

ANNUAL REPORT

— JERSEY & GUERNSEY 2019 —



The Channel Islands
co-operative 1919 100 YEARS 2019
Society Limited

BELONGING IS EVERYTHING

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



“Picking up some local produce helps preserve our countryside.”

With 900 vergées, David Cowley at Guernsey Farm Produce is the island’s largest land user. The whole team is passionate about growing our favorite potatoes locally and keeping farming alive to safeguard our idyllic rural views. The busy supplier also keeps cattle, providing milk to Guernsey Dairy. It all started with a young David and a cow in his parents’ garden.



Big on local
Proud to stock **Guernsey Farm Produce**

The Channel Islands
co-operative 1919 YEARS 2019
Society Limited

Belonging is everything

www.channelislands.coop/belonging

Grand Marché **locale** **en route** **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 on a good year of progress as we continue to invest in your Society, ensuring our range of services is relevant and appealing to Members.

Despite uncertainties regarding Brexit and the potential difficulties that it could bring, we are pleased to announce that your Society has enjoyed an exceptional year of trading, with an increase of £9.087 million (5.21%) during the year, with the exception of Homemaker, all business sectors contributed to this success.

During this financial year, we closed our Homemaker in Guernsey. The increase of online shopping in the furnishing sector along with higher costs of operating a standalone business meant our offering was becoming increasingly uncompetitive. However, the opening of the Premier Inn and reopening of our new store at Charing Cross in Jersey contributed significantly to the Society's performance and this success justifies the decision to redevelop the site to provide this style of operation.

Because we occasionally have a 53-week financial period, to provide a more accurate comparison with our usual 52-week period we made an adjustment. Our prior year was a 53-week period and these figures have been adjusted accordingly.

Our food and fuel business enjoyed an increase in turnover of £10.733 million (6.87%), our Medical business increased its turnover

by £0.198 million (16.12%) and Pharmacy improved its turnover by £0.204 million (2.34%).

Our award-winning Travelmaker increased gross turnover by £3.898 million (16.46%) giving a net increase of £0.245 million (17.66%) in agency commission and we are pleased to report that our market share has increased for Funeral Care, particularly in Jersey, overall increasing its gross turnover by £0.133 million (7.83%).

The Society's 'Belonging is Everything' campaign is well underway and ultimately promotes what is unique about us and what differentiates us from our competitors.

To us, belonging is everything and we are proud to have been making a real difference to our Island communities for 100 years. As the Jersey Co-operative Society we opened our first store in St Helier in June 1919, with Guernsey following suit in 1947. A century later and we are one of the largest retailers in the Channel Islands, spanning across a range of businesses for the benefit of our Members and customers.

We hope you get involved in the celebrations we will have throughout 2019 and look forward to seeing what the next 100 years will bring.

Colin Macleod, Chief Executive Officer & Board Director

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Highlights

Turnover **£183.61m**

Amount returned to Members **£7.97m**

Directors



Ben Shenton
PRESIDENT & DIRECTOR



Jennifer Carnegie
CHAIR OF RECRUITMENT &
REMUNERATION COMMITTEE &
DIRECTOR



Carol Champion
DIRECTOR



Kiley Henley-Thomas
DIRECTOR



Richard Le Tocq
CHAIR OF AUDIT & RISK COMMITTEE
& DIRECTOR



*Sue Ryde
DIRECTOR



*Jennie Vibert
DIRECTOR



Paula Williams
DIRECTOR

Executive Management Team



Colin Macleod
CHIEF EXECUTIVE OFFICER
& BOARD DIRECTOR



Mark Cox
CHIEF OPERATING OFFICER



Chris Lintell
CHIEF GOVERNANCE OFFICER
& SOCIETY SECRETARY



David Rees
CHIEF FINANCIAL OFFICER



Donna Abel
CHIEF HUMAN RESOURCES OFFICER



Jim Plumley
CHIEF DEVELOPMENT OFFICER



Mat Ogden
CHIEF INFORMATION OFFICER

*Retires 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

BCR Law (Advisory and Advocacy Services)
12 Hill Street, St Helier, Jersey, JE2 4UA

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

Randell & Loveridge (Advocates)

1-6 Court Row, St Peter Port, Guernsey, GY1 2PD

Ashton Barnes Tee (Advocates & Notaries Public)

10 New Street, St Peter Port, Guernsey, GY1 2PF

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:

Guernsey

on Tuesday 14 May 2019
at St Pierre Park Hotel,
Rohais, St Peter Port,
Guernsey, GY1 1FD
commencing at 7.30 pm.

Jersey

on Wednesday 15 May 2019
at The Radisson Blu Waterfront Hotel,
La Rue de L'etau,
St Helier, Jersey, JE2 3WF
commencing at 7.30 pm.

Agenda

1. To confirm the Minutes of the Annual Meeting of Members held on 22 and 23 May 2018.
2. To receive the Board of Directors' Report for the 52 week period ended 13 January 2019.
3. To receive the audited Financial Statements for the 52 week period ended 13 January 2019, and Declaration of the Dividend.
4. To elect one Jersey Member and one Guernsey Member to the Board of Directors.
5. To fix the remuneration of Directors who Chair the Board's Committees.
6. To authorise the Board of Directors to appoint a suitable firm of Accountants to serve as the Society's Auditors, if thought fit.

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

By order of the Board of Directors
Chris Lintell, Chief Governance Officer & 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 an 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 put now" 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 two thirds of the Members present at the meeting.

100 YEARS
OF MAKING A REAL DIFFERENCE

The Channel Islands
co-operative
Society Limited
1919 100 YEARS 2019



To us, belonging is everything, and we're proud that we've been making a real difference to our Island communities for over 100 years.

2019 marks 100 years of a Co-operative Society operating in the Channel Islands. Our first store opened in Jersey in June 1919 and Guernsey in February 1947. Since then the Society has grown into the familiar organisation our Members and customers know today.

From humble beginnings in a small St Helier corner shop, to one of the largest retailers in both Jersey and Guernsey, spanning across a range of businesses. This is the story of the last 100 years for your Channel Islands Co-operative Society:

1919 The Jersey Co-operative Society opened its first store at 41 New Street on June 30, selling confectionary and bakery products and shortly after opened another store at 24 Charing Cross.

1921 On August 3, the Society purchased the building at Charing Cross, starting the expansion of the business. The space above the store became the new Society office.

1936 The first major step of expansion was the rebuilding of the old corner shop at Charing Cross and the accommodation above it, which had become structurally unsound. The result was a modern art-deco design with black polished fascia displaying a classic Co-operative title; a new modern frontage.

1939 – 1945 Throughout WWII the Society had the added difficulties of operating under German occupation. However, with supreme perseverance they pushed through, actually coming out of the war with the ability to enable payment of a dividend of 5p and a bonus of 1p.

1947 Following the success of the Jersey Co-operative Society, Guernsey followed suit and the Guernsey Co-operative Society was launched, attracting considerable attention at its first modest shop, No. 2 Market Street.

1950 On May 11, the Jersey Society bought the former German bakery at the bottom of Beaumont Hill at auction for £7,500. This location would be used for a number of years by the Society, being joined by the Frozen Food Centre in 1976. This became the Locale Beaumont we know today.

1951 Guernsey was among the first in the British Co-operative movement to introduce the idea of the mobile shop, which became a feature of parish life and later in Jersey too. It continued to operate for some 25 years until the car rendered it no longer necessary.

1955 Both Guernsey and Jersey Co-operative Societies were supported by the Co-operative Wholesale Society's (CWS) Supervisory Committee which was a UK company and meant that the Island Societies were subject to UK taxation. Growing objection to this practice eventually persuaded CWS to suggest and agree a merger resulting in the Channel Islands Co-operative Society, with its own registered office in Jersey, that was no longer subject to UK taxation.

