building the Society's future. The Board aims to recruit, engage and involve members in the Society, and to reach out to those who have not previously engaged with the Society. Throughout the year, the Society facilitated many events with members across the region, both online and in the community. 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 Society proposes to pay a dividend totalling £750,000 to members, which represents 0.59% (2022: 1.0%) of each member's qualifying purchases. This will be issued in the form of Society vouchers in June 2023.

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 £958,000 (2022: £1,566,000).

Distribution of profits

	£000
Interest on share accounts	37
Dividend	750
Community engagement	165
Co-operative Party	34
Donations	10
Total distributions	**996**

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 either in person or online. 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
PricewaterhouseCoopers LLP	Internal audit and data analytics consultancy	186
Ellisons	Legal advice including contract reviews and property transactions	174
Ernst & Young LLP	External audit	155
Fenn Wright	Property advice and agency fees	119
Kerseys Solicitors	Legal advice including property transactions	73
Grant Thornton UK LLP	Technology advisory services	52
RSM UK Audit LLP	Corporation tax compliance and capital allowances claims	39
Boyer Planning Ltd	Planning consultancy	35
Mills & Reeve	Legal advice including advice on employment matters and transfer of funeral plans	35
Ensors	Corporate finance advice	34

In addition, Trustees of the Society's pension fund received external advice as follows which were met from the assets of the scheme:

Consultant	Purpose	Fees paid £000
Isio Group Ltd	Actuarial and consultancy fees	165
Buck UK	Actuarial and administration services	83
Entrust Pensions Ltd	Professional trustee services	42

Board development and evaluation

The Board regularly reviews its own performance and practices.

Notwithstanding the use of external consultants, the Directors are keen to keep their own knowledge and experience up to date and they all participate in an extensive programme of learning opportunities arranged by the Secretary.

Other learning opportunities are presented at a number of conferences to which the Board regularly sends delegates (be it in person or remotely). These include the Co-operative Retail Conference and the Co-operative Congress, both of which have programmes of speakers of international repute.

The Board has established a structured programme of induction training.

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 to meet the best practice guideline of ensuring Board renewal.

The President and Vice-President

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

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

Board independence

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

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

The Secretary maintains a register to record any conflicts of interest that may arise for Directors and the Management Executive of the Society. Formal updates to the register are requested biannually and individuals must inform the Secretary at the first opportunity of any conflicts that should arise in the interim. The register is open to inspection by members. In addition, at each Board or Committee meeting, Directors are asked to declare any interests they may have in relation to the business on the agenda. The table on page 22 lists Directors' and Management Executive external directorships or equivalent.

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

Board attendance record

The table on page 18 lists the attendance record of Directors at Board and Committee meetings for the year under review. The figures show the number of meetings each Director actually attended, against the number of meetings they were eligible to attend (this latter figure is shown in parentheses).

Elections

During the year, elections to the Board were conducted by postal and online voting. For 2022 this was held during April/May at which time there were four vacancies on the Board and five candidates contested these places.

Board committees

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

The membership of these committees and the number of meetings that were held during the year are shown on the attendance table on page 18.

Remuneration and Search Committee

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

Summary of activities during the year

Leadership Review

During the financial year the Board undertook a review of its Executive Leadership structure, resulting in the replacement of the Joint Chief Executive Structure with the appointment of a single Chief Executive Officer (CEO). During this process, the Committee, working with external advisors (FIT Remuneration, Mills & Reeve and MAD HR), supported the Board with the restructure – including benchmarking of remuneration for the CEO role, and drafting/agreeing contractual terms and conditions.

The Committee also supported the CEO in establishing the process for appointments to the Senior Leadership Team and resulting benchmarking of remuneration approach.

Board and Committee membership

Attendances 2022-23 Attendance shown 9(10) = 9 meetings attended out of a possible 10.

	Last Elected	Term Ends	Board	Audit and Risk	Performance Review	Membership and Community Engagement	Remuneration and Search
Directors	Term of Office		Committees				
Belinda Bulsing	May 22	May 26	10(10)		4(4)		
Joy Burnford	May 21	May 25	10(10)			3(3)	
Sally Chicken	May 22	May 26	10(10)				9(9)
Esme Cole	May 21	May 25	9(10)		1(2)		5(5)
John Cook	May 21	May 24	7(10)	3(4)			
Mandy Errington	May 19	May 23	10(10)		4(4)	1(1)	
Nicola Fox	Nov 20*	May 23	10(10)	4(4)			
John Hawkins	Nov 20*	May 24	10(10)				9(9)
Emma Howard	May 19	May 23	10(10)		3(4)		
Caroline Ley	Nov 20*	May 24	10(10)	4(4)			
Frank Moxon	May 22	May 26	9(10)				9(9)
Judi Newman	May 21	May 25	8(10)		2(2)	1(1)	
Jane Nice	Nov 20*	May 24	9(10)			3(3)	
Beverley Perkins	May 22	May 25	10(10)				9(9)
Maria Veronese	May 19	May 23	9(10)			2(3)	
Richard Youngs	May 19	May 23	10(10)	4(4)			

This table does not record attendance at the AMM, informal development workshops or where a Director has participated as an observer.
On 21 May 2022, Frank Moxon was re-elected President and Joy Burnford elected Vice-President, each to serve to May 2023.
*Due to the pandemic the Board agreed to postpone holding the AMM and Director Election until November 2020 (usually held in May).

Gender Pay Gap Reporting

As the largest independent retailer operating in the East of England, with more than 3,600 colleagues, the Society is committed to reducing the average (mean) pay difference between men and women. The Committee recognises that a series of long-term actions are required to realise real change to improve the Society's gender pay gap; and also attracting and progressing people from diverse backgrounds. In order to support the Society with this aim, the Committee both reviews the gender pay gap data along with the Society's forward plan – setting actions and specific commitments that are being taken to address the Society's gender pay balance.

Members can find full details of the latest Gender Pay Gap Report (and forward programme) 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. During the year the transition to the new 'Platform' governance model, relating to the Society's legacy defined benefit pension schemes, has been completed, bringing with it administrative and governance efficiencies due to the streamlined approach.

Committee Appointments

The appointment of committee memberships for 2022/23 were considered by the Remuneration and Search Committee at their July 2022 meeting. It was noted that in previous years there had been a desire to retain the 'four directors per Committee' principle. However, as highlighted during the 2022 Board election, it would have been possible for the Committee's membership to have been reduced to a single member, had three of the four standing Directors not been re-elected.

This, along with the knowledge that several Directors would be standing down from the Board in the coming years due to reaching the 12-year maximum consecutive term limit (and potentially a succession challenge), led the Committee to taking a different and pragmatic approach for 2022/23 by recommending to the Board that the membership of the Remuneration and Search Committee be varied to five members, along with enabling a Director to serve on two Committees to fill any resulting vacancies. This, along with the resulting Committee memberships, was duly approved by the Board in July 2022 – and would be reviewed annually.

Board Composition and Competency

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

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

Directors' expenses and fees

Directors' fees are determined by members at the Annual Members Meeting, on recommendation from the Board. In recent years the benchmark used has been the average weekly earnings index as produced by the Office for National Statistics. However, due to the continued fluctuation in this index due in part to the pandemic, it has been determined that this measure would not be appropriate for 2022/23, instead linking any proposed increase to that awarded to colleagues based at the Society's Wherstead Park office (as approved by Members at the May 2022 AMM). This measure has formed part of a wider review of Directors' fees during 2023, with the resulting decision to return to the application of the average weekly earnings index with effect from May 2023. The proposed percentage increase will be subject to approval by Members at the May 2023 AMM.

Payments intended to support Directors in contributing their skills and experience over and above those hours and duties usually expected were calculated and actioned in line with Member support provided at the 2022 AMM (total payments for the period May 2021 to May 2022 falling below the agreed budget of £12k).

Directors receive colleague discount during their term of office.

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

Performance Review Committee

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

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

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

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

Discussions focused on the key areas of sales, availability, margin, personnel costs and contribution levels.

The Committee assists the Board in setting appropriate targets by which to measure success, and where appropriate has carried out deep-dive reviews of specific business areas.

The Committee also monitors the return on recent investment in the business through a series of post-investment appraisals; and reviews the Society's Sustainability Approach (including Environmental Sustainability Policy for onward recommendation to the Board).

Membership and Community Engagement Committee

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

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

Scope

All matters relating to:

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

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

Membership

Membership of the Committee during the year under review is shown in the table on page 18.

Meetings

The Committee met formally three times during the year.

Activities during the year

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

Audit and Risk Committee Report for the 2023 Annual Report

Terms

The Audit and Risk Committee's terms of reference are based on the Corporate Governance Code for Consumer Co-operative Societies (November 2019) which aids the Society's focus on the routine use of appropriate and effective financial controls.

After each meeting, the Committee reports formally to the Board on its proceedings, making recommendations to the Board on any actions and improvements that it deems appropriate.

Membership

Committee membership during the year is shown in the table on page 18.

