



The Channel Islands
co-operative
 Society Limited

2014
 ANNUAL REPORT AND
 FINANCIAL STATEMENTS
 52 week period ended 12th January 2014



Fairtrade Bananas

The Co-operative was the first UK supermarket to sell Fairtrade Bananas.



FAIRTRADE

Guarantees
a **better deal**
for Third World
Producers



COLIN MACLEOD,
CHIEF EXECUTIVE

2013 was another difficult year for retail in the islands as although there were green shoots of recovery towards the latter part of the year, factors such as high unemployment, in Jersey particularly, meant consumer attitudes towards spending remained very cautious. If you combine that with the very competitive retail landscape that continued to develop over the last few years it is not an understatement to say that it has been another challenging environment for the Society to operate in.

It means that your Society has had to work very hard for every customer and every purchase as well as ensuring strategic plans are executed accurately and with careful consideration. And we feel, despite the conditions we faced, that your Society has done that. Turnover was £160.4 million, a 0.49% increase over the previous year with Food stores up 0.26% on LY, Homemaker achieving an increase of 2.86% on LY, Travel also up by 1.88% on LY, Total Sport down 2.84% and with the purchase of Argent Funeral Services in Guernsey in late 2013, Funeral Care saw a modest increase in sales.

This pleasing performance is down to some very hard work from your Board, senior management and colleagues throughout the business. And we continue to be recognised for our efforts. Building on the Award for Achievement in Guernsey in the early part of the year, we went on to win the Large Business category in the Jersey Enterprise Awards.

I should also take the time to reflect on what has been a turbulent period for the co-operative movement. Whilst the Co-operative Bank and The Co-operative Group in the UK have been in the headlines many times recently, it is important to recognise that you are a Member of a local, independent Channel Islands Society. We operate our stores locally, we pay dividend and reinvest profits locally and we support a wide variety of suppliers and charitable causes locally.

This Society operates to serve you, our Members in the Channel Islands. I would just like to use this opportunity to thank you for your continued support.

Colin Macleod, Chief Executive

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HIGHLIGHTS

Turnover £160.4m

Amount returned to Members £8.076m

DIRECTORS/OFFICIALS/ADVISORS



* Mr Peter Roffey – President



Mr Ben Shenton – Vice President



Mrs Carol Champion



* Mrs Tanya Dorrity



* Mr Alexander Fearn



* Mr Hamish Marett-Crosby



Mrs Sue Ryde
(Elected 15th May 2013)



Mrs Jennie Vibert



CHIEF OPERATING OFFICER
Mr Mark Cox



CHIEF FINANCIAL OFFICER
Mr Peter Bruges
(left 21st February 2014)



CHIEF EXECUTIVE
Mr Colin Macleod



SECRETARY
Mr David Rees



CHIEF COMMERCIAL OFFICER
Mr Jim Plumley

*Retire this year, eligible for re-election

Registered Auditors

KPMG Channel Islands Limited
PO Box 453, 37 Esplanade,
St Helier, Jersey, JE4 8WQ

Bankers

NatWest Bank plc
16 Library Place,
St Helier
Jersey, JE4 8NH

Legal Advisors

Mourant Ozannes (Advocates & Solicitors)
22 Grenville Street, Jersey, JE4 8PX

Randell & Loveridge (Advocates)
6 Court Row, Guernsey, GY1 2PD

Registered Office

57, Don Street, St Helier, Jersey, JE2 4TR.

Registered Number: 14672R.

Telephone: (01534) 879822

Facsimile: (01534) 768312

NOTICE OF MEETINGS

Notice is hereby given that the Annual Meetings of Members of the Society will be held:

Jersey

On Tuesday 13th May 2014
at Hautlieu School, Wellington Road, St Helier,
commencing at 7.30 pm.

Guernsey

On Wednesday 14th May 2014
at Beau Sejour, Amherst, St Peter Port,
commencing at 7.30 pm.

Agenda

1. To confirm the Minutes of the Annual Meetings held on 14th and 15th May 2013.
2. To receive the Board of Directors' Report for the 52 week period ended 12th January 2014.
3. To receive the audited Financial Statements for the 52 week period ended 12th January 2014, and Declaration of the Dividend.
4. To elect two Jersey Members and two Guernsey Members to the Board of Directors.

Note: Rule 9.12 Meetings – Members only are entitled to vote at these meetings.

By order of the Board of Directors
D. Rees, Secretary

STANDING ORDERS FOR MEMBERS' MEETINGS

1. The order of business at every ordinary or special meeting of the Society shall be in accordance with the printed Agenda or Order of Business issued with the Notice of the Meeting.
2. Only one Member shall speak at a time and he/she shall be standing and address the Chair.
3. The time allowed for making any speech, except for the Chair's address or any formal report to the meeting, shall not, except by consent of the meeting, exceed the following limits:
 - (a) Any speech and discussion - 5 minutes
 - (b) Any speech moving a resolution or amendment - 10 minutes
 - (c) A reply by the mover of any resolution - 5 minutesAn extension of the above times, not exceeding 5 minutes in any case, may be allowed by consent of the meeting.
4. No Member shall be allowed to speak more than once on the same question (except a mover of a resolution to reply to the discussion) unless permission be given to explain, or the attention of the Chair be called to a point of order.
5. Whenever an amendment is made upon a motion, no second amendment shall be taken into consideration unless the first amendment is disposed of. If an amendment be carried it shall then become a substantive motion.
6. The mover of an original motion to which no amendment is submitted shall have the right to reply to the discussion on such motion. The mover of an original motion shall also have the right of reply to the discussion on any amendment, provided only one amendment is submitted. In the event of more than one amendment being submitted, the

mover of the original motion shall have the right of reply to the discussion on the first amendment. Should such first amendment be defeated, the mover of the original motion shall have the right of reply to the discussion on subsequent amendments, but should an amendment be carried the mover of such amendment shall have the right of reply to the discussion on subsequent amendments until one is carried.

Movers of amendments that are carried shall have similar rights as their predecessors having the right of reply. The mover of an original motion or of any amendment losing his right of reply shall not be debarred from taking part in subsequent discussion of the business under consideration. The right of reply should be exercised only after discussion has closed and subsequently no further debate shall be allowed on the question. No new matter shall be introduced in reply to discussion.

7. That "*the question be now put*" be moved on any business before the meeting at any time except when a speaker is addressing the meeting, and if seconded shall at once be put to the vote without any discussion, unless it shall appear to the meeting that such a motion is an abuse of the standing orders or an infringement of the rights of Members. If the question be decided in the affirmative, the question before the meeting shall immediately be put and decided without further debate.
8. When the Chair rises to speak, Members shall immediately take their seats.
9. The decision of the Chair on any point shall not be open for discussion, and it shall be his duty to observe that the standing orders are obeyed, unless any of them are suspended which can only be by the consent of 2/3rds of the Members present at the meeting.



To: The Members of The Channel Islands Co-operative Society Limited

The Board of Directors has pleasure in submitting for the consideration and approval of the Society's Members their Annual Report and Financial Statements for the year ended 12th January 2014.

Incorporation

The Society is registered under the Industrial and Provident Societies Acts, 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978), and has its Registered Office in the Island of Jersey.

Principal Activities

The Society's principal activities within Jersey and Guernsey are food, furnishings and leisure retailing, the provision of travel services in both private and business sectors, the provision of financial services to its Members, the sale of petroleum, the provision of sub Post Office services, the provision of funeral services and the provision of pharmacy services.

Subsidiary

The Society has one wholly-owned subsidiary, Offshore Leisure Limited, which is registered as a company in Jersey and has its Registered Office in the Island of Jersey.

On 13th January 2014 the Society acquired a 70% shareholding in Jersey Pharmacy Services Limited, a Jersey registered company that also has its Registered Office in that Island. Jersey Pharmacy Services Limited has two wholly-owned subsidiaries: Edgar Holdings Limited, a Jersey registered company, and Lloyds (Chemists) Limited, a Guernsey registered company.

Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of the Society and its wholly-owned subsidiary company, Offshore Leisure Limited, which was incorporated on 28th July 2000 in order to continue the trading activities of Travelmaker, the travel arm of the Society's trading activities.

Membership

At the financial year-end 12th January 2014, the Society had a Membership of 118,990. The changes in Membership during the year were as follows:

At 13th January 2013	116,589
New Members	3,236
Accounts Closed	(835)
At 12 January 2014	118,990
of which:	
Jersey Members	77,002
Guernsey Members	41,988
At 12th January 2014	118,990

Turnover

The Society's turnover for the 52 week period ended 12th January 2013 was £160.404 million, compared to £159.617 million for the prior period. The Society therefore experienced a modest increase in turnover of £787 thousand (or 0.49%) over the previous year. The Society opened one new trading unit during the year: a Locale at Sion in Jersey. This contributed £1.472 million to the turnover (or 0.92%), an exceptional performance for one of our smallest stores that has not had the benefit of a full year of trading.

There has been a little sign of the adverse economic conditions easing during 2013 and the number of unemployed is now starting to decrease. However, the prudence exhibited by consumers during the economic downturn in relation to household expenditure appears to have continued throughout the year, with people shopping around to seek the best deals. The rise of internet shopping continues unabated, with on-line companies expanding the range of products offered to encompass items that were previously only found in grocery stores and pharmacies.

There have been many reports of shopping patterns changing, with fewer people conducting their weekly grocery shop at large supermarkets and more frequenting smaller local stores. This trend has been reflected in our trading figures to a modest extent. Nevertheless, the Society's food stores achieved sales of £148.316 million, compared to the prior year figure of £147.926 million; a modest, but welcome increase of £390 thousand over the previous year (or 0.26%) driven primarily by sales from our En Routes.

While the market in non-food remains challenging, particularly with the heightened on-line competition the Society's Homemaker Stores enjoyed a modest increase in turnover of £291 thousand (or 2.86%) to achieve sales of £10.471 million compared to £10.181 million in the previous year. However, Total Sport saw a fall in its turnover from £952 thousand last year to £925 thousand this year, a fall of £27 thousand (or 2.84%).

Despite the ever increasing competition from on-line travel companies, our Travel operation continues to experience growth. Sales, as agent, reached £16.990 million compared to £16.676 million in 2012, an increase of £314 thousand (or 1.88%). This result was achieved despite the Society's provider of a travel currency card withdrawing from the market, leaving the Society without a product that had contributed to the turnover the previous year. A new card is in the process of being launched.

Finally, the Society has continued to expand its funeral operations with the purchase of Argent Funeral Services in Guernsey toward the latter part of 2013. With this acquisition, turnover increased from £658 thousand in 2012 to £707 thousand in 2013.