1955 – 1959 The late 50s saw rapid expansion in Guernsey with the purchase of The Artisans Institute and Rectory House, trebling existing space for accommodating non-food ranges.

1968 The largest store in Guernsey at the time opened in the form of the St Sampson superstore.

1968 Over in Jersey, the Society in its expansion took the decision to convert the old Le Riche Motorworks, purchased in 1951, into a store at Val Plaisant that still provides for the north of St Helier today.

1969 In Georgetown, a property purchased in 1947 was being used predominately as a coal store and a small shop. In 1969 an entirely new and larger store was built on the site to meet increasing demand.



1978 Premises in St Peter which had been purchased two years prior were used to open a store in the centre of the small rural community. The design was in keeping with the atmosphere of its surroundings. In 1993 the store was extended, making it the Society's largest store in Jersey.

1979 Guernsey Food Store opens in St Martin. The new store on Rue des Camps was a big boost for the Island and it still serves the Guernsey community today after it was rebuilt into a Grand Marché in 2003.

1982 Building work began in Don Street in 1980, it was decided that the store would offer the range of non-food separate from Charing Cross, that in turn became primarily food sales (although a clothing range was offered after the redesign of the location). The new non-food offering at Don Street would become known as Homemaker.

1989 The Society dipped its toes into the travel industry by opening Travelmaker at Rectory House in Guernsey in the late 1980s. This turned out to be a big hit for Islanders with the Society looking at expanding its services in the future.

1991 With the success of the Guernsey store, it became apparent that Travelmaker would need to be expanded to Jersey. With that came the implementation of a dedicated Travelmaker business at the Don Street building.

1993 After considerable planning, the ground floor of the old bakery at Beaumont was turned into a new sports and leisure store called Total Sport, holding the largest range in the Island at the time. This set the groundwork for the healthy lifestyle initiative still promoted by the Society today.

2000 With the new century came new opportunities and one of these was a new Locale store in the far west of Jersey, in the Parish of St Brelade.

2001 The largest Co-op store to date was opened, and what became the flagship store for the business. With plenty of parking, loads of shop space and equipped with the Island's very first travellers, Grand Marché St Helier was a huge step for the Society, symbolising our growth of the last 81 years. In 2012, the Society removed a level of parking to add another floor of store space which became the new home of Homemaker after it moved from Don Street.

2004 Following an extension in 1996 the St Peter's supermarket was relaunched as 'Grand Marché' to bring it in line with its sister store in St Helier.

2012 The Charing Cross store and Head Office closed for a redevelopment project on the site. This opened the opportunity for the company's Head Office to move into the top two floors of Don Street, now occupied by a Locale and Travelmaker on the ground floor. This created Co-operative House, the Society's new home, just 50 metres away from where it all began at 41 New Street.

2014 The Society broadened its horizons by launching two more businesses with the addition of Pharmacy Locale in both Islands and Co-operative Medical Care in Jersey. Pharmacy Locale is now the largest independent and locally-owned pharmacy operator in the Channel Islands with four stores in Jersey and three in Guernsey.

2016 Medical Care opened its third location in Jersey in Bath Street, in addition to Medical Care locations at New Era in Georgetown and St Peter's.

2018 The redevelopment of our Charing Cross store was completed. It was the largest project ever taken on by the Society and its utilisation of modern technology makes it the most energy efficient store to date. The building sensitively recreates the original layout of Pitt Street as it was in the past and also adds to the premises with the introduction of the Islands' first Premier Inn Hotel. The new building is certainly a step into a new era for the Co-operative's oldest store.

Funeral Care

Getting your funeral right matters to us, and we pride ourselves on providing personal service and attention to detail at affordable prices. Our highly qualified team of funeral directors and civil funeral celebrants are able to advise, guide and support you every step of the way because we truly care.

We are here to support you through what can be a difficult time, making things as easy as they can be. We aim to provide the very best possible send-off to a person who has died – treating them and their family with the utmost dignity and respect

We are members of the National Association of Funeral Directors and the Funeral Planning Authority, and we adhere strictly to its code of practice. Society Members also benefit from their 4% dividend on funeral costs.

Our Available Services

Pre-paid Plans

Pre-planning your funeral and paying for it now will make sure that your loved ones won't have the emotional and financial burden of arranging your funeral when you die. At such a difficult time, it will be hard for your family to make decisions and it may put them under even more stress trying to decide what you would have wanted.

A pre-paid plan not only gives you peace of mind, it will also ease the emotional and financial burden on your loved ones when the time comes. The plan will allow you to design the event to your own specifications, so you can make sure it's exactly how you want it to be.

We are one of the very few funeral care providers who will guarantee that both our fees and the disbursements (i.e. crematorium fees, doctors and clergy fees, etc.) are included in the plan at today's prices.

Expression of Wishes

If you're young, or elderly and in good health, you may feel like it doesn't make any sense to think about the details of your funeral now, but none of us know the exact time or nature of our passing. Amidst the sadness and adjustment following a loss, the gift of knowing you gave someone the best possible send-off is very comforting.

Being prepared is one of the biggest gifts you can give your nearest and dearest. Or perhaps you feel anxious to get something in writing because you don't have children or next of kin and you don't want to be a burden to anyone else.

Our free Expression of Wishes service helps to give clarity and details about what you would like to take place following your passing, in the period leading up and including your funeral ceremony. These details wouldn't usually go in to a will, but would be invaluable guidance for your family and friends to have written down.

We are able to advise and assist you with the completion of your expression of wishes, or you can fill in the form yourself. We will keep your wishes on file (in accordance with data protection) and provide you with letters of confirmation for your safe keeping.

You can update your wishes at any time in the years ahead, giving you peace of mind that your wishes will be carried out when the time comes.

Pet Care Card

As a pet owner, you provide your pet with food and water, shelter, veterinary care and love. But what if you were to become ill, injured or pass away? To ensure that your beloved pet will continue to receive care, should something unexpected happen to you, it's important to plan ahead.

In the confusion that accompanies a person's unexpected illness, accident or death, pets may be overlooked. To prevent this from happening, pick up one of our free pet cards and simply fill out the details on the card. You can then carry your pet card in your purse or wallet with the peace of mind that, should anything happen to you, your treasured pet will be taken care of.

Our free pet cards are available from Argent Funeral Care in Guernsey, or De Gruchy's Funeral Care and Co-operative House in Jersey.

You can find out more about the services we provide by visiting our website www.channelislands.coop/funeral-care

Meet your local team:



Argents Funeral Care – Guernsey: From left to right: Martin Le Prevost – Funeral Director's Assistant, Tracy Dowinton – Assistant Funeral Director, Gary Vaudin – Principal Funeral Director, Danial Ormrod – Trainee Funeral Director.

You can contact your local team by emailing argent.funeralcare@channelislands.coop or by calling on 01481 233155.



De Gruchy's Funeral Care – Jersey: From left to right: Nigel Coutanche – Funeral Director, Neil Dingle – Trainee Funeral Director, Ken Browne – Funeral Director, Gary Tye – Funeral Manager, Jerry Crow – Funeral Director, Shane Hatherley – Funeral Director.

You can contact your local team by emailing degruchy.funeralcare@channelislands.coop or calling 01534 499444

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

Last year, we gave over £164,000 to community and charity related projects in the Channel Islands.

2018 Highlights

We supported over 260 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 over 380 local charities annually with fundraising prizes and sponsorship.

Our Eco-Fund donated over £16,000 to local environmental causes.

Our Helping Hands Fund donated £18,000 to a variety of local charities and organisations.

We support the David Kirch voucher initiative and in 2018 gave £57,225 in discounts to help the elderly community in Jersey.



