

The Channel Islands
co-operative
Society Limited

To make a real difference
to the communities we serve



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Annual Report 2016



Fairtrade Bananas

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



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

FAIRTRADE

DIRECTORS' REPORT

This year is also likely to prove challenging due to the closure of the Society's highly successful food store at Charing Cross to facilitate the redevelopment of the site. The Society has opened a temporary store close to Charing Cross but the sales area is considerably smaller and it cannot therefore generate the same level of trade. Moreover, there is nothing to suggest that food price increases will match the level of general price inflation in the immediate future. However, the new petrol filling station at St Sampson, Guernsey opened at the end of 2015 and the new food store recently opened in La Colomberie, St Helier, Jersey which should provide a welcome boost to food sales.

As a co-operative business above the prescribed size, the Society is obliged to prepare its accounts in compliance with United Kingdom accounting standards; accordingly, this year the Society was required to observe the provisions of Financial Reporting Standard (FRS) 102 for the first time. The transition to this standard has entailed the presentation of the financial statements in a different format to previous years. Of particular relevance has been the FRS 102 requirement to account for changes in the valuation of investment property and derivative financial instruments in the Consolidated Income Statement, previously referred to as the Profit & Loss account. This change has had a significant effect on the reporting of both the operating profit and the profit for the period.

Total operating profit increased by £747,000 during the year. The closure of the Society's on-Island warehouses gave rise to a number of one-off costs and write-downs of fixed assets, which has given rise to a marked increase in expenses. In addition, a fundamental review of all the trading ledgers revealed a number of historic claims that were no longer considered recoverable. With the exception of these items, costs had been well contained, the benefits of closing the warehouses were starting to flow through and the profitability of food sales had improved markedly. The underlying trading performance is therefore very strong despite the fall in turnover and, but for the one-off costs, the Society would have been reporting an improved performance.

While ordinarily these one-off costs would be expected to squeeze profits, the Society enjoyed the benefit of a net gain of £2,969,000 in the revaluation of its investment property. Significant increases in the value of Leale's Yard, Guernsey and the properties owned by the Society on the Bridge, Guernsey offset both the increase in expenses and the revaluation losses, particularly in respect of Charing Cross, which was reclassified as a development site having previously been classified as a trading property. The profit for the period was further boosted by the reduction in the liability of the swap instruments. As these instruments move toward maturity, the liability will reduce, with there being no liability remaining at maturity.

Other comprehensive income increased markedly during the year, with a decrease in the pension scheme liability of £7,443,000. Members continued to invest in the Society, depositing more money into their share accounts, which together with Comprehensive income strengthened the Society's financial position by £16,768,000.

The Society's 'current ratio' (ratio of current assets to current liabilities) has changed very slightly from 1.34:1 to 1.30:1. Although the amount of stock carried has fallen by £5,226,000 as a result of closing the Society's on-Island warehousing, this has been offset to a large extent by the increase in the Society's cash holdings.

There was a small increase of 15 in the total number of people

employed by the Society during the year despite the closure of the warehouses. This was attributable to the opening of En Route at St Sampson, the expansion of our offer at the St Peter Grand Marché and the Society's venture into healthcare. Many of the new jobs were taken by part-time workers and the number of full-time equivalent employees fell slightly by 24. Average employee numbers are expected to increase slightly as a result of the opening of the new store in La Colomberie, St Helier, Jersey.

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 10th January 2016 amounted to 30.92 days compared to 13.97 days as at 11th January 2015. The marked change in this ratio is due to the timing of the receipt of invoices, there being no changes to the Society's payment routine.

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



We are delighted with the first year's trading results from our Locale store at Grouville in Jersey. The 4,000 sq. ft. modern Locale opened on the 5th February 2015 and has continued to exceed our expectations. Customer and community feedback has been very positive.



On the 28th October last year we saw the opening of our new En Route in St Sampson, Guernsey. The 2,600 sq. ft. store has proved to be popular with local residents and the significant passing trade. It is the first store in Guernsey to use digital shelf edge tickets and is already the top sales performing En Route in the Island.

Our Mission: To develop and protect long-term member value.

Our Vision: To make a real difference to the communities we serve.

Our Values: Co-operation | Openness | Passion | Empowerment | Recognition

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 reducing our impact on climate change by supporting renewable energy initiatives, reducing our carbon footprint, reducing waste and promoting our own-brand packaging, encouraging re-usable carrier bags and sourcing 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.

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.



DIRECTORS' REPORT

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 Members' 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 the 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 3 Directors.

Board Balance and Independence

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

Mr B Shenton	Investment Manager
Mrs C Champion	Nutritional Therapist
Mr A Fearn	Director, International Funds and Investment Management
Mrs T Dorriy	Domestic Abuse and Relationship Education Worker – The Hampton Trust
Mr Richard Le Tocq	Head of Locate Guernsey
Mr H Marett-Crosby	Freelance Journalist and Writer
Mr P Roffey	Freelance 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 Federal Retail Trading Services Ltd – a subsidiary of The Co-operative Group, a Director of Community Savings Ltd, a Director of Jersey Voluntary & Community Sector Ltd and a Director of Jersey Pharmacy Services Ltd.

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 Members' Meetings. 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 Carol Champion 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 Members' Meetings 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 5 years after the date of the passing of the resolution.

DIRECTORS' REPORT

Board Skills and Performance Evaluation

Although a formal Board skills audit is not carried out, the Board undertakes an informal skills review on an annual basis to identify training needs for the Board collectively.

As a result of this process the Board has instituted specialised training for new and existing directors in liaison with the Guernsey Training Association University Centre and the Institute of Directors which will commence during the summer of 2016.

The Board conducts an annual review of its performance and the effectiveness of its structures, including the composition and terms of reference of its Committees, which are reviewed as necessary.

Board Committees

On 17th August 2015 the Board established an Audit and Risk Committee and a Recruitment and Remuneration Committee, which are comprised as follows.

Recruitment and Remuneration Committee:

Mrs C Champion	Chair
Mrs J Vibert	Director
Mr H Maret-Crosby	Director
Mrs T Dorrity	Director
Mr C Lintell	Secretary

Audit and Risk Committee:

Mr R Le Tocq	Chair
Mr A Fearn	Director
Mrs S Ryde	Director
Mr C Lintell	Secretary

The Audit and Risk Committee's terms of reference provide the Committee with the power to meet the External Auditors and also the Company Secretary in his capacity as the Society's Head of Internal Audit without the presence of Management annually, or as otherwise required.

