



# Annual Report 2018

Belonging is everything



The Channel Islands  
**co-operative**  
Society Limited



“We milk our own cows to make dairy produce fresh at our farm.”

Julia and her husband, Darren, know what goes into producing award-winning cheeses. Sun, rain, the quality of the grass and, most importantly, the herd of 60 happy, healthy cows on the farm. And we know from the Quenaults that the finest dairy produce starts with the very best milk.

Big on local  
Dairy produce from **Classic Herd, Manor Farm**



The Channel Islands  
**co-operative**  
Society Limited

Belonging is everything

[www.channelislands.coop/belonging](http://www.channelislands.coop/belonging)

Grand Marché **locale** **enroute** **homemaker** **travelmaker** funeral care medical care pharmacy *locale*

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Colin Macleod, Chief Executive Officer & Board Director

## WELCOME

In challenging trading conditions, it is a pleasure to report upon another solid year of progress as we continue to invest in your Society, ensuring our range of services is relevant and appealing to Members.

In performance terms, overall Society turnover increased by 1.44% to £177.87m with most business sectors making a positive contribution. Our food business delivered a strong uplift in sales of 4.52% and our Pharmacy business was similarly up 4.51%. Our Medical business in Jersey saw an increase of 7.49% and Funerals have increased by 15.56%. Homemaker saw a considerable drop in business due to its closure in Jersey in 2017, when we took the decision to modernise the ground floor of Grand Marché St Helier to provide a clear and comprehensive food, and now non-food, offering to our Members.

It meant we could protect core homeware ranges and enhance the Member offer by applying bonus dividend to those products on a Tuesday and Wednesday. The introduction of a respected UK Homeware provider, Dunelm, who benefit from scale that we cannot access, has worked very well and shows it was the right decision, not only for the Society but also the Island.

Although the turnover in Travel increased by 6.04%,

the commission received on these sales reduced by 3.12%, which reflected the changes in the market for travel products over the past year.

It was also the year when the Society introduced a new campaign called 'Belonging is Everything'. This is very important to us as we feel it encapsulates what is unique about your Society. As a locally owned co-operative, with strong values and ethics and a long heritage in the Islands, we have much to shout about and these credentials set us apart in a competitive marketplace. At the heart of our vision is 'community' and being part of something local to our Islands. And when you are part of something unique, something with purpose, you feel a sense of pride and belonging whether you are a Member, a local supplier or a community group.

Look out for our TV and press adverts that help to bring the concept to life. Also, we have started to introduce 'Belonging' into our store décor, initially in St Helier, St Brelade and Charing Cross. The intention is to celebrate and surround ourselves with those things that are most important to us, our Members, our local credentials and our support for the Islands' communities. Let us know what you think.

I would like to thank our Members for their continued support.

## Contents

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

## Highlights

Turnover **£177.88m**

Amounts returned to Members **£7.74m**



Mr Ben Shenton – President



Mrs Carol Champion



Mrs Jennie Vibert



\*Mr Peter Roffey



\*Mr Hamish Marett-Crosby



Mrs Sue Ryde



Mr Richard Le Tocq



Mrs Kiley Henley-Thomas



Mrs Paula Williams



CHIEF EXECUTIVE OFFICER  
& BOARD DIRECTOR  
Mr Colin Macleod



CHIEF OPERATING OFFICER  
Mr Mark Cox



CHIEF GOVERNANCE OFFICER  
& SOCIETY SECRETARY  
Mr Chris Lintell



CHIEF FINANCIAL OFFICER  
Mr David Rees



CHIEF HUMAN RESOURCES OFFICER  
Mrs Donna Abel



CHIEF DEVELOPMENT OFFICER  
Mr Jim Plumley



CHIEF MARKETING OFFICER  
Mr Greg Yeoman



CHIEF INFORMATION OFFICER  
Mr Mat Ogden

\*Retire this year

**Registered Auditors**

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

**Bankers**

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

**Legal Advisors**

Benest Corbett Renouf (Advocates & Solicitors)  
12 Hill Street, Jersey, JE2 4UA

Burges Salmon LLP (Solicitors)  
One Glass Wharf, Bristol, United Kingdom, BS2 0ZX

Carey Olsen (Advocates & Solicitors)  
47 Esplanade, St Helier, Jersey, JE1 0BD  
Mourant Ozannes (Advocates & Solicitors)  
22 Grenville Street, Jersey, JE4 8PX  
Randell & Loveridge (Advocates)  
6 Court Row, Guernsey, GY1 2PD

**Registered Office**

57 Don Street, St Helier, Jersey, JE2 4TR.  
Registered Number: 14672R.  
Telephone: (01534) 879822

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

## Jersey

On Tuesday 22 May 2018  
at Hautlieu School, Wellington Road,  
St Saviour, Jersey, JE2 7TH  
commencing at 7.30 pm.

## Guernsey

On Wednesday 23 May 2018  
at Les Beaucamps High School,  
Ruelle des Deslisles, Castel, Guernsey, GY5 7DS  
commencing at 7.30 pm.

## Agenda

1. To confirm the Minutes of the Annual Meeting of Members held on 16 and 17 May 2017.
2. To receive the Board of Directors' Report for the 53 week period ended 14 January 2018.
3. To receive the audited Financial Statements for the 53 week period ended 14 January 2018, and the Declaration of the Dividend.
4. To fix the Directors' Remuneration.

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

By order of the Board of Directors  
C Lintell, Chief Governance Officer and Society Secretary

## STANDING ORDERS FOR ANNUAL MEETING OF MEMBERS

1. The order of business at every ordinary or special meeting of the Society shall be in accordance with the printed Agenda or Order of Business issued with the Notice of the Meeting.
2. Only one Member shall speak at a time and he/she shall be standing and address the Chair.
3. The time allowed for making any speech, except for the Chair's address or any formal report to the meeting, shall not, except by consent of the meeting, exceed the following limits:
  - (a) Any speech and discussion - 5 minutes
  - (b) Any speech moving a resolution or amendment - 10 minutes
  - (c) A reply by the mover of any resolution - 5 minutes

An extension of the above times, not exceeding 5 minutes in any case, may be allowed by consent of the meeting.
4. No Member shall be allowed to speak more than once on the same question (except a mover of a resolution to reply to the discussion) unless permission be given to explain, or the attention of the Chair be called to a point of order.
5. Whenever an amendment is made upon a motion, no second amendment shall be taken into consideration unless the first amendment is disposed of. If an amendment be carried it shall then become a substantive motion.
6. The mover of an original motion to which no amendment is submitted shall have the right to reply to the discussion on such motion. The mover of an original motion shall also have the right of reply to the discussion on

any amendment, provided only one amendment is submitted. In the event of more than one amendment being submitted, the mover of the original motion shall have the right of reply to the discussion on the first amendment. Should such first amendment be defeated, the mover of the original motion shall have the right of reply to the discussion on subsequent amendments, but should an amendment be carried the mover of such amendment shall have the right of reply to the discussion on subsequent amendments until one is carried.

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

7. That "the question be now put" be moved on any business before the meeting at any time except when a speaker is addressing the meeting, and if seconded shall at once be put to the vote without any discussion, unless it shall appear to the meeting that such a motion is an abuse of the standing orders or an infringement of the rights of Members. If the question be decided in the affirmative, the question before the meeting shall immediately be put and decided without further debate.
8. When the Chair rises to speak, Members shall immediately take their seats.

The decision of the Chair on any point shall not be open for discussion, and it shall be his duty to observe that the standing orders are obeyed, unless any of them are suspended which can only be by the consent of 2/3rds of the Members present at the meeting.

# Property Update



## Travelmaker by Design opens bespoke store.

The Channel Islands Co-operative Society opened its new Travelmaker by Design store at Colomberie in November 2017. This partnership with the established luxury travel brand, Kuoni, offers a new booking experience in luxury travel with stylish décor, complimentary champagne, impeccable service and tailored knowledge from personal travel experts.