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

Jersey:

- Jersey Lifeboat Association
- Jersey Child Care Trust
- Guide Dogs for the Blind, Jersey Branch
- Macmillan Jersey Prostate Cancer Support Group

Guernsey:

- Guernsey Chest and Heart
- Guernsey Disability Alliance
- Guernsey Mind
- CanMove, Beau Sejour
- Bailiwick of Guernsey Scout Association



Messages of thanks:

"Thank you so much for your donation from the Helping Hands Fund. In 2017, we provided 8,760 hours of support to over 30 children enabling them to access 15 mainstream private nurseries. As need steadily increases for our support, we are only able to continue to help children because of the generous donations and support that we receive."

Fiona Vacher, Jersey Child Care Trust

"Please accept our warmest thanks for your recent donation in support of the Prostate Cancer Support Group. Your kind donation will enable us to continue with our work in providing cancer patients and their families with emotional support, practical information and wellbeing services. Thank you for helping us change lives."

Michelle Parker, Macmillan Jersey

"On behalf of Age Concern Guernsey I would like to thank you for the donations from the Co-op collection boxes. Your support is greatly appreciated and invaluable and makes to a real difference to the lives of Age Concern members in Guernsey."

David Inglis, Age Concern Guernsey

"We wanted to let you know how very grateful we are to the Co-op for the recent support we've received through your Helping Hands scheme. The grant will enable us to provide young people and their families who attend the Decider Skills group sessions to have their own workbooks. This will help them learn important techniques to build resilience and improve coping mechanisms."

The Youth Commission, Guernsey

Property Update

2018 saw the opening of two new stores for the Society and one refurbishment. These stores join our ever-growing energy-efficient and environmentally friendly stores.

We may have gone all modern, but our values still remain the same; to make a real difference to the communities we serve and to belong to our Members.

Locale The Bridge

Our new store at The Bridge was opened on Friday 9 November 2018 and offers new self-checkout tills for convenience, a Post Office and Financial Services counter, a customer service kiosk, energy-efficient fridges (A rating) and shopping baskets made from recycled plastic are all managed by Jess Simon and her team.



Locale Charing Cross

Our new Charing Cross store opened on Thursday 19 April 2018 and is conveniently located in the centre of St Helier. Locale Charing Cross is perfect for popping in for breakfast, lunch, snacks or for the essentials you need just before going home.

It also marks part of the historic district of St Helier with the Society helping to restore the local National Trust buildings in the area and 'The River of Light' installation outside the store.

This store is managed by Ilidio Fernandes and his team.



Locale St Brevalade

Locale St Brevalade has recently gone through quite a transformation. Beginning in March 2018, we worked hard re-designing and improving our Locale St Brevalade.

It has emerged as an up-to-date, fresh, eco-efficient and spacious store ready to cater to every one of our Members.

Store Manager Joao Lima and his team welcome you to our fresh look Locale St Brevalade.



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

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

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

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



Dolphin friendly

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

Food Quality, Diet and Health

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



The Channel Islands
co-operative
Healthy Living



Environment

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

Environmental Impact

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



The Channel Islands
co-operative
Healthy Living



Cruelty free

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

Animal Welfare

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



The Channel Islands
co-operative
Healthy Living



Fairtrade

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

Ethical Trading

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



The Channel Islands
co-operative
Healthy Living

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 three 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;
- 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; and
- JFTU (Property) Limited, which is registered as a company in Jersey under Number 101370 and has its registered office in the Island of Jersey.

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 13 January 2019, the Society had a membership of 128,350.

The changes in membership during the year were as follows:

14 January 2018	126,751
New Members	2,256
Accounts closed	(657)
At 13 January 2019	128,350
Of which:	
Guernsey Members	45,504
Jersey Members	82,846
At 13 January 2019	128,350

Strategic Report

The Directors present their Strategic Report for the 52-week period ended 13 January 2019.

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:

- Retail Travel
- Members' Financial Services
- Sub-Post Offices
- Funeral Services
- Pharmacies
- Medical General Practices

At the conclusion of the period under review, the Society closed its remaining dedicated furnishings outlet. The increase in online shopping in this sector by overseas-based businesses enjoying a wider customer-base, without the higher costs of operating a "high street" store, made the Society's offer increasingly uncompetitive. A smaller range of electrical and household items is now available from our larger stores.

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 reporting period ending 14 January 2018 was of 53-weeks' duration. To provide comparability with the previous reporting period, the figures for the prior year in both this Strategic Report and in the Directors' 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:

	52 Weeks 13 January 2019 £'000	Adjusted 52 Weeks 14 January 2018 £'000	53 Weeks 14 January 2018 £'000	Difference £'000
Turnover	183,609	174,522	177,878	9,087
Expenses	(50,146)	(46,721)	(47,619)	(3,425)
Operating Profit	8,796	6,596	6,723	2,200
Profit for Period	940	745	759	195
Total Comprehensive Income	1,663	2,792	2,846	(1,129)
Members' Funds	138,687	130,973	130,973	7,714

Turnover increased by £9.087 million (5.21%) during the year. Other operating income increased during the year by £0.562 million (31.84%). The opening of the Premier Inn at Charing Cross during the early part of 2018 contributed significantly to this and the success of this unit provides a steady platform for this form of income for the coming years, fully justifying the decision to redevelop the site to provide this style of operation.

Food and fuel business enjoyed an exceptional year of trading with an increase in turnover of £10.733 million (6.87%). Although the costs of operating also increased during the year, tight control of margin and extensive work to minimise the effect of increases in expenses pushed the operating profit up by 33.35%.

Our Medical services business increased its turnover by £0.198 million (16.12%). We continue to develop this sector of our operations, having a business model for this service that is unique in the Islands. Our Pharmacy business improved its turnover by £0.204 million (2.34%), a solid result in an increasingly challenging market where co-location with

Medical practices is now the standard operating model in this sector.

Our award-winning Travel Department increased gross turnover last year by £3.898 million (16.46%), on which agency commission rose by £0.245 million (17.66%). Being able to provide exceptional service has continued to attract customers despite the marked growth in online travel services.

Funeral business increased its gross turnover by £0.133 million (7.83%). This market is subject to fluctuating demand and simply reporting on turnover can be misleading in that an increase or decrease can be due to the market rather than competitor activity. It is therefore pleasing to report that our market share has again increased, particularly in Jersey.

Expenses increased above prior year by £3.425 million (7.33%). Despite this, total operating profit increased by £2.200 million (33.35%) during the year, assisted by the additional income we enjoyed from investment properties. After allowing for losses in the revaluation of some properties used in trade, a triennial revaluation of our investment property portfolio added a net £1.720 million to our income figure, this was more than offset by a provision for an onerous lease in the sum of £2.500 million. The provision will be reviewed at the end of each financial year to ensure it remains appropriate.

The grocery market remains challenging, with online sales in ambient goods now starting to gain market share and competitors increasingly using their advertising to challenge the Society. Nevertheless, it is pleasing to report that we have once again been able to deliver a dividend of 4% while increasing the amount we can re-invest for the benefit of the Islands.

Other comprehensive income has decreased during the year by £1.129 million, a decrease of £0.115 million in the liabilities of the Defined Benefit Pension Scheme being markedly lower than the decrease the previous year of £3.486 million. We did, however enjoy a net gain some £0.420 million on a revaluation of our trading properties, giving rise to a total net gain of £1.633 million. The pension 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. As always, markets can fluctuate markedly and the comprehensive income figure will continue to have a high level of volatility.

The Society's 'current ratio' (the ratio of current assets to current liabilities) fell during the period under review due to utilising our cash reserves to fund capital projects such as the Charing Cross redevelopment. The ratio at the balance sheet date was 0.94:1. The launch of our "B" Class shares has been well-received by our Members and is now boosting our cash reserves and enabling the Society to grow, investing in long-term assets such as Charing Cross.

