

annual report and Financial Statements 2015

52 week period ended 11th January 2015



The Channel Islands
co-operative
Society Limited



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

2014 was another busy year which could be best described as one that had its 'highs and lows'. The retail climate remained tough, growth was hard to come by and consumers continued to seek the best value they could find.

And we were ideally placed to be able to provide that value, across a range of businesses. In terms of performance, we feel that despite challenging conditions, we delivered a positive result. Turnover overall (net of minority interest) was £165.9 million*, a 3.48% increase over the previous year helped by a full year of trading of Argent Funeral Care which was purchased in late 2013 and a full year of consolidated Pharmacy sales.

In a little more detail, Food stores were down 0.99% on last year, Homemaker's turnover was 2.07% lower than last year, Travel was up 14.14% on last year, Funerals (with Argent included) were up 42% and Total Sport was down 2.92%. (Pharmacy had no comparison last year.)

So what about those highs? We started the year with the JPSL Pharmacy acquisition and a lot of hard work has gone into the integration of that business into the Society. The year ended with our entrance into the Medical marketplace with the announcement that we

had acquired two GP practices in Jersey - a very exciting addition to the Society's portfolio and one you can read more about in this report.

It was also a year which saw us open a funeral home in Guernsey, following the purchase of Argent Funeral Care, at Bailiff's Cross. Significantly, we finally received permission for the redevelopment of our Charing Cross site in Jersey and you may have seen our plans with Premier Inn hotels.

As far as lows go, the announcement of the closure of the warehouses and Total Sport, and the impact on a number of our colleagues was particularly difficult. I must thank those affected for the professional way they dealt with the news. It was also a positive reflection on the Co-operative model, one that allowed our Members to express their opinions and discuss the proposed decision. This is not something you will see amongst other local retailers and is a good example of our strong community credentials in the Channel Islands.

Because every decision that is taken, simple or difficult, is done with the best interests of the Society at heart and on behalf of you, the Members.

Colin Macleod, Chief Executive

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HIGHLIGHTS

Turnover £165.9m*

Amounts returned to Members £8.093m

*The figures presented in the Financial Statements on pages 18 to 33 of this report represent 100% of the combined businesses of the Society, its wholly owned subsidiaries and its majority owned subsidiaries. The figures quoted in the front part of this report on pages 1 to 5 reflect only the Society's share of this combined total.

DIRECTORS/OFFICIALS/ADVISORS



Mr Ben Shenton – President



Mr Alexander Fearn – Vice President



Mrs Tanya Dorrity – Vice President



Mrs Carol Champion



Mr Peter Roffey



Mr Hamish Marett-Crosby



* Mrs Sue Ryde



* Mrs Jennie Vibert



CHIEF OPERATING OFFICER
Mr Mark Cox



SECRETARY
Mr Chris Lintell



CHIEF EXECUTIVE
Mr Colin Macleod



CHIEF FINANCIAL OFFICER
Mr David Rees



CHIEF COMMERCIAL OFFICER
Mr Jim Plumley



CHIEF HUMAN RESOURCES OFFICER
Mrs Donna Abel

*Retire this year, eligible for re-election

Registered Auditors

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

Bankers

Royal Bank of Scotland International Limited
71 Bath Street
St Helier
Jersey
JE4 8PJ

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 12th May 2015
at Hautlieu School, Wellington Road, St Helier,
commencing at 7.30 pm.

Guernsey

On Wednesday 13th May 2015
at Beau Sejour, Amherst, St Peter Port,
commencing at 7.30 pm.

Agenda

1. To confirm the Minutes of the Annual Meetings held on 13th and 14th May 2014.
2. To receive the Board of Directors' Report for the 52 week period ended 11th January 2015.
3. To receive the audited Financial Statements for the 52 week period ended 11th January 2015, and Declaration of the Dividend.
4. To elect one Jersey Member and one Guernsey Member 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
C Lintell, 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.

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.



Corporate Information

Registered Office:
57 Don Street, St Helier, Jersey, JE2 4TR

Registered Number:
14672R

Incorporation

The Society is registered under the Industrial & Provident Societies Act 1965-1978 (Industrial & Provident Societies (Channel Islands) Order 1965-1978) and has its registered office in the Island of Jersey. The Mutuals Section of the UK Financial Conduct Authority acts as Registrar for Industrial & Provident Societies (Co-operatives).

Subsidiaries

The Society has two wholly-owned subsidiaries:

- Offshore Leisure Limited, which is registered as a company in Jersey under Number 77830 and has its registered office in the Island of Jersey; and
- FG Mallett & Son Ltd, which is registered as a company in Guernsey under Number 619 and has its registered office in the Island of Guernsey.

On 13th January 2014 the Society acquired a 70% and controlling shareholding in Jersey Pharmacy Services Limited, which is registered in Jersey under Number 89296 and has its registered office in that Island. On 20th November 2014, the Society increased its shareholding to 80%.

Jersey Pharmacy Services Limited has two subsidiaries:

- Edgar Holdings Limited, a company registered in Jersey under Number 48212 of which it owns 100% of the share capital; and
- Lloyds (Chemists) Limited, a company registered in Guernsey under Number 1125 of which it owns 95% of the share capital.

Membership

At 11th January 2015, the Society had a membership of 120,969. The changes in membership during the year were as follows:

At 12th January 2014	118,990
New Members	2,772
Accounts Closed	(793)
At 11 January 2015	120,969
of which:	
Guernsey Members	42,742
Jersey Members	78,227
At 11th January 2015	120,969

Strategic Report

The Directors present their Strategic Report for the 52 week period ended 11th January 2015.

Business Review

The Society's principal activities during the year continued to be food, furnishings, leisure and automotive fuel retailing and the provision of services in the following trading sectors:

- Travel in both private and business sectors
- Members' Financial Services
- Sub Post Offices
- Funerals
- Pharmacy
- Medical General Practitioner

The key financial performance indicators and analysis thereof, which exclude the amounts attributable to the minority interest in Jersey Pharmacy Services Limited during the year were as follows:

	52 weeks 11th January 2015 £,000	52 weeks 12th January 2014 £,000	Difference £,000
Turnover	165,980	160,404	5,576
Expenses	(41,526)	(39,276)	(2,250)
Operating Profit	9,229	9,866	(637)
Surplus to Reserves	2,312	2,518	(206)
Members' Funds	104,264	106,293	(2,029)

Turnover increased by £5,576,000 (3.48%) during the year, wholly due to income arising from the increase in shareholding in Jersey Pharmacy Services Limited. Jersey Pharmacy Services Limited contributed £6,155,000 of turnover in the period. Dependent upon progress with the Charing Cross site, which might require the temporary closure of our store at that location later this year, turnover for the Society in the next financial year is expected to be higher than that achieved this year due to the opening of a new store in Grouville and the introduction of a healthcare dimension as an adjunct to the Pharmacy business.

