

# Annual Report 2020



**Together we can make a difference**

*Ensemble nous peut faire éenne différence · Griyons ensembl'ive un amendement*

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

Belonging Is Everything

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



# Keeping Guernsey green and scenic

Guernsey Water and their Biodiversity and Recreation Delivery Group have worked together to introduce a number of changes so far this year to promote biodiversity on their sites. This work is in line with one of their seven business outcomes, 'Protect our environment.'

'It's been fantastic to have the support from the Co-op and for funding 100 trees for their anniversary. Also, it's vital that our community are involved in helping maintain and plant trees on our sites.'

**Jason Jehan**, water scientist at Guernsey Water

Proud to support Guernsey Water  
[www.water.gg](http://www.water.gg)



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

## Belonging is everything

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

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

## WELCOME

This report focusses on the 52-week financial period to 12 January 2020, and as I write your Society, along with many other businesses, finds itself facing a period of unprecedented change due to Covid-19. This pandemic will serve to impact on our ability to maintain normal operations throughout the course of 2020. It would be remiss not to acknowledge the steps that your Society is taking to meet the challenges that this presents.

Every area of our business has been impacted by the Covid-19 pandemic and, as such, we have and will continue to adapt the way we operate to protect our colleagues and Members. I would like to take this opportunity to thank you, our Members, who have continued to support us through this difficult period, as well as our colleagues who have truly gone above and beyond to continue to make a real difference to the communities we serve.

We have introduced many new protective measures in order to keep our colleagues, Members and customers safe during this difficult time. These include our support centre colleagues working from home, to stores managing social distancing at each location we serve. These changes and other impacts such as the higher levels of absence and need the for temporary resource will come at an increased cost for The Society in the year ahead. The outlook remains challenging however it is only right that we, as a co-operative member-owned organisation, put purpose before profit and play our part in looking after colleagues, Members and the wider community.

During the 52 weeks to 12 January 2020 your Society enjoyed a very strong trading performance, with turnover increasing £3.3 million, despite the uncertainty brought about by Brexit. I am pleased to report that our core food and fuel businesses enjoyed exceptionally strong performance with sales +3.88% up on the previous period.

Elsewhere, as widely publicised, our Medical Care business continued to operate at a loss, and we announced in February 2020 that we had taken the difficult decision to explore options for the future of our medical services business. Unfortunately, we have been unable to grow and develop the business in the way we had originally planned. This decision was not reached lightly and despite having paused plans due to the impact of Covid-19, we will continue to explore options for the future of the business which will see Medical Care transfer from our ownership once we are through this crisis.

All other areas of your Society contributed positively to a very strong trading performance which has led to an trading profit of £9.036m an increase of £240k on last year. This improvement was assisted by our site at Charing Cross in Jersey, which not only enjoyed a strong first year of food trading but also benefited from the lease income from the Premier Inn Hotel.

The Society's trading performance and trading profit remains strong however we have had to make two noteworthy adjustments to the accounts which will see us report a loss for the financial period. The first being a revaluation of our investments properties which has resulted in a revaluation loss of £1.220 million. The second adjustment has seen us increase the provision for the onerous lease on the vacant warehouse at Longue Hougue in Guernsey. The increase in provision of £4.735 million is an

accounting adjustment rather than a cash loss and this provision will reduce annually over the remaining nine years of the lease.

Moving away from our trading performance let us reflect on the Society's 100th birthday, which we celebrated in style last year. To mark our 100th birthday we donated even more money to good causes across the Channel Islands and planted 100 trees in both islands – to make a real lasting impact on our local environment. The new 100 Day Community Challenge allowed good causes to apply for a pot of £1,000, as long as they completed their projects within 100 days. Some of those awarded money were Le Rondin School in Guernsey, who used the money to help transform a sensory area for children with additional and special needs and St John's Primary School in Jersey, who built a number of new planters and water butts for their school garden. Nine projects across the Channel Islands benefited from the new fund.

We made a lasting impact on both islands by joining forces with Guernsey Water and Jersey Trees for Life to plant 100 trees and hedgerow shrubs in each island. Society Members, colleagues and members of the community joined us to help plant the trees in Grouville, in Jersey, and the Millennium Walk, St Saviour's Reservoir in Guernsey. In Jersey, a further 900 trees and shrubs were planted thanks to a successful application by Jersey Trees for Life to our 2019 Eco fund. The charity was awarded £1,000.

As a community retailer we aim to make a real difference to our local community and that means supporting as many local producers as we can. We are proud to have such a wide array of local produce in our stores and thank all of our local suppliers for their continued passion and support.

And we cannot forget that every year your Society donates thousands of pounds to good causes through our Eco fund and Helping Hands fund. Our Helping Hands fund is the longest running Society fund and has donated more than £300,000 to worthwhile causes since it was introduced more than 20 years ago. The Eco fund donates money to charities and community groups who have an aim to protect our environment. Last year we helped the Acorn Enterprise woodshack in Jersey become zero waste and helped Edible Guernsey create a food forest.

We wouldn't be able to do any of this without the support of our Members – so thank you. We are pleased that our community efforts have been recognised, your Society have recently been awarded the Jersey Good Business Charter status for our commitment to good business practices, and last year we were proud to have won the Corporate Philanthropy at the prestigious Jersey Style Awards.

I would also like to take this opportunity to thank Ben Shenton for his long and loyal service to the Society having stepped down from the Board during the year.

Over the past 100 years the Society has faced and conquered many different challenges. Your Society is a strong business and with your loyal support and with the support of our colleagues, I am confident that, as those that came before have done, we will work through the challenges the year ahead will bring and we will continue to develop and protect long-term member value.

**Mark Cox, Acting Chief Executive Officer**

## Contents

	PAGE	FINANCIAL STATEMENTS:	PAGE
Directors, Officials and Advisors	02	Consolidated Income Statement	19
Business Review	03	Consolidated Statement of Comprehensive Income	19
Strategic Report	08	Consolidated Statement of Financial Position	20
Directors' Report	12	Consolidated Statement of Changes in Equity	21
		Consolidated Cash Flow Statement	22
		General Accounting Policies	23
		Notes to the Financial Statements	25
		Board Certification and Directors' Responsibilities	35
		Independent Auditor's Report	36

## Highlights

Turnover **£184.52m**

Amount returned to Members **£8.4m**

**Directors as at 12 January 2020**



Paula Williams  
PRESIDENT & DIRECTOR



Alex Fearn  
CHAIR OF AUDIT & RISK  
COMMITTEE & DIRECTOR



Jennifer Carnegie  
CHAIR OF RECRUITMENT &  
REMUNERATION COMMITTEE &  
DIRECTOR



Carol Champion  
DIRECTOR



Jill Clark  
DIRECTOR



John Refault  
DIRECTOR



Sue Ryde  
DIRECTOR

**Executive Management Team as at 12 January 2020**



Colin Macleod  
CHIEF EXECUTIVE OFFICER  
& BOARD DIRECTOR



Mark Cox  
ACTING CHIEF EXECUTIVE OFFICER  
From September 2019



Chris Lintell  
CHIEF GOVERNANCE OFFICER  
& SOCIETY SECRETARY



David Rees  
CHIEF FINANCIAL OFFICER



Louise Dobbs  
INTERIM CHIEF HUMAN RESOURCES  
OFFICER



Mark Crean  
ACTING CHIEF RETAIL OFFICER



Jim Plumley  
CHIEF DEVELOPMENT OFFICER



Dave Chalk  
CHIEF OPERATING & RISK OFFICER

**Registered Auditor ("KPMG")**

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 (Advocates & Solicitors)  
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

**Lewis Silkin LLP (English Solicitors)**

5 Chancery Lane, Clifford's Inn, London, EC4A 1BL

**Registered Office**

57 Don Street, St Helier, Jersey, JE2 4TR

Registered Number: 14672R

Telephone: (01534) 879822

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

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

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

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



**Dolphin friendly**

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

**Food Quality, Diet and Health**

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



**Environment**

We set an example by measuring and reducing our carbon emissions and energy consumption.

**Environmental Impact**

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

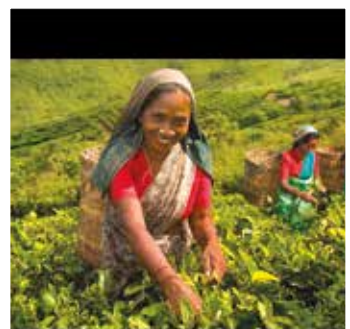


**Cruelty free**

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

**Animal Welfare**

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



**Fairtrade**

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

**Ethical Trading**

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





## Celebrating 100 Years

For the past 100 years your Society's been an essential part of islanders' lives, whether that's running a mobile van selling essential goods, supporting its Members or donating thousands of pounds to good causes.

We marked this special occasion by getting involved in local initiatives across the islands, here are just some of the highlights.

### Tree planting - 100 trees for 100 years

Volunteers and colleagues armed with forks and spades planted 100 trees and shrubs to mark your Society's 100th birthday in both Jersey and Guernsey.

We joined forces with Jersey Trees for Life to create a living corridor to help protect local wildlife, all to mark the Society's centenary.

A further 900 trees and shrubs were bought with a donation from our Eco fund.

In Guernsey we teamed up with Guernsey Water to encourage a wider range of flora and fauna along the Millennium Walk in St Saviour's Reservoir.

To mark not only the Society turning 100 years old but also Guernsey Water's centenary.

Mark Cox, acting chief executive officer said: 'We wanted to celebrate our centenary by doing something that would last another 100 years and make a huge impact on our local environment.'

Since we opened our doors 100 years ago, we have made an effort to protect our local environment in a number of ways.

'It was fantastic to see so many members of the public come along to both events in Jersey and Guernsey and see so many young people doing something to protect their local environment.'





We invited good causes to complete a 100 Day Community Challenge, by applying for £1,000 to fund their community projects. After the 100 days finished, we re-visited the projects and are extremely proud to have supported these great causes to continue to grow, develop and make a lasting impact on our local environment.

### Le Houquette Primary School



Pupils at Le Houquette Primary School showed their creative sides by painting, making and designing a 3D sculpture for the school.

The school is working with Arts for Impact, a charity which works on creative projects which benefit the local community in Guernsey. A group of year five and six pupils met on a weekly basis after school to work on their designs.

### Guernsey Sailing Trust



Last year the Guernsey Sailing Trust helped more than 2,000 people get out on the water but they were running out of space to teach them the skills

needed to learn to sail. Thanks to the 100 Day Community Challenge, the Trust now have a brand new classroom space.

### Wesley Methodist Church

Wesley Methodist Church were gifted a piece of land at the back of their premises and wanted to improve this outdoor area for the local community. The 100 Day Community Challenge has helped the church to create a peaceful space for the community to relax. The church is also going to buy some outdoor toys for local children to enjoy.

### Bel Royal School



Bel Royal School wanted to encourage their pupils to become stars and showcase their creativity. Thanks to the 100 Day Community Challenge,

we were able to help fund a wooden stage to be added to their lovely green playground.

### Haute Vallee School



Haute Vallee had a vision of students out in the garden and working with the community by engaging in compassion games.