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

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

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

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

Meetings

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

Training/Continued Development

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

Activities during the year

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

- Review and approval of full year results (Society and its Subsidiaries).
- Review of the internal audit plan and the results of the internal auditors' work, including monitoring management's responsiveness to findings and recommendations.
- Review the Society's internal financial controls and the internal control and risk management system.
- Approval of the terms of engagement with the external auditor.
- Review of the audit plan with the external auditor at the planning and reporting stages.
- Relevant disclosures in this Report.
- Review and ongoing monitoring of the Society's IT strategy.
- Monitoring the Society's Cyber Security Arrangements
- Monitoring and understanding changes within financial accounting standards
- Review and approval of the Society's:
  - Fraud Reporting Policy
  - Modern Slavery Statement
  - Treasury Policy
  - Anti-Bribery and Fraud Policy
  - Taxation Policy
- Review of Post Investment Appraisals completed between 2019 and 2020.

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
- Assessment and recoverability of non-current assets
- Defined Benefit Pensions Liability Valuation

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

- Accounting for Funeral Bonds
- Defined Benefit Pensions Asset Valuation
- Assessment of retail inventory valuations and completeness
- Recoverability of deferred tax asset

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.

The Committee also discussed with management, and the auditor, the adoption of the going concern basis of accounting in preparing the financial statements and any material uncertainties that may cast significant doubt on the Society's ability to continue as a going concern.

Misstatements

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

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

Committee performance appraisal

The Board encourages Committees to review their performance annually and to bring forward recommendations that might improve their effectiveness. This has led to regular updating of Committee terms of reference and occasional review of the Board Committee structure. Please also refer to page 17.

Directors' fees and expenses

Director	2022/23 fees received £	2022/23 expenses £	2021/22 fees received £	2021/22 expenses £
Belinda Bulsing	10,182	325	10,157	190
Joy Burnford	9,260	299	5,837	248
Sally Chicken	9,653	–	10,382	190
Esme Cole	9,260	178	5,837	345
John Cook	9,260	208	9,145	479
Mandy Errington	9,260	220	9,077	–
Nicola Fox	9,260	72	9,077	190
John Hawkins	10,013	263	9,842	–
Emma Howard	9,440	216	9,257	274
Caroline Ley	9,372	–	9,077	–
Frank Moxon	11,723	62	10,180	1,669
Chris Newbury	–	–	3,241	–
Judi Newman	9,440	–	9,167	–
Jane Nice	9,260	–	9,077	311
Beverley Perkins	10,666	724	9,932	326
Fiona Powell	–	–	3,241	40
Maria Veronese	9,260	435	9,077	106
Richard Youngs	9,440	78	9,257	930
	154,749	**3,080**	**150,860**	**5,298**

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

Board fees include additional awards for the period May 2021 to May 2022, in accordance with Members' approval at the 2022 AMM. Such payments enable any Director to contribute their skills and experience to benefit the Society, over and above the hours and duties usually expected.

Management Executive emoluments

	Salary £000	Benefits in kind £000	Employer pension contributions £000	2022/23 emoluments £000	2021/22 emoluments £000
Jonathan Carey	142	14	7	163	161
Nick Denny*	224	26	–	250	247
Doug Field	247	6	13	266	261
Lyndsie Goodwin**	10	–	1	11	–
Roger Grosvenor*	73	7	–	80	322
Karen Hill**	9	–	1	10	–
Niall O'Keeffe*	215	15	11	241	238
Andy Rigby**	19	1	–	20	–
Sarah Steels**	8	–	1	9	–
Oli Watts**	2	–	–	2	–
	949	**69**	**34**	**1,052**	**1,229**

Emoluments disclosed above do not include payments received upon termination of office.
*Roger Grosvenor left the Society on 31 March 2022. Nick Denny and Niall O'Keeffe left the Society on 14 January 2023.
**Lyndsie Goodwin, Karen Hill, Andy Rigby and Sarah Steels were appointed on 1 January 2023. Oli Watts was appointed on 22 January 2023.

Directors' and Management Executive external directorships

Director/Management Executive	External Directorship (or equivalent)
Belinda Bulsing	Pettaugh Parish Council (Parish Councillor) Trustee of Gilchrist Unit Supporters' Trust
Joy Burnford	Simply Practical Ltd Encompass Equality Ltd
Sally Chicken	Eastern Savings & Loans Credit Union Ltd Shotley Heritage Charitable Community Benefit Society Ltd (Vice Chair) Galliform Ltd (Company Secretary) Plastic Cash Ltd
Esme Cole	Veteran's Advisory and Pensions Committee – Eastern England (Member)
John Cook	Ipswich Borough Council (Councillor)
Mandy Errington	Eastern Savings & Loans Credit Union Ltd (Lay Director)
Emma Howard	Co-operatives UK
Frank Moxon	Jersey Oil & Gas Plc Hoyt Moxon Ltd CISI Educational Trust The Co-operative Loan Fund Ltd
Judi Newman	Inderwick Equestrian Activities Ltd Inderwick Investments Ltd The Very Sensible Company Ltd St Elizabeth Care Agency Ltd Hospice Trading (Ipswich) Ltd Inderwick Pubs Ltd
Beverley Perkins	Co-operative Press (Co-op Group Nominee) Co-op Group – National Members' Council Co-op Group – Senate
Maria Veronese	Mediapro Media Training Ltd Taniwha Ltd
Richard Youngs	Royal Air Forces Association Diss and District Branch (Chair)
Nick Denny	ASSET Education
Doug Field	Green Light Trust (Trustee) Federal Retail Trading Services (from 1 February 2022)
Roger Grosvenor	Federal Retail Trading Services (to 31 January 2022) The Recovery Hub Ipswich CIC
Niall O'Keeffe	Grasshopper Coaching Ltd British Heart Foundation (Retail Committee Member) Member of British Heart Foundation Advisory Council
Oli Watts	Watts & Co Ltd

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

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

Internal Control

This section of the Report sets out the Society's approach to internal control and the measures taken to review its effectiveness, to provide members with assurance that this critical area receives enough attention.

The Board has ultimate responsibility for the Society's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failing to achieve the Society's objectives and can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

The aims of the system of internal control are:

- To safeguard the Society's assets.
- To ensure that proper accounting records are maintained.
- To ensure that the financial information used within the business and for publication is accurate, reliable and fairly presents the financial position of the Society and the results of its operations.

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

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

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

Control environment

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

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

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

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

Control procedures

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

Monitoring

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

At the start of each financial year the Management Executive 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 Management Executive 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 Management Executive Team have the primary responsibility for identifying the key business risks facing the Society.

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

Top and emerging risks

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

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

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

Principal risk	Potential impact	How it is managed
Colleague safety and wellbeing	Given the cost of living crisis, there is an increasing risk of anxiety caused by financial wellbeing issues. These factors can have a significant impact in our local communities and lead to an increased risk to our colleagues of facing anti-social behaviour and theft.	Colleague and customer safety is always front of our mind. All colleagues have access to support from GroceryAid, a charity who provides emotional, practical and financial support. We have continued our wellbeing support through our partnership with Suffolk Mind, training managers in their emotional needs model and rolling out wellbeing action plans and crisis support packs to assist our colleagues in their time of need. We have improved our colleague benefit package to include a wide range of discounts and salary advances.
Economic environment	The current global situation, rising inflation and energy costs have and will continue to have a substantial impact on the performance of businesses operated by the Society.	We seek to understand and respond to the needs of our customers. This includes offering a broad appeal to all customers in our different markets, which is appropriate to economic and market conditions. Financial forecasts are frequently updated to reflect economic indicators and monitor trading conditions. Action is taken, as required, through cost reductions and innovation to stay ahead of the curve.

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

Principal risk	Potential impact	How it is managed
Damage to our reputation and brand	The Society's reputation as an ethical retailer is based not only on our co-operative structure and philosophy, but also our longstanding commitment to ethical business practices, the quality of our products and services, and our ability to respond to changing member and customer demand for our products and services. If we fail to deliver excellent standards of hygiene and safety in our products and stores, there is potential harm to our customers. Any failure to meet the high standards our members expect from us in these core areas will damage our reputation and potentially affect the ongoing success of our businesses.	Considerable management attention and training are devoted to protection of our reputation and brand. Health and safety is a mandatory Board and Management Executive Team agenda item. The Society is an active participant within the co-operative movement and one of its directors is also a Director of Co-operatives UK, the national trade body that campaigns for co-operation and works to promote, develop and unite co-operative enterprises. The Board of Directors is also represented on the Co-op Group's National Members' Council. In practical terms, elements of this risk are outside the Society's control as the Co-operative 'brand' is managed by many different societies in different parts of the country.
Finance and liquidity	An inability to generate sufficient funds to meet business needs, including payments to members, would lead to cash flow difficulties. The Society also has exposure to commodity prices and fluctuations in interest rates, which can impact on financial performance.	The Finance function has processes and procedures in place to manage its responsibility for the Society's liquid resources, cash flow requirements and financial risk. Due to the significant capital investment that has taken place over the last few years, the Society now has an overdraft facility in place to cover any working capital fluctuations. External financing had been obtained to fund investment property developments and the acquisition of new food stores. The Society retains access to liquid funds and has the ability to curtail or defer significant amounts of discretionary capital and/or revenue expenditure should this be required. The Society's revolving credit facility expires in June 2025 and its overdraft is due for renewal in June 2023. The Society is in discussion with its bankers and fully expects the overdraft to be renewed given the Society's cash generation and its property asset base. Given that the overdraft is not committed at the date of signing these financial statements, it cannot be relied upon in the Directors' assessment of the Society's going concern status. Prior to the formal renewal of the overdraft, a material uncertainty has been identified in relation to going concern. Please refer to our Accounting Policies for additional information.
Property investment values	The Society's property portfolio comprises both trading and investment properties. The latter are revalued on a regular basis in line with generally accepted accounting principles and in commercial terms provide a significant source of investment income to the Society. Any downturn in the commercial and residential property markets is likely to impact this income stream and, in consequence, reduce the capital value of those investments.	The composition and performance of the investment property portfolio is under continual review to mitigate any risks to the Society.
Pension schemes	Inherent within the Society's final salary scheme is the risk that key variables, such as life expectancy and investment returns earned, may vary from current expectations, and potentially increase the future costs that will have to be borne by the Society.	The Society employs a platform approach using a sole trustee model to manage its defined benefit pension scheme. A pension steering group is in place 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 has included 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