Total operating profit decreased by £637,000 during the year. This fall was attributable to the changes in shopping habits, with customers seeking the best deals and not obtaining their purchases from a single retailer. Competition in food retailing also continued to increase, with an Alliance store in particular opening at Charing Cross purveying 'Tesco' brand goods in addition to popular brands of groceries.

The fall in operating profits, translated into a decrease in the surplus transferred to the reserves of £206,000, although this was mitigated to an extent by lower financing costs. The Society's 'quick ratio' (ratio of current

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assets to current liabilities) has decreased from 1.46:1 to 1.34:1 primarily due to substantial capital expenditure incurred during the year on the acquisition of the Healthcare business, the construction of our new store in Grouville and the refurbishment of our Maufant Store, all of which were in Jersey, together with the acquisition of the 'GT Cars' site in St Sampsons, Guernsey.

There was a small increase in the number of people employed by the Society during the year. This was attributable to the acquisition of Jersey Pharmacy Services. Average employee numbers are expected to decline slightly in the next year as a result of the closure of the warehouses in Jersey and Guernsey but these job losses will be substantially off-set by the opening of the new stores in St Helier, Jersey and St Sampsons, Guernsey respectively.

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 11th January 2015 was 13.44 days compared to 23.11 days as at 12th January 2014.

Principal Risks and Uncertainties

The Board evaluates the Group's risk appetite and undertakes a full review of all significant risks that might affect the Society and/or its Subsidiaries at least annually. The principal risks and uncertainties facing the Society are broadly grouped as: competitive, economic, legislative and financial risk.

- **Competitive Risks**

In recent years there have been a number of entrants to the food retailing market in the Islands, some of whose stores are in close proximity to those of the Society. This competitive pressure is only likely to increase, with planning permission having been granted in Jersey for a large supermarket in St Helier.

In other areas of retailing, the growth in on-line shopping has had an adverse effect on traditional non-food shops. On-line retailers are able to operate from comparatively cheap warehouses while serving millions of customers and are thus able to derive a significant benefit from lower costs and economies of scale. In Jersey they are also able to gain a competitive advantage through most items being of a value such that Goods and Services Tax (GST) is avoided.

- **Economic Risks**

The economies of both Jersey and Guernsey are driven primarily by their respective finance industries. A downturn in this sector translates into less money available to spend in the retail sector. The finance sector is highly mobile when compared to traditional industries and off-Island relocation can be readily achieved if economic circumstances so require.

- **Legislative Risks**

Changes to the laws relating to shop opening hours could have an adverse effect on particular categories of store, rendering them uneconomic to operate on their current bases. The Society through Jersey Pharmacy Services Limited has also invested in Healthcare, which

is subject to strict regulation. Changes to the legislative environment relating to healthcare could make the current operating model unviable.

- **Financial Risks**

The Society has established a financial management framework whose primary objectives are to protect the Society from events that hinder the achievement of the Society's performance objectives. The objectives aim to ensure sufficient working capital exists.

Directors' Report

The Directors present their report for the 52 week period ended 11th January 2015.

Directors of the Society

The current Directors are shown on page 14.

In May 2014, elections for four vacancies arose as a result of rotational retirement. There were eleven candidates for the vacancies. Mr P Roffey and Mr H Marett-Crosby were elected for a four-year term of office and Mrs T Dorrity and Mr A Fearn were elected for a two-year term of office.

Dividends

The Directors recommend a Dividend payment at the rate of 4% of Members' purchases made during the 52 week period ended 11th January 2015. Subject to the agreement of Members, 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 in all listed non-food departments, a bonus of 15% of the Dividend value is paid.

The total returned to Members during the period under review amounted to £8.093m, inclusive of Dividend, Dividend stamps, travel vouchers and share interest.

Business Developments

Your Directors continue to upgrade existing facilities, seek new opportunities and review the performance of each element of our business to cater for our growing membership's needs. Unfortunately, a review of our logistics system showed that we were at a significant disadvantage to our competitors, carrying significantly higher costs and a smaller range than would be afforded by utilising the Co-operative Group's warehousing and distribution system. Moreover, the Society was experiencing a diminishing return because of carrying higher costs that were rising at a greater rate than the rate of inflation in food. On the 12th January 2015, the Directors determined that it would be in the Society's best interests to change its supply chain.

ANDOVER DISTRIBUTION CENTRE



Supply Chain

Last September we announced our proposal to move food warehousing to a Co-operative Group distribution centre in Andover.

This proposal was not made lightly. However once Andover's state of the art facility had fully opened, we were obliged to examine the option of consolidating our food warehouse requirements into one location, as our competitors do.

Our business operates in an intensely competitive marketplace and we do not have a choice but to explore ways to improve the customer proposition whilst containing our cost base.

During our preliminary investigations, it became clear that the proposed approach would offer many advantages including:

- access to new lines that weren't available previously and better availability
- speed of delivery (as orders would go from the boat straight to store) and increased shelf life of some fresh product
- efficiencies in stock replenishment, administration and waste.

A number of Members who were concerned about the proposal challenged the Board's thinking and requisitioned a Special Members' Meeting in Jersey and Guernsey so that Members could put their views to the Board and hear the Board's reasons for making this proposal. After voting on the matter the Members across the two islands confirmed their support for the Board and its proposal. This process was a real example of what a co-operative stands for, Members having their say and ensuring the Board was acting in the best interests of Members. It was also a real sign of strength that our community could engage in the debate.

Of course we recognised that the biggest impact of this proposal would be felt by our colleagues, particularly those working in our local warehouses. Those colleagues affected by the eventual decision to change the Society's supply chain were given one-to-one consultations, opportunities for re-deployment within the Society and outplacement support.

With the opening of Grouville, we have had the opportunity to test the new ordering process that will be in place with the UK warehouse. It has provided over 500 new products that had previously been unavailable to us and shoppers are delighted with our new store.

It is important to point out that this will in no way impact on our local independence. We are a local business who cares deeply about providing local employment. And by spending £11m on local product last year, we also stand proudly behind our record of being the major supporter of local suppliers in the Islands.

INSIDE GROUVILLE STORE



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Retail Developments

Notwithstanding the changes to the logistics system, the Society continued to identify new opportunities and the following business developments were completed or in progress during the last financial year:

Jersey

Grouville

We had been looking to acquire a retail outlet in this area for some time and were delighted to secure a modern site in a convenient location for our Members. The new 4,000 sq ft Locale store opened in February 2015 and has significantly exceeded initial expectations.



Charing Cross

After 15 years, we finally received planning permission to redevelop the Charing Cross site. The plans include a new Locale store, other shop units and a lease deal with Premier Inn.