Internal Control

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

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

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

The Board and the Executive Management have primary responsibility for identifying and controlling the key risks facing the Society. The Society operates a risk management process that aims to identify the key risks. These risks are considered at Senior Management level and are reviewed by the Audit and Risk 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. During the period under review, internal audit reviews have been undertaken by an independent third party service supplier. A Head of Internal Audit has been appointed and will commence in April 2016.

In 2016 the Board appointed Price Bailey LLP and Ultra Electronics Ltd (trading as CORVID) to conduct an independent review of internal controls and the IT infrastructure respectively to provide additional assurance as to the effectiveness of the Society's internal control and systems. These reports will be used as a basis for further strengthening the Society's systems of control where weaknesses are identified and to plan future system enhancements to ensure that the Society is at least attaining, and where possible exceeding, current industry standards.

Board Meetings

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

	Meetings Attended 2015	Meetings Entitled to Attend
Mr B Shenton (President)	9	10
Mrs C Champion (Vice-President)	10	10
Mr A Fearn (Vice-President)	10	10
Mrs T Dorrity	10	10
Mr R Le Tocq	4	5
Mr H Maret-Crosby	10	10
Mr P Roffey	9	10
Mrs S Ryde	10	10
Mrs J Vibert	10	10

Board Committee Meetings

Both the Board's Committees are required to meet at least three times a year; these Committee Meetings are additional to and separate from the Society's Board Meetings.

DIRECTORS' REPORT

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.

- 155. Although the Society has a detailed whistleblowing procedure, it was last reviewed by the Board as a whole and not by the Audit and Risk Committee.

Signed on behalf of the Board of Directors

.....
 B. Shenton, President

.....
 C Macleod, Chief Executive

.....
 C. Lintell, Secretary

Financial Results

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FINANCIAL STATEMENTS

52 weeks to 10th January 2016

52 weeks to 11th January 2015

CONSOLIDATED INCOME STATEMENT

	Notes	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Turnover	1	168,380	366	168,746	168,687	897	169,584
Cost of sales		(115,867)	(290)	(116,157)	(116,646)	(507)	(117,153)
Gross profit		52,513	76	52,589	52,041	390	52,431
Administrative expenses	2	(47,055)	(134)	(47,189)	(44,565)	(232)	(44,797)
Revaluation of trading property and non trading investment property		2,969	-	2,969	-	-	-
Other operating income	3	1,681	-	1,681	1,669	-	1,669
Operating profit		10,108	(58)	10,050	9,145	158	9,303
Other interest receivable and similar income	7	112	-	112	91	-	91
Interest payable and similar charges	8	(2,300)	-	(2,300)	(2,545)	-	(2,545)
Profit on disposal of fixed assets	9	259	-	259	60	-	60
Net gain on financial liabilities at fair value		441	-	441	230	-	230
Profit / (loss) before member payments		8,620	(58)	8,562	6,981	158	7,139
Members payments		(4,936)	(15)	(4,951)	(5,031)	(39)	(5,070)
Profit / (loss) before tax		3,684	(73)	3,611	1,950	119	2,069
Taxation	10	(197)	-	(197)	(200)	-	(200)
Profit / (loss) on ordinary activities		3,487	(73)	3,414	1,750	119	1,869
Non controlling interest		10	-	10	(74)	-	(74)
Profit / (loss) for the period		3,497	(73)	3,424	1,676	119	1,795

The Totalsport part of the business ceased trading in July 2015. The trade relating to this part of the business has been classified as 'Discontinued Operations' in the Consolidated Income Statement

52 weeks to 10th January 2016

52 weeks to 11th January 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit / (loss) for the period		3,497	(73)	3,424	1,676	119	1,795
Revaluation of trading property and non trading investment property		(1,478)	-	(1,478)	(315)	-	(315)
Remeasurement gain / (loss) of the net defined benefit pension scheme	21	7,443	-	7,443	(7,336)	-	(7,336)
Total comprehensive income for the period		5,965	-	5,965	(7,651)	-	(7,651)
Total comprehensive income for the period		9,462	(73)	9,389	(5,975)	119	(5,856)
Total comprehensive income for the period is attributable to:							
Non controlling interests		10	-	10	(74)	-	(74)
Owners of the parent company		9,452	(73)	9,379	(5,901)	119	(5,782)
		9,462	(73)	9,389	(5,975)	119	(5,856)

The Society will be recommending a distribution of £4,847,538 to its members for the period to 11th January 2015 as detailed in Note 29. In accordance with Section 32 of FRS 102, this has not been accrued for in these financial statements.

The accounting policies and notes on pages 23 to 38 inclusive form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 10th January 2016	As at 11th January 2015
Intangible assets	11	6,527	6,902
Tangible assets	12	87,884	89,037
Investment property	13	35,471	27,362
Investments	14	15	15
		129,897	123,316
Current assets			
Stocks	15	7,161	12,387
Debtors	16	11,908	11,594
Short term deposits	17	17,119	10,065
Cash at bank and in hand	17	8,942	8,069
		45,130	42,115
Creditors: amounts falling due within one year	18	34,755	31,609
Net current assets		10,375	10,506
Total assets less current liabilities		140,272	133,822
Creditors: amounts falling due after more than one year	19	(11,038)	(12,655)
Fair value derivatives	19	(2,005)	(2,446)
Pension liability	21	(8,569)	(16,829)
Net assets		118,660	101,892
Share capital	22	63,065	55,676
Reserves - property revaluation	23	5,103	4,640
Reserves - revenue		50,225	41,299
Total shareholders funds		118,393	101,615
Non controlling interest		267	277
		118,660	101,892

The accounting policies and notes on pages 23 to 38 inclusive form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	CALLED UP SHARE CAPITAL	REVALUATION RESERVE	REVENUE RESERVE	TOTAL SHAREHOLDERS EQUITY	NON CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 12th January 2014	51,822	4,955	46,840	103,617		103,617
Profit / (loss) for the period			1,795	1,795	74	1,869
Other comprehensive income			(7,651)	(7,651)		(7,651)
Transfer of revaluation movements to property revaluation reserve		(315)	315	-		-
Increase in share capital	3,854			3,854		3,854
Generated on the acquisition of Jersey Pharmacy Services Limited					203	203
Balance at 11th January 2015	55,676	4,640	41,299	101,615	277	101,892
Balance at 11th January 2015	55,676	4,640	41,299	101,615	277	101,892
Profit / (loss) for the period			3,424	3,424	(10)	3,414
Other comprehensive income			5,965	5,965		5,965
Transfer of revaluation movements to property revaluation reserve		1,491	(1,491)	-		-
Transfer of cumulative revaluation movements to revenue reserve on disposal		(1,028)	1,028	-		-
Increase in share capital	7,389			7,389		7,389
Balance at 10th January 2016	63,065	5,103	50,225	118,393	267	118,660

