

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



# ANNUAL REPORT 2021

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Together we  
can **make a real  
difference.**

**The 2021 annual report illustrates the financial strength and positioning of the Society in light of the current Covid-19 pandemic. It highlights the extraordinary efforts across the Society and demonstrates the dedication, resilience and tremendous hard work of the team I am very proud to lead. I thank each and every colleague for continuing to do an outstanding job in very difficult circumstances.**



Throughout the pandemic we have been as determined as ever to ensure that we can continue to provide essential services to our communities. We have learned to do things very differently and have had to adjust to new ways of working and manage our operations in a way that has kept our members and colleagues safe. To us, belonging is everything. Throughout this challenging year we have been determined to continue to make a real difference to the communities we serve and, have supported some of the most vulnerable through increased donations and support to food banks in both islands.

Business performance has been stronger than anticipated, particularly within our core food offer which saw an increase in sales of £5.2m (3%) on last year. Our strategy of opening community stores in convenient locations close to our members means we have been able to adapt and manage through Covid-19 exceptionally well. Unfortunately, Covid-19 came at a cost to other areas of the business with fuel, travel and foreign exchange sales significantly impacted. Our funeral colleagues have done a sterling job in some of the most difficult of circumstances and despite turnover in this division being below last year's levels their focus on incredible service has been rewarded with positive growth in market share in both islands. Our pharmacy division enjoyed a strong performance with positive increases on last year. The team worked incredibly hard to manage through the pandemic which saw very large increases in demand for their services.

The additional safety measures we quickly deployed and the need to support our colleagues with personal protective equipment has led to an increase in the cost of operating with one-off exceptional costs relating to Covid-19 impacting on our profitability for the year. We incurred further exceptional one-off costs as we restructured our business by closing our loss-making Medical Care and Travelmaker divisions.

A positive valuation of our property portfolio offset the impact of some of these costs. It is pleasing therefore to report a trading profit of £7.2m which despite being -20% on the previous year is a very strong performance all things considered. Net surplus for the year totalled £2.4m.

Our Covid-19 response plans saw us react to the needs of the vulnerable in the community by providing a home delivery service. This service has now been developed into a new online food offer. This new technology will see us engaging with our loyal and valued members, old and new, in a very different way. Since its launch over 9,000 members have registered to use the next day delivery service which has a range of over 5,000 products. We will continue to invest in this area in the year ahead as we build a new convenient service for the benefit of our members.

Without our superb colleagues we would not have been able to provide the service we have to our members. The board have recognised how challenging this year has been for our colleagues and are pleased to have been able to recognise their contribution by rewarding colleagues with a cash bonus for the year. A full review of colleague pay and benefits has also been completed which has seen our front line colleagues awarded above inflation pay increases and private health care. Our retail colleagues now receive industry leading pay and benefits which they wholeheartedly deserve.

We have navigated our way through these unprecedented times extremely well and we will continue to work hard to ensure that we maintain essential services to our members whilst continuing to protect and support our colleagues and wider communities.

We finish the year in a strong position with a very healthy balance sheet, a strong core food business and a great team that are committed to ensuring we continue to make a difference to the communities we serve.

On behalf of the team I would like to say thank you to our loyal members and stakeholders who have continued to support us during this very challenging year.

**Mark Cox**  
Chief Executive Officer

# OUR BOARD



**Paula Williams**  
President of the board

**Paula was elected to the board in 2016 and became Society President in 2020.**

Paula has the IoD diploma in company direction, a Henley MBA in strategic management, and a diploma in tertiary teaching. As an experienced management consultant she has spent over twenty years of working in business transformation and organisational change.

Paula is the chair of the Bailiwick Scout Association (which won the Queens Award for Voluntary Service in 2019) and is a non-executive director at Guernsey Post. She is also the managing director at Island Consortium and provides learning and development solutions for businesses in Guernsey, Jersey and the Isle of Man.



**Carol Champion**  
Non-Executive Director and member of the Recruitment and Remuneration Committee

**Carol was elected to the board in 2011.**

Carol started her career in insurance, completing a business and finance qualification at college.

Retraining as a nutritional therapist, Carol established a practice in 1999.

Carol was elected to chair the Recruitment and Remuneration Committee in 2015 and has worked hard to monitor and review the Society's arrangements with regard to resourcing and talent management, which includes recruitment, retention, succession planning, remuneration, motivation, recognition and reward.



**Jennifer Carnegie**  
Non-Executive Director and Chair of the Recruitment and Remuneration Committee

**Jennifer was appointed to the board in March 2018.**

Jennifer is director and co-founder of Amicus Limited, a leadership consultancy which helps businesses get the best from their people.

Prior to that Jennifer was the chief people officer for Digicel, the global telecommunications and entertainment provider, has managed manufacturing facilities with large numbers of people, is an accomplished industrial engineer and was instrumental in creating and running a successful global corporate university for Mars Incorporated. Jennifer is president of the Jersey Chamber of Commerce.

Jennifer's focus is on improving capability and developing talent within the Society to deliver the strategy, growth and value for members, colleagues, customers and local suppliers.



**Peter Shirreffs**  
Non-Executive Director and Chair of the Audit and Risk Committee

**Peter was appointed to the board and to chair the Audit and Risk Committee in 2020.**

Peter has held senior management and executive positions with the RBS Group in the UK before settling in Jersey in 1992 as managing director of RBS Ltd.

He has considerable retail and corporate experience and since retiring from banking in 2009 and has held non-executive director and chairman roles with several local and international companies. He is a governor of the Jersey Cheshire Home and chair of Crimestoppers Jersey.

Peter's focus is on ensuring risks to the Society's business are identified and monitored by the Audit and Risk Committee.



**Michael McNally**  
Non-Executive Director and  
member of the Audit and Risk  
Committee

**Michael was elected to the board in June 2020.**

Michael has been directly involved with international cross border e-commerce since 2002 and has a vast knowledge of the global cross border logistics and supply chain industries. Michael has practical experience of warehousing, fulfilment and distribution including consolidation, and achieving efficiency by working closely with the whole supply chain.

Michael's focus is to ensure the business is ever evolving whilst being true to the co-operative values and maximising shareholder and stakeholder value in all areas of business operation.



**John Refault**  
Non-Executive Director, Chair  
of the Pension Trustees and  
member of the Audit and Risk  
Committee

**John was elected to the board in May 2019.**

Prior to joining the board, John gained significant experience in a number of disciplines including senior civil service management, property development and chairing several community focussed groups and charities and was elected as constable of the Parish of St Peter.

John's vision for our future is to strengthen the board's effectiveness, develop new opportunities and support options that produce benefits for our Society. He has embraced the opportunity to take on additional responsibilities supporting members and colleagues.



**Jill Clark**  
Non-Executive Director and  
member of the Recruitment  
and Remuneration Committee

**Jill was elected to the board in May 2019.**

Jill has over 20 years experience in retail, her former role being director of customer services at Specsavers. Jill now runs her own customer experience consultancy as well as lecturing on customer experience, retail and leadership management. She has an MSA certificate in education and an IoD certificate in company direction.

Jill's focus is to make sure members and colleagues are at the forefront of all governance decisions made by the Society so that our members receive the best experience possible.



**Sue Ryde**  
Non-Executive Director and  
member of the Audit and Risk  
Committee and Recruitment  
and Remuneration Committee

**Sue was originally elected to the board in May 2013 and is currently an appointed director.**

Initially a teacher in the UK and Canada, Sue was seconded to Nottingham University, gaining an MPhil researching work experience and transition to the world of work. This opened opportunities with a management-training organisation and senior roles in education administration. Sue changed career in 2005, moving to the commercial world of online retail, fulfilment and logistics.

Sue has been a member of both the Audit and Risk, and the Recruitment and Remuneration Committees and has gained a wide knowledge of the Society. Her current focus is overseeing the balance between the Society's commercial and strategic goals whilst ensuring that the co-operative difference is maintained so that we can serve our communities.



**Mark Cox**  
Chief Executive Officer  
and Director

**Mark was appointed as Chief Executive Officer and director in July 2020 having successfully led all trading operations across food, non-food, travel and care as Chief Operating Officer at the Society for 10 years.**

With over thirty years of extensive knowledge in the retail industry and a thorough understanding of the challenges which can face pan-island business, Mark's expertise makes him an invaluable asset.

Mark continues to drive the Society's future strategy and growth to maximise value for its members, customers and local partners, as well as investing in the development of colleagues, all of which will help the Society to fulfil its mission to develop and protect long-term member value.

# OUR EXECUTIVE LEADERSHIP TEAM



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Dave Chalk  
Chief Operating and Risk Officer

Dave joined the Society in 2017 having been the managing director of the food wholesaler Cimandis for four years beforehand.

Dave is a chartered management accountant and non-executive director of the Jersey Opera House. Prior to this he was also a director and treasurer of the Jersey Hospitality Association.

In 2020, Dave was appointed Chief Operating and Risk Officer for the Society covering digital, procurement, IT, financial services and risk and compliance management.



Chris Lintell  
Chief Governance Officer and Society Secretary

Chris joined the Society in October 2014 and is responsible for the efficient administration of the Society, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring the decisions of the board are implemented.

Prior to joining the Society, Chris held senior governance roles in the IT, electronics and intellectual property sectors in both the UK and the Channel Islands. He was the company secretary of Toshiba Information Systems (UK) Ltd for 10 years, and the director of corporate services and company secretary of CPA Global Ltd, also for 10 years.

Chris is a fellow of the Chartered Governance Institute and he holds a law degree and a postgraduate diploma in legal practice. He is a chartered director and a member of the IoD, Jersey.



Iain Beresford  
Chief Marketing and Membership Officer

Iain joined the Society in September 2020 and is responsible for the strategic direction of the Society's marketing activity and branding, he is also responsible for driving the modernisation of the Society's member experience and engagement.

With a strong track record for creating marketing strategies that deliver change and grow industry portfolios and businesses, Iain has held a number of senior roles in banking and finance, media and legal sectors across various international locations including Australasia, the US, the UK and the Channel Islands.

Holding a masters in corporate governance, Iain is a chartered governance professional (ICSA) and a committee member of the IoD Guernsey.



Louise Read  
**Chief Financial Officer**

Louise joined the Society in 2019 and was appointed as Chief Financial Officer in June 2020.

Prior to joining the Society Louise spent nine years with the Channel Islands Competition and Regulatory Authorities including seven years on the board. She has worked for Jersey Post, as group financial controller, and has served as a commissioner for the Jersey Appointments Commission.

Louise is a fellow of the Institute of Chartered Accountants of England and Wales, having trained as a chartered accountant with PricewaterhouseCoopers and is a chartered director.



Mark Crean  
**Chief Retail Officer**

Mark has a wealth of experience in the co-operative movement, spending over 20 years with the Co-operative Group in Manchester prior to joining the Society in 2015.

Mark's background is in finance and he is a chartered management accountant.

He joined the Society as Financial Controller in 2015, a position he held for 18 months before moving to lead the trading team.

Mark joined the executive leadership team in 2019 as Chief Retail Officer and is responsible for leading the Society's food business.



Jim Plumley  
**Chief Development Officer**

After spending 21 years with the UK Co-op, Jim joined our Society in 1998. His career has seen him leading the marketing, sales and commercial teams.

In January 2016 Jim became Chief Development Officer overseeing current developments and managing the Society's wider capital developments plus other areas such as sustainability and store format evolution.

Jim is a member of the Jersey Fairtrade Committee, a trustee of the Society's pension scheme, and sits on the UK Co-op Group Council.



**WE ENSURE OUR COLLEAGUES ARE APPRECIATED, VALUED AND REWARDED FOR THEIR ACHIEVEMENTS**



**OUR COLLEAGUES ARE THE FACE OF  
OUR BUSINESS AND THEIR COMMITMENT  
MAKES OUR SOCIETY WHAT IT IS TODAY.**

# SOCIETY UPDATES

Being locally owned, we can focus on providing the products and services needed by islanders. We actively look to stock our shelves with local products and are proud to have local producers as partners.

Together we fund local community projects, charities, environmental initiatives and whole range of life-affirming work.



## FINANCE:

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Turnover	<b>£185.0m</b>
Trading profit	<b>£7.2m</b>
Net surplus	<b>£2.4m</b>
Cash	<b>£45.6m</b>
Members funds	<b>£165.9m</b>
Investment property income	<b>£2.0m</b>



## MEMBERSHIP:

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Total members	<b>129,696</b>
Active members	<b>101,505</b>
Trade with our members	<b>85.7%</b>



## SOCIETY:

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Donated to charities	<b>£0.2m</b>
No of charities supported	<b>149</b>
Electricity used	<b>6.4m kwh</b>
Spent with local suppliers	<b>£10m</b>
Food and fuel sales	<b>£171.8m</b>
Pharmacy	<b>£10.3m</b>
Funeral	<b>£1.7m</b>



## HR:

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Number of colleagues	<b>1,149</b>
Number of years experience	<b>7,259</b>
Colleague engagement	<b>79%</b>

# OVERVIEW

## TURNOVER

### £185m

Overall, turnover has increased by £521k year on year but the impact of the Covid-19 pandemic affected the Society's different businesses in different ways. Turnover from the food business, which represents 86% of the Society's total turnover rose by 3% to £159m. The Society's chain of seven pharmacies also performed well with sales of £10m, a 14% increase from 2020. The growth in the food and pharmacy businesses offset a reduction in commission from selling holidays and foreign exchange and a 26% reduction in sales of road fuels, areas of the business that were significantly impacted by Covid-19.

## FOOD

### £5.2m increase in food sales

Member and customer shopping habits changed as a result of Covid-19 with a shift to bigger shops less frequently in out of town stores. New ranges such as the premium Cook frozen food range and Co op's own brand vegan-range Gro, initiatives such as the refillable milk and produce stations, together with introducing eight new local suppliers into stores and extending the range offered by another 15 also helped boost sales with a £5.2m 3% increase year on year. High colleague engagement, a focus on safe operational standards, investment in technology and the Society's ability to adapt quickly to the challenges posed by Covid-19 also supported the increase.

## INVESTMENT PROPERTY INCOME

The Society has a large and diverse investment property portfolio across the Channel Islands. This includes the Premier Inn and Dunelm sites in Jersey, development sites such as Leale's Yard in Guernsey and numerous commercial and residential units, generally as part of Society food stores. Rental income from the Society's investment property portfolio was £2m, a decrease of 13% on 2020. The reduction was as a result of the change of use of some properties such as the former JFTU site at Sion to bring them into use by the Society, the sale of surplus properties, such as the Bellozanne warehouse, and support provided to small local tenants whose ability to trade was effected by Covid-19.

## OTHER BUSINESS AREAS

Turnover from our funeral business fell by £109k year on year. The Covid-19 restrictions meant that it was not possible to offer the full range of services that are usually available, but with 410 funerals being conducted the Society increased its market share in Jersey and is the market leader in Guernsey.

During 2020 the Society closed its medical business, transferring patients across to a new business set up by a number of GPs previously employed by the Society.

The Society took a similar approach to the closure of its travel business, which was significantly impacted by Covid-19, and which was ongoing at the year end. The Society also supported colleagues to set up their own ABTA bonded travel businesses and ensured that existing bookings were transferred in accordance with each customer's wishes.

## TRADING PROFIT

### £7.2m

The Society is pleased to have generated a trading profit of £7.2m in a year where the business faced some significant challenges. Trading profit is down 20% year on year but represents a strong performance when considered against the one-off costs associated with keeping members and colleagues safe during Covid-19 and restructuring the business.

The Society continues to have a strong balance sheet with member funds of £165.9m. Society membership grew by 333 this year. The cash balance of £45.6m was 38% higher than last year with members continuing to show their confidence in the Society through investing in the Class B share account and net cash from operating activities of £7m.

## PROFITABILITY

The Society's surplus was impacted by two significant one-off items during the year including:

- Exceptional costs associated with Covid-19 in particular, safety measures and personal protective equipment across the business.
- Business closure costs and central restructuring costs

In addition, the Society recognised a gain on the value of its investment property of £1.3m. The impact of the above one-off items is that the Society generated a surplus for the year of £2.4m.

## MEMBER'S FUNDS

### £165.9m

#### Member's funds increased by 8% on 2020

The Society's investment property portfolio value decreased by £213k to £54.3m in 2020. The sale of a warehouse in Jersey generated £2.9m which was offset by investment property additions and transfers of £1.4m and the impact of an independent valuation undertaken during 2020 which increased property values by £1.3m.

The value of the Society's fixed assets, including property, plant and IT equipment has reduced by £934k to £86.6m having taken a prudent approach to the valuation of trading properties.