REPORT OF THE DIRECTORS

Financial

Operating Results	52 weeks 12th January 2014 £,000	52 weeks 13th January 2013 £,000	Difference £,000
Gross Profit	49,566	49,839	(273)
Expenses	(41,537)	(41,129)	(408)
Trading Surplus	£8,029	£8,710	£(681)

Gross Profit fell by 0.55%; while expenses showed an increase of 0.99%. Management continue to focus on reducing costs wherever practicable. Despite this, costs do continue to rise, boosted by the opening of a new unit during the year and the addition of Argent Funeral Services; to restrict the increase to under 1% is an excellent achievement. However, Management are aware of the difficulties faced by Members in these difficult times and the fall in Gross Profit reflects Management's continued attempts to minimise price increases whenever possible.

Pensions

The Defined Benefit Scheme operated by the Society was closed on 30 June 2009 to future accruals. Staff who were in the scheme retained the benefits that they had earned until the date of closure and the Society has agreed to meet the cost of the past service deficit in respect of these benefits.

In order to comply with the provisions of Financial Reporting Standard (FRS) 17, the Society is obliged to report this past service deficit within its Financial Statements. As of 12th January 2014 the Pension Scheme had a past service deficit of £10.080 million, an increase of 0.781 million over the previous year.

During the intervening time, the Society had contributed £1.1 million. Although investment returns were higher than anticipated, giving a gain of £3.126 million, the Scheme experienced a loss of £6.214 million due to changes in market conditions. Despite actual deferred pension and pension increases being lower than expected and individuals opting for a refund of contributions, giving rise to a gain of £1.289 million, this was not enough to offset the loss.

The fund is subject to marked fluctuations in the investment markets and the valuation was undertaken at a time when the markets were comparatively buoyant. However, further significant fluctuations in the funding of the Scheme will occur and the Board continue to monitor the situation through quarterly updates on the funding level of the Scheme.

Creditor Payment Practice

Payment to suppliers is made in accordance with the Society's agreed Terms and Conditions for its transactions with all its suppliers, provided the said suppliers meet their obligations to the Society's satisfaction. Trade creditor-days as at 12th January 2014 was 23.11 days compared to 26.96 days as at 13th January 2013.

Capital Reserves

Members' Share Capital increased by £13.805 million (36.31%) to a total of £51.822 million compared with £38.017 million at the end of the prior year. Loan Capital balance decreased by £924 thousand (4.60%) to a total of £19.149 million compared with £20.073 million at the previous balance sheet date. Inclusive of the Revaluation Reserve but excluding the Pension Scheme deficit, Reserves now amount to £54.471 million, a decrease of £1.732 million (3.18%). However, the combined Revenue and General Reserve showed an increase for the Period, with the decrease being generated by the fall in the Revaluation Reserve of £2.316 million. This decrease is the result of a reduction in the market value of a number of the Society's properties.

The Society is exempt under The Banking Business (Jersey) Law, 1991, for the purpose of accepting deposits from Jersey Members of the Society. These deposits are in the form of Withdrawable Shares and Loan Capital. In Guernsey, deposits in the form of Withdrawable Shares only are accepted in accordance with the Industrial and Provident Societies Act, 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978).

Dividend

It gives the Board of Directors great pleasure once again to propose a dividend payment, at the rate of 4%, applicable to Members' purchases made during the 52 week trading period ended 12th January 2014. The Dividend will be transferred to Members' Share Accounts in accordance with Rule 16.1 (b). Where Members elect to withdraw their dividend in the form of Dividend Vouchers, which can be exchanged for goods within all listed non-food departments, an additional 15% bonus of the dividend value is secured, providing a real saving in respect of the purchase so made.

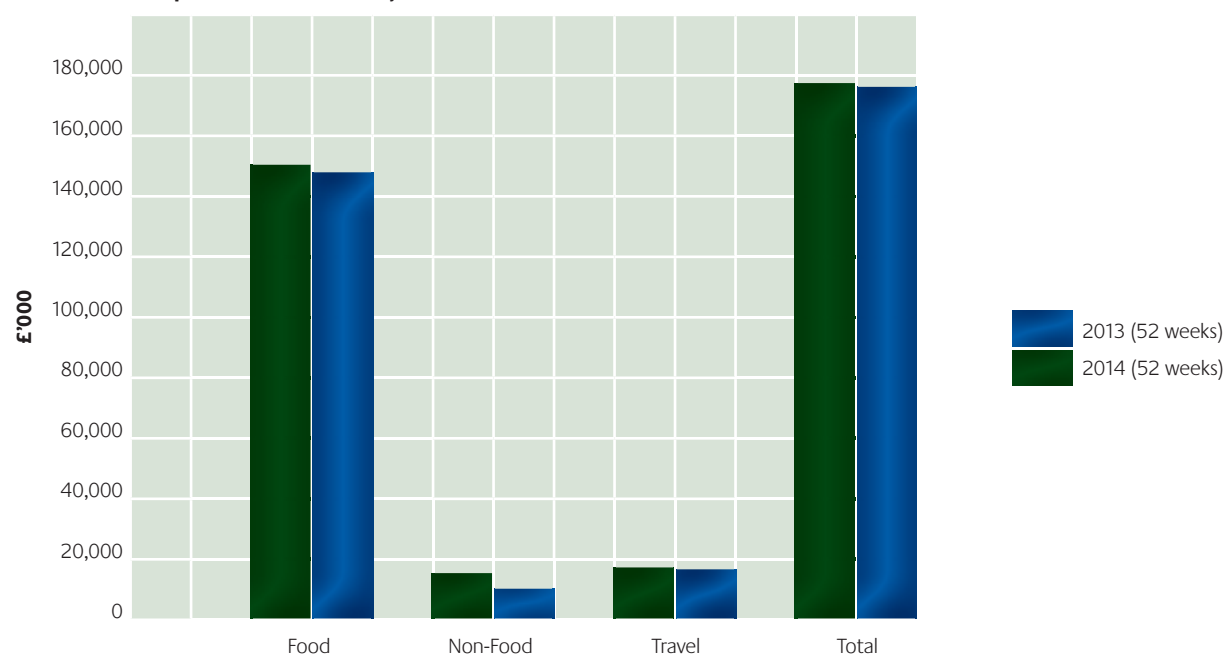
Interest due for the period will have been credited to the Share Accounts as at 13th January 2014.

The value of Society Membership is evident when it is noted that the total return to Members by way of Dividend, Extra Dividend, Travel Vouchers and interest amounts to £8.076 million for 2014 and for 2013 amounted to £8.649 million.

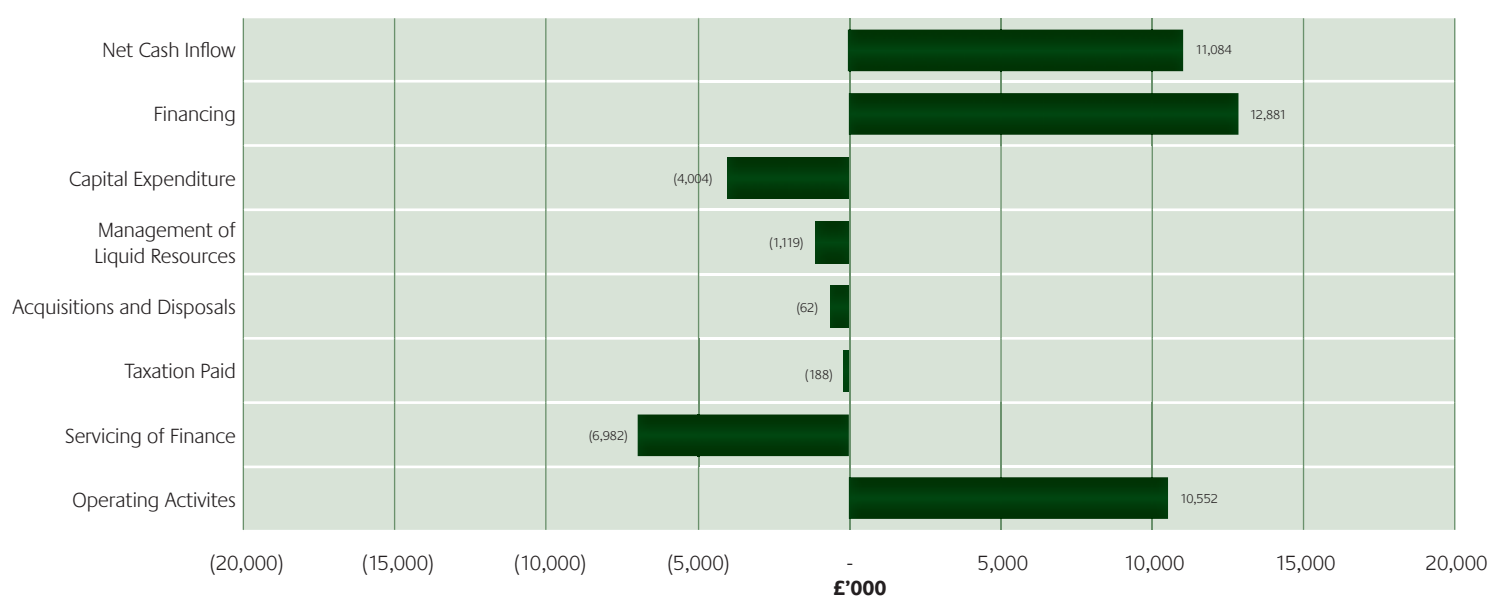
REPORT OF THE DIRECTORS



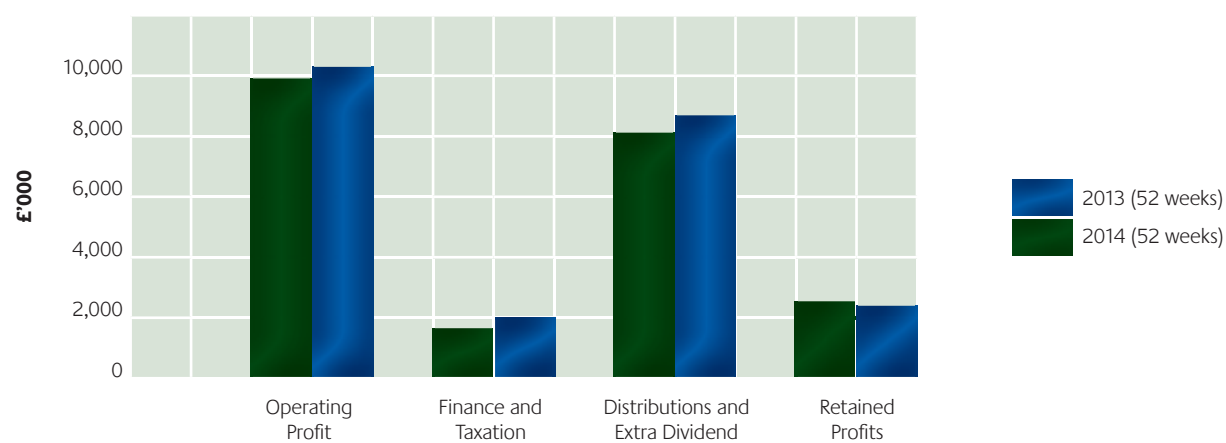
Comparison of Turnover by Division



Cash Flow Statement



Distribution of Trading Surplus



REPORT OF THE DIRECTORS

Retail Developments

Your Society continues to provide new retail space and look for new opportunities to cater for our growing Membership. These are the developments completed or in progress during the financial year:

Jersey

Sion Locale

In May 2013 we opened our latest Locale store in Sion, St Johns. The 1,700 sq ft store is in an excellent location and has been very well received both by the local community and passing trade.