The 100 Day Community

Challenge has helped this idea grow and now the whole school are learning to be more compassionate together.

### Le Rocquier School



Students at Le Rocquier School used their £1,000 to buy litter pickers, bags, gloves and high-vis jackets ready to clean up the parish of St Clement.

The local area is now very clean and the school's eco ambassadors continue to look after the local environment by going on regular hunts for litter.

### St John's Primary School's gardening club



St John's Primary School's gardening club have proved just how much you can do in 100 days. The club have planted fruit, herbs and flowers, built raised beds from sleepers,

painted the honesty box and transformed the year six garden with plants, including a living wall and custom made outdoor furniture.

### Le Rondin School



The Society's £1,000 has already made a huge difference to Le Rondin school by transforming their soft playroom which left many pupils filled

with joy. Updating the soft playroom was just a small step in a huge transformation the school are currently undergoing to improve all their sensory areas.

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

Last year, we gave nearly £190,000 to community and charity related projects in the Channel Islands.

# 2019 Highlights

We purchased nearly £11 million of goods from 45 local suppliers.

We supported over 250 charities, schools and organisations to raise money through bag packing and other fundraising events in our stores.

We supported over 300 local charities with fundraising prizes and sponsorship.

Our Helping Hands, Eco-Fund and Belonging Fund donated over £45,000 to a variety of local charities, organisations and environmental causes.

We supported the David Kirch voucher initiative and gave over £100,000 in discounts to help the elderly community in Jersey.





**The charities which benefitted from our Directors' donations of £900 each were:**

**Jersey:**

- Jersey Arthritis Association
- Jersey Bee Keepers Association
- Jersey Mencap
- Philip's Footprints

**Guernsey:**

- Carers Guernsey LBG
- Dementia Friendly Guernsey
- Guernsey Chest and Heart
- Guernsey Mind



**Messages of thanks:**

"On behalf of the members of Wheelchairography Guernsey, I would like to say a huge thank you for the donation given to us. Although we are a small charity I am so pleased that you have supported us with your contribution. We are able to cover the annual insurance cost for the next year now and focus on fundraising for other events and running costs"

**Pam Davey, Wheelchairography Guernsey**

"We are writing to thank you for once again making the Christmas Wish Tree Appeal a huge success. Thank you for giving our residents who may not have family or visitors the opportunity to join in on opening a gift on Christmas Day."

**St Saviour's Hospital**

"Thank you very much for allowing us to stand outside your stores, for the fifth year in a row to raise awareness and funds for our appeal. A significant amount was raised at your locations so we really appreciate yours and your customers' support."

**Shanis Barrasin, Teenage Cancer Trust Guernsey**

"We are writing to say thank you for the fantastic donation that you have given to the charity from your newly launched Belonging Fund. Our charity is small but makes a big difference to the lives of islanders living with the effects of a brain tumour diagnosis. The money you have so very kindly donated will be a huge difference to the work we are doing in the community."

**Sonia Le Clercq, Jersey Brain Tumour Charity**

## 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 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).

### Regulatory

The Society operates:

- a Class 'T' Money Services business in Jersey, which is registered with and regulated by the Jersey Financial Services Commission;
- a non-regulated financial services business in Guernsey, which is registered with the Guernsey Financial Services Commission; and
- through its subsidiary Offshore Leisure Limited a general insurance mediation business, which is registered with and regulated by the Jersey Financial Services Commission.

### Subsidiaries

The Society has 4 wholly-owned subsidiaries:

- Offshore Leisure Limited, which is registered as a company in Jersey under Number 77830 and was incorporated on 28 July 2000 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 was incorporated on 26 June 1962 and has its registered office in the Island of Guernsey;
- JFTU (Property) Limited, which is registered as a company in Jersey under Number 101370 and was incorporated on 22 July 2008 and has its registered office in the Island of Jersey; and
- Bridge Regeneration Company Limited, which is registered as a company in Guernsey under Number 67088 and was incorporated on 25 November 2019 and has its registered office in the Island of Guernsey.

Throughout the period under review, the Society 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 the Island of Jersey.

Jersey Pharmacy Services Limited has two wholly-owned subsidiaries:

- Edgar Holdings Limited, a company registered in the Island of Jersey under Number 48212, which was incorporated on 29 August 1990; and
- Lloyds (Chemists) Limited, a company registered in the Island of Guernsey under Number 1125, which was incorporated on 3 October 1967.

## Membership

As at 12 January 2020, the Society had a membership of 129,363.

The changes in membership during the period were as follows:

13 January 2019	128,350
New Members	1,703
Accounts closed	(690)
At 12 January 2020	129,363
Of which:	
Guernsey Members	45,797
Jersey Members	83,566
At 12 January 2020	129,363

## Strategic Report

The Directors present their Strategic Report for the 52-week period ended 12 January 2020.

### Business Review

The Society's principal activities during the period continued to be food, 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

The Society's financial period end is the second Sunday in January each period. Ordinarily, the Society will have a 52-week financial reporting period with the results presented for the 52 weeks ended 12 January 2020 and comparatives for the 52 weeks ended 13 January 2019.

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

	52 Weeks 12 January 2020 £'000	52 Weeks 13 January 2019 £'000	Difference £'000
Turnover	184,517	181,238	3,279
Gross Profit	54,229	53,753	476
Expenses	(47,687)	(47,284)	(403)
Trading Profit	9,036	8,796	240
(Loss) / Profit for Period on Ordinary Activities	(4,086)	940	(5,026)
Total Comprehensive (Loss) / Income	(2,624)	1,663	(4,287)
Members' Funds	153,863	138,598	15,265

The markets within which the Society operates remain challenging which, coupled with the requirement to increase the provision in respect of an onerous lease, has resulted in the Society reporting a loss of £4.086 million for the period. It is important to stress that this is as a result of an accounting provision rather than a cash loss. The Society's trading position remains strong and it is pleasing to report that we have once again been able to deliver a dividend of 4%.

Turnover increased by £3.279 million (1.81%) during the period to £184.517 million.

The food and fuel businesses enjoyed a strong period of trading with an increase in turnover of £6.395 million (3.88%) to £171.013 million. Although the costs of operating also increased during the period, tight control of margin and extensive work to minimise the effect of increases in expenses pushed the trading profit up by 2.73%.

Our pharmacy business marginally increased its turnover by £0.070 million (0.79%) to £8.968 million, a solid result in an increasingly challenging market, set alongside the medical business which saw a decrease in turnover of £0.03 million (2.60%) to £1.386 million. In February 2020, the Society announced that it had taken the difficult decision to end the provision of GP services. Consistent with many other practices, Co-operative Medical Care has struggled to recruit GPs. This key issue prevented the growth of business in the way that had been anticipated and unfortunately, Co-operative Medical Care has not achieved its financial targets. The Society is exploring options which will allow the practices to continue, albeit outside of Society ownership.

Our award-winning travel department saw decreased gross turnover of £2.978 million (11.47%), on which agency commission decreased by £0.240 million (15.08%). The continuing transition away from the use of foreign currency to currency cards accounted for £2.294 million of the decrease in turnover. Lack of consumer confidence, following a number of high-profile holiday firm failures, impacted on turnover. It is anticipated that, given the impact of Covid-19 on national and international travel, this will remain a challenging sector in which to operate during 2020.

Our funeral business saw decreased turnover of £0.045 million (2.44%). 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. With colleague changes during the period the Society is well placed to build this business in the future.

Other operating income increased during the period by £0.167 million (7.18%) principally as a result of the first full period of opening of the Premier Inn at Charing Cross. The continuing success of this unit, which will provide a steady income for the coming years, justifies the decision to redevelop the site to provide this style of operation.

Administrative expenses increased above prior period by £0.403 million (0.85%) with the Society investing in compliance and governance activities as well as continuing investment in its IT systems.

Total trading profit increased by £0.240 million (2.73%) during the period, assisted by the additional income from investment properties. The Society has revalued its investment properties as at the balance sheet date, having undertaken a full property revaluation in 2018. The impact of this revaluation, which included Director's valuations on two properties, was a revaluation loss of £1.220 million.

A provision for an onerous lease was increased from £2.500 million to £7.235 million to take into account the changes in Directors' assumptions to the net present value of all future lease payments relating to the warehouse at Longue Hougue in Guernsey. This provision does not change the contractual cashflows due under the lease and the provision will reduce annually by subsequent payments over the remaining 9 years 10 months of the lease. The Society is seeking to sub-let this property which, if successful, would result in a reducing of the onerous lease provision and a reversal to the income statement.

The impact on the Society's results of the onerous lease is such that the Society is reporting a loss for the period. However, as noted above, it is important to stress that this as a result of an accounting provision rather than a cash loss.

Other comprehensive income has decreased year on year by £4.287 million, after a significant gain on the pension scheme of £1.224 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. The net underfunding in the scheme has reduced by £2.183 million to £3.605 million in the period. 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) improved during the period. The ratio at the balance sheet date was 1.55:1. The launch of "B" Class shares has been well-received by Members and is now boosting cash reserves and enabling the Society to grow, investing in long-term assets such as the new site at Sion.

#### 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 12 January 2020 was 21.23 compared to 20.54 days as at 13 January 2019. 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 manages uncertainty, as it responds to externally driven changes in the service lines which it operates and the wider economic and political landscape, by maintaining a business-wide understanding of the key risks and how to manage and mitigate them.

The Society has set up a risk framework to identify, evaluate, mitigate and monitor those risks which could impact the delivery of our strategic, business and community objectives. This framework for managing risk conforms to the voluntary guidelines contained in the Co-operative Corporate Governance Code.

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 Operations and Risk Officer. The Executive Management Team is responsible for overseeing and operating the Society's integrated systems and controls for identifying and mitigating risk. The Executive Management 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.

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. Some of these risks are inherent in the business lines operated by the Society and are fundamental to successfully achieving all of the Society's goals and key priorities. Others could directly impact the achievement of certain key priorities and delivery of strategy.

The Directors have assessed the principal risks facing the Society and consider these as the most significant 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:** the Society faces competition from businesses on the Islands and potentially from new entrants. There is also a risk of substitution by online and other retailers in all sectors.

This risk continues to develop as our Members and customers continue to change their shopping habits.

**Mitigation:** The Executive Management Team monitors the competitive landscape closely and conducts regular market research to determine Members and customers' needs and preferences, in order to shape the Society's retail offering and its services accordingly. The Society is pursuing initiatives in order to enhance the delivery of products and services sought by Members and customers and to differentiate itself from its competitors.

**Society Members and Customers:** The risk of the Society not meeting the needs of its Members' and customers' in respect of range, quality, price, service and sustainability, thereby potentially impacting our market share and level of sales which finance the community support objectives.

**Mitigation:** The Executive Management Team is delivering plans with respect of utilisation of store space and targeted product range linked to location and store type. Research on customer perception is closely monitored, allowing for the sympathetic reduction in the use of plastics and non-packaged items. The Society works with local partners and suppliers to ensure the local economy is supported and Members and customers have ease of access to local produce. This is especially the case during the Covid-19 outbreak where we are working closely with the Governments of Jersey and Guernsey and our key suppliers to manage supply and customer expectations – including reviewing routes to market.

