

The Channel Islands
co-operative
Society Limited



To make a real difference
to the communities we serve

Annual Report 2017

Your Society, Your Co-operative, Your Opportunity.

Celebrating...



...equality & diversity
in the workplace

jobs@channelislands.coop

Making a real difference to the communities we serve
www.channelislands.coop

The Channel Islands
co-operative
Society Limited

Grand Marché **locale** **en route** **homemaker** **travelmaker** **funeralcare** **medical care** **pharmacy** *locale*



Colin Macleod, Chief Executive

WELCOME

2016 was a year of consolidation for the Society on the one hand and preparing the business for delivering our new Member endorsed Vision on the other. 'To make a real difference to the communities we serve' is a compelling Vision Statement that will drive our strategic and operational activity for many years to come.

Having received the resounding support of our Members on the direction of travel we are taking for the future, we started to invest in the people and systems that would be required to take us on that journey. Bringing our legacy IT systems up to modern standards, reviewing our ways of working, investing in and responding to Member requests for even more community focus by building a small team and providing a community van (see page 10) to support that direction were examples of areas of focus in 2016.

Following the changes we made to our food supply chain in 2015, we hope Members will have noticed a significant improvement in the product ranges across our food business. We recognise that these changes would have caused some disruption and would sincerely thank our membership for their patience as we re-arranged stores to accommodate over 1,000 new products.

After an unprecedented period of diversification and growth, 2016 was also a year where we applied considerable effort and investment into integrating our new pharmacy and medical businesses, whilst ensuring we had the right risk frameworks and processes to support our much larger business.

From a performance perspective, the Society's turnover of £172.05m was 1.96% up on last year and with the exceptions of Travel and Homemaker, turnover increased in all other sectors of the Society's business.

In more detail, our food business performed particularly well, seeing a 2.6% overall increase in turnover, medical services experienced an increase in turnover of 7.7% with Pharmacy improving by a more modest 0.5%. An increase in online sales has impacted Homemaker again this year, showing a fall in turnover of 4.8% compared to last year while Travel saw a reduction in the amount of cash passing through the business of 4.7% due to a marked reduction in foreign currency exchange while sales of travel products, which attracts a far higher level of commission, increased.

Towards the end of the year we were faced with an unprecedented level of supplier demand for price increases following the currency market reaction to the Brexit vote. I am really pleased that we managed to stave off many of these although protecting Members from the impacts of these increases has come at the expense of Net Profitability.

That said, our focus on the foundations of the business and making conscious choices to invest in our future, whilst protecting Member benefit, will stand us in good stead to take the Society forward.

Contents

	PAGE		PAGE
Directors, Officials and Advisors	02	Consolidated Statement of Financial Position	20
Notice of Meetings	03	Consolidated Statement of Changes in Equity	21
Standing Orders for Members' Meetings	03	Consolidated Cash Flow Statement	22
Business Review	04	Accounting Policies	23
Directors' Report	12	Notes to the Financial Statements	25
Consolidated Income Statement	19	Board Certification and Directors' Responsibilities	35
Consolidated Statement of Comprehensive Income	19	Registered Auditors' Report	36

Highlights

Turnover **£172.05m**

Amounts returned to Members **£7.8m**



Property Updates

A new Co-operative Locale store was opened at La Colomberie, St Helier in March 2016, creating 20 jobs. The new addition to our store portfolio delivers more choice and convenience for Society members who live and work in the south east of St Helier.



70 jobs will be created in Jersey once the Society's £16 million Charing Cross development is complete. The site will include a new Co-operative Locale Store, retail unit and a 93 room Premier Inn Hotel. The new store will add to the Society's growing portfolio of convenience stores and will be designed to meet the changing needs of customers, focusing on fresh food and 'food to go'.



Full approval was given for the creation of eight commercial units and 109 residential units at Leale's Yard by Guernsey's planning authority in August 2016 and a further 303 residential units were given outline permission. Earlier in the year, approval was also given for the demolition of the Homemaker store at Lowlands Industrial Estate. All of this will see the area transformed into a vibrant and thriving community, combining retail and modern day living and will breathe new life into the area.

Pharmacy Locale



DAILY EXPERT ADVICE
on everyday health and wellbeing

Co-operative Pharmacy Locale.
Always here to look after you.

EXPERT ADVICE
on everyday health & wellbeing

GREAT SAVINGS
on skincare, toiletries & beauty

FREE
Repeat Prescription collection & delivery service

You SAVE
4%
with your Dividend*

*Society members only, conditions apply.

co-operative pharmacy locale


Everyday health. Everyday Value.

The Society's Vision is 'to make a real difference to the communities we serve'.

Nothing demonstrates this more than when in 2014, the Pharmacy Locale chain of community pharmacies became part of the Channel Islands Co-operative Society (CICS).

Three years on and Pharmacy Locale is now the largest independent and locally-owned pharmacy operator in the Channel Islands, with three stores located in Guernsey and four stores in Jersey.

In addition to dispensing nearly half a million prescription medicines in 2016, Pharmacy Locale also provides services for a number of care homes and has supply contracts for the States of Jersey and Guernsey.