## Charing Cross

The Society's new £16 million Charing Cross Locale Store in Jersey will open its doors in April 2018 with the creation of over 70 new jobs for the Island.

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'.



## St Brelade Locale

Work started at the end of 2017 to take our St Brelade Locale through a major refurbishment. This included a total replacement of fixtures and fittings, a new layout within the store and a relocation of the post office.

The updated store has had 'A' rating energy efficient fridges installed, trolleys made from recycled plastic and self-checkout tills.



## New En Route to be created on Town & Country site in Sion

Our Co-op Locale in Sion may be one of the smaller stores in our portfolio but since it opened in 2013, it has exceeded all expectations and is one of our busiest stores.

An opportunity arose to purchase the Town & Country site within the same vicinity and in November 2017 planning permission was granted to create a 3,500sq.ft. convenience store with six petrol pumps and 28 parking spaces.

En Route Sion is expected to open in 2020.

## The Bridge

A new Locale will open during the summer of 2018 on the location of the former Island Shopper site on The Bridge, St Sampson. This 4,000sq.ft. store will offer post office facilities, as well as increasing its fresh food range including 'Food to Go'.



# Why belonging is everything



**When you're part of something different, unique, meaningful... it gives you a real sense of purpose, pride and belonging.**

Believing in the value of belonging has shaped our Society since opening our first store locally in 1919.

It's why we put purpose before profit every day of the week.

It remains at the heart of what we do, today and tomorrow.

In our Society, belonging means a number of things.

**Belonging means local shoppers are Co-op owners.**

Being local and locally owned, we understand what it means to be part of an Island community. This means we also know the importance of providing the best products and services needed by Islanders. We share our success, handing dividends back to local people and reinvesting back into our Islands.

And most of our customers are Members and Shareholders, with a vested interest in our success and a say in what we do.

£8 million a year is returned to local Member owners in dividend and interest.

**Belonging means local producers are partners**

We actively look to stock our shelves with local products and are proud to have local producers as partners, in many cases for years and years.

Buying locally is good for our economy and the environment around us.

In 2017 £11 million of goods were purchased from over 40 local producers.

**Belonging means our communities are supported**

Together, we turn profits into many donations, funding local community projects, charities, environmental initiatives and a whole range of life-affirming work.

We help those who help others to transform local lives.

Our vision is to make a real difference to the communities we serve.

Approximately £250,000 during 2017 was donated to over 500 local community projects.

**Belonging is everything**

Belonging is also about being inclusive, protecting our environment, supporting sustainability, connecting with others, being listened to, investing in regeneration, encouraging the next generation and so much more...

**So, Belonging means everything to us.**

If you haven't already, why not join us and belong to something special?





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

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

# 2017 Highlights

We supported nearly 300 charities, schools and organisations to raise money through bag packing and other fundraising events in our stores.

Our Directors nominated charities in their respective islands and £750 was donated to each.

We support around 270 local charities annually with fundraising prizes and sponsorship.

Our Eco-Fund donated over £16,000 to local environmental causes in its 12th year.

Our Helping Hands Fund donated £18,200 to a variety of local charities and organisations in its 24th year.

We support the David Kirch voucher initiative and in 2017 gave £154,230 in discounts to help the elderly community in Jersey.



**The charities which benefitted from our Directors' donations of £750 each were:**

**Jersey:**

- Little Sisters of the Poor
- Philip's Footprints
- Brig-y-Don
- Jersey Brain Tumour Charity

**Guernsey:**

- Chest and Heart
- Every Child our Future
- Young People Guernsey
- Guernsey Society for Cancer Relief
- Wigwam



**Examples of who we have helped:**

"We are so grateful for this generous amount collected from the Co-operative Members and we appreciate the continuing support and help from the Co-operative Society locally."

**Beverley Dallas-Chapman, British Red Cross (Jersey)**

"This is such a kind donation towards our work and will enable us to continue supporting families living in Jersey who are experiencing significant difficulties in their lives."

**Jo Posen, Brighter Futures (Jersey)**

"Many thanks for letting us hold the flag day. The money raised will make a huge difference to the Chest & Heart and the work we do for the people of the Bailiwick of Guernsey."

**Carolyn Oxburgh, Guernsey Chest and Heart (Guernsey)**

"Many thanks again for the very generous donation. It is very much appreciated by us all and will certainly help the hospice greatly."

**Libby Booth, Les Bourgs Hospice (Guernsey)**



## The new Travelmaker By Design store, in partnership with the established luxury travel brand, Kuoni, has moved in at 22 Colomberie.



**Travelmaker's Head of Travel, Carl Winn explains what it means to be a Kuoni store and Senior Travel Sales Consultants, Julie Law, Anne Riant and Kim Luce, share their experiences on their long-lasting careers in the travel industry.**

### What does the Kuoni brand represent?

**Carl:** Travelmaker By Design's partnership with Kuoni is really exciting. It's about providing our customers with a new experience in booking luxury travel. Our travel experts can offer customers the holidays you can't find in a brochure or on a website, but are tailor-made to their individual preferences.

### What does this mean for clients?

**Carl:** Our clients come to us looking for exceptional experiences to share with family and friends. There are lots of considerations when it comes to booking holidays, we're here to make that as easy as possible for our clients.

We can give them a luxury travel experience, which starts over a glass of champagne, with our highly experienced Travel Professionals on hand to give their expert advice. As a Kuoni partner store, Travelmaker by Design has access to over 20 exclusive properties across several destinations, which no other travel operator offers. These destinations include The Maldives, Sri Lanka, Mexico, Antigua, Thailand, Bali, South Africa, Kenya and Tanzania.

### Why did you get in to the travel industry?

**Julie:** I liked everything about travel and thought there would be nothing better than making it a career. After 36 years, I still enjoy what I do. It's a very social job. Every day is different, meeting with new and existing clients.

**Anne:** After I left school, I started working in a family travel agency and found the job so fulfilling. It's great getting to know people of all ages and helping find their dream holidays, which is why I'm still doing it 40 years on.

**Kim:** I fell into the job 36 years ago and I enjoyed it so much, I haven't wanted to do anything else. Early on in my career, I would work all summer and go travelling in the winter.

Travelling was my passion, I'm lucky that it became my work as well. Sourcing fantastic trips that make our clients happy is the best reward.

### What is your most memorable trip?

**Julie:** I'll never forget The Orient Express to Venice. The train was spectacular; it felt like I had travelled back in time.

**Anne:** I spent a month travelling around the USA and Canada. It was the trip of my life!

**Kim:** It has to be backpacking around Australia. I saw some incredible places and met so many people.

### Is there a trip or destination you specialise in?

**Julie:** I specialise in booking overseas weddings and honeymoons for parties big and small. Helping plan such a special occasion is so rewarding.

**Anne:** Booking cruise holidays is one area of expertise. Cruises are fantastic ways of travelling and exploring new places but still having those home comforts around you.

**Kim:** Australia is an area I know particularly well, along with Italy. I can give helpful advice on places to stay, great restaurants and the must-see tourist attractions!

### Why should customers choose Travelmaker By Design to book their next holiday?

**Julie:** We make researching and booking your holiday our speciality. From that glass of champagne whilst we help you choose your perfect break, to our follow up call when you return home to check everything was just perfect for you.

**Anne:** We have a passion for travel combined with many years' experience in the industry. We can offer expert advice to guide you every step of the way, making sure everything is just the way you imagined it.

**Kim:** What we offer in-store, you can't find in a brochure or online. We can tailor holidays to your preferences, making your dream holiday completely personalised to you.