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

**Mitigation:** The Board has followed a strategy of 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. The Board also seeks to maximise the return on capital employed through strategic investments, which are aligned to the Society's objectives and values.

**Economic Environment:** The Society is vulnerable to major change and uncertainty in the economic business environment including the United Kingdom's decision to leave the European Union and more recently Covid-19. Brexit has contributed to cost pressure caused by currency movements and concern over our principal supplier, the Federal Retail Trading Services', procurement capacity in the event that the final terms do not allow for the free movement of goods across borders.

Covid-19 presents a different challenge as the longer term effects of the pandemic are not fully known. This could lead to pressure on sales as the wider economy potentially enters a recession, while the labour market could change (absence inflation) if the virus develops further.

**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. Appropriate strategic and tactical decisions are made to mitigate the potential business interruption relating to supply chain disruption, costs associated with a further impact on foreign exchange rates, changes to tariffs and duty on goods imported to the UK from the EU and other countries.

**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 an effect on the Society.

**Mitigation:** The Society participates in consultations that will affect its business and seeks to maintain appropriate working relationships with Jersey and Guernsey's Government and their agencies.

Changes in the regulatory and economic environment are incorporated in the strategy planning process.

**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 and has launched its "Leading with Purpose" initiative to ensure that colleague performance is recognised and monitored.

**Property Values:** The Society's property portfolio comprises of both trading and investment properties. A full valuation of all properties is undertaken triennially with an update for investment properties on an annual basis. All properties are valued in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and in accordance with generally accepted accounting principles. Investment properties are let on commercial terms and provide a source of investment income for the Society. The continued downward pressures in the commercial retail property market are likely to impact the income stream and in consequence reduce the capital value of these investments.

**Mitigation:** The composition and performance of the property is under continual review to mitigate these risks to the Society and to ensure alignment to agreed business strategy and that the financial reporting of these adhere to the latest accounting reporting standards.

The impact of Covid-19 is that, by exception, rental holidays are available to tenants to ensure that support is given to allow for the gap in income during the time of lockdown.

**Covid-19 Virus:** The Covid-19 pandemic has and will continue to impact many areas of the Society's business. There is a risk that certain business areas will need to be temporarily closed either as a result of government requirements or as a result of significant colleague absence levels. Supply chains could be impacted.

**Mitigation:** An Incident Response Team, chaired by the Acting Chief Executive Officer, has and will continue to meet frequently to coordinate the Society's response to the pandemic.

The food division has and will continue to adapt its business model in line with Government guidelines.

The care division will continue to work with government to ensure continuity of service for the duration of the outbreak. A decision on the future of the Society's medical care business has been deferred.

Supply chains are being monitored with local supply in place where possible.

The travel businesses (retail and forex) are expected to be

severely impacted as demand is expected to be significantly reduced for most of the period. This will be mitigated by the travel business being part of the wider, stronger portfolio of sectors which the Society operates in.

#### Operational Risks

**Business Resilience:** The Society may be exposed to disasters or incidents that would affect its ability to trade, such as power failures or natural disasters. The scenarios that the Society is exposed to, that are increasing in likelihood, are changing weather patterns which can disrupt the supply chain and health pandemics.

**Mitigation:** The Society has invested and continues to invest to enhance its Information Technology "IT" infrastructure to provide greater resilience.

Controls are in place to mitigate the risks of losing IT including disaster recovery plans, data backup procedures, backup power supplies, hardware maintenance agreements and server replication.

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. This insurance does not cover any loss of gross profit caused by the Covid-19 pandemic.

**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 projects. Changing technology solutions pose risks in terms of implementation capacity and the ability to embed the changes into the business.

**Mitigation:** The Programme Management Office has been established which has led to improved programme planning and project management within the Society. This provides appropriate mitigation by ensuring effective prioritisation, planning and phasing of projects to help maximise benefits realisation in line with the agreed business strategy.

#### Financial Risks

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

**Mitigation:** The Society has adopted prudent liquidity criteria in its Financial Strategy. The Society began to offer 'B' Class Shares in September 2018 with a 90-day notice period. At the period end this class had a balance of £31.7 million.

**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.

There is a risk of a short-term increase in the pension scheme deficit as a result of the impact of Covid-19.

**Mitigation:** The Society and the Scheme trustees continue to monitor the pension funding risk, taking action where necessary. The Society supports the Scheme with a contribution of £1.1 million per annum in supplementary funding and the Board reviews the funding level regularly.

The Scheme was closed to future accruals of service with effect from 28 June 2009. The Scheme's actuarial funding level was estimated to be 94.4% as at 12 January 2020.

#### Regulatory Risks

**Health & Safety:** The Society is subject to the Health & Safety Laws of Guernsey and Jersey. A breach of these laws may give rise to regulatory sanctions and reputational damage.

**Mitigation:** The Society continues to ensure that all its colleagues are aware of their responsibilities and continues to develop the risk framework to manage Health and Safety

and Food safety. The Society continues to ensure that the colleagues are appropriately trained and aware of the risks within the business together with the proper operation and maintenance of store equipment.

**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. Failure to comply with the applicable laws and regulations may lead to regulatory sanctions and reputational damage.

**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 Society's internal audit function. The Society has installed improved member identification systems for carrying out member counter activities. In addition, the Society provides its Directors, Officers and Colleagues with regular specialist AML/CFT training appropriate to their roles.

#### Information Security Risks

**Information Security:** The Society is subject to the requirements set by the Jersey Financial Services Commission and the Guernsey Financial Services Commission, which have recently set high expectations regarding the security of data within regulated business that includes the Society by virtue of its money services businesses in Jersey and Guernsey. The Society is also required to protect itself from ever increasing sophisticated attacks from cyber criminals and to ensure its systems and processes are adequately protected.

**Mitigation:** The Society's Executive Management Team has developed a Data Security Action Plan to ensure compliance with these requirements. It has identified Cyber Essentials (as backed by the UK Government's National Cyber Security Centre) as the required standard. In addition, an Information Security Committee oversees the delivery of all information security initiatives and reports to the Executive Management Team.

#### Data Protection Risks

**Data Protection:** The Society has a diverse range of businesses which handle personal and special category data. A breach of the data protection laws may give rise to regulatory sanctions and reputational damage.

**Mitigation:** The Society continues to take significant steps to ensure that it complies with the data protection laws. The Society employs a Data Protection Officer and a Data Governance Manager whose work ensures that the Society continues to be legally compliant.

**Compliance with legislation and regulation:** The Society is subject to a wide range of legislative and regulatory requirements, principally designed to protect our customers and colleagues. The Society is fully committed to complying with all such requirements.

Compliance failures can have serious implications for the Society as well as potentially damaging its reputation.

**Mitigation:** The Society strategy specifically highlights a priority to "Get smarter about governance, risk and compliance". To achieve effective risk management and compliance, a new role of Chief Operating and Risk Officer has been created within the Executive Management Team with specific responsibility for risk and compliance across the Society. Below them, another new role of Head of Risk and Compliance has been created, reporting to the Chief Operating and Risk Officer, with the responsibility to manage the risk and compliance team, consisting of health and safety, food safety, data protection, income protection and financial services anti money laundering. This new structure and the positions within it have been

part of the Society's plan to adopt an enterprise risk model, with established lines of risk defence, thereby ensuring the appropriate level of internal controls, quality, risk monitoring and independent assurance are in place.

### Period Report

The Directors present their report for the 52 week period ended 12 January 2020.

### Directors of the Society

The current Directors are shown below:

Jennifer Carnegie	Professional Independent Director
Carol Champion	Elected
Jill Clark	Elected
Alex Fearn	Filled a casual vacancy
Colin Macleod	Appointed
John Refault	Elected
Sue Ryde	Professional Independent Director
Paula Williams	Elected

Kiley Henley-Thomas resigned her directorship of the Society on 28 February 2019 and in order to fill this casual vacancy Alex Fearn was appointed as a Director of the Society on 18 May 2019.

In May 2019, elections for two vacancies on the Board arose as a result of the retirements by rotation of Sue Ryde and Jennie Vibert. There were 8 candidates for the vacancies and Jill Clark and John Refault were each elected in Guernsey and Jersey respectively for a 3-year term in office.

Sue Ryde was appointed as a Professional Independent Director under Rule 10.1.3 of the Society's Rules on 1 July 2019, for an initial term of 12 months.

### Dividends

The Directors have recommended a Dividend payment at the rate of 4% of Members' qualifying purchases made during the period ended 12 January 2020. 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 £8.4 million, inclusive of dividend, dividend stamps and share interest.

### Events Since the Balance Sheet Date

A decision to review the co-operative medical care business was made post period-end. A consultation had started and has been extended in light of the Covid-19 pandemic.

The outbreak of the Covid-19 virus was declared to be a global pandemic by the World Health Organisation on 11 March 2020 and the spread of the virus has had a substantial effect on the international financial markets and travel restrictions have been applied in many parts of the world, including the Channel Islands. In addition, local schools have been closed and the general population, including our colleagues, have obligations to care for children at an unexpected time and the governments of Jersey and Guernsey have mandated non-essential workers to stay at home. Those thought to be infected or who are infected with the Covid-19 virus are required to isolate themselves. These factors have the potential to affect the Society's operating capability.

The Board and the Executive Management Team have considered the impact of the Covid-19 pandemic on the Society's business and concluded that:

- i. no material adverse impact is expected on the food, medical, pharmacy and funeral care businesses;
- ii. a decrease in fuel sales is expected due to the increase in home-working and school closures;
- iii. there will be a material effect on the financial performance of Offshore Leisure Limited, which operates the Society's Travelmaker business, but this effect will not be material to the Society as a whole. The

Society has extended an unlimited guarantee in favour of Offshore Leisure Limited to ensure its solvency at this difficult time;

- iv. a short-term reduction in the value of the Society's investment property is anticipated, together with the potential for a short-term cash flow impact, in cases where rental holidays have been agreed with tenants on a case-by-case basis; and
- v. a short-term increase in the funding deficit of the defined benefit pension scheme is expected, due to a reduction in the value of the scheme's investments.

The Executive Management Team has taken extensive measures to counteract the potential threats to the Society's operating capability, including facilitating remote and flexible working and the recruitment of additional colleagues. The Society has also developed an on-line ordering facility, so that vulnerable Members and customers can order deliveries of essential food.

Whilst these measures will result in additional cost, the Board believes they are necessary to support the Society's Members, the communities it serves and to protect its commercial operations.

### Directors' Liabilities

Under Rule 10.37 of the Society's Rules, every Director, the Chief Executive Officer, the Chief Governance Officer & the Society Secretary and every member of the Executive and Senior Management Team may be indemnified (where lawful) 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 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.

In accordance with Rule 10.39, the Society has purchased an insurance policy for the purpose of indemnifying the Directors and Officers of the Society, (where lawful) against any liability which any of them might incur, in respect of negligence, default, breach of statutory duty or breach of trust of which they may be guilty in relation to the Society.