"Pharmacists are an ideal resource for free expert advice not only on medicines, but also for general health and wellness. They are easily accessible in convenient locations and there is no need for an appointment" says Pharmacy Operations Manager, Sara Kynicos. "This is of even greater value in the Channel Islands, where patients pay to visit their GP".

2016 saw many advances for the Pharmacy Locale team. Not only did they experience changes in leadership and integration with the CICS, many of the pharmacies had refits to improve the experience for both customers and colleagues.

In July 2016, one of the Jersey stores relocated from De Faye's Chemist in St Helier down the road to the brand new purpose built Bath Street Health Centre. "We are fortunate to be able to collaborate closely with the Co-operative Medical Care team to provide better care to patients" says Pharmacist Manager, Jaime Azedo. In November 2016, as part of the St Helier Grand Marché refit project, the Pharmacy Locale was relocated in-store to the front entrance in a new purpose built dispensary.



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

Last year, we gave over £250,000 to community and charity related projects in the Channel Islands.

2016 Highlights

We supported more than 340 charities, schools and organisations to raise money through bag packing and other fund raising events in our stores.

We support around 250 local charities annually with fundraising prizes and sponsorship.

Our Eco-Fund donated £22,410 to local environmental causes in its tenth year.

Our Helping Hands Fund donated approx. £18,100 to a variety of local charities and organisations in its 23rd year.

We support the David Kirch voucher initiative and in 2016 gave £149,627 in discount to help the elderly community in Jersey.



Our Directors also nominated a charity in their respective Islands and £750 was donated to each.

Those charities were:

Jersey:

Jersey Friends of Anthony Thomas
Age Concern Jersey
JSAD – Jersey Sports Association for the Disabled
Jersey Macmillan Cancer Support

Guernsey:

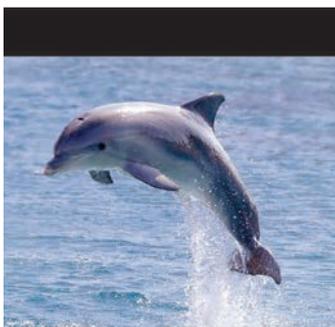
Guernsey Youth Commission
Guernsey Blind Association
Priaulx Premature Baby Foundation
Guernsey Citizens Advice
Chest and Heart

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.



Dolphin friendly

We are fully committed to fishing methods which protect the marine environment.

Food Quality, Diet and Health

We believe consumers should have access to a 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.

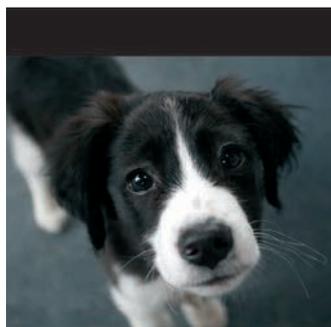


Environment

All our toilet rolls are FSC accredited - meaning we are helping to protect the world's rainforest.

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.



Cruelty free

We were the first grocery retailer to be awarded the right to use the International Cruelty Free symbol for our health and beauty products.

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.



Fairtrade

The Co-operative are committed to making a world of difference.

Ethical Trading

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



DIRECTORS' REPORT

of trading at St Sampson En Route. Both these new stores are performing above expectations.

Our Medical services business increased its turnover by £0.082 million (7.7%), and the Pharmacy business improved its turnover by a more modest £0.046 million (0.5%).

Expenses were lower than the prior year by £1.563 million. The closure of our on-Island warehouses in 2015, which gave rise to a number of one-off costs and the write-down of fixed assets, did provide a saving but in any event expenses have been well contained and work is in progress to identify areas for further improvement. The other expenses generally rose in line with the Retail Prices Index, which was challenging for Management during a prolonged period in which inflation in food prices, (which accounts for over 77% of the Society's business) was consistently below the general level of inflation. Expenses in our Medical business were adversely affected by the long-term illness of one of our general practitioners and the attendant need to employ locums to ensure we met our Members' requirements.

Total operating profit decreased by £1.592 million during the year. However, the prior year benefitted from a substantial increase of £2.969 million of revaluation gains of trading and investment properties. Moreover, the sale of two investment properties during the year, coupled with the termination of the lease on another, resulted in a reduction in other operating income of £0.113 million. Taking these factors into account, operating profit from recurring trading activities increased by £1.490 million.

While the overall result is not as good as the Board would wish, your Society has continued to perform better than the grocery market generally and has been able to deliver a dividend of 4% once again. All of the major food retailers in the UK have struggled to maintain profitability, and no major UK Co-operative has been able to offer a return to its Members' close to the return offered by your Society. Management are focussed on improving trading performance, while maintaining customer service and delivering improved customer experience.

Other comprehensive income decreased markedly during the year, wholly due to an increase of £3.352 million in the deficit of the Defined Benefit Pension Scheme. The Scheme was closed to future accruals in 2009 and from that time the Society has supported the scheme with contributions of £1.1 million a year. Nevertheless, the change in actuarial assumptions used to value the Scheme's liabilities, caused by changes in financial market conditions over the year, placed a significantly higher value on the Scheme's future pension liabilities, despite the fair value of the Scheme's assets improving by over £7 million during that period.