Grouville

The Society has purchased the De la Mare site, previously a flower nursery. It will be a 4,000 sq ft Locale store. The Society has been looking to acquire a retail outlet in this area for some time and is delighted to secure a modern site in a convenient location for our Members. Trading will commence in early 2015.

Guernsey

Argent Funerals

In July 2013, the Society purchased Argent Funerals in Guernsey. This gives us a presence in both islands and sits alongside the established De Gruchy's Funeral business in Jersey. The Hangman's Inn site has been identified as a new funeral home and is currently being developed. It is due for completion in late spring 2014.

Pharmacy

In early January, the Society increased its shareholding in the JP SL (Pharmacy) business that operates eight stores across the two islands. Increasing our stake in this business makes the Society the majority shareholder, allowing us to provide scale and opportunities to this already successful business.



SION



GROUVILLE



HANGMAN'S INN – UNDER CONSTRUCTION



PHARMACY

Community and Charity work

The Society continues to support the community in a variety of different ways.

Last year, we gave £217,286 to community and charity related projects in the Channel Islands.

Highlights:

We supported more than 90 charities, schools and organisations to raise money through bag packing and other fundraising events in our stores.

We support around 250 local charities annually with fundraising prizes and sponsorship to the value of £8,300.

Our Eco Fund, now in its seventh year, distributes the funds raised from the sale of carrier bags to environmental initiatives. (In 2013 over £24,000 was distributed amongst 12 initiatives.)

Our Helping Hands Fund, now in its 20th year, provides annual donations to worthy causes. In 2013 more than £16,000 was donated to 28 local causes.

Our work colleagues raised £23,754 from various local events and initiatives.

We support the David Kirch voucher initiative and in 2013 gave £145,232 in discount to help the elderly community in Jersey.

SUPPORTING SIDE BY SIDE CHARITY CYCLE EVENT



RAISING MONEY FOR MACMILLAN



PLAN BEE

Community Engagement - stores

In 2013 we launched the 'Community Engagement' project and each Society store was set the task of proactively increasing their involvement with the community. Activities included fitness challenges, car boot sales, raffles, sponsored events and volunteering with Meals on Wheels. The 'Community Store of the Year' will be awarded at our annual Training and Recognition awards.

Examples of who we have helped:

Jersey

Chris Wilson of States of Jersey Prison **"The support provided by The Co-operative has enabled us to develop our environmental project that offers meaningful work for offenders that can be linked back to the community."**

Katie Smith, Community Fundraiser for Guide Dogs. **"It is only via support from people like yourselves that we can maintain our lifelong commitment to blind and partially sighted people.... and that is why we are so grateful for your generosity."**

Guernsey

Angela Salmon, Guernsey Conservation Volunteers **"We are delighted that The Co-operative have chosen to support our project which is to regenerate the Marais Rise reed bed. The funding gives absolute certainty that our planned work for 2014 can take place."**

Jane St Pier, YPG Chair and Director **"Our very sincere thanks to the Society for the generous grant of £1,000 that we recently received for a board and projector at The Hub....we are extremely grateful for the tangible support."**



CO-OP STORE CHARITY WALK



CO-OPERATIVE FORTNIGHT VOLUNTEERS



Local

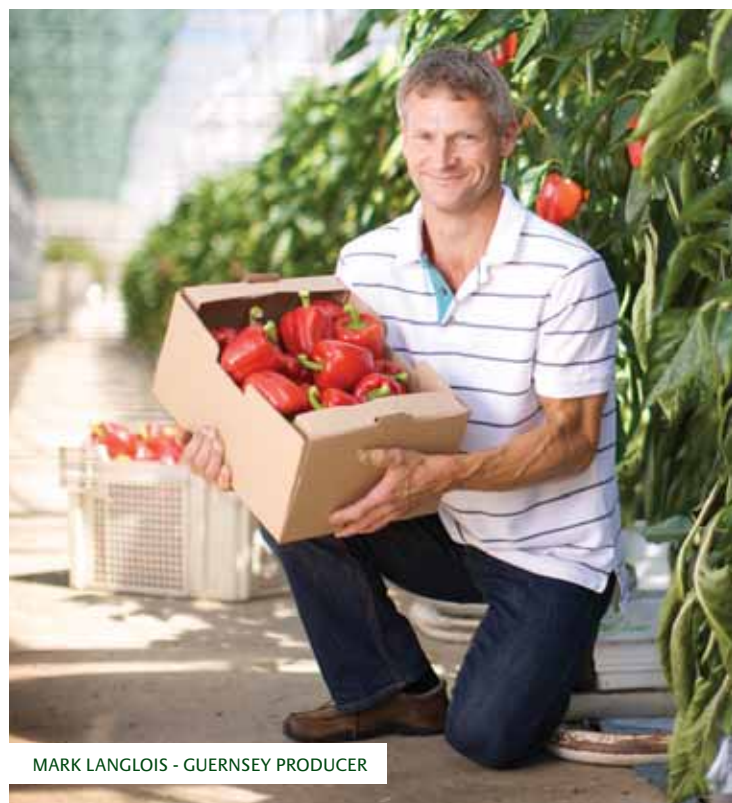
Your Channel Islands Co-operative is a local business, independent of The Co-operative Group in the UK. We have been operating in the Channel Islands for 95 years.

We have over 1,000 local products in our large stores which include dairy, fruit, vegetables, salad, herbs, alcohol and bakery products, amongst others.

We continue to support over 70 local producers and pay over £11 million for the supply of local produce on an annual basis.



DIDIER HELLIO - JERSEY PRODUCER



MARK LANGLOIS - GUERNSEY PRODUCER

REPORT OF THE DIRECTORS

Awards

The Society continued to win awards throughout 2013. After successes highlighted in the previous report at The Awards for Achievement in Guernsey and the Jersey Customer Service Awards, we were also successful in the following:



1) The Society was named 'Large Business of the Year' at the Jersey Enterprise Awards on the 7th June 2013.

1 - JERSEY ENTERPRISE AWARDS



2 - TOTSTOP - JERSEY CUSTOMER SERVICE

2) Totstop in St Helier Grand Marche claimed first prize in the 'Best Customer Experience' category and was overall winner of the Jersey Customer Service Awards, held to celebrate excellence and innovation in customer service.

Our Ethics and Values

Our overall aim is 'to be a successful Co-operative business by serving our Members as the outstanding retailer in the Islands.' We are underpinned by a set of values that cover our commitment to our Membership obligations, service to our customers, our role in the community and responsibility towards our colleagues.

It is also our aim to maintain our position as the Islands' leading responsible retailer.

Animal Welfare

We will seek to promote animal welfare and work towards progressively improving standards of animal well-being by extending ranges reaching high welfare standards, opposing animal testing and excluding fur products.

Environmental Impact

We recognise nature's limited capacity to generate resources and absorb waste so we commit to supporting climate change and renewable energy initiatives, reducing the carbon footprint, reducing waste and own-brand packaging, encouraging re-usable carrier bags and sourcing more locally.

Ethical Trading

We are committed to supporting the Human Rights movement and to improve conditions in our supply chain. Therefore we continue to promote Fairtrade and develop long term relationships with developing country producers and apply our sourcing code of conduct.

Our Corporate Values

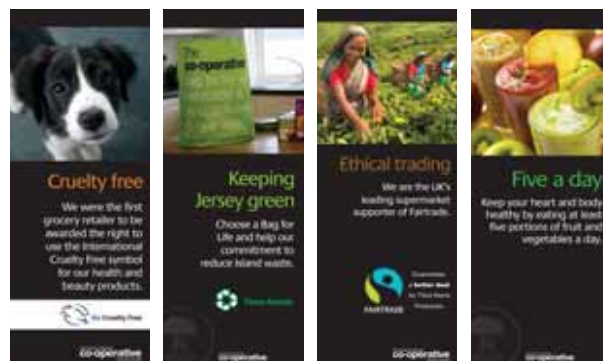
To keep control of our Society with local Members and local residents as directors.

To maintain dividends being returned to Members in relation to the value of their purchases.

To manage the Society effectively by maintaining sufficient funds within the Society to ensure future development.

Food Quality, Diet and Health

We believe consumers should have access to high quality food that is produced and offered in a way they can trust. We do this by promoting the removal of substances of concern in foods, extending ranges that have healthy offerings and ensuring clear and honest labelling.



CO-OP INVOLVEMENT IN
FAIRTRADE CHOCOLATE WEEK

Our Service Values

To offer our customers consistently high quality products and services in our shops and offices, giving good value at all times.

To act at all times with honesty, integrity and within the laws and regulations of the islands.

Our Community Values

To play a meaningful role in the community, especially in charitable and environmental matters.

To be non-partisan in all political, cultural and religious matters.

To act in the best interests of the consumer.

Our Employment Values

To be a caring and responsible employer, encouraging the training and development of all colleagues within a working environment free of any discrimination, victimisation or harassment.

To employ a workforce that reflects the community and values the contribution of the individual irrespective of sex, marital status, disability, sexuality, race, colour, religion, ethnic or national origin.

To ensure that the workplace is safe and provides a healthy environment.

Society Profile

De Gruchy's Funeral Care has been part of our local Society for five years now. From their premises in St Saviour, the team undertake between 150-180 services every year.



"Every service we arrange is bespoke, there are no rights or wrongs when it comes to arranging a funeral. It should be whatever is right for the bereaved," says Gary Tye, Manager of De Gruchy's Funeral Care.

And he should know. The team are the only Funeral Care providers in Jersey able to provide National Association of Funeral Directors qualified staff; Gary himself has a Diploma in Funeral Arranging and Administration.

The team is made up of Gary Tye, Nigel Coutanche, Jerry Crow and Tim Sangwine. Between them they have a variety of qualifications, plenty of experience and a drive to provide a quality service.

"We are a small team and fully focused at all times on the care of the deceased and the client families. The high quality of service we provide can only be achieved by us all working together very closely," Gary continues. "The role of a Funeral Director is so varied. It is said that the role encompasses many things... counsellor, master of ceremonies and event organiser... which is true."