### Website

The annual report including the financial statements are published on [www.channelislands.coop](http://www.channelislands.coop), which is a website maintained by the Society. The maintenance and integrity of the 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 accepts no responsibility for any changes that may have occurred to the Financial Statements or the Audit Report since 30 April 2020.

KPMG has carried out no procedures of any nature subsequent to 30 April 2020. 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 8 to 11.

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 events after the end of the reporting period. 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 Financial Statements.

#### **Disclosure of Information to the Auditor**

Insofar 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 they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

#### **Auditor**

The Board is considering whether to propose the appointment of an alternative Auditor for rotational purposes or to propose that KPMG remains as Auditor of the Society.

#### **Compliance Statement**

##### **Governance**

As an Industrial & Provident Society, or Co-operative Society, The Channel Islands Co-operative Society Limited is not required to adhere to the provisions of the UK Corporate Governance Code. However, Co-operatives UK, the apex body for co-operative enterprises in the UK, has issued the Co-operative Corporate Governance Code (the "Code") to which Co-operatives UK expect voluntary compliance. This Code is based on the principles contained in the UK Corporate Governance Code but is tailored to the particular governance characteristics found in co-operative societies.

The following statement outlines the key provisions of the Code and how the Society has complied with those provisions.

##### **Member Voice, Participation and Engagement**

The Code states that co-operatives are member-owned democratic organisations that demonstrate a clear chain of accountability between the Members and their Boards, in which Members have clear democratic rights, enabling them to hold their Boards to account collectively. The Code also expects co-operatives to conform to the International Co-operative Alliance (ICA) Values and Principles.

The Society's Members are encouraged to attend the Annual Meeting of Members in order to exercise their democratic rights. The Society actively promotes attendance at its Annual Meeting of Members in a variety of media, in a manner that greatly exceeds its basic obligations as set out in the Society's Rules. In addition, the Society provides Members the opportunity to vote online in its Directors' elections.

The Society holds Member focus groups, invites feedback from Members through its Members' portal and its website, as well as maintaining active engagement with its Members through social media.

##### **Co-operative Leadership and Purpose**

The Code states that every co-operative should be led by an effective and entrepreneurial Board, which is collectively responsible for the long-term, sustainable success of the business, in the context of a defined purpose, strategy and values, in accordance with the International Co-operative Alliance's Values and Principles.

The Society's Board operates to a defined statement of its role and responsibilities, which conforms with the Code's requirements. It determines the Society's purpose, strategy and the culture it seeks to engender, as well as its vision, mission and values. The Board then oversees the implementation of that strategy in accordance with its vision, mission, values and culture. In addition, the Board determines the Society's risk appetite and oversees the processes for identifying and mitigating risk, as detailed in the Statement of Principal Risks and Uncertainties.

The Board reviews the International Co-operative Alliances Values and Principles and reaffirms its commitment to them on behalf of the Society annually.

Certain duties and responsibilities are the sole preserve of the Board. These include all matters concerning the application of the Society's Rules and the Board approves all capital funding, property acquisitions and disposals.

The Board meets regularly throughout the period. 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 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 Chief Governance Officer & Society Secretary can only be appointed or removed by the Board. All Directors have access to the advice and services of the Chief Governance Officer & Society Secretary. In addition, Directors have the right to obtain external professional advice through the Chief Governance Officer & Society Secretary, if requested by at least 3 Directors.

##### **Roles and Responsibilities**

The Code requires that the Directors must promote the success of their co-operative and act in the best interest of the co-operative as a whole, for the benefit of its Members. The Code also states that, irrespective of legal form, the Boards of co-operatives must have due regard to Section 172 (1) of the Companies Act 2006 (the "Act") in the discharge of their duties as a Director. This provision defines a Director's essential duties in a company, and these have been adopted by the Code and by the Society.

The Code also requires that, when discharging its duties under Section 172 (1) of the Act, the Board must act objectively and fairly and serve Members' interests, including the protection of the co-operative's assets, and must ensure that its conduct is consistent with the International Co-operative Alliance Values and Principles.

In addition, the Code states that if a co-operative's Board has committees, they should be established with clear terms of reference. It also states that Directors' tenures should be subject to appropriate rotational arrangements and that the matters to be reserved solely for the Board's determination should be clearly defined.

The Society's Board works to an agreed statement of its roles and responsibilities, which reflects the Code's requirements. The Board has 2 committees, the Audit & Risk Committee and the Recruitment & Remuneration Committee. Both of these committees have clear terms of reference which define their roles and the limits of their authority. These committees are wholly accountable to the Board in line with the Directors' collective responsibility for the discharge of their duties.

In addition, the Society's Rules provide that elected Directors may serve for terms of up to 3 years at a time, for a maximum of 12 years, if re-elected. The Rules also provide that Professional Independent Directors appointed by the Board may serve for a maximum of 6 years.

### Board Composition, Succession and Evaluation

The Code states that a co-operative's Board should be elected in a rigorous and transparent manner. It also states that the Board should actively consider its composition and succession plans in a manner that reflects the diversity of the co-operative's membership. The Boards of co-operatives are also required to demonstrate a high level of competence and should understand the co-operative's business needs and those of its Members.

In addition, the Code requires the Board to conduct an annual evaluation of its performance.

The Society's Rules specify that the Board will consist of 6 elected Directors, 3 from Guernsey and 3 from Jersey, additionally the Board may appoint 2 Professional Independent Directors with particular skills and experience. The Rules also state that the Chief Executive Officer is automatically appointed to the Board.

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.

The Society appoints its elected Directors through democratic elections conducted with the support of UK Engage, an organisation that administers local and national government elections in the United Kingdom, and the Chief Governance Officer & Society Secretary presides over these elections as the Returning Officer, as required by the Society's Rules. These Rules not only protect the democratic principles under which Directors are elected, but also permit the Board to set selection criteria based on capability and qualification in order to ensure that Directors joining the Board have the level of competence expected by the Code. Both the Society's committees have evaluated their performance during the period, and the Board as a whole has appointed a third party to evaluate its overall standards of governance. The consultant will also review management reporting and recommend changes, to ensure that it is able to maintain the increasingly high standards required by the Board.

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 maintained a training programme with the Institute of Directors. The Board conducts an annual review of its performance and the effectiveness of its structures, including the composition and terms of reference of its committees, which are reviewed as necessary.

The Board reflects on its diversity and the skills of its members in order to ensure, so far as possible, that the requirements of the Code are met. All Directors appointed to the Board are selected on the basis of defined criteria, focussing mainly on capability and qualification.

### Risk, Financial Management and Internal Controls

The Code requires Boards to establish policies to promote the viability and long-term success of their co-operatives and to ensure the independence and effectiveness of its internal and external audit functions and to satisfy itself as to the integrity of its financial and narrative statements.

The Code also requires the Board to establish procedures to manage risk, internal controls and to identify the principal risks the Society is willing to take in order to achieve its long-term strategic objectives in accordance with the International Co-operative Alliances Values and Principles.

In addition, the Code requires Societies with withdrawable capital accounts, or share accounts, to manage them fairly and transparently.

The Board has adopted a strategy to promote the viability and long-term success of the Society. In addition, it has overseen the development of a new risk management

framework and management structure designed to enhance the Society's ability to identify and mitigate risk. The Board has an agreed Risk Management Appetite and it has reviewed its Corporate Risk Register.

The Audit & Risk Committee's terms of reference include oversight of the Society's risk management framework and processes.

The Society's share accounts are operated in accordance with the Society's Rules, and in accordance with published guidelines for their use, and appropriate notice is given in the event of any change in the rate of interest payable on balances held in the Society's share accounts.

### Remuneration of the Board and Executive Leadership

The Code requires that a Co-operative's:

- i. approach to remuneration is equitable and transparent and in line with the International Co-operative Alliance Values and Principles;
- ii. remuneration should be sufficient to recognise the input of Directors and executives and to ensure that co-operatives are able to attract and retain Directors and executives of appropriate calibre; and
- iii. Directors' remuneration should be determined by its Members.

The Society's Recruitment & Remuneration Committee oversees the Society's remuneration strategy, taking advice from independent experts, as required, and the Society's Rules provide that the Directors' remuneration is determined by the Members.

### Board Balance and Independence

The Society's Directors are:

Jennifer Carnegie	Director & Chief Operations Officer, Amicus Limited
Carol Champion	Nutritional Therapist
Jill Clark	Lecturer and Consultant
Alex Fearn	Independent Consultant, Financial Services
Colin Macleod	Director & Chief Executive Officer, The Channel Islands Co-operative Society Limited
John Refault	NED Consultant, Chair Headway, Jersey and Abbeyfield, Jersey
Sue Ryde	Shadow Governor of the Guernsey Institute, Civil Protection and other volunteer roles
Paula Williams	Managing Director, Island Consortium

With the exception of the Chief Executive Officer, all the Society's Directors are non-executives. The Chief Executive Officer is a director of: Federal Retail Trading Services Ltd (a subsidiary of The Co-operative Group), Jersey Pharmacy Services Ltd, Lloyds (Chemists) Limited, Edgar Holdings Limited and JFTU (Property) Limited. None of the Society's non-executive Directors hold any other significant directorships other than as listed above.

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

Ben Shenton was a Director and President of the Society until his resignation on 27 August 2019. Paula Williams, an existing Director, was elected as President on 27 August 2019.



### Board Meetings

There were 8 Board meetings in the period. Individual Director's attendance was as follows:

	Meetings Attended for the period ended 12 January 2020	Meetings Held for Which Director was Eligible to Attend
Ben Shenton	5	5
Jennifer Carnegie	8	8
Carol Champion	6	8
Jill Clark	4	4
Alex Fearn	3	4
Kiley Henley-Thomas	2	2
Richard Le Tocq	4	4
Colin Macleod	4	8
John Refault	4	4
Sue Ryde	7	7
Jennie Vibert	4	4
Paula Williams	8	8

### Board Committee Meetings

Both of the Board's committees are required to meet at least 3 times a year. These committee meetings are additional to and separate from the Society's Board Meetings.

#### Audit & Risk Committee

The current members of the Audit & Risk Committee are all Directors, they are:

Alex Fearn                      Chair  
John Refault  
Sue Ryde

There were 9 meetings of the Audit & Risk Committee held in the period.

	Meetings Attended for the period ended 12 January 2020	Meetings Held for Which Director was Eligible to Attend
Ben Shenton	1	1
Jennifer Carnegie	1	1
Carol Champion	1	1
Alex Fearn	5	5
Kiley Henley-Thomas	3	3
Richard Le Tocq	4	4
John Refault	4	5
Sue Ryde	7	7
Jennie Vibert	4	4

#### Recruitment & Remuneration Committee

The current members of the Recruitment & Remuneration Committee are all Directors, they are:

Jennifer Carnegie                      Chair  
Carol Champion  
Jill Clark  
Sue Ryde

8 meetings of the Recruitment & Remuneration Committee were held in the period.