Guernsey

GT Cars

Towards the end of 2015, we will be opening a new En Route along Bas Courtills Road, a busy main road that links St Sampsons and St Peter Port. The site of our 2,600 sq ft new store, currently with 4 petrol pumps, is being shared with JJ Fox who will occupy a purpose built warehouse behind.



PHOTO FROM LEFT TO RIGHT: DR LISA CLYNES, DR BRENDAN LOANE, DR BRIAN ELLIS, DR MICHAEL OVERTON, DR JENNIFER SYKES, DR SIAN BAUDAINS



In November 2014 the Society announced the launch of Co-operative Medical Care. Medical Care was created by uniting two well established medical practices, 41 David Place Surgery in St Helier and St Peter's Surgery, located above our Grand Marché in St Peter.

Since launching in November 2014, Co-operative Medical Care has attracted over 700 new patients and the pace of growth is continuing to exceed initial expectations.

Our practice is focussed on helping Islanders access high quality healthcare at a more affordable price, particularly families with young children. A standard consultation fee is £30, and Society Members receive free consultations for children under five, lower prices for children aged five to 18 and 4% dividend on healthcare services.

"We have always believed that high quality care can be provided at a more affordable price" said Phil Romeril, Head of Healthcare at the Channel Islands Co-operative Society, "We don't have any hidden costs and we provide clear and transparent price lists and information for patients." As well as providing clear and helpful information for patients, the practice is committed to listening to patient feedback. "We are committed to providing the best possible service, and we will be running a series of Patient Participation Groups, where we can talk with our patients about their experiences," said Phil.

The practice was formed with a team of four doctors, Dr Brian Ellis, Dr Michael Overton, Dr Sian Baudains and Dr Jennifer Sykes, and in January 2015 we welcomed Dr Loane and Dr Clynes to the practice. The team of doctors are supported by our practice nurse and our team of experienced medical administration and reception colleagues.

"It is a real privilege to work with such a highly skilled and experienced team of GPs" said Phil, "as the demand for our service continues to grow we hope to welcome new doctors, nurses and other healthcare professionals to the team. This will ensure that we continue to provide the same excellent and highly responsive service for our patients."

Medical Care is an important addition to our family of brands and an integral part of the Society's long-term strategy. Our goal is to be our Members' medical practice of choice, and to become the most well respected medical

practice in Jersey, with the happiest patients and the most affordable prices.

As the practice grows and develops, it will be built on a strong set of core values. These are our promises to our patients and our Members.

We promise to:

- put the health and happiness of each patient above all else
- break down the barriers that limit access to primary healthcare
- be co-operative, honest and transparent
- deliver value for our Members

The Society's central support teams will provide support to the practice, and enable our GPs to spend more time caring for patients by helping to manage some of the non-medical, day-to-day tasks, including: organising the cleaning and maintenance of the surgery buildings; fixing IT issues; looking after the finances; managing marketing and advertising; and looking after Members' share accounts. Centralising these tasks will also help the practice to manage its operating costs.

Co-operative Medical Care has exciting plans for the future. "One of our key goals for the coming year is to make our service even more accessible for patients; we will be making improvements to our surgery buildings, reviewing our opening hours and looking to deliver a wider range of services," said Phil.



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Events since the Balance Sheet Date

Events since the Balance Sheet date that would have a material effect on the Financial Statements, the Strategic Report or this, the Directors' Report, are recorded in Note 20 to the Financial Statements on page 33.

Directors' Liabilities

Under Rule 10.34 of the Society, every Director, the Chief Executive, the Secretary and every member of the Management Executive is indemnified out of the funds and assets of the Society against the following: all actions, claims, costs, demands and expenses and any personal liability whatsoever, whether civil or criminal, arising out of or in connection with the exercise or purported exercise of their duties on behalf of the Society.

This indemnity excludes liability for offences incurred under Section 62 of the Industrial and Provident Societies Act 1965, and liability for wilful default, fraud or dishonesty, nor does it indemnify against costs or expenses incurred by order of the Financial Services Authority or the Financial Services Commissions of Jersey and Guernsey respectively.

In accordance with Rule 10.36, the Society has purchased an insurance for the purpose of indemnifying the Directors and Officers (Chief Executive, Secretary and members of the Management Executive) of the Society against any liability which they or any of them might incur, in respect of negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Society.

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 the Auditor 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 the Audit Report since 29th March 2015.

KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 29th March 2015 that 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 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

The Society's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 4 to 5.

The Society has considerable financial resources available together with long-term contracts with a number of suppliers; consequently, the Directors believe that the Society is well placed to manage its business risks successfully despite the tough retail climate.

After making enquiries, the Directors have a reasonable expectation that the Society and its Group of companies have adequate resources to continue in operational existence for the foreseeable future; accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

Disclosure of Information to the Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditor in connection with preparing its report, of which the Auditor is unaware. Having made enquiries of fellow Directors and the Society's Auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Auditor is aware of that information.

Re-appointment of Auditors

In accordance with the Rules of the Society it is intended that KPMG Channel Islands Limited continue as Auditor of the Society and its subsidiaries.



Community and Charity work

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

Last year, we gave over £215,000 to community and charity related projects in the Channel Islands.

2014 Highlights:

We supported more than 99 charities, schools and organisations to raise money through bag packing and other fundraising events in our stores.

We support around 330 local charities annually with fundraising prizes and sponsorship to the value of £34,597.

Our Eco Fund, now in its eighth year, distributes the funds raised from the sale of carrier bags to environmental initiatives. In 2014 over £14,500 was distributed amongst 10 initiatives.

Our Helping Hands Fund, now in its 21th year, provides annual donations to worthy causes. In 2014 more than £16,000 was donated to 35 local causes.

We support the David Kirch voucher initiative and in 2014 gave £150,682 in discount to help the elderly community in Jersey.



ECOFUND: NATURAL CHURCH YARD - ST CLEMENTS



STAFF CHRISTMAS JUMPER DAY FOR JERSEY HOSPICE



MACMILLAN CAKE DAY

Our Directors also nominated a charity in their respective islands and £1,250 was donated to each.

Those charities were:

Jersey:

Holidays for Heroes,
Autism Jersey,
Jersey Foster Carers Association,
Macmillan Jersey Prostate Cancer Support Group

Guernsey:

Chest & Heart Charity,
Pink Ladies Breast Cancer Support Group,
Food4Friends,
Guernsey Women's Refuge

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Examples of who we have helped:

Jersey

Beth Moore, Macmillan Cancer Support Jersey “Your kind donation will enable us to continue with our work in providing cancer patients and their families with up-to-date, accurate information, support and practical advice. Thank you for helping us change lives.”