Our pension deficit increased by £1.7m to £5.3m. The Society continues to make £1.1m of additional contributions annually into this closed defined benefit scheme in order to fund this deficit.

## CASH

The Society is able to fund its cash requirements both for working capital and capital expenditure, such as the ongoing development at Sion, from cash balances held. The only debt funding being a £4.6m loan with 2.5 years remaining on its St Helier Grande Marché store. The period end cash balance was £45.6m.



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**HIGH COLLEAGUE ENGAGEMENT, A FOCUS ON SAFE OPERATIONAL STANDARDS, INVESTMENT IN TECHNOLOGY ENABLED THE SOCIETY'S ABILITY TO ADAPT QUICKLY TO THE CHALLENGES POSED BY COVID-19.**

# OVERVIEW

## COVID-19

Since the beginning of the Covid-19 pandemic Society colleagues across all areas of the business have been nothing short of amazing. It has been a heroic effort to continue to provide essential services for our members, customers and communities.

Ensuring the safety of members, customers and colleagues, with a particular focus on the most vulnerable members of our communities has been, and will continue to be, the Society's number one priority.

The Society adapted in response to government guidance by implementing measures to enable social distancing, providing sanitising stations, increasing colleague support in store and ensuring appropriate personal protective equipment is available for all colleagues and readily available to purchase by members and customers. The challenges the Society continues to face vary across our business areas.

In the first few weeks of the pandemic, our food stores experienced significant panic buying which put huge pressure on the supply chain and resulted in short term availability challenges of certain items, including toilet rolls and pasta. Colleagues from the Society's support centres and the executive leadership team were all in store supporting colleagues to keep the shelves full. This quickly stabilised. Generally, more normal sales volumes are being experienced, but during periods of heightened restrictions shopping patterns have changed, with members and customers shopping less frequently and preferring out of town stores.

We quickly established a delivery service to vulnerable and shielding members and customers ensuring they were able to buy the groceries they needed from the safety of their homes. This service has evolved and in November the Society launched its online shop offering next day delivery across the Channel Islands in partnership with Jersey Post and Guernsey Post.

At the start of the pandemic, with doctors surgeries closing their doors, our pharmacies and pharmacy colleagues found themselves on the front line. At the peak of demand, prescriptions dispensed were up 62%, with an extra 15,000 prescriptions being fulfilled each week to meet requests for additional medication. We ensured vulnerable and shielding islanders had their medication delivered to their door. The demand for flu vaccines also increased, with the Society providing 1,835 vaccines last year.

Our funeral homes in both islands remained open for business, with arrangements carried out in accordance with government guidelines at all times.

Our fuel forecourts remained open for business too. With 'stay-at-home' requirements across both islands, most notably in Jersey, fuel sales fell by 26% year on year.

While we closed the doors of our travel business, in line with government guidance, we supported members and customers over the telephone and will continue to support travel colleagues to set up their own travel business and the transition of booking to these new, on island ABTA branded agents.

## LOOKING AHEAD

The Society's businesses across the Channel Islands have and will continue to put member, customer and colleague safety at the forefront of everyday activities to ensure we are able to provide essential services to our local communities.

The Society remains committed to improving the lives of members, customers, colleagues and the local communities that it serves. To do this it will continue to invest in the business to ensure a vibrant future. This includes more food store refurbishments, opening new outlets where possible and further investment in technology. Remuneration packages for our front line colleagues will be further enhanced in 2021 with market leading remuneration, access to private health care benefits and a pension scheme for all.

Development of the functionality of the Society's online shop, launched in November 2020 will continue to enhance customer experience. This will include adding more offers to the site, and the introduction of timed delivery slots.

Investment in the Society's property estate will continue, and we expect to complete the new store development at Sion later this year. During 2021, Covid-19 restrictions permitting, we intend to refurbish two stores in Jersey, and progress our plans for the Leale's Yard site in Guernsey.

The range of services offered through our pharmacies will continue to expand so that we can further enhance the depth and breadth of advice and treatment that can be offered 'over the counter'.

Our funeral business will continue to provide personal care and excellent service when it's most needed.

It is impossible to predict the full financial impact of the continuing Covid-19 situation on the 2021 / 2022 results with any certainty. But with the vaccination programme continuing there is increasing optimism of a return to a 'new normal'. The Society has a robust balance sheet and the resources it needs to continue for the foreseeable future.

Across all areas of the Society's business it is the combination of all stakeholders but most importantly members, colleagues and suppliers working together that will help deliver the Society's mission of delivering longer term member value while making a real difference to the communities we serve.



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**THE SOCIETY  
REMAINS COMMITTED  
TO IMPROVING THE  
LIVES OF MEMBERS,  
CUSTOMERS,  
COLLEAGUES AND  
LOCAL COMMUNITIES  
THAT IT SERVES.**

# OUR COLLEAGUES -BELONGING IS EVERYTHING

In our universe, **BELONGING** means a number of important things to people. It connects us with each of our audiences and embeds us deeper into our local communities. Investing in our colleagues and supporting them in their roles is very important to us.

## A HEARTFELT - THANK YOU

As this annual report went to print, we continue to live with the unprecedented challenge of the Covid-19 pandemic.

We would like to take a moment to say a big “thank you” to our colleagues across the business who continue to do a fantastic job under very difficult circumstances.

Without our colleagues we would not have been able to provide the best possible service to our customers, members, and communities.



*Our colleague Tiago, who had just finished an art and design course at Highlands College, helps to spread a bit of sunshine at our Sion store.*

## BEING AN EMPLOYER OF CHOICE

Percentage of colleague turnover as a moving annual total:

**11.57%**  
(last year: 25.74%)

Our colleague turnover figures continue to decrease. We believe it is thanks to numerous new initiatives the Society has rolled out this year.

All new colleagues are provided with a 13-week induction, our learning and development team across the islands supports new colleagues throughout their induction journey. We believe investing time into each and every new joiner is the key to success.

The introduction of performance management via our Co-operative Growth and Goals initiative has enabled colleagues and managers to evaluate their individual performances, recognise success and identify any development needs.

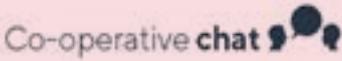
Managers have also been encouraged to 'lead with purpose'. This was a full training day for managers and above.

Colleagues were provided with regular updates during the Covid-19 pandemic. This evolved into comprehensive information about working at the Co-op, latest in-house updates, policies, FAQs and well-being tips. It was accessible on our website or via QR Code which means colleagues could access it at a click of a smart phone.

The above is just a short list of contributing factors that we believe have positively impacted our turnover figures. Decreasing by 14.17% in one year is a fantastic achievement.



**COMMUNICATING EFFECTIVELY**



**- Colleague Forum**

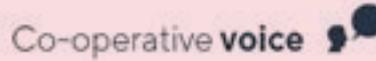
The Co-operative Chat colleague forum ensures that we listen and hear what colleagues' needs are. It obtains views, feedback, suggestions, concerns, or ideas from all levels of colleagues within the Society and demonstrates that opinions matter. What changes have happened?

*You said. We did.*

Focus area	Recommendations	Update
Double discount	Colleagues wanted more double discount weekends	More double discount weekends granted
IT issues in meeting rooms	We were asked to make meeting rooms more IT friendly	We have now vastly improved IT facilities in all Jersey and Guernsey meeting rooms
Medical cover	The question was asked whether medical cover should be a benefit to colleagues	Colleagues no longer need a five-year qualifying period to join the Simply Health scheme. All colleagues who work above 12 hours are eligible
Payslips	It was suggested that the payslips needed to be clearer	New payslips designed and are ready for launch

The Co-operative Chat initiative is getting the questions raised at the correct level. It means that the senior team are exposed to the questions that colleagues want to ask.

There are plenty more changes to come.



**- Engagement Survey**

79% of colleagues engaged in the survey which was an incredible result. We hope to build on this percentage year on year

Below are a few of the focus areas that were highlighted because of the Co-operative Voice.

Focus area	Recommendations	Update
Profit Related Pay Scheme ("PRP")	A new scheme to be designed, looking at other external reward schemes and defining what we believe will work for all colleagues in the Society	PRP has been redesigned and communication launched in 2021
Pay and benefits	We understand that pay and benefits will always be an area that our colleagues feel we need to improve on. We wanted to be totally transparent with all our colleagues and show the total reward package available and not just the base pay/hourly rates	Enhanced pay and benefits communicated which included enhanced, pay rates, medical cover, and holidays to name but a few
Opportunities for colleagues to develop and grow	We launched Co-operative Growth (personal development plans or PDPs) for colleagues to think about where they want to go with their career in the Society and how they can move this forward with our support	Co-operative Conversations are landing, all colleagues have Co-operative Goals and, where required, Co-operative Growth PDPs are in place.

**COLLEAGUE WELL-BEING**

As a co-operative, it is in our nature to care. We care about our colleagues, all 1,149 of them. With mental health being a vital initiative in an ever-changing world, the Society arranged for a number of colleagues to attend a two day mental health training course on a voluntary basis to become mental health first aiders able to support colleagues mental health needs. As we have worked through the challenges of Covid-19 there has never been a more important time to invest in the mental health and well-being of our colleagues.

Below are the Guernsey mental health first aiders after they all successfully completed the course.

Well done.



# RECOGNISING AND REWARDING OUR COLLEAGUES

Our annual service recognition awards could not take place this year due to the ongoing pandemic, but we would like to publicly celebrate each colleague's milestone anniversary. Congratulations and **THANK YOU** for your continued dedication and service.

## 50+ YEARS OF SERVICE

Janine Kermarec	Co-operative House
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## 45+ YEARS OF SERVICE

Ron Morris	Co-operative House
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## 40+ YEARS OF SERVICE

Jacqueline Hudson	St Peter
Teresa Coombes	St Martin
Angela Blougorn	Val Plaisant

## 25+ YEARS OF SERVICE

Tracy Batiste	St Andrew
Lorna Coleman	New Era Medical
Maria Jones	Co-operative House
Cris Doherty	Co-operative House
Jane Mellor	Val Plaisant
Andrea Falla	St Sampson

## 20+ YEARS OF SERVICE

Lurdes Goncalves	Georgetown
Carl Winn	Co-operative House
Mary Richomme	Georgetown
Maurice De Nobrega	St Helier
Gillian La Pavoux	St Martin
Cristina Gaspar	St Peter
Joao Calaca	St Peter
David Flinders	St Peter
Robert Hurley	Grouville
Manuel Ferro	St Peter
Lurdes Goncalves	St Helier
Caroline Coutts	Charing Cross
Margarete De Gouveia	St Helier
Tina Brown	St Peter
Augusta Daprato	Co-operative House
Carole Reland	Don Street Travel
Vipa Warren	St Helier

## 15+ YEARS OF SERVICE

Karla Jesus	St Helier
Francisca Williams	Financial Services
Marisel De Freitas	Georgetown
Samantha Topley	Longstore
Kerry Connaghan	Co-operative House
Lucilia Mendes	Charing Cross
Marika Gravleja	St Sampson
Veronica Vasconcelos	St Peter
Maria Canada	St Helier
Marisel De Freitas	Georgetown
Celeste Costela	Grouville
Tess Ganno	Maufant
Maja Duszkievicz	Co-operative House
Florinda Pinheiro	St Peter
Bruno Santos	St Peter
Miguel De Freitas	Co-operative House
Colette Sarre	St Martin

## 10+ YEARS OF SERVICE

Pedro De Jesus	St Helier
Paula De Jesus	Financial Services
Graciela Travanca	Colomberie
Glenn Drake	St Martin
Jorge Nascimento	St Helier
Ana Franca	Don Street
Daraporn Longnonnec	St Martin
Monica Camacho Figueira	St Helier
Michael Heyes	Co-operative House
Filipe Perestrelo	Sion
Mark Rennie	St Helier
Samantha Gasulla-Sole	Don Street Travel
Susana Guilherme	Pontac
Sofia Loureiro	Val Plaisant
Lauren Le Gallic	Longstore
Lidia De Freitas	St Helier

## 10+ YEARS OF SERVICE

Duarte Ribeiro	St Peter
Kieran Batiste	The Bridge
Jose Carlos Marques	Charing Cross
Tracy Guille	Bath Street Medical
Anne Brown	Don Street
Ana De Barros	Don Street
Rui De Sousa	St Helier
Emil Grzes	Val Plaisant
Inese Nartisa	St Martin
Rachelle Hopley	Co-operative House
Bernadette Colin	St Peter Travel
Maria Jasmins	Charing Cross
Alma Barrete	Georgetown
David Fernandes	Pontac
Steve Fernandes	Georgetown
Fabio Abreu Rodrigues	Beaumont
Inese Nartisa	St Martin
Ana Franca	Don Street
Custodia Goncalves	St Andrew
Glenn Daly	St Helier
Paulo Gouveia	Financial Services
Tracey Dowinton	Argent Funeral Care
Irene Carson	St Sampson Travel
Roberto Figueira	St Peter
Steve Higginson	Co-operative House



Ewa, a colleague from our Beaumont store made smiley face masks to share among everyone working at the store.

## YEARS OF EXPERIENCE

Here at the Co-op we pride ourselves on being experts in our field. The below shows how many years of experience each of our trading units has in total.

Channel Island Co-operative Society	Total amount of colleague experience in years
<b>ISLAND</b>	
Guernsey	2,130
Jersey	5,129
<b>FOOD GUERNSEY</b>	
Bridge Locale	38
Forest En Route	117
L'Aumone En Route	56
Longstore Locale	148
Market Street Locale	151
Royal Terrace Locale	76
St Andrews En Route	84
St Martin Grande Marché/En Route	563
St Sampson En Route	65
St Sampson Grande Marché	447
Vazon Locale	110
<b>FOOD JERSEY</b>	
Beaumont Locale	178
Colomberie Locale	71
Charing Cross Locale	178
Don Street Locale	121
Georgetown Locale	250
Grouville Locale	100
Maufant Locale	86
Pontac Locale	104
Sion Locale	50
St Brelade Locale	155
St Helier Grande Marché	1,145
St Mary En Route	40
St Peter Grande Marché	780
St Peter's En Route	117
Val Plaisant Locale	127
<b>NON-FOOD GUERNSEY</b>	
Argent Funeral Care	34
Guernsey Post Office	54
Market Street Pharmacy	26
Smith Street Pharmacy	67
Queens Road Pharmacy	50
<b>NON-FOOD JERSEY</b>	
De Gruchy Funeral Care	35
Jersey Post Office	281
Bath Street Pharmacy	35
New Era Pharmacy	61
St Helier Pharmacy	48
St Peter Pharmacy	55
<b>SUPPORT OFFICES</b>	
Guernsey	44
Jersey	1,112



“

**WE UNDERSTAND, RESPECT AND ACTIVELY EMBRACE THE DIFFERENT BACKGROUNDS, ABILITIES AND BELIEFS OUR COLLEAGUES BRING TO WORK, KNOWING THE POSITIVE IMPACT THESE QUALITIES MAKE.**

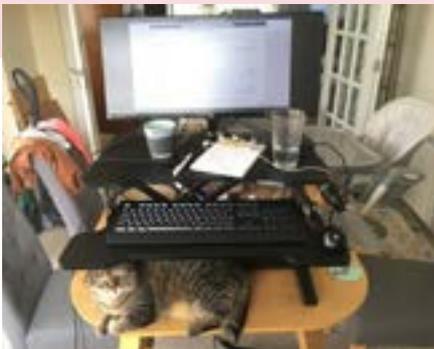
# WORKING FROM HOME

Covid-19 has been a running theme throughout this report for obvious reasons. Colleagues have had to adapt to a different and sometimes unique style of working. Take a look at how some colleagues adapted.

Although a challenging time colleagues remained connected and kept up morale by conducting weekly quizzes from general knowledge to a guess who baby picture quiz of some of the senior team.



Hugh from Facilities gets guidance from his assistant Vinnie (on the right).



Personal space seems to be an issue between Tommy the cat and Ell from Marketing



Iain from the executive leadership team is provided with some valuable insight from his son James.



Steve from IT takes full advantage of the working from home dress code

Colleagues working from home were engaged through regular surveys regarding their feelings and thoughts about home working, what was working well and what additional support they would like. As we re-phased back to the office, and then back out again, we actively took colleague circumstances into consideration.

A well-being help and support guide was issued for colleagues and their families which detailed various online support groups. A home working pack was created, this detailed useful guidance for homeworkers, how to use Microsoft Teams which enabled colleagues to stay connected remotely and how to access the online colleague bulletin that is regularly updated regarding the ever changing Covid-19 guidelines on both islands.

Although extremely challenging colleagues have consistently conquered every challenge that has faced them, and we are extremely grateful and proud.