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

22 April 2023

Corporate Matters

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

This is a difficult time for consumers, as a result, the short-term outlook for the retail sector remains challenging. With the latest interest rate rise and utility price increases shrinking household incomes we will continue to see a shift in what consumers buy and where they buy from.

Colleague wellbeing

Wellbeing has continued to be a key focus in the post-pandemic era. The longer-term impact of the pandemic on mental health has been well documented by the World Health Organization, the NHS and locally by Suffolk Mind. In 2021 we entered a two-year partnership with Suffolk Mind with a vision to become the best retail organisation in the world for talking about mental health. Through our partnership we have:

- Delivered training events for line managers to support them in supporting their colleagues with good mental health practices in the workplace.
- Kept our colleagues updated on wellbeing information, advice and campaigns through an ongoing communications programme.
- Integrated wellbeing resources onto our Learning Platform; and
- Rolled out Wellness Action Plans and Crisis/Resource Packs to our line managers to build on the training already provided.

Our wellbeing partnership has also extended to engaging our membership and customers through 'Your Co-op Live' events and our 'Amazing Things' publication.

The current cost of living crisis has also been well documented and in response we introduced a number of measures to support our colleagues, including:

- Extending our generous colleague discount to 25% for three months over the winter period.
- Introducing a Colleague Discount Scheme which provides exclusive discounts to our colleagues from a range of retailers and service providers.
- Introducing the option for colleagues to access some of their earnings prior to payday, providing our colleagues with flexibility and control over their earnings and helping them to manage their cash flow and outgoings. This product also enables colleagues to save straight from their pay, check their entitlement to state benefit/s and to access financial wellbeing and coaching.
- Introducing SmartTech which enables colleagues to deal with the unexpected expenses such as their cooker or washing machine breaking down, by allowing them to spread the cost over 12 pay–days interest free; and
- Providing our colleagues with £50 of East of England Co-op Vouchers in December.

Colleague engagement

Following the launch of our refreshed Colleague Engagement Survey in October 2021, we re-ran the survey in January 2023 and 2,629 colleagues responded, providing us with tangible insights and measures into colleague engagement across the organisation. We were delighted to see an increase in both the response rate and an overall improvement in our colleague engagement scores across the business – with improvements in 11 out of the 12 themes measured in the survey. We see colleague engagement as being key to our business success and are committed to using the survey to inform both local line management and organisation-wide initiatives during the year.

During the year, the business also launched The Loop, an online colleague community designed to bring our colleagues together and share news, information, feedback and suggestions and also to thank colleagues for their contribution. This has been key to communicating and engaging with colleagues across more than 200 sites.

Inclusion and diversity

We strive to create a positive, inclusive team that everyone wants to be part of. We established our Inclusion and Diversity Steering Group in 2021 to help us on the journey to being a more diverse and inclusive place to work and in the past year we have:

- Reviewed how we manage flexible working requests.
- Brought colleagues from across our co-op together in a menopause listening group, after which we introduced a new menopause policy and supporting guidance and resources.
- Trialled a new approach to recruitment, starting with our Customer Service Assistant role which focuses more on how candidates align to our values than on their previous experience.
- Promoted key cultural and religious events and festivals, raising awareness and increasing knowledge; and
- Established more meaningful local partnerships with organisations supporting people into work. As an example, through our partnership with Essex Cares Limited (who support people with neurodiverse conditions), we've supported four local people into paid employment at our co-op in the last six months.

Over the next year we will be relaunching our Steering Group as we look towards 2023/24 and creating Listening Groups to develop the next phase of our journey towards being a more inclusive and diverse place to work.

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 28 January 2023 were 14 days (2022: 14 days). This represents the ratio, expressed in days, between the amounts we are invoiced by our suppliers in the year and the amounts due at the year end to trade creditors.

Political donations

The Society's rules provide that affiliation and subscription to the Co-operative Party shall be determined by members in a general meeting. During the year, subscriptions of £34,000 (2022: £34,000) were paid to the Co-operative Party.

Auditor independence

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

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

Directors' and Officers' indemnity insurance

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

Statement of compliance with Co-operative UK's Code on Withdrawable Share Capital

The Society complies with the Code of Best Practice developed by Co-operatives UK with the agreement of HM Treasury. The Code sets out the minimum standards of good practice that a consumer retail co-operative society should observe in its use of Withdrawable Share Capital.

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

22 April 2023

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

	Explanation of non-compliance
Member Value Statement	Although no formal Member Value Statement is presented, several elements that we would include in such a statement are contained within Measuring our Co-operative Performance on pages 13 to 14.
Three-year term for Directors and cumulative term limit for the role of President (Chair)	The Code advises Societies to have three-year terms for Directors and to limit consecutive service to three terms. With a Board of 16 Directors, it is felt that four-year terms are more appropriate, and the consecutive service limit is expressed as 12 years rather than three terms. The code also advises Societies to have a cumulative maximum term limit of nine years for any one Director to hold the position of Society President (Chair). The Society does not have such a cumulative term limit, but does maintain a maximum consecutive term limit of four years for any one Director to hold the position of President (Chair). Following which, a break of at least one year is required to be taken before being eligible for re-election to the position.
Audit Committee	The Audit Committee does not have a Director with recent relevant financial experience or an accountancy qualification. However, the Committee has access to independent professional advice and considerable experience of constructively challenging the Executives.
Formal evaluation of Board performance	Although the Board informally reviews its collective performance no formal evaluation has been undertaken since 2019. This is being reviewed as part of the Board's ways of working and developmental workshops are planned for 2023/24.

Statement of Directors' Responsibilities

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

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

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Society's financial position and financial performance.
- State whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

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

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

Going concern

The Board of Directors has considered the requirement of the Co-operative Corporate Governance Code (2019) to confirm its view that the Society can be regarded as a going concern. After making all appropriate enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the period to 18 May 2024. However, as the Society's overdraft is uncommitted at the date of signing these financial statements, a material uncertainty has been identified in relation to going concern. Please refer to our Accounting Policies for additional information.

Board certification

The Financial Statements on pages 38 to 62 are hereby signed on behalf of the Board of Directors pursuant to the Co-operative and Community Benefit Societies Act 2014.

On behalf of the Board:

Frank Moxon
President

Joy Burnford
Vice-President

Jonathan Carey
Secretary

22 April 2023

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 28 January 2023 and of the Society's loss for the 53-week period ('the period') then ended.
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- 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 for the 53-week period ended 28 January 2023 which comprise:

The Group Balance Sheet as at 28 January 2023
Group Revenue Account and Group Statement of Comprehensive Income for the period then ended
Group Statement of Changes in Equity for the period then ended
Group Statement of Cash Flows for the period then ended
Related notes 1 to 7 to the financial statements, including a summary of significant accounting policies

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

Basis for opinion

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

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

Material uncertainty relating to going concern

We draw attention to the 'Accounting policies' section of the financial statements, which indicates that at the date of approval of these financial statements the Society has insufficient committed financing through the going concern period to 18 May 2024. As stated, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Society's ability to continue as a 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. Our opinion is not modified in respect of this matter.

To evaluate the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting, we performed the following procedures:

- In conjunction with our walkthrough of the Society's financial statement close process, we confirmed our understanding of management's going concern assessment process and also engagement with management early to ensure all key risk factors we identified were considered in the assessment;
- We obtained management's going concern assessment, including the cash flow forecast for the going concern period which covers the period to 18 May 2024. The Society has modelled a base case scenario and a severe but plausible downside scenario in its cash flow forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Society;
- We tested the factors and the assumptions included in each modelled scenario for the cash flow forecasts and we have considered the impact of the current macro-economic pressures including the cost of living crisis. We considered the appropriateness of the methodology used to generate the cash flow forecasts, including comparison of forecasts to actual post year end trading;
- We understood the existing facilities available to the Society and the terms and covenants present within these facilities. We considered management's plans to renew or extend these facilities on expiry within the going concern period;
- We considered the mitigating factors included within the forecasts that are within the control of the Society; and
- We reviewed the going concern disclosures included within these financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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

Overview of our audit approach

Audit scope

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

Key audit matters

- Revenue recognition
- Investment property valuations
- Defined benefit pension plan liability
- Store asset impairment

Materiality

- Overall group materiality of £5.7 million which represents 1.5% of group revenue.