**Travelmaker by Design, 22 Colomberie, St Helier  
Tel: 784400. Open Monday - Saturday 8.30am-6.00pm**

**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.

			
<p><b>Dolphin friendly</b></p> <p>We are fully committed to fishing methods which protect the marine environment.</p> <p><b>Food Quality, Diet and Health</b></p> <p>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.</p>  <p>The Channel Islands <b>co-operative</b> Healthy Living</p>	<p><b>Environment</b></p> <p>All our toilet rolls are FSC accredited - meaning we are helping to protect the world's rainforest.</p> <p><b>Environmental Impact</b></p> <p>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.</p>  <p>The Channel Islands <b>co-operative</b> Healthy Living</p>	<p><b>Cruelty free</b></p> <p>We were the first grocery retailer to be awarded the right to use the International Cruelty Free symbol for our health and beauty products.</p> <p><b>Animal Welfare</b></p> <p>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.</p>  <p>The Channel Islands <b>co-operative</b> Healthy Living</p>	<p><b>Fairtrade</b></p> <p>The Co-operative are committed to making a world of difference.</p> <p><b>Ethical Trading</b></p> <p>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.</p>  <p>The Channel Islands <b>co-operative</b> Healthy Living</p>

## Corporate Information

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

Registered Number: 14672R

### Incorporation

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

### Subsidiaries

The Society has two wholly-owned subsidiaries:

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

Throughout the period under review, the Society has had an 80% and controlling shareholding in Jersey Pharmacy Services Limited, which is registered in Jersey under Number 89296 and has its registered office in that Island.

Jersey Pharmacy Services Limited has two subsidiaries:

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

### Membership

At 14 January 2018, the Society had a membership of 126,751.

The changes in membership during the year were as follows:

8 January 2017	125,050
New Members	2,526
Accounts closed	(825)
At 14 January 2018	126,751
of which:	
Guernsey Members	44,985
Jersey Members	81,766
At 14 January 2018	126,751

## Strategic Report

The Directors present their Strategic Report for the 53 week period ended 14 January 2018.

### Business Review

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

- Travel in both private and business sectors
- Members' Financial Services
- Sub-Post Offices
- Funeral Services
- Pharmacies
- Medical General Practices

The Society's Financial Year End is the second Sunday in January each year. Ordinarily, the Society will have a 52-week financial reporting period but the year-end date requires a periodic adjustment to the accounting period and accordingly the last reporting period was of 53 weeks duration. To provide comparability with the previous reporting period, the figures in this Strategic Report have been adjusted to show a 52-week year.

The key financial performance indicators, which include the amounts attributable to the non-controlling interest in Jersey Pharmacy Services Limited during the year, were as follows:

	53 Weeks 14 January 2018 £'000	Adjusted 52 Weeks 14 January 2018 £'000	52 Weeks 8 January 2017 £'000	Difference £'000
Turnover	177,878	174,522	172,050	2,472
Expenses	(47,619)	(46,721)	(45,626)	(1,095)
Operating Profit	6,723	6,596	7,608	(1,012)
Profit for Period	759	745	359	386
Total Comprehensive Income	2,846	2,792	(2,865)	5,657
Members' Funds	130,973	130,973	123,966	7,007

Turnover increased by £2.472 million (1.44%) during the year. With the exception of Homemaker, turnover increased in all other sectors of the Society's business; the decline in Homemaker turnover being due to the closure of our St Helier Store. The continuing move by consumers to online purchases in this sector prompted a re-appraisal of our operating model. Consequently, we continue to retail electrical and some household goods but, instead of having a dedicated store, they are now available in a section of our larger food stores in Jersey. The Jersey Homemaker Store area has been let to Dunelm, a specialist retailer in homewares whose range complements that of the Society. In Guernsey we continue to operate our Homemaker Store.

Our Food business enjoyed an adjusted overall increase in turnover of £6.071 million (4.51%). However, price increases in trading expenses and pressure on margins, with management not immediately passing on price increases from producers, translated into a small adverse movement in the trading surplus of 0.8%.

Our Medical services business increased its turnover by £0.085 million (7.49%). The demand for our services in this sector outstripped our resources and we had to close our book to new patients for a period. We have been recruiting additional General Practitioners to meet the demand. Our Pharmacy business improved its turnover by £0.375 million (4.51%).

Expenses increased above prior year by £1.095 million (2.40%). Although in cash terms this was a substantial increase, when compared against the inflation rate of Jersey of 3.6%, where the greater proportion of expenses arise, management has demonstrably contained expenses in a difficult market.

Total operating profit decreased by £1.012 million during the year. This arose primarily from a combination of lower gross profit margin, through not immediately passing on all price increases, and the increased level of expenses. The surplus for the year has more than doubled from last year, showing a £0.386 million increase.

Despite the many challenges facing the grocery market the Society has been able to deliver a dividend of 4% once again. Most of the major food retailers in the UK continue to maintain profitability and no major UK Co-operative has been able to offer a return to its Members close to the scale of your Society. Management are focussed on improving trading performance, while maintaining customer service and delivering improved customer experience.

Other comprehensive income has increased markedly during the year, primarily due to a decrease of £3.476 million in the liabilities 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 annual contributions of £1.1 million per year. This year the Scheme has benefitted from a sharp upturn in the investment markets. As always, markets can fluctuate markedly and the comprehensive income figure will continue to have a high level of volatility.

The Society's 'quick ratio' (the ratio of current assets to current liabilities) has decreased from 1.30:1 to 0.99:1. At the last year end the Society had substantial cash reserves as declared in its current assets. The redevelopment of Charing Cross in Jersey, together with a number of other capital projects has converted a large proportion of the cash into fixed assets.

### 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 14 January 2018 were 27.39 days compared to 27.88 days as at 8 January 2017. The change in this ratio is due to the timing of the receipt of invoices, there being no changes to the Society's payment policy.

### 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 the Executive Management Team. 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. The Executive Management Team is 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.

As part of the Society's integrated system of controls, the Co-operative Medical Care business is assessed at least once a year by an independent inspector, who is a Care Quality Commission Inspector from the United Kingdom. In addition, the Society's Pharmacy Locales undergo a quarterly self-assessment which is conducted by the resident Superintendent Pharmacists in Guernsey and Jersey. The Pharmacy Locales are also subject to further random self-assessments and to inspection by the Chief Pharmacists from the States of Guernsey and the States of Jersey.

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

The Board reviews the Society's risk appetite regularly. 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 in 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.*

### Strategic Risks

**Competition and Substitution:** There is an ever-present risk from competitors in the Islands, or from new entrants to the local market. There is also a risk of substitution by online and other retailers in all sectors but particularly the non-food sector.

**Mitigation:** This risk cannot be wholly mitigated but the Executive Management Team monitor the competitive landscape closely and conduct regular market research to determine customers' needs and preferences, in order to shape the Society's retail offering and its services.

**Scope for Growth:** The scope for growth in the core retail food sector in the Islands is finite.

**Mitigation:** The Board has determined the need for growth through diversification into the non-food sector, in areas that supplement the existing range of services and are consistent with the Society's co-operative values. It also seeks to maximise its return on capital employed through strategic investments which are aligned to the Society's objectives and values, such as the investment in the Charing Cross development, which provides new retail space for the Society and local businesses, as well as a major property investment in the form of a hotel operated by Premier Inn.

**Economic Environment:** The Society is as vulnerable to major change and uncertainty in the economic business environment as any other business. The major factor for the Society is currently: the uncertainty created by United Kingdom's decision to leave the European Union, or "Brexit", which has contributed to cost pressure caused by currency movements.

**Mitigation:** The Executive Management Team monitors economic indicators and other sources of economic

intelligence, and report its findings to the Board as part of the regular Board reporting process, so that appropriate strategic and tactical decisions can be made for the benefit of the business.