CONSOLIDATED CASH FLOW STATEMENT

Profit for the period

Adjustments to reconcile profit for the period to net cash flow from operating activities

Amortisation of goodwill

Depreciation of tangible fixed assets

Revaluation gain on property

Interest receivable

Interest payable

Profit on disposal of fixed assets

Net gain on financial liabilities at fair value

Non controlling interest

Taxation payable

Tax paid

Decrease / (Increase) in trade and other debtors

Decrease / (Increase) in stocks

(Decrease) / Increase in trade and other creditors

Contribution to defined benefit pension scheme

NET CASH INFLOW FROM OPERATING ACTIVITIES

INVESTING ACTIVITIES

Interest receivable

Payments to acquire share in subsidiary

Net cash acquired on acquisition of subsidiary

Payments to acquire tangible fixed assets

Payments to acquire investment properties

Receipts from sales of tangible fixed assets

NET CASH FLOW FROM INVESTING ACTIVITIES

FINANCING ACTIVITIES

Increase in Share Capital

Repayment of property loans

Interest Paid

NET CASH FLOW FROM FINANCING ACTIVITIES

NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT START OF THE PERIOD

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

Notes	52 weeks to 10/01/16	52 weeks to 11/01/15
	3,424	1,795
11	375	148
12	2,924	3,242
	(2,969)	-
	(112)	(91)
	2,300	2,545
	(259)	(60)
	(441)	(230)
	(10)	74
	197	200
	(197)	(200)
	(314)	(471)
	5,226	1,480
	3,110	(5,244)
21	(1,192)	(1,008)
	8,638	385
	12,062	2,180
	112	91
	-	(4,256)
	-	1,027
	(10,656)	(9,479)
	(686)	-
9	3,212	70
	(8,018)	(12,547)
	7,389	3,854
	(1,581)	(1,511)
	(1,925)	(2,124)
	3,883	219
	7,927	(10,148)
	18,134	28,282
	26,061	18,134

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

Cash at bank and in hand

Short term deposits

Cash and cash equivalents

Notes	As at 10th January 2016	As at 11th January 2015
17	8,942	8,069
17	17,119	10,065
	26,061	18,134

Major non cash transactions

There were no major non cash transactions made during the period (2015 :£nil)

ACCOUNTING POLICIES

General Information

The Channel Islands' Co-operative Society Limited's legal form is described on page 4.

Statement of Compliance

The Society's financial statements have been prepared in compliance with United Kingdom Accounting Standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland as issued in September 2015.

The Society transitioned from legacy UK Accounting Standards to FRS 102 as at 13th January 2014.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for freehold land and buildings, derivatives, investment property and pension liability measured at fair value.

The financial statements are prepared in sterling and rounded to the nearest £1,000.

The financial statements are prepared on the basis that the Society is a going concern and is expected to remain so for the foreseeable future.

Accounting Date

The financial statements are made up for the fifty two weeks ended 10th January 2016 with comparative figures for the fifty two weeks ended 11th January 2015.

The changes implemented to accounting policies and presentations as a result of the transition to FRS 102 are explained in Note 31. In preparing these financial statements, the Society has consistently applied the following accounting policies:

Basis of Consolidation

The Society financial statements consolidate the financial statements of the Channel Islands' Co-operative Society Limited and all its subsidiary undertakings for the full financial period. Subsidiaries are consolidated from their date of acquisition, being the date on which the Society gains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

The Society has 2 wholly owned subsidiaries:

- (a) Offshore Leisure Limited; and
- (b) F. Mallett & Son Limited.

While not wholly owned, the Society has control of a third subsidiary, Jersey Pharmacy Services Limited, having 80% of the shareholding and voting rights.

Judgements and Key Sources of Estimation and Uncertainty

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the period end date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual

outcomes could differ from those estimates.

The following are the key areas of judgement (apart from those involving estimates) that have had the most significant effect on amounts recognised in the financial statements:

- fair value of property; and
- fair value of pension scheme.

Key estimates and assumptions have been made in the following areas:

- valuation of pension scheme liabilities;
- useful life of tangible assets; and
- useful life of goodwill.

Key Accounting Policies

Operating Lease Commitments

The Society has entered into commercial property leases as a lessor on its investment property portfolio and as a lessee where it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Society to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

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.

Property

The Society has both investment properties and properties used in trade. The Board has adopted the policy of revaluation of all freehold properties. These are accounted as follows:

- all properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure; and
- properties whose fair value can be measured reliably are measured at fair value on a triennial basis except where the property market movement in the intervening time indicates that an interim measurement is required.

Property fair values may be estimated using market-based, income-based or replacement cost approaches. Generally, the fair value of a property is measured by an independent member of the Royal Institute of Chartered Surveyors (RICS) using a market-based approach. Properties used in trade that are newly acquired or redeveloped may be valued using a depreciated replacement cost or income-based approach, to allow for circumstances where a significant range of acceptable values is observed. As at 10th January 2016, the Society's trading properties at Grouville and St Sampson En Route are carried at a fair value of £7,163,273, representing their estimated depreciated replacement cost.

Fair value movements on investment property are recognised in the Consolidated Income Statement. Fair value movements on trading property are recognised in the Statement of Comprehensive Income to the extent fair value exceeds cost and in the Consolidated Income Statement to the extent fair value is below cost.

- Properties used in trade are depreciated over the shorter of their assessed useful life or 50 years on a straight-line basis.
- Leasehold land and buildings are depreciated over the remaining life of the lease on a straight-line basis.

The valuation of properties undertaken by the independent member of the RICS has been measured in accordance with RICS guidelines using a range of yields from 6% to 9%, the yield selected for each property being that currently attained in the local market having due regard to the construction, age, use and location of each property.

Tangible Assets

Tangible assets and other property, are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all equipment and motor vehicles, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, which varies between 4 and 8 years depending on the nature of the asset.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible Assets

Goodwill

The Society establishes a reliable estimate of the useful life of goodwill arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, and any legal, regulatory or contractual provisions that can limit useful life. Where the useful life cannot be determined but benefits are expected to accrue to the Society over a prolonged period of time, a useful life of between 10 and 25 years is assumed, in line with the Society's programme of refurbishment of trading assets.

Goodwill is amortised on a straight-line basis over the assessed useful life of the asset.

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

Impairment of Non-Financial Assets

Where there are indicators of impairment of individual assets, the Society performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for

the next three years and do not include restructuring activities that the Society is not yet permitted to do or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The Society assesses at each reporting date whether an asset may be impaired. If any such indication exists the Society estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss. An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Disposal of Capital Assets

Capital assets are no longer recognised in the Statement of Financial Position at the time the title to the asset passes to a third party. Gains and losses on disposal declared are the differences between the carrying value and the amount received in payment for the asset.