An overview of the scope of our audit

Tailoring the scope

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

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition The group's retail sales arrangements are generally straightforward, being on a point of sale basis and requiring little judgement to be exercised. However, there are a number of central manual adjustments to the revenue recorded and in a number of the smaller revenue streams, there is increased manual processing of revenue transactions. Our procedures were designed to address the risk of manipulation of accounting records and the risk that management may override controls through posting of manual journal entries.	We understood the Society's revenue recognition policies and how they are applied, including the relevant controls. We ensured these policies were in line with the relevant accounting framework. As part of our overall revenue recognition testing we used data analysis tools on 100% of revenue transactions for retail food sales in the year to test the correlation of revenue to cash receipts to verify the occurrence of revenue. This provided us with a high level of assurance over the revenue from the retail stores. For those revenue streams where we did not use data analysis tools, we performed appropriate alternative procedures over revenue recognition as follows: We obtained a detailed understanding of the material manual adjustments to revenue. Due to the manual nature of these adjustments, we performed substantive analytical audit procedures or other substantive procedures over each material adjustment 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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Investment property valuations The Society holds a large number of investment properties with a carrying value of £122.3 million. This represents a decrease of £3.1 million compared to the prior year. Given that these amounts are significant assets for the Society and there is inherent complexity within the valuation methodologies applied, there is a risk that the valuations performed at the year-end may be inaccurate.	We understood the Society's investment property portfolio and how valuation policies are applied. We selected a sample of investment properties, including internally and externally valued properties. This included those properties that are material to the Society individually, those with large valuation movements, new acquisitions and an additional random sample. We engaged our property valuation experts to independently assess the valuation methodology and year end valuation of each sampled property. We assessed management's review of the work of the external valuers as well as the competence, independence and integrity of the external valuers. We discussed and challenged the valuation process, significant assumptions and critical judgement areas on a sample basis. We challenged these by engaging our property valuation experts, by benchmarking these assumptions to relevant market evidence including specific property transactions and other external data, and by ensuring consistency of assumptions across the portfolio. We have performed analytical procedures over the entire investment property valuation for the year, including individual property by property analysis for significant movements.	Based on the procedures performed, we did not identify evidence of material misstatement in the valuation of the investment property portfolio.
Defined benefit plan liability The Society has a defined benefit pension plan net liability of £2.6 million (2022: £11.4 million), which is made up of a liability of £180.3m (2022: £267.5m) offset by assets of £177.7m (2022: £256.1m). This is significant in the context of the group balance sheet. The valuation of the pension liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions. These assumptions include salary increases, inflation, discount rates, expected rate of return on plan assets and mortality rates.	We involved our actuarial experts to assess the assumptions used in calculating the pension plan liabilities, including salary increases and mortality rate assumptions. This allowed us to ensure the assumptions used were consistent with the specifics of the plan and, where applicable, with relevant national and industry benchmarks. We also assessed the discount and inflation rates used in the valuation of the pension liabilities to our internally developed benchmarks and assessed the extent to which these were in line with other companies' recent external reporting.	Based on the procedures performed, we did not identify any evidence of material misstatement in the valuation of the defined benefit plan liabilities in the period.
Store asset impairment The Society operates through a large number of stores across its retail and funeral businesses. The related tangible fixed assets have a carrying value of £99.8 million (2022: £103.6 million). Given that these amounts are significant assets for the Society and the impact of macro-economic conditions on the trading performance of the Society continues to be challenging, there is a risk that the value of these tangible fixed assets may be impaired. For stores where the Society owns the freehold, these are often supported by the market value they would achieve if they were to be sold, however stores which are leased by the Society are at higher risk of impairment as they must be supported by future forecast cash flows. These leasehold stores have a carrying value of £8.4 million as at 28 January 2023.	We understood the Society's tangible fixed assets held within the store estate and the valuation policies applied. We have understood the performance of each part of the business and obtained management's store by store assessment of current year and future forecast performance, to test for triggers of impairment. Management's assessment performed a discounted cash flow analysis for each store showing a negative cash contribution, after the allocation of overheads, in either the current or next financial year. We reviewed management's store by store assessment and noted the assessment of both the net present value of future cash flows, and the fair value less costs to sell for those properties with negative net present values. We selected a sample of items focused on those stores with a negative net present value, and obtained the supporting calculations for the market values of these properties. We challenged the key assumptions used in the impairment model such as growth rates, discount rates, overhead and personnel cost rates, including electricity costs, by understanding the basis of these estimates, corroborating these with other external sources where possible and performing sensitivity analysis. We have challenged the allocation of central overhead costs in management's store by store analysis to ensure all required overhead costs were included. We performed sensitivity analysis on management's calculations to key assumptions and to assess the level of reliance on the fair value less costs to sell calculated for each freehold property with a negative net present value. We tested the completeness of the store by store assessment ensuring that all stores, freehold and leasehold, with negative cash contribution were included in the assessment, by reference to our revenue testing procedures.	Based on the procedures performed, we did not identify any evidence of material misstatement in the valuation of the defined benefit plan liabilities in the period.

Our application of materiality

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

Materiality

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

We determined materiality for the Society to be £5.7 million (2022: £5.2 million), which is 1.5% (2022: 1.5%) 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% (2022: 75%) of our planning materiality, namely £4.2 million (2022: £3.9 million). We have set performance materiality at this percentage due to the strength of the control environment.

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

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £283k (2022: £261k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Society and determined that the most significant are those that relate to the reporting framework, FRS 102, the Co-operative and Community Benefit Societies Act 2014 and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements relating to health and safety, employee matters and data protection. These include General Data Protection Regulations, Health and Safety at Work Act 1974, HMRC regulations, 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

25/4/23

Group Revenue Account

For the 53 weeks ended 28 January 2023

	Note	2023 £000	2022 £000
Turnover	*1.1*	**377,518**	**348,561**
Cost of sales	*2.1*	(272,686)	(246,191)
Gross profit		**104,832**	**102,370**
Operating expenses	*2.1*	(110,355)	(100,915)
Trading (loss)/profit		**(5,523)**	**1,455**
Changes in fair value of investment properties	*4.2*	(1,781)	6,417
Impairment of tangible fixed assets	*4.2*	(617)	–
Restructuring costs	*2.1*	(1,196)	–
(Loss)/profit before interest, distributions and taxation		**(9,117)**	**7,872**
Interest receivable and similar income	2.2	2,071	2,449
Interest payable and similar expense	2.2	(146)	(51)
Other finance expense	2.2	(198)	(666)
(Loss)/profit before distributions and taxation		**(7,390)**	**9,604**
Dividend		(958)	(1,566)
Grants/donations	2.3	(459)	(464)
(Loss)/profit before taxation		**(8,807)**	**7,574**
Taxation	*3.1*	3,541	(1,798)
(Loss)/profit for the financial year		**(5,266)**	**5,776**

	Note	2023 £000	2022 £000
Alternative performance measure – underlying trading (loss)/profit			
(Loss)/profit before interest, distributions and taxation		(9,117)	7,872
Changes in fair value of investment properties	*4.2*	1,781	(6,417)
Impairment of tangible fixed assets	*4.2*	617	–
Restructuring costs	*2.1*	1,196	–
Underlying trading (loss)/profit for the year		**(5,523)**	**1,455**

Group Statement of Comprehensive Income

For the 53 weeks ended 28 January 2023

	Note	2023 £000	2022 £000
(Loss)/profit for the financial year		(5,266)	5,776
Remeasurements of net defined benefit obligations	5.4	5,969	33,652
Remeasurements of UURBS obligations	5.4	443	42
Movement in deferred tax relating to pension liability	3.1	(2,562)	(3,828)
Total other comprehensive income		3,850	29,866
Total comprehensive (expense)/income for the year		**(1,416)**	**35,642**

Group Balance Sheet

As at 28 January 2023

	Note	£000	2023 £000	£000	2022 £000
Fixed assets					
Intangible assets	4.1		9,692		11,826
Tangible assets	4.2		221,866		229,541
Investments	4.3		859		63,410
			232,417		**304,777**
Current assets					
Stocks	4.4	15,187		14,191	
Debtors – falling due within one year	4.5	14,081		8,196	
Debtors – falling due after one year	4.5	59,060		–	
Investments	4.3	–		4,887	
Cash at bank and in hand		4,330		3,890	
		92,658		31,164	
Current liabilities					
Creditors – amounts falling due within one year	5.1	(41,215)		(34,786)	
Net current assets/(liabilities)			51,443		(3,622)
Total assets less current liabilities			283,860		301,155
Long-term liabilities					
Creditors – amounts falling due after more than one year	5.1		(40,596)		(45,305)
Provision for other liabilities	5.3		(7,046)		(7,717)
Net assets excluding pension liabilities			236,218		248,133
Pension liabilities					
Deficit on defined benefit scheme	5.4		(2,645)		(11,370)
Other retirement benefits	5.4		(1,381)		(1,878)
Net assets			**232,192**		**234,885**
Capital and reserves					
Share capital	6.1		7,481		8,670
Fair value reserve			51,812		52,529
Revenue reserve			172,899		173,686
Members' funds			**232,192**		**234,885**