**Political Factors:** The Society is vulnerable to political decisions that may have a material influence on its business. For example, changes in population and planning policy, or taxation could have a profound effect on the Society's wellbeing. In addition, the Society is participating in an investigation into the taxation of mutual societies in Jersey, which the Comptroller of Taxes is conducting at the request of the States of Jersey.

**Mitigation:** Members of the Executive Management Team are members of the local Chambers of Commerce and Institute of Directors and play an active role in the consultative stage in the evolution of legislation in Guernsey and Jersey.

**Succession:** The Society is potentially vulnerable to the risk of reduced organisational capability due to the age profile of its senior management.

**Mitigation:** The Society has enhanced its succession planning to ensure the future growth of talent at all levels. The new plan was reviewed and adopted by the Board on the recommendation of the Recruitment & Remuneration Committee. The Society has also established its 'Unleashing Potential' programme to support the development of talent within the business.

### Operational Risks

**Business Continuity:** Like all businesses, the Society may be exposed to disasters or incidents that would affect its ability to trade, such as power failures or floods.

**Mitigation:** The Society holds business interruption insurance to cover gross profits that would be lost and/or the increased costs of operating that would be incurred in the event of business operations being disrupted. The Society has also enhanced its Information Technology (IT) infrastructure to provide greater resilience and has completed the development of business continuity suite. The Society has also formed a working group charged with developing a disaster response and business continuity action plans involving people, process and technology, including the new business continuity suite.

**Execution Risk - Projects:** There is an inherent execution risk in any major project, such as Project Shore, which is the programme under which the Society's infrastructure and processes supporting the retail business are being enhanced, or any of the Society's major property developments.

**Mitigation:** The Executive Management Team, has appointed a specialist Project Manager to oversee Project Shore through a Project Board, which reports monthly to the Executive Management Team, who in turn report to the Board regularly on the progress of the Project. In addition, the Society appoints specialist project managers to oversee all its property developments in support of its internal Development team.

**Information Technology:** The Society is highly dependent on its IT in order to deliver a high standard of service, to meet Members and customers' changing expectations and to manage a diverse trading and services business effectively. It has legacy systems that need to be upgraded or replaced and, like all businesses, the Society is increasingly exposed to the risk of cyber-attack.

**Mitigation:** The Society has embarked on a major transformation programme, referred to above to replace the IT and processes that underpin its retail business.

A new system for managing electronic payments has also been commissioned. The Society has also achieved compliance with the Payment Card Industry Security Standards across its Food Retail and Pharmacy businesses. In addition, the Society is recruiting an Information Security Officer and a Data Governance Manager to actively manage and develop the Society's IT security and data governance.

**Property Developments:** The Society has a large portfolio of real property, including development land and significant development projects, giving rise to potential commercial and execution risk.

**Mitigation:** The Society has established a specialist Developments team, led by the Chief Developments Officer, which is supported by leading firms of Advocates, Chartered Surveyors, Architects and other property professionals. In addition, the Executive Management Team monitors the progress of all development projects through monthly reports from the Chief Developments Officer and provides the Board with regular reports on the progress of all its developments.

### Financial Risks

**Equity Structure and Liquidity:** The Society's share capital includes the balances on Members' Share Accounts which may fluctuate and affect the level of borrowing required.

**Mitigation:** The Society has adopted prudent liquidity criteria in its Financial Strategy. In June 2017 the Society's Members approved a change in the Society's Rules authorising the Board to offer an additional class of shares which will provide enhanced rates of interest in return for reasonable notice prior to withdrawal of funds. The necessary software developments are being made to enable the Society to offer these new shares. In addition, the Society has secured a Revolving Credit Facility up to £8m to ensure appropriate financial flexibility.

**Pension Scheme:** The Society recognises that its Defined Benefit Pension Scheme presents risks due to fluctuating returns in the equity and bond markets, enhanced life-expectancy and other factors.

**Mitigation:** The Trustees have appointed a reputable and experienced Fund Manager who operates in accordance with a prudent set of investment principles and the Investment Manager reports to the Trustees on investment performance quarterly. The Society supports the Scheme with a contribution of £1.1m a year in supplementary funding and the Board reviews the funding level regularly. The Scheme Actuary also provides the Trustees with a formal actuarial valuation every three years. The Scheme was closed to future service accruals with effect from 1 July 2009. In December 2017 the Scheme Members approved a rationalisation of the Scheme Rules to Comply with Changes in pensions law and to enable the Scheme to be run by a smaller team of skilled Trustees, or if necessary by an independent professional Trustee.

### Compliance Risks

**Health & Safety:** Breach of the Health & Safety laws or Food Safety of Guernsey or Jersey is unlawful and may result in death, personal injury, loss, damage and liability for Society resulting in fines and loss of reputation. The Society's Directors and Officers may also be liable and subject to financial penalty and/or custodial sentences.

The Society has no appetite for the negligent, deliberate or purposeful breach of any laws or regulations relating to Health & Safety or Food Safety in any area of its diverse operations.

**Mitigation:** The Society has and maintains a Health & Safety Policy and Procedures as well as a Food Safety Management

System. It employs Health & Safety and Food Safety specialists supported by professional external assessors, it works closely with the local enforcement agencies, has centralised digital Health & Safety and Food Safety record keeping systems, and comprehensive training and development programmes.

**Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT):** The Society must at all times comply with rigorous AML/CFT regulations overseen by the Jersey and Guernsey Financial Services Commissions in response to the global risk environment, failure to comply with the applicable laws and regulations is unlawful and may result in liability for the Society and/or its Directors and Officers. It may also result in the Society being prohibited from operating its Money Services Business in Guernsey or Jersey.

**Mitigation:** The Society has detailed policies and procedures designed to ensure compliance with these requirements. The Society's compliance with these policies and procedures is audited quarterly by the Head of Internal Audit. In addition, the Society provides its Directors, Officers and Colleagues with regular specialist AML/CFT training appropriate to their roles.

**Data Protection:** The Society handles a range of personal data including special category data giving rise to possible risk liability for the negligent, deliberate or purposeful mishandling of that data.

**Mitigation:** The Society has a Data Protection Policy. It reviews its procedures relating to such data regularly and is appropriately registered with the Information Commissioner for the Channel Islands. The Society's Data Protection Policy and processes relating to sensitive personal data are subject to annual audit as part of the annual Internal Audit Plan. In addition, the Society commissioned a review of its data governance framework and has introduced new software to support its compliance with the new data protection laws in Guernsey and Jersey which reflect the General Data Protection Regulation (GDPR): Regulation EU 2016/679, it will shortly introduce a new Data Protection Policy which will address the Society's collection of personal data, including special category data, data retention and the management of data subjects' rights. The Society has recruited an Information Security Officer and is recruiting a Data Governance Manager. These appointments will enable the Society maintain and enhance its data security and data governance standards. The Society also provides training appropriate to the roles of any individuals who handle personal and/or special category data in the course of their employment.

## Period Report

The Directors present their report for the 53 week period ended 14 January 2018.

## Directors of the Society

The current Directors are shown on Page 2.

In May 2017, elections for two vacancies on the Board arose as a result of retirement by rotation. There were eleven candidates for the vacancies. Mr Ben Shenton and Mrs Carol Champion were each re-elected to the Board for a four year term of office.

On 24 November 2017, Mr Colin Macleod was appointed as a Director, upon the Financial Conduct Authority's approval and registration of the Society's amended Rules approved by the Society's Members at the Special Meetings of Members held on 6 and 7 June 2017 in Jersey and Guernsey respectively. Rule 10.1.2 provides that the Chief Executive Officer shall be a Director of the Society.

On 1 July 2015, Mr Richard Le Tocq was appointed as a Director by co-option under Rule 10.5 of the Society's Rules

for an initial term of 12 months, which was extended for a further term of 12 months by mutual agreement. He is an accountant and risk specialist and was chair of the Society's Audit & Risk Committee in the financial year ended 14 January 2018.