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 13 January 2019 was 20.54 days compared to 27.39 days as at 14 January 2018. The change in this ratio is due to the timing of the receipt of invoices, there being no changes to the Society's payment routine.

Principal Risks and Uncertainties

The Society's framework for managing risk conforms to the voluntary guidelines contained in the Corporate Governance Code for Consumer Co-operatives: 2013.

The Board has ultimate responsibility for identifying the key risks faced by the Society, with input from 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 Society's integrated systems and controls for identifying and mitigating risk. The Team is 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 is checked by the regulator(s) as part of their quality and standards initiatives.

The Board reviews the Society's risk appetite regularly. The principal risks and uncertainties facing the Society are broadly grouped as: Strategic, Operational, Financial, Regulatory, Information Security and Data Protection risks.

Strategic risks: the risk of doing the wrong thing

Operational risks: the risk of doing the right thing in the wrong way

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

Regulatory risks: the risk of not doing what the law or regulators require

Information Security risks: the risk of information being inadequately protected, lost, damaged, misused or stolen (also a Regulatory risk)

Data Protection risks: the risk of personal or special category data being inadequately protected, lost, damaged, misused or stolen (also a Regulatory risk).

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.

Mitigation: Competitive risks cannot be wholly mitigated but the Executive Management Team monitors the competitive landscape closely and conducts regular market research to determine customers' needs and preferences, in order to shape the Society's retail offering and its services accordingly. The Executive Management Team also monitors trends in retail in order to be able to deliver a contemporary retail offering. The Society is pursuing initiatives in order to enhance the delivery of products and services sought by customers and to differentiate itself from its competitors.

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

Mitigation: The Board previously 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. As a result, the Society entered the Funeral Care, Pharmacy and Medical Care sectors. The Board also seeks to maximise the 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, that 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, providing the Society with secure long-term earnings.

Economic Environment: Like any other business, the Society is vulnerable to major change and uncertainty in the economic business environment. The major factor for the Society is currently the uncertainty created by the United Kingdom's decision to leave the European Union ("Brexit"), which has contributed to cost pressure caused by currency movements, and concern over the Federal Retail Trading Services ("FRTS") procurement capacity in the event that the final Brexit terms do not allow for the free movement of goods across the border between the United Kingdom and the European Union.

Mitigation: The Executive Management Team monitors economic indicators and other sources of economic intelligence and reports 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. Colin Macleod, Chief Executive Officer, is a Director of FRTS as well as being a Director of the Society.

Political Factors: The Society is vulnerable to political decisions that may influence its business. For example, changes in population and planning policy or taxation could have a profound effect on the Society.

Mitigation: The Society participated in a study of the taxation of mutual societies in Jersey, which the Comptroller of Tax conducted at the request of the States of Jersey and the Society and seeks to maintain appropriate working relationships with Jersey and Guernsey's Government and their agencies. The Society will co-ordinate production of a periodic Horizon Scanning Report, which will address the competitive environment and also changes in the business environment such as regulatory and legislative developments, with input from David Rees, Chief Financial Officer, and Chris Lintell, Chief Governance Officer & Society Secretary.

Succession: The Society is potentially vulnerable to the risk of not being able to maintain and enhance the level of talent at all levels within the Society.

Mitigation: The Society has enhanced its succession planning to ensure the future growth of talent at all levels. The Recruitment & Remuneration Committee will conduct a review of all the HR Policies, including the current Succession Plan, as part of its oversight responsibility. The Society has also established its 'Unleashing Potential' programme to support the development of talent within the business.

Residual Property Issues: The Society has a large portfolio of real property worth in excess of £136 million. However, not all those properties are in use and therefore represent a cost and/or source of exposure to the business.

Mitigation: Live options for utilisation or disposal are being explored for all those properties which are not in use.

Operational Risks

Business Resilience: Like all businesses, the Society may be exposed to disasters or incidents that would affect its ability to trade, such as power failures, natural disasters or terrorist action.

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. The Society has also formed a working group charged with developing

a disaster response and business continuity action plans involving people, processes and technology, including the new business continuity suite.

Change and Project Management: There is an inherent execution risk in any major IT project or other capital project and the Society has limited capacity to manage the large number of infrastructure projects necessary for the development of the business or to conform with changing and more demanding regulatory requirements. For the foreseeable future it will be necessary to invest heavily in technology (as well as people and process) to remain competitive or 'in the game'.

Mitigation: An experienced Project Manager has been appointed to establish a Programme Management Office in the Society and transfer project management processes and project management skills to the Society.

Data Infrastructure: The Society is highly dependent on its IT in order to deliver a high standard of service, meet Members' and customers' changing expectations and manage a diverse trading and services business effectively. It has legacy systems that need to be upgraded or replaced.

Mitigation: The Society has embarked on a major transformation programme 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 has recruited an Information Security Officer and a Data Governance Manager to actively manage and develop the Society's IT security and data governance.

Financial Risks

Financial controls: The Society is in some respects a complex business to manage financially. Like all similar retail businesses, its core business operates to a low margin/high volume business model and has an aggressive dividend policy, significant requirements for investment in its people, processes and technology, and legacy systems in Finance.

Mitigation: These challenges have been managed in Finance through the review of almost every process, training, upskilling through recruitment and the creation of new management reporting. Further steps will include the adoption of new functionality in the Society's financial accounting software, including a purchase order processing system.

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 would provide enhanced rates of interest in return for reasonable notice prior to withdrawal of funds. The necessary software developments have been upgraded to enable the Society to offer these new shares. In addition, the Society has secured a banking relationship with Santander to ensure appropriate financial flexibility. The Society began to offer 'B' Class Shares in September 2018.

Pension Scheme Funding: 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 Investment 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 £1.1 million 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 accruals of service with effect from 30 June 2009. The Scheme Rules have recently been changed 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. The Scheme's actuarial funding level of 77% on 30 June 2016 improved significantly to 88% on 30 June 2017 and to 91% as at 30 June 2018.

Regulatory Risks

Health & Safety: Breach of the Health & Safety Laws of Guernsey or Jersey is unlawful and may result in death, personal injury, loss, damage and liability for the 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 in relation to such breaches. In January 2018 an incident occurred in which a Colleague was seriously injured. 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: Following that isolated incident the Society commissioned an independent Health & Safety review, introduced a new Health & Safety Policy and organisational structure for managing Health & Safety headed by Chief Executive Officer Colin Macleod, sourced new Health & Safety and Accident & Incident management software, redesigned workflows relating to claims. A full assessment and compliance programme is being applied to all the Society's fuel stations. The Society's Health & Safety training regime has been augmented with a combination of mandatory eLearning and face-to-face training tailored to job categories, and all management team colleagues and Directors are required to complete formal Health & Safety training in 2019.

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 Jersey and/or Guernsey.

Mitigation: The Society has detailed AML/CFT 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. Finally, the Money Laundering Compliance Officer ("MLCO") for Jersey maintains a good working dialogue with the Jersey Financial Services Commission.

Information Security Risks

Data Security for Regulated Entities: The Jersey Financial Services Commission and the Guernsey Financial Services Commission have recently set high expectations regarding the security of data within regulated business, which includes the Society by virtue of its Money Services businesses in Jersey and Guernsey. An exacting set of minimum standards must be met. Substantial fines will be imposed for breach and fines imposed on relevant individuals may not be funded by the Society or an insurer.

Mitigation: An external consultancy was appointed to assist the Executive Management Team to develop a Data Security Action Plan to ensure compliance with these requirements. In addition, an Information Security Committee ("ISC") was formed comprising the Chief Financial Officer (as MLRCO), the Chief Governance Officer & Society Secretary, the Chief Technical Officer, the Head of Technology Governance & Support, the Data Protection Manager, and the Data Security Officer. The ISC oversees the delivery of all information security initiatives and reports to the Executive Management Committee.