	Meetings Attended for the period ended 12 January 2020	Meetings Held for Which Director was Eligible to Attend
Jennifer Carnegie	8	8
Carol Champion	8	8
Jill Clark	4	4
Sue Ryde	7	7
Paula Williams	6	6

#### Audit & Risk Committee Report

##### Alex Fearn, Chair of the Audit & Risk Committee

I am pleased to present the Audit & Risk Committee's Report for the period ended 12 January 2020. Also as a Director appointed for one year to fill the casual vacancy created by Kylie Henley-Thomas' resignation, this is the culmination of a significant piece of work to review and oversee the updating of the Society's arrangements in relation to risk management and the oversight of the internal and external audit processes. With the support of the Executive Management Team, the Society is well placed with its revised organisational structure and risk management framework to meet the challenges of the future whilst appropriately managing and mitigating any risks it faces.

This report provides an overview of the matters considered by the Committee during the period, and summarises how the Committee has fulfilled its duties, delegated to it by the Board, to represent the interests of Society's Members in respect of financial reporting, risk management and internal controls.

Each year the Committee considers the Society's internal control and risk management processes, the key risks facing the business, the effectiveness of the internal audit function, any material matters arising from internal audits, the independence and effectiveness of the External Auditor, along with supporting the Board in respect of financial reporting and risk matters.

The Committee is responsible for reviewing and making recommendations to the Board on the integrity of the financial statements, and for assessing the appropriateness of key accounting judgements and estimates as detailed in this report.

During 2019 the Committee has spent significant time reviewing key accounting judgements in relation to investment property assets and provisions, impairments and the refinement of the Society's risk management framework.

This framework provides the Society with an approach which helps it formulate the identification of risks inherent in the Society's business operations and the strategies it follows. This allows risks to be assessed and also for response and monitoring strategies to be established, implemented and reviewed. Consequently, this enables the Society to protect and create value for you its Members, its colleagues and the communities which we serve.

The Committee has also considered the impact of the FRS 102 accounting standards on the Society's investment and leasehold properties, which has been an area of particular focus for the period ended 12 January 2020.

During the year, I took on the role of Chair following the resignation of Richard Le Tocq. John Refault was also appointed to the Committee and I look forward to his contribution to the Committee's activities going forward. Sue Ryde has remained a member of the Committee from the previous year to provide continuity and maintain the

required quorum of three. Other Directors have been invited to and have attended some of the 9 meetings held during the period, including the President and members of the Recruitment & Remuneration Committee.

This report sets out further details on the key activities of the Committee and covers the risks and controls that were reviewed and the core areas of judgement that were considered during the period.

### Key Areas of Focus 2019 - 2020

During the period the Committee has reviewed the following areas:

#### 1. Governance

The Committee reviewed its terms of reference and obtained the Board's approval for refinements to these terms to facilitate greater effectiveness.

#### 2. Financial Reporting Matters

The Committee considered whether the appropriate accounting policies were applied and reviewed the key accounting judgements and estimates recommended by the Executive Management Team. This included reviewing the Executive Management Team's suggested approach to the useful life of buildings, valuation of investment and leasehold properties, the impairment of assets and ensuring that the recommended approach was prudent. The review included the Board's revaluations of two investment properties and the assumptions applied to the net present value of all future lease payments relating to the warehouse at Longue Hougue in Guernsey.

#### 3. Risk Management and Internal Controls

The Committee reviewed the:

- i. Society's policies and procedures relating to whistleblowing, anti-money laundering and countering the financing of terrorism ("AML and CFT");
- ii. Board's Statement of Principal Risks and Uncertainties;
- iii. Board's Risk Appetite Statement;
- iv. Society's Risk Management Policy Framework; and
- v. basis on which the Society's insurance portfolio was renewed and met with the Society's Broker.

In addition, the Committee reviewed the Society's AML/CFT systems and controls, considered the approach to Society staff training, including annual AML/CFT training for the Board and receiving reports from the Society's Money Laundering Compliance Officer.

Furthermore, the Committee also reviewed the effectiveness of the Society's Risk Management and Compliance Framework and proposed amendments and changes to the structure of the organisation which were approved by the Board. The Committee received progress reports on the bedding in of the changes to the Society's Risk Management and Compliance Framework and the associated organisational structure.

#### Internal Audit

The Head of Internal Audit has direct access to all members of the Committee, including the Chair. The Committee received periodic reports on the findings and recommendations made by the Head of Internal Audit and reviewed the Society's Internal Audit Plan, with particular reference to the scope and mechanisms for monitoring outputs and stakeholder commitment to acting on observations and recommendations by Internal Audit. The work of the Internal Audit team has been augmented by suitably qualified third parties, where necessary.

#### Auditor - KPMG

The Committee assessed the need to change its Auditor ("External Auditor") and recommended to the Board that it should maintain its relationship with KPMG, having satisfied itself that KPMG's internal arrangements for the rotation of the Audit Partner were adequate. The Board accepted the Committee's recommendation.

The Committee also reviewed the External Auditor's remuneration for the audit services, assessed their independence and objectivity, qualification, expertise and resources. It also met regularly with the External Audit Team and held one meeting with them without members of the Executive Management Team present.

This period the External Audit reflected the increased focus on audit quality from the External Auditor, one of the consequences of which was that the materiality level was decreased, resulting in an increase to the audit scope. This was in response to the External Auditor's requirements and as a result of the increased complexity of the Society's business. These changes, together with non-operational matters requiring significant focus, such as the medical and pharmacy business units and the areas in which increased accounting judgement was required, such as investment and leasehold property, have necessarily led to an increase in the External Audit fees.

The Committee is satisfied that KPMG remained independent and objective in their role as External Auditor and that they continue to challenge management effectively.

The Committee also provided support and expertise to the Society's management to ensure the smooth and effective planning of the audit for the period ended 12 January 2020. This included meeting with the Society's property valuers, Buckley & Company Limited, and attending regular scheduled progress meetings with the External Auditor and key members of the Executive Management Team. The Committee also received reports on progress made by management in relation to the remediation plan instituted following the previous period's audit.

#### Data Governance and Cyber Security

The Committee received regular updates on the progress of the Society's plan to obtain Cyber Security Essentials Plus Certification. This standard is backed by the UK Government's National Cyber Security Centre and this helps to guard the Society against the most common cyber threats and demonstrates its commitment to cyber security. In November 2019, the Committee's Chair met the Guernsey Financial Services Commission to participate in a review of business preparedness in this area.

In conclusion, this has been a very busy year for our Society, and I can report the further refinement of governance in accordance with legislative and financial reporting requirements. The Committee commends the support that it has received and the application and effort required of the Executive Management Team and colleagues to deliver on these different work streams. As the Committee's Chair, I would like to thank members of the Committee and all those colleagues who have supported them during this period of significant change.

**Recruitment & Remuneration Committee's Report**  
**Jennifer Carnegie, Chair of the Recruitment & Remuneration Committee**

I am delighted to present the Recruitment & Remuneration Committee's Report for the period ended 12 January 2020.

The Committee's purpose, as set out in its terms of reference is to monitor and review the Society's arrangements in relation to 3 principal areas:

- i. recruitment, including retention and succession planning;
- ii. remuneration, including motivation, recognition and reward; and
- iii. organisational design and all relevant policies.

The Committee provides oversight and judgement and advises the Board on matters within its span of control. Its purpose is to influence and approve the design of all policies and processes within its remit, with particular reference to: strategy; structure; people and delivery mechanisms.

This has been a busy year for the Committee which held 8 formal meetings during the period, and members of the Committee held numerous informal meetings with members of the Executive Management Team.

The Committee's areas of focus during this period have been:

- i. a review of organisational structure for the Executive Management Team and the wider Senior Management Team;
- ii. a people plan to support delivery of the Society's strategic plan;
- iii. succession planning;
- iv. performance management;
- v. the appointment of an Acting Chief Executive Officer and an Interim Chief Human Resources Officer;
- vi. remuneration benchmarking;
- vii. HR operations and processes, including payroll and reward mechanisms; and
- viii. colleague engagement.

The Committee also reviewed its terms of reference and obtained the Board's approval for a number of changes that more clearly reflect its remit. The Committee also assessed its performance against its duties as defined by the terms of reference and I confirm that the Committee fulfilled its duties in the period ended 12 January 2020.

Much of the Committee's work this year forms the foundation for further development and delivery of the Society's strategy through its greatest asset, its people supported by effective delivery mechanisms.

Signed on Behalf of the Board of Directors

Paula Williams, President

Jennifer Carnegie, Director

Chris Lintell, Chief Governance Officer & Society Secretary

# Financial Results

## Contents

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

**CONSOLIDATED INCOME STATEMENT**

		52 weeks to 12 January 2020	52 weeks to 13 January 2019
	Notes	£'000	£'000
Turnover	1	184,517	181,238
Cost of sales		(130,288)	(127,485)
<b>Gross profit</b>		<b>54,229</b>	<b>53,753</b>
Administrative expenses	2	(47,687)	(47,284)
Other operating income	3	2,494	2,327
<b>Trading profit</b>		<b>9,036</b>	<b>8,796</b>
Other interest receivable and similar income	6	125	28
Interest payable and similar charges	7	(1,679)	(1,734)
Loss on disposal of fixed assets		(35)	(124)
Revaluation of property	10/11	(1,220)	1,720
Provision for onerous leases	16/17	(4,735)	(2,500)
Net gain on financial liabilities at fair value		98	364
<b>Profit before member payments</b>		<b>1,590</b>	<b>6,550</b>
Members payments		(4,926)	(4,845)
<b>(Loss) / Profit before tax</b>		<b>(3,336)</b>	<b>1,705</b>
Taxation	8	(750)	(765)
<b>(Loss) / Profit on ordinary activities</b>		<b>(4,086)</b>	<b>940</b>
Non controlling interest		238	188
<b>(Loss) / Profit for the period</b>		<b>(3,848)</b>	<b>1,128</b>

**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

		52 weeks to 12 January 2020	52 weeks to 13 January 2019
	Notes	£'000	£'000
(Loss) / Profit for the period		(3,848)	1,128
Revaluation of tangible fixed assets	10	-	420
Remeasurement gain of the net Defined Benefit Pension Scheme	19	1,224	115
<b>Total other comprehensive income</b>		<b>1,224</b>	<b>535</b>
<b>Total comprehensive (loss) / income for the period</b>		<b>(2,624)</b>	<b>1,663</b>
<b>Total comprehensive (loss) / income for the period is attributable to:</b>			
Non controlling interests		238	188
Owners of the parent company		(2,862)	1,475
<b>Total comprehensive (loss) / income for the period</b>		<b>(2,624)</b>	<b>1,663</b>

The Society will be recommending a distribution of £4,963,371 to its Members for the period to 12 January 2020.