Karina Vasse, Dyslexia Jersey “Your donation will be put to so much good use, it makes our dream of establishing a centre of excellence for adults and children in our local community with dyslexia one step closer.”

Guernsey

Mrs Jo Boyd, Les Bourgs Hospice “Your thoughtfulness and support is very important to us, as our patient care relies on voluntary contributions and it is the generosity of people, like you, that enables the Hospice to continue in providing a service which is much needed in the island.”

Philip Duquemin, St Saviour’s Community Trust “We are thrilled by your generous support. Without the support of organisations like yours, we would not be able to make the progress we have been able to achieve.”



ECOFUND: THE POND PROJECT WITH MENCAP



HELPING HANDS: NEW SEWING MACHINES FOR ART IN THE FRAME



HELPING HANDS: LES VOIES SCHOOL’S SENSORY GARDEN



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 96 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.



CO-OPERATIVE ANNUAL REPORT

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.



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.



Compliance Statement

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 resultant business 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 Balance and Independence

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

Mr B Shenton	Investment Advisor
Mr P Roffey	Freelance Writer
Mrs C Champion	Nutritional Therapist
Mrs T Dorrity	Domestic Abuse and Relationship Education Worker – The Hampton Trust
Mr A Fearn	Director of Operations, RBC Investments, British Isles
Mr H Marett-Crosby	Freelance Journalist and Writer
Mrs S Ryde	Project Manager
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 its subsidiaries 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 Ben Shenton was elected Chairman of Directors' Meetings and President of the Society. Mr Alex Fearn was elected Vice-President (Jersey) and Mrs Tanya Dorrity was elected Vice-President (Guernsey).

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.

CO-OPERATIVE ANNUAL REPORT

Board Skills and Performance Evaluation

The Board undertook an externally-moderated evaluation of its performance during the year. 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 with this report.

Board Committees

All of the Directors currently 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. Work has been undertaken to set up a smaller dedicated Risk and Audit Committee and a Recruitment and Remuneration Committee.

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 Strategic 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 Senior 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 2014	Meetings Entitled to Attend
Mr B Shenton (President)	10	10
Mrs T Dorrity (Vice-President)	10	10
Mr A Fearn (Vice-President)	10	10
Mrs C Champion	10	10
Mr H Marett-Crosby	10	10
Mr P Roffey	10	10
Mrs S Ryde	10	10
Mrs J Vibert	10	10



Statement of Non-compliance

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:

- 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.
- 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.
- 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.
- 84. Under the Code of Governance, Co-operatives are obliged either to set a maximum period for a

person to serve on the Board or to have an age rule. The Board consider that with a small Board, the need to retain experience is of greater importance and therefore do not propose a change to the Rules at this time.

- 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. However, as part of its review of the governance of the Society, the Board has resolved to form specialist committees as required by the code and this work will be completed during the course of 2015.
- 155. Although the Society has a detailed whistleblowing procedure, it is reviewed by the Board as a whole and not by the Audit Committee.

CO-OPERATIVE ANNUAL REPORT

Summary

The general trading conditions have been amongst the toughest that we have experienced and some difficult decisions were necessary to keep costs under control in an extremely competitive environment. However, the Society's sales have held up very well and we have continued to seek opportunities for expansion and diversification. None of this would be possible without the dedication and talents of the men and women who

work for our Society, as well as the confidence and support of our Members. The driving force behind the Society's profitable growth will continue to be our people whose skills, professionalism, and dedication are essential to our continuing success. We would like to express our pride in, and gratitude for, their hard work during the past year.

Signed on behalf of the Board of Directors

B. Shenton, President

C Macleod, Chief Executive

C. Lintell, Secretary

FINANCIAL RESULTS - CONTENTS

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CONSOLIDATED REVENUE ACCOUNT

For the 52 weeks to 11th January 2015

Group	Notes	52 weeks to 11th January 2015		52 weeks to 12th January 2014	
		£'000	£'000	£'000	£'000
Turnover					
Less Cost of Sales	1		168,437 (116,006)		160,404 (110,838)
Gross Profit			52,431		49,566
Less Expenses	2	42,406		39,276	
Extra Dividend and Travel Vouchers	3	2,299	(44,705)	2,261	(41,537)
Trading Surplus			7,726		8,029
Other Operating Income	4		1,577		1,837
Operating Profit			9,303		9,866
Investment Income		91		303	
Less Interest and Other Finance Costs	5	(1,074)	(983)	(1,790)	(1,487)
Profit / (Loss) on disposal	6		8,320 60		8,379 (58)
Surplus Before Taxation			8,380		8,321
Taxation	7		(200)		(123)
Surplus After Taxation			8,180		8,198
Minority Interest	15		(74)		-
Surplus Before Distribution			8,106		8,198
Share Interest		724		659	
Dividend (Ratified)		5,070	(5,794)	5,156	(5,815)
Surplus for year after Distribution			2,312		2,383
Share of operating profit in Associate undertaking	10		-		135
Surplus for year transferred to Reserves	14		2,312		2,518
Statement of Total Recognised Gains and Losses					
Surplus for the year after distribution			2,312		2,383
Movement on Revaluation Reserve			(315)		(2,316)
Total Actuarial (Losses) / Gains	17		(8,083)		(1,799)
Total (Losses) / Gains Recognised since last Annual Report			(6,086)		(1,732)
Note of historical cost profits					
Surplus before taxation			8,380		8,321
Depreciation charge on the revaluation element of freehold buildings			30		47
Historical cost profit on ordinary activities before taxation			8,410		8,368
Historical cost profit for the year retained after taxation and distribution			2,416		2,430

The Society will be recommending a distribution of £4,951,446 to its Members for the period to 11th January 2015 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.

Note 20 on page 33 provides details of activities which will cease during 2015.

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

CONSOLIDATED BALANCE SHEET

As at 11th January 2015

		As at 11th January 2015		As at 12th January 2014	
	Notes	£'000	£'000	£'000	£'000
Fixed Assets	8		116,399		111,601
Intangible Assets	9		6,902		1,544
Investments	10		15		1,483
			123,316		114,628
Current Assets					
Stocks		12,387		13,101	
Debtors and Prepayments	11	11,764		9,394	
Short Term Deposits		10,065		15,040	
Cash at Bank and in hand		8,069		13,242	
		42,285		50,777	
Less Current Liabilities (which fall due within one year)					
Creditors	12	12,489		14,943	
Taxation		105		104	
Share Interest		724		659	
Members' Loans	13	18,461		19,149	
		31,779		34,855	
Net Current Assets			10,506		15,922
Total Assets less Current Liabilities			133,822		130,550
Liabilities which fall due after one year	12		(12,655)		(14,177)
Net Assets excluding Pension Fund deficit			121,167		116,373
Pension Fund deficit	17		(16,829)		(10,080)
Net Assets including Pension Fund deficit			104,338		106,293
Capital and Reserves:					
Share Capital			55,676		51,822
Reserves - General	14		37,500		36,000
- Revaluation	14		4,640		4,955
- Revenue	14		6,245		13,516
Total Shareholders' Funds	15		104,061		106,293
Minority Interest	15		277		-
			104,338		106,293