"There is no such thing as a typical day. We respect that the person who has passed is an individual and therefore the funeral service

should reflect that. No two services are the same, no two families are the same. It is what makes our job so varied and interesting."

"And I should include 'rewarding' in that list," Gary quickly adds. "Although I call it a job, it's much more than that, it's a privilege to be able to provide assistance, guidance and understanding, when many are at their most vulnerable."

Seeing families who are understandably emotional and deeply upset over the loss of their loved one, many of which say they wished they had previously discussed funeral arrangements with their loved ones, De Gruchy's encourages people to give some prior thought to their future wishes or requirements.

With this in mind, a free service 'Expression of Wishes' is provided where people's requests are recorded and kept on file for when they are needed. This provides invaluable guidance for family and friends left behind. In addition, pre-paid funeral plans are available to help with the financial aspects of a funeral (with dividend paid on all products and services provided by De Gruchy's Funeral Care).

De Gruchy's prides itself on going the extra mile or adding little touches that make a funeral stand out. For example, they provide coffins, accredited by the Forest Stewardship Council, that ensure the use of sustainable wood products. Options include modern, traditional, Eco friendly and Fairtrade and there is the ability to print any design (local beauty spot or football team perhaps?) onto a coffin. De Gruchy's is also the only local provider of a fleet of silver hearses and limousines.

Gary concludes: "De Gruchy's Funeral Care stands for exactly the same things that are synonymous with The Channel Islands Co-operative. We are part of the local community and strive to provide a quality service to our customers. It is an association we can be very proud of."



PICTURE LEFT: DE GRUCHY'S TEAM (LEFT - RIGHT) - NIGEL COUTANCHE, TIM SANGWINE, JERRY CROW AND GARY TYE

PICTURE RIGHT: DE GRUCHY'S INTERIOR



Governance

As an Industrial & Provident Society, The Channel Islands Co-operative Society Limited is not required to adhere to the Provisions of the Combined Code. However, Co-operatives UK, the apex body for Co-operative Enterprises in the UK, with the support of Congress has issued a code for Consumer Co-operatives to which it requires voluntary compliance. This code is based on the principles contained in the combined code but it is tailored to the particular governance characteristics found in consumer co-operative societies.

The following statement outlines how the Society has complied with the principles of the code and explains in its final statement the provisions with which the Society does not comply and the reasons for non-compliance.

Members

Co-operatives are Member-owned democratic organisations and the Board continues to encourage Members to play their part in the governance of the business and to improve Membership participation. All Members are encouraged to attend the Annual Meetings, with notices being placed in all of the Society's places of business to which Members have access and in the local press.

The Board

The Board is responsible for setting the Society's objectives and strategy, monitoring delivery by Management of that strategy and identifying the management risks. 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 such organisations. Certain duties and responsibilities are the sole preserve of the Board and these include all matters concerning determination and general operation of the Society's Rules, all aspects of Membership policy, approval of all capital funding arrangements and approval of property acquisitions and disposals.

The Board meets on a regular basis throughout the year. At its meetings, it receives reports from Management on trading and other matters, reviews the financial performance of the Society both for the period and cumulatively for the year and considers papers presented for decision or information. Decisions made are actioned as appropriate by Management. The Board has delegated the day to day management of the Society's activities to the Chief Executive and his Management Team, who are responsible for the execution of the strategy within the framework set by the Board.

The Society's Secretary can only be appointed or removed by the Board and is independent of the Management Structure. All Directors have access to the advice and services of the Secretary at all times. In addition, external professional advice may be taken if requested by at least three directors.

Board Elections

In May 2013, elections for four vacancies arising as a result of rotational retirement took place. There were ten candidates for the vacancies. Mr B Shenton and Mrs C Champion were elected for a four-year term of office and Mrs J Vibert and Mrs S Ryde were elected for a two-year term of office. Mrs J Pritchard retired from the Board.

Board Balance and Independence

All Directors are non-executive and hold the following occupations:

Mr P Roffey	Freelance Writer
Mr B Shenton	Investment Advisor
Mrs C Champion	Nutritional Therapist
Mrs T Dorrity	Homemaker
Mr A Fearn	Head of Client Administration – Corporate Trust Services
Mr H Marett-Crosby	Freelance Journalist & Writer
Mrs S Ryde (Elected 14 May 2013)	Project Manager
Mrs J Pritchard (Retired 14 May 2013)	Cook
Mrs J Vibert	Personal Assistant

With the exception of the Chief Executive Officer, no members of the Management Executive hold any significant directorships. The Chief Executive Officer has been nominated as a Director of Jersey Pharmacy Services Limited and is a Member of the Committee of Community Savings Limited.

The Secretary maintains a Register of Directors' and Management Executives' interests in order to ensure that they do not participate in any decision where they may have an interest. The Rules of the Society provide that Members are debarred from becoming Directors in circumstances where specific interests in other organisations are held.

The Chairman

The President of the Society is elected by the Board at the first Board Meeting each year following the Annual Meeting of Members. The President acts as Chairman at all Board Meetings. No employee of the Society may become a Director and therefore the Chairman is independent of management.

In accordance with Society Rules, Mr Peter Roffey was elected Chairman of Directors' Meetings and President of the Society. Mr Ben Shenton was elected Vice-President.

Board Skills

All Directors are required to undertake training annually. In addition, newly appointed Directors are required to undertake initial induction training and such further training as being necessary in order to address any skill shortages.

Board Remuneration

The Board's Remuneration was fixed by the Members at their Annual Meeting held in 2013. Provision was made for the remuneration to be increased annually in line with the increase agreed between the Co-operative Employees' Association and the National Association of Co-operative Officials, subject to a review by Members five years after the date of the passing of the resolution.

REPORT OF THE DIRECTORS

Board Skills and Performance Evaluation

Although a formal Board skills audit is not carried out, the Board undertakes an informal review on an annual basis and identifies training needs for the Board collectively. The Secretary is then directed to arrange training to meet the needs so identified.

On an annual basis, the Board evaluates its performance in respect of Corporate Governance; the areas of non-compliance are contained within this report.

Board Committees

All of the Directors sit as Members of the Audit Committee. The work of the Audit Committee includes the appointment of the Society's external Auditors and a review of their work, the review of the Society's system of internal control and its effectiveness, the review of the integrity of the Society's financial statements and a review of the work of the internal auditor and risk function.

The Committee has the opportunity to meet the external auditors and also the Society's Head of Internal Audit without the presence of Management during the year.

Internal Control

The Board is ultimately responsible for the Society system of internal control and for reviewing its effectiveness. Set out below is a review of the Society's system of internal control. It should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve the Society's objectives and can provide only reasonable and not absolute assurance against material mis-statement or loss.

The Society has adopted an internal control framework which contains the following key elements:

1. An organisational structure with clearly defined lines of responsibility, delegations of authority and reporting requirements.
2. Policies for expenditure, with set authorisation levels.
3. A comprehensive system of financial reporting. Actual results together with budget comparisons and prior year comparisons are reported regularly to the Board throughout the year.
4. The Board review and approve the annual 3-year rolling budget and plans for the Society.
5. A "whistle-blowing" policy and procedure for the reporting and resolution of suspected fraudulent activities.
6. An internal audit function charged with reviewing the Society's systems of internal control.

The Board and the Executive Management have primary responsibility for identifying and controlling the key risks facing the Society. The Society operates a risk management process that aims to identify the key risks. These risks are considered at Executive Management level and are reviewed by the Audit Committee. Action is taken to mitigate the risks identified.

Society control procedures are designed to ensure accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and review by Management, Internal Audit and the External Auditors.

Board Meetings

Ten scheduled meetings of the Board were held during the year. Each individual Director's attendance was as follows:

	Meetings Attended 2013	Meetings Entitled to Attend
Mr P Roffey (President)	10	10
Mr B Shenton	10	10
Mrs C Champion	10	10
Mrs T Dorrity	10	10
Mr A Fearn	9	10
Mr H Marett-Crosby	10	10
Mrs J Pritchard	4	4
Mrs S Ryde	5	6
Mrs J Vibert	10	10

In addition, an extraordinary meeting of the Board was held during the year for which Mr Fearn and Mr Shenton were unavailable.



Compliance Statement

A revised Code of Practice was issued by Co-operatives UK in November 2013. The Code contains 163 provisions and for ease of reference, the numbers stated below are those of the provisions with which the Society does not currently comply:

- | | |
|--|---|
| <p>69. There is no total maximum service as Chair of the Society. The Board are of the opinion that the Chair should be the best person for the role and that they should not be constrained by a director's maximum period of office when making their choice. There is an annual election for a Chair.</p> <p>82. The Society has a term of office of four years for directors rather than the maximum three years stipulated within the Code. Having reviewed the composition of the Board, in consultation with Co-operatives UK, it was agreed that the provision of a four-year term of office would provide the most practical and fairest way of dealing with rotational retirements, without significantly increasing the number of directors serving on the Board.</p> <p>83. There is no maximum period for a Director to serve on the Board. The Board are concerned that, with a relatively small number of Directors, coupled with the time taken for a person to become fully effective as a director, continuity takes a higher priority to retain experience so far as is practicable. In a democratic organisation, the Board do not consider it appropriate to advise the Members as to whom they should elect in order to obtain a balance of experience and newly-elected Board Members.</p> <p>84. Under the previous Code of Governance, Co-operatives were obliged either to set a maximum</p> | <p>period for a person to serve on the Board or to have an age rule. The revised Code requires that there shall be no discrimination by reason of age and the Board will be bringing a proposition to a special meeting of the Members to remove the limitation on age contained within the Society's Rules.</p> <p>91. A formal system of Board evaluation has not been implemented, either in respect of the Board as a whole or for individual Directors. However, the Board have been in discussions with an external consultant with a view to implementing such a system in the future.</p> <p>92. A formal system of appraisal of the Chair has not been implemented at this time. Such appraisal will form a part of the system of Board evaluation.</p> <p>93 – 150. The Code recommends the formation of a number of committees to work on specialist aspects of the Board's remit. These include the search committee, the remuneration committee and the audit committee. Having a comparatively small number of directors, each of the functions of these committees is currently undertaken by the Board as a whole although ad hoc sub-committees are from time to time formed to deal with specific matters where required. In all other respects, the Society meets the requirements set down for each of the sub-committees.</p> <p>155. Although the Society has a detailed whistleblowing procedure, it is reviewed by the Board as a whole and not by the Audit Committee.</p> |
|--|---|

REPORT OF THE DIRECTORS

Summary

The trading conditions for retailers in the Channel Islands continue to be challenging and the Society is not immune to the problems posed - both economic and competitive. Nevertheless, many political factions within the Islands continue to question the competitiveness of the local market and the Channel Islands Regulatory Authority was asked to undertake an investigation into local food pricing compared to that of the UK. While food prices overall were deemed higher than in the UK, the Society compared very favourably to Co-operatives in the UK despite having to carry significantly higher personnel costs.