## Dividends

The Directors' recommend a Dividend payment at the rate of 4% of Members' purchases made during the 53 week period ended 14 January 2018. Subject to the agreement of Members', the Dividend will be transferred to Members' share accounts in accordance with Rule 16.1(b).

Where Members elect to withdraw their Dividend in the form of Dividend vouchers, which can be exchanged for goods in all listed non-food departments, a bonus of 15% of the Dividend value is paid, applicable in Guernsey only.

The total returned to Members during the period under review amounted to £7.74million, inclusive of Dividend, Dividend stamps, travel vouchers and share interest.

## Events Since the Balance Sheet Date

There are no events since the Balance Sheet date which would have a material effect on the Financial Statements, the Strategic Report or this, the Directors' Report.

## Directors' Liabilities

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

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

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

## Website

The Financial Statements are published on [www.channelislands.coop](http://www.channelislands.coop), which is a website maintained by the Society. The maintenance and integrity of the [www.channelislands.coop](http://www.channelislands.coop) website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the Financial Statements or the Audit Report since 18 April 2018.

KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 18 April 2018 that in any way extends this date. Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The Directors remain responsible for establishing and controlling the process for doing so, and for ensuring that the Financial Statements are complete and unaltered in any way.

## Going Concern

The Society's business activities, together with the factors likely to affect its future development, financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk, are described in the Strategic Report on pages 12 to 15.

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

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

## Disclosure of Information to the Auditors

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

## Auditors

The Board is considering whether to propose the appointment of an alternative Auditor for rotational purposes or to propose that KPMG Channel Islands Limited remains as Auditor of the Society and its subsidiaries.

## 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 Meeting of Members, 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 the long-term success of the Society. It determines the Society's vision, mission, values

and its strategic aims and oversees the implementation of that strategy. The Board settles business strategy, budgets and talent management strategy, and is also responsible for determining the Society's risk appetite and overseeing the processes for the identification and mitigation of risk, as detailed in the Statement of Principal 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 the Executive Management Team 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 the Executive Management Team. The Board has delegated the day-to-day management of the Society's activities to the Chief Executive and his Executive Management Team, who are responsible for the execution of the strategy within the framework set by the Board.

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

## Board Balance and Independence

All our Directors, other than Mr C Macleod, are non-executives and hold the following occupations:

Mr B Shenton	Investment Manager
Mrs C Champion	Nutritional Therapist
Mrs K Henley-Thomas	Small Business Owner / Housewife
Mr R Le Tocq	CEO Robus Group
Mr C Macleod	Chief Executive Officer, The Channel Islands Co-operative Society Limited
Mr H Maret-Crosby	Freelance Journalist and Writer
Mr P Roffey	People's Deputy
Mrs S Ryde	Project Manager & Civil Protection Co-ordinator
Mrs J Vibert	Personal Assistant
Mrs P Williams	Managing Director, Island Consortium Training

With the exception of the Chief Executive Officer, no members of the Executive Management Team hold any significant directorships. The Chief Executive Officer is a director of: Federal Retail Trading Services Ltd (a subsidiary of The Co-operative Group), Community Savings Ltd, Jersey Voluntary & Community Sector Ltd, Jersey Pharmacy Services Ltd, and Euro-Coop-AISBL.

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

### The Chairman

The President of the Society is elected by the Board at the first Board meeting each year following the Annual Meeting of Members. The President acts as Chairman at all Board meetings. Other than the Chief Executive Officer of the Society no employee of the Society may become a Director and therefore the Chairman is independent of management.

In accordance with the Society's Rules, Mr Ben Shenton was elected as President of the Society and Chair of the Society's Board meetings.

### 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 necessary in order to address any skill shortages.

### Board Remuneration

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

### Board Skills and Performance Evaluation

Although a formal Board skills audit has not been conducted, the Board considers its training requirements annually.

As a result of this process, the Board instituted a training programme with the Institute of Directors.

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

### Board Committees

On 25 June 2017 the Board appointed Directors to each of the Committees, as follows:

Recruitment & Remuneration Committee:

Mrs C Champion	Chair
Mrs K Henley-Thomas	Director
Mrs J Vibert	Director
Mrs P Williams	Director
Mr C Lintell	Secretary

Audit & Risk Committee:

Mr R Le Tocq	Chair
Mr H Marett-Crosby	Director
Mr P Roffey	Director
Mrs S Ryde	Director
Mr C Lintell	Secretary

The Audit & Risk Committee's terms of reference provide the Committee with the power to meet the Auditors and also the Head of Internal Audit without any member of the Executive Management Team present 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 elements:

1. An organisational structure with clearly defined lines of responsibility, delegations of authority and reporting requirements;
2. A clear statement of Matters Reserved for Board consideration;
3. A statement confirming the Board's role and responsibilities;
4. Clear terms of reference for the Audit & Risk Committee and the Recruitment & Remuneration Committee;
5. A statement confirming the Executive Management Team's role and responsibilities;
6. An Internal Control Policy setting authority limits for expenditure and commitment;
7. A financial reporting system conforming to FRS 102;
8. A rolling 3 year budget;
9. A 'whistle-blowing' policy and procedure for the reporting and resolution of suspected fraudulent activities.

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 the Executive Management Team, Internal Audit and the Auditors. A Head of Internal Audit was appointed in April 2016 reducing the need to appoint third parties to perform this function.

### Internal Audit Function

The Head of Internal Audit is responsible for the Society's Internal Audits and he reports to the Chief Governance Officer and Society Secretary; he also has direct private access to the Audit & Risk Committee.

A programme of Internal Audits is agreed by the Board annually on the recommendation of the Audit & Risk Committee, which may relate to all and any areas of the business, with particular emphasis on financial controls and operations.

The Head of Internal Audit also conducts quarterly audits of the Society's money services business in Jersey and Guernsey in compliance with regulatory requirements.

### Board Meetings

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

	Meetings Attended 2017	Meetings Held for Which Director was Eligible to Attend
Mr B Shenton (President)	7	7
Mrs C Champion	6	7
Mrs K Henley-Thomas	6	7
Mr R Le Tocq	6	7
Mr H Marett-Crosby	7	7
Mr C Macleod	1	1
Mr P Roffey	7	7
Mrs S Ryde	7	7
Mrs J Vibert	7	7
Mrs P Williams	7	7

### 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.

**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 other than the overall limit on Director's terms of 12 years contained in Rule 108. 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.
  
- 155. Although the Society has a detailed whistleblowing procedure, it was last reviewed by the Board as a whole and not by the Audit & Risk Committee.

The Directors will propose a number of changes to the Society's Rules which will facilitate enhanced compliance with the code if adopted by Members.