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

PARENT COMPANY BALANCE SHEET

As at 11th January 2015

		As at 11th January 2015		As at 12th January 2014	
	Notes	£'000	£'000	£'000	£'000
Fixed Assets	8		114,703		111,521
Intangible Assets	9		595		1,544
Investments	10		7,476		1,983
			122,774		115,048
Society Loan	11		42		42
Current Assets					
Stocks	11	11,685		13,101	
Debtors and Prepayments		12,164		8,179	
Short Term Deposits		10,065		15,040	
Cash at Bank and in hand		6,260		12,388	
		40,174		48,708	
Less Current Liabilities (which fall due within one year)					
Creditors	12	11,646		14,304	
Taxation		105		104	
Share Interest		724		659	
Members' Loans	13	18,461		19,149	
		30,936		34,216	
Net Current Assets			9,238		14,492
Total Assets less Current Liabilities	12		132,054		129,582
Liabilities which fall due after one year			(12,655)		(14,177)
Net Assets excluding Pension Fund deficit			119,399		115,405
Pension Fund deficit	17		(16,829)		(10,080)
Net Assets including Pension Fund deficit			102,570		105,325
Capital and Reserves:					
Share Capital			55,676		51,822
Reserves - General	14		37,500		36,000
- Revaluation	14		4,640		4,955
- Revenue	14		4,754		12,548
Total Shareholders' Funds	15		102,570		105,325

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 11th January 2015

52 weeks to 11th January
2015

52 weeks to 12th January
2014

	£'000	£'000	£'000	£'000
Net cash inflow from operating activities		8,193		10,558
Returns on investments and servicing of finance (Note 2)		(7,159)		(6,982)
Taxation		(199)		(188)
Capital expenditure (Note 2)		(9,409)		(4,004)
Acquisitions and disposals (Note 2)		(3,229)		(62)
		(11,803)		(678)
Management of liquid resources (Note 2)		(1,511)		(1,119)
Financing (Note 2)		3,166		12,881
Increase / (Decrease) in cash		(10,148)		11,084
Reconciliation of operating profit to net cash inflow from operating activities				
Operating profit		9,303		9,866
Depreciation, Goodwill and impairment charges		3,391		3,532
Decrease / (Increase) in stocks		1,480		(229)
Decrease / (Increase) in debtors		(471)		(725)
(Decrease) / increase in creditors		(4,502)		(694)
Net movement in pension scheme expenses		(1,008)		(1,192)
Net cash inflow from operating activities		8,193		10,558
Reconciliation of net cash flow to movement in net funds (Note 3)				
Increase / (Decrease) in cash in period	(10,148)		11,084	
Cash utilised to decrease liquid resources	1,511		1,119	
Change in net funds	(8,637)		12,203	
Net funds at beginning of period	12,599		396	
Net funds at end of period	3,962		12,599	

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.

	2015		2014	
	£'000	£'000	£'000	£'000
Note 2 - GROSS CASH FLOWS				
Returns on investments and servicing of finance				
Investment income received	91		168	
Interest paid	(2,180)		(2,129)	
Income from Associate	-		135	
Dividends paid	(5,070)		(5,156)	
		(7,159)		(6,982)
Capital expenditure				
Payments to acquire tangible fixed assets	(9,479)		(4,180)	
Receipts from sales of tangible fixed assets	70		176	
		(9,409)		(4,004)
Acquisitions and disposals				
Purchase cost of intangible asset in period	-		(62)	
Payments to acquire shares in Subsidiary	(4,256)		-	
Net cash acquired on acquisition of Subsidiary	1,027		-	
		(3,229)		(62)
Management of liquid resources				
(Decrease) in bank loans	(1,511)		(1,119)	
		(1,511)		(1,119)
Financing				
Increase in Share Capital	3,854		13,805	
(Decrease) in Members Loans	(688)		(924)	
		3,166		12,881

Note 3 - ANALYSIS OF CHANGES IN NET FUNDS

	As at 12th Jan 2014	Cash flows 52 weeks 11th Jan 2015	As at 11th Jan 2015	Cash flows 52 weeks 12th Jan 2014
	£'000	£'000	£'000	£'000
Cash at bank and in hand	13,242	(5,173)	8,069	9,586
Short term deposits	15,040	(4,975)	10,065	1,498
	28,282	(10,148)	18,134	11,084
Short term borrowings	(1,506)	(11)	(1,517)	(389)
Debt due after more than one year	(14,177)	1,522	(12,655)	1,508
Net funds	12,599	(8,637)	3,962	12,203

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

A company is a 'subsidiary' of another company if that other company holds a majority of the voting rights in it or is a member of it and has the right to appoint or remove a majority of its Board of Directors. The Society has two wholly owned subsidiaries:

- i) Offshore Leisure Limited
- ii) FG Mallett & Son Limited

While not wholly owned, the Society has both the majority voting rights and the right to appoint or remove a majority of the Board of Directors of a third subsidiary, Jersey Pharmacy Services Limited.

The consolidated financial statements include the assets, liabilities and results of the Society, Offshore Leisure Limited and Jersey Pharmacy Services Limited, having provided for the minority interest in that Company ('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.

The Society acquired a majority shareholding of 70% of the shares and voting rights in Jersey Pharmacy Services Limited on 13 January 2014. The shareholding and voting rights held by the Society were increased to 80% on 20 November 2014.

Accounting Date

The financial statements are made up for the fifty-two weeks ended 11th January 2015 with comparative figures for the fifty two weeks ended 12th January 2014.

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 is the gross sales value generated from the sale of non-agency services where the Society trades on its own account at all stages of the travel transaction with the customer including the supply of air tickets, insurance, hotel bookings and related services. In all other circumstances, 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 and receives a commission for the provision of travel goods and services, it does not recognise the sale and only reports the amount of commission received. 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 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

As required by FRS 21, Dividends are only recognised as a liability when they have been ratified. The distribution to Members for the period will be ratified at the Annual General Meeting as 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 at a rate of 2% per annum.

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.
Refrigeration and Electrical	– between 12.5% and 20% p.a.
Motor Vehicles	– 12.5% p.a.
Computer Hardware	– 20% p.a.
Computer Software	– 33.33% p.a.
TV and Rental Equipment	– 25% p.a.