The Society's 'quick ratio' (the ratio of current assets to current liabilities) has improved very slightly from 1.27:1 to 1.30:1. Careful husbandry of stock has seen a reduction of £0.577 million in the amount of stock carried as a result of closing the Society's on-Island warehousing, while the Society's cash holdings have decreased by £0.12 million.

Last year, the credit balance for goods received not invoiced was inadvertently understated by £0.850 million due to changes in our supply-chain process. The error was only identified and corrected in the current period when reports not previously available were produced, resulting in a restatement of the profit shown in the prior year's accounts.

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 8 January 2017 was 27.88 days compared to 33.09 days as at 10 January 2016. The 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 Society's framework for managing risk conforms to the voluntary guidelines contained in the Corporate Governance Code for Consumer Co-operatives: 2013.

The Board has ultimate responsibility for identifying the key risks faced by the Society, with input from Management. It determines the Society's risk appetite, that is, the type and degree of risk the Society is willing to take and is responsible for ensuring that adequate processes are in place for the proper identification and mitigation of risk.

The Board is assisted in this task by the Chief Governance Officer & Society Secretary, who chairs the Risk Task Force, with assistance from the Head of Internal Audit. Management are responsible for operating the systems and controls for identifying and mitigating risk. They are also responsible for escalating emerging risks and proposed methods for mitigating such emerging risks to the Audit & Risk Committee and to the Board.

The Society also has a cross-functional Quality and Patient Safety Group, chaired by the Head of Care, which meets regularly to identify and mitigate risk, as well as improving quality and patient safety standards. The Head of Internal Audit advises the Quality and Patient Safety Group.

The Society has rigorous policies and procedures designed to ensure compliance with the regulators' requirements and compliance with these standards is audited through a combination of audits conducted by the regulator(s) as part of their quality and standards initiatives and the Society's Internal Auditor.

The Board reviews the Society's risk appetite and undertakes a full review of all significant risks that might affect the Society at least annually. The principal risks and uncertainties facing the Society are broadly grouped as: Strategic, Operational, Financial and Compliance risks.

Strategic risks are: the risk of doing the wrong thing.

Operational risks are: the risk of doing the right thing the wrong way.

Financial risks are: the risk of doing something in a way that loses money or incurs a liability.

Compliance risks are: the risk of not doing what the law or regulators require.

FINANCIAL STATEMENTS

52 weeks to 8 January 2017

52 weeks to 10 January 2016

CONSOLIDATED INCOME STATEMENT

	Notes	Continuing operations	Discontinued operations	Total	Continuing operations Restated*	Discontinued operations	Total Restated*
£'000							
Turnover	1	172,050	-	172,050	168,380	366	168,746
Cost of sales		(120,384)	-	(120,384)	(116,717)	(290)	(117,007)
Gross profit		51,666	-	51,666	51,663	76	51,739
Administrative expenses	2	(45,626)	-	(45,626)	(47,055)	(134)	(47,189)
Revaluation of trading property and non trading investment property		-	-	-	2,969	-	2,969
Other operating income	3	1,568	-	1,568	1,681	-	1,681
Operating profit		7,608	-	7,608	9,258	(58)	9,200
Other interest receivable and similar income	7	98	-	98	112	-	112
Interest payable and similar charges	8	(2,397)	-	(2,397)	(2,300)	-	(2,300)
(Loss) / profit on disposal of fixed assets	9	(273)	-	(273)	259	-	259
Net gain on financial liabilities at fair value		409	-	409	441	-	441
Profit / (loss) before member payments		5,445	-	5,445	7,770	(58)	7,712
Members payments		(4,848)	-	(4,848)	(4,936)	(15)	(4,951)
Profit / (loss) before tax		597	-	597	2,834	(73)	2,761
Taxation	10	(238)	-	(238)	(197)	-	(197)
Profit / (loss) on ordinary activities		359	-	359	2,637	(73)	2,564
Non controlling interest		129	-	129	10	-	10
Profit / (loss) for the period		488	-	488	2,647	(73)	2,574

*See note 30

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 8 January 2017

52 weeks to 10 January 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Continuing operations	Discontinued operations	Total	Continuing operations Restated*	Discontinued operations	Total Restated*
Profit / (loss) for the period		488	-	488	3,497	(73)	2,574
Revaluation of trading property and non trading investment property		-	-	-	(1,478)	-	(1,478)
Remeasurement gain / (loss) of the net defined benefit pension scheme	21	(3,353)	-	(3,353)	7,443	-	7,443
Total comprehensive income for the period		(3,353)	-	(3,353)	5,965	-	5,965
Total comprehensive income for the period		(2,865)	-	(2,865)	8,612	(73)	8,539
Total comprehensive income for the period is attributable to:							
Non controlling interests		129	-	129	10	-	10
Owners of the parent company		(2,994)	-	(2,994)	8,602	(73)	8,529
		(2,865)	-	(2,865)	8,612	(73)	8,539

*See note 30

The Society will be recommending a distribution of £4,796,072 to its Members for the period to 8 January 2017 as detailed in Note 29. In accordance with Section 32 of FRS102, this has not been accrued for in these Financial Statements.