We have continued to seek opportunities for expansion and diversification throughout the year, as exemplified by our

acquisition of Argent Funeral Services in Guernsey and the opening of a new Locale Store at Sion in Jersey. We consider that we need to take the many opportunities that are presenting themselves to secure the future of your Society for the long-term benefit of the Islands.

As always, none of what we have achieved would have been possible without the hard work and loyalty of our management and colleagues. They continue to produce an excellent performance in a very challenging environment and we unreservedly thank them for all of their efforts in making the Society successful. We also thank our Members and customers for their continued loyalty and support.

Signed on behalf of the Board of Directors

P Roffey, President

C Macleod, Chief Executive

D Rees, Secretary

6th April 2014

FINANCIAL RESULTS - CONTENTS

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CONSOLIDATED REVENUE ACCOUNT

For the 52 weeks to 12th January 2014

Group	Notes	52 weeks to 12th January 2014		52 weeks to 13th January 2013	
		£'000	£'000	£'000	£'000
Turnover					
Less Cost of Sales	1		160,404 (110,838)		159,617 (109,778)
Gross Profit			49,566		49,839
Less Expenses	2	39,276		38,443	
Extra Dividend and Travel Vouchers	3	2,261	(41,537)	2,686	(41,129)
Trading Surplus			8,029		8,710
Other Operating Income	4		1,837		1,515
Operating Profit			9,866		10,225
Investment Income		303		270	
Less Interest and Other Finance Costs	5	(1,790)	(1,487)	(2,063)	(1,793)
Loss on disposals	6		8,379 (58)		8,432 (89)
Surplus Before Taxation			8,321		8,343
Taxation	7		(123)		(163)
Surplus Before Distribution			8,198		8,180
Share Interest		659		513	
Dividend (Ratified)		5,156	(5,815)	5,450	(5,963)
Surplus for year after Distribution			2,383		2,217
Share of operating profit in Associate undertaking	10		135		135
Surplus for year transferred to Reserves	14		2,518		2,352
Statement of Total Recognised Gains and Losses					
Surplus for the year after distribution			2,383		2,217
Movement on Revaluation Reserve			(2,316)		(4,219)
Total Actuarial (Losses) / Gains	17		(1,799)		5,030
Total (Losses) / Gains Recognised since last annual report			(1,732)		3,028
Note of historical cost profits					
Surplus before taxation			8,321		8,343
Depreciation charge on the revaluation element of freehold buildings			47		107
Historical cost profit on ordinary activities before taxation			8,368		8,450
Historical cost profit for the year retained after taxation and distribution			2,430		2,324

The Society will be recommending a distribution of £5,070,000 to its members for the period to 12th January 2014 as detailed in Note 20 on page 33. In accordance with FRS 21, this has not been accrued for in these financial statements.

All gains and losses recognised during the year relate to continuing activities.

The accounting policies and notes on pages 23 to 33 inclusive form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 12th January 2014

		As at 12th January 2014		As at 13th January 2013	
	Notes	£'000	£'000	£'000	£'000
Fixed Assets	8		111,601		113,470
Intangible Assets	9		1,544		1,630
Investments	10		1,483		1,483
			114,628		116,583
Current Assets					
Stocks		13,101		12,872	
Debtors and Prepayments	11	9,394		8,669	
Short Term Deposits		15,040		13,542	
Cash at Bank and in hand		13,242		3,656	
		50,777		38,739	
Less Current Liabilities (which fall due within one year)					
Creditors	12	14,943		15,363	
Taxation		104		169	
Share Interest		659		513	
Loans	13	19,149		20,073	
		34,855		36,118	
Net Current Assets			15,922		2,621
Total Assets less Current Liabilities			130,550		119,204
Liabilities which fall due after one year	12		(14,177)		(15,685)
Net Assets excluding Pension Fund deficit			116,373		103,519
Pension Fund deficit	17		(10,080)		(9,299)
Net Assets including Pension Fund deficit			106,293		94,220
Capital and Reserves:					
Share Capital			51,822		38,017
Reserves - General	14		36,000		34,500
- Revaluation	14		4,955		7,271
- Revenue	14		13,516		14,432
Total Shareholders' Funds	15		106,293		94,220

The accounting policies and notes on pages 23 to 33 inclusive form part of these financial statements.

PARENT COMPANY BALANCE SHEET

As at 12th January 2014

As at 12th January 2014

As at 13th January 2013

	Notes	£'000	£'000	£'000	£'000
Fixed Assets	8		111,521		113,417
Intangible Assets	9		1,544		1,630
Investments	10		1,983		1,983
			115,048		117,030
Society Loan	11		42		42
Current Assets					
Stocks		13,101		12,872	
Debtors and Prepayments	11	8,179		7,500	
Short Term Deposits		15,040		13,542	
Cash at Bank and in hand		12,388		3,241	
		48,708		37,155	
Less Current Liabilities (which fall due within one year)					
Creditors	12	14,304		14,816	
Taxation		104		169	
Share Interest		659		513	
Loans	13	19,149		20,073	
		34,216		35,571	
Net Current Assets			14,492		1,584
Total Assets less Current Liabilities	12		129,582		118,656
Liabilities which fall due after one year			(14,177)		(15,685)
Net Assets excluding Pension Fund deficit			115,405		102,971
Pension Fund deficit	17		(10,080)		(9,299)
Net Assets including Pension Fund deficit			105,325		93,672
Capital and Reserves:					
Share Capital			51,822		38,017
Reserves - General	14		36,000		34,500
- Revaluation	14		4,955		7,271
- Revenue	14		12,548		13,884
Total Shareholders' Funds	15		105,325		93,672

The accounting policies and notes on pages 23 to 33 inclusive form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks to 12th January 2014

52 weeks to 12th January
2014

52 weeks to 13th January
2013

	£'000	£'000	£'000	£'000
Net cash inflow from operating activities		10,558		14,840
Returns on investments and servicing of finance (Note 2)		(6,982)		(7,300)
Taxation		(188)		(184)
Capital expenditure (Note 2)		(4,004)		(13,322)
Acquisitions and disposals (Note 2)		(62)		(1,000)
		(678)		(6,966)
Management of liquid resources (Note 2)		(1,119)		(1,472)
Financing (Note 2)		12,881		6,809
Increase / (Decrease) in cash		11,084		(1,629)
Reconciliation of operating profit to net cash inflow from operating activities				
Operating profit		9,866		10,225
Depreciation, Goodwill and impairment charges		3,532		3,332
(Increase) in stocks		(229)		(690)
(Increase) in debtors		(725)		(544)
(Decrease) / Increase in creditors		(694)		3,617
Net movement in pension scheme expenses		(1,192)		(1,100)
Net cash inflow from operating activities		10,558		14,840
Reconciliation of net cash flow to movement in net funds (Note 3)				
Increase / (Decrease) in cash in period	11,084		(1,629)	
Cash utilised to decrease liquid resources	1,119		1,472	
Change in net funds	12,203		(157)	
Net funds at beginning of period	396		553	
Net funds at end of period	12,599		396	

The accounting policies and notes on pages 23 to 33 inclusive form part of these financial statements.

NOTES TO THE CASH FLOW STATEMENT

Note 1 - MAJOR NON-CASH TRANSACTIONS

There were no major transactions entered into during the year other than disclosed within the Cash Flow Statement.

	2014		2013	
	£'000	£'000	£'000	£'000
Note 2 - GROSS CASH FLOWS				
Returns on investments and servicing of finance				
Investment income received	168		135	
Interest paid	(2,129)		(2,115)	
Income from Associate	135		135	
Dividends paid	(5,156)		(5,455)	
		(6,982)		(7,300)
Capital expenditure				
Payments to acquire tangible fixed assets	(4,180)		(13,513)	
Receipts from sales of tangible fixed assets	176		191	
		(4,004)		(13,322)
Acquisitions and disposals				
Purchase cost of intangible asset in period	(62)		(1,000)	
		(62)		(1,000)
Management of liquid resources				
(Decrease) in bank loans	(1,119)		(1,472)	
		(1,119)		(1,472)
Financing				
Increase in Share Capital	13,805		6,650	
(Decrease) / Increase in members Loans	(924)		159	
		12,881		6,809

Note 3 - ANALYSIS OF CHANGES IN NET FUNDS

	As at 13th Jan 2013	Cash flows 52 weeks 12th Jan 2014	As at 12th Jan 2014	Cash flows 52 weeks 13th Jan 2013
	£'000	£'000	£'000	£'000
Cash at bank and in hand	3,656	9,586	13,242	1,386
Short term deposits	13,542	1,498	15,040	(3,015)
	17,198	11,084	28,282	(1,629)
Short term borrowings	(1,117)	(389)	(1,506)	353
Debt due after more than one year	(15,685)	1,508	(14,177)	1,119
Net funds	396	12,203	12,599	(157)

The accounting policies and notes on pages 23 to 33 inclusive form part of these financial statements

STATEMENT OF ACCOUNTING POLICIES

Basis of Accounting

The financial statements set out on pages 18 to 33 inclusive, have been prepared under the historical cost convention, as modified by the revaluation of freehold and investment properties, in accordance with U.K. accounting standards.

Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of the Society and its wholly owned subsidiary company Offshore Leisure Limited ('the Group').

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated revenue account from the date of acquisition or up to the date of disposal.

Associate Undertaking

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated revenue account and its interest in their net assets is included in investments in the consolidated balance sheet.

In July 2007, the Society acquired 25% of the issued share capital of a new venture, Jersey Pharmacy Services Limited ('JPSL'); a Jersey registered company with Jersey resident shareholders. JPSL's principal activity is the provision of retail pharmacy and prescription services in the Channel Islands. JPSL consists of five pharmacies in Jersey and two in Guernsey. As the Society holds significant influence over the JPSL, the assets and profits attributable to the activities of JPSL are accounted for within the financial statements of the Society using the equity method. On 13th January 2014, the Society acquired an additional 45% of the issued Share Capital of JPSL as detailed in Note 20 on page 33. Future reporting will reflect this interest.

Accounting Date

The financial statements are made up for the fifty-two weeks ended 12th January 2014 with comparative figures for the fifty-two weeks ended 13th January 2013.

Turnover

Turnover represents cash transactions and goods and services charged to customers during the accounting period net of goods and services tax, which fall within the Group's ordinary activities. Turnover arising from the travel activities of the subsidiary company, Offshore Leisure Limited, represents the sales value of deposits and the final balances paid by our customers prior to departure. Travel turnover consists of the gross sales value generated from the sale of non-agency services. The Society acts at all stages of the travel transaction with the customer including the supply of air tickets, insurance, hotel bookings and related services. The Society considers itself to be acting in the capacity of an Agent for accounting purposes as required under the Application Notes of Financial Reporting Standard (FRS) 5, Reporting the Substance of Transactions. Where the Society acts as an Agent with customers and receives a commission for the provision of travel goods and services, it does not recognise the sale and reports the element of commission only. The effect of the policy is reported in Note 1 on page 25.