Data Protection Risks

Data Protection: The Society has a diverse range of businesses which handle personal and special category data. Breach of the Data Protection Laws may give rise to regulatory sanctions both corporate and personal and victims of a personal data breach have a statutory cause of action against the Society for damages for loss or damage flowing from the breach.

Mitigation: The Society has taken significant steps to comply with the Data Protection Laws, including providing Data Protection awareness training, appointing a Data Protection Manager to support the Data Protection Officer, appointing a Data Security Officer to support the Head of Technology Governance & Support, establishing Privacy Statements for Members and those using all the Society's business units, establishing new terms and conditions for the website and Members' Portal, implementing a new computer software to house the new Members' Register and link dynamically to the consents given by new Members at take on, or existing Members through the Data Verification process, acquiring data mapping software and conducting Data Protection Impact Assessments.

Directors' Report

The Directors present their report for the 52 week period ended 13 January 2019.

Directors of the Society

The current Directors are shown on Page 2.

On 5 March 2018, Jennifer Carnegie was appointed as a Director by co-option under Rule 10.1.3 of the Society's Rules. She is the Chair of the Society's Recruitment & Remuneration Committee.

Hamish Marett-Crosby and Peter Roffey retired following the completion of their terms of office on the 22 and 23 May 2018 respectively.

Dividends

The Directors recommend a Dividend payment at the rate of 4% of Members' purchases made during the 52 week period ended 13 January 2019. Subject to the agreement of Members, the Dividend will be transferred to Members' share accounts in accordance with Rule 16.1(b).

The total returned to Members during the period under review amounted to £7.97 million, 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 10.37 of the Society, every Director, the Chief Executive Officer, 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 wilful 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 10.39, the Society has purchased an insurance for the purpose of indemnifying the Directors' and Officers' (Chief Executive Officer, 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, which is a website maintained by the Society. The maintenance and integrity of the Society's 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 8 May 2019.

KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 8 May 2019. 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, and the net current liability position shown in the Financial Statements. This is more fully described on page 23.

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

In 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 as well as 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, talent management strategy and is 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 and Uncertainties.

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 Officer and the 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 Colin Macleod, are non-executives and hold the following occupations:

Ben Shenton	Investment Manager, TEAM Asset Management
Jennifer Carnegie	Director and Chief Operating Officer, Amicus Limited

Carol Champion	Nutritional Therapist
Kiley Henley-Thomas	Small Business Owner / Housewife
Richard Le Tocq	Chief Executive Officer, Robus Group
Colin Macleod	Chief Executive Officer, The Channel Islands Co-operative Society Limited
Sue Ryde	Civil Protection and Other Volunteer Roles
Jennie Vibert	Personal Assistant
Paula 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 Pharmacy Services Ltd, Edgar Holdings Limited, JFTU (Property) Limited 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 a conflict of interest. The Society's Rules provide that Members are debarred from becoming Directors in circumstances where specific interests in other organisations are held.

The Chair

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 Chair 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 Chair is independent of Management.

In accordance with the Society's Rules, Ben Shenton was elected as President of the Society and Chair of the Society's Board meetings on 24 June 2018.

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 that resolution was passed. At the Annual Meeting of Members in 2018 the Members rejected proposals for the Directors underlying fee rates to be increased.

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 24 June 2018 the Board appointed Directors to each of the Committees, as follows:

Recruitment & Remuneration Committee:

Jennifer Carnegie	Chair
Carol Champion	Director
Sue Ryde	Director
Paula Williams	Director
Chris Lintell	Secretary

Audit & Risk Committee:

Richard Le Tocq	Chair
Kiley Henley-Thomas	Director
Sue Ryde	Director
Jennie Vibert	Director
Chris 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 being present annually or as otherwise required.

Internal Control

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

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

	Meetings Attended 2018	Meetings Held for Which Director was Eligible to Attend
Ben Shenton (President)	6	6
Jennifer Carnegie	5	5
Carol Champion	6	6
Kiley Henley-Thomas	5	6
Richard Le Tocq	5	6
Colin Macleod	6	6
Sue Ryde	6	6
Jennie Vibert	6	6
Paula Williams	6	6
Hamish Marett-Crosby	2	2
Peter Roffey	2	2

Board Committee Meetings

Both of 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.

Audit & Risk Committee

Three meetings of the Audit & Risk Committee were held in the year. Each individual Director's attendance was as follows:

	Meetings Attended 2018	Meetings Held for Which Director was Eligible to Attend
Jennifer Carnegie	1	1
Kiley Henley-Thomas	1	1
Richard Le Tocq	3	3
Sue Ryde	3	3
Jennie Vibert	1	1
Hamish Marett-Crosby	2	2
Peter Roffey	1	2

Recruitment & Remuneration Committee

Three meetings of the Recruitment & Remuneration Committee were held in the year. Each individual Director's attendance was as follows:

	Meetings Attended 2018	Meetings Held for Which Director was Eligible to Attend
Jennifer Carnegie	2	2
Carol Champion	3	3
Kiley Henley-Thomas	1	1
Sue Ryde	2	2
Jennie Vibert	1	1
Paula Williams	3	3

Informal financial updates are held each period i.e. 13 times a year for the benefit of Directors and members of the Executive Management Team.

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:

- 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 10.8. The Board is of the opinion that the Chair should be the best person for the role and that the Directors should not be constrained by a maximum period of office when making their choice. There is an annual election for a Chair.
- 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.

Signed on Behalf of the Board of Directors

Ben Shenton, President

Colin Macleod, Chief Executive Officer & Board Director

Chris Lintell, Chief Governance Officer & Society Secretary

Financial Results

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CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks to 13 January 2019	53 weeks to 14 January 2018
		£'000	£'000
Turnover	1	183,609	177,878
Cost of sales		(126,994)	(125,301)
Gross profit		56,615	52,577
Administrative expenses	2	(50,146)	(47,619)
Other operating income	3	2,327	1,765
Operating profit		8,796	6,723
Other interest receivable and similar income	6	28	76
Interest payable and similar charges	7	(1,734)	(2,176)
Profit / (loss) on disposal of fixed assets		(124)	506
Revaluation of property	10/11	1,720	-
Provision for onerous leases	16/17	(2,500)	
Net gain on financial liabilities at fair value		364	750
Profit before member payments		6,550	5,879
Members payments		(4,845)	(4,803)
Profit before tax		1,705	1,076
Taxation	8	(765)	(317)
Profit on ordinary activities		940	759
Non controlling interest		188	91
Profit for the period		1,128	850

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks to 13 January 2019	53 weeks to 14 January 2018
		£'000	£'000
Profit for the period		1,128	850
Revaluation of tangible fixed assets	10	420	(1,490)
Remeasurement gain of the net Defined Benefit Pension Scheme	19	115	3,486
Total other comprehensive income		535	1,996
Total comprehensive income for the period		1,663	2,846
Total comprehensive income for the period:			
Non controlling interests		188	91
Owners of the parent company		1,475	2,755
Total comprehensive income for the period		1,663	2,846

The Society will be recommending a distribution of £4,924,906 to its Members for the period to 13 January 2019.

The results reported relate solely to continuing activities.