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 (representing the excess of fair value of the consideration paid over fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised as an Intangible Asset. Where the Goodwill is considered to have a limited useful economic life, it is amortised by equal annual instalments over its



estimated useful life. The carrying value of Goodwill is reviewed for impairment periodically if events or changes in circumstances indicate that the carrying value may be impaired. Where the value of the Goodwill is considered durable and to have an indefinite life, no amortisation has been provided for. Where Goodwill is amortised over more than 20 years or not amortised at all, an annual impairment test is carried out.

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. During the period under review, the Society has been a member of the Co-operative Retail Trading Group ('CRTG'), an organisation that negotiated all buying terms for both the Members of CRTG, and the Co-operative Group (CWS) Limited. Towards the end of the Financial Year, as a result of the restructuring of Co-operative Group, all of the functions of CRTG were transferred to a new company, wholly-owned by Co-operative Group, 'Federal Retail Trading Services Limited' ('FRTS'). The Society's CEO is a Director of FRTS.

All buying terms are negotiated with third party suppliers by FRTS on behalf of its members, and all members of FRTS benefit from the advantageous terms that such a major group can offer. In the financial period to 11th January 2015, total purchases from FRTS, net of discounts, dividends and rebates received, amounted to £30,791,761 (2014: £29,662,518) and the creditor due to them at that date was £358,897 (2014: £286,832). As at 11th January 2015, the amount owed to the Society in respect of rebates from FRTS was £4,164,042 (2014: £3,568,854).

- ii) As a result of the difficulties experienced by the Co-operative Bank plc and its decision to close its Guernsey branch, all Society cash was transferred out by 30 April 2014. Royal Bank of Scotland International Limited 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 International Limited and Royal London Asset Management.

As at 11th January 2015 the Society had two loan-rate Swap borrowing facilities with the Co-operative Bank plc totalling £14,172,000 (2014: £15,683,000) which it had drawn upon. For much of the period under review, the Society also had the benefit of a revolving credit facility in the sum of £7,100,000, again in favour of the Co-operative Bank plc (2014: £7,100,000) that was undrawn. This facility has now terminated. During the financial year, the Society was charged interest of £991,630 (2014: £1,103,670) and the creditor due at year end was £344,801 (2014: £279,531).

- iii) The Society has provided a guarantee for Community Savings Ltd (CSL) as disclosed in Note 20. 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 periodically if events or changes in circumstances indicate the carrying value may be revised and when significant redevelopment costs have been incurred. 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 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 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

		2015	2014
	Notes	£'000	£'000
1 Turnover			
Gross turnover from Group ordinary activities		187,829	177,394
Less gross agency turnover from Subsidiary travel activities		(19,392)	(16,990)
		168,437	160,404
2 Expenses			
Personnel (see below)		25,584	23,179
Occupancy Costs		5,856	5,893
Depreciation	8	3,242	3,384
Goodwill Amortisation and Impairment	9	149	148
Audit Fee		80	79
Directors' Fees		96	94
Other Expenses		6,391	5,399
Special Contribution and Expenses paid to Pension Fund		1,008	1,100
		42,406	39,276
Directors' Fees			
Directors' fees fall within the following ranges	Number	Number	
Between £16,200 and £16,800 p.a.	1	1	
Between £13,500 and £14,000 p.a.	2	1	
Between £10,800 and £11,200 p.a.	5	6	
Personnel			
The costs in respect of employees were:			
Salaries, wages and other emoluments		26,592	24,371
Pension costs (note 17) - contributions	17	(1,008)	(1,192)
		25,584	23,179
Average numbers employed by the Society were:			
Full Time		604	567
Part Time (Full-time equivalent)		249	237
		853	804
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		262	414
Rental Income		1,315	1,423
		1,577	1,837
5. Interest and Other Finance Costs			
Members' Loan Interest Expense		346	466
Bank Interest Expense		1,008	1,104
Net (Income) / Cost on Pension Scheme Liabilities	17	(326)	174
Stamp Club Interest		46	46
		1,074	1,790
6. Profit / (Loss) on Disposals			
Net Profit / (Loss) on disposal of fixed assets not acquired for resale		60	(58)
7. Taxation			
Provision for Income Tax		200	188
Adjustments in respect of prior years		-	(65)
		200	123

8. Fixed Asset Schedule

Group

Cost and Valuation at 12th January 2014
Movement in revaluation reserve

Additions in year at cost

Less Disposals

Cost and Valuation at 11th January 2015

Depreciation at 12th January 2014
Less Disposals

Depreciation charge for period

Depreciation at 11th January 2015

Net Book Value at 11th January 2015

Net Book Value at 12th January 2014

Parent

Cost and Valuation at 12th January 2014
Movement in revaluation reserve

Additions in year at cost

Less Disposals

Cost and Valuation at 11th January 2015

Depreciation at 12th January 2014
Less Disposals

Depreciation charge for period

Depreciation at 11th January 2015

Net Book Value at 11th January 2015

Net Book Value at 12th January 2014

	Land & Buildings			Equipment & Motor Vehicles	Total
	Freehold £'000	Leasehold £'000	Investment £'000	£'000	
Cost and Valuation at 12th January 2014	76,835	2,516	27,362	36,728	143,441
Movement in revaluation reserve	(315)	-	-	-	(315)
Additions in year at cost	76,520	2,516	27,362	36,728	143,126
	6,978	-	-	1,387	8,365
Less Disposals	83,498	2,516	27,362	38,115	151,491
	-	-	-	(12)	(12)
Cost and Valuation at 11th January 2015	83,498	2,516	27,362	38,103	151,479
Depreciation at 12th January 2014	2,872	459	-	28,509	31,840
Less Disposals	-	-	-	(2)	(2)
Depreciation charge for period	2,872	459	-	28,507	31,838
	1,024	123	-	2,095	3,242
Depreciation at 11th January 2015	3,896	582	-	30,602	35,080
Net Book Value at 11th January 2015	79,602	1,934	27,362	7,501	116,399
Net Book Value at 12th January 2014	73,963	2,057	27,362	8,219	111,601
Cost and Valuation at 12th January 2014	76,835	2,516	27,362	36,078	142,791
Movement in revaluation reserve	(315)	-	-	-	(315)
Additions in year at cost	76,520	2,516	27,362	36,078	142,476
	5,587	-	-	1,129	6,716
Less Disposals	82,107	2,516	27,362	37,207	149,192
	-	-	-	(12)	(12)
Cost and Valuation at 11th January 2015	82,107	2,516	27,362	37,195	149,180
Depreciation at 12th January 2014	2,872	459	-	27,939	31,270
Less Disposals	-	-	-	(2)	(2)
Depreciation charge for period	2,872	459	-	27,937	31,268
	1,024	123	-	2,062	3,209
Depreciation at 11th January 2015	3,896	582	-	29,999	34,477
Net Book Value at 11th January 2015	78,211	1,934	27,362	7,196	114,703
Net Book Value at 12th January 2014	73,963	2,057	27,362	8,139	111,521

The Society has authorised total Capital Expenditure in the sum of £5,650,000 in the year (2013: £4,123,807), of which the sum of £5,650,000 (2013: £719,097) 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, undertook a full valuation of the Society's property portfolio as at 12th January 2014. 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. On 11th January 2015 the Society's Property Advisor valued the property at Bailiff's Cross, St Andrew's on the basis of an existing use value, and the valuation of the property was written down by £315,000.