Financial Instruments

Derivative Financial Instruments

Derivative Financial instruments that have either a cost or benefit value are initially measured at fair value on the date on which a contract is entered into and are subsequently measured at fair value by mark to market method and any changes in valuation are accounted through the Consolidated Income Statement. Such Instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Society uses interest rate swaps to hedge interest rate exposures.

Basic Financial Instruments

Basic financial instruments include shares, cash, short-term debtors and creditors.

Unquoted Shares

The Society holds shares in a small number of unquoted businesses. There being no active market for these shares, the amounts shown in the accounts are the amounts paid by the Society for those shares. Unless circumstances arise whereby the shares are shown to have suffered a permanent diminution in value, no adjustment is made to their carrying value.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and in hand and short term deposits.

Short terms Debtors, Creditors and Loans Payable

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

Other Debtors, including loans receivable are recognised initially at transaction price less attributable cost. Creditors, including loans payable and members' loans, are recognised initially at transaction price plus attributable costs.

ACCOUNTING POLICIES

Subsequent to initial recognition, debtors and creditors are measured at amortised cost using the effective interest method, less any impairment losses in the case of debtors. Any losses arising from impairment are recognised in the income statement in other operating expenses. Where loans receivable/payable earn/incur interest at other than the market rate, providing the loan is receivable/repayable on demand, its amortised cost value will equal its notional amount.

Inventory

Inventory items are carried at the lower of cost or net realisable value. Net realisable value is based on the estimated selling price less any further costs expected to be incurred to completion and disposal.

A check of all inventory items is carried out periodically and any shortages are accounted through the Consolidated Income Statement.

Pension and Other Post-employment Benefits

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. The Society closed its Defined Benefit Scheme to future accruals on 30th June 2009 and since that time the Society has operated a defined contribution scheme administered by an independent third party service provider for both existing and new members.

The valuation of the assets and liabilities of the Defined Benefit Scheme is determined by an independent actuary using a range of assumptions selected by the Directors having taken independent professional advice. Actuarial gains and losses are accounted in the Statement of Comprehensive Income.

Members' Capital

Withdrawable share capital can only be withdrawn at the discretion of the Directors; accordingly withdrawable share capital is classified as equity capital in the Statement of Financial Position.

Members' loans can be withdrawn at three months' notice and they are classified as a short-term creditors.

Taxation

Full provision has been made for the estimated amount of liability in accordance with Jersey and Guernsey Income Tax law respectively.

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 Society'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. 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 this policy is reported in Note 1.

Provision for Liabilities

A provision for liabilities is recognised when the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Members' Payments

The Society pays a dividend to Members as a proportion of their expenditure with the Society on certain goods and services. The dividend payable is declared annually at the Annual Members' Meetings and payable the following working day. The amount paid is recorded in the Consolidated Income Statement in the period in which it is declared and paid.

Interest is payable on Members' share and loan accounts at rates determined by the Board from time to time. Interest is credited to the accounts annually on the first working day of the new financial period.

From time to time the Society issues "Dividend Stamps". These can be used in exchange for foods, services or cash at their face value. Where stamps are redeemed during the month of December for goods purchased in the Society's stores, an additional 5% of the face value is allowed.

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER

Gross turnover from Group ordinary activities
Less gross agency turnover from subsidiary travel activities

Analysed by business area

Food
Fuel
Homemaker
Travel
Totalsport
Online Retail
Funeral
Pharmacy
Total

Notes	2016	2015
	190,952	187,829
	(22,206)	(18,245)
	168,746	169,584
	132,257	133,579
	13,758	14,007
	10,385	10,254
	1,248	1,147
	366	897
	36	79
	1,352	1,006
	9,344	8,615
	168,746	169,584

2. ADMINISTRATIVE EXPENSES

Personnel
Defined contribution pension scheme
Occupancy costs
Depreciation
Goodwill, amortisation, impairment
Audit fee
Directors' fees
Other expenses
Bonus dividend

	2016	2015
5	25,594	25,584
	1,080	1,008
	5,891	5,856
12	2,924	3,242
11	375	149
4	81	80
6	107	96
	8,861	6,483
	2,276	2,299
	47,189	44,797

3. OTHER OPERATING INCOME

Sundry income
Rental income

	2016	2015
	268	354
	1,413	1,315
	1,681	1,669

4. EXPENSES AND AUDITOR'S REMUNERATION

Included in the profit/loss are the following :
Write down on other debtors and prepayments
Restructuring costs expensed as incurred - included in administrative expenses
Write off of historic claims

	2016	2015
	-	375
	621	-
	1,996	-
	2,617	375

Auditor's remuneration
Audit of these financial statements

	2016	2015
	81	80
	81	80

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £7,452 (2015 : £7,452)

NOTES TO THE FINANCIAL STATEMENTS

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Society (including directors) during the period, was as follows :

Full-Time
Part-Time

Notes	2016	2015
	577	604
	252	249
	829	853
	25,594	25,584
	25,594	25,584

The aggregate payroll costs of these persons was as follows :

Wages and salaries

	Number	Number
	8	7
	1	1
	0	0

6. DIRECTORS FEES

Directors' fees fall within the following ranges

Between £0k and £15,000 pa
Between £15,000 and £30,000 pa
In excess of £30,000 pa

The total payments made to key management personnel were £107,000 (2014 : £96,000). Key Management is considered to be the Board of Directors of the Society

	2016	2015
	112	91
	112	91

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Net gain on financial assets measured at fair value through profit or loss

	2016	2015
	298	346
	793	1,008
	789	724
21	375	421
	45	46
	2,300	2,545

9. PROFIT / (LOSS) ON DISPOSAL OF FIXED ASSETS

Receipts from the sale of fixed assets
Net book value of fixed assets disposed
Profit on disposal of fixed assets

	2016	2015
	3,212	70
	(2,953)	(10)
	259	60

10. TAXATION

Current tax on income for the period

	2016	2015
	197	200
	197	200

Reconciliation of profit before taxation to tax expense in the period

Taxable rental income net of allowances at 20%
Tax expense for the period

	2016	2015
	197	200
	197	200

NOTES TO THE FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS

Cost at beginning of period			
Additions in period			
Cost at end of period			
Amortisation at beginning of period			
Amortisation charge for the period			
Amortisation at end of period			
Net book value at end of period			
Net book value at beginning of period			

Lease Premium	Goodwill	Total
1,000	6,790	7,790
-	-	-
1,000	6,790	7,790
100	788	888
100	275	375
200	1,063	1,263
800	5,727	6,527
900	6,002	6,902