**LOCKDOWN MOHAWK, THAT'S A THING, RIGHT?**



Helen from HR taking a breather from work

# OUR COMMUNITY



## 2020 - THE YEAR WE LEARNT THE REAL IMPORTANCE OF CO-OPERATION

No-one could have predicted or imagined the challenges our islands would face during 2020. But if the global pandemic taught us anything, it is that community spirit is very much alive in our islands and shines brighter than ever before.

For us as a community retailer, it emphasised the meaning of why our vision of making a real difference to the communities we serve is so important. It was a time when actions had a greater meaning than words and became a call for us to live by the values we encourage.

2020 gave us the opportunity to fully appreciate what a real difference we can make when we work together, the changes we can bring when we put purpose before profit, and truly understand the role we play in our communities.

## MAKING A REAL DIFFERENCE IN OUR COMMUNITIES

Despite the global and local challenges that defined 2020, we still continued to honour our commitment to supporting and championing the causes that matter to us.

Environmental issues have always been of immense importance to us. Our commitment to sustainability remains a cornerstone of our operating model. We know from feedback that this is a concern that our members share too.

We began 2020 by planting more than 1,300 trees and hedgerows across Jersey and Guernsey helping to create a lasting green legacy.

2020 was also a year that brought our highest ever number of applications for our Eco-fund. From over 60 entries, we donated £24,000, double the amount we donated in 2019, to 22 worthy organisations across the islands. Further proof of the significance our unique island homes hold with our members.

Last summer, we became the first major retailer in our islands to introduce a loose produce refill station. Met with intrigue and excitement, our refill was a popular addition to many customers shopping experience, helping to reduce packaging and waste for 30 staple household items.

## WORKING IN PARTNERSHIP

Our colleagues across the Society went above and beyond to support others during the height of the pandemic. We were proud to offer a home delivery service to vulnerable islanders, offering those who had to isolate the chance to ensure that they had the essentials they needed in order to do so. Hosting a support service such as this is a mammoth task and the result of many aspects of our Society coming together.

From colleagues in stores picking food from shelves for thousands of shopping lists, to teams being at the end of the phone to take lists of essential items from isolated islanders, to the hard-working drivers and volunteers that helped us to safely deliver the gratefully received goods, it was a real example of how co-operation can work to bring a service together virtually overnight.

### THANK YOU



**OUR COLLEAGUES ACROSS THE SOCIETY WENT ABOVE AND BEYOND TO SUPPORT OTHERS DURING THE HEIGHT OF THE PANDEMIC.**

## IN THE SPIRIT OF COMMUNITY AND KINDNESS

As a challenging year drew to a close, the consequences of Covid-19 were still very evident in our communities. In any given year, Christmas can be tough, but 2020 saw more islanders seeking support from charitable organisations than usual.

This is why we teamed up with local charities including the Salvation Army, Shelter Trust, Grace Trust, Causeway Association, Sanctuary Trust, Guernsey Welfare Service, Safer and Bright Beginnings to provide a 'Christmas in a box'. Filled with a few essentials, plus some festive treats, 388 boxes were delivered to those most in need to help share a little Christmas sparkle and kindness.

Food banks also played crucial role within our community. Even before the pressures of the pandemic, those who found themselves falling through the gaps of support systems have found food banks make a real difference to everyday life.

Thanks to donations from our members to our food collection points in store, we were able to support food banks run by Guernsey Welfare Service and Jersey Shelter Trust throughout the year. It is these kind donations of simple, everyday items which make a huge difference to those working at or visiting these local lifelines.

As we move forward past an unforgettable and unusual year as a Society, we will look back on 2020 as one of the most challenging years in our entire history. Yet, it was a year which brought us closer together than ever before. For us, belonging is everything and we will continue to work alongside our members to focus on the key values that matter most; ethical trading, working with our local suppliers, preserving our beautiful islands, being more sustainable and supporting local charities and causes.

When a community comes together, we can achieve incredible, life-changing things.



# OUR LOCAL PARTNERS

As a locally owned co-operative, with strong values and ethics and a long heritage in the islands, we have a lot to be proud of. What sets us apart from other retailers is that the heart of our vision is 'community' and being part of something local to our islands.

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

Money spent in our stores stays local, because we employ local people, are owned by local people and can source products and services from local businesses that do the same. We return dividend to local people too and that money starts back at the beginning of the cycle.

Last year nearly £10 million of goods were purchased from over 50 local producers, here's just some of their stories...



## “ ALL OUR PIES ARE HANDMADE AND AS LOCAL AS I AM.

It's hard to imagine that a competing water skier and someone who helped launch the British Disabled Water Ski Association would end up selling gourmet pies and meat in Jersey.

But that is exactly the case for Jon Hackett, who bought his first pigs as a means of getting rid of excess milk.

Now Jon and his wife, Jenny, are the friendly faces behind Me and the Farmer and some delicious homemade pies and locally bred pork.

Jon Hackett, Brookland Farms, Jersey

## “ OUR LOCAL LIQUEURS ARE MADE IN SMALL BATCHES THE TIME-HONOURED WAY.

James Le Gallez is the 'Willy Wonka' of the alcohol world. He has always wanted to mix and match liquids, even as a young kid when he would spend hours mixing different cordials to make the perfect concoction.

So it would seem fitting that he is now the owner of award-winning and boutique liquor company Haut Maison.

What started as a friendship with the founders of the business soon turned into them asking James if he wanted to buy it. James took over in 2017 and since then the business has gone from strength to strength and the young businessman now has new tipples under his belt.

James Le Gallez, Haut Maison, Guernsey



## “ I LOVE THAT I AM ABLE TO SHOW THE CHILDREN WHY WE FARM ORGANICALLY.

Louise and her husband Laurence bought fields in Trinity and started Douet Farm in 2012. Alongside their day jobs, Louise and Laurence started the farm initially as a hobby starting with producing 100% grass fed beef and lamb.

After five years of producing beef and lamb on a small scale Louise and Laurence fell in love with farming. Realising the shortage of goat's milk in Jersey, they spent a year planning their new goat venture before officially setting up an organic goat dairy farm with goats imported from Yorkshire in 2018.

Louise Agnés and family, Douet Farm, Jersey



“ WE WANTED TO CREATE A LIFESTYLE BRAND AND THAT'S WHAT WE HOPE STINKY BAY IS FOR PEOPLE.

Matt and Digby have been friends since school and both spent their summers working in Jersey and their winters further afield.

Matt was working in Canada and after Digby visited for three weeks they both decided it was time to come home and have a go at producing beer... after so many years of drinking other beers.

Stinky Bay was launched in 2017 and since then it has gone from strength to strength. Although Digby has now left the business to explore other ventures, Matt has plenty of plans for the future.

Matt Topman and Digby Ibbotson, Stinky Bay, Jersey

“ PICKING UP SOME LOCAL PRODUCE HELPS PRESERVE OUR COUNTRYSIDE.

Dave's farming roots began at a young age when he bought his first cow which he kept in his parent's garden.

He then purchased some land and his first farm and little by little his land has increased, as has his herd and he also diversified into growing potatoes.

Nowadays, Guernsey Farm Produce manages some 800 verges of farming land which is rotated between potatoes and a herd of some 150 milking cattle.

It means that they are one of the larger dairy farms on the island and supply the Guernsey Dairy who then go on to supply the Society with fresh, local Guernsey milk.

Dave Cowley, Guernsey Farm Produce, Guernsey



“ I HAVE BEEN PICKING POTATOES SINCE BEFORE I COULD WALK.

Everyone loves a Jersey Royal - whether you have them served warm soaked in Jersey butter and mint, roasted, or cold in a salad - but for some the Jersey Royal is more than a dinnertime ingredient, it's part of their life.

This is the case for Dougie who's worked on his family's farm from the age of 16.

The Richardson family have been farming in Jersey since the 1500s. And Morville Farm in St Ouen, where Dougie now lives, has been the family home since 1952.

Dougie Richardson, Richardson's Jersey Royals, Jersey



“ FORT GREY IS THE ONLY BLUE CHEESE MADE IN GUERNSEY FROM LOCAL MILK.

Meet super mum Fenella Maddison who owns local business Torteval Cheese, a small cheese-making business in Torteval, Guernsey.

Fenella runs the business on her own in her cheese room which is attached to her house. The cheese room was originally a single garage, so you can imagine how small it is. However, she thoroughly enjoys working so close to home.

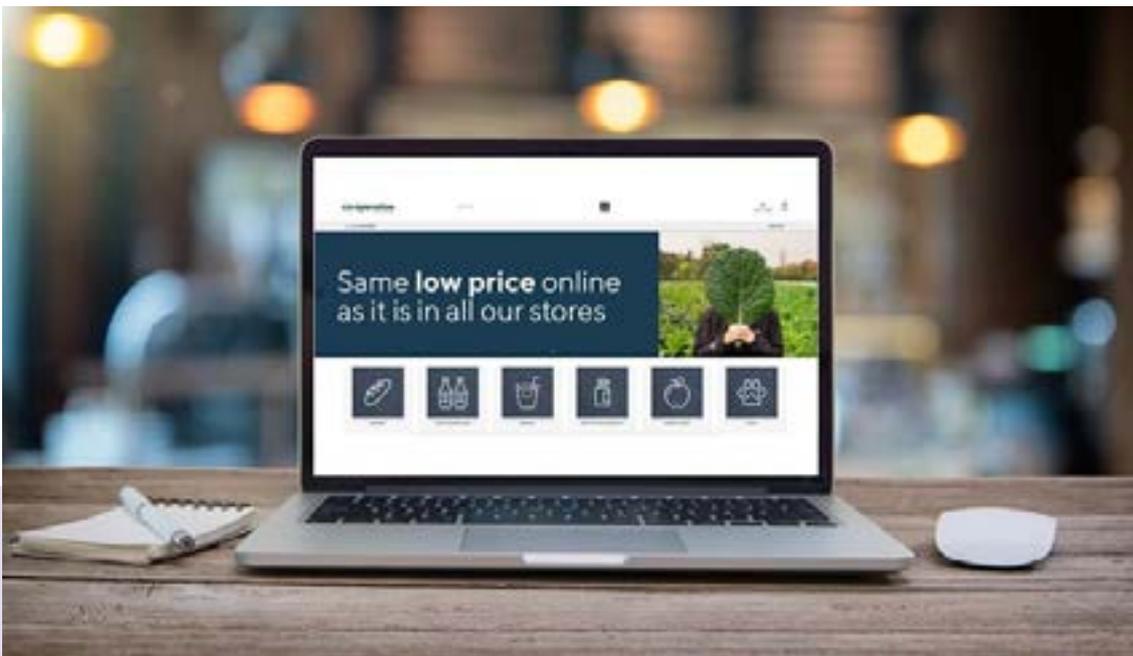
Fenella Maddison, Torteval Cheese, Guernsey



# MEMBERSHIP MATTERS

We're owned by a membership of almost 130,000, so being a member of the Channel Islands Co-operative Society gives you the opportunity to belong and be part of something bigger.

Here's just some of the highlights which have benefitted our members over the past year.



## FROM SCREEN TO DOOR

**The Society became the first local retailer to offer a pan-island grocery delivery service using local partners Jersey Post and Guernsey Post.**

What started as a scheme for home deliveries to support elderly and vulnerable islanders who had no other means of getting essential food supplies has now been established as a permanent offering.

With a range of over 5,000 products including bakery, cupboard staples, fresh food and laundry, to name but a few, members and customers can benefit from next day delivery if they place their order before 10pm between Monday and Saturdays.

Since its launch over 9,000 members and customers have registered to use the service and we at its peak processed over 4,500 orders in just one month.



**SINCE ITS LAUNCH  
OVER 9,000 MEMBERS  
AND CUSTOMERS  
HAVE REGISTERED TO  
USE THE SERVICE**

## EVER WONDERED WHO OWNS CO-OP SHARE N° 1?



Carol Romeril has done it all – run a café, sold fudge at Living Legend, owned Jersey cows, produced her own clotted cream and bred gun dogs. But the thing that makes her stand out for us is that she is the proud owner of Co-op share number 1.

Share number 1 was not originally Carol's (after all, she wasn't around 100 years ago when her share number was created). It is in fact a number she acquired through a good friend and previous owner of the café she ended up running for a number of years.

The Islander, who is in her eighties and the proud owner of dogs Poppy and Lulu, is a regular shopper at the Society's Locale store at Sion and is known by many of the staff as 'Mrs Share Number One.'

Originally from the Forest of Dean, the mother-of-two moved to Jersey in her 40s. Her parents already lived in Jersey. She said: 'When I came to Jersey I had quite a lot to do with the Milk Marketing Board and I thought about going to work for them but my dad said he didn't think it was right for me. He suggested going to see Robbie at the café and asking him if he had a job.'

Robbie Blackburn was the owner of Café Miko at Les Quennevais but was looking to sell the business and be closer to his children who lived in Australia. Carol's father lent her £15,000 to buy the café.

'Robbie stayed a few weeks to show me the ropes before going. He came back and he wasn't very well. I think he came back in the March and the following September he died of cancer. He was really kind and gentle. He got on really well with his customers and was well liked across the whole Island.

It wasn't long after selling the café – to spend more time with her mother who was ill – that she decided she couldn't just sit around doing nothing. Carol applied for a job selling fudge at the Living Legend.

She said: 'I started on quite a low wage just to see if I liked it. After a month they offered me a job at £200 a week, plus bonuses, which was really good money at the time. It was quite good fun and on one of my best days I sold £1,500 worth of fudge.'

The Islander lost her husband, Harold, in 2002 and now lives with her two dogs, a few chickens and her parrot Joey. She enjoys pottering in her garden and playing Scrabble on her computer.

'The staff at the Co-op are really helpful, cheerful and pleasant. The staff will carry my bags to the car for me if they are too heavy and will always do their best to help me if I'm struggling.'

## YOUR SOCIETY GOES VIRTUAL



Chief Executive Officer Mark Cox, presenting during the Society's first ever online AMM, and while the technology may have been advanced, some non-technical solutions had their uses too.

Our Annual Meeting of Members ("AMM") is one of the most important events of the year for our members, not only does it signal dividend payout, but more importantly it gives them the opportunity to get democratically involved in key decisions about their Society and ask questions of the board and executive leadership team.

As the impact from Covid-19 became more widespread, resulting in lockdown across the islands, the Society had two choices; postpone the AMM until the end of the year once things had returned to normal, or find another way of holding the event, without comprising the safety of our members and colleagues.

Postponing the event wasn't an option. Dividend payout is eagerly anticipated by our members, the queue for the counters to withdraw is as much a tradition across both islands as Christmas is. However, this year more than ever our members were going to be relying on this additional income to help support them.

### THERE WAS ONLY ONE OPTION - GO VIRTUAL

Over 120 members registered to 'attend' the event and the feedback was incredible. A quarter of those who watched had never been to an AMM before, demonstrating the need to be able to continue to provide our members with an alternative to attending a physical meeting.

## DOUBLE DIVI TO DIGITAL DIVI

April saw another tradition brought into the 21st century, our stamps went digital. As part of safety measures to prevent the risk of spreading Covid-19, we stopped issuing double dividend stamps on Tuesday and Wednesdays.

There were two reasons for us doing this; it didn't feel safe to be handing out stamps and encouraging members to stick them to cards,

and we didn't want to encourage our members to come to stores specifically on those days in order to get their stamps.

Instead, all of our members would receive a 1% bonus dividend on their qualifying purchases, every day of the week.

This bonus dividend is accumulated alongside a member's share account where they can

transfer it over to earn interest, or take it out as cash.



**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.**





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# STRATEGIC REPORT

## ADVISERS

### Registered Auditor

#### Grant Thornton Limited

Kensington Chambers, 46/50 Kensington Place,  
St Helier, Jersey, JE1 1ET

### Actuary

#### BWCI Group

Kingsgate House, 55 Esplanade, St Helier, Jersey, JE2 3QB

### Bankers

#### Royal Bank of Scotland International Limited

Royal Bank House, 71 Bath Street, St Helier, Jersey, JE2 8PJ

### Property Advisers

#### Buckley and Company Ltd

31-33 New Street, St Helier, Jersey, JE2 3RA

### Legal Advisors

#### BCR Law (Advocates and Solicitors)

12 Hill Street, St Helier, Jersey, JE2 4UA

#### Mourant Ozannes (Advocates and Solicitors)

22 Grenville Street, St Helier, Jersey, JE4 8PX

#### Randell and Loveridge (Advocates)

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

## CORPORATE INFORMATION FORMATION

The Channel Islands Co-operative Society (the "Society") is registered under the Industrial and Provident Societies Act 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978), and has its registered office at 57 Don Street, St Helier, Jersey JE2 4TR. The Mutuals Section of the UK Financial Conduct Authority acts as registrar for Industrial and 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; and
- a non-regulated financial services business in Guernsey, which is registered with the Guernsey Financial Services Commission.