The accounting policies and notes on pages 23 to 34 inclusive form part of these Financial Statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

£'000

	Notes	As at 8 January 2017	As at 10 January 2016 Restated*
Intangible assets	11	6,252	6,527
Tangible assets	12	94,000	87,884
Investment property	13	35,605	35,471
Investments	14	15	15
		135,872	129,897
Current assets			
Stocks	15	6,584	7,161
Debtors	16	11,036	11,908
Short term deposits	17	17,695	17,119
Cash at bank and in hand	17	8,244	8,942
		43,559	45,130
Creditors: amounts falling due within one year	18	33,442	35,605
Net current assets		10,117	9,525
Total assets less current liabilities		145,989	139,422
Creditors: amounts falling due after more than one year	19	(9,120)	(11,038)
Fair value derivatives	19	(1,596)	(2,005)
Pension liability	21	(11,118)	(8,569)
Net assets		124,155	117,810
Share capital	22	72,352	63,065
Reserves - property revaluation	23	5,103	5,103
Reserves - revenue		46,510	49,375
Total shareholders funds		123,965	117,543
Non controlling interest		190	267
		124,155	117,810

*See note 30

The accounting policies and notes on pages 23 to 34 inclusive form part of these Financial Statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000

Balance at 11 January 2015

Restated profit / (loss) for the period

Other comprehensive income

Transfer of revaluation movements to property revaluation reserve

Transfer of revaluation movements to revenue reserve

Increase in share capital

Restated balance at 10 January 2016

Restated balance at 10 January 2016

Profit / (loss) for the period

Adjustment for subsidiary non controlling interests

Other comprehensive income

Increase in share capital

Balance at 8 January 2017

	Share capital	Revaluation reserve	Revenue reserve	Total shareholders equity	Non controlling interests	Total equity
Balance at 11 January 2015	55,676	4,640	41,299	101,615	277	101,892
Restated profit / (loss) for the period			2,574	2,574	(10)	2,564
Other comprehensive income			5,965	5,965		5,965
Transfer of revaluation movements to property revaluation reserve		1,491	(1,491)	-		-
Transfer of revaluation movements to revenue reserve		(1,028)	1,028	-		-
Increase in share capital	7,389			7,389		7,389
Restated balance at 10 January 2016	63,065	5,103	49,375	117,543	267	117,810
Restated balance at 10 January 2016	63,065	5,103	49,375	117,543	267	117,810
Profit / (loss) for the period			488	488	(129)	359
Adjustment for subsidiary non controlling interests				-	52	52
Other comprehensive income			(3,353)	(3,353)		(3,353)
Increase in share capital	9,287			9,287		9,287
Balance at 8 January 2017	72,352	5,103	46,510	123,965	190	124,155

FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

£'000

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) / loss 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 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 tangible fixed assets

Payments to acquire intangible 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 (DECREASE) / INCREASE 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 08/01/17	52 weeks to 10/01/16 Restated*
	488	2,574
11	447	375
12	2,893	2,924
	-	(2,969)
	(98)	(112)
	2,397	2,300
	273	(259)
	(409)	(441)
	(129)	(10)
	238	197
	(222)	(197)
	719	(314)
	577	5,226
	(2,163)	3,960
21	(1,100)	(1,192)
	3,424	9,488
	3,912	12,062
	98	112
	(10,357)	(10,656)
	(131)	-
	(900)	(686)
9	1,797	3,212
	(9,493)	(8,018)
	9,287	7,389
	(1,728)	(1,581)
	(2,100)	(1,925)
	5,459	3,883
	(122)	7,927
	26,061	18,134
	25,939	26,061

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 8 January 2017	As at 10 January 2016
17	8,244	8,942
17	17,695	17,119
	25,939	26,061

*See note 30

Major non cash transactions: There were no major non cash transactions made during the period (2016: £nil).

ACCOUNTING POLICIES

General Information

The Channel Islands Co-operative Society Limited is a registered co-operative society trading in the Channel Islands. The address of the Society's registered office is 57 Don Street, St Helier, Jersey, JE2 4TR

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.

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 8 January 2017 with comparative figures for the fifty two weeks ended 10 January 2016.

As described in note 30, the prior period comparatives have been restated to retrospectively correct an error which came to light during the current period.

In preparing these Financial Statements, the Society has consistently applied the following accounting policies:

Basis of Consolidation

The Society's 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 economic benefit from its activities.

The Society has two wholly owned subsidiaries:

1. Offshore Leisure Limited
2. 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
- Useful life of goodwill

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.

All properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

Subsequent to initial recognition, the Board has adopted the policy of revaluing all freehold properties to fair value. Fair values are typically reviewed across the entire portfolio of properties on a triennial basis. More frequent assessment of fair value will be carried out by the Board where there are indications that a significant change in fair value may have occurred, for example due to a refurbishment or redevelopment or a change in the market environment.

The estimation of property fair values is judgemental, and in the absence of published market data a valuation technique must be adopted in order to determine an appropriate fair value to use from the range of reasonably possible alternatives. The Board uses a variety of valuation techniques depending on circumstances, such as the following:

Fair value of newly-developed or refurbished property may be estimated by reference to depreciated replacement cost.