Intangible assets comprise goodwill on a number of cash generating units within the Society and a lease premium on a Pharmacy at Queen's Road

12. TANGIBLE ASSETS

Cost and valuation at 11 January 2015			
Additions			
Transfer to investment properties			
Revaluations			
Disposals			
Cost and valuation at 10 January 2016			
Depreciation at 11 January 2015			
Depreciation charge for the period			
Disposals			
Depreciation at 10 January 2016			
Net Book Value at 10 January 2016			
Net Book Value at 11 January 2015			

Land and Buildings	Plant and Machinery	Total
86,014	38,103	124,117
7,675	2,981	10,656
(5,454)		(5,454)
(2,078)		(2,078)
(102)	(14,544)	(14,646)
86,055	26,540	112,595
4,478	30,602	35,080
1,013	1,911	2,924
	(13,293)	(13,293)
5,491	19,220	24,711
80,564	7,320	87,884
81,536	7,501	89,037

The Society has authorised total Capital Expenditure in the sum of £9,272,000 (2015: £5,650,000) in the period in respect of a number of new developments, most notably the development of Charing Cross. The full amount is contracted and no provision is made within these financial statements.

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, has undertaken a full valuation of the Society's property portfolio as at 10th January 2016. In accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual, those properties primarily occupied by the Society were valued on the basis of existing use value. The carrying amount of the Society's property portfolio which includes freehold land and buildings and investment property under the historical cost model would be £110,932,000 (2015: £104,258,000).

During the period under review the Society opened two new outlets: Grouville Locale and St Sampson En Route respectively. The Board has undertaken an assessment of the economic benefit to the Society based on anticipated returns and has concluded that the value of the properties is not less than the cost of bringing those units into operation. Although the economic benefit indicated by the valuation is greater than the cost of those units, due to the limited time they have been in operation and thus the limited data available, the Board has exercised prudence and determined no increase in value should be recognised at this time. The carrying value is therefore the cost of those units less depreciation.

The valuation of properties undertaken by the independent member of the RICS has been measured in accordance with RICS guidelines using a range of yields from 6% to 9%, the yield selected for each property being that currently attained in the local market having due regard to the construction, age, use and location of each property. For those properties newly acquired or redeveloped, the net present value of the expected cash-flows.

The properties at Don Street, St Helier, St Peter and Beaumont were held as security against the property loans.

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENT PROPERTY

Balance at the beginning of the period

Additions

Disposals

Transfer from Property, plant and equipment

Movement in revaluation

Balance at the end of the period

Notes	2016	2015
	27,362	27,362
	686	-
	(1,600)	-
	5,454	-
	3,569	-
	35,471	27,362

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, has undertaken a full valuation of the Society's property portfolio as at 10th January 2016. In accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual, those properties held as investments of for future development were valued on the basis of open market value.

The valuation of properties undertaken by the independent member of the RICS has been measured in accordance with RICS guidelines using a range of yields from 6% to 9%, the yield selected for each property being that currently attained in the local market having due regard to the construction, age, use and location of each property.

Investment properties includes properties held for sale of £9,540,000 (2015: £nil) which are currently being marketed.

14. INVESTMENTS

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.

The Society owns 80% of the voting rights in Jersey Pharmacy Services Ltd, the principal activity of which is the provision of retail pharmacy and prescription services in the Channel Islands.

The undertakings in which the Society's interest at the period end is more than 20% are as follows:

Subsidiary undertaking

Offshore Leisure Limited

F. Mallett & Son Ltd

Jersey Pharmacy Services Ltd

Country of Incorporation	Registered number	Principal activity	Percentage of shares held
Jersey	77830	Travel	100%
Guernsey	619	Holding	100%
Jersey	89296	Pharmacy	80%

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

Cost

At beginning of period

Additions

Disposals

Reclassification

At end of period

Other investments	Total
15	15
-	-
-	-
-	-
15	15

Unquoted investments

Unquoted Co-operative Group (CWS) 105 Shares at £5 each

Unquoted - Industrial Common Ownership Fund PLC 10,000 ordinary shares £1 each

Unquoted Toymaster Limited 4,000 ordinary shares £1 each

£'000
1
10
4
15

NOTES TO THE FINANCIAL STATEMENTS

15. STOCKS

Finished goods

The value of goods purchased for resale and recognised as an expense during the period was £134,746,754 (2015 : £131,144,740)

Notes	2016	2015
	7,161	12,387

16. DEBTORS

Trade Debtors

Sundry accounts, prepayments and accrued interest

Consideration receivable in respect of F Mallett & Son Ltd - land held for resale

	2016	2015
	10,166	8,547
	1,742	1,642
	-	1,405
	11,908	11,594

17. CASH AND CASH EQUIVALENTS

Short term deposits

Cash at bank and in hand

Cash and cash equivalents per cashflow statements

	2016	2015
	17,119	10,065
	8,942	8,069
	26,061	18,134

18. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors

Taxation

Members loans

Share interest

Accrued loan interest

Non trade creditors and expense accruals

Property loans

	2016	2015
	9,757	4,486
	107	105
20	15,942	18,461
	789	724
	298	345
	6,309	5,971
20	1,553	1,517
	34,755	31,609

19. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Property loans

Fair value derivatives

	2016	2015
20	11,038	12,655
20	2,005	2,446
	13,043	15,101

Property loans are secured against Society land and buildings assets, 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.

The derivatives are held with the Co-operative Bank. For information on interest rates, maturity and repayment schedule see Note 20.

NOTES TO THE FINANCIAL STATEMENTS

20. INTEREST BEARING LOANS AND BORROWINGS

Fair value derivatives

Property loans due after more than one year

Members loans

Property loans due within one year

Notes	2016	2015
	2,005	2,446
	11,038	12,655
	15,942	18,461
	1,553	1,517
	30,538	35,079

Terms and debt repayment schedule

Property loan

Members loans

Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016	2015
GBP	LIBOR + 0.95%	2023	Quarterly	12,591	14,172
GBP	0.1% - 1.75%	On demand	On demand	15,942	18,461

The Society uses interest rate swaps to hedge interest rate exposures on its property loan. There are two swaps in place. One for £10million which matures in 2023 and attracts a fixed interest rate of 5.46% and another for £9 million which matures in 2018 and attracts a fixed interest rate of 5.58%

21. EMPLOYEE BENEFITS

Nature of the scheme

The Channel Islands' Co-operative Society Limited Employees' Superannuation Scheme (the 'Scheme') operated by the Society is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary.