Included within the Group's Tangible Fixed Asset note is an amount of £1,373,000 (2013: Enil) which relates to the cost of acquiring the land owned by one of its subsidiaries FG Mallett & Son Ltd, and is a proxy for the fair value of the land acquired.

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible Assets - Group and Parent

	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cost at beginning of period	2,283	2,221	2,283	2,221
Addition in period	5,507	62	-	62
Transfer to subsidiary	-	-	(1,000)	-
Cost at end of period	7,790	2,283	1,283	2,283
Amortisation at beginning of period	739	591	739	591
Amortisation charge for the period	149	148	49	148
Transfer to subsidiary	-	-	(100)	-
Amortisation at end of period	888	739	688	739
Net Book Value at end of period	6,902	1,544	595	1,544
Net Book Value at beginning of period	1,544	1,630	1,544	1,630

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 subsidiary undertaking (JPSL) 160 Ordinary Shares £1 each
 Share of Operating profit in subsidiary undertaking (JPSL)
 Unquoted wholly owned subsidiary (FG Mallett & Son Ltd) 500 shares at £1 each
 Unquoted - Industrial Common Ownership Fund Plc:
 10,000 ordinary shares at £1 each
 Unquoted - Toymaster Limited: 4,000 Ordinary shares £1 each

	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
	1	1	1	1
	-	-	500	500
	-	1,333	5,588	1,333
	-	135	-	135
	-	-	1,373	-
	10	10	10	10
	4	4	4	4
	15	1,483	7,476	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. In the prior period the Society owned 25% of Jersey Pharmacy Services Limited (JPSL) and it was therefore accounted for as an associate. On 13th January 2014 the Society exercised its pre-emptive right to acquire additional shares in Jersey Pharmacy Services Ltd ('JPSL') resulting in JPSL becoming a 70% owned subsidiary as at that date. In addition a further 10% of the equity was acquired in November 2014 resulting in an overall 80% ownership in this entity, the principal activity of which is the provision of retail pharmacy and prescription services in the Channel Islands. The Society owns 100% of the voting rights in Offshore Leisure Ltd, the principal activity of which is the provision of travel services to both private and business sectors within the Channel Islands.

11. Debtors and Prepayments

Trade debtors
 Sundry accounts, prepayments and accrued interest
 Consideration receivable in respect of FG Mallett & Son Ltd - land held for resale
 Due to Parent from Jersey Pharmacy Services Ltd

	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
	8,717	7,301	6,626	6,086
	1,642	2,093	1,642	2,093
	1,405	-	1,405	-
	-	-	2,491	-
	11,764	9,394	12,164	8,179

No provision for bad and doubtful debts has been made to 11th January 2015 or 12th January 2014.

Society Loan

The Society Loan detailed within the Parent Company Balance Sheet is with the Society's subsidiary company Jersey Pharmacy Services Ltd 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
Loan to Parent from Offshore Leisure Limited

Group		Parent	
2015 £'000	2014 £'000	2015 £'000	2014 £'000
4,656	7,016	2,017	5,466
345	466	345	466
5,971	5,955	5,833	5,796
1,517	1,506	1,517	1,506
-	-	1,934	1,070
12,489	14,943	11,646	14,304

Society Loan

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

Liabilities which fall due after one year

Property loans

Total

Group		Parent	
2015 £'000	2014 £'000	2015 £'000	2014 £'000
12,655	14,177	12,655	14,177
12,655	14,177	12,655	14,177

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. Members Loans

Loan accounts - repayable one month

Group		Parent	
2015 £'000	2014 £'000	2015 £'000	2014 £'000
18,461	19,149	18,461	19,149

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	36,000	4,955	13,516	54,471
Movement in Revaluation Reserve in period	-	(315)	-	(315)
Surplus for period transferred to reserves	-	-	2,312	2,312
Actuarial pension (loss) for period	-	-	(8,083)	(8,083)
Allocation to General Reserves	1,500	-	(1,500)	-
Balance as at end of period	37,500	4,640	6,245	48,385

Parent

	General £'000	Revaluation £'000	Revenue £'000	Total £'000
Balance as at start of period	36,000	4,955	12,548	53,503
Movement in Revaluation Reserve in period	-	(315)	-	(315)
Surplus for period transferred to Reserves	-	-	1,789	1,789
Actuarial pension (loss) for period	-	-	(8,083)	(8,083)
Allocation to General Reserves	1,500	-	(1,500)	-
Balance as at end of period	37,500	4,640	4,754	46,894

15. Reconciliation of movements in Shareholders' Funds

	Group		Parent	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Surplus before distributions for the financial period	8,106	8,198	7,583	7,778
Distributions	(5,794)	(5,815)	(5,794)	(5,815)
Share of operating profit in subsidiary undertaking	-	135	-	135
Realisation of prior year share of profits in subsidiary undertaking	-	(135)	-	(135)
Movement in Revaluation Reserve	(315)	(2,316)	(315)	(2,316)
Net movement to Share Capital Accounts	3,854	13,805	3,854	13,805
Actuarial pension (loss) for the period	(8,083)	(1,799)	(8,083)	(1,799)
	(2,232)	12,073	(2,755)	11,653
Opening Shareholders' Funds	106,293	94,220	105,325	93,672
Closing Shareholders' Funds	104,061	106,293	102,570	105,325

- (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.

Minority interest of £203,000 has resulted from the acquisition of Jersey Pharmacy Services Limited in January 2014 and November 2014. Profits attributable to minority interests of £74,000 leave a closing balance of £277,000 at the balance sheet date.



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 (2014: £200,000) for which no provision has been made within the Financial Statements.

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 Royal Bank of Scotland International Limited in the sum of £100,000 (2014: £100,000) 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 Royal Bank of Scotland International Limited in the sum of £187,480 (2014: £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.