Fair value of established properties is estimated through independent valuation carried out in accordance with Royal Institute of Chartered Surveyors (RICS) standards, using a market-based approach.

Fair value of properties which are scheduled for redevelopment may be based on their recoverable value, which estimates the likely value that a third party developer would be willing to pay for the property for redevelopment.

Fair value of properties which are held for sale will be adjusted to take account of offers, net of estimated selling costs, which may indicate the likely recoverable amount.

Fair value movements are recognised as follows:

All fair value movements on investment property are recognised in the Profit or Loss.

Fair value movements on trading property are recognised in other comprehensive income to the extent that fair value exceeds cost and in the Profit or Loss where 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. Useful lives are reassessed on an annual basis and changed where appropriate.

Gains or losses on disposal of a property are recognised in the Profit or Loss and the related asset is de-recognised when a contract for sale becomes legally binding.

Other Tangible Assets

Tangible assets, 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 3 and 10 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 10 years is assumed, in line

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

Medical

Pharmacy

Total

Notes	2017	2016
	192,980	190,952
	(20,930)	(22,206)
	172,050	168,746
	134,341	132,257
	15,452	13,758
	9,887	10,385
	1,430	1,248
	-	366
	2	36
	1,479	1,352
	1,140	-
	8,319	9,344
	172,050	168,746

2. ADMINISTRATIVE EXPENSES

Personnel

Defined contribution pension scheme

Occupancy costs

Depreciation

Goodwill, amortisation, impairment

Audit fee

Directors' fees

Other expenses

Bonus dividend

	2017	2016
5	25,806	25,594
	1,129	1,080
	6,554	5,891
12	2,893	2,924
11	447	375
4	105	81
6	127	107
	6,565	8,861
	2,000	2,276
	45,626	47,189

3. OTHER OPERATING INCOME

Sundry income

Rental income

	2017	2016
	378	268
	1,190	1,413
	1,568	1,681

4. EXPENSES AND AUDITOR'S REMUNERATION

Included in the profit/loss are the following :

Restructuring costs expensed as incurred - included in administrative expenses

Write off of historic claims

	2017	2016
	-	621
	-	1,996
	-	2,617

Auditor's remuneration

Audit of these Financial Statements

	2017	2016
	105	81
	105	81

Amounts receivable by the company's Auditor and its associates in respect of the audit of Financial Statements of associated pension schemes is £8,487 (2016: £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	2017	2016
	622	577
	246	252
	868	829
	25,806	25,594
	25,806	25,594

The aggregate payroll costs of these persons was as follows :

Wages and salaries

	Number	Number
	8	8
	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 £117,000 (2016: £107,000). Key Management is considered to be the Board of Directors of the Society.

	2017	2016
	98	112
	98	112

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

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

	2017	2016
	267	298
	917	793
	871	789
22	297	375
	45	45
	2,397	2,300

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

Receipts from the sale of fixed assets

Net book value of fixed assets disposed

Profit / (loss) on disposal of fixed assets

	2017	2016
	1,797	3,212
	(2,070)	(2,953)
	(273)	259

10. TAXATION

Current tax on income for the period

	2017	2016
	238	197
	238	197

Reconciliation of profit before taxation to tax expense in the period

Taxable rental income net of allowances at 20%

Tax expense for the period

	2017	2016
	238	197
	238	197

NOTES TO THE FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS

Cost at beginning of period			
Additions in period			
Transfers			
Cost at end of period			
Amortisation at beginning of period			
Amortisation charge for the period			
Transfers			
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
-	131	131
-	31	31
1,000	6,952	7,952
200	1,063	1,263
100	347	447
-	(10)	(10)
300	1,400	1,700
700	5,552	6,252
800	5,727	6,527

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 10 January 2016			
Additions			
Transfers			
Disposals			
Cost and valuation at 8 January 2017			
Depreciation at 10 January 2016			
Depreciation charge for the period			
Transfers			
Disposals			
Depreciation at 8 January 2017			
Net Book Value at 8 January 2017			
Net Book Value at 10 January 2016			

Land and Buildings	Plant and Machinery	Total
86,055	26,540	112,595
5,951	4,406	10,357
(6,305)	78	(6,227)
(3)	(14,891)	(14,894)
85,698	16,133	101,831
5,491	19,220	24,711
1,078	1,815	2,893
(4,932)	(277)	(5,209)
-	(14,564)	(14,564)
1,637	6,194	7,831
84,061	9,939	94,000
80,564	7,320	87,884

The Society has authorised total Capital Expenditure in the sum of £4,707,000 (2016: £9,272,000) in the period in respect of a number of new developments, most notably the continuing development of Charing Cross and the development of retail units at Lowlands. The full amount is contracted for and no provision is made within these Financial Statements.

Included within land and building additions is an amount of £2,563,000 which relates to Property Development expenditure.

Transfers reflect the re-categorisation of assets between categories which have taken effect during the period.

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, undertook a full valuation of the Society's property portfolio as at 10 January 2016 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. Except as noted below, those properties primarily occupied by the Society were valued on the basis of existing use value. The valuation assumed a range of yields from 6% to 9%, the yield selected for each property being that attained in the local market having due regard to the construction, age, use and location of each property.