Other Operating Income and Investment Income

Other Operating Incomes and Investment Income are credited to the Society on an accrued basis, less any related charges.

Taxation

Full provision has been made for the estimated amount of liability in accordance with Jersey and Guernsey Income Tax law. Deferred tax is recognised, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard (FRS) 19, Deferred Tax. Deferred tax assets are recognised to the extent that, on the basis of the available evidence, it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The calculation of the deferred tax asset or liability is based on the taxation rates that are expected to apply in the periods in which the timing differences are expected to reverse based on taxation rates and laws that have been enacted or substantively enacted at the balance sheet date.

Dividend

For the financial period ended 8th January 2006 the Society adopted the requirements of Financial Reporting Standards (FRS) 21, Events After The Balance Sheet Date. As a consequence Society Dividend may only be recognised as a liability when it has been declared and ratified in the same accounting period. Previous practice was to provide for the Dividend in the Revenue Account and request that this be ratified at the next Members' Meeting. This practice is no longer permissible and the Dividend that would otherwise have been provided in the Revenue Account is reported in Note 20 on page 33.

Stocks

Stocks have been valued at the lower of cost or net realisable value.

Depreciation

Depreciation on freehold buildings, excluding land values, is provided on a straight line basis on carrying values, as follows:

Freehold Buildings	– 2% p.a.
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Depreciation is provided on all tangible fixed assets, on a straight line basis on original cost at rates sufficient to write off their value over their estimated useful life, as follows:

Fixtures, Fittings and Plant	– between 10% and 20% p.a.
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Refrigeration and Electrical	– between 12.5% and 20% p.a.
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Motor Vehicles	– 12.5% p.a.
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Computer Hardware	– 20% p.a.
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Computer Software	– 33.33% p.a.
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TV and Rental Equipment	– 25% p.a.
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Costs incurred on Leasehold Buildings are amortised over the remainder of the unexpired lease.

Depreciation is not provided for on Society Freehold Land and Buildings held for investment purposes.



Expenditure

All expenditure is accounted for on an accruals basis.

Operating Lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Goodwill

Purchased Goodwill is capitalised and amortised against profits over the shorter of its useful economic life or 20 years. Goodwill is subject to an impairment review in accordance with FRS11, Impairment of Fixed Assets and Goodwill.

Lease Premium

A lease premium paid is treated as an intangible asset and amortised on a straight line basis over the life of the lease.

Related Party Disclosures

- i) The Society, as a matter of policy enters into negotiations with all third party suppliers of goods and services, on an arm's length basis adopting the code of Best Practice in all such issues. The Society has been and still remains a member of the Co-operative Retail Trading Group ('CRTG'), an organisation that negotiates all buying terms for both the retail buying group, CRTG, and the Co-operative Group ('CWS') Limited. All buying terms are negotiated with third party suppliers by CWS on behalf of all CRTG members, and all members of the buying group benefit from the advantageous terms that such a major group can offer. In the financial period to 12th January 2014, total purchases from CWS net of discounts, Dividends and rebates received, amounted to £29,662,518 (2013: £31,090,652) and the creditor due to them at that date was £286,832 (2013: £821,309). As at 12th January 2014, the amounts owed to the Society in respect of rebates from CRTG was £3,568,854 (2013: £3,468,934).
- ii) The Society placed all of its insurance requirements for the past financial year with the Co-operative Insurance Society ('CIS'), a wholly owned subsidiary of CWS. The terms are reviewed annually and tenders are periodically invited from reputable insurers in addition to CIS.
- iii) As a result of the difficulties experienced by the Co-operative Bank Plc, Natwest Bank Plc now operates as the Society's primary bank. To minimise the risk of a bank failure, significant cash holdings have been placed with Lloyds Bank Plc and Royal London Asset Management. The Co-operative Bank Plc has decided to close its Guernsey branch and all Society cash will be transferred out by 30 April 2014. At the 12th January 2014 the Society had current account balances and short term deposits of £2,920,978 (2013: £17,198,000) with the Co-operative Bank Plc. In the financial year to 12th January 2014, the Society earned interest of £133,992 (2013: £120,787) and the debtor due to the Society at that date was £14,125 (2013: £Nil). Also as at 12th January 2014 the Society had two loan rate Swap borrowing facilities totalling £15,683,000 (2013: £16,802,000), which it had drawn upon and £7,100,000 (2013: £7,100,000) that was undrawn. During the financial year, the Society was charged interest of £1,103,670 (2013: £1,054,468) and the creditor due at year end was £279,531 (2013: £24,075).

- iv) The Society has provided a guarantee for Community Savings Ltd (CSL) as disclosed in Note 16. The Society's CEO has been appointed as a Director of CSL. The provision of a guarantee has been made on the basis of corporate social responsibility and the Society receives no pecuniary benefit in return.

Tangible Fixed Assets

The Society has undertaken professional valuations of its property portfolio since January 1992.

The Society continues to obtain a professional valuation of all property upon its acquisition, the basis of all such valuations is detailed in Note 8 on page 26. Experience has shown that the Society's property has not depreciated in value due to a policy of regular maintenance so as to reinstate the fabric of the buildings where necessary.

The Society recognises the difference between the professional valuation and the carrying value of its property portfolio within a Revaluation Reserve. Permanent diminutions, reversal of permanent diminutions and depreciation of the building element are recognised in the Revenue Account in accordance with Financial Reporting Standard (FRS) 15, Tangible Fixed Assets.

The Society's investment properties are accounted for at open market value in accordance with the Statement of Standard Accounting Practice (SSAP) 19, Accounting for Investment Properties.

Pensions

The Society operates an Employees' Superannuation Scheme, membership to which has been taken up by the majority of those employees who are eligible to join the Scheme. From 30 June 2009, the Society no longer offers a defined benefit scheme and has operated a defined contribution scheme for new members. The Scheme assets are invested externally whilst administered by the Trustees to the Scheme. Contributions made by the Society are assessed on the advice of a qualified Actuary, and are charged through the Revenue Account as incurred.

Actuarial valuations are undertaken every three years. Details regarding the most recent valuations are reported in Note 17 on page 30. The Society has adopted the requirements of Financial Reporting Standard (FRS) 17, Retirement Benefits and recognised its effect in the Society's financial statements. The effect on the financial statements of adoption of FRS 17 is reported in Note 17 on pages 30 to 32 inclusive.

Foreign Currencies

Where the Group transacts business in a foreign currency, such transactions are translated at the exchange rate ruling at the date of the transaction, or the contracted forward rate, where applicable. Foreign currency balances are translated to sterling at the exchange rate ruling on the Balance Sheet date. Exchange rate gains and losses that arise are recorded in Other Operating Incomes.

Financial Instruments

The Board regularly reviews the Group's liquidity and capital position through the careful monitoring of its debtors, creditors and cash resources and the forward projection of its likely requirement for a rolling period of at least three years, based upon factors prevailing at the time. Negotiations to enter into financial instruments are entered into in good time so as to limit the Group's borrowing exposure, minimise risk and to seek advantageous market rates of interest.

NOTES TO THE FINANCIAL STATEMENTS

		2014	2013
	Notes	£'000	£'000
1 Turnover			
Gross turnover from Group ordinary activities		177,394	176,293
Less gross agency turnover from Subsidiary travel activities		(16,990)	(16,676)
		160,404	159,617
2 Expenses			
Personnel (see below)		23,179	22,996
Occupancy Costs		5,893	5,486
Depreciation	8	3,384	3,286
Goodwill Amortisation and Impairment	9	148	46
Audit Fee		79	71
Directors' Fees		94	92
Other Expenses		5,399	5,366
Special Contribution and Expenses paid to Pension Fund		1,100	1,100
		39,276	38,443
Directors' Fees			
Directors' fees fall within the following ranges	Number	Number	
Between £15,700 and £16,200 p.a.	1	1	
Between £13,000 and £13,500 p.a.	1	1	
Between £10,450 and £10,800 p.a.	6	6	
Personnel			
The costs in respect of employees were:			
Salaries, wages and other emoluments		24,371	24,096
Pension costs (note 17) - normal contributions	17	(1,192)	(1,100)
		23,179	22,996
Average numbers employed by the Society were:			
Full Time		567	563
Part Time (Full-time equivalent)		237	253
		804	816
3. Extra Dividend and Travel Vouchers			
Represents the value of stamps issued to members in exchange for which cash or goods may be obtained upon presentation of the appropriately completed stamp card. In addition it includes amounts redeemed in the form of Travel and Dividend Bonus Vouchers.			
4. Other Operating Income			
Sundry Income		414	250
Rental Income		1,423	1,265
		1,837	1,515
5. Interest and Other Finance Costs			
Members' Loan Interest Expense		466	580
Bank Interest Expense		1,104	1,055
Net Cost on Pension Scheme Liabilities	17	174	376
Stamp Club Interest		46	52
		1,790	2,063
6. (Loss) on Disposals			
Net (Loss) on disposal of fixed assets not acquired for resale		(58)	(89)
7. Taxation			
Provision for Income Tax		188	190
Adjustments in respect of prior years		(65)	(27)
		123	163

8. Fixed Asset Schedule

Group

Cost and Valuation at 13th January 2013
Movement in revaluation reserve

Additions in year at cost

Less Disposals

Cost and Valuation at 12th January 2014

Depreciation at 13th January 2013
Less Disposals

Depreciation charge for period

Depreciation at 12th January 2014

Net Book Value at 12th January 2014

Net Book Value at 13th January 2013

Parent

Cost and Valuation at 13th January 2013
Movement in revaluation reserve

Additions in year at cost

Less Disposals

Cost and Valuation at 12th January 2014

Depreciation at 13th January 2013
Less Disposals

Depreciation charge for period

Depreciation at 12th January 2014

Net Book Value at 12th January 2014

Net Book Value at 13th January 2013

	Land & Buildings			Equipment & Motor Vehicles	Total £'000
	Freehold £'000	Leasehold £'000	Investment £'000	£'000	
Cost and Valuation at 13th January 2013	87,721	1,994	16,820	35,450	141,985
Movement in revaluation reserve	(12, 858)	-	10,542	-	(2,316)
Additions in year at cost	74,863	1,994	27,362	35,450	139,669
	1,972	522	-	1,571	4,065
	76,835	2,516	27,362	37,021	143,734
Less Disposals	-	-	-	(293)	(293)
Cost and Valuation at 12th January 2014	76,835	2,516	27,362	36,728	143,441
Depreciation at 13th January 2013	1,888	394	-	26,233	28,515
Less Disposals	-	-	-	(59)	(59)
	1,888	394	-	26,174	28,456
Depreciation charge for period	984	65	-	2,335	3,384
Depreciation at 12th January 2014	2,872	459	-	28,509	31,840
Net Book Value at 12th January 2014	73,963	2,057	27,362	8,219	111,601
Net Book Value at 13th January 2013	85,833	1,600	16,820	9,217	113,470
Cost and Valuation at 13th January 2013	87,721	1,994	16,820	34,847	141,382
Movement in revaluation reserve	(12, 858)	-	10,542	-	(2,316)
Additions in year at cost	74,863	1,994	27,362	34,847	139,066
	1,972	522	-	1,524	4,018
	76,835	2,516	27,362	36,371	143,084
Less Disposals	-	-	-	(293)	(293)
Cost and Valuation at 12th January 2014	76,835	2,516	27,362	36,078	142,791
Depreciation at 13th January 2013	1,888	394	-	25,683	27,965
Less Disposals	-	-	-	(59)	(59)
	1,888	394	-	25,624	27,906
Depreciation charge for period	984	65	-	2,315	3,364
Depreciation at 12th January 2014	2,872	459	-	27,939	31,270
Net Book Value at 12th January 2014	73,963	2,057	27,362	8,139	111,521
Net Book Value at 13th January 2013	85,833	1,600	16,820	9,164	113,417

The Society has authorised total Capital Expenditure in the sum of £10,830,500 in the year (2013: £4,123,807), of which the sum of £719,097 (2013: £1,040,758) is contracted for and for which no provision is made within these financial statements.