During the period under review, the Society operated a general insurance mediation business which was registered with and regulated by the Jersey Financial Services Commission. That registration was revoked by the Jersey Financial Services Commission on 3 February 2021 at the Society's request following the closure of its Travelmaker, travel agency business.

## SUBSIDIARIES

### The Society has four wholly owned subsidiaries:

- Offshore Leisure Limited, a Jersey registered company (number 77830) incorporated on 28 July 2000 and has its registered office in the island of Jersey;
- F. Mallett and Son Limited, a Guernsey registered company (number 619) incorporated on 26 June 1962 and has its registered office in the island of Guernsey;
- JFTU (Property) Limited, a Jersey registered company (number 101370) incorporated on 22 July 2008 and has its registered office in the island of Jersey; and
- Bridge Regeneration Company Limited, a Guernsey registered company (number 67088) 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% controlling shareholding in Jersey Pharmacy Services Limited (JPSL), a Jersey registered company (number 89296) and has its registered office in the island of Jersey. The Society also has a 5% shareholding in Lloyds (Chemists) Limited.

### Jersey Pharmacy Services Limited has two subsidiaries:

- Edgar Holdings Limited, a Jersey registered company (number 48212) incorporated on 29 August 1990, a wholly owned subsidiary of JPSL; and
- Lloyds (Chemists) Limited, a Guernsey registered company (number 1125) incorporated on 3 October 1967, of which JPSL owns 95% of the issued share capital.

## MEMBERSHIP

As at 10 January 2021, the Society had a membership of 129,696. The changes in membership during the period were as follows:

### The changes in membership during the period were as follows:

12 January 2020	129,363
New members	1,038
Accounts closed	(705)
<b>At 10 January 2021</b>	<b>129,696</b>
Of which:	
Guernsey members	45,913
Jersey members	83,783
<b>At 10 January 2021</b>	<b>129,696</b>

## 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 leadership 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 Operating and Risk Officer. The executive leadership team is responsible for overseeing and operating the Society's integrated systems and controls for identifying and mitigating risk. The executive leadership team are also responsible for escalating emerging risks and proposed methods for mitigating such emerging risks to the Audit and 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

	Description	Mitigation
<b>Competition and Substitution</b>	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.	The executive leadership 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. For example, we launched our online e-commerce site during 2020 in response to people being restricted during lockdown.
<b>Society Members and Customers</b>	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.	The executive leadership team is delivering plans regarding 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.
<b>Scope for Growth</b>	The scope for growth in the core retail food sector in the islands is finite.	The board seeks to maximise the return on capital employed through strategic investments, which are aligned to the Society's objectives and values. Although growth in the core retail food sector is finite, we aim to maximise our share of the market by opening stores in areas of growth, and by making better utilisation of existing space. There are also sub-markets within food, such as online, which can provide growth. In addition, the board review other diversification strategies which could be built on our core strengths.
<b>Economic Environment</b>	The main challenge facing the Society is the long-term economic effect following Covid-19. The effects of this are not fully known yet, as there are many moving parts, however the UK is most likely to enter a recession. Whilst the islands are usually better protected than the UK during recessions, this could lead to pressure on margin. The effects of negative interest rates, and inflation are also unknown at this point.	The executive leadership 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.

# STRATEGIC REPORT CONT.

## STRATEGIC RISKS CONT.

	Description	Mitigation
<b>Political Factors</b>	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.	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.
<b>Succession</b>	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. This risk is increased following Covid-19 and Brexit as movement of people to the islands is restricted even more.	The Society has completed its leading with purpose programme and talent management review and has recently completed a full review of remuneration across all roles to ensure that it remains competitive in the marketplace. An Interim Chief Human Resources Officer has been recruited who will continue the leadership programmes and review the succession plan during 2021.
<b>Property Values</b>	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.	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. During Covid-19 the Society have offered rental holidays to tenants to ensure that the correct levels of support is given to allow for gaps in income during the lockdown.
<b>Covid-19 Virus</b>	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.	An incident response team, chaired by the 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. Supply chains are being monitored with local supply in place where possible. The care division will continue to work with government to ensure continuity of service for the duration of the outbreak. The Society holds many different types of personal protective equipment for the different areas it operates in and has bulk stock of sanitizer and face coverings.

## FINANCIAL RISKS

	Description	Mitigation
<b>Equity Structure and Liquidity</b>	The Society's share capital includes the balances on member share accounts which may fluctuate and affect the level of borrowing required.	The Society has adopted prudent liquidity criteria in its financial strategy. The Society began to offer Class B shares in September 2018 with a 90-day notice period. At the period end this class had a balance of £31.7 million.
<b>Pension Scheme Funding</b>	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.	The Society and the pension 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.

## INFORMATION SECURITY RISKS

	Description	Mitigation
<b>Information Security</b>	The Society is subject to the requirements set by the Jersey and Guernsey Financial Services Commissions, 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.	The Society follows the industry recognised Cybersecurity Capability Maturity Model ("C2M2") and employs a number of information technology ("IT") colleagues who specialise in this area. The C2M2 model is then reviewed annually by external experts to provide the appropriate third line response.

## OPERATIONAL RISKS

	Description	Mitigation
<b>Business Resilience</b>	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.	The Society has invested and continues to invest to enhance its 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.
<b>Change and Project Management</b>	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.	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.

## REGULATORY RISKS

	Description	Mitigation
<b>Health and Safety</b>	The Society is subject to the Health and Safety Laws of Guernsey and Jersey. A breach of these laws may give rise to regulatory sanctions and reputational damage.	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 colleagues are appropriately trained and aware of the risks within the business together with the proper operation and maintenance of store equipment.
<b>Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)</b>	The Society must at all times comply with AML/CFT regulations overseen by the Jersey and Guernsey Financial Services Commissions. Failure to comply with applicable laws, orders and regulations may lead to regulatory sanctions, reputational damage and financial penalties.	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 reviewed annually by third party experts. 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. The risk and compliance team has been restructured during 2020, with specialist colleagues who have significant anti-money laundering experience being recruited into the regulatory roles.

## DATA PROTECTION RISKS

	Description	Mitigation
<b>Data Protection</b>	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.	The Society continues to take significant steps to ensure that it complies with the data protection laws. The Society employs a Data Protection Officer whose work ensures that the Society continues to be legally compliant.
<b>Compliance with legislation and regulation</b>	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.	The Society strategy specifically highlights a priority to 'get smarter about governance, risk and compliance'. To achieve effective risk management and compliance, the Chief Operating and Risk Officer within the executive leadership team has the specific responsibility for risk and compliance across the Society. Below them, the Head of Risk and Compliance, reporting to the Chief Operating and Risk Officer manage the risk and compliance team, consisting of health and safety, food safety, information security, data protection, income protection and financial services anti money laundering. This 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.

# GOVERNANCE REPORT

The board is pleased to present its governance report to members for the period under review. Best co-operative governance practice underpins the operation of the Society which is run democratically with focus on the needs of its members and the communities it serves. The board would welcome questions from members regarding this report which should be submitted via the Chief Governance Officer and Society Secretary.

## GOVERNANCE CODE

As a co-operative, the Society is not required to adhere to the provisions of the UK Corporate Governance Code which is for listed companies in the UK. However, it has chosen, so far as is practical and appropriate, to adopt the Co-operative Corporate Governance Code 2019 (the "Code") issued by Co-operatives UK, the co-operative federation for co-operative enterprises in the UK, which provides guidance on the good governance of co-operatives. The Code is based on the principles contained in the UK Corporate Governance Code and the Wates Corporate Governance Principles that apply to most organisations whilst acknowledging the governance characteristics of co-operatives. In addition, the board is committed to the International Co-operative Alliance (the "ICA") Values and Principles and reaffirms its commitment to them annually. The ways in which the board has applied the Code are detailed below.

### 1. MEMBER VOICE, PARTICIPATION AND ENGAGEMENT "DEMOCRACY AND ACCOUNTABILITY"

#### What the Code requires:

Co-operatives are member-owned democratic organisations that must demonstrate a clear chain of accountability between the members and their boards where members have clear democratic rights enabling them to hold their boards to account collectively.

#### How the Society has applied the Code:

**Voting Opportunities and Annual Meeting of Members** – the Society's members are encouraged to attend the Annual Meeting of Members' ("AMM") and exercise their democratic rights. The Society actively promotes attendance at its AMM in a variety of media, greatly exceeding the notice requirements 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.

**Diversity** – the Society is committed to respecting the rights and diversity of its members, colleagues and people dealing with the Society by treating them fairly and not discriminating on any grounds. These values and principles have been enshrined in the Society's Rules and Colleague Employment Guidebook.

### 2. CO-OPERATIVE LEADERSHIP AND PURPOSE "EFFECTIVE AND ENTREPRENEURIAL LEADERSHIP"

#### What the Code requires:

Every co-operative should be led by an effective and entrepreneurial board, which is accountable to, creates and preserves value and impact for its membership and is collectively responsible for the long-term sustainable success of the business in accordance with the ICA Values and Principles

The board should, in consultation with co-operative members, set the co-operative's purpose, strategy and values having proper regard for the ICA's Values and Principles and satisfy itself that its policy, procedures and culture are appropriately aligned.

The board should establish a framework of prudent and effective controls which enable risk to be identified, assessed and managed

The board may choose to delegate to the executive leadership team, if appropriate, using a clear and appropriate framework of delegation, ensuring regular reporting by the executive on the performance of the co-operative.

The board should ensure that the policies and processes are consistent with the co-operative's values.

#### How the Society has applied the Code:

**Role of the board** – the board operates to a defined statement of its role and responsibilities, (the "Statement"). In accordance with the Statement, the board determines the Society's purpose, strategy and the culture it seeks to engender, as well as its vision, mission and values and then monitors delivery of these goals as well as identifying and managing risk. The board has delegated the day-to-day management of the Society's activities to the Chief Executive Officer and the executive leadership team who, are responsible for the execution of the Society's strategy within the framework laid down by the board. The Society's Rules include certain duties and responsibilities that are the sole preserve of the board including all matters concerning the application of the Society's Rules and approving all capital funding, property acquisitions and disposals.

#### ICA Values and Principles

The board adopted 5 core values:

- Co-operation: Embracing the ICA Values and Principles in everything we do
- Openness: Honesty and trustworthiness in what we say and how we behave – being prepared to listen
- Passion: Pride in our business, determination to succeed, radiating positive energy
- Empowerment: Providing opportunity, encouraging contribution and involvement, believing in our people
- Recognition: Ensuring our colleagues are appreciated, valued and rewarded for their achievements

The board seeks to ensure that the ICA Values and Principles define everything that the Society does. Every year the board reviews the ICA Values and Principles and re-affirms its commitment to them. When making decisions in relation to substantial business decisions the board will reflect on whether proposals before it properly reflect the ICA Values and Principles.

**Creating Value** - The board approved the Society's strategic priorities - 2020, (the "Strategy") which stated that the Society's mission is to protect and develop long-term value by:

- creating economic value for members in a way that also creates value for the community
- serving members in Jersey and Guernsey by providing valued and trustworthy services that represent good quality at a fair price and are available at the time of need
- investing wisely in the Society and returning profit to the community through the payment of dividend
- retaining money and growing talent in the local community by supporting local producers and suppliers, and by offering colleagues the opportunity to grow and develop
- demonstrating that we understand and can respond to the issues our community cares about, as well as showing leadership by taking action ourselves and campaigning for other
- doing the right thing and operating in a sustainable and ethical way
- following the ICA Values and Principles

The board also committed itself to the pursuit of a "triple bottom line" comprising:

- non-financial elements, including: member economic involvement, member participation and customer satisfaction
- sustainability, including: economic, social and governance goals
- financial elements, including profitability, financial stability and growth

**Sustainability and Long-Term Success** - The strategy states that the Society exists to develop and protect member value over the long-term. The board has taken a range of steps to sustain the business over the long-term. It has set a goal of returning a stable 4% dividend on qualifying purchases each year over the long-term and reinvesting profits in the business by seeking to deliver a 2% net surplus. It has also set rigorous standards for appraising investment decisions to ensure that appropriate returns are achieved on the Society's assets.

The board considered regular assessments of the effect of the Covid-19 pandemic on the strategy in order to protect the Society's performance. This process of regular re-forecasts and impact assessments helped the board to oversee the Society's response to the pandemic and helped to secure a successful trading position and protect the Society's assets in members long-term interests, without compromising on the Society's values. It also ensured that the board was able to oversee an ethical response to the need to serve our members and the community through our core retail operations, whilst protecting the well-being of our courageous front line colleagues and all who visited our trading locations during these challenging times.

**Risk Management** - To facilitate the effective identification, assessment and management of risk the board has overseen the development of a new risk management framework, as detailed below.

**Delegation** - With the exception of the Chief Executive Officer, the board is comprised of non-executive directors who have delegated the executive management of the business to a professional management team. It has established a clearly defined range of matters which are reserved only to the board and it monitors the system of internal control through its Audit and Risk Committee.

The board receives and reviews a detailed performance monitoring pack from the executive leadership team for each of the 13 periods in each financial year. The performance monitoring pack contains the management accounts for each period and segment of the business, together with commentaries from each member of the executive leadership team.

**Democratic Governance** - The Society is a democratic organisation governed by Rules that enshrine the equal voting rights of members and define those matters that are the exclusive preserve of the members. Members are encouraged to exercise their democratic rights by attending its AMM and Special Meetings of Members' ("SMM"). In addition, the Society obtains feedback from members through focus groups and its website and members' portal.

**The President** - the board is chaired by the president of the Society who is elected by the board each year the first board meeting following the AMM. The role of president is a crucial one: leading the board in setting the Society's strategy, achieving its objectives and working closely with the Chief Executive Officer to meet these aims.

**The Chief Executive Officer** - the board recognises the fundamental role played by the Chief Executive Officer and his relationship with the board is key to the success of the Society. For this reason, the Chief Executive Officer is a director. The Society's Rules prescribe that the board appoints, removes and fixes the Chief Executive Officers' remuneration and that the Chief Executive Officer cannot chair board meetings or be the Society Secretary.

**The Secretary** - the board recognises the key role played by the Chief Governance Officer and Society Secretary in helping the Society meet its objectives and in facilitating communications between management and the board. The Chief Governance Officer and Society Secretary's duties and responsibilities are defined by the Society's Rules and extended as appropriate by the board. The Society's Rules provide that the board appoints and removes the Chief Governance Officer and Society Secretary and fixes the Chief Governance Officer and Society Secretary's remuneration.

**Board procedures** - the board has at least six scheduled meetings in the year where it receives reports from the executive leadership team on trading and other matters, reviews the Society's financial performance for both the period and cumulatively for the year, and considers papers presented for decision or information. The board also meets in private session without the presence of any member of the executive leadership team when required.

**Committees** - the board has delegated specific parts of its remit to committees. During the period under review, the board had two committees: i) the Audit and Risk Committee; and ii) the Recruitment and Remuneration Committee. Both committees have clear terms of reference which define their roles and the limits of their authority and are wholly accountable to the board in line with the directors' collective responsibility for the discharge of their duties.

# GOVERNANCE REPORT CONT.

**Attendance** – the table below lists the attendance record of directors at board and committee meetings for the period under review. The figures show the number of meetings each director attended against the number of meetings they were eligible to attend (in brackets).

	Board	Audit and Risk Committee	Recruitment and Remuneration Committee	Governance Committee
Jennifer Carnegie	7 (7)	-	7 (7)	1 (1)
Carol Champion	7 (7)	-	7 (7)	-
Jill Clark	7 (7)	-	6 (7)	-
Mark Cox <sup>1</sup>	3 (3)	-	-	1 (1)
Alex Fearn <sup>2</sup>	3 (3)	3 (3)	-	-
Michael McNally <sup>3</sup>	3 (3)	2 (2)	-	-
John Refault	7 (7)	6 (6)	-	-
Sue Ryde	7 (7)	6 (6)	7 (7)	-
Peter Shirreffs <sup>4</sup>	4 (4)	3 (3)	-	1 (1)
Paula Williams <sup>5</sup>	7 (7)	1 (1)	-	1 (1)

<sup>1</sup> Appointed 28 June 2020 under Society Rule 10 following departure of Colin Macleod on 17 May 2020

<sup>2</sup> Retired 17 May 2020

<sup>3</sup> Appointed 3 June 2020

<sup>4</sup> Appointed 26 April 2020 to fill casual vacancy arising from resignation of Ben Shenton on 27 August 2019.