For those outlets opened in the prior year, namely Grouville Locale and St Sampson En Route, and those opened in the current year, namely Colomberie Locale, the Board at the time undertook an assessment of the economic benefit to the Society based on anticipated returns, which was estimated based on the net present value of the expected cash-flows over a period of 10 years, assuming inflation in goods sold of 1% and general inflation of 2%. As the economic benefit indicated was greater than the cost of those units, the Board elected to base the carrying value of those units at cost less depreciation.

The Board is not aware of any factors which might suggest that the fair value of the Society's properties has changed significantly from the prior year. Accordingly, the Society's properties continue to be recognised in line with the valuation methodologies above as at 8 January 2017.

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 £114,563,000 (2016: £110,932,000).

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		
Transfers		
Movement in revaluation		
Balance at the end of the period		

Notes	2017	2016
	35,471	27,362
	900	686
	(1,740)	(1,600)
	974	5,454
	-	3,569
	35,605	35,471

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, undertook a full valuation of the Society's property portfolio as at 10 January 2016 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. Those properties held as investments or for future development were valued on the basis of open market value. The valuation assumed a range of yields from 6% to 9%, the yield selected for each property being that attained in the local market having due regard to the construction, age, use and location of each property.

The Board is not aware of any factors which might suggest that the fair value of the Society's properties has changed significantly from the prior year. Accordingly, the Society's properties continue to be recognised in line with the valuation methodology above as at 8 January 2017.

Investment properties includes properties held for sale of £20,444,000 (2016: £9,540,000) which are currently being marketed.

14. INVESTMENTS

The Society owns 100% of the voting rights in Offshore Leisure Limited, 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 Limited, 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 Limited

Jersey Pharmacy Services Limited

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.

The Society also owns minority shareholding in UK buying groups which are related to its retail operations.

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 cost of goods purchased for resale and recognised as an expense during the period was £118,962,424 (2016: £112,540,360).

Notes	2017	2016
	6,584	7,161

16. DEBTORS

Trade Debtors

Sundry accounts, prepayments and accrued interest

	2017	2016
	9,524	10,166
	1,512	1,742
	11,036	11,908

17. CASH AND CASH EQUIVALENTS

Short term deposits

Cash at bank and in hand

Cash and cash equivalents per cash flow statements

	2017	2016
	17,695	17,119
	8,244	8,942
	25,939	26,061

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

	2017	2016
		Restated
30	9,196	10,607
	107	107
20	15,517	15,942
	871	789
	267	298
	5,511	6,309
20	1,973	1,553
	33,442	35,605

A prior period adjustment was identified that increased the 2016 trade creditors by £850,000. Refer to note 30 for more detail.

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

Property loans

Fair value derivatives

	2017	2016
20	9,120	11,038
20	1,596	2,005
	10,716	13,043

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 and are stated at fair value using valuations from the Co-operative Bank. For information on interest rates, maturity and repayment schedule see Note 20.

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 an interest rate of 5.46% and another for £9 million which matures in 2018 and attracts an interest rate of 5.58%.

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	2017	2016
	1,596	2,005
	9,120	11,038
	15,517	15,942
	1,973	1,553
	28,206	30,538

Terms and Debt Repayment Schedule

Property loan

Members loans

Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017	2016
GBP	LIBOR + 0.95%	2023	Quarterly	11,093	12,591
GBP	0.1% - 1.75%	On demand	On demand	15,517	15,942

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 30th June 2013.

The calculations for the FRS102 disclosures have been carried out by running full actuarial calculations as at 8 January 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEE BENEFITS (CONTINUED)

The amounts recognised in the Balance Sheet are as follows :

Notes	As at 8 Jan 2017 £'000	As at 10 Jan 2016 £'000
Fair value of scheme assets	51,061	43,795
Present value of funded obligations	(62,179)	(52,364)
Net (under) / overfunding in Scheme	(11,118)	(8,569)
Unrecognised asset due to asset ceiling	-	-
Net defined benefit asset / (liability)	(11,118)	(8,569)

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

	£'000	£'000
Service cost	-	-
Cost of benefit changes	-	-
Curtailement costs / (gains)	-	(161)
Settlement costs / (gains)	-	-
Net interest on net defined benefit liability	296	536
Expense recognised in the Profit or Loss	296	375

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

	£'000	£'000
Interest on obligation	1,907	2,009
Interest on assets	(1,611)	(1,473)
Interest on unrecognised assets	-	-
Net interest on defined benefit liability	296	536

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

	£'000	£'000
Return on assets (not included in interest)	6,184	(2,102)
Actuarial gains / (losses) on obligation	(9,537)	9,545
Change in unrecognised assets (other than interest)	-	-
Total remeasurements recognised in other comprehensive income	(3,353)	7,443

Cumulative amount or remeasurements recognised in other comprehensive income

	(3,246)	107
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Actual return on scheme assets

	7,795	(629)
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Changes in the present value of the Scheme's defined benefit obligation are as follows :