**Signed on Behalf of the Board of Directors**

**B. Shenton, President**

**C. Macleod, Chief Executive Officer  
 & Board Director**

**C. Lintell, Chief Governance Officer  
 & Society Secretary**

# Financial Results

## Contents

	PAGE		PAGE
Consolidated Income Statement and Consolidated Statement of Comprehensive Income	19	Accounting Policies	23
Consolidated Statement of Financial Position	20	Notes to the Financial Statements	25
Consolidated Statement of Changes In Equity	21	Board Certification and Directors' Responsibilities	35
Consolidated Cash Flow Statement	22	Registered Auditor's Report	36

53 weeks to 14 January 2018

52 weeks to 8 January 2017

## CONSOLIDATED INCOME STATEMENT

	Notes	53 weeks to 14 January 2018			52 weeks to 8 January 2017		
		Continuing operations	Discontinued operations	Total	Continuing operations Restated	Discontinued operations	Total Restated
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	1	177,878	-	177,878	172,050	-	172,050
Cost of sales		(125,301)	-	(125,301)	(120,384)	-	(120,384)
Gross profit		52,577	-	52,577	51,666	-	51,666
Administrative expenses	2	(47,619)	-	(47,619)	(45,626)	-	(45,626)
Other operating income	3	1,765	-	1,765	1,568	-	1,568
Operating profit		6,723	-	6,723	7,608	-	7,608
Other interest receivable and similar income	6	76	-	76	98	-	98
Interest payable and similar charges	7	(2,176)	-	(2,176)	(2,397)	-	(2,397)
Profit / (loss) on disposal of fixed assets	8	506	-	506	(273)	-	(273)
Net gain on financial liabilities at fair value		750	-	750	409	-	409
Profit / (loss) before member payments		5,879	-	5,879	5,445	-	5,445
Members payments		(4,803)	-	(4,803)	(4,848)	-	(4,848)
Profit / (loss) before tax		1,076	-	1,076	597	-	597
Taxation	9	(317)	-	(317)	(238)	-	(238)
Profit / (loss) on ordinary activities		759	-	759	359	-	359
Non controlling interest		91	-	91	129	-	129
Profit / (loss) for the period		850	-	850	488	-	488

53 weeks to 14 January 2018

52 weeks to 8 January 2017

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	53 weeks to 14 January 2018			52 weeks to 8 January 2017		
		Continuing operations	Discontinued operations	Total	Continuing operations Restated	Discontinued operations	Total Restated
		£'000	£'000	£'000	£'000	£'000	£'000
Profit / (loss) for the period		850	-	850	488	-	488
Revaluation of tangible fixed assets		(1,490)	-	(1,490)	-	-	-
Remeasurement gain / (loss) of the net defined benefit pension scheme	20	3,486	-	3,486	(3,353)	-	(3,353)
Total other comprehensive income		1,996	-	1,996	(3,353)	-	(3,353)
Total comprehensive income for the period		2,846	-	2,846	(2,865)	-	(2,865)
Total comprehensive income for the period is attributable to:							
Non controlling interests		(91)	-	(91)	(129)	-	(129)
Owners of the parent company		2,846	-	2,846	(2,865)	-	(2,865)

The Society will be recommending a distribution of £4,802,526 to its Members for the period to 14 January 2018. 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 34 inclusive form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 14 January 2018	As at 8 January 2017
		£'000	£'000
<b>Non-current assets</b>			
Intangible assets	10	5,518	6,252
Tangible assets	11	90,428	94,000
Investment property	12	50,329	35,605
Investments	13	15	15
		<b>146,290</b>	<b>135,872</b>
<b>Current assets</b>			
Stocks	14	6,145	6,584
Debtors	15	13,429	11,036
Short term deposits	16	5,680	17,695
Cash at bank and in hand	16	6,750	8,244
		<b>32,004</b>	<b>43,559</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	17	(32,022)	(33,442)
Fair value derivatives		(120)	-
<b>Net current (liabilities) / assets</b>		<b>(138)</b>	<b>10,117</b>
<b>Total assets less current liabilities</b>		<b>146,152</b>	<b>145,989</b>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after more than one year	18	(7,515)	(9,120)
Fair value derivatives		(726)	(1,596)
Pension liability	20	(6,839)	(11,118)
<b>Net assets</b>		<b>131,072</b>	<b>124,155</b>
<b>Share capital</b>			
Reserves - property revaluation	22	3,613	5,103
Reserves - revenue		50,847	46,510
<b>Total shareholders funds</b>		<b>130,973</b>	<b>123,965</b>
Non controlling interest		99	190
		<b>131,072</b>	<b>124,155</b>

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

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY**

	Share capital	Revaluation reserve	Revenue reserve	Total shareholders equity	Non controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
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
<b>Balance at 8 January 2017</b>	<b>72,352</b>	<b>5,103</b>	<b>46,510</b>	<b>123,965</b>	<b>190</b>	<b>124,155</b>
Balance at 8 January 2017	72,352	5,103	46,510	123,965	190	124,155
Profit / (loss) for the period			850	850	(91)	759
Other comprehensive income			1,996	1,996		1,996
Increase in share capital	4,161			4,161		4,161
Transfer of revaluation movements to property revaluation reserve		(1,490)	1,490	-		-
<b>Balance at 14 January 2018</b>	<b>76,513</b>	<b>3,613</b>	<b>50,846</b>	<b>130,972</b>	<b>99</b>	<b>131,071</b>

## CONSOLIDATED CASH FLOW STATEMENT

Profit for the period

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

Amortisation of intangible assets

Impairment of intangible assets

Depreciation of tangible fixed assets

Stock adjustment

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	53 weeks to 14 January 2018	52 weeks to 8 January 2017
	£'000	£'000
	850	488
10	496	447
10	200	-
11	3,358	2,893
	428	-
	(76)	(98)
	2,176	2,397
	(506)	273
	(750)	(409)
	(91)	(129)
	317	238
	(186)	(222)
	(2,393)	719
	439	577
	(1,420)	(2,163)
20	(1,100)	(1,100)
	892	3,424
	1,742	3,912
	76	98
	(9,199)	(10,357)
	-	(131)
	(8,475)	(900)
8	2,215	1,797
	(15,383)	(9,493)
	4,161	9,287
	(2,160)	(1,728)
	(1,869)	(2,100)
	132	5,459
	(13,509)	(122)
	25,939	26,061
	12,430	25,939

## 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 14 January 2018	As at 8 January 2017
16	6,750	8,244
16	5,680	17,695
	12,430	25,939

Major non cash transactions – There were no major non cash transactions made during the period (2017: £nil).

## 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 defined benefit 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 53 weeks ended 14 January 2018 with comparative figures for the 52 weeks ended 8 January 2017.

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 defined benefit pension scheme.

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

- Valuation of defined benefit 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 either an operating or a 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 judgmental 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 Consolidated Income Statement.

Fair value movements on trading property are recognised in other comprehensive income to the extent that fair value exceeds cost and in the Consolidated Income Statement 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 Consolidated Income Statement 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 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.

## Lease Premium

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

## Impairment of Non Financial Assets

The Society assesses at each reporting date whether there are indicators of impairment of individual assets. If any such indication exists, the Society performs tests to assess 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.

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 assets performance of the cash generating unit being tested.

## 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.

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 or 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 30 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 Consolidated 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 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. The Society considers itself to be acting in the capacity of an Agent for accounting purposes in respect of the travel activities of the subsidiary company, Offshore Leisure Limited. 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 Meeting of Members and payable the following working day. The amount paid is recorded in the Consolidated Income Statement in the year 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 year.

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.

**1. TURNOVER**

Turnover from Group ordinary activities

Less gross agency turnover from subsidiary travel activities

Notes	2018	2017
	£'000	£'000
	200,636	192,980
	(22,758)	(20,930)
	<b>177,878</b>	<b>172,050</b>
	143,112	134,341
	16,111	15,452
	5,391	9,887
	1,412	1,430
	-	2
	1,742	1,479
	1,249	1,140
	8,861	8,319
	<b>177,878</b>	<b>172,050</b>

**Analysed by Business Area**

Food

Fuel

Homemaker

Travel

Online Retail

Funeral

Medical

Pharmacy

Total

	2018	2017	
	£'000	£'000	
Personnel	4	26,045	25,806
Defined contribution pension scheme		1,297	1,129
Occupancy costs		6,296	6,554
Depreciation	11	3,261	2,893
Goodwill amortisation and impairment	10	806	447
Audit fee		93	105
Directors' fees	5	105	127
Other expenses		7,625	6,565
Bonus dividend		2,091	2,000
		<b>47,619</b>	<b>45,626</b>

**3. OTHER OPERATING INCOME**

Sundry income

Rental income

	2018	2017
	£'000	£'000
	345	378
	1,420	1,190
	<b>1,765</b>	<b>1,568</b>

#### 4. 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

The aggregate payroll costs of these persons was as follows :

Wages and salaries

Notes	2018	2017
	603	622
	233	246
	<b>836</b>	<b>868</b>
	£'000	£'000
	26,045	25,806
	<b>26,045</b>	<b>25,806</b>

#### 5. 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 £105,000 (2017: £117,000). Key management is considered to be the Board of Directors of the Society. The Chief Executive Officer, Mr C Macleod, does not receive an additional remuneration for acting as a Director.