Group Statement of Changes in Equity

For the 53 weeks ended 28 January 2023

	Share capital £000	Fair value reserve £000	Revenue reserve £000	Total £000
As at 23 January 2021	**9,243**	**42,055**	**148,222**	**199,520**
Profit for the year	–	–	5,776	5,776
Other comprehensive income	–	–	29,866	29,866
Transfer	–	10,474	(10,474)	–
Total comprehensive income for the year	–	10,474	25,168	35,642
Contributions to share capital	568	–	–	568
Withdrawals	(766)	–	–	(766)
Share interest	43	–	(43)	–
Dormant share accounts released to reserves	(418)	–	418	–
Corporation tax on dormant share accounts	–	–	(79)	(79)
Total transactions with members recognised directly in equity	(573)	–	296	(277)
As at 22 January 2022	**8,670**	**52,529**	**173,686**	**234,885**
Loss for the year	–	–	(5,266)	(5,266)
Other comprehensive income	–	–	3,850	3,850
Transfer	–	(717)	717	–
Total comprehensive expense for the year	–	(717)	(699)	(1,416)
Contributions to share capital	901	–	–	901
Withdrawals	(2,161)	–	–	(2,161)
Share interest	159	–	(159)	–
Dormant share accounts released to reserves	(88)	–	88	–
Corporation tax on dormant share accounts	–	–	(17)	(17)
Total transactions with members recognised directly in equity	(1,189)	–	(88)	(1,277)
As at 28 January 2023	**7,481**	**51,812**	**172,899**	**232,192**

Group Cash Flow Statement

For the 53 weeks ended 28 January 2023

	Note	2023 £000	2022 £000
Net cash from operating activities	7.3	(4,934)	4,525
Taxation received/(paid)		307	(910)
Net cash (used in)/generated from operating activities		(4,627)	3,615
Cash flow from investing activities			
Purchase of intangible assets		(452)	(1,556)
Purchase of tangible assets		(4,687)	(7,893)
Proceeds from disposals of tangible assets		2,476	1,194
Disposal of funeral plan investments		5,475	1,342
Net proceeds from sale of businesses		(18)	972
Interest received and similar income		39	71
Interest payable and similar expense		(146)	(51)
Net received from/(used in) investing activities		2,687	(5,921)
Cash flow from financing activities			
Contributions to share capital		901	568
Share capital withdrawn		(2,161)	(766)
New bank loan entered into/(bank loan repaid)		1,000	(2,000)
Capital element of finance lease repaid		(133)	(126)
Net cash used in financing activities		(393)	(2,324)
Net decrease in cash and cash equivalents		(2,333)	(4,630)
Cash and cash equivalents at the beginning of the year	7.3	577	5,207
Cash and cash equivalents at the end of the year		**(1,756)**	**577**
Cash and cash equivalents consists of:			
Cash at bank and in hand		4,330	3,890
Bank overdraft		(6,086)	(3,313)
Cash and cash equivalents		**(1,756)**	**577**

Accounting Policies

General information

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

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

Basis of accounting

The following accounting policies have been applied consistently. The Group financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''). The financial statements are also prepared in accordance with the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and the Co-operative and Community Benefit Societies Act 2014.

Accounting date

The Group financial statements are made up to the fourth Saturday in January of each year. The financial year represents the 53 weeks ended 28 January 2023 (2022: 52 weeks ended 22 January 2022).

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 7.5 for details.

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

Going concern

The financial statements for the 53 weeks ended 28 January 2023 (2022/23 financial year) have been prepared on the going concern basis.

In the 2022/23 financial year, the Society generated revenue growth of 8.3% to £377.5m. Some of this relates to an extra week of trading compared to the 2021/22 financial year. The Society incurred a loss of £5.3m, and at the year end had net assets of £232.2m (2021/22: £234.9m) and net current liabilities (after adjusting for funeral plan accrued income due in more than one year) of £7.6m (2021/22: £3.6m). This reflects the ongoing challenging market environment in that despite the relative market resilience of the Society's products and services, with many being essential, not all significant inflationary pressures were able to be passed on to customers.

Global unrest is contributing to rising costs, especially commodity prices and energy costs. Inflation hit a 40-year high during 2022 and interest rates have risen from 0.1% to 4.25% in less than three years. These factors are all contributing to an increase in the cost of living and of doing business and there remains uncertainty regarding the long-lasting impact on the Society both in terms of the cost base and service offering of the Society but also the impact on the customers that the Society serves. In the 2022/23 financial year the increased energy costs in particular had a major impact on the overall performance of the Society given the energy usage required to operate the stores and branches, albeit increases have been felt across all elements of the Society's operations. The Directors have considered the impact of these economic headwinds on all of the Society's operations and future prospects as part of their strategic plan and budgeting, and specifically for the forecasting underpinning their going concern assessment period to 18 May 2024 (the going concern assessment period).

The Society has relatively low levels of external financing, in comparison to its asset base, with current funding facilities consisting of a £5.0m Revolving Cash Facility (RCF) with one bank which runs until June 2025 (with one covenant compliance requirement relating to 'net leverage') and an overdraft facility for £10.0m with a different bank, which is agreed annually and runs from July to June for each renewal year. This overdraft has been in place since 2017 and has been annually renewed since then. This is currently committed to 30 June 2023 and the bank have indicated their willingness to renew again but this has not yet been confirmed. At the year end the RCF was £4.0m drawn, £6.1m of the overdraft was utilised and a cash balance of £4.3m was held. As at 25 March 2023 the overdraft utilised had decreased to £3.7m, cash held was £4.3m, and the £5.0m RCF was fully drawn.

Although the Society has seen a reduction in cash during the 2022/23 financial year, it has a history of cash generation and the Board and Executive team have developed plans to return to profitability and cash generation. The Board approved an investment budget which included significant capital expenditure based on the Society receiving additional funding. The Society is in discussions with various lenders and expects to have agreed additional funding in the near future. However, as at the date of approval of these financial statements this additional funding has not been committed. Until the additional funding is committed then the Board will not commence the discretionary investment activities.

As a result of this, the Society has prepared a forecast for the going concern assessment period which excludes the majority of this investment spend. This base case forecast assumes revenue growth which comprises both volume growth and price growth, consistent gross margin percentages and further operating cost increases in line with current inflation forecasts for the specific related costs. It also assumes the renewal of the overdraft facility at existing levels at the end of term on 30 June 2023. Within this base case forecast the Society will fully utilise the RCF and some of the overdraft throughout the going concern assessment period, but will meet the RCF net leverage covenant requirement with limited headroom. Given the uncertain trading environment the Society currently faces across its various business streams, the Society has also modelled severe but plausible downside scenarios whereby certain assumptions around volume growth and margins on the funeral business are decreased and costs are increased. Within these scenarios, the next covenant reporting cycle on the RCF is breached in July 2023 and the overdraft facility is required.

To date, the Society is meetings its forecasts and therefore whilst the Directors believe it will be unlikely, if these severe but plausible downside scenarios were to materialise, the net leverage covenant would be breached and therefore the RCF may be withdrawn. This would be in addition to the required utilisation of an overdraft that is not committed throughout the going concern assessment period.

As discussed above, the Society is currently in discussion with its RCF lender about extending its facility, to at least meet the base case requirements, and any renegotiations will also involve resetting of covenants, as well as discussion with the overdraft provider on the renewal of the facility at existing levels at the normal renewal date. The Society believes that it will obtain such funding, within any necessary timeframe, based on its current discussions, previous history of cash generation, future plans and its strong balance sheet and property asset base. However, as the overdraft facility is uncommitted beyond 30 June 2023 and the downside scenario forecasts show the Society may breach its RCF net leverage covenant without it being reset, the lack of sufficient required committed facilities at the date of approval of the financial statements represents a material uncertainty that may cast significant doubt on the Society's ability to continue as a going concern.

Notwithstanding the above, the Directors believe that the Society will have adequate resources and financing facilities to continue to operate and meet liabilities as they fall due, until the end of the going concern assessment period to 18 May 2024, and should additional facilities be required they would be able to secure them as necessary in advance of such requirements. As such, the Directors continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustments to the balance sheet values of assets or their recoverable amounts or to provide for further liabilities which may arise if the going concern basis of preparation is inappropriate.