The Society's Property Advisor, Buckley & Co, a Fellow of the Royal Institute of Chartered Surveyors, has undertaken a full valuation of the Society's property portfolio as at 12 January 2014. In the prior year, the Society's Property Manager, a Fellow of the Royal Institute of Chartered Surveyors, undertook the valuation. In accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, those properties primarily occupied by the Society were valued on the basis of existing use value, whilst those properties held as investments or for future development were valued on the basis of open market value.

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible Assets - Group and Parent

	2014 £'000		2013 £'000
Cost at beginning of period	2,221		1,221
Addition in period	62		1,000
Cost at end of period	2,283		2,221
Amortisation at beginning of period	591		545
Amortisation charge for the period	148		46
Amortisation at end of period	739		591
Net Book Value at end of period	1,544		1,630
Net Book Value at beginning of period	1,630		676

10. Investments

Unquoted Co-operative Group (C.W.S.): 105 Shares at £5 each
 Unquoted wholly owned subsidiary: (Offshore Leisure Limited.) 500,000 Ordinary Shares at £1 each
 Unquoted investment in Associate undertaking: 50 Ordinary Shares £1 each
 Share of operating profit in Associate undertaking
 Unquoted - Industrial Common Ownership Fund Plc:
 10,000 ordinary shares £1 each
 Unquoted - Toymaster Limited: 4,000 Ordinary shares £1 each

Group		Parent	
2014 £'000	2013 £'000	2014 £'000	2013 £'000
1	1	1	1
-	-	500	500
1,333	1,333	1,333	1,333
135	135	135	135
10	10	10	10
4	4	4	4
1,483	1,483	1,983	1,983

In the opinion of the Directors there has been no permanent diminution in the value of the above investments as at the period end or subsequently.

On 13th January 2014 the Society exercised its pre-emptive right to acquire additional shares in JPSL as detailed in Note 20 on page 33.

11. Debtors and Prepayments

Trade debtors
 Sundry accounts, prepayments and accrued interest

Group		Parent	
2014 £'000	2013 £'000	2014 £'000	2013 £'000
7,301	6,977	6,086	5,811
2,093	1,692	2,093	1,689
9,394	8,669	8,179	7,500

No provision for bad and doubtful debts has been made to 12th January 2014 or 13th January 2013.

Society Loan

The Society Loan detailed within the Parent Company Balance Sheet is with the Society's subsidiary company Offshore Leisure Limited and is unsecured, interest free with a repayment date in excess of one year.

12. Creditors

Liabilities which fall due within one year

Trade creditors
Accrued loan interest
Non-trade creditors and expense accruals
Property loans
Offshore Leisure Limited - inter company balance

Group		Parent	
2014 £'000	2013 £'000	2014 £'000	2013 £'000
7,016	8,111	5,466	6,560
466	314	466	314
5,955	5,821	5,796	5,688
1,506	1,117	1,506	1,117
-	-	1,070	1,137
14,943	15,363	14,304	14,816

Liabilities which fall due after one year

Property loans

Total

Group		Parent	
2014 £'000	2013 £'000	2014 £'000	2013 £'000
14,177	15,685	14,177	15,685
14,177	15,685	14,177	15,685

Property loans are secured against Society assets, arising in Jersey, by an unregistered charge and are repayable on or before 2018 and 2023 (£19 million). The loan repayments were fixed interest only, until 2011 and are now repayable by capital and interest.

13. Loans

Loan accounts - repayable one month

Group		Parent	
2014 £'000	2013 £'000	2014 £'000	2013 £'000
19,149	20,073	19,149	20,073

The rate of interest payable on Loan Accounts is between 0.10% and 2.00% in accordance with Rule 16.1 (a) of the Society.

NOTES TO THE FINANCIAL STATEMENTS

14. Reserves

Group

	General £'000	Revaluation £'000	Revenue £'000	Total £'000
Balance as at start of period	34,500	7,271	14,432	56,203
Movement in Revaluation Reserve in period	-	(2,316)	-	(2,316)
Realisation of prior year share of profits in Associate	-	-	(135)	(135)
Surplus for period transferred to reserves	-	-	2,518	2,518
Actuarial pension (loss) for period	-	-	(1,799)	(1,799)
Allocation to General Reserves	1,500	-	(1,500)	-
Balance as at end of period	36,000	4,955	13,516	54,471

Parent

	General £'000	Revaluation £'000	Revenue £'000	Total £'000
Balance as at start of period	34,500	7,271	13,884	55,655
Movement in Revaluation Reserve in period	-	(2,316)	-	(2,316)
Realisation of prior year share of profits in Associate	-	-	(135)	(135)
Surplus for period transferred to reserves	-	-	2,098	2,098
Actuarial pension (loss) for period	-	-	(1,799)	(1,799)
Allocation to General Reserves	1,500	-	(1,500)	-
Balance as at end of period	36,000	4,955	12,548	53,503

15. Reconciliation of movements in Shareholders' Funds

	Group		Parent	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Surplus for the financial period	8,198	8,180	7,778	7,822
Distributions	(5,815)	(5,963)	(5,815)	(5,963)
Share of operating profit in Associate undertaking	135	135	135	135
Realisation of prior year share of profits in Associate	(135)	(135)	(135)	(135)
Movement in Revaluation Reserve	(2,316)	(4,219)	(2,316)	(4,219)
Net movement to Share Capital Accounts	13,805	6,650	13,805	6,650
Actuarial (Loss) / Gain for the year	(1,799)	5,030	(1,799)	5,030
	12,073	9,678	11,653	9,320
Opening Shareholders' Funds	94,220	84,542	93,672	84,352
Closing Shareholders' Funds	106,293	94,220	105,325	93,672

- (i) Share capital attracts interest at a rate of between 0.10% and 2.00% per annum.
- (ii) Share capital is withdrawable upon demand, subject to the terms of Rule 7 of the Society's Rules.
- (iii) Each member is entitled to one vote.
- (iv) Members' rights upon winding up are as stated in the Society's Rules.



16. Contingent Liabilities

Indemnities are held in favour of 'Customs and Excise Immigration and Nationality, Guernsey' in respect of Duty in the sum of £200,000 (2013: £200,000) for which no provision has been made within the Financial Statements.

The Society has undertaken to provide two guarantees in the sum of £700,000 and £550,000 in favour of the Co-operative Bank Plc in respect of loans advanced to Jersey Pharmacy Services Limited ('JPSL'). The loans to JPSL are secured against Society property arising in Jersey. The guarantees are secured on the entire issued share capital of JPSL. It is not anticipated that the guarantees will be called upon.

The Society also undertook to guarantee a leasehold arrangement with an annual rental of £128,000 and a term of 21 years on behalf of JPSL which is cross guaranteed by JPSL in favour of the Society. It is not anticipated that this further guarantee will be called upon.

A Parental guarantee in favour of Natwest Bank Plc in the sum of £100,000 (2013: £Nil) has been entered into in respect of exposure to credit card transactions entered into with Offshore Leisure Limited. It is not anticipated that this guarantee will be called upon.

A Parental guarantee in favour of NatWest Bank PLC in the sum of £187,480 has been entered into in respect of a Bond issued by the Bank in favour of the Association of British Travel Agents for the benefit of Offshore Leisure Limited. It is not anticipated that this guarantee will be called upon.

The Society has agreed to act as guarantor for a period of three years commencing 1 March 2012 in respect of the operating costs of Community Savings Limited ('CSL'), a credit union established in Jersey, subject to a maximum of one year's operating expenses. The maximum budgeted operational expenditure in any single year is £128,300. The Society would only be liable to pay this sum in the event that CSL was unable to settle its debts. CSL provides the Society with financial information on a regular basis.

17. Accounting for Pensions

As previously reported The Board of Directors ('the Board') continue to monitor the funding requirements of the Society's Pension Scheme ('the Scheme'), and continues to financially support the Scheme in order to meet the past service deficit until such time as the liability is eradicated. The level of such financial support is reported below.

The Channel Islands Co-operative Society Employees' Superannuation Scheme is a defined benefit scheme, which since 30th June 2009 is closed to future accruals of service. The assets of this scheme are held in a separate trustee administered fund.

During the year the Society made cash contributions to the Scheme totalling £1,192,000 (2013: £1,100,000) of which the sum of £1,100,000 was a special contribution (2013: £1,100,000). Special contributions to the Scheme are monitored by and are subject to the advice of the Scheme's Actuary.

The last full valuation was at 30th June 2013. In order to comply with the requirements of Financial Reporting Standard (FRS) 17, Retirement Benefits, this valuation has been updated annually using the projected unit method.