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 £1,008,000 (2014 £1,192,000) of which the sum of £1,008,000 was a special contribution (2014: £1,192,000). 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:

	11/01/2015 £'000	12/01/2014 £'000
Fair value of scheme assets	44,853	41,449
Present value of funded obligations	(61,682)	(51,529)
	(16,829)	(10,080)
Liability recognised on Balance Sheet	(16,829)	(10,080)
Net pension liability	(16,829)	(10,080)
Amounts in the Balance Sheet		
Liabilities	(16,829)	(10,080)
Net pension liability	(16,829)	(10,080)

NOTES TO THE FINANCIAL STATEMENTS

The amounts recognised in the Revenue Account are as follows:

	11/01/2015 £'000	12/01/2014 £'000
Interest on obligation	2,242	2,210
Expected return on Scheme assets	(2,568)	(2,036)
(Income) / cost recognised in the Revenue Account	(326)	174
Actual return on Scheme assets	3,536	5,162

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

	11/01/2015 £'000	12/01/2014 £'000
Defined benefit obligations as at the start of the period	51,529	45,596
Interest cost	2,242	2,210
Actuarial Losses / (Gains)*	9,051	4,925
Benefits paid	(1,140)	(1,202)
Defined benefit obligations as at the end of the period	61,682	51,529

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

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

	11/01/2015 £'000	12/01/2014 £'000
Fair value of Scheme assets as at the start of the period	41,449	36,297
Expected return	2,568	2,036
Actuarial Gains	968	3,126
Contributions by employer	1,008	1,192
Benefits paid	(1,140)	(1,202)
Fair value of Scheme assets as at the end of the period	44,853	41,449

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

	11/01/2015 £'000	12/01/2014 £'000
Total Actuarial (Losses) / Gains	(8,083)	(1,799)
Total (Losses) / Gains recognised in the Statement of Recognised Gains & Losses	(8,083)	(1,799)
Cumulative amount of Loss recognised in the Statement of Total Recognised Gains & Losses	(28,744)	(20,661)

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

	11/01/2015 %	12/01/2014 %
Equities	63	66
Gilts	22	21
Corporate Bonds	14	12
Cash	1	1

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

	11/01/2015 %	12/01/2014 %
Discount rate	3.3	4.4
Expected return on Scheme assets at end of period (for following year)	N/R	6.2
Rate of increase in deferment whilst in employment with the Society	3.3	3.6
Rate of increase in deferred pensions who have left employment with the Society	3.2	3.4
Rate of increase in pensions payment	3.2	3.4
Inflation rate	3.3	3.6

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 93 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.

*For accounting periods beginning on or after 1 January 2015, FRS102 will replace FRS17, meaning no assumption for expected return on assets is required.

Amounts for the current and previous periods are as follows:	11/01/2015 £'000	12/01/2014 £'000	13/01/2013 £'000	15/01/2012 £'000	09/01/2011 £'000
Defined benefit obligation	61,682	51,529	45,596	47,281	39,766
Scheme assets	44,853	41,449	36,297	32,228	32,030
Deficit	(16,829)	(10,080)	(9,299)	(15,053)	(7,736)
Experience Gains / (Losses) on Scheme assets	968	3,126	2,201	(1,609)	930
Experience Gains / (Losses) on Scheme liabilities	1,835	1,289	671	386	1,266
Change in assumptions underlying the present value of Scheme liabilities	(10,886)	(6,214)	2,158	(7,212)	(118)
Total Experience (Losses) / Gains on Scheme liabilities	(9,051)	(4,925)	2,829	(6,826)	1,148

Defined Contribution Pension Scheme

Effective from 30th June 2009, the Society operates a Defined Contribution Scheme ('the 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 £995,436 (2014: £1,058,745). 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 2015 £'000	Group 2014 £'000
18,461	19,149
14,172	15,683
32,633	34,832

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 and run concurrently with the property loans, Note 12, to mitigate and therefore manage the Society's exposure to interest rate fluctuations. The fair value of the Swaps at 11th January 2015, 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 £1,504,575 and £941,466 (2014: £1,501,906 and £1,174,587). 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 2015 £'000	Group 2014 £'000
18,461	19,149
1,517	1,506
1,517	1,531
6,070	6,350
5,068	6,296
32,633	34,832

19. Commitments under Operating Leases

As at 11th January 2015 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

2015 £'000	2014 £'000
-	-
63	6
1,387	1,197
1,450	1,203

Amounts paid during the year included in expenses

2015 £'000	2014 £'000
1,499	1,251

20. Post Balance Sheet Events

The Society has yet to recommend a distribution of £4,951,446 to its Members for the period to 11th January 2015.

The recommendation to accept this distribution will be, it is envisaged, ratified at the Annual General Meetings of Members on the 12th and 13th May 2015. Provision for this sum has not been made within these financial statements in line with the requirements of FRS 21.

On 12th January 2015 the Society ratified the decision to close the Food Warehouses in both Islands in favour of deliveries from the UK. This decision will give rise to potential redundancies, the quantum of which has not yet been fully ascertained as other positions have been created within the Society and those staff affected have been invited to apply. In addition to potential redundancy costs, there will be other costs incurred during 2015 as a result of this change, again the quantum of which has yet to be determined.

On 12th January 2015 the Society took the decision to close the Total Sport part of the business. This part of the business will cease trading in July 2015.

The Society had agreed to act as a 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. This arrangement ceased on 28 February 2015.

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.

B. Shenton, President

A. Fearn, Director

T. Dorriety, Director

C. Lintell, Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable laws, regulations and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards). The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Group and the Society for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Society will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Society and enable them to ensure that the financial statements comply with the Industrial & Provident Societies Act 1965 – 1978 (Industrial & Provident Societies (Channel Islands) Order 1965 – 1978). They are also responsible for safeguarding the assets of the Group and Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REGISTERED AUDITORS' REPORT

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

We have audited the Group and parent company financial statements of The Channel Islands Co-operative Society Limited ('the Society') for the period ended 11 January 2015 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 the applicable law and International Standards of 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 company'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 mis-statements 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 company's affairs as at 11 January 2015 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 Act 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978).

KPMG Channel Islands Limited
Registered Auditors, 37 Esplanade, St Helier, Jersey
29th March 2015

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						
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
2014	119	51,822	19,149	36,000	16,523	177,394
Current Year 2015	121	55,676	18,461	37,500	16,908	187,829

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
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
2014	10,459	8,076	114,628	106,293	4,065
Current Year 2015	10,405	8,093	123,242	104,264	8,365

The figures relating to Fixed Assets and Investments include an adjustment for the revaluation, to market value, of Land and Buildings during the years, 2010, 2011, 2012, 2013, 2014 and 2015.

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

**OVER £8
MILLION**

Returned to local
members in Dividend



**1,000+
EMPLOYEES**



With a policy to
promote from within



 **100,000+** 
 **MEMBERS** 



£215,000

in community
donations

**OVER £11
MILLION**

Spent with local suppliers



25,000

hours of training
completed

...with numbers that make a difference

Caring and sharing
channelislands.coop

The Channel Islands
co-operative
Society Limited

Grand Marché **locale** **enroute** **homemaker** **travelmaker** **totalsport** funeralcare medicalcare pharmacy *locale*

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