<sup>5</sup> Re-appointed 3 June 2020 by uncontested election and retired on 25 March 2021

**Insurance** – the Society purchases directors' and officers' liability insurance which protects the Society, its directors and officers against liability where it is lawful to do so and Rule 10.37 of the Society's Rules provides that the Society may indemnify directors and officers against such liabilities. The Society also maintains a portfolio of insurances protecting its assets and profits in the event of defined events interrupting trade.

### 3. ROLES AND RESPONSIBILITIES "BOARD'S PURPOSE, S172 COMPANIES ACT 2006, ADDING VALUE"

#### What the Code requires:

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. 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. 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 ICA Values and Principles.

#### How the Society has applied the Code:

**The role of directors** – all directors are collectively responsible for their decisions for promoting the long-term success of the Society and are bound by an overriding duty to act in good faith in pursuit of the best interests of the Society and its members, as a whole. The board is aware of its obligations under Section 172 (1) of the Act and seeks to honour these obligations in all it does.

### 4. BOARD COMPOSITION, SUCCESSION AND EVALUATION "BALANCE, SKILLS AND INDEPENDENCE"

All of our directors, other than Mark Cox are non-executive directors. Our directors occupations and interests are as follows:

	Organisation	Position
Jennifer Carnegie	Amicus Limited	Director and Chief Operations Officer
Mark Cox	Community Savings Limited	Director
Carol Champion	Self-employed	Nutritional Therapist
Jill Clark	Self-employed	Lecturer and Consultant
	Changing Faces Channel Islands	Chair
	Face Equality International	Chair
	Child, Youth and Community Tribunal Guernsey	Member
Michael McNally	Self-employed	Self Employed Business Consultant
	RNLI - Jersey	Volunteer - Duty Launching Authority
John Refault	Headway, Jersey	Chair
	Abbeyfield, Jersey	Chair, Board of Trustees
Sue Ryde	Guernsey Institute	Shadow Governor
	Civil Protection	Volunteer
	Retired States Employees Association	Committee Member
	Health Equality for ALL	Member
Peter Shirreffs	Crimestoppers	Chairman
	Jersey Depositors' Compensation Scheme	Director
	Jersey Cheshire Homes	Governor
Paula Williams	Island Consortium	Managing Director
	Guernsey Post	Director
	Bailiwick of Guernsey Scout Association	Chair and Trustee

#### What the Code requires:

A co-operative board should be elected in a rigorous and transparent manner. The board should actively consider its composition and succession plans in a manner that reflects the diversity of the co-operative's membership. 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 board should conduct an annual evaluation of its performance.

### How the Society has applied the Code:

**Board size** – the Society has a board of nine directors. The board previously believed this to be an appropriate in relation to the size, complexity and risk profile of the Society to ensure democratic accountability to members and a diversity of members representation whilst facilitating effective decision making. However, the board will be proposing changes to its structure for members' approval at a SMM on 8 June 2021 in order to equip the board for the Society's future needs.

**Board balance, independence and co-option of professional independent directors** – the Society's Rules specify that the board will consist of six elected directors: three from Guernsey and three from Jersey, additionally the board may appoint two professional independent directors with relevant skills and experience. The Rules also state that the Chief Executive Officer is automatically appointed to the board. To ensure the board retains balance and independence and is not dominated by any one set of individuals, the Society Rules set out certain safeguards. For example, there should be appointed a minimum of two professional directors but professional directors should remain in the minority, a director, their partner or close family member cannot serve in a managerial position for a business which competes in a material way with the Society, and no more than one third of directors can be former colleagues or their spouses. Currently, five members of the board are women and four are men.

**Election and renewal of the board and succession planning** – the board believes in upholding members control and the democratic process. As required by the Society rules, board elections are held annually through democratic elections conducted with the support of UK Engage, an organisation that administers local and national government elections in the UK, and the Chief Governance Officer and Society Secretary presides over these elections as the Returning Officer. These Rules permit the board to set selection criteria based on capability and qualification to ensure that directors joining the board have the level of competence expected by the Code. The Society has contested board elections and members have elected directors with a mix of skills and experience. The Society's Rules currently provide that elected directors may serve for terms of up to three years at a time, for a maximum of 12 years, if re-elected. The board has concluded that a 12 year maximum term is no longer in the Society's best interests, and as it is not consistent with the Code the board will be proposing a reduction in the maximum term directors may serve to nine years at the SMM on 8 June 2021.

**Induction, information and ongoing professional development** – any candidates standing for election are advised during the election process of the time commitment and the work and responsibilities expected of directors. New directors are provided with a full induction pack and the process involves meetings with the Chief Governance Officer and Society Secretary and the executive leadership team. Site visits are encouraged to apprise the directors of the scope of the Society's operations within the co-operative context. The Chief Executive Officer and the Chief Governance Officer and Society Secretary keep the board advised of matters affecting the Society at each board meeting and more frequently if required. Regular presentations from each of the Society's trading businesses and departments are made by management on a regular basis covering strategic issues and risk, future areas for discussion and decision. To ensure that board meetings run efficiently and directors are equipped with full information to aid decision making, board papers are circulated in two mailings prior to each board meeting. Should directors wish to update their skills, training may be accessed at the Society's expense.

**Independent professional advice** – the directors have access to the advice of the Chief Governance Officer and Society Secretary who is responsible for governance matters. Several external advisers provide advice to the board and its committees and are listed on page 28. The directors may obtain professional advice on matters within the scope of their remit at the expense of the Society.

## 5. RISK, FINANCIAL MANAGEMENT AND INTERNAL CONTROLS "LONG-TERM SUCCESS"

### What the Code requires:

The board must 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.
- procedures to manage risk, internal controls and to identify the principal risks the Society is willing to take to achieve its long-term strategic objectives in accordance with the ICA Values and Principles.

The board must ensure that its withdrawable share capital is managed in accordance with the principles and requirements of Co-operatives UK's Code on withdrawable share capital and/or the guidance provided in the Community Shares Handbook.

### How the Society has applied the Code:

**The role of the board** – the board has adopted a strategy to promote the viability and long-term success of the Society. In addition, it has been monitoring and reviewing the risk management and internal control framework to identify and mitigate risk necessary to the attainment of the Society's objectives. The board has an agreed risk management appetite and regularly reviews the Society's enterprise risk register.

**Share accounts – withdrawable share capital** – the Society's Class A and B share accounts are withdrawable share capital, as defined by Section 2.2.2 of the Community Shares Handbook.

The board is satisfied that the Society's withdrawable share capital is operated in accordance with the Code and the Community Shares Handbook.

The Society's Class A and B share accounts are operated in accordance with the Society's Rules and published guidelines for their use. 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 and under Rule 7.18 (e) the members' right to withdraw funds from the Class A and/or Class B share accounts may be suspended either wholly or partly and either definitely or indefinitely by the board.

**Audit and Risk Committee** – the committee operates under terms of reference approved by the board which include monitoring and reviewing: i) the integrity of financial reporting and narrative reporting; ii) the effectiveness of its internal controls, risk management and compliance framework; iii) the Society's whistleblowing policy; iv) the internal audit process; v) the external audit process and assessing auditor independence; and vi) health and safety. The committee's terms of reference specify a committee of at least three and with at least three elected or co-opted non-executive directors and the Chief Financial Officer and the Chief Operating and Risk Officer. The Chief Executive Officer and the Head of Risk and Compliance attend the committee meetings by invitation but are not members of the committee. Terms of office on the committee are for one year, which may be extended at the board's discretion. The Chief Governance Officer and Society Secretary acts as the secretary of the committee. Any significant decisions by the committee are referred to the board for consideration and the chair reports formally to the board after each meeting. The board reviews the committee's terms on a periodic basis. Professional advice is available to the committee if required.

# GOVERNANCE REPORT CONT.

**Meetings** – the Audit and Risk Committee met six times during the financial year and has five scheduled meetings for the 2021/22 financial year. The chair of the committee reports to the board on the activities of the committee and the committee’s minutes are available to the board. The committee meets the auditor without the presence of the executive leadership team. The chair of the committee maintains a dialogue with the auditor and the Chief Financial Officer between committee meetings.

**Auditor independence** – a tender exercise was carried out in 2020, and following in-depth assessment of independence, objectivity, remit and effectiveness the Society appointed Grant Thornton as its auditor. The Society is satisfied that the auditor has the competence, technical expertise and independence required to perform this year’s audit. In accordance with the Code, the Society has adopted a policy where the audit engagement partner does not conduct the Society’s audit for more than five years. To ensure auditor independence and objectivity is safeguarded, the committee has a policy of awarding project work that requires the expertise of an audit firm to a firm other than the Society’s auditors unless there is a strong reason to use the Society’s auditors.

**Internal audit** – the Society outsources its internal audit function to professional third parties. The committee agrees the scope of all such third-party audit work and receives the third parties’ reports.

**Internal control** – the board is responsible for the Society’s internal control framework and for reviewing its effectiveness and to report formally on this review annually to members. The Code states that the review is expected to cover all material controls, including financial, operational and compliance controls and risk management. The board is of the view that the controls and processes within the Society are appropriate for an organisation of its size and complexity.

**Opinion** – the Audit and Risk Committee reviewed the operation and effectiveness of the Society’s internal control system during the period under review. The committee considers that the auditor is sufficiently independent of the Society, in accordance with the ethical requirements relevant to the audit of financial statements in the UK including the Financial Reporting Council’s Ethical Standard, and that the auditor has adequately fulfilled its responsibilities in accordance with these requirements. The committee believes the audit evidence provided to the auditor was sufficient and appropriate to allow the auditor to form an adequate opinion on the true and fair view of the state of the Society’s affairs.

**Whistleblowing** – the Society has a documented procedure to allow members, stakeholders and colleagues to raise concerns, in confidence, and, if they wish, anonymously. The Audit and Risk Committee routinely reviews the procedure and any matters raised to ensure they are investigated in a consistent, proportionate and independent manner.

**Auditor’s report to the board** – the annual auditor’s reports are reviewed in detail by the Audit and Risk Committee on behalf of the board. The board is provided with opportunity to discuss matters with the auditor without management present at least once annually. The board should ensure that the annual report presents a fair, balanced and understandable assessment of the co-operative business model, strategy and performance. The board believes this annual report satisfies these stipulations.

## 6. REMUNERATION OF THE BOARD AND EXECUTIVE LEADERSHIP “EQUITY, TRANSPARENCY AND SUITABILITY”

### What the Code requires:

- Equitable, transparent formal remuneration policies and practices, in line with the ICA Values and Principles;
- Remuneration that is sufficient to recognise the input of directors and the executive leadership team and to ensure that co-operatives are able to attract and retain directors and the executive leadership team of appropriate calibre; and
- Directors’ remuneration should be approved by its members.

### How the Society has applied the Code:

**Recruitment and Remuneration Committee** – the board has a Recruitment and Remuneration Committee to oversee the Society’s remuneration strategy. The committee’s primary role is to monitor and review the Society’s arrangements regarding resourcing and talent management including: i) recruitment, retention, succession planning; ii) remuneration motivation, recognition and reward; and iii) organisational design and all expense policies and taking external advice where necessary. A full report on the activities of the committee is set out in the Recruitment and Remuneration Report on page 42.

The board has established clear remuneration policies, which it believes to be fair and consistent with the Society’s values. It has also overseen the Society’s remuneration practices, including the internal controls relating to remuneration through its Recruitment and Remuneration Committee.

The board adopted a remuneration structure for the entire business which is designed to attract and retain colleagues at all levels but which is proportionate to the needs of the business, based on independent expert remuneration benchmarking.

The board concluded that its obligation to maintain transparency in relation to remuneration of its directors and the executive leadership team are met by virtue of the disclosures made in the financial statements, in accordance with FRS 102

## SOCIAL RESPONSIBILITY

Social responsibility and ‘making a real difference to the communities we serve’ is the vision of the Society and an integral part of being a co-operative. The Society undertakes many initiatives to ensure it supports both local and global communities and the environment. Supporting local causes is core to the Society’s social responsibility strategy, enabling members, colleagues and community partners to connect, influence and co-operate in activities and solutions locally. The Society’s social responsibility activity is reported more fully elsewhere in this report.

## AUDIT AND RISK COMMITTEE'S REPORT

### Peter Shirreffs, Chair of the Audit and Risk Committee

I am pleased to present the Audit and Risk Committee's Report for the year ending 10 January 2021.

The committee's terms of reference are set by the board. Under its terms of reference, the committee is required to monitor and review the Society's:

- (i) financial reporting;
- (ii) narrative reporting
- (iii) the effectiveness of its internal controls, risk management and compliance framework
- (iv) whistleblowing;
- (v) internal audit process;
- (vi) external audit process; and
- (vii) health and safety management.

## KEY AREAS OF FOCUS 2020/2021

Significant changes were made during the year, following my appointment to the board on 26 April 2020 and appointment as the committee's chair on 28 June 2020.

- (i) Louise Read was appointed as the Chief Financial Officer in place of David Rees on 1 June 2020, and was appointed to the committee on 28 June 2020;
- (ii) Dave Chalk, Chief Operating and Risk Officer was appointed to the committee on 28 June 2020;
- (iii) Rebecca Barnes was appointed as Head of Risk and Compliance on 1 May 2020;
- (iv) Angus McLellan, Head of Health and Safety was appointed on 6 July 2020; and
- (v) Keith McAndrew, Head of Risk was appointed on 14 September 2020.

The committee's main areas of focus during the year were as follows.

### 1. Terms of Reference

The committee's terms of reference were reviewed and amended so that key members of the executive leadership team with relevant skills were appointed as members of the committee.

Louise Read, Chief Financial Officer and Dave Chalk, Chief Operating and Risk Officer, who are both qualified accountants are now members of the committee. In addition, Mark Cox, Chief Executive Officer and Rebecca Barnes, Head of Risk and Compliance attend the committee's meetings on request, to avoid any actual or potential conflicts of interest in view of their roles.

These appointments enhance the committee's skills and its level of accountability.

### 2. Financial Control, including Financial and Narrative Reporting

The committee considered whether the appropriate accounting policies were applied and reviewed the key accounting judgements and estimates recommended by the executive leadership team. This included reviewing the executive leadership team's suggested approach to the:

- (i) useful life of buildings;
- (ii) valuation of investment and leasehold properties;
- (iii) impairment of assets, ensuring that the recommended approach was prudent; and
- (iv) assumptions applied in order to establish the necessary disclosures

to be made by the Society under FRS 102 in relation to the Society's defined benefit Superannuation Scheme.

### 3. Risk Management and Internal Controls

The committee reviewed the:

- (i) Society's policies and procedures relating to, anti-money laundering and countering the financing of terrorism ("AML/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) Society's information technology support standards to ensure that they meet the Society's needs.

In addition, the committee supervised a review of the Society's AML/CFT systems and controls conducted by Cyan Regulatory Services Limited, in Jersey and Le Marchant Regulatory Risk Limited, in Guernsey to provide external assurance over the Society's regulatory compliance standards. It also monitored the implementation of the recommended enhancements to the Society's AML/CFT systems and controls at its formal meetings and through regular interim reports.

The committee monitored the establishment of a new enterprise risk management framework and supporting organisational structure ensuring improved standards of risk management and associated reporting.

In addition, the committee reviewed its terms of reference recommending changes in composition which were approved by the board to ensure the balance of skills on the committee expected by the Co-operative Corporate Code.

The committee also assessed its performance against its responsibilities as defined by its terms of reference.

## INTERNAL AUDIT

Following the retirement of the Society's Internal Auditor, the Society decided to outsource the provision of its third line of defence and agreed a schedule of inspections by third party specialists in: AML/CFT compliance, health and safety, food safety, information systems security, and commissioned independent audit of its payroll, remuneration governance and expenses management processes.

The committee agreed the schedule of third line audit and assurance activity and monitored the results of that work.

The Chief Governance Officer and Society Secretary is responsible for internal audit activities and in that capacity has direct access to the committee and to the board, without management present.

# GOVERNANCE REPORT CONT.

## AUDITOR

In line with the general requirement for auditor's rotation, the Society issued a competitive tender to a range of accountancy firms in the Channel Islands inviting them to tender for the opportunity to act as the Society's auditors: the committee supervised this process.

KPMG, the incumbent auditor was invited to tender and at the end of this process, Grant Thornton were chosen to serve as the Society's auditor; their appointment commenced on 7 January 2021.

I held an initial meeting with Grant Thornton's audit partner and the committee met Grant Thornton without management present.

On due inquiry the committee is satisfied that Grant Thornton are sufficiently independent of the Society to act as its auditor.