In adopting the requirements of FRS 17, as amended and effective from 14th January 2008, the following disclosures are required:

The amounts recognised in the Group and Parent Balance Sheets are as follows:

	12/01/2014 £'000	13/01/2013 £'000
Fair value of scheme assets	41,449	36,297
Present value of funded obligations	(51,529)	(45,596)
	(10,080)	(9,299)
Liability recognised on Balance Sheet	(10,080)	(9,299)
Net pension liability	(10,080)	(9,299)
Amounts in the Balance Sheet		
Liabilities	(10,080)	(9,299)
Net pension liability	(10,080)	(9,299)

NOTES TO THE FINANCIAL STATEMENTS

The amounts recognised in the Revenue Account are as follows:

	12/01/2014 £'000	13/01/2013 £'000
Interest on obligation	2,210	2,154
Expected return on Scheme assets	(2,036)	(1,778)
Expense recognised in the Revenue Account	174	376
Actual return on Scheme assets	5,162	3,979

Changes in the present value of the defined benefit obligations are as follows:

	12/01/2014 £'000	13/01/2013 £'000
Defined benefit obligations as at the start of the period	45,596	47,281
Interest cost	2,210	2,154
Actuarial Losses / (Gains)*	4,925	(2,829)
Benefits paid	(1,202)	(1,010)
Defined benefit obligations as at the end of the period	51,529	45,596

* Includes changes to the actuarial assumptions as detailed on page 32.

Changes in the fair value of the Scheme assets are as follows:

	12/01/2014 £'000	13/01/2013 £'000
Fair value of Scheme assets as at the start of the period	36,297	32,228
Expected return	2,036	1,778
Actuarial Gains	3,126	2,201
Contributions by employer	1,192	1,100
Benefits paid	(1,202)	(1,010)
Fair value of Scheme assets as at the end of the period	41,449	36,297

Analysis of amounts recognised in the Statement of Total Recognised Gains & Losses:

	12/01/2014 £'000	13/01/2013 £'000
Total Actuarial (Losses) / Gains	(1,799)	5,030
Total (Losses) / Gains recognised in the Statement of Recognised Gains & Losses	(1,799)	5,030
Cumulative amount of Loss recognised in the Statement of Total Recognised Gains & Losses	(20,661)	(18,862)

NOTES TO THE FINANCIAL STATEMENTS

The major categories of Scheme assets as a percentage of the total Scheme assets are as follows:

	12/01/2014 %	13/01/2013 %
Equities	66	64
Gilts	21	22
Corporate Bonds	12	13
Cash	1	1

Principal actuarial assumptions as at the Balance Sheet date (expressed as weighted averages) where applicable:

	12/01/2014 %	13/01/2013 %
Discount rate	4.4	4.9
Expected return on Scheme assets at end of period (for following year)	6.2	5.6
Rate of increase in deferment whilst in employment with the Society	3.6	3.5
Rate of increase in deferred pensions who have left employment with the Society	3.4	3.3
Rate of increase in pensions payment	3.4	3.3
Inflation rate	3.6	3.5

The assumptions used by the Actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until the age of 89 if they are male and until 91 if female. For a member currently aged 40 the assumptions are that if they attain age 65 they will live on average until 92 if they are male and until 94 if female.

Description of the basis used to determine the expected rate of return on assets

The Employer adopts a building block approach in determining the expected rate of return on the Scheme's assets. Historic markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the disclosure year end.

Amounts for the current and previous periods are as follows:	12/01/2014 £'000	13/01/2013 £'000	15/01/2012 £'000	09/01/2011 £'000	10/01/2010 £'000
Defined benefit obligation	51,529	45,596	47,281	39,766	39,451
Scheme assets	41,449	36,297	32,228	32,030	28,677
Deficit	(10,080)	(9,299)	(15,053)	(7,736)	(10,774)
Experience Gains / (Losses) on Scheme assets	3,126	2,201	(1,609)	930	3,804
Experience Gains / (Losses) on Scheme liabilities	1,289	671	386	1,266	(2,889)
Change in assumptions underlying the present value of Scheme liabilities	(6,214)	2,158	(7,212)	(118)	(9,319)
Total Experience (Losses) / Gains on Scheme liabilities	(4,925)	2,829	(6,826)	1,148	(12,208)

Defined Contribution Pension Scheme

Effective from 30th June 2009, the Society operates a Defined Contribution Scheme ('DC Scheme'); the assets of which are held separately from those of the Society within an independently administered Fund. Pension contributions made by the Society during the year are in the sum of £1,058,745 (2013: £1,020,759). Contributions due at the year end are paid up to date and no sums remain outstanding to the DC Scheme by the Society.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments

The Group's overall objective in the management of financial instruments is laid out in the section dealing with Accounting Policies on page 24. The Group has made use of the exemption available under Financial Reporting Standard (FRS) 13, Derivatives and Other Financial Instruments Disclosures, in respect of the detail pertaining to short term debtors and creditors, and excluded their effect on the disclosures.

Interest rate profile of financial liabilities

Members' loans
Property loans - floating rate

Group 2014 £'000	Group 2013 £'000
19,149	20,073
15,683	16,802
34,832	36,875

The members' loans attract interest rates as detailed in Note 13.

The property loans bear interest at rates which are linked to the London Interbank Offer Rate (LIBOR).

Two Property Loan Swaps with an initial notional value of £10 million and £9 million respectively were entered into during 2008 to mitigate and therefore manage the Society's exposure to interest rate fluctuations. The fair value of the Swaps at 12th January 2014, based upon the difference between the floating interest rate due to be received by the Society less the fixed interest due to be paid by the Society over the period that the Swaps are contracted for, were £1,501,906 and £1,174,587 (2013: £2,022,437 and £1,584,666). All amounts are against the Society as a liability.

Maturity profile of financial liabilities (excluding interest)

On demand
Repayable in less than one year
Between one and two years
Between three and six years
Repayable over more than six years

Group 2014 £'000	Group 2013 £'000
19,149	20,073
1,506	1,117
1,531	1,508
6,350	6,662
6,296	7,515
34,832	36,875

19. Commitments under Operating Leases

As at 12th January 2014 the minimum annual commitments of the Society under non-cancellable operating leases in respect of Land & Buildings were as follows:

Within one year
Within two to five years
After five years
Total annual commitments

2014 £'000	2013 £'000
-	-
6	8
1,197	1,142
1,203	1,150

Amounts paid during the year included in expenses

2014 £'000	2013 £'000
1,251	1,056

20. Post Balance Sheet Events

The Society has yet to recommend a distribution of £5,070,000 to its members for the period to 12th January 2014.

The recommendation to accept this distribution will be, it is envisaged, ratified at the Annual General Meetings of Members on the 13th and 14th May 2014. Provision for this sum has not been made within these financial statements in line with the requirements of FRS 21.

On 13th January 2014, the Society exercised its pre-emptive right and acquired a further 45% of the issued Share Capital in JPSP for a consideration of £2,250,000.

On 7th March 2014, the Society acquired the De La Mare site in Grouville, Jersey for a combined sum of £955,150.

21. Ultimate Controlling Party

In the opinion of the Directors there is no ultimate controlling party as there is no single individual party who is able to exercise majority control.

The Financial Statements and Notes on pages 18 to 33 are hereby signed on behalf of the Board of Directors pursuant to Section 3 (5) (C) of the Friendly and Industrial and Provident Societies Act 1968.

P. Roffey, President

B. Shenton, Director

D. Rees, Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and UK Accounting Standards. The Directors are required to prepare the financial statements for each financial year which 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 apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping proper accounting records that 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 Industrial and Provident Societies Acts 1965 – 1978 (Industrial and Provident Societies (Channel Islands) Order 1965 – 1978). 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.

Website

The financial statements are published on www.channelislands.coop, which is a website maintained by the Society. The maintenance and integrity of the www.channelislands.coop website is the responsibility of the Directors; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 6th April 2014. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 6th April 2014 which in any way extends this date. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors shall remain responsible for establishing and controlling the process for doing so, and for ensuring that the financial statements are complete and unaltered in any way.

Going Concern

After making all appropriate enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group and Parent financial statements.

REGISTERED AUDITORS' REPORT

Auditor's report to the members of The Channel Islands' Co-operative Society Limited

We have audited the group and parent financial statements ('the financial statements') of The Channel Islands' Co-operative Society Limited ('the Society') for the period ended 12 January 2014 which comprise the Consolidated Revenue Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards.

This report is made solely to the Society's members, as a body, in accordance with the Industrial and Provident Societies Acts 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978). 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent's affairs as at 12th January 2014 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK Accounting Standards; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978).

KPMG Channel Islands Limited
Registered Auditors, 37 Esplanade, St Helier, Jersey

6th April 2014

TABLE OF PROGRESS (UNAUDITED)



YEAR	Membership 000's	Share Capital £'000	Loan Accounts £'000	Reserve Fund £'000	Short term Deposits and Investments £'000	Note 1 Turnover £'000
Inaugural Year 1956	6	77	33	11	11	403
Five Yearly Figures						
1965	13	237	126	111	11	962
1970	20	183	310	200	116	1,942
1975	29	242	653	500	200	5,224
1980	42	1,078	4,757	1,500	3,529	14,187
1985	53	1,867	8,552	2,600	4,755	26,160
1990	65	3,340	5,569	7,000	4,270	36,617
1995	76	4,632	4,108	12,500	1,762	50,479
2000	84	7,138	4,630	17,500	1,486	65,791
2005	94	11,123	6,533	23,000	890	104,349
2010	108	18,919	19,755	30,000	11,368	158,504
Last Five Years						
2009	105	13,615	6,180	28,500	3,384	149,693
2010	108	18,919	19,755	30,000	11,368	158,504
2011	110	26,197	20,003	31,500	13,558	165,873
2012	114	31,367	19,914	33,000	18,040	177,514
2013	116	38,017	20,073	34,500	15,025	176,293
Current Year 2014	119	51,822	19,149	36,000	16,523	177,394

CHARTED PROGRESS FOR LAST FIVE YEARS

	Surplus before Distributions and Members Benefits £'000	Members Benefits and Distributions £'000	Fixed and Intangible Assets and Investments £'000	Net Assets £'000	Capital Expenditure £'000
2009	13,612	6,665	94,639	63,622	27,534
2010	14,995	7,226	99,822	67,927	9,449
2011	11,411	7,806	107,257	85,776	6,419
2012	12,486	8,258	109,590	84,542	8,279
2013	10,866	8,649	116,583	94,220	13,824
Current Year 2014	10,459	8,076	114,628	106,293	4,065

The figures relating to Fixed Assets and Investments include an adjustment for the revaluation, to market value, of Land and Buildings during the years 2009, 2010, 2011, 2012, 2013 and 2014.

We stand out from the crowd in the Channel Islands...

**Over
£8 million**

RETURNED TO
LOCAL MEMBERS
IN DIVIDEND

£189,000

IN COMMUNITY
DONATIONS

100,000+
members

£11 million +

SPENT WITH
LOCAL SUPPLIERS

1000+
employees

WITH A POLICY TO PROMOTE
FROM WITHIN

24,500

HOURS OF TRAINING
COMPLETED

**... with numbers that
make a difference**



Award for
Achievement
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2013

The Channel Islands

co-operative
Society Limited

caring & sharing

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Grand Marché **locale** **enroute** **homemaker** **travelmaker** **totalsport** funeral care

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A Society incorporated under the Industrial and Provident Societies Act 1965-1978