The Scheme closed to the future accrual of benefits with effect from 28 June 2009. All remaining active members were treated as having left Pensionable Service with effect from that date, but with a different rate of increases to deferred pensions applied compared to those members who had previously left service.

The most recent actuarial valuation of the Scheme indicated that the Scheme had a deficit. The Society and the Trustees of the Scheme have agreed that the deficit will be funded by annual payments of £1,100,000, which will continue to be paid until the deficit is eliminated subject to these payments not affecting the future viability of the Society.

The most recent formal actuarial valuation of the Scheme was carried out as at 30 June 2013.

The calculations for the FRS 102 disclosures have been carried out by the Scheme Actuary as at 10 January 2016.

Funding Policy

Following the cessation of accrual of benefits with effect from 28 June 2009, regular contributions to the Scheme are no longer required. However, additional contributions are still made to cover any shortfalls that arise following each valuation. The funding method employed to calculate the value of previously accrued benefits is the Projected Unit Method. The Trustees determine the level of contributions payable to the Scheme following advice of the Scheme's Actuary, and considering the views of the Society.

Scheme Amendments

There were a number of redundancies during the period. This has given rise to a curtailment gain of £161,000 as outlined on the following page.

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEE BENEFITS (CONTINUED)

The amounts recognised in the Balance Sheet are as follows :

Fair value of scheme assets

Present value of funded obligations

Net (under) / overfunding in Scheme

Unrecognised asset due to asset ceiling

Net defined benefit asset / (liability)

Notes	As at 10th Jan 2016 £'000	As at 11th Jan 2015 £'000
	43,795	44,853
	(52,364)	(61,682)
	(8,569)	(16,829)
	-	-
	(8,569)	(16,829)

The amounts recognised in the Profit or Loss are as follows :

Service cost

Cost of benefit changes

Curtailement costs / (gains)

Settlement costs / (gains)

Net interest on net defined benefit liability

Expense recognised in the Profit or Loss

	£'000	£'000
	-	-
	-	-
	(161)	-
	-	-
	536	421
	375	421

The net interest on net defined benefit liability item is broken down as follows :

Interest on obligation

Interest on assets

Interest on unrecognised assets

Net interest on defined benefit liability

	£'000	£'000
	2,009	2,242
	(1,473)	(1,821)
	-	-
	536	421

The amounts recognised as remeasurements in other comprehensive income are as follows :

Return on assets (not included in interest)

Actuarial gains / (losses) on obligation

Change in unrecognised assets (other than interest)

Total remeasurements recognised in other comprehensive income

	£'000	£'000
	(2,102)	1,715
	9,545	(9,051)
	-	-
	7,443	(7,336)

Cumulative amount or remeasurements recognised in other comprehensive income

	107	(7,336)
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Actual return on scheme assets

	(629)	3,536
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Changes in the present value of the scheme's defined benefit obligation are as follows:

Opening defined benefit obligation

Service cost

Contributions by members

Cost of benefit changes

Curtailement costs / (gains)

Liabilities extinguished on settlements

Benefits paid

Interest on obligation

Experience losses / (gains)

Losses / (gains) from changes in assumptions

Closing defined benefit obligation

The weighted average duration of the liabilities of the Scheme was 24 years as at 11th January 2015

	£'000	£'000
	61,682	51,529
	-	-
	-	-
	-	-
	(161)	-
	-	-
	(1,621)	(1,140)
	2,009	2,242
	(3,828)	(1,835)
	(5,717)	10,886
	52,364	61,682

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEE BENEFITS (CONTINUED)

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

	As at 10th Jan 2016 £'000	As at 11th Jan 2015 £'000
Opening fair value of scheme assets	44,853	41,449
Interest on assets	1,473	1,821
Return on assets (not included in interest)	(2,102)	1,715
Assets distributed on settlements	-	-
Contributions by employer	1,192	1,008
Contributions by members	-	-
Benefits paid	(1,621)	(1,140)
Administrative expenses	-	-
Closing fair value of scheme assets	43,795	44,853

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

	%	%
Equities	59.7	62.9
Gilts	20.8	22.4
Corporate bonds	11.3	14.0
Property	4.4	-
Cash	3.8	0.7

The principal actuarial assumptions used for the FRS 102 disclosures :

	%pa	%pa
Discount rate at end of period	3.7	3.3
Discount rate at start of period	3.3	4.4
Inflation	3.3	3.3
Rate of increase in deferment whilst in employment with the Society	3.3	3.3
Rate of increase in deferred pensions for those who have left employment with the Society	3.2	3.2
Rate of increase in pensions in payment	3.2	3.2

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 age 89 if they are male and until 91 if they are female.

For a member currently aged 40 the assumptions are that if they attain age 65 they will live on average until age 92 if they are male and until age 93 if female.

22. SHARE CAPITAL

As a Co-operative, the Society issues withdrawable Share Capital and this is the only form of Share Capital issued by the Society.

Share Capital comprises individual shares held by the members of the Society. The rights attached to shares are set out in the Society's rules. Share capital can only be withdrawn at the discretion of the Directors and are therefore treated as equity shares.

23. REVALUATION RESERVE - PROPERTY

The Society carries its property portfolio comprising freehold land and buildings and investment property at fair value with changes in fair value ultimately being recognised in the revaluation reserve. This reserve relates to the surplus created following the revaluation of certain assets in the Society in previous periods.

The reserve is a non distributable reserve.

NOTES TO THE FINANCIAL STATEMENTS

24. OPERATING LEASES

Non cancellable operating lease rentals are payable as follows :

Less than one year

Between one and five years

More than five years

Notes	2016	2015
	2,192	2,192
	5,962	5,962
	9,345	11,537
	17,499	19,691

During the period £1,683,000 was recognised as an expense in the Consolidated Income Statement account in respect of operating leases (2015 : £1,499,000)
The Society operates a number a trading units under operating leases ranging from 2 years to 21 years.

Leases as a lessor

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows :

Less than one year

Between one and five years

More than five years

	1,357	1,357
	382	382
	109	210
	1,848	1,949

During the period £1,413,000 was recognised as income in the Consolidated Income Statement account in respect of operating leases (2015 : £1,315,000)
The Society lets a number of properties under operating leases ranging from 1 year to 9 years.

25. COMMITMENTS

Capital commitments

Contractual commitments in respect of capital projects at the period end were £9,272,000 (2015: £5,650,000)

26. CONTINGENCIES

Indemnities are held in favour of 'Customs and Excise Immigration and Nationality, Guernsey' in respect of Duty in the sum of £200,000 (2015: £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 rent of £128,000 and a term of 21 years on behalf of JPSL which is cross guaranteed by JPSL in favour of the Society. It is not anticipated that this further guarantee will be called upon.