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 13 January 2019	As at 14 January 2018
		£'000	£'000
Intangible assets	9	4,761	5,518
Tangible assets	10	93,448	90,428
Investment property	11	56,893	50,329
Investments	12	15	15
		155,117	146,290
Current assets			
Stocks	13	5,345	6,145
Debtors	14	11,560	13,429
Short term deposits	15	2,640	5,680
Cash at bank and in hand	15	8,826	6,750
		28,371	32,004
Creditors: amounts falling due within one year	16	(30,056)	(32,022)
Fair value derivatives	18	-	(120)
Net current liabilities		(1,685)	(138)
Total assets less current liabilities		153,432	146,152
Creditors: amounts falling due after more than one year	17	(8,565)	(7,515)
Fair value derivatives	18	(481)	(726)
Pension liability	19	(5,788)	(6,839)
Net assets		138,598	131,072
Share capital	20	82,565	76,513
Reserves - property revaluation	21	4,033	3,613
Reserves - revenue		52,089	50,847
Total shareholders funds		138,687	130,973
Non controlling interest		(89)	99
		138,598	131,072

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 8 January 2017	72,352	5,103	46,511	123,966	190	124,156
Profit / (loss) for the period			850	850	(91)	759
Other comprehensive income			1,996	1,996	-	1,996
Transfer of revaluation movements to property revaluation reserve		(1,490)	1,490	-		-
Increase in share capital (Note 20)	4,161			4,161		4,161
Balance at 14 January 2018	76,513	3,613	50,847	130,973	99	131,072

Balance at 14 January 2018	76,513	3,613	50,847	130,973	99	131,072
Profit / (loss) for the period			1,128	1,128	(188)	940
Other comprehensive income			534	534		534
Gains in valuation of trading land and buildings		420	(420)	-		-
Increase in share capital (Note 20)	6,052			6,052		6,052
Balance at 13 January 2019	82,565	4,033	52,089	138,687	(89)	138,598

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

Prior period stock adjustment

Gain on revaluation of property

Interest receivable

Interest payable

(Profit) / loss on disposal of fixed assets

Net gain on financial liabilities at fair value

Non controlling interest

Taxation charge

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

Receipt of 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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

Cash at bank and in hand

Short term deposits

Cash and cash equivalents

Major non cash transactions – There were no major non cash transactions made during the period (2018: £nil).

		52 weeks to 13 January 2019	53 weeks to 14 January 2018
Notes		£'000	£'000
		1,128	850
9		455	496
9		394	200
10		3,486	3,358
		(28)	428
		(1,720)	-
		(28)	(76)
		1,734	2,176
9		102	(506)
		(364)	(750)
		(188)	(91)
8		765	317
		(230)	(186)
		1,869	(2,393)
		800	439
		303	(1,420)
19		(1,100)	(1,100)
		6,250	892
		7,378	1,742
		28	76
10		(6,434)	(9,199)
9		(92)	-
11		(4,598)	(8,475)
		-	2,215
		(11,096)	(15,383)
20		6,052	4,161
		(1,728)	(2,160)
		(1,570)	(1,869)
		2,754	132
		(964)	(13,509)
		12,430	25,939
		11,466	12,430
Notes		As at 13 January 2019	As at 14 January 2018
15		8,826	6,750
15		2,640	5,680
		11,466	12,430

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.

Basis of Preparation

The Financial Statements have been prepared on the historical cost basis except for freehold land and buildings, derivatives, investment property and pension liability measured at fair value. The Financial Statements are prepared in sterling and rounded to the nearest £1,000.

Notwithstanding the accounts showing a net current liability position at the end of the period, £13.3 million of the figure for creditors relates to Members' Loan accounts. While monies can be withdrawn from these accounts on three months' notice, there has been only a comparatively small movement in the aggregate balance from year to year. Moreover, the Society has an extensive property portfolio, the majority of which is unencumbered. The Financial Statements are therefore prepared on the basis that the Society is a going concern and is expected to remain so for the foreseeable future.

The UK's decision to leave the European Union is expected, initially at least, to cause some disruption to supply chains. However, the Society is supplied for the most part from the UK and the Buying Group to which the Society belongs sources its goods from UK-based suppliers wherever possible. As an ethical organisation, a significant proportion of its goods from overseas are sourced from 'third world' nations under the Fair Trade scheme. Moreover, the Society sources as much of its produce as is available from local producers. While there might be some shortage of certain products, the Society is unlikely to be adversely affected such that the viability of its operation falls into question.

Accounting Date

The financial statements are made up for the fifty two weeks ended 13 January 2019 with comparative figures for the fifty three weeks ended 14 January 2018.

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 three wholly owned subsidiaries:

1. Offshore Leisure Limited
2. F. Mallett & Son Limited
3. JFTU (Property) 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 (including the use of estimates) that have had the most significant effect on amounts recognised in the Financial Statements:

- Fair value of property
- Fair value of pension scheme
- Valuation of provision for onerous contracts

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

- Valuation of pension scheme liabilities
- Useful life of tangible assets
- Useful life of goodwill

Operating Lease Commitments

The Society has entered into commercial property leases as a lessor on its investment property portfolio and as a lessee where it obtains the use of property, plant and equipment. The classification of such leases as 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.

Where the Society has previously leased an asset on a long-term basis but reaches a position of having no further use for it, a provision is made for the sum of the expected future rental payments less any amounts that are potentially recoverable.

Property

The Society has both investment properties and properties used in trade. All properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

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

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

Fair value of newly-developed or refurbished property may be estimated by reference to depreciated replacement cost as a proxy for fair value.

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

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

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

Fair value movements are recognised as follows:

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

Fair value movements on trading property are recognised in other comprehensive income to the extent that fair value exceeds cost and in the Profit or Loss where fair value is below cost.

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

Leasehold land and buildings are depreciated over the remaining life of the lease on a straight-line basis. Useful lives are reassessed on an annual basis and changed where appropriate.

Gains or losses on disposal of a property are recognised in the Profit or Loss and the related asset is derecognised 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

Where there are indicators of impairment of individual assets, the Society performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Society is not yet permitted to do or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The Society assesses at each reporting date whether an asset may be impaired. If any such indication exists the Society estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in Profit and Loss.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Disposal of Capital Assets

Capital assets are no longer recognised in the Statement of Financial Position at the time the title to the asset passes to a third party.

Gains and losses on disposal declared are the differences between the carrying value and the amount received in payment for the asset.

Financial Instruments

Derivative Financial Instruments

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

Basic Financial Instruments

Basic Financial Instruments include shares, cash, short-term debtors and creditors.

Unquoted Shares

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

Cash and Cash Equivalents

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

Short Terms Debtors, Creditors and Loans Payable

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Other Debtors, including loans receivable, are recognised initially at transaction price less attributable cost. Creditors, including loans payable and Members' loans, are recognised initially at transaction price plus attributable costs.

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

Inventory

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

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

Pension and Other Post-employment Benefits

The Society operates an Employees' Superannuation Scheme, membership to which has been taken up by the majority of those employees who are eligible to join the Scheme. The Society closed its Defined Benefit Scheme to future accruals on 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

The Society has withdrawable share capital comprising 'A' shares and 'B' shares. Except where the Directors in their absolute discretion determine otherwise, 'A' shares may be withdrawn on demand and 'B' shares may be withdrawn on the giving of three months' notice. Because withdrawable share capital can only be withdrawn at the discretion of the Directors, it is classified as equity capital in these Financial Statements.

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 sales transactions and goods and services charged to customers during the accounting period net of goods and services tax, which fall within the Society's ordinary activities. Turnover arising from the travel activities of the subsidiary company, Offshore Leisure Limited, represents the sales value of deposits and the final balances paid by our customers prior to departure.

Travel turnover is the gross sales value generated from the sale of non agency services where the Society trades on its own account at all stages of the travel transaction with the customer including the supply of air tickets, insurance, hotel bookings and related services. In all other circumstances, the Society considers itself to be acting in the capacity of an Agent for accounting purposes. Where the Society acts as an Agent and receives a commission for the provision of travel goods and services, it does not recognise the sale and only reports the amount of commission received. The effect of this policy is reported in Note 1.

Provision for Liabilities

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

Members' Payments

The Society pays a dividend to Members as a proportion of their expenditure with the Society on certain goods and services. The dividend payable is declared annually at the Annual 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.