	2018	2017
	9	8
	1	1
	-	-

#### 6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

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

	2018	2017
	£'000	£'000
	76	98
	<b>76</b>	<b>98</b>

#### 7. INTEREST PAYABLE AND SIMILAR CHARGES

Members' loan interest expense

Bank loan interest expense

Share interest

Net cost on pension scheme liabilities

Stamp club interest

	2018	2017
	£'000	£'000
	265	267
	754	917
	807	871
20	307	297
	43	45
	<b>2,176</b>	<b>2,397</b>

#### 8. 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

	2018	2017
	£'000	£'000
	2,215	1,797
	(1,709)	(2,070)
	<b>506</b>	<b>(273)</b>

#### 9. TAXATION

Current tax on income for the period

Reconciliation of profit before taxation to tax expense in the period

Taxable rental income net of allowances at 20%

Provision for tax on non-mutual trading profit at 5%

Tax expense for the period

	2018	2017
	£'000	£'000
	317	238
	<b>317</b>	<b>238</b>
	£'000	£'000
	217	238
	100	-
	<b>317</b>	<b>238</b>

**10. INTANGIBLE ASSETS**

Cost at 8 January 2017

Additions

Transfers

Cost at 14 January 2018

Amortisation at 8 January 2017

Amortisation charge

Impairment

Transfers

Amortisation at 14 January 2018

Net book value at 14 January 2018

Net book value at 8 January 2017

	Lease Premium	Goodwill	Total
	£'000	£'000	£'000
Cost at 8 January 2017	1,000	6,952	7,952
Additions	-	-	-
Transfers	102	-	102
Cost at 14 January 2018	1,102	6,952	8,054
Amortisation at 8 January 2017	300	1,400	1,700
Amortisation charge	89	407	496
Impairment	-	200	200
Transfers	140	-	140
Amortisation at 14 January 2018	529	2,007	2,536
Net book value at 14 January 2018	573	4,945	5,518
Net book value at 8 January 2017	700	5,552	6,252

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

**11. TANGIBLE ASSETS**

Cost and valuation at 8 January 2017

Additions

Transfers

Disposals

Revaluation

Cost and valuation at 14 January 2018

Depreciation at 8 January 2017

Depreciation charge

Transfers

Disposals

Depreciation at 14 January 2018

Net Book Value at 14 January 2018

Net Book Value at 8 January 2017

	Land and Buildings	Plant and Machinery	Total
	£'000	£'000	£'000
Cost and valuation at 8 January 2017	85,698	16,133	101,831
Additions	4,469	4,730	9,199
Transfers	(7,564)	(390)	(7,954)
Disposals	-	(1,472)	(1,472)
Revaluation	(1,490)	-	(1,490)
Cost and valuation at 14 January 2018	81,113	19,001	100,114
Depreciation at 8 January 2017	1,637	6,194	7,831
Depreciation charge	1,328	2,030	3,358
Transfers	(140)	-	(140)
Disposals	-	(1,363)	(1,363)
Depreciation at 14 January 2018	2,825	6,861	9,686
Net Book Value at 14 January 2018	78,288	12,140	90,428
Net Book Value at 8 January 2017	84,061	9,939	94,000

The Society has authorised total Capital Expenditure in the sum of £2,090,300 (2017: £4,707,000) in the period in respect of a number of new developments, most notably the continuing development of Charing Cross. The full amount is contracted for and no provision is made within these financial statements.

Transfers reflects the re-categorisation of assets between categories which have taken effect during the period resulting from a change in use of those assets.

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.

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 14 January 2018.

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 £123,515,000 (2017: £114,563,000).

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

## 12. INVESTMENT PROPERTY

Balance at the beginning of the period

Additions

Disposals

Transfers from tangible assets

Balance at the end of the period

Notes	2018	2017
	£'000	£'000
	35,605	35,471
	8,475	900
	(1,600)	(1,740)
	7,849	974
	<b>50,329</b>	<b>35,605</b>

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 14 January 2018.

Investment properties include properties held for sale of £19,309,064 (2017: £20,444,000) which were being marketed at the reporting date. The sale of the property at Goose Green Marsh is expected to complete in the next financial period.

## 13. 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 (JPSL)

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 8 January 2017

Additions

Disposals

Reclassification

At 14 January 2018

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
<b>15</b>

**14. STOCKS**

Goods for resale

The cost of goods purchased for resale and recognised as an expense during the period was £150,920,321 (2017: £139,912,864).

Notes	2018	2017
	£'000	£'000
	6,145	6,584

**15. DEBTORS**

Trade debtors

Sundry accounts, prepayments and accrued interest

	2018	2017
	£'000	£'000
	9,914	9,524
	3,515	1,512
	13,429	11,036

**16. CASH AND CASH EQUIVALENTS**

Short term deposits

Cash at bank and in hand

Cash and cash equivalents per cash flow statements

	2018	2017
	£'000	£'000
	5,680	17,695
	6,750	8,244
	12,430	25,939

**17. 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

	2018	2017
	£'000	£'000
	9,404	9,196
	226	107
	14,849	15,517
	807	871
	265	267
	4,866	5,511
	1,605	1,973
	32,022	33,442

**18. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

Property loans

	2018	2017
	£'000	£'000
	7,515	9,120
	7,515	9,120

As described in Note 11, property loans are secured against specific Society land and buildings assets by an unregistered charge and are repayable on or before 2018 and 2023. The loan repayments were fixed interest only until 2011 and are now repayable by capital and interest.

The derivatives are interest rate swaps which 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 loans. There are two swaps in place. One for £10 million which matures in 2023 and attracts an interest rate of 5.46% and another for £9 million which matures in 2018. The interest rate swaps fix the interest rate payable under the relevant loans at 5.46% and 5.8% respectively.

## 19. INTEREST BEARING LOANS AND BORROWINGS

	Notes	2018	2017
		£'000	£'000
Fair value derivatives		846	1,596
Property loans due after more than one year		7,515	9,120
Members loans		14,849	15,517
Property loans due within one year		1,605	1,973
		<b>24,815</b>	<b>28,206</b>

Terms and Debt Repayment Schedule	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2018	2017
Property loan	GBP	LIBOR + 0.95%	2023	Quarterly	9,120	11,093
Members' loans	GBP	0.1% - 1.35%	On demand	On demand	14,849	15,517

For details of the Society's use of interest rate swaps to hedge interest rate exposures under the property loans, please refer to Note 18.

## 20. 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 2016.

The amounts disclosed in the financial statements have been determined through the preparation of updated actuarial calculations as at each reporting date.