The results reported during the period and the prior period 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 12 January 2020	As at 13 January 2019
		£'000	£'000
Intangible assets	9	7,913	4,761
Tangible assets	10	87,518	93,448
Investment property	11	54,485	56,893
Investments	12	15	15
		<b>149,931</b>	<b>155,117</b>
<b>Current assets</b>			
Stocks	13	6,060	5,345
Debtors	14	14,564	11,560
Short term deposits	15	24,501	2,640
Cash at bank and in hand	15	8,454	8,826
		<b>53,579</b>	<b>28,371</b>
Creditors: amounts falling due within one year	16	(34,578)	(30,056)
<b>Net current assets / (liabilities)</b>		<b>19,001</b>	<b>(1,685)</b>
<b>Total assets less current liabilities</b>		<b>168,932</b>	<b>153,432</b>
Creditors: amounts falling due after more than one year	17	(11,081)	(8,565)
Fair value derivatives	18	(383)	(481)
Pension liability	19	(3,605)	(5,788)
<b>Net assets</b>		<b>153,863</b>	<b>138,598</b>
<b>Share capital</b>	20	100,805	82,565
Reserves - property revaluation	21	2,813	4,033
Reserves - revenue		50,483	52,089
<b>Total shareholders funds</b>		<b>154,101</b>	<b>138,687</b>
Non controlling interest		(238)	(89)
		<b>153,863</b>	<b>138,598</b>

The accounting policies and notes on pages 23 to 34 inclusive form an integral 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 14 January 2018	76,513	3,613	50,847	130,973	99	131,072
Profit for the period			1,128	1,128	(188)	940
Other comprehensive income			534	534		534
Transfer of revaluation movements to property revaluation reserve		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

Balance at 13 January 2019	82,565	4,033	52,089	138,687	(89)	138,598
Loss for the period			(3,848)	(3,848)	(238)	(4,086)
Other comprehensive income			1,224	1,224		1,224
Transfer of revaluation movements to property revaluation reserve		(1,220)	1,220	-		-
Acquisition of non-controlling interest			(202)	(202)	89	(113)
Increase in share capital (Note 20)	18,240			18,240		18,240
Balance at 12 January 2020	100,805	2,813	50,483	154,101	(238)	153,863

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

## CONSOLIDATED CASH FLOW STATEMENT

(Loss) / Profit for the period

Adjustments to reconcile (loss) / 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

Loss / (Gain) on revaluation of property

Interest receivable

Interest payable

Loss on disposal of fixed assets

Net gain on financial liabilities at fair value

Non controlling interest

Taxation charge

Tax paid

(Increase) / Decrease in trade and other debtors

(Increase) / Decrease in stocks

Increase in trade and other creditors

Contribution to Defined Benefit Pension Scheme

NET CASH INFLOW FROM OPERATING ACTIVITIES

INVESTING ACTIVITIES

Interest receivable

Payments to acquire share in subsidiary

Payments to acquire tangible fixed assets

Payments to acquire intangible assets

Payments to acquire investment properties

Receipts from sales of tangible fixed assets

Receipts from sales of investment properties

NET CASH FLOW FROM INVESTING ACTIVITIES

FINANCING ACTIVITIES

Increase in share capital

Repayment of property loans

Members loans

Interest paid

NET CASH FLOW FROM FINANCING ACTIVITIES

NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT START OF THE PERIOD

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

## 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 (2019: £nil).

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

Notes	52 weeks to 12 January 2020	52 weeks to 13 January 2019
	£'000	£'000
	(3,848)	1,128
9	974	455
9	-	394
10	3,512	3,486
	-	(28)
	1,220	(1,720)
	(125)	(28)
	1,679	1,734
	35	102
	(98)	(364)
	(238)	(188)
	750	765
	(567)	(230)
	(3,004)	1,869
	(715)	800
	10,486	303
19	(1,100)	(1,100)
	<b>12,809</b>	<b>6,250</b>
	<b>8,961</b>	<b>7,378</b>
	125	28
	-	
	(2,005)	(6,434)
	(513)	(92)
	(333)	(4,598)
	96	
	2,200	
	<b>(430)</b>	<b>(11,096)</b>
	18,240	6,052
	(1,219)	(1,728)
	(2,578)	-
	(1,485)	(1,570)
	<b>12,958</b>	<b>2,754</b>
	21,489	(964)
	11,466	12,430
	<b>32,955</b>	<b>11,466</b>
Notes	As at 12 January 2020	As at 13 January 2019
15	8,454	8,826
15	24,501	2,640
	<b>32,955</b>	<b>11,466</b>



## General Information

The Channel Islands Co-operative Society Limited ("the Society") 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 FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, as amended, and it applies to the Financial Statements of the Society for the period ended 12 January 2020.

## Basis of Preparation

The Financial Statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of investment property, land and buildings, derivatives and pension liability at fair value. The Financial Statements are prepared in sterling, which is the functional currency of the Society, and rounded to the nearest £1,000.

The adverse impact of the global pandemic, Covid-19 on the Society's travel business is expected to be significant but offset by the performance of the Society's food and care businesses. As such, the Society is unlikely to be adversely affected such that the viability of its operations falls into question.

To date, the UK's decision to leave the European Union has not caused any disruption to supply chains. It is possible, as the UK's departure progresses some disruption could occur. 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. In addition, the Society sources as much of its produce as is available from local producers. While there might be some shortages of certain products, the Society is unlikely to be adversely affected such that the viability of its operations falls into question.

The Society has adequate financial resources together with a large number of customers and an extensive property portfolio, the majority of which is unencumbered. £10.7 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.

After making enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future, including meeting its financial obligations for at least 12 months after signing these Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

The principal account policies, which have been used in preparing these Financial Statements, are summarised below and have been applied consistently throughout the current and preceding periods.

## 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. Subsidiaries are those entities controlled by the Society. Control exists when the Society has the power, directly or indirectly, to govern the financial and operating policies for an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. In accordance with FRS 101, the Society's interest in joint ventures is accounted for using the gross equity method of accounting.

The Society has four wholly owned subsidiaries:

1. Offshore Leisure Limited
2. F. Mallett & Son Limited
3. JFTU (Property) Limited
4. Bridge Regeneration Company Limited

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

## Accounting Date

The financial statements are made up for the fifty two weeks ended 12 January 2020 with comparative figures for the fifty two weeks ended 13 January 2019.

## 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; pension scheme liability; provision for onerous contracts; valuation of liability for funeral plans; and impairment of goodwill.

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

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

## Operating Lease Commitments

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight line basis over the term of the lease.

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.

Investment properties are revalued annually based on recent market value conditions. Movements in valuations are recognised in the consolidated income statement and risk exists on this assumption with the value only being confirmed if the property was to be sold.

For trading properties, fair values are typically reviewed 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. Fair value movements on trading properties are recognised in the consolidated statement of comprehensive income to the extent that fair value exceeds cost and in the consolidated income statement where fair value is below cost.

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

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

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

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

Gains or losses on disposal of a property are recognised in the consolidated income statement and the related asset is derecognised when a contract for sale becomes legally binding.

## Other Tangible Assets

Other tangible fixed assets 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.

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.

### IT Software

IT software is stated at a cost less accumulated amortisation. Amortisation is charged on a straight line basis over the estimated useful life of the asset which varies between 5 and 10 years depending on the nature of the asset.

### 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 the consolidated income statement. 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 (with an original maturity of three months or less), and foreign currency held for bureau de change activities and currency cards.

#### 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 less 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 consolidated income statement in other operating expenses. Where loans receivable/payable earn/incure interest at other than the market rate, providing the loan is receivable/repayable on demand, its amortised cost value will equal its notional amount.

## Stocks

Stocks are valued at the lower 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. Provision is made for stock loss. 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 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.

### Taxation

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

### Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Society and the turnover can be reliably measured. Turnover represents sales transactions and goods and services charged to customers during the accounting period net of discounts, bonus dividend ('double divi') and goods and services tax, which fall within the Society's ordinary activities.

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 period in which it is paid.

Interest is payable on Members' share and loan accounts at rates determined by the Board from time to time. Interest is credited to the accounts annually on the first working day of the new financial period. From time to time the Society issues "Dividend Stamps". These can be used in exchange for goods, 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. Dividend stamps issued are considered as a separately identified component of the sales transaction and an estimate is made, based on historic data, of the proportion of stamps that will be redeemed.

### Funeral Plans

The Society sells pre-paid funeral plans. Each plan is bespoke and the Society guarantees that it will deliver the funeral as planned at no extra cost. The amount received for each plan is forwarded to Ecclesiastical Life Limited, a specialist insurance and financial services business which invests the money with the aim of producing a return that will cover future increases in the cost of providing the funeral. Although the value of the underlying investments can go down as well as up, Ecclesiastical Life Limited guarantees that the amount returned will be no less than the amount originally paid. Any shortfall in funds has the effect of reducing the margin achieved on the funeral.

The liability of providing all purchased funerals is shown in the Statement of Financial Position, together with the current value of the underlying investments. These figures are restated annually and differences are passed through the Income Statement. As at 12 January 2020, the Society had contracted to provide 739 funerals at a total estimated cost of £2,981k. The value of investments at the valuation date of 31 December 2019 was £2,991k. The difference between the cost and value of £10k is recognised in the consolidated income statement.

**1. TURNOVER**

Turnover from Group ordinary activities

Less gross agency turnover from subsidiary travel activities

For the purposes of presentation, turnover is stated net of GST and discounts.  
All turnover was generated in the Channel Islands.**Analysed by Business Area**

Food

Fuel

Homemaker

Travel

Funeral

Medical

Pharmacy

Total

Notes	2020	2019
	£'000	£'000
	207,495	207,194
	(22,978)	(25,956)
	<b>184,517</b>	<b>181,238</b>
	153,958	147,561
	17,055	17,057
	-	2,864
	1,352	1,592
	1,798	1,843
	1,386	1,423
	8,968	8,898
	<b>184,517</b>	<b>181,238</b>

**2. ADMINISTRATIVE EXPENSES**

Personnel

Defined Contribution Pension Scheme

Occupancy costs

Depreciation

Goodwill amortisation and impairment

Audit fee

Directors' fees

Other expenses

	2020	2019
	£'000	£'000
4	26,712	27,480
	1,318	1,303
	7,094	6,540
10	3,512	3,486
9	974	849
	322	101
5	136	113
	7,619	7,412
	<b>47,687</b>	<b>47,284</b>

In the current period, certain administrative expenses have been reclassified. Where reclassifications have been made, prior period comparatives have also been reclassified. Bonus dividend ('double divi') £2.203 million (2019: £2.042 million) and colleague discount £0.612 million (2019: £0.291 million) previously disclosed as administrative expenses have been reclassified to net off turnover. Promotions £0.491 million (2019: £0.491 million) previously disclosed as administrative expenses have been reclassified as a cost of sale.

**3. OTHER OPERATING INCOME**

Rental income

Sundry income

	2020	2019
	£'000	£'000
	2,266	2,050
	228	277
	<b>2,494</b>	<b>2,327</b>

#### 4. STAFF NUMBERS AND COSTS

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

	2020	2019
Full time	538	584
Part time	578	562
	<b>1,116</b>	<b>1,146</b>
	£'000	£'000
Wages and salaries	26,712	27,480
	<b>26,712</b>	<b>27,480</b>

The aggregate payroll costs of these persons was as follows:

Wages and salaries

#### 5. DIRECTORS FEES

Directors' fees fall within the following ranges

	2020	2019
	£'000	£'000
Between £0k and £15,000 pa	5	8
Between £15,000 and £30,000 pa	3	1
In excess of £30,000 pa	-	-

The total payments made to key management personnel were £104,012 (2019: £113,000). Key management is considered to be the Board of Directors of the Society, excluding the Chief Executive Officer for the purposes of this disclosure.