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 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 – estimation of future cash flows and selection of pre-tax discount rate	*4.1 and 4.2*
Valuation of investment properties – inherently subjective nature of valuations which includes estimation of future rental income, cash flows and determination of rental yield, specific to each property	*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) Funeral plan income
Income from funerals conducted under a third-party, pre-paid funeral plan is recognised when the funeral takes place.

c) Investment property rental income
Rental income from operating leases, excluding charges for insurance and maintenance, is recognised on a straight-line basis over the period of the lease, even if payments are not made on this basis.

d) 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.

e) Income from franchise locations
Until 29 June 2021, in certain locations the Group operated a franchised brand from third parties. Income from these locations was recognised at point of sale.

f) 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.

	2023 £000	2022 £000
Turnover		
Retail	368,485	340,433
Property	9,033	8,128
	377,518	**348,561**

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.

	2023 £000	2022 £000
Cost of sales	**272,686**	**246,191**
Personnel (note 2.1.1)	60,866	58,343
Occupancy costs	17,717	11,390
Profit on sale of fixed assets	(469)	(159)
Hire of plant and machinery	121	67
Vehicle contract hire/lease	462	473
Depreciation and other amounts written off tangible fixed assets (note 4.2)	7,003	6,717
Amortisation of intangible fixed assets (note 4.1)	2,439	1,950
Auditors' remuneration		
– Fees payable for the audit of consolidated financial statements	129	158
– Fees payable for the audit of the Society and its subsidiaries	25	22
Directors' fees (note 2.1.3)	155	151
Other expenses	21,907	21,803
Operating expenses	**110,355**	**100,915**

Last year, included within operating expenses is the benefit of government support totalling £2,200,000. This related to rates relief, retail grants and claims under the Job Retention Scheme. This helped offset additional costs incurred in relation to Covid which total £8,400,000 during the 2021 and 2022 financial years. During the year the Society also incurred restructuring costs of £1,196,000 as a result of a change in leadership and subsequent changes made to the organisational structure to facilitate delivery of its new strategy.

2.1.1 COLLEAGUES

	2023 Number	2022 Number
The average number of persons employed by the Society during the year was:		
Full time	845	859
Part time	2,941	2,975
	3,786	**3,834**

	2023 £000	2022 £000
The cost incurred in respect of these employees was:		
Wages and salaries	53,865	51,818
Social security costs	3,334	2,994
Other pension costs	3,667	3,531
	60,866	**58,343**

2.1.2 KEY MANAGEMENT COMPENSATION

KEEPING IT SIMPLE – KEY MANAGEMENT COMPENSATION

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

	2023 £000	2022 £000
Key management includes members of the Management Executive.		
The compensation paid or payable to key management for employee services is shown below:		
Salary	949	1,105
Taxable benefits	69	94
Pension contributions	34	30
	1,052	**1,229**

In addition to the above, total payments of £420,000 were made in respect of termination of office. This brings total key management compensation for the year to £1,472,000 (2022: 1,229,000).

Six members of the Management Executive in service at the year end participated in the Society stakeholder pension scheme.

The remuneration of the Chief Executive Officer (who is also the highest paid employee in service at the 2022/23 year end) included above is set out below. Last year the Joint Chief Executive – Retail was the highest paid employee.

	2023 £000	2022 £000
Salary	247	291
Taxable benefits	6	31
Pension contributions	13	–
	266	**322**

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

	2023 Number	2022 Number
Less than £10,000	2	–
£10,000 – £20,000	2	–
£20,000 – £30,000	1	–
£70,000 – £80,000	1	–
£160,000 – £170,000	1	1
£230,000 – £240,000	–	1
£240,000 – £250,000	1	1
£250,000 – £260,000	1	–
£260,000 – £270,000	1	1
£320,000 – £330,000	–	1

2.1.3 TRANSACTIONS WITH DIRECTORS

KEEPING IT SIMPLE – TRANSACTIONS WITH DIRECTORS

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

	2023 £000	2022 £000
Directors' emoluments		
The total remuneration of the Directors for their Board duties was as follows:		
Fees	155	151
The number of Directors whose emoluments fell in each £5,000 bracket was as follows:	**2023 Number**	**2022 Number**
£0 – £5,000	–	2
£5,001 – £10,000	12	13
£10,001 – £15,000	4	3

2.2 FINANCE COSTS/INCOME

KEEPING IT SIMPLE – FINANCE COSTS/INCOME

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

	2023 £000	2022 £000
INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest receivable (note 4.3)	39	71
Investment income (note 4.3)	2,032	2,378
	2,071	**2,449**

	2023 £000	2022 £000
INTEREST PAYABLE		
Interest payable	146	51

	2023 £000	2022 £000
OTHER FINANCE EXPENSE		
Interest expense on pension obligations (note 5.4)	198	666

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.

	2023 £000	2022 £000
GRANTS/DONATIONS		
Member and Community Services' expenditure	453	454
Donations	6	10
	459	**464**

Section 3 – Taxation

IN THIS SECTION

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

3.1 CURRENT TAX AND DEFERRED TAX

KEEPING IT SIMPLE – CURRENT TAX

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

KEEPING IT SIMPLE – DEFERRED TAX

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

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

Accounting policy:

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

Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

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

Deferred tax

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

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

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

TAXATION

	£000	2023 £000	£000	2022 £000
Current tax:				
UK corporation tax on profits for the year	–		85	
Adjustment in respect of prior years	(291)		(125)	
UK current tax credit		(291)		(40)
Deferred tax:				
Effect of change in rate on opening liability	–		1,324	
Timing differences arising in the year	(2,941)		720	
Adjustment in respect of prior years	(292)		(127)	
UK deferred tax (credit)/charge		(3,233)		1,917
Total UK tax (credit)/charge		(3,524)		**1,877**

	2023 £000	2022 £000
Charged through the Group Revenue Account	(3,541)	1,798
Charged directly through the Revenue Reserve	17	79
Total UK tax charge	**(3,524)**	**1,877**

3.1 CURRENT TAX AND DEFERRED TAX (CONTINUED)

TAX RECONCILIATION

The current tax charge assessed for the year is lower (2022: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	£000	2023 £000	£000	2022 £000
(Loss)/profit before tax	(8,807)		7,574	
Tax due if paid at the applicable UK corporation tax rate 19% (2022: 19%)	(1,673)		1,439	
Adjustments relating to current tax:				
Adjustment to tax charge in prior period	(291)		(125)	
Expenses not deductible for tax purposes	207		122	
Expenses not deductible/(income not taxable) relating to property revaluations	339		(1,219)	
Expenses not deductible relating to pension scheme	59		92	
Impact of depreciation lower than/(in excess of) capital allowances	527		(545)	
Impact of super deduction for capital allowances	(93)		(18)	
Accelerated capital allowances	446		436	
Short-term timing differences in relation to accounting provisions	(150)		50	
Short-term timing differences in relation to pension scheme contributions	23		34	
Short-term timing differences in relation to funeral plans	108		108	
Effect of tax relief on pension contributions	(399)		(408)	
Effect of land remediation relief	–		(6)	
R&D expenditure credits	(9)		–	
Impact of funeral plan tax credits	(1,107)		(115)	
Capital gains	9		–	
Tax losses carried forward	1,713		115	
UK current tax credit		**(291)**		**(40)**
Adjustments relating to deferred taxation:				
Effect of change in rate on opening liability	–		1,324	
Adjustment in respect of prior period	(292)		(127)	
Movement in deferred tax liability in relation to revalued property	(54)		631	
Impact of ineligible depreciation	(694)		717	
Short-term timing differences in respect of pension scheme contributions	(30)		(45)	
Short-term timing differences in relation to funeral plans	(142)		(142)	
Capital gains/(losses)	36		(224)	
Other short-term timing differences	197		(66)	
Unrelieved tax losses arising in the period	(2,254)		(151)	
UK deferred tax (credit)/charge		**(3,233)**		**1,917**
Total UK tax (credit)/charge		**(3,524)**		**1,877**

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/responsible-business/our-policies-(1)/tax. The disclosure made in these financial statements complies with the commitments made in that tax policy.

Tax rates

The Society is subject to the standard rate of corporation tax, which was 19% throughout the financial year. The main rate of corporation tax rate will rise to 25% on 1 April 2023. All deferred tax assets and liabilities have therefore been remeasured to reflect this increase in tax rate.

Expenses not deductible for tax purposes

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

Expenses not deductible/income not taxable relating to property revaluations

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

3.1 CURRENT TAX AND DEFERRED TAX (CONTINUED)

Expenses not deductible relating to pension scheme
During the year, the Society has recognised other finance expenses of £198,000 (2022: £666,000) and operating expenses of nil (2022: nil) relating to movements in the defined benefit pension scheme. Although these expenses have reduced accounting profits, they are not recognised for tax purposes.

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

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

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

Impact of funeral plan tax credits
The Society was a funeral plan provider until 29 July 2022. On this date the Society transferred all plans over to Ecclesiastical Planning Services Limited ('EPSL') in order to comply with FCA regulations. All monies received for funeral plans taken out between 1 January 2002 and 29 July 2022 were paid into a contract for whole life insurance on the life of the customer for the purpose of providing the funeral and were previously disclosed within investments before the transfer to EPSL. These investments are considered to be 'investment life insurance contracts' for corporation tax purposes. Prior to 29 July 2022 the Society was not a life insurance company, it worked with Royal London, a third party provider who bore the tax on the income and gains on the assets in the funds underlying each contract. As such, when a prepaid plan was surrendered, a tax credit was available to the Society in recognition of the tax that had already been suffered by the third party. The transfers to EPSL are treated as a disposal of the Society's funeral plan investments for corporation tax purposes so a tax credit on the transferred plans is available for 2022/23. This is the final year the Society will be able to benefit from this tax credit as the investments are now held by EPSL instead.