## PROPERTY VALUATIONS

The Society issued a tender for the provision of valuation services during the year and Buckley and Company Ltd were re-appointed as the Society's valuers and valued the Society's properties used in the course of trade and its investment properties for the purposes of the years' financial statements. They also determined that the reinstatement value of the Society's property portfolio for insurance purposes.

## DATA SECURITY

The committee assesses its data security standards by reference to the C2M2 protocol and the Society monitors progress against this standard, which is assessed by BDO annually.

I would like to thank all members of the committee for their support and hard work since June 2020 and for all the progress made in that time.

## RECRUITMENT AND REMUNERATION COMMITTEE' REPORT

### Recruitment and Remuneration Committee's Report Jennifer Carnegie, Chair of the Recruitment and Remuneration Committee

I am delighted to present the Recruitment and Remuneration Committee's Report for the year ended 10 January 2021.

The committee's purpose, as set out in its terms of reference is to monitor and review the Society's arrangements relating to:

- 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.

The committee's areas of focus this year have been:

- i. a review of remuneration and benefits across the Society;
- ii. job evaluation and benchmarking;
- iii. a remuneration audit focusing on payroll, remuneration and HR processes;
- iv. the appointment of a new Chief Executive Officer;
- v. the appointment of an Interim Chief Human Resources Officer;
- vi. the appointment of a Chief Financial Officer; and
- vii. employee engagement.

The committee conducted a comprehensive review of the Society's remuneration policy and oversaw the implementation of a new remuneration policy across a substantially revised organisational structure. The review involved a remuneration benchmarking exercise drawing on data provided by leading remuneration specialists in the UK and the Channel Islands.

As a result:

- i. the Society now has a remuneration strategy that is transparent, equitable and aligned to its values as a co-operative;
- ii. all colleagues receive competitive base salaries and our valued frontline colleagues receive market leading salaries and benefits;
- iii. all colleagues are remunerated through a combination of a base salary, and bonus payments based on both the Society's financial performance and individual performance;
- iv. colleagues who work in identifiable teams, such as a trading unit, may be rewarded on the basis of that team's overall performance, rather than on their individual performance to ensure that colleagues are rewarded against attainable goals that are meaningful to the business, its members and other customers;
- v. the executive leadership team's remuneration has been set at the lower to mid-quartile of comparative remuneration data provided by remuneration specialists engaged by the committee. This positioning is in line with the Society's co-operative values;
- vi. the future distribution of potential bonus earnings has shifted substantially in favour of our colleagues who are potentially able to receive 79% of the total amount paid in bonus in any one year, whilst the executive leadership team are potentially able to earn 21% of the total bonus payable in any one year. Previously, colleagues could potentially earn 48% of the total bonus available, whilst the executive leadership team could potentially earn 52% of the available bonus; and
- vii. all colleagues are provided with Simply Health medical assistance.

Large businesses now publish their wage ratios, which show the highest paid person's income as a multiple of the lowest paid person's income in an effort to promote transparency and a balanced distribution of earnings in society. The committee is pleased that following the remuneration review the Society's wage ratio has fallen from 23.3 to 1 to 11.9 to 1.

The committee is proud of its new remuneration policy and the positive effect it will have on our colleagues. Members of the committee are also proud of the fact that these changes were implemented with the active support of the executive leadership team who collectively demonstrated their commitment to the Society's values by helping to design and implement the Society's new remuneration policy.

The committee commissioned a remuneration audit in order to validate the payroll, remuneration and HR process, as a matter of good governance and has implemented additional processes and controls in line with current best practice.

We oversaw the recruitment of a new Chief Executive Officer, Chief Financial Officer and an Interim Chief Human Resources Officer. We monitored and approved the restructuring of the executive leadership team in order to prepare the Society for the future.

The committee is committed to the well-being of its colleagues and to promoting a positive culture within the business. To that end the committee was closely involved in reviewing the results of colleague opinion surveys and in monitoring steps taken to address issues highlighted through this process.

The committee reviewed its terms of reference and assessed its performance against its duties as defined by the terms of reference and I am satisfied that the committee fulfilled its duties in the year ended 10 January 2021.

As a result of our work this year the committee obtained the necessary assurances over the relevant governance and controls within the areas within its remit.

I would like to thank my fellow committee members for their hard work on behalf of the committee and the executive leadership team for their support in delivering some challenging change for the benefit of the Society as a whole and for demonstrating their commitment to our co-operative values in the process.

## DIRECTORS FEES

The Society is a large organisation employing over 1,100 people across the Channel Islands and plays an important and highly visible role in the local community.

The board of directors is accountable to the Society's members. It is responsible for setting the Society's objectives and strategy and ensuring that these are achieved in a manner that develops and protects long-term member value. Effectively ensuring that the Society does the right things, in the right way for the benefit of its members.

Being a director is a serious commitment, with legal and moral responsibilities set out in the Code and in law.

To be effective the board needs a mixture of skills and experience. While it is not necessary for every member to have formal qualification or first-hand experience of running a business, it does require independence of thought, the ability to understand complicated business and ethical issues and come to an informed judgment, and a willingness to contribute to discussion in the board room.

It also represents a commitment of time to other areas of the board's work. For example, through appointment to a board committee, and by representing the Society both internally and externally at meetings and events.

The amount of time that a director contributes to their duties will vary considerably according to factors such as the committees they serve on and their familiarity with and experience of the role. In all cases it extends well beyond preparing for an attending formal board and committee meetings.

## FEES

The Society's rules require that the fees and expense paid to directors are approved by the Society's members. Proposals are put forward by the board to members on a periodic basis. Proposals for the review of directors' remuneration were last considered, and were rejected at the AMM held on 22 May and 23 May 2018 in Jersey and Guernsey.

The board is conscious that the fee levels paid to directors, while reflecting the level of responsibility the role of a director carries, should be based on the same principles as those for colleague remuneration.

## EXPENSES

Directors are reimbursed all reasonable expenses incurred while carrying out their duties for the Society.

## BENEFITS

The Society's colleague discount scheme is available to directors and their partners.

## DIRECTOR'S REMUNERATION TABLE

The following table lists the fees paid to the directors of the Society who served during the year under review.

	Fees 2020/21 £	Fees 2019/20 £
Paula Williams - President	19,327	15,041
Jennifer Carnegie Chair - Recruitment and Remuneration Committee	15,886	14,707
Peter Shirreffs <sup>3</sup> - Chair - Audit and Risk Committee	10,998	Nil
Carol Champion	12,886	14,604
Jill Clark <sup>1</sup>	12,886	7,896
Mark Cox	Nil	Nil
Michael McNally <sup>2</sup>	7,930	Nil
John Refault <sup>1</sup>	12,886	7,897
Sue Ryde	12,886	11,730

<sup>1</sup> Elected at 2019 AMM

<sup>2</sup> Elected at 2020 AMM

<sup>3</sup> Appointed by the board in 2020

“

**THE SOCIETY'S  
TRADING POSITION  
REMAINS STRONG  
AND WE HAVE  
ONCE AGAIN  
RECOMMENDED  
DIVIDEND OF 4%.**





# FINANCIAL RESULTS

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# FINANCIAL STATEMENTS

<b>CONSOLIDATED INCOME STATEMENT</b>		<b>52 weeks to 10 January 2021 £'000</b>	<b>52 weeks to 12 January 2020 £'000</b>
	Notes		
Turnover	1.1	185,038	184,517
Cost of sales		(130,109)	(130,288)
<b>Gross profit</b>		<b>54,929</b>	<b>54,229</b>
Other operating income	1.2	2,486	2,494
Administrative expenses	2.1	(50,184)	(47,687)
<b>Trading profit</b>		<b>7,231</b>	<b>9,036</b>
Other interest receivable and similar income	2.4	116	125
Interest payable and similar charges	2.4	(1,303)	(1,679)
Loss on disposal of fixed assets		(173)	(35)
Revaluation of property	4.3	1,305	(1,220)
Onerous lease expense	5.2	722	(4,735)
Net gain on financial liabilities at fair value		135	98
<b>Profit before member payments</b>		<b>8,033</b>	<b>1,590</b>
Members payments		(4,978)	(4,926)
<b>Profit / (Loss) before tax</b>		<b>3,055</b>	<b>(3,336)</b>
Taxation	3.1	(825)	(750)
<b>Profit / (Loss) on ordinary activities</b>		<b>2,230</b>	<b>(4,086)</b>
Non controlling interest		128	238
<b>Profit / (Loss) for the period</b>		<b>2,358</b>	<b>(3,848)</b>

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>		<b>52 weeks to 10 January 2021 £'000</b>	<b>52 weeks to 12 January 2020 £'000</b>
	Notes		
<b>Profit / (Loss) for the period</b>		<b>2,358</b>	<b>(3,848)</b>
Revaluation of tangible fixed assets	4.2	1,593	-
Remeasurement (loss) / gain of the net defined benefit pension scheme	5.5	(2,758)	1,224
<b>Total other comprehensive (loss) / income</b>		<b>(1,165)</b>	<b>1,224</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>1,193</b>	<b>(2,624)</b>
<b>Total comprehensive income / (loss) for the period is attributable to:</b>			
<b>Non controlling interests</b>		<b>128</b>	<b>238</b>
<b>Owners of the parent company</b>		<b>1,065</b>	<b>(2,862)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>1,193</b>	<b>(2,624)</b>

The Society will be recommending a distribution of £5,603,585 (2020: £4,963,371) to its members for the period to 10 January 2021. The results reported during the period and the prior period relate solely to continuing activities. The accounting policies and notes on pages 46 to 72 inclusive form an integral part of these financial statements.

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		Notes	<b>As at 10 January 2021 £'000</b>	<b>As at 12 January 2020 £'000</b>
<b>Non current assets</b>				
Intangible assets	4.1		6,833	7,913
Tangible assets	4.2		86,584	87,518
Investment property	4.3		54,272	54,485
Investments	4.4		15	15
			<b>147,704</b>	<b>149,931</b>
<b>Current assets</b>				
Stocks	4.5		6,181	6,060
Trade and other debtors	4.6		13,481	14,564
Short term deposits	4.7		30,111	24,501
Cash at bank and in hand	4.7		15,554	8,454
			<b>65,327</b>	<b>53,579</b>
<b>Current liabilities</b>				
Creditors: amounts falling due within one year	5.1		(32,538)	(33,856)
Onerous lease provision	5.2		(722)	(722)
			<b>32,067</b>	<b>19,001</b>
<b>Net current assets</b>				
			<b>179,771</b>	<b>168,932</b>
<b>Non current liabilities</b>				
Onerous lease provision	5.2		(5,790)	(6,513)
Property loans	5.3		(2,917)	(4,568)
Fair value derivatives	5.3		(248)	(383)
Pension liability	5.5		(5,321)	(3,605)
			<b>165,495</b>	<b>153,863</b>
<b>Net assets</b>				
<b>Share capital</b>	6.1		111,372	100,805
Reserves - property revaluation	6.2		4,406	2,813
Reserves - revenue	6.2		50,083	50,483
			<b>165,861</b>	<b>154,101</b>
<b>Total shareholders funds</b>				
Non controlling interest			(366)	(238)
			<b>165,495</b>	<b>153,863</b>

The accounting policies on pages 46 to 72 inclusive form an integral part of these financial statements.

# FINANCIAL STATEMENTS CONT.

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	Notes	<b>Share capital £'000</b>	<b>Revaluation reserve £'000</b>	<b>Revenue reserve £'000</b>	<b>Total shareholders equity £'000</b>	<b>Non controlling interests £'000</b>	<b>Total equity £'000</b>
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		18,240			18,240		18,240
<b>Balance at 12 January 2020</b>		<b>100,805</b>	<b>2,813</b>	<b>50,483</b>	<b>154,101</b>	<b>(238)</b>	<b>153,863</b>
Balance at 12 January 2020		100,805	2,813	50,483	154,101	(238)	153,863
Profit / (loss) for the period				2,358	2,358	(128)	2,230
Other comprehensive income	5.5			(2,758)	(2,758)		(2,758)
Trading property revaluation	4.2		1,593		1,593		1,593
Increase in share capital	6.1	10,567			10,567		10,567
<b>Balance at 10 January 2021</b>		<b>111,372</b>	<b>4,406</b>	<b>50,083</b>	<b>165,861</b>	<b>(366)</b>	<b>165,495</b>

<b>CONSOLIDATED CASH FLOW STATEMENT</b>	Notes	<b>52 weeks to 10 January 2021 £'000</b>	<b>52 weeks to 12 January 2020 £'000</b>
Profit / (loss) for the period		2,358	(3,848)
<b>Adjustments to reconcile profit/ (loss) for the period to net cash flow from operating activities</b>			
Amortisation of intangible assets	4.1	1,422	974
Depreciation of tangible fixed assets	4.2	3,472	3,512
(Gain) / loss on revaluation of property	4.3	(1,305)	1,220
Interest receivable		(116)	(125)
Interest payable		1,303	1,679
Loss on disposal of fixed assets		173	35
Net gain on financial liabilities at fair value		(135)	(98)
Non controlling interest		(128)	(238)
Taxation charge		825	750
Tax paid		(1,053)	(567)
Decrease / (increase) in trade and other debtors		1,083	(3,004)
Increase in stocks		(121)	(715)
Decrease in trade and other creditors		297	10,486
Contribution to defined benefit pension scheme		(1,100)	(1,100)
		<b>4,617</b>	<b>12,809</b>
<b>Net cash inflow from operating activities</b>		<b>6,975</b>	<b>8,961</b>
<b>Investing activities</b>			
Interest receivable		116	125
Payments to acquire tangible fixed assets		(1,443)	(2,005)
Payments to acquire intangible assets		(342)	(513)
Payments to acquire investment properties		(975)	(333)
(Receipt) / payments for discontinued operations and asset disposals		(81)	96
Receipts from sales of investment properties		2,900	2,200
<b>Net cash inflow / (outflow) from investing activities</b>		<b>175</b>	<b>(430)</b>
<b>Financing activities</b>			
Increase in share capital		10,567	18,240
Repayment of property loans		(1,651)	(1,219)
Members loans		(1,919)	(2,578)
Interest paid		(1,437)	(1,485)
<b>Net cash inflow from financing activities</b>		<b>5,560</b>	<b>12,958</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,710</b>	<b>21,489</b>
<b>Cash and cash equivalents at start of the period</b>		<b>32,955</b>	<b>11,466</b>
<b>Cash and cash equivalents at end of the period</b>		<b>45,665</b>	<b>32,955</b>

**Major non cash transactions:** There were no major non cash transactions made during the period (2020 :£nil).  
The accounting policies and notes on pages 46 to 72 inclusive form an integral part of these financial statements.



**THE SOCIETY  
IS EXPECTED  
TO REMAIN  
PROFITABLE AND  
GENERATE POSITIVE  
CASHFLOWS.**



# ACCOUNTING POLICIES

## A) GENERAL INFORMATION

The Channel Islands Co-operative Society Limited (registered number 14672R) is registered under the Industrial and Provident Societies Act 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978) and has its registered office in the island of Jersey. The Mutuals Section of the UK Financial Conduct Authority ("FCA") acts as a Registrar for the Industrial and Provident Societies (Co-operatives) and the Society is registered with the FCA. The Society and its subsidiaries operate supermarkets, convenience stores, fuel forecourts, pharmacies and funeral services across the Channel Islands. Until 4 December 2020 the Society operated medical services in Jersey and until 24 December 2020 the Society operated a travel agency business. In addition, the Society holds a large portfolio of commercial and residential property across the Channel Islands.

## B) BASIS OF ACCOUNTING

The following accounting policies have been applied consistently.

The Society's financial statements are prepared in compliance United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

## C) ACCOUNTING DATE

The Society's financial statements are made up to the second Sunday in January of each year. The financial year represents the 52 weeks ended 10 January 2021 (2020: 52 weeks ended 12 January 2020).

## D) BASIS OF CONSOLIDATION

The Society's financial statements include the results of the Channel Islands Co-operative Society Limited and all its subsidiaries.

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 subsidiaries. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting policies are consistent across all of the Society's subsidiaries.

## E) GOING CONCERN

As at 10 January 2021, the Society had net assets of £165.5m (2020: £153.9m) and net current assets of £32.1m (2020: £19.0m), cash at bank, in hand and on short term deposits of £45.6m (2020: £33.0m) and an investment property portfolio valued at £54.3m, (2020: £54.5m) which is not financed through loans or used as security for borrowing.

The Society's financial forecasts, taking into consideration the current environment, show that the Society is expected to remain profitable and generate positive cash flows, giving the Society the ability to continue to operate for the foreseeable future.