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

Interest receivable

	2020	2019
	£'000	£'000
Interest receivable	125	28
	<b>125</b>	<b>28</b>

#### 7. INTEREST PAYABLE AND SIMILAR CHARGES

Members' loan interest expense

Bank loan interest expense

Share interest

Net cost on pension scheme liabilities

Stamp club interest

	2020	2019
	£'000	£'000
Members' loan interest expense	156	193
Bank loan interest expense	275	486
Share interest	1,061	843
Net cost on pension scheme liabilities	19	141
Stamp club interest	46	48
	<b>1,679</b>	<b>1,734</b>

#### 8. TAXATION

Current tax on income for the period

	2020	2019
	£'000	£'000
Current tax on income for the period	750	765
	<b>750</b>	<b>765</b>

Reconciliation of profit before taxation to tax expense in the period

Taxable rental income net of allowances

Provision for tax on non-mutual trading profit

Tax expense for the period

	£'000	£'000
Taxable rental income net of allowances	442	457
Provision for tax on non-mutual trading profit	308	308
Tax expense for the period	<b>750</b>	<b>765</b>

The maximum rate of tax applied to the Society's taxable profits is 20%. Rental income on the Society's investment properties is subject to tax at 20%. In Jersey, the States Assembly agreed to amend the basis of taxation, applying a higher rate of tax to the profits of large corporate retailers, including the Society, to the extent that profits are derived from non-mutual trade. In Guernsey, the equivalent provisions apply.

**9. INTANGIBLE ASSETS**

Cost at 13 January 2019

Additions

Disposals

Transfers

Cost at 12 January 2020

Amortisation at 13 January 2019

Amortisation charge

Transfers

Impairment

Disposals

Amortisation at 13 January 2019

Net book value at 12 January 2020

Net book value at 13 January 2019

	Lease Premium	Goodwill	IT Software	Total
	£'000	£'000	£'000	£'000
Cost at 13 January 2019	1,000	7,044	-	8,044
Additions	-	-	513	513
Disposals	-	-	(71)	(71)
Transfers	-	-	3,955	3,955
Cost at 12 January 2020	1,000	7,044	4,397	12,441
Amortisation at 13 January 2019	513	2,770	-	3,283
Amortisation charge	86	513	375	974
Transfers	-	-	342	342
Impairment	-	-	-	-
Disposals	-	-	(71)	(71)
Amortisation at 13 January 2019	599	3,283	646	4,528
Net book value at 12 January 2020	401	3,761	3,751	7,913
Net book value at 13 January 2019	487	4,274	-	4,761

Intangible assets comprise goodwill on a number of cash generating units within the Society, a lease premium on a pharmacy at Queen's Road and IT software, which was previously classified under plant and machinery and was re-classified as intangible during the period. Impairment reviews were undertaken on goodwill with the conclusion that no impairment was required and that the amortisation period remain appropriate. Management have assessed the useful life of the IT software in use and consider the life to be between 5 and 10 years.

**10. TANGIBLE ASSETS**

Cost and valuation at 13 January 2019

Additions

Transfers

Disposals

Cost and valuation at 12 January 2020

Depreciation at 13 January 2019

Depreciation charge

Transfers

Disposals

Depreciation at 12 January 2020

Net Book Value at 12 January 2020

Net Book Value at 13 January 2019

	Land and Buildings	Plant and Machinery	Total
	£'000	£'000	£'000
Cost and valuation at 13 January 2019	83,606	21,574	105,180
Additions	516	1,489	2,005
Transfers	(707)	(3,927)	(4,634)
Disposals	-	(1,269)	(1,269)
Cost and valuation at 12 January 2020	83,415	17,867	101,282
Depreciation at 13 January 2019	4,212	7,520	11,732
Depreciation charge	1,499	2,013	3,512
Transfers	-	(342)	(342)
Disposals	-	(1,138)	(1,138)
Depreciation at 12 January 2020	5,711	8,053	13,764
Net Book Value at 12 January 2020	77,704	9,814	87,518
Net Book Value at 13 January 2019	79,394	14,054	93,448

Transfers reflects the re-categorisation of assets between categories which have taken effect during the period as a result of a change in use. These properties have been transferred at the deemed fair value on the date of transfer.

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. The Directors consider the fair value remains appropriate as at 12 January 2020.

In the past three years, the Society opened new outlets at Colomberie Locale, Charing Cross Locale and the Bridge Locale, 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 £129,375,870 (2019: £132.253 million).

The properties at Don Street, St Helier, St Peter and Beaumont were held as security against the property loans through an un-registered bond dated 7 July 2002 in the sum of £11.700 million (2019: £11.700 million).

## 11. INVESTMENT PROPERTY

Balance at 13 January 2019

Additions

Disposals

Transfers from tangible assets

Movement in revaluation

Balance at 12 January 2020

Notes	2020	2019
	£'000	£'000
	56,893	50,329
	333	4,598
	(2,200)	(5)
	679	65
	(1,220)	1,906
	54,485	56,893

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, undertook a full valuation of the Society's investment property portfolio as at 12 January 2020 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. The valuations are supported by market evidence. Those properties held as investments or for future development were valued by considering the aggregate of the net annual rent receivable from the properties and where relevant associated costs. The valuation assumed a range of yields from 4.5% to 10%, 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. Directors' valuations have been used for two properties where offers to purchase have been used as proxies for the fair value as at the period end date. Investment properties includes a property held for sale of £2.900 million (2019: £18.650 million) which is currently being marketed. A property marketed at the prior period end is no longer considered available for sale.

## 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 (JPSL), the principal activity of which is the provision of retail pharmacy and prescription services in the Channel Islands. JPSL has two subsidiaries, Edgar Holdings Limited and Lloyds (Chemists) Limited. JPSL owns 100% of the voting rights of Edgar Holdings Limited and following the purchase of 5% of the voting rights of Lloyds (chemists) Limited in December 2020, also owns 100% of the voting rights of that entity.

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

Bridge Regeneration Company 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%
Guernsey	67088	Property Development	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 13 January 2019

Additions

Disposals

Reclassification

At 12 January 2020

Other investments	Total
£'000	£'000
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

2020	2019
£'000	£'000
1	1
10	10
4	4
15	15

	Notes	2020	2019
		£'000	£'000
<b>13. STOCKS</b>			
Food		4,634	4,074
Fuel		435	443
Homemaker		-	-
Travel		-	-
Funerals		58	53
Medical		-	-
Pharmacy		933	775
Goods for resale		6,060	5,345

The cost of goods purchased for resale and recognised as an expense during the period was £153.777 million (2019: £154.046 million). Included in stock is a provision for stock loss of £0.193 million (2019: £0.192 million)

		2020	2019
		£'000	£'000
<b>14. DEBTORS</b>			
Trade debtors		9,169	9,642
Prepaid funeral plans		2,991	-
Sundry accounts, prepayments and accrued interest		2,404	1,918
		14,564	11,560

FRS102 requires financial investments to be recognised and prepaid funeral plans with third parties are included above. A corresponding creditor is also recognised to reflect the estimated cost of providing funeral services. The funeral bonds are held at fair value with market valuation being provided by the insurer.

		2020	2019
		£'000	£'000
<b>15. CASH AND CASH EQUIVALENTS</b>			
Short term deposits		24,501	2,640
Cash at bank and in hand		8,454	8,826
Cash and cash equivalents per cash flow statement		32,955	11,466

		2020	2019
		£'000	£'000
<b>16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Trade creditors		7,794	7,148
Taxation		997	814
Members' loans		10,738	13,316
Share interest		1,074	843
Accrued loan interest		156	193
Non trade creditors and expense accruals		8,388	6,292
Property loans		1,728	1,219
Prepaid funeral plans		2,981	-
Onerous lease provision (see Note 17)		722	231
		34,578	30,056

		2020	2019
		£'000	£'000
<b>17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Property loans		4,568	6,296
Onerous lease provision		6,513	2,269
		11,081	8,565

Property loans are secured against Society land and buildings assets, by an unregistered charge and are repayable during or before 11 July 2023 (originally £19 million). The loan repayments were fixed interest only until 2011 and are now repayable by capital and interest. An onerous lease provision has been made against the remaining 9 year and 10 month rental commitment on the former Guernsey warehouse at Longue Hougue. The provision of £2.5 million reflected in the 2019 financial statements has been increased by £4.735 million during the period to £7.235 million at the 2020 year end. The provision is disclosed as £0.722 million due within one year (2019: £0.231 million) in note 16 and £6.513 million (2019: £2.269 million) due after one year in note 17. The calculation of the lease provision required a number of judgements and assumptions. This provision will be released over the remaining length of the lease.

**18. INTEREST BEARING LOANS AND BORROWINGS**

	Notes	2020	2019
		£'000	£'000
Fair value derivatives		383	481
Property loans due after more than one year		4,568	6,296
Members' loans		10,738	13,316
Property loans due within one year		1,728	1,219
		<b>17,417</b>	<b>21,312</b>

The derivatives are held with the Co-operative Bank and are stated at fair value using valuations from the Co-operative Bank. The Society uses interest rate swaps to hedge interest rate exposures on its property loan. Consistent with 2019, there is one swap in place, for £10 million, which matures on 11 July 2023 and attracts an interest rate of 5.46%.

Terms and Debt Repayment Schedule	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020	2019
Property loan	GBP	LIBOR + 0.95%	2023	Quarterly	6,296	7,515
Members' loans	GBP	0.1% - 1.75%	On demand	On demand	10,738	13,316

**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 28 June 2009. All remaining active members were treated as having left pensionable service with effect from that date, but with a different rate of increases to deferred pensions applied compared to those members who had previously left service.

The most recent actuarial valuation of the Scheme indicated that the Scheme had a deficit. The Society and the Trustees of the Scheme have agreed that the deficit will be funded by annual payments of £1.100 million, 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 below have been carried out by running full actuarial calculations as at 12 January 2020.

**Funding Policy**

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

**Scheme Amendments**

A consolidated version of the Scheme's Rules was executed on 18 October 2019.

No special events have occurred during the period.



**19. EMPLOYEE BENEFITS (CONTINUED)**

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

Notes	As at 12 Jan 2020	As at 13 Jan 2019
	£'000	£'000
Fair value of scheme assets	61,164	53,816
Present value of funded obligations	(64,769)	(59,604)
Net underfunding in Scheme	(3,605)	(5,788)
Unrecognised assets	-	-
Net defined benefit liability	(3,605)	(5,788)

The amounts recognised in the Consolidated 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	141	164
Expense recognised in the Income Statement	141	164

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

	£'000	£'000
Interest on obligation	1,593	1,616
Interest on assets	(1,452)	(1,452)
Interest on unrecognised assets	-	-
Net interest on defined benefit liability	141	164

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

	£'000	£'000
Return on assets (not included in interest)	5,968	(3,463)
Actuarial (losses) / gains on obligation	(4,744)	3,578
Change in unrecognised assets (other than interest)	-	-
Total remeasurements recognised in other comprehensive income	1,224	115

Cumulative amount or remeasurements recognised in other comprehensive income

	1,579	355
--	-------	-----

Actual return on scheme assets

	7,420	(2,011)
--	-------	---------

The Society contributed £1.100 million to the Scheme over the period from 14 January 2019 to 12 January 2020 (2019: £1.100 million). No contributions were paid by members of the Scheme over the period (2019: nil). The Society expects to contribute £1.100 million to the Scheme over the next period from 13 January 2020 to 10 January 2021. No contributions were paid by members of the Scheme over the period (2019: nil).