Adjustments to tax charge/credit in prior years
Adjustments to tax charge/credit 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 gain for tax purposes. The gain has been fully offset by brought forward capital losses. The deferred tax asset in relation to capital losses has therefore decreased.

Tax relief on pension contributions
During the financial year ended 25 January 2014, the Society took steps to improve the security of the members of our two former defined benefit pension schemes. To do this, we placed a variety of trading and investment properties into the East of England Scottish Limited Partnership, directing rental income into the pension scheme as a form of cash contribution. The mechanics of this asset backed pension scheme result in the Society seeing tax relief on extra pension contributions of £2,098,230 (2022: £2,147,804).

Tax losses
During the financial year 2022/23 the Society made significant accounting and tax losses due to increased energy costs. The increase in energy costs is considered temporary and the Society has a plan to return to profitability within the next few years. The carried forward tax losses have therefore been recognised as a deferred tax asset for utilisation against future profits.

DEFERRED TAX

	Balance as at 23 January 2022	Current year deferred tax charge		Adjustment in respect of prior years	Balance as at 28 January 2023
		Revenue Account	OCI / Reserves		
	£000	£000	£000	£000	£000
Capital allowances	(3,622)	694	–	386	(2,542)
Short-term difference in relation to funeral plans	(423)	142	–	–	(281)
Other short-term timing differences	647	(197)	–	–	450
Capital losses	377	(36)	–	(104)	237
Tax losses	2,133	2,254	–	10	4,397
Deferred tax liability in relation to revalued property	(5,394)	54	–	–	(5,340)
Deferred tax liability relating to pension scheme	(1,435)	30	(2,562)	–	(3,967)
Total deferred tax liability (note 5.3)	**(7,717)**	**2,941**	**(2,562)**	**292**	**(7,046)**

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Section 4 – Assets

IN THIS SECTION

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

KEEPING IT SIMPLE – ASSETS

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

4.1 FIXED ASSETS – INTANGIBLE

KEEPING IT SIMPLE – FIXED ASSETS – INTANGIBLE

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

Accounting policy:

Goodwill

Business combinations are accounted for by applying the purchase method.

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

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

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

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

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

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

Other intangible assets

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

- Software 20 to 33.3%

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.

	Goodwill £000	Software £000	Total £000
FIXED ASSETS – INTANGIBLE			
Cost			
At 23 January 2022	**17,282**	**11,935**	**29,217**
Additions	–	488	488
Transfers	–	(183)	(183)
At 28 January 2023	**17,282**	**12,240**	**29,522**
Amortisation			
At 23 January 2022	**10,628**	**6,763**	**17,391**
Charge for the year	984	1,455	2,439
At 28 January 2023	**11,612**	**8,218**	**19,830**
Net book value at 28 January 2023	**5,670**	**4,022**	**9,692**
Net book value at 22 January 2022	**6,654**	**5,172**	**11,826**

Included within software is £224,000 (2022: £2,240,000) 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.

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.

4.2 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 23 January 2022	**125,558**	**125,409**	**51,167**	**4,249**	**306,383**
Additions	121	243	3,266	–	3,630
Disposals	–	(2,038)	(2,366)	(4)	(4,408)
Transfers	(1,078)	509	257	–	(312)
Revaluations	–	(1,781)	–	–	(1,781)
At 28 January 2023	**124,601**	**122,342**	**52,324**	**4,245**	**303,512**
Depreciation					
At 23 January 2022	**44,069**	**–**	**29,036**	**3,737**	**76,842**
Charge for the year	2,122	–	4,726	155	7,003
Disposals	–	–	(2,317)	(4)	(2,321)
Transfers	(441)	–	(54)	–	(495)
Impairments	617	–	–	–	617
At 28 January 2023	**46,367**	**–**	**31,391**	**3,888**	**81,646**
Net book value at 28 January 2023	**78,234**	**122,342**	**20,933**	**357**	**221,866**
Net book value at 22 January 2022	**81,489**	**125,409**	**22,131**	**512**	**229,541**

Included within tangible fixed assets is £1,000,000 (2022: £2,727,000) relating to assets in the course of construction, of which £227,000 (2022: £1,213,000) is in investment properties and £773,000 (2022: £1,514,000) is in fixtures, fittings and plant.

The net carrying value of assets held under finance leases included in transport is £345,000 (2022: £532,000).

During the year an impairment charge of £617,000 has been recognised in relation to tangible fixed assets held at a number of funeral branches.

Particulars relating to revalued assets are given below:

	2023 £000	2022 £000
Investment properties		
At valuation	122,342	125,409
At historical cost	120,718	122,004

Revaluation of investment properties

Each year, 20% of the Society's investment properties are valued externally by Roche Chartered Surveyors. The valuation is undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) – Global Standards – 2020 (which incorporate the International Valuation Standards 2017) and the UK national supplement. 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 Chief Executive Officer, Doug Field on a consistent basis.

4.3 INVESTMENTS

KEEPING IT SIMPLE – INVESTMENTS

Investments relate to shares held in other businesses. Until 29 July 2022, the Society also held funeral plan investments which were 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. On 29 July 2022, the Society transferred its funeral plan business to Ecclesiastical Planning Services Limited.

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.

4.3 INVESTMENTS (CONTINUED)

	Fixed assets		Current assets		Interest / investment income	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
INVESTMENTS						
Co-operative Group Limited						
– Shares	757	757	–	–	–	–
Other I & P societies						
– Shares	1	1	–	–	–	–
Other	101	101	–	–	3	–
Short-term deposits	–	–	–	–	6	41
Overnight deposit	–	–	–	–	30	30
Funeral plans	–	62,551	–	4,887	2,032	2,378
	859	**63,410**	**–**	**4,887**	**2,071**	**2,449**

On 29 July 2022, the Society transferred its funeral plan business to Ecclesiastical Planning Services Limited ('EPSL'). Until this date, for the purpose of providing the funeral and to comply with the provisions of the Financial Services and Markets Act 2000, all monies received for funeral plans were paid into a contract for whole life insurance on the life of the customer. On 29 July 2022, all such investments held by the Society were transferred to EPSL. As the Society retains the future right to conduct all funeral services associated with these transferred funeral plans, an accrued income asset has been recognised instead of an investment.

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.

	2023 £000	2022 £000
STOCK		
Goods for resale	15,187	14,191

Goods for resale is stated after provision for impairment of £430,000 (2022: £553,000). 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. Accrued income relates to funeral plan income that the Society is entitled to recognise for accounting purposes, but where no invoices have been raised or cash 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.

Funeral plan accrued income

On 29 July 2022, the Society transferred its funeral plan business to Ecclesiastical Planning Services Limited ('EPSL'). Until this date, for the purpose of providing the funeral and to comply with the provisions of the Financial Services and Markets Act 2000, all monies received for funeral plans were paid into a contract for whole life insurance on the life of the customer. On 29 July 2022, all such investments held by the Society were transferred to EPSL. As the Society retains the future right to conduct all funeral services associated with these transferred funeral plans, an accrued income asset has been recognised. The asset has been apportioned between current and long-term assets based upon the Society's experience of funerals carried out under its pre-payment plans over the last five years.

4.5 TRADE AND OTHER DEBTORS (CONTINUED)

	Due within 1 year		Due after 1 year	
	2023 £000	2022 £000	2023 £000	2022 £000
DEBTORS				
Trade debtors	2,572	2,583	–	–
Corporation tax	253	268	–	–
Other debtors	619	577	–	–
Pre-payments and accrued income	10,637	4,768	59,060	–
	14,081	**8,196**	**59,060**	**–**

Trade debtors are stated after provision for impairment of £902,000 (2022: £1,251,000). The movement in the provision is charged/credited to operating expenses each year.

Section 5 – Liabilities

IN THIS SECTION

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

KEEPING IT SIMPLE – LIABILITIES

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

5.1 TRADE AND OTHER CREDITORS

KEEPING IT SIMPLE – TRADE AND OTHER CREDITORS

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

Accounting policy:

Trade creditors

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.

Funeral plans

Until 29 July 2022, amounts received in advance for funeral plans were recorded as liabilities on the Balance Sheet. The liability was (and continues to be) 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.

	Due within 1 year		Due after 1 year	
	2023 £000	2022 £000	2023 £000	2022 £000
CREDITORS				
Bank loans	4,000	3,000	–	–
Bank overdraft	6,086	3,313	–	–
Trade creditors	9,928	9,612	–	–
Finance leases (note 5.2)	141	133	258	399
Other taxation and social security	1,460	1,818	–	–
Other creditors	2,007	1,801	–	–
Accruals and deferred income	14,233	11,571	–	–
Funeral plans	3,360	3,538	40,338	44,906
	41,215	**34,786**	**40,596**	**45,305**

Bank loan

During the year ended 28 January 2023, the Society renewed its £5m revolving credit facility for a further three years. 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.