### 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.

**20. EMPLOYEE BENEFITS (CONTINUED)**

The amounts recognised in the Consolidated Statement of Financial Position are as follows :

Notes	As at 14 Jan 2018 £'000	As at 8 Jan 2017 £'000
Fair value of scheme assets	55,867	51,061
Present value of funded obligations	(62,706)	(62,179)
Net (under) / overfunding in Scheme	(6,839)	(11,118)
Unrecognised asset due to asset ceiling	-	-
Net defined benefit asset / (liability)	(6,839)	(11,118)

The amounts recognised in the Income Statement are as follows :

	£'000	£'000
Service cost	-	-
Cost of benefit changes	-	-
Curtailement costs / (gains)	-	-
Settlement costs / (gains)	-	-
Net interest on net defined benefit liability	307	296
Expense recognised in the Income Statement	307	296

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

	£'000	£'000
Interest on obligation	1,787	1,907
Interest on assets	(1,480)	(1,611)
Interest on unrecognised assets	-	-
Net interest on defined benefit liability	307	296

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

	£'000	£'000
Return on assets (not included in interest)	3,368	6,184
Actuarial gains / (losses) on obligation	118	(9,537)
Change in unrecognised assets (other than interest)	-	-
Total remeasurements recognised in other comprehensive income	3,486	(3,353)

Cumulative amount or remeasurements recognised in other comprehensive income

	240	(3,246)
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Actual return on scheme assets

	4,848	7,795
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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	62,179	52,364
Service cost	-	-
Contributions by Members	-	-
Cost of benefit changes	-	-
Curtailement costs / (gains)	-	-
Liabilities extinguished on settlements	-	-
Benefits paid	(1,142)	(1,629)
Interest on obligation	1,787	1,907
Experience losses / (gains)	(710)	(2,086)
Losses / (gains) from changes in assumptions	592	11,623
Closing defined benefit obligation	62,706	62,179

The weighted average duration of the liabilities of the Scheme was 22 years as at 14 January 2018.

	As at 14 Jan 2018 £'000	As at 8 Jan 2017 £'000
<b>20. EMPLOYEE BENEFITS (CONTINUED)</b>		
Changes in the fair value of Scheme assets are as follows :		
Opening fair value of Scheme assets	51,061	43,795
Interest on assets	1,480	1,611
Return on assets (not included in interest)	3,368	6,184
Assets distributed on settlements	-	-
Contributions by Employer	1,100	1,100
Contributions by Members	-	-
Benefits paid	(1,142)	(1,629)
Administrative expenses	-	-
Closing fair value of scheme assets	55,867	51,061

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

	%	%
Equities	63.2	62.9
Gilts	17.4	18.9
Corporate bonds	9.0	9.1
Property	9.6	7.4
Cash	0.8	1.7

The principal actuarial assumptions used for the FRS 102 disclosures :

	%pa	%pa
Discount rate at end of period	2.6	2.9
Discount rate at start of period	2.9	3.7
Inflation	3.4	3.6
Rate of increase in deferment whilst in employment with the Society	3.4	3.6
Rate of increase in deferred pensions for those who have left employment with the Society	3.3	3.4
Rate of increase in pensions in payment	3.3	3.4

#### 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 88 if they are male and until 89 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 90 if they are male and until age 91 if female.

## 21. 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.

## 22. 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.

## 23. OPERATING LEASES

Non cancellable operating lease rentals are payable as follows :

	2018	2017
Less than one year	1,515	2,029
Between one and five years	5,389	5,208
More than five years	6,617	7,219
	13,521	14,456

During the period £1,823,000 was recognised as an expense in the Consolidated Income Statement account in respect of operating leases (2017 : £1,852,000) The Society operates a number a trading units under operating leases ranging from 1 year to 16 years.

Notes	2018	2017
<b>23. OPERATING LEASES (CONTINUED)</b>		
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	1,678	1,052
Between one and five years	4,465	346
More than five years	19,251	44
	25,394	1,442

During the period, £1,420,000 was recognised as income in the Consolidated Income Statement account in respect of operating leases (2017 : £1,190,000)  
The Society lets a number of properties under operating leases ranging from 1 year to 8 years.

## 24. COMMITMENTS

### Capital Commitments

Contractual commitments in respect of capital projects at the period end were £9,624,500 (2017: £5,000,000)

## 25. CONTINGENCIES

Indemnities are held in favour of 'Customs and Excise Immigration and Nationality, Guernsey' in respect of Duty in the sum of £300,000 (2017: £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 will be called upon.

A Parental guarantee in favour of NatWest Bank Plc in the sum of £100,000 (2017:£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 £177,863 (2017:£167,384) 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 £28,000 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 Limited, with the underlying assets managed by Royal London Asset Management Limited. 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.

## 26. 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 5 for the compensation to Directors.

	Income received	
	2018	2017
Entities over which Society has control - Offshore Leisure Limited	23	23
Entities over which Society has control - Jersey Pharmacy Services Limited	210	198

	Receivables outstanding		Payables outstanding	
	2018	2017	2018	2017
Entities over which Society has control - Offshore Leisure Limited	42	42	2,278	2,278
Entities over which Society has control - Jersey Pharmacy Services Limited	3,076	3,014	0	0
Employees of the Society	391	330	0	0
	3,509	3,386	2,278	2,278

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 53-week period to 14 January 2018, total purchases from FRTS amounted to £64,702,198 (2017: £60,601,071) and the payments due by the Society to FRTS as at that date totalled £6,193,734 (2017: £6,182,558). As at 14 January 2018 the amount due by FRTS to the Society in respect of rebates was £3,748,099 (2017: £4,352,922) and the amount due to the Society by FRTS in respect of Duty drawbacks is £1,382,933 (2017: £1,482,566).

The Society has provided a guarantee for Community Savings Limited (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.

## 27. 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.

## 28. 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 18). The fair value of the swaps at 14 January 2018, 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 £725,532 and £120,138 (2017: £1,122,125 and £473,829). 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

2018

	Financial assets as an equity instrument	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial liabilities at fair value through P&L
Cash at bank and in hand		6,750		
Short term deposits		5,680		
Debtors		13,429		
Creditors			15,568	
Loans payable			9,120	
Members' loans			14,849	
Derivative financial instruments				846
Unquoted shares	15			

### 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
Cash at bank and in hand		8,244		
Short term deposits		17,695		
Debtors		11,036		
Creditors			15,952	
Loans payable			11,093	
Members' loans			15,517	
Derivative financial instruments				1,596
Unquoted shares	15			

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. Macleod, Chief Executive Officer & Board Director**

## **C. Lintell, Chief Governance Officer & Society Secretary**

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the annual report and 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
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

### Our opinion is unmodified

We have audited the financial statements of The Channel Islands Co-operative Society (the "Society") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 14 January 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and the consolidated cash flow statement for the period from 9 January 2017 to 14 January 2018, and notes, comprising significant accounting policies and other explanatory information.

### In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Group as at 14 January 2018, and of the Group's financial performance and cash flows for the period then ended;
- have been prepared in accordance with United Kingdom accounting standards, including 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).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### We have nothing to report on the other information in the annual report

The directors are responsible for the other information, which comprises the information on pages 1 to 18 and page 35. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion thereon or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

## Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 35, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of this report and restrictions on its use by persons other than the Society's members as a body

This report is made solely to the Society's members, as a body, in accordance with our terms of engagement as detailed in our letter of 19 October 2015. 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.

### KPMG Channel Islands Limited

Registered Auditor  
 St. Helier, Jersey

18 April 2018



# Being quieter for an hour for customers with autism

Autism Jersey and Autism Guernsey had a good idea: making our stores a calmer environment for those with autism. And so Monday's Quiet Hour was born. The music goes off, tannoy announcements are avoided and our tills will barely bleep.

Thank you to both charities for highlighting this need and local firm, Mercury Distribution. One of Mercury's engineers will give their time weekly to turn down our fridge lights for the hour, making the surroundings less bright.

## Proud to support a whole, local community

Quiet hour every Monday, 3-4pm  
Grand Marché St Helier and St Peter in Jersey, St Martin and St Sampson in Guernsey



The Channel Islands  
**co-operative**  
Society Limited

## Belonging is everything

[www.channelislands.coop/belonging](http://www.channelislands.coop/belonging)

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# 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](mailto: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](http://www.channelislands.coop/addresschange)

The Channel Islands  
**co-operative**  
Society Limited

## Belonging is everything

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