On the basis of the fact that the Society has a healthy balance sheet, significant cash balances and forecast cash inflows, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## F) SIGNIFICANT ACCOUNTING POLICIES

Accounting policies relating to specific areas of the financial statements can be found in their relative sections.

## G) USE OF ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Society makes estimates, judgements and assumptions concerning the future. Actual outcomes may differ from the estimates made.

Estimates, judgements, and assumptions are reviewed on an ongoing basis based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Information about areas of estimation, judgement and assumptions used, that have the most significant effect on the amounts recognised in the financial statements, is set out in the following notes:

Useful life of goodwill:	Note 4.1
Recoverability of intangible assets:	Note 4.1
Valuation of trading properties:	Note 4.2
Useful life of tangible assets:	Note 4.2
Valuation of investment properties:	Note 4.3
Stock loss provision:	Note 4.5
Onerous contract liabilities:	Note 5.2
Pension scheme liabilities:	Note 5.5
Funeral plan liabilities:	Note 7.4

# NOTES TO THE FINANCIAL STATEMENTS

## KEEPING IT SIMPLE

The 'keeping it simple' boxes are included as additional disclosure to help readers' understanding and interpretation.

## SECTION 1 - TURNOVER AND OTHER OPERATING INCOME

### In this section

This section provides information used to establish the turnover and other operating income of the Society.

### 1.1 Turnover

#### Keeping it simple - Turnover

Turnover represents the amount of money members and customers pay or are liable to pay at the point of sale and delivery less goods and services tax (applicable to Jersey only) and discounts. For travel, in instances where the Society acts as agent only, turnover represents commission received.

#### Accounting Policy

Turnover includes cash sales, goods and services sold on credit, and commissions and arises wholly in the Channel Islands.

Turnover is measured at the fair value of the consideration received or receivable net of goods and services tax (applicable to Jersey only) net of discounts including colleague discounts, bonus dividend ('double divi'), and member loyalty bonus.

Turnover is recognised in the Consolidated Income Statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

#### The following criteria must be met before revenue is recognised:

- 1) Sale of goods and rendering of services – point of sale and provision of services.
- 2) Travel agency fees and commissions – when the final amount of the booking is due for payment (generally around eight weeks prior to departure).
- 3) Rental income – straight- line basis over the period of the lease, even if payments are not made on this basis.

1.1 TURNOVER	Notes	2021 £'000	2020 £'000
Turnover from Group ordinary activities		186,446	207,495
Less gross agency turnover from subsidiary travel activities		(1,408)	(22,978)
		<b>185,038</b>	<b>184,517</b>
<b>Analysed by Business Area</b>			
Food		159,174	153,958
Fuel		12,617	17,055
Travel		560	1,352
Funeral		1,689	1,798
Medical		738	1,386
Pharmacy		10,260	8,968
<b>Total</b>		<b>185,038</b>	<b>184,517</b>

## 1.2 Other Operating Income

### Keeping it simple - Other Operating Income

Other operating income represents rental income received by the Society from its investment property portfolio and sundry income comprises investment property service charges and cost rebates received from the Government of Jersey in respect of the Society's medical practise.

OTHER OPERATING INCOME	Notes	2021 £'000	2020 £'000
Rental income		1,976	2,266
Sundry income		510	228
		<b>2,486</b>	<b>2,494</b>

## SECTION 2 - EXPENSES

### In this section

This section contains details of costs incurred by the Society, amounts paid to the Society's directors and executive leadership team, finance costs, payments to and on behalf of members and income tax calculations.

## 2.1 Cost of Sales and Administrative Expenses

### Keeping it simple - Cost of Sales

Cost of sales are the amounts we pay our suppliers to for the goods and services we provide to our customers.

### Keeping it simple - Administrative Expenses

Administrative expenses are the costs we incur in providing the goods and services to our customers. This includes the amounts we pay our colleagues, and the costs of running our retail outlets. Expenses are recognised on an accruals basis.

ADMINISTRATIVE EXPENSES	Notes	2021 £'000	2020 £'000
Colleague costs		27,922	26,712
Defined contribution pension scheme		1,346	1,318
Occupancy costs		6,963	7,095
Amortisation	4.2	1,422	975
Depreciation	4.1	3,472	3,512
Audit fee		259	322
Directors' fees	2.3	112	136
Other expenses		8,688	7,617
		<b>50,184</b>	<b>47,687</b>

COLLEAGUE NUMBERS AND COSTS	Notes	2021 £'000	2020 £'000
The average number of persons employed by the Society (including directors) during the period was as follows :			
Full time		501	538
Part time		648	578
		<b>1,149</b>	<b>1,116</b>
The aggregate payroll costs of these persons was as follows:			
Wages and salaries		27,922	26,712
		<b>27,922</b>	<b>26,712</b>

# NOTES TO THE FINANCIAL STATEMENTS CONT.

## 2.2 Key Management Compensation

### Keeping it simple - Key Management Compensation

This is the amount the Society pays to its directors and the executive leadership team, who are in office as at the financial period end including benefits.

<b>KEY MANAGEMENT COMPENSATION</b>	<b>2021</b> £'000
Salary Executive Leadership Team	1,062
Taxable benefits	369
Pension Contributions	91
	<b>1,522</b>

The Chief Executive Officer (CEO) was appointed to the position on 1 July 2020. Prior to 1 July 2020 the CEO held the position of Chief Operating Officer. The CEO is the highest paid employee in service at the year end. The remuneration received in respect of both roles during 2021 is set out below:

<b>CHIEF EXECUTIVE OFFICER COMPENSATION</b>	<b>2021</b> £'000
Salary	224
Taxable benefits	64
Non-recurring taxable benefits	58
Pension contributions	22
	<b>368</b>

The annual basic salary of the members of the executive leadership team (including the CEO) in service at the financial period end fell into the following ranges:

<b>EXECUTIVE LEADERSHIP TEAM COMPENSATION</b>	<b>2021</b> £'000
130-140	1
140-150	4
150-155	1
230-240	1
	<b>7</b>

## 2.3 Directors Fees

### Keeping it simple – Directors Fees

Directors' fees represent any payments made to directors for their role in the Society.

DIRECTORS FEES	2021 £'000
The directors' fees paid to members of the board during 2020 for service at the financial period end fell into the following ranges:	
Between £0k and £10,000	2
Between £10,000 and £20,000	7
Total	9

## 2.4 Finance Costs / Income

### Keeping it simple – Finance Costs / Income

This is the amount of money we have paid out or received from our investments. We include interest received on bank accounts and interest paid to members for money held with the Society in either share or loan accounts, bank loans and the net interest cost of defined benefit pension scheme liabilities.

#### Accounting Policy

Finance income and expense is recognised on an accruals basis.

OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	2021 £'000	2020 £'000
Interest receivable	116	125
	<b>116</b>	<b>125</b>

INTEREST PAYABLE AND SIMILAR INCOME	2021 £'000	2020 £'000
Members' loan interest expense	88	156
Bank loan interest expense	204	275
Share interest	941	1,061
Net cost on pension scheme liabilities	58	141
Stamp club interest	12	46
	<b>1,303</b>	<b>1,679</b>

## 2.5 Payments to and on behalf of members

### Keeping it simple – Payments to and on behalf of members

We return some of the profits earned each year to our members by way of dividends and loyalty bonuses and we pay interest on money members hold with the Society in share and loan accounts. We also support a range of community-based projects, and local organisations through grants and donations.

PAYMENTS TO AND ON BEHALF OF MEMBERS	2021 £'000	2020 £'000
Dividends	4,978	5,184
Loyalty bonuses	1,589	2,365
Interest	1,029	1,302
Donations and community services expenditure	157	216
	<b>7,753</b>	<b>9,067</b>

# NOTES TO THE FINANCIAL STATEMENTS CONT.

## SECTION 3 - TAX

### In this section

This section shows the tax that we have to pay.

### 3.1 Tax

#### Keeping it simple – Tax

This section shows adjustments which are made to the Society's profits and losses to calculate how much tax we have to pay.

#### Accounting Policy

Tax expense comprises income tax recognised in the period and is the expected tax payable in respect of the taxable profit for the period. Tax is calculated on the basis of Jersey and Guernsey income tax law. Tax is recognised in the consolidated income statement.

#### Tax rate

The maximum rate of tax applied to the Society's taxable profits is 20%.

#### Expenses not deductible for tax purposes

Some expenses incurred by the Society may be entirely appropriate charges for the inclusion in the financial statements but are not allowed as a deduction against taxable income when calculating the Society's tax liability. The most significant example of this is depreciation or losses incurred on assets that do not qualify for capital allowances (generally land and buildings).

#### Expenses not deductible relating to property revaluations

The Society's property portfolio was revalued in the year. Revaluations gains and losses are not realised gains or losses and so do not give rise to a current tax credit.

#### Expenses not deductible relating to pension scheme

During the year, the Society recognised other finance expenses of £58k (2020: £141k) and operating expenses of £nil (20: £nil) relating to movements in the defined benefit pension scheme. Although these expenses have reduced accounting profits, they are not recognised for tax purposes.

#### Capital allowances

The accounting treatment of expenditure on fixed assets differs from the taxation treatment. For accounting purposes, an annual rate of depreciation is applied by the Society. For taxation purposes, the Society is able to claim capital allowances, a tax relief provided in law.

TAXATION	Notes	2021 £'000	2020 £'000
Current tax on income for the period		825	750
		<b>825</b>	<b>750</b>
<b>Reconciliation of profit / (loss) before taxation to tax expense in the period</b>			
Taxable rental income net of allowances		517	442
Provision for tax on non-mutual trading profit		308	308
<b>Tax expense for the period</b>		<b>825</b>	<b>750</b>

## SECTION 4 - ASSETS

### In this section

This section shows the assets used to generate the Society's trading performance.

### Keeping it simple – Assets

An asset is something which is used by the Society to generate a financial benefit. For example, stock is an asset because we will sell it to generate income. Similarly, we use our properties to enable our retail outlets to trade and generate income.

## 4.1 Intangible Assets

### Keeping it simple – Intangible Assets

Intangible fixed assets are assets that cannot be physically touched, for example computer software or licences.

### Accounting Policy

#### Goodwill

On acquisition, goodwill is allocated to cash-generating units (CGU's) expected to benefit from the purchase.

Goodwill is measured at cost less accumulated impairment losses and is amortised on a straight-line basis over its expected useful life. Where the Society is unable to make a reliable estimate of useful economic life, goodwill is amortised over a period not exceeding 10 years.

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is recognised in the Consolidated Income Statement.

#### Other intangible assets

Intangible assets, are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method, to allocate the depreciable amount of the assets over their useful economic life at the following rates:

Lease premium – over the life of the lease

IT software – between 5 and 10 years

Other intangible assets comprise a lease premium on a pharmacy at Queen's Road and IT software.

#### Impairment of Non-Financial Assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each financial reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the consolidated income statement for the period.

The recoverable amount of the asset (or asset's CGU) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the assets (or asset's CGU) continued use.

If the recoverable amount of the asset (or asset's CGU) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Consolidated Income Statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the Consolidated Income Statement.

An impairment loss is reversed in a subsequent period if the reasons for the impairment loss have ceased to apply.

Intangible assets are derecognised on disposal or when no future economic benefit is expected. On disposal, the difference between the net disposal proceeds and the carrying amounts is recognised as a gain or loss in the Consolidated Income Statement.

# NOTES TO THE FINANCIAL STATEMENTS CONT.

INTANGIBLE ASSETS	Lease Premium £'000	Goodwill £'000	IT Software £'000	Total £'000
Cost at 12 January 2020	1,000	7,044	4,397	12,441
Additions	-	41	301	342
Disposals	-	(955)	-	(955)
Cost at 10 January 2021	<u>1,000</u>	<u>6,130</u>	<u>4,698</u>	<u>11,828</u>
Accumulated amortisation and impairment at 12 January 2020	599	3,283	646	4,528
Amortisation charge	130	542	750	1,422
Disposals	-	(955)	-	(955)
Accumulated amortisation and impairment at 10 January 2021	<u>729</u>	<u>2,870</u>	<u>1,396</u>	<u>4,995</u>
Net book value at 10 January 2021	<u>271</u>	<u>3,260</u>	<u>3,302</u>	<u>6,833</u>
Net book value at 12 January 2020	<u>401</u>	<u>3,761</u>	<u>3,751</u>	<u>7,913</u>

## 4.2 Tangible Assets

### Keeping it simple – Fixed Assets – Tangibles

Tangible fixed assets are assets that can be physically touched. For the Society this comprises the sites that the Society trades from and the plant and machinery (including fixtures and fittings) within these sites. Also included are the vehicles used to support the Society's activities, and the Society's investment property portfolio.

### Accounting Policy

Tangible fixed assets, including investment properties are stated at cost (being the original purchase price together with costs directly attributable to bringing the asset to its working condition for its intended use) less accumulated depreciation.

Depreciation is calculated using the straight-line method to allocate the cost less estimated residual value over the expected useful economic life of each asset at the following principal rates

- Property used in trade – over the shorter of useful life and 50 years
- Plant and machinery – between 3 and 10 years
- Freehold land – not depreciated

Assets in the course of construction are stated at cost, and remaining life of the asset is re-assessed at re-valuation of the property. These assets are not depreciated until they are available for use. Depreciation is not provided on freehold land.

Tangible assets, including investment properties are derecognised on disposal or when no future economic benefit are expected. On disposal, the difference between the net disposal proceeds and the carrying amounts is recognised as gain or loss in the consolidated income statement.

### Revaluation of properties used in trade

The Society typically revalues its land and buildings used in trade every three years. More frequent valuations are carried out where there are indications that a significant change in fair value may have occurred, for example due to a refurbishment, a redevelopment or a change in the market environment.

The Society's valuers, Buckley and Co Ltd undertook at full valuation of the Society's properties used in trade as at 10 January 2021. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual on an existing use basis at fair market value. The valuation assumed a range of yields from 4% to 10% selected for each property taking into consideration its construction, age, use and location.

Revaluation gains and losses on properties used in trade are recognised in the consolidated statement of comprehensive income to the extent that fair value exceed costs and in the consolidated income statement where fair value is below cost.

<b>TANGIBLE ASSETS</b>	<b>Land and Buildings £'000</b>	<b>Plant and Machinery £'000</b>	<b>Total £'000</b>
Cost and valuation at 12 January 2020	83,416	17,868	101,284
Additions	297	1,146	1,443
Transfers	(626)	219	(407)
Disposals	(29)	(245)	(274)
Revaluation	(1,947)	-	(1,947)
<b>Cost and valuation at 10 January 2021</b>	<b>81,111</b>	<b>18,988</b>	<b>100,099</b>
Accumulated depreciation and revaluation at 12 January 2020	5,711	8,055	13,766
Depreciation charge	1,586	1,886	3,472
Transfers	(106)	106	-
Disposals	(16)	(167)	(183)
Revaluation	(3,540)	-	(3,540)
<b>Accumulated depreciation and revaluation at 10 January 2021</b>	<b>3,635</b>	<b>9,880</b>	<b>13,515</b>
<b>Net book value at 10 January 2021</b>	<b>77,476</b>	<b>9,108</b>	<b>86,584</b>
<b>Net book value at 12 January 2020</b>	<b>77,705</b>	<b>9,813</b>	<b>87,518</b>

The carrying amount of tangible assets pledged as security for the property loan is £26,146k

### 4.3 Investment Property

#### Keeping it simple – Fixed Assets – Investment Properties

Investment property comprises those sites that the Society owns but which are not used by one of our trading businesses. These sites may be rented out to produce an income or held for development.

#### Revaluation of Investment Property

The Society holds a number of properties as long-term investments, and in accordance with UK GAAP

- a) investment properties are measured at fair value annually at the year end date by the Society's valuers Buckley and Co Ltd. The valuation is undertaken in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual based on fair value. The valuations are supported by market evidence and assume a yield and consider the total of the rent receivable less costs. Yields vary on a property by property basis and range from 6% to 10% (2020: 6% to 10%). Any change of revaluation is recognised in the consolidated income statement; and
- b) no depreciation is provided in respect of freehold investment properties.

<b>INVESTMENT PROPERTY</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Balance at 12 January 2020	54,485	56,893
Additions	975	333
Disposals	(2,900)	(2,200)
Transfers from tangible assets	407	679
Movement in revaluation	1,305	(1,220)
<b>Balance at 10 January 2021</b>	<b>54,272</b>	<b>54,485</b>

# NOTES TO THE FINANCIAL STATEMENTS CONT.

## 4.4 Investments

### Keeping it simple – Investments

Investments are shares held in other businesses other than subsidiary undertakings. These shares are in unquoted businesses. As there is 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 of value, no adjustment is made to their carrying value.