	£'000	£'000
Opening defined benefit obligation	52,364	61,682
Service cost	-	-
Contributions by Members	-	-
Cost of benefit changes	-	-
Curtailement costs / (gains)	-	(161)
Liabilities extinguished on settlements	-	-
Benefits paid	(1,629)	(1,621)
Interest on obligation	1,907	2,009
Experience losses / (gains)	(2,086)	(3,828)
Losses / (gains) from changes in assumptions	11,623	(5,717)
Closing defined benefit obligation	62,179	52,364

The weighted average duration of the liabilities of the Scheme was 23 years as at 8 January 2017

NOTES TO THE FINANCIAL STATEMENTS

	As at 8 Jan 2017 £'000	As at 10 Jan 2016 £'000
	43,795	44,853
	1,611	1,473
	6,184	(2,102)
	-	-
	1,100	1,192
	-	-
	(1,629)	(1,621)
	-	-
	51,061	43,795

21. EMPLOYEE BENEFITS (CONTINUED)

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

Opening fair value of Scheme assets

Interest on assets

Return on assets (not included in interest)

Assets distributed on settlements

Contributions by Employer

Contributions by Members'

Benefits paid

Administrative expenses

Closing fair value of scheme assets

	%	%
	62.9	59.7
	18.9	20.8
	9.1	11.3
	7.4	4.4
	1.7	3.8

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

Equities

Gilts

Corporate bonds

Property

Cash

	%pa	%pa
	2.9	3.7
	3.7	3.3
	3.6	3.3
	3.6	3.3
	3.4	3.2
	3.4	3.2

The principal actuarial assumptions used for the FRS 102 disclosures :

Discount rate at end of period

Discount rate at start of period

Inflation

Rate of increase in deferment whilst in employment with the Society

Rate of increase in deferred pensions for those who have left employment with the Society

Rate of increase in pensions in payment

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 90 if they are female.

For a member currently aged 45 the assumptions are that if they attain age 65 they will live on average until age 91 if they are male and until age 92 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	2017	2016
	2,029	2,192
	5,208	5,962
	7,219	9,345
	14,456	17,499

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

During the period £1,852,000 was recognised as an expense in the Consolidated Income Statement account in respect of operating leases (2016: £1,683,000)
The Society operates a number a trading units under operating leases ranging from 1 years to 21 years.

NOTES TO THE FINANCIAL STATEMENTS

Notes	2017	2016
	1,052	1,357
	346	382
	44	109
	1,442	1,848

24. OPERATING LEASES (CONTINUED)

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

During the period £1,190,000 was recognised as income in the Consolidated Income Statement account in respect of operating leases (2016: £1,413,000)
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 £4,707,000 (2016: £9,272,000).

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 (2016: £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 Jersey Pharmacy Services Limited (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 (2016: £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 £167,384 (2016: £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 Care had agreed to provide a number of funerals at a fixed price. The Society will honour that undertaking and a provision of £35,000 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 a 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 a 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. Refer to Note 6 for the compensation to Directors.

	Income received	
	2017	2016
Entities over which Society has control - Offshore Leisure Limited	23	13
Entities over which Society has control - Jersey Pharmacy Services Limited	198	170

	Receivables outstanding		Payables outstanding	
	2017	2016	2017	2016
Entities over which Society has control - Offshore Leisure Limited	42	42	2,278	2,443
Entities over which Society has control - Jersey Pharmacy Services Limited	3,014	1,678	0	0
Employees of the Society	330	114	0	0
	3,386	1,834	2,278	2,443

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. In the 52-week period to 8 January 2017, total purchases from FRTS amounted to £60,601,071 (2016: £43,002,367) and the payments due by the Society to FRTS as at that date totalled £6,182,558 (2016: £5,337,204). As at 8 January 2017 the amount due by FRTS to the Society in respect of rebates was £4,352,922 (2016: £4,442,653) and the amount due to the Society by FRTS in respect of duty drawbacks is £1,482,566 (2016: £2,319,468).

The Society has provided a guarantee for Community Savings Ltd (CSL) that will meet the administrative cost of CSL for a period of one year in the event that CSL is unable to meet its liabilities. The actual amount that might be payable is not considered likely to exceed £100,000; however, it is not anticipated that this guarantee will be called upon. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 £4,796,072 to its members for the period to 8 January 2017. The recommendation to accept this distribution will be, it is envisaged, ratified at the Annual Meeting of Members' on the 16 and 17 May 2017. Provision for this sum has not been made within these Financial Statements in line with the requirements of Section 32 of FRS 102.

30. PRIOR PERIOD ERROR

Following enhancements to the reporting available from the Society's stock system that were implemented in the current period, Management determined that the creditor balance for stock received from suppliers prior to the period-end date, but invoiced to the Society after the period-end date, was understated by approximately £850,000 in the prior period.