A Parental guarantee in favour of Natwest Bank Plc in the sum of £100,000 (2015:£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 £177,384 (2015:£177,384) has been entered into in respect of a Bond issued by the Bank in favour of the Association of British Travel Agents for the benefit of Offshore Leisure Limited. It is not anticipated that this guarantee will be called upon.

The previous owner of de Gruchy Funeral Services had agreed to provide a number of funerals at a fixed price. The Society will honour that undertaking and a provision of £38,000 has been made within the Financial Statements to meet the anticipated costs of those funerals.

Where Members and Customers require a pre-paid funeral plan, the Society provides access to a whole of life insurance plan operated by Ecclesiastical Life Ltd, with the underlying assets managed by Royal London Asset Management Ltd. The Society guarantees that the total cost of the funeral as specified at the time of purchase of the plan will not exceed the value of the plan at maturity. The plan is designed to cover the costs of the funeral inclusive of the Society's margin and no shortfall is therefore expected. Accordingly, no provision has been made within the Financial Statements.

27. RELATED PARTIES

Transactions with directors and key management personnel

A number of trading transactions are entered into with key management and are at arms length. Key management are considered to be directors of the Society. Other than the compensation set out in Note 7 there were no transactions greater than £1,000 with the Society's entities (2015: £nil)

Entities over which Society has control - Offshore Leisure Limited

Entities over which Society has control - Jersey Pharmacy Services Limited

Employees of the Society

Receivables outstanding		Payables outstanding	
2016	2015	2016	2015
42	42	2,443	1,935
1,678	2,491	0	0
114	57	0	0
1,834	2,590	2,443	1,935

NOTES TO THE FINANCIAL STATEMENTS

27. RELATED PARTIES (CONTINUED)

Throughout the period under review, the Society has been a member of Federal Retail Trading Services Limited (FRTS), a company wholly-owned by the Co-operative Group Limited. The Society's CEO is a director of FRTS.

All buying terms of goods for resale supplied from FRTS sources are negotiated with third party suppliers by FRTS on behalf of its members and all members benefit from the advantageous buying terms that such a major group can offer. The closure of the Society's own warehouses during 2015 has greatly increased the purchases made by the Society through FRTS. In the 52-week period to 10th January 2016, total purchases from FRTS amounted to £43,002,367 (2015: £30,791,761) and the payments due by the Society to FRTS as at that date totalled £5,337,204 (2015: £358,897). As at 10 January 2016 the amount due by FRTS to the Society in respect of rebates was £4,442,653 (2015: £4,164,042) and the amount due to the Society by FRTS in respect of Duty drawbacks is £2,319,468 (2015: £1,300,000).

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.

28. 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.

29. SUBSEQUENT EVENTS

The Society has yet to recommend a distribution of £4,847,538 to its Members for the period to 10th January 2016.

The recommendation to accept this distribution will be, it is envisaged, ratified at the Annual Members' Meetings on the 17th and 18th May 2016.

Provision for this sum has not been made within these financial statements in line with the requirements of Section 32 of FRS 102.

The Society opened a new store at La Colomberie in Jersey in April 2016.

The store at Charing Cross, Jersey will be developed during 2016 and 2017 and accordingly, the store temporarily ceased trading in December 2015 when this development work started.

The Society disposed of two properties after the period end, Albalat House and Brunswick House. Considerations of £485,000 and £620,000 received respectively.

30. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk arises from the possibility of customers failing to meet their obligations to the Society. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Society does not require collateral in respect of financial assets. The majority of the businesses in the Society have cash based rather than credit based sales hence customer credit risk is relatively small.

At the Consolidated Statement of Financial Position date there were no significant concentrations of credit risk.

Interest Rate Risk

Interest rate risk arises from movements in interest rates that impact on the fair value of the assets and liabilities and related finance flows. Interest rate swaps, denominated exclusively in sterling, have been entered into to mitigate and manage the Society's exposure to interest rate fluctuations. 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 21). The fair value of the swaps at 10th January 2016, 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 were contracted for were £1,279,849 and £725,572 (2015: £1,504,575 and £941,466). These amounts are recognised as fair value derivatives.

Estimation of Fair Values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments

Derivatives

Forward exchange contracts, such as the Society's interest rate swaps are stated at fair value using valuations from the issuing bank.

Interest bearing loans and borrowings

These are shown at amortised cost which presently equates to fair value.

Trade and other receivables / payables

For receivables / payables, the notional amount is deemed to reflect the fair value.

Carrying amounts of financial assets and liabilities

2016

	Financial assets as an equity instrument	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial liabilities at fair value through P&L
Debtors		10,724		
Creditors			17,260	
Loans payable			12,591	
Members' loans			15,942	
Derivative financial instruments				2,005
Unquoted shares	15			

Carrying amounts of financial assets and liabilities

2015

	Financial assets as an equity instrument	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial liabilities at fair value through P&L
Debtors		10,266		
Creditors			11,631	
Loans payable			14,172	
Members' loans			18,461	
Derivative financial instruments				2,446
Unquoted shares	15			

NOTES TO THE FINANCIAL STATEMENTS

31. EXPLANATION OF TRANSITION TO FRS 102 FROM UK GAAP

As stated in Note 1, these are the Society's first financial statements prepared in accordance with FRS 102.

The accounting policies set out on pages 22 to 33 have been applied in preparing the financial statements for the period ended 10th January 2016 and the comparative information presented in these financial statements for the period ended 11th January 2015.

In preparing its FRS 102 Consolidated Statement of Financial Position, the Society has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting, UK Accounting Standards. An explanation of how the transition from UK Accounting Standards to FRS 102 has affected the Society's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Consolidated Statement of Financial Position as at 12th January 2014

	Notes	UK GAAP	Effect of transition to FRS 102	Other changes	FRS 102
Intangible assets		1,544			1,544
Tangible assets		84,239			84,239
Investment property		27,362			27,362
Investments		1,483			1,483
		114,628	-	-	114,628
Current assets					
Stocks		13,101			13,101
Debtors		9,394		(170)	9,224
Investments		15,040			15,040
Cash at bank and in hand		13,242			13,242
		50,777	-	(170)	50,607
Creditors: amounts falling due within one year		(34,855)		170	(34,685)
Net current assets		15,922	-	-	15,922
Total assets less current liabilities		130,550	-	-	130,550
Creditors: amounts falling due after more than one year		(14,177)			(14,177)
Fair value derivatives	a*		(2,676)		(2,676)
Pensions and similar obligations		(10,080)			(10,080)
Net assets		106,293	(2,676)	-	103,617
Share capital		51,822			51,822
Reserves - general		36,000		(36,000)	-
Reserves - revaluation		4,955			4,955
Reserves - revenue	a*	13,516	(2,676)	36,000	46,840
Total shareholders funds		106,293	(2,676)	-	103,617
Non-controlling interests		-			-
		106,293	(2,676)	-	103,617