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

Notes	2019	2018
	584	603
	562	233
	1,146	836
	£'000	£'000
	27,480	26,045
	27,480	26,045

The aggregate payroll costs of these persons was as follows:

Wages and salaries

	2019	2018
	8	9
	1	1
	-	-

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 £113,000 (2018: £105,000). Key management is considered to be the Board of Directors of the Society, excluding the Chief Executive Officer for the purposes of this disclosure.

	2019	2018
	£'000	£'000
	28	76
	28	76

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

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

	2019	2018
	£'000	£'000
	193	265
	486	754
	843	807
19	164	307
	48	43
	1,734	2,176

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

	2019	2018
	£'000	£'000
	765	317
	765	317

8. 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

Provision for tax on taxable trading profit

Tax expense for the period

	2019	2018
	£'000	£'000
	457	217
	308	100
	765	317

9. INTANGIBLE ASSETS

Cost at 14 January 2018

Additions

Disposals

Cost at 13 January 2019

Amortisation at 14 January 2018

Amortisation charge

Impairment

Disposals

Amortisation at 13 January 2019

Net book value at 13 January 2019

Net book value at 14 January 2018

	Lease Premium	Goodwill	Total
	£'000	£'000	£'000
Cost at 14 January 2018	1,102	6,952	8,054
Additions	-	92	92
Disposals	(102)	-	(102)
Cost at 13 January 2019	1,000	7,044	8,044
Amortisation at 14 January 2018	529	2,007	2,536
Amortisation charge	86	369	455
Impairment	-	394	394
Disposals	(102)	-	(102)
Amortisation at 13 January 2019	513	2,770	3,283
Net book value at 13 January 2019	487	4,274	4,761
Net book value at 14 January 2018	573	4,944	5,518

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.

10. TANGIBLE ASSETS

Cost and valuation at 14 January 2018

Additions

Transfers

Disposals

Revaluation movement through SOCI

Revaluation movement through Income Statement

Cost and valuation at 13 January 2019

Depreciation at 14 January 2018

Depreciation charge

Transfers

Disposals

Depreciation at 13 January 2019

Net Book Value at 13 January 2019

Net Book Value at 14 January 2018

	Land and Buildings	Plant and Machinery	Total
	£'000	£'000	£'000
Cost and valuation at 14 January 2018	81,113	19,001	100,114
Additions	2,329	4,105	6,434
Transfers	(58)	(7)	(65)
Disposals	(12)	(1,525)	(1,537)
Revaluation movement through SOCI	420	-	420
Revaluation movement through Income Statement	(186)	-	(186)
Cost and valuation at 13 January 2019	83,606	21,574	105,180
Depreciation at 14 January 2018	2,825	6,861	9,686
Depreciation charge	1,398	2,088	3,486
Transfers	-	-	-
Disposals	(11)	(1,429)	(1,440)
Depreciation at 13 January 2019	4,212	7,520	11,732
Net Book Value at 13 January 2019	79,394	14,054	93,448
Net Book Value at 14 January 2018	78,288	12,140	90,428

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

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, undertook a full valuation of the Society's property portfolio as at 13 January 2019 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 4% 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.

In the past three years, the society opened new outlets at Locale Grouville, En Route St Sampson, Locale Colomberie, Locale Charing Cross and Locale the Bridge, and undertook a major refit at St Brelade Locale. The Board has undertaken an assessment of the economic benefit to the Society based on anticipated returns and has concluded that the value of the properties is not less than the cost of bringing those units into operation. The carrying value is therefore the cost of those units less depreciation.

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 £132,253,000 (2018: £123,515,000).

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

11. INVESTMENT PROPERTY

Balance at 14 January 2018

Additions

Disposals

Transfers from tangible assets

Movement in revaluation

Balance at 13 January 2019

Notes	2019	2018
	£'000	£'000
	50,329	35,605
	4,598	8,475
	(5)	(1,600)
	65	7,849
	1,906	-
	56,893	50,329

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, undertook a full valuation of the Society's property portfolio as at 13 January 2019 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 4% 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.

Investment properties includes properties held for sale of £18,650,000 (2018: £19,309,064) which are currently being marketed. They are Leales Yard (existing use value of £13.7m), Goose Green Marsh (value based on offer of £2.2m) and Bellozane warehouse (value of £2.75m).

12. 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

JFTU (Property) Limited

Country of Incorporation	Registered number	Principal activity	Percentage of shares held
Jersey	77830	Travel	100%
Guernsey	619	Holding	100%
Jersey	89296	Pharmacy	80%
Jersey	101370	Holding	100%

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 14 January 2018

Additions

Disposals

Reclassification

At 13 January 2019

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

Unquoted investments

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

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

Unquoted Toymaster Limited 4,000 ordinary shares £1 each

£'000
1
10
4
15

13. STOCKS

Goods for resale

The cost of goods purchased for resale and recognised as an expense during the period was £154,046,292 (2018: £150,920,321).

Notes	2019	2018
	£'000	£'000
	5,345	6,145

14. DEBTORS

Trade debtors

Sundry accounts, prepayments and accrued interest

	2019	2018
	£'000	£'000
	9,642	9,914
	1,918	3,515
	11,560	13,429

15. CASH AND CASH EQUIVALENTS

Short term deposits

Cash at bank and in hand

Cash and cash equivalents per cash flow statement

	2019	2018
	£'000	£'000
	2,640	5,680
	8,826	6,750
	11,466	12,430

16. 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

Onerous lease provision

	2019	2018
	£'000	£'000
	7,148	9,404
	814	226
	13,316	14,849
	843	807
	193	265
	6,292	4,866
	1,219	1,605
17	231	-
	30,056	32,022

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

Property loans

Onerous lease provision

	2019	2018
	£'000	£'000
	6,296	7,515
	2,269	-
	8,565	7,515

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

The derivatives are held with the Co-operative Bank and are stated at fair value using valuations from the Co-operative Bank. For information on interest rates, maturity and repayment schedule see Note 18.

The Society uses interest rate swaps to hedge interest rate exposures on its property loan. There is one swap in place, for £10 million which matures in 2023 and attracts an interest rate of 5.46%.

An onerous lease provision has been made against the remaining rental commitment on the former Guernsey warehouse at Longue Hougue. At 13 January 2019, the lease has 10 years and 10 months remaining. The calculation of the lease provision required a number of judgements and assumptions including the estimated cost to buy out the lease.

18. INTEREST BEARING LOANS AND BORROWINGS

Fair value derivatives

Property loans due after more than one year

Members loans

Property loans due within one year

Notes	2019	2018
	£'000	£'000
	481	846
	6,296	7,515
	13,316	14,849
	1,219	1,605
	21,312	24,815

Terms and Debt Repayment Schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019	2018
Property loan	GBP	LIBOR + 0.95%	2023	Quarterly	7,515	9,120
Members' loans	GBP	0.1% - 1.75%	On demand	On demand	13,316	14,849

The Society uses interest rate swaps to hedge interest rate exposures on its property loan. There is one swap in place, for £10 million which matures in 2023 and attracts a fixed interest rate of 5.46%.

19. 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 30 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 2017.

The calculations for the FRS 102 disclosures have been carried out by running full actuarial calculations as at 13 January 2019.

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.