INVESTMENT	Other Investments £'000	Total £'000
<b>COST</b>		
At 12 January 2020	15	15
Additions	-	-
Disposals	-	-
Reclassification	-	-
At 10 January 2021	<u>15</u>	<u>15</u>

	2021 £'000	2020 £'000
<b>UNQUOTED INVESTMENTS</b>		
Unquoted Co-operative Group (CWS) 105 shares at £5 each	1	1
Unquoted - Industrial Common Ownership Fund PLC 10,000 ordinary shares £1 each	10	10
Unquoted Toymaster Limited 4,000 ordinary shares £1 each	4	4
	<u>15</u>	<u>15</u>

## 4.5 Stock

### Keeping it simple – Stock

Stock is an asset which is purchased by the Society for resale to our members and customers.

### Accounting Policy

Stock is stated at the lower of cost and net realisable value. Net realisable value is the price at which stock can be sold in the normal course of business.

Stock counts are held at all locations on a regular basis, normally twice each year. Any stocks gains or shortages are charged to the Consolidated Income statement.

All stock held is expected to be sold within 12 months.

STOCKS	2021 £'000	2020 £'000
Food	4,866	4,634
Fuel	355	435
Funerals	70	58
Pharmacy	890	933
<b>Goods for resale</b>	<b>6,181</b>	<b>6,060</b>

The cost of goods purchased for resale and recognised as an expense in the Consolidated Income Statement during the period was £1,329k (2020: £1,303k). Included in stock is a provision for stock loss of £276kk (2020: £219k). There was no stock held for the Travel or Medical businesses.

## 4.6 Trade and Other Debtors

### Keeping it simple – Trade and Other Debtors

A debtor is an amount owed by a person or business that has bought goods or services from the Society but has not yet paid for them.

A prepayment is an amount paid by the Society in advance of the goods or services being received.

Other debtors includes the asset created when we sell funeral prepayment plans which have not yet been used and interest earned by the Society but not yet received.

### Accounting Policy

Trade debtors are non-interest bearing and are stated at their nominal value, reduced for those amounts that are considered to be unrecoverable. The amount of any debts written off as unrecoverable is recognised in the Consolidated Income Statement within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Consolidated Income Statement.

DEBTORS	2021 £'000	2020 £'000
Trade debtors	8,128	9,169
Prepaid funeral plans	3,309	2,991
Sundry accounts, prepayments and accrued interest	2,044	2,404
	<b>13,481</b>	<b>14,564</b>

FRS 102 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.

## 4.7 Cash and cash equivalents

### Keeping it simple – Cash and cash equivalents

Cash is considered to be cash in bank accounts held by the Society and any cash held in stores. A cash equivalent is something that can be easily turned into cash, such as short term deposits with original terms of three months or less.

CASH AND CASH EQUIVALENTS	2021 £'000	2020 £'000
Short term deposits	30,111	24,501
Cash at bank and in hand	15,554	8,454
<b>Cash and cash equivalents per cash flow statement</b>	<b>45,665</b>	<b>32,955</b>

# NOTES TO THE FINANCIAL STATEMENTS CONT.

## SECTION 5 - LIABILITIES

### In this section

This section shows the liabilities incurred in order for the Society to carry out its trading activities.

### Keeping it simple – Liabilities

A liability is created when the Society has carried out an activity which results in a cost that will be paid for in the future. This includes amounts owed to suppliers for goods and services that have been received and loans from the Society's bankers.

### 5.1 Creditors: Amounts falling due within one year

#### Keeping it simple – Creditors amounts falling due within one year

Trade creditors, non trade creditors and expense accruals reflect goods or services that the Society has received but not yet paid for. This reflects money which the Society must pay out in the future.

#### Accounting Policy – Trade and other creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the normal course of business from suppliers.

#### Keeping it simple – Prepaid funeral plans

Prepaid funeral plans reflects the current cost of delivering the funerals customers have paid for in advance through the purchase of prepaid funeral plans.

#### Keeping it simple – Members' loans

Members' loans reflects money lent to the Society by members which is repayable on demand.

<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2021</b> £'000	<b>2020</b> £'000
Trade creditors	8,918	7,794
Taxation	769	997
Members' loans	8,820	10,738
Share interest	948	1,074
Accrued loan interest	88	156
Non trade creditors and expense accruals	7,976	8,388
Property loans	1,728	1,728
Prepaid funeral plans	3,291	2,981
	<b>32,538</b>	<b>33,856</b>

## 5.2 Onerous Lease Provision

### Keeping it simple – Onerous Lease Provision

The onerous lease provision reflects the current value of all future lease payments relating to a property which the Society has no use for but has an obligation to continue to pay.

ONEROUS LEASES	2021 £'000	2020 £'000
Onerous lease provision - current	722	722
Onerous lease provision - non current	5,790	6,513
	<b>6,512</b>	<b>7,235</b>

An onerous lease provision has been made against the remaining 8 year and 10 month rental commitment on the former Guernsey warehouse at Longue Hougue. The provision of £2,500k reflected in the 2019 financial statements was increased by £4,735k during 2020, giving a total provision of £7,235k at the 2020 year end. 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.

## 5.3 Interest bearing loans and borrowings

### Keeping it simple – Interest bearing loans and borrowings

These are loans and borrowings relating to the development of the Grand Marché supermarket in St Helier, Jersey.

### Accounting Policy

This note provides information about the contractual terms of the Society's interest-bearing loans and borrowings.

Loans payable and member's loans are recognised initially at transaction price less attributable costs and are carried subsequently at amortised cost using effective interest method..

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.

DERIVATIVES, INTEREST BEARING LOANS AND BORROWINGS	2021 £'000	2020 £'000
Fair value derivatives	248	383
Property loans due within one year	1,728	1,728
Property loans due after more than one year	2,917	4,568
Members' loans	8,820	10,738

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 2020, there is one swap in place, for £10million which matures on 11 July 2023 and attracts an interest rate of 5.46%.

Property loans are secured against Society land and buildings assets, by an unregistered charge and are repayable on 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.

Terms and Debt Repayment Schedule	Currency	Nominal Interest Rate	Year of Maturity	Repayment Schedule	2021	2020
Property loan	GBP	LIBOR + 0.95%	2023	Quarterly	4,587	7,515
Members' loans	GBP	0.1% - 1.75%	On demand	On demand	8,820	13,316

# NOTES TO THE FINANCIAL STATEMENTS<sub>CONT.</sub>

## 5.4 Financial risk management

### Keeping it simple – Financial Risk Management

Financial assets include cash or any contractual right to receive cash or another financial asset from another entity. A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

### Financial Risk Management

With certain financial assets and liabilities, there is the potential for uncertainty as to how much the Society may have to eventually pay or how much they will eventually receive. For example, the Society may not receive payment from customers who purchase goods from the Society on credit.

### 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.

### Liquidity Risk

The Society manages its liquidity needs by monitoring investment schedules and debt servicing payments for financial liabilities along with cash flows on a weekly basis. As at 10 January 2021 the Society's non-derivative financial liabilities and contractual maturities are summarised below:

As at 10 January 2021	Current (£000's)			Non-Current (£000's)	
	On demand	Within 6 months	6-12 months	1-5 years	Over 5 years
Onerous Lease	0	383	383	3,246	3,534
Property Loans	0	864	864	2,859	0
Members loans	8,820	0	0	0	0
Other creditors	0	18,710	0	0	0

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, currency risk and price risk.

The Society has some counter-party risk with amounts included in trade debtors and banks used to hold cash and cash equivalents which totals £57,161k (2020: £45,115k). 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 loan. The swap for £9 million matured in 2019. The fair value of the remaining swap at 10 January 2021, 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 £248k (2020: £383k). This amount is recognised as fair value derivatives.

### Foreign currency risk

Most of the transactions of the Society are carried in pounds sterling, its functional currency. The Society's exposure to foreign currency risk is insignificant.

**Price risk**

The Society is not exposed to the market risk with respect to financial instruments as it does not hold any listed securities.

**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 currently 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. 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 dependent on the value of the declared bonuses over the life of the plan.

2021					
CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES	FINANCIAL ASSETS AS AN EQUITY INSTRUMENT £'000	FINANCIAL ASSETS AT AMORTISED COST £'000	FINANCIAL ASSETS AT FAIR VALUE THROUGH CONSOLIDATED INCOME STATEMENT £'000	FINANCIAL LIABILITIES AT AMORTISED COST £'000	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH CONSOLIDATED INCOME STATEMENT £'000
Cash at bank and in hand		15,534			
Short term deposits		30,111			
Debtors		8,051			
Creditors				(17,930)	
Loans payable				(4,645)	
Members' loans				(8,820)	
Derivative financial instruments					(248)
Onerous lease				(6,512)	
Pension liability				(5,321)	
Unquoted shares	15				

2020					
CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES	FINANCIAL ASSETS AS AN EQUITY INSTRUMENT £'000	FINANCIAL ASSETS AT AMORTISED COST £'000	FINANCIAL ASSETS AT FAIR VALUE THROUGH CONSOLIDATED INCOME STATEMENT £'000	FINANCIAL LIABILITIES AT AMORTISED COST £'000	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH CONSOLIDATED INCOME STATEMENT £'000
Cash at bank and in hand		8,454			
Short term deposits		24,501			
Debtors		9,169			
Creditors				(17,412)	
Loans payable				(6,296)	
Members' loans				(10,738)	
Derivative financial instruments					(383)
Onerous lease				(7,235)	
Pension liability				(3,605)	
Unquoted shares	15				

# NOTES TO THE FINANCIAL STATEMENTS CONT.

## 5.5 Pension obligations

### Keeping it simple – Pension obligations

The Society runs two types of pension schemes: A defined benefit scheme and a defined contribution scheme.

The defined benefit scheme provides a pension based on a colleague's length of service and salary.

The defined contribution scheme sets the value that will be paid into a pension scheme; the amount of pension this generates depends on the performance of the investment into which contributions are paid and the annuity rates at the time of retirement.

### Accounting Policy

#### Defined contribution pension scheme

The Society operates a defined contribution pension scheme for all colleagues. All costs relating to the defined contribution scheme are charged to the consolidated income statement as they are incurred. Amounts not paid are shown in accruals at the balance sheet date. The assets of the plan are held separately from the Society in independently administered funds.

Contributions to the defined contributions scheme in the period were £1,345k (2020: £1,318k).

#### Defined benefit pension scheme

The Society operates a defined benefit pension scheme covering certain colleagues. The scheme was closed to new members and future accruals on 30 June 2009.

The Society's net obligations in respect of its defined benefit pension scheme are calculated by estimating the amount of pension benefit that colleagues will receive on retirement based on several factors including age, length of service, remuneration and future life expectancy.

The liability recognised in the consolidated statement of financial position is the present value of the obligation at the period end less the fair value of the plan assets at the period end.

Following the closure of the scheme to new members and future accruals, 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 most recent FRS 102 was carried out at 10 January 2021 and indicated that the scheme had a deficit. The Society and the trustees of the pension scheme have agreed that the deficit will be funded by annual payments of £1.1 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 calculations below have been carried out FRS 102 as at 10 January 2021.

<b>PENSION LIABILITY</b>	<b>As at 10 January 2021 £'000</b>	<b>As at 12 January 2020 £'000</b>
<b>The amounts recognised in the Consolidated Statement of Financial Position are as follows:</b>		
Fair value of scheme assets	63,357	61,164
Present value of funded obligations	(68,678)	(64,769)
Net underfunding in Scheme	<u>(5,321)</u>	<u>(3,605)</u>
Unrecognised assets	-	-
<b>Net defined benefit liability</b>	<b><u>(5,321)</u></b>	<b><u>(3,605)</u></b>
<b>The amounts recognised in the Consolidated Income Statement are as follows:</b>		
Service cost	-	-
Cost of benefit changes	-	-
Curtailement costs / (gains)	-	-
Settlement costs / (gains)	-	-
Net interest on net defined benefit liability	58	141
<b>Expense recognised in the Income Statement</b>	<b><u>58</u></b>	<b><u>141</u></b>
<b>The net interest on net defined benefit liability item is broken down as follows:</b>		
Interest on obligation	1,219	1,593
Interest on assets	(1,161)	(1,452)
Interest on unrecognised assets	-	-
<b>Net interest on defined benefit liability</b>	<b><u>58</u></b>	<b><u>141</u></b>
<b>The net interest on net defined benefit liability item is broken down as follows:</b>		
Return on assets (not included in interest)	1,165	5,968
Actuarial losses on obligation	(3,923)	(4,744)
Change in unrecognised assets (other than interest)	-	-
Total remeasurements recognised in other comprehensive income	(2,758)	1,224
<b>Cumulative amount or remeasurements recognised in other comprehensive income</b>	<b><u>(1,179)</u></b>	<b><u>1,579</u></b>
<b>Actual return on scheme assets</b>	<b><u>2,326</u></b>	<b><u>7,420</u></b>
<b>Changes in the present value of the scheme's defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	64,769	59,604
Service cost	-	-
Contributions by members	-	-
Cost of benefit changes	-	-
Curtailement costs / (gains)	-	-
Liabilities extinguished on settlements	-	-
Benefits paid	(1,233)	(1,172)
Interest on obligation	1,219	1,593
Experience gains	(1,744)	(1,182)
Losses from changes in assumptions	5,667	5,926
<b>Closing defined benefit obligation</b>	<b><u>68,678</u></b>	<b><u>64,769</u></b>

The weighted average duration of the liabilities of the Scheme was 21 years as at 10 January 2021 (21 years as at 12 January 2020).

# NOTES TO THE FINANCIAL STATEMENTS CONT.

	As at 10 January 2021 £'000	As at 12 January 2020 £'000
<b>Changes in the fair value of Scheme assets are as follows:</b>		
Opening fair value of scheme assets	61,164	53,816
Interest on assets	1,161	1,452
Return on assets (not included in interest)	1,165	5,968
Assets distributed on settlements	-	-
Contributions by employer	1,100	1,100
Contributions by members	-	-
Benefits paid	(1,233)	(1,172)
Administrative expenses	-	-
<b>Closing fair value of scheme assets</b>	<b>63,357</b>	<b>61,164</b>

	%	%
<b>The net interest on net defined benefit liability item is broken down as follows:</b>		
Equities	63.5	61.5
Gilts	18.7	19.1
Corporate bonds	9.2	9.6
Property funds	6.3	8.0
Cash	2.3	1.8

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.

	%pa	%pa
<b>The net interest on net defined benefit liability item is broken down as follows :</b>		
Discount rate at end of period	1.4	1.9
Discount rate at start of period	1.9	2.7
Inflation	2.8	2.9
Rate of increase in deferment whilst in employment with the Society	2.8	2.9
Rate of increase in deferred pensions for those who have left employment with the Society	2.8	2.9
Rate of increase in pensions in payment	2.8	2.9

## 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.

## SECTION 6 - EQUITY

### 6.1 Share Capital

As a Co-operative, the Society issues withdrawable Share Capital. This is the only form of share capital issued by the Society.

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

Share Capital has been issued as follows:	2021 £'000	2020 £'000
Class A (128,984 shares)	66,866	69,150
Class B (1,352 shares)	44,506	31,655
	<b>111,372</b>	<b>100,805</b>

Both Class 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 which were first issued during the period ending 13 January 2019. 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, currently £100k. 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.

### 6.2 Reserves

#### Accounting Policy - Reserves

##### Property revaluation reserve

The revaluation reserve is the total of the revaluation gains and losses from Society owned properties. It is not distributable to members until it has been released on the sale of the property it relates to.

##### Revenue reserve

This reserve includes all current and prior period retained profits and losses except for those included in the property revaluation reserve.

## SECTION 7 - OTHER NOTES

### 7.1 Related Party Transactions

#### Keeping it simple - Related Party Transactions

These are transactions between the Society and other parties with a close connection to the Society.

#### 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 the directors and the executive leadership team. Refer to note 2.2 for the compensation paid to key management personnel.

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 Chief Executive Officer (CEO), by virtue of his role as CEO is a director of FRTS.

All buying terms for 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 10 January 2021, total purchases from FRTS amounted to £87,793k (2020: £76,159k) and the payments due by the Society to FRTS as at that date totalled £3,782k per PL control (2020: £6,535k). As at 10 January 2021, the amount due by FRTS to the Society in respect of rebates was £2,643k (2020: £2,878k) and the amount due to the Society by FRTS in respect of duty drawbacks is £1,709k (2020: £1,474k).

# NOTES TO THE FINANCIAL STATEMENTS CONT.

## 7.2 Operating leases

### Keeping it simple – Operating Leases

An operating lease is a contract that allows for the use of an asset but the risk and rewards of ownership remain with the assets owner.

### Accounting Policy