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

	£'000	£'000
Opening defined benefit obligation	59,604	62,706
Service cost	-	-
Contributions by members	-	-
Cost of benefit changes	-	-
Curtailement costs / (gains)	-	-
Liabilities extinguished on settlements	-	-
Benefits paid	(1,172)	(1,140)
Interest on obligation	1,593	1,616
Experience gains	(1,182)	(575)
Gains / (Losses) from changes in assumptions	5,926	(3,003)
Closing defined benefit obligation	64,769	59,604

The weighted average duration of the liabilities of the Scheme was 21 years as at 12 January 2020 (22 years at 13 January 2019).

## 19. EMPLOYEE BENEFITS (CONTINUED)

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

	As at 12 Jan 2020	As at 13 Jan 2019
	£'000	£'000
Opening fair value of Scheme assets	53,816	55,867
Interest on assets	1,452	1,452
Return on assets (not included in interest)	5,968	(3,463)
Assets distributed on settlements	-	-
Contributions by employer	1,100	1,100
Contributions by members	-	-
Benefits paid	(1,172)	(1,140)
Administrative expenses	-	-
Closing fair value of scheme assets	61,164	53,816

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

	%	%
Equities	61.5	58.3
Gilts	19.1	20.1
Corporate bonds	9.6	9.2
Property funds	8.0	9.6
Cash	1.8	2.8

All of the Scheme's assets have a quoted market price in an active market. The Scheme holds no financial instruments issued by the Society (other than incidentally through investment in pooled funds), nor does it hold any property or other assets used by the Society.

The principal actuarial assumptions used are:

	%pa	%pa
Discount rate at end of period	1.9	2.7
Discount rate at start of period	2.7	2.6
Inflation	2.9	3.3
Rate of increase in deferment whilst in employment with the Society	2.9	3.3
Rate of increase in deferred pensions for those who have left employment with the Society	2.9	3.2
Rate of increase in pensions in payment	2.9	3.2

### Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 88 if they are male and until 90 if they are female. For a member currently aged 50 the assumptions are that if they attain age 65 they will live on average until age 89 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:

	2020	2019
	£'000	£'000
Class A	69,150	74,702
Class B	31,655	7,863
	100,805	82,565

Both A and B shares have a nominal value of £1. The different classes of shares may pay different interest rates, but are treated equally, irrespective of their class or issue for all purposes. Every Member must hold at least one fully paid up Class A share but there is no requirement for Members to hold any Class B shares. No Member's total shareholding of Class A and Class B shares combined may exceed the statutory limit as provided for by the Industrial and Provident Societies Act 1965. Each Member is entitled to cast one vote on any resolution put to the Members at a Meeting of Members. Members may receive a dividend based on the value of purchases made from the Society.

## 21. REVALUATION RESERVE - PROPERTY

The Society carries its properties at fair value, with changes in fair value ultimately being recognised in the revaluation reserve. 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:

	2020	2019
	£'000	£'000
Less than one year	1,433	1,436
Between one and five years	4,709	5,004
More than five years	5,270	5,574
	<b>11,412</b>	<b>12,014</b>

During the period £1.635 million was recognised as an expense in the Consolidated Income Statement in respect of rental payments under operating leases (2019: £1.635 million). The Society operates a number a trading units under operating leases ranging from 1 year to 15 years. Included within lease commitments is £6.789 million (2019: £8.959 million) related to the onerous lease provision in note 17.

**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:

	2020	2019
	£'000	£'000
Less than one year	1,978	1,885
Between one and five years	4,646	4,763
More than five years	17,365	18,524
	<b>23,989</b>	<b>25,172</b>

During the period £2.266 million was recognised as income in the Consolidated Income Statement account in respect of rental payments under operating leases (2019: £2.050 million). 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 (2019: £0).

**24. CONTINGENCIES**

The Society may from time to time be party to legal proceedings that are incidental to its operation, however, the Society is not involved currently in any legal proceedings which may have a significant effect on the financial position or profitability of the Society.

Indemnities are held in favour of 'Customs and Excise Immigration and Nationality, Guernsey' in respect of Duty in the sum of £300,000 (2019: £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.

The Society has two facilities in place with NatWest Bank Plc, an overdraft of £1 million (2019: £1 million) and a charge card facility with a limit of £45,000. Both facilities have review dates of 15 January 2021.

A parental guarantee in favour of NatWest Bank Plc in the sum of £100,000 (2019: £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 £220,281 (2019: £183,649) has been entered into in respect of a Bond issued by the Bank in favour of the Association of British Travel Agents for the benefit of Offshore Leisure Limited. It is not anticipated that this guarantee will be called upon.

The previous owner of De Gruchy Funeral Care had agreed to provide a number of funerals at a fixed price. The Society will honour that undertaking and a provision of £31,499 has been made within the Financial Statements to meet the anticipated costs of those funerals.

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.

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**

As members of Society, Key Management access the services offered by the Society on an arms length basis. Key Management are considered to be Directors' of the Society. Refer to Note 5 for the compensation to Directors.

Employees of the Society

Receivables outstanding	
2020	2019
£'000	£'000
180	398
<b>180</b>	<b>398</b>

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 buying terms that such a major group can offer. In the 52-week period to 12 January 2020, total purchases from FRTS amounted to £76.159 million (2019: £66.192 million) and the payments due by the Society to FRTS as at that date totalled £6.536 million (2019: £6.525 million). As at 12 January 2020, the amount due by FRTS to the Society in respect of rebates was £2.878 million (2019: £4.007 million) and the amount due to the Society by FRTS in respect of duty drawbacks is £1.474 million (2019: £2.964 million).

## 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 swap for £9 million matured in 2019. The fair value of the remaining swap at 12 January 2020, 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 was (£382,955) (2019: (£481,361)). This amount is 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.

### Funeral Assets

Funeral assets are shown at the most recent valuation by Ecclesiastical Planning Services Limited. Plans are in either non-profit whole of life assurance policies or with-profits whole of life assurance policies. The plan value for each non-profit whole of life assurance policy is guaranteed and is adjusted over the life of the plan in line with positive movements in the retail price index (RPI). The plan value for each with-profits whole of life assurance policy is guaranteed and is adjusted over the life time of the plan with the addition of annual and final bonuses. The valuation for each funeral plan is dependant on the value of the declared bonuses over the life of the plan.

### Carrying amounts of financial assets and liabilities

2020

	Financial assets as an equity instrument	Financial assets at amortised cost	Financial assets at fair value through P&L	Financial liabilities at amortised cost	Financial liabilities at fair value through P&L
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand		8,454			
Short term deposits		24,501			
Debtors		9,169			
Prepaid funeral plans			2,991	(2,981)	
Creditors				(12,727)	
Loans payable				(6,296)	
Members' loans				(10,738)	
Derivative financial instruments					(383)
Unquoted shares	15				

### 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
	£'000	£'000	£'000	£'000
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			

## 28. EVENTS AFTER THE END OF THE REPORTING PERIOD

### Medical

A decision to review the Co-operative Medical Care business was made in February 2020. As this decision was made after the end of the reporting period the Financial Statements do not contain any adjustment to the carrying value or provision. The consultation has been extended in light of the Covid-19 pandemic.

### Covid-19

The impact of the global pandemic Covid-19 on the financial statements is considered to be a non-adjusting post balance sheet event. The uncertainty of the impact and timescales associated with this pandemic make assessing the impact on Society challenging.

In relation to the Society's food, pharmacy, medical and funeral business, no material adverse impact is anticipated. A decrease in fuel related turnover is anticipated given the increase in home working and school closures. In relation to the Society's wholly owned subsidiary, Offshore Leisure Limited which trades as 'Travelmaker' the Society anticipates the impact on that subsidiary will be material to that subsidiary, but not to the Society as a whole. A parental guarantee is in place. In relation to the Society's pension scheme, the effect of Covid-19 on the economy is anticipated to result in a short term increase in the deficit in the pension scheme. In relation to the Society's investment property portfolio, the effect of Covid-19 on the valuation of property is anticipated to result in a short term reduction in the portfolio's value. There is the potential for a short term cashflow impact in cases where rental holidays have, by exception, been agreed with tenants, the impact is not anticipated to be material.

The Financial Statements and Notes on pages 19 to 34 were approved by the Board on 26 April 2020 and 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.

**Paula Williams, President**

**Jennifer Carnegie, Director**

**Chris Lintell, Chief Governance Officer  
& Society Secretary**

## **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Financial Statements in accordance with applicable laws, regulations and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102, the Financial Reporting Standard applicable to the UK and Republic of Ireland.

The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- 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. 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 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 12 January 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated cash flow statement for the period from 14 January 2019 to 12 January 2020, and notes, comprising significant accounting policies and other explanatory information.

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

- give a true and fair view of the state of affairs of the Group as at 12 January 2020, and of the Group's income and expenditure for the period from 14 January 2019 to 12 January 2020;
- have been properly 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and the terms of our engagement letter. 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 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 Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the Group's 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 UK and for the Channel Islands, and at the date of this report its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the potential impact of Brexit on the Group. However, no audit should be expected to predict the unknowable factors or all possible future implications for a business, 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 consolidated financial statements. We have nothing to report in these respects.

### We have nothing to report on other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report, which comprise the information on pages 1 to 17 and page 35, together with the consolidated financial statements. Our opinion on the consolidated 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 consolidated financial statements audit work, the information therein is materially misstated or inconsistent with the consolidated financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Act 1965-1978 require us to report to you on if, in our opinion:

- the Society has not kept proper books of account;
- the Society has not maintained a satisfactory system of control over its transactions;
- the consolidated financial statements are not in agreement with the accounting records of the Society; or
- we have not obtained all the information and explanations we need for our audit.

### 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group 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 the 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 consolidated 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 consolidated financial statements.

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

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

This report is made solely to the Society's members, as a body, in accordance with our terms of engagement as detailed in our letter of 20 February 2020. Our audit work has been undertaken so that we might state to the Society's members as a body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

### KPMG Channel Islands Limited

Chartered Accountants  
Jersey  
30 April 2020



# 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



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

## Belonging is everything

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

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

# Because of your support in 2019 we:

Gave over

# £186,500

in donations to local charities



Supported over

# 380+

charities and local organisations



Enabled 250+ in-store charity events, including:



# 56

Bag Packing Days



# 123

Flag Awareness Days



# 77

Collection Days