19. EMPLOYEE BENEFITS (CONTINUED)

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

Notes	As at 13 Jan 2019 £'000	As at 14 Jan 2018 £'000
Fair value of scheme assets	53,816	55,867
Present value of funded obligations	(59,604)	(62,706)
Net (under) / overfunding in Scheme	(5,788)	(6,839)
Unrecognised asset due to asset ceiling	-	-
Net defined benefit asset / (liability)	(5,788)	(6,839)

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	164	307
Expense recognised in the Income Statement	164	307

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

	£'000	£'000
Interest on obligation	1,616	1,787
Interest on assets	(1,452)	(1,480)
Interest on unrecognised assets	-	-
Net interest on defined benefit liability	164	307

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

	£'000	£'000
Return on assets (not included in interest)	(3,463)	3,368
Actuarial gains / (losses) on obligation	3,578	118
Change in unrecognised assets (other than interest)	-	-
Total remeasurements recognised in other comprehensive income	115	3,486

Cumulative amount or remeasurements recognised in other comprehensive income

	355	240
--	-----	-----

Actual return on scheme assets

	(2,011)	4,848
--	---------	-------

Changes in the present value of the Scheme's defined benefit obligation are as follows:

	£'000	£'000
Opening defined benefit obligation	62,706	62,179
Service cost	-	-
Contributions by Members	-	-
Cost of benefit changes	-	-
Curtailement costs / (gains)	-	-
Liabilities extinguished on settlements	-	-
Benefits paid	(1,140)	(1,142)
Interest on obligation	1,616	1,787
Experience losses / (gains)	(575)	(710)
Losses / (gains) from changes in assumptions	(3,003)	592
Closing defined benefit obligation	59,604	62,706

The weighted average duration of the liabilities of the Scheme was 22 years as at 13 January 2019 (14 January 2018: 22).

19. EMPLOYEE BENEFITS (CONTINUED)

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

	As at 13 Jan 2019 £'000	As at 14 Jan 2018 £'000
Opening fair value of Scheme assets	55,867	51,061
Interest on assets	1,452	1,480
Return on assets (not included in interest)	(3,463)	3,368
Assets distributed on settlements	-	-
Contributions by Employer	1,100	1,100
Contributions by Members	-	-
Benefits paid	(1,140)	(1,142)
Administrative expenses	-	-
Closing fair value of scheme assets	53,816	55,867

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

	%	%
Equities	58.3	63.2
Gilts	20.1	17.4
Corporate bonds	9.2	9.0
Property	9.6	9.6
Cash	2.8	0.8

The principal actuarial assumptions used for the FRS 102 disclosures:

	%pa	%pa
Discount rate at end of period	2.7	2.6
Discount rate at start of period	2.6	2.9
Inflation	3.3	3.4
Rate of increase in deferment whilst in employment with the Society	3.3	3.4
Rate of increase in deferred pensions for those who have left employment with the Society	3.2	3.3
Rate of increase in pensions in payment	3.2	3.3

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.

20. 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. A new "B" Class share was issued during the period ended 13 January 2019. 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.

Share Capital has been issued as follows:	2019	2018
Class A	74,702	76,513
Class B	7,863	-
	82,565	76,513

21. REVALUATION RESERVE - PROPERTY

This reserve relates to the net cumulative surplus created following the revaluation of certain trading properties in the Society.

The reserve is a non distributable reserve.

22. OPERATING LEASES

Non cancellable operating lease rentals are payable as follows:

	Notes	2019	2018
Less than one year		1,436	1,515
Between one and five years		5,004	5,389
More than five years		5,574	6,617
		12,014	13,521

During the period £1,635,000 was recognised as an expense in the Consolidated Income Statement account in respect of rental payments under operating leases (2018: £1,823,000)

The Society operates a number a trading units under operating leases ranging from 1 year to 15 years.

Included within lease commitments is £8,959,000 (2018: £9,651,000) related to the onerous lease provision in note 17.

Notes	2019	2018
22. OPERATING LEASES (CONTINUED)		
Leases as a lessor		
The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:		
Less than one year	1,885	1,678
Between one and five years	4,763	4,465
More than five years	18,524	19,251
	25,172	25,394

During the period £2,050,000 was recognised as income in the Consolidated Income Statement account in respect of rental payments under operating leases (2018: £1,420,000). The Society lets a number of properties under operating leases ranging from 1 year to 24 years.

23. COMMITMENTS

Capital Commitments

Contractual commitments in respect of capital projects at the period end were £0 (2018: £9,624,500).

24. CONTINGENCIES

Indemnities are held in favour of 'Customs and Excise Immigration and Nationality, Guernsey' in respect of Duty in the sum of £300,000 (2018: £300,000) for which no provision has been made within the Financial Statements.

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

A Parental guarantee in favour of NatWest Bank Plc in the sum of £100,000 (2018: £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 £183,649 (2018: £177,863) 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. During the period, the Society also entered into a Revolving Credit Facility Agreement with Royal Bank of Scotland International Limited, for £8 million, which expired on 15 January, 2019.

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.

25. 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.

	Receivables outstanding	
	2019	2018
Employees of the Society	398	391
	398	391

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

All buying terms of goods for resale supplied from FRTS sources are negotiated with third party suppliers by FRTS on behalf of its members and all members benefit from the advantageous buying terms that such a major group can offer. In the 52-week period to 13 January 2019, total purchases from FRTS amounted to £66,191,641 (2018: £64,702,198) and the payments due by the Society to FRTS as at that date totalled £6,525,271 (2018: £6,193,734). As at 13 January 2019, the amount due by FRTS to the Society in respect of rebates was £4,006,995 (2018: £3,748,099) and the amount due to the Society by FRTS in respect of Duty drawbacks is £2,963,512 (2018: £1,382,933).

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 Chief Information Officer 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.

26. 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.

27. 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. The Society has some counter-party risk with amounts included in trade debtors and banks used to hold cash and cash equivalents. This risk is monitored by management on a regular basis.

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 13 January 2019, 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 £481,361 and £0, the swap for £9 million having matured in the current year (2018: £725,532 and £120,138). 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

2019

	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		8,826		
Short term deposits		2,640		
Debtors		9,642		
Creditors			10,752	
Loans payable			7,515	
Members' loans			13,316	
Derivative financial instruments				481
Unquoted shares	15			

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		9,914		
Creditors			10,476	
Loans payable			9,120	
Members' loans			14,849	
Derivative financial instruments				846
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.

Ben Shenton, President

**Colin Macleod, Chief Executive Officer
& Board Director**

**Chris 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 both the Group's and the Society'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 consolidated financial statements (the "Financial Statements") of The Channel Islands Co-operative Society Limited (the "Society") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 13 January 2019, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement for the period from 15 January 2018 to 13 January 2019, 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 13 January 2019, and of the Group's financial performance and cash flows for the period from 15 January 2018 to 13 January 2019;
- have been prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard applicable in the United Kingdom 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 Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the Financial Statements. All audits assess and challenge the reasonableness of judgments made by the Directors such as the appropriateness of the going concern basis of preparation of the Financial Statements. Such judgments depend on assessments of matters including the future economic environment and its impact on the Group's future prospects and performance.

Brexit is one of the most significant economic events for the United Kingdom and the Channel Islands, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company, and this is particularly the case in relation to Brexit.

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 presented in the Annual Report, which comprises the information on pages 1 to 18 and page 35, together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion 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 and Society'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 Society 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.

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 the terms of our engagement letter 4 January 2019. 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's Members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Channel Islands Limited

Chartered Accountants
 St. Helier, Jersey

8 May 2019



Learning to look after our island's nature

Meet St Peter's School Eco Gardeners, who are as busy as bees. Co-op funds have handed pupils equipment to explore all sorts of life in their school pond. And litterpickers too, so rubbish doesn't spoil the natural environment.

"Thanks to further funding, we're running our 'recycling with purpose' project, buying a timber frame for our greenhouse that will be made from reused plastic bottles. We're also purchasing canes to grow fruit."

Danny Simon, Eco leader

Proud to support St Peter's School Eco Gardeners



Belonging is everything

www.channelislands.coop/belonging

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

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Because of your support in 2018 we:

Raised

£164,656

in donations for local charities



Supported

380+

charities and local organisations



Enabled 300 in-store charity events, including:



50

Bag Packing Days



119

Flag Awareness Days



92

Collection Days

The Channel Islands
co-operative 1919 **100** YEARS 2019
Society Limited

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

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