	2023 £000	2022 £000
Less than one year	141	133
Later than one year and not later than five years	258	399
	399	**532**

5.3 PROVISION FOR OTHER LIABILITIES

	2023 £000	2022 £000
Deferred tax (note 3.1)	7,046	7,717

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.

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.

During the year ended 28 January 2023, the governance and operation of the East of England Co-op Retirement Benefit Scheme was moved to a platform approach. This simplified way of working delivers continuous, professional governance, along with faster and more cost-effective investment decision-making.

Asset-backed funding arrangement

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

On 20 November 2017, the two former schemes transferred their interest in the Partnership to East of England Co-op Retirement Benefit Scheme which is now entitled to an annual distribution of £3.2m for a remaining 15 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:

	2023	2022
Rate of increase of pensions in payment		
– prior to 31 August 2008	2.90%	3.39%
– post 31 August 2008	1.85%	2.29%
Rate of increase of pensions in deferment	3.20%	3.50%
Discount rate	4.40%	2.00%
Rate of inflation	3.20%	3.50%

	2023 years	2022 years
Life expectancy		
Male (current age 45)	87.9	88.1
Male (current age 65)	86.6	86.8
Female (current age 45)	90.5	90.6
Female (current age 65)	89.1	89.2

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 28/01/2023 £000	Value at 22/01/2022 £000
Equities and hedge funds	38,010	45,222
Diversified growth funds	–	73,372
Multi-asset credit	6,221	55,854
Plans	81,364	21,287
Liability-driven investment	48,582	58,180
Cash	2,757	1,234
Insured annuities	742	964
Total market value of assets	177,676	256,113
Actuarial value of liability	(180,321)	(267,483)
Total deficit in the scheme	**(2,645)**	**(11,370)**

5.4 PENSION OBLIGATIONS (CONTINUED)

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

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

During the year, the Society made pension payments on behalf of the scheme.

Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At 23 January 2022	256,113	(267,483)	(11,370)
Interest income/(expense)	5,066	(5,264)	(198)
Remeasurement gains/(losses)			
Actuarial losses	–	83,799	83,799
Return on plan assets excluding interest income	(77,830)	–	(77,830)
Benefits payments	(8,627)	8,627	–
Expenses paid	(277)	–	(277)
Contribution by employer	3,231	–	3,231
At 28 January 2023	**177,676**	**(180,321)**	**(2,645)**

Analysis of the amount charged to the Revenue Account

	2023 £000	2022 £000
Interest income	5,066	3,502
Interest on pension liabilities	(5,264)	(4,168)
Total expense recognised in Revenue Account	**(198)**	**(666)**

Return on plan assets

	2023 £000	2022 £000
Interest income	5,066	3,502
(Loss)/return on plan assets less interest income	(77,830)	13,436
Total (loss)/return on plan assets	**(72,764)**	**16,938**

Stakeholder scheme

The stakeholder pension scheme is a defined contribution plan. The contributions due to the plan during the year were £3,673,000 (2022: £3,520,000). As at 28 January 2023, no unpaid contributions were outstanding (2022: £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 (2022: £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.

	2023 £000	2022 £000
Benefit obligation at the beginning of the year	1,878	1,979
Interest cost	38	28
Actuarial gains	(443)	(42)
Benefits paid	(92)	(87)
Benefit obligation at the end of the year	**1,381**	**1,878**

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 only valid during the financial year of issue and as such only those that have been redeemed have been accounted for as payments at the year end. No liability is therefore held for those dividend vouchers not redeemed at the balance sheet date. Any unredeemed dividends are released to the Revenue Account for the year. Dividend distribution to the Society's members is recognised as a liability in the Society's financial statements in the period in which the dividends are approved by the members at the Annual Members' Meeting.

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

SHARE CAPITAL

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

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

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

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

During the year, the Society released £88,000 (2022: £418,000) of members' funds from Share Capital to the Revenue Reserve. This represents the cumulative balance within the share accounts of members who have not purchased goods or services from the Society for a period of at least four years, and with whom the Society has lost contact.

RESERVES

Fair value reserve

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

Revenue reserve

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

Section 7 – Other notes

IN THIS SECTION

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

7.1 OPERATING LEASES

Operating leases – leasing from owners

KEEPING IT SIMPLE – OPERATING LEASES – LEASING FROM OWNERS

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

Accounting policy:

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

At 28 January 2023, the Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	2023 £000	2022 £000	2023 £000	2022 £000
Operating leases expiring:				
Within one year	1,499	1,454	424	414
Later than one year and not later than five years	5,051	5,128	616	806
After five years	10,460	9,259	–	–
	17,010	**15,841**	**1,040**	**1,220**

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 28 January 2023, the Group had the following minimum lease receivables under non-cancellable operating leases for each of the following periods:

	Land and buildings	
	2023 £000	2022 £000
Within one year	6,493	6,496
Later than one year and not later than five years	15,368	17,513
After five years	13,553	11,343
	35,414	**35,352**

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 28 January 2023, there were capital commitments of £2.7m (2022: £2.1m) 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.

	2023 £000	2022 £000
RECONCILIATION OF (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING		
(Loss)/profit for the financial year	(5,266)	5,776
Adjustments for:		
Tax on (loss)/profit on ordinary activities	(3,541)	1,798
Distributions	1,417	2,030
Net interest income	(1,727)	(1,732)
(Loss)/profit before interest, distributions and taxation	**(9,117)**	**7,872**
Grants and donations	(459)	(464)
Depreciation	7,003	6,717
Amortisation	2,439	1,950
(Profit)/loss on sale of tangible fixed assets	(389)	144
Loss on disposal of businesses	18	233
Changes in fair value of investment properties	1,781	(6,417)
Impairment of tangible and intangible fixed assets	617	–
(Increase)/decrease in stocks	(996)	91
Increase in debtors	(964)	(291)
Decrease in creditors	(900)	(576)
Dividend paid	(958)	(1,566)
Pension contributions	(3,323)	(3,196)
UURBS current service costs	38	28
Legal and professional fees relating to pension scheme met from fund assets	276	–
Net cash from operating activities	**(4,934)**	**4,525**

	2022 £000	Cash flow £000	2023 £000
ANALYSIS OF MOVEMENT IN NET FUNDS			
Cash and cash equivalents			
Cash at bank and in hand	577	(2,333)	(1,756)
Borrowings			
Debt due within one year	(3,133)	(1,008)	(4,141)
Debt due after one year	(399)	141	(258)
	(3,532)	(867)	(4,399)
Total	**(2,955)**	**(3,200)**	**(6,155)**

MAJOR NON-CASH TRANSACTIONS

During the year, the Society had no major non-cash transactions (2022: £nil).

7.4 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.

7.5 WHOLLY OWNED SUBSIDIARIES

KEEPING IT SIMPLE – WHOLLY OWNED SUBSIDIARIES

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

SUBSIDIARY SOCIETIES AND COMPANIES

The subsidiaries of the Society are listed below:

Ardencrest Limited (27074R)
A Co-operative and Community Benefit Society holding investment properties.

A Smith & Sons (Funerals) Limited (04015388)
A dormant company formerly operating the Smith & Sons funerals business. The company was dissolved on 3 May 2022.

W. H. Shephard Funeral Furnishing Service Limited (00354547)
A dormant company formerly operating the W. H. Shephard funerals business. The company was dissolved on 3 May 2022.

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

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

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

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

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

Perfitt Holdings Limited (03806203)
A dormant holding company. The company was dissolved on 19 July 2022.

Anglia Memorial Services Limited (4071526)
A dormant company acquired with H.L. Perfitt Limited. The company was dissolved on 18 January 2022.

East of England (SLP) General Partner Limited (SC436963)*
A company registered in Scotland, established to administer the East of England Scottish Limited Partnership.

East of England Scottish Limited Partnership (SL011854)
A property holding partnership registered in Scotland, established in connection with the Society's defined benefit pension schemes (see note 5.4).

Ben's Limited (05741336)
A dormant company formerly operating three supermarkets. The company was dissolved on 2 February 2023

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

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

DORMANT COMPANY EXEMPTION

Subsidiaries marked ◊ have taken advantage of the exemption from preparing accounts for a dormant subsidiary available under s394A of the Companies Act 2006 for the period ended 28 January 2023.

SUBSIDIARY EXEMPTION

Subsidiaries marked * have taken advantage of the exemption from an audit for the period ended 28 January 2023 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 28 January 2023.

Member and Community Services' Expenditure Statement (unaudited)

	2023 Net Expenditure £	£
Community engagement events and projects		
Community funding	141,851	
Community campaigns	2,982	
Community events	72,106	
Community and engagement costs		**216,939**
Salaries and overheads		236,039
Member and Community Services' expenditure (note 2.3)		**452,978**

Donations totalling £288,000 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.

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East of England COOP