The error, which was compounded by process changes that occurred in the prior period as a result of the project to close the Society's on-Island food warehouses, was identified and corrected in the current period through restatement of the prior period balances affected. The effect of the error is set out below, with the impact that prior period profit and net assets are reduced by £850,000:

	Cost of sales	Trade creditors
Balances as at 10 January 2016, as previously reported	(116,157)	9,757
Impact of the prior period error	(850)	850
Balances as at 10 January 2016	(117,007)	10,607

31. 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 20). The fair value of the swaps at 8 January 2017, 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 £1,122,125 and £473,829 (2016: £1,279,849 and £725,572). 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

2017

	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		9,524		
Creditors			15,952	
Loans payable			11,093	
Members' loans			15,517	
Derivative financial instruments				1,596
Unquoted shares	15			

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			18,110	
Loans payable			12,591	
Members' loans			15,942	
Derivative financial instruments				2,005
Unquoted shares	15			

BOARD CERTIFICATION

The Financial Statements and Notes on pages 19 to 34 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, Vice-President

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 8 January 2017 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 UK and Ireland.

This report is made solely to the Society's Members, as a body, in accordance with the Industrial and Provident Societies Act 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 35, 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 8 January 2017 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with UK Accounting Standards including Financial Reporting Standard (FRS) 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with 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

4 April 2017

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

20,000+
HOURS

of training
completed



1,000+
EMPLOYEES



With a policy to
promote from within



120,000+ MEMBERS



250

local charities and community
causes supported

**OVER £11
MILLION**

Spent with local suppliers



35

local producers we're proud
to be working with

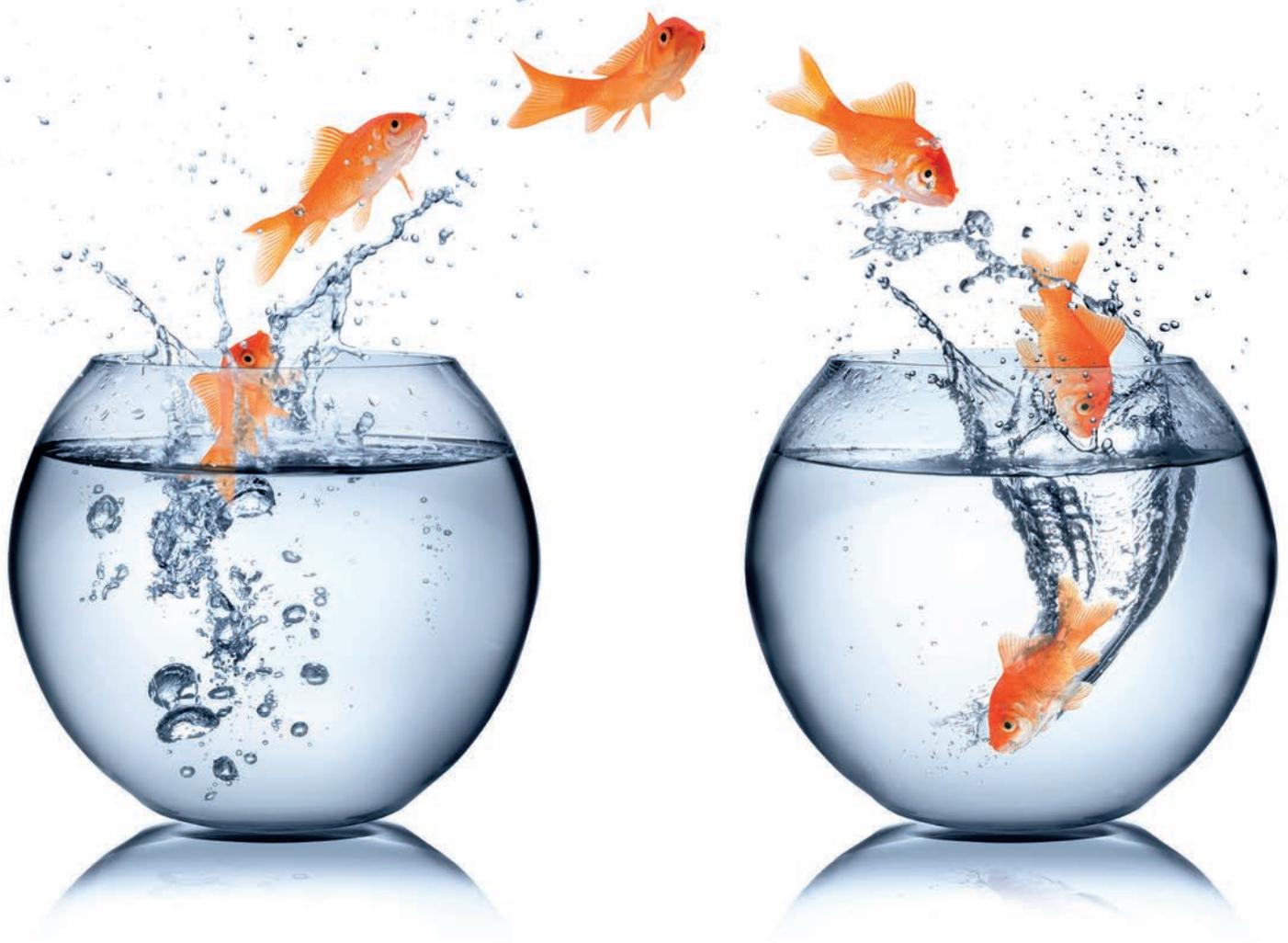
...with numbers that make a difference

Caring and sharing
www.channelislands.coop

The Channel Islands
co-operative
Society Limited

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

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