NOTES TO THE FINANCIAL STATEMENTS

31. EXPLANATION OF TRANSITION TO FRS 102 FROM UK GAAP (continued)

Consolidated Statement of Financial Position to 11th January 2015

	Notes	UK GAAP	Effect of transition to FRS 102	Other changes	FRS 102
Intangible assets		6,902			6,902
Tangible assets		89,037			89,037
Investment property		27,362			27,362
Investments		15			15
		123,316	-	-	123,316
Current assets					-
Stocks		12,387			12,387
Debtors		11,764		(170)	11,594
Investments		10,065			10,065
Cash at bank and in hand		8,069			8,069
		42,285	-	(170)	42,115
					-
Creditors: amounts falling due within one year		(31,779)		170	(31,609)
					-
Net Current assets		10,506	-	-	10,506
					-
Total assets less current liabilities		133,822	-	-	133,822
					-
Creditors: amounts falling due after more than one year		(12,655)			(12,655)
Fair value derivatives	a*		(2,446)		(2,446)
Pensions and similar obligations		(16,829)			(16,829)
Provisions					-
Net assets		104,338	(2,446)	-	101,892
					-
					-
Share capital		55,676			55,676
					-
Reserves - general		37,500		(37,500)	-
Reserves - revaluation		4,640			4,640
Reserves - revenue	a*	6,245	(2,446)	37,500	41,299
					-
Total shareholders funds		104,061	(2,446)	-	101,615
					-
Non-controlling interests		277			277
		104,338	(2,446)	-	101,892

The following were changes in accounting policies arising from the transition to FRS 102:

*a) Interest rate swaps are recorded on the Consolidated Statement of Financial Position at fair value and movements in their fair value are accounted for in the Consolidated Income Statement. Under legacy UK Accounting Standards these were not revalued to fair value or shown on the Society Consolidated Statement of Financial Position at the period end.

b) In accordance with the requirements of FRS 102, the full financial commitment arising out of operating leases is now disclosed. Previously, only payments due in the following year were stated.

c) Property: Under legacy UK accounting standards, valuation of property at 'fair value' was considered to be that measured by an independent member of the RICS in accordance with the guidance issued by that Institute. FRS 102 allows a wider range of valuation methods to be used. Having due regard to their expected cash flows, the Directors have valued Grouville Locale and St Sampson En-Route at their depreciated replacement cost. All other properties have been valued at the amount advised by an independent surveyor using a market-based approach. See Accounting Policies for recording of gain/(loss) on revaluation on Pages 23 and 24.

d) Goodwill: Previously, accounting standards permitted an assumed life of 20 years when amortising purchased goodwill. FRS 102 requires that where a reliable estimate of useful life cannot be made, goodwill shall be amortised over a period of 5 years. The Society undertakes a refurbishment of its properties every 10 years and therefore, except where benefits are expected to accrue over a longer period, the Society amortises goodwill between 10 and 25 years.

NOTES TO THE FINANCIAL STATEMENTS

31. EXPLANATION OF TRANSITION TO FRS 102 FROM UK GAAP (continued)

Consolidated Income Statement for the 52 weeks to 12th January 2015

	Notes	UK GAAP	Effect of transition to FRS 102	Other changes	FRS 102
Turnover		168,437		1,147	169,584
Cost of sales		(116,006)		(1,147)	(117,153)
Gross profit		52,431	-	-	52,431
Administrative expenses		(44,705)		(92)	(44,797)
Other operating income		1,577		92	1,669
Group operating profit		9,303	-	-	9,303
Other interest receivable and similar income		91			91
Interest payable and similar charges	a*	(1,074)	(747)	(724)	(2,545)
Share interest		(724)		724	-
Profit / (Loss) on disposal of fixed assets		60			60
Profit on ordinary activities before taxation		7,656	(747)	-	6,909
Taxation		(200)			(200)
Profit / (loss) on ordinary activities before non controlling Interests and distributions		7,456	(747)	-	6,709
Members payments				(5,070)	(5,070)
Net fair value (loss) / gain on derivatives	b*		230		230
Non controlling interest		(74)			(74)
Profit / (loss) on ordinary activities before distributions		7,382	(517)	(5,070)	1,795
Dividend (ratified)		(5,070)		5,070	-
Profit / (loss) for the financial period		2,312	(517)	-	1,795
Share of operating profit in associate undertaking		-			-
Profit / (loss) for the financial period		2,312	(517)	-	1,795
Other comprehensive income					-
Profit / (loss) for the period		2,312	(517)	-	1,795
Revaluation of tangible fixed assets		(315)			(315)
Remeasurement of the net defined benefit liability (asset)		(8,083)	747		(7,336)
		(6,086)	230	-	(5,856)

The following were changes in accounting policies arising from the transition to FRS 102:

*a) Interest on the defined benefit pension scheme is now applied to the Net Defined Benefit Obligation using the discount rate adopted for the disclosures. Previously, interest was applied at this rate to the liabilities but a separate expected return on the assets was calculated based on the investment returns expected from the assets held by the Scheme.

*b) Interest rate swaps are recorded on the Consolidated Statement of Financial Position at fair value and accounted for at fair value through Consolidated Income Statement. Under previous UK GAAP these were not revalued to fair value or shown on the Society Consolidated Statement of Financial Position at the period end.

BOARD CERTIFICATION

The Financial Statements and Notes on pages 19 to 38 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

C. Champion, Director

A. Fearn, 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), including FRS 102, the Financial Reporting Standard applicable to the UK and Republic of Ireland. 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 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 transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the Group financial statements of The Channel Islands' Co-operative Society Limited ("the Society") for the period ended 10 January 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, 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 including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 10 January 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; 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, JE4 8WQ

8th April 2016

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



**120,000+
MEMBERS**



£250,000
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** **funeralcare** **medical care** **pharmacy** *locale*

MOVED RECENTLY?

MAKE SURE YOU LET US KNOW.

**If you have changed address recently or you are about to move house,
please let us know so we can keep your details up to date.**

This can be done in a number of ways

- 🏠 Call into our Member Services Counter at one of our Post Offices
- ☎ Call us on **01534 879822**
- @ Email us at member.services@channelislands.coop
- ✉ Write to us Member Services, Co-operative House,
57 Don Street, St Helier, Jersey, JE2 4TR
- 🌐 Or visit www.channelislands.coop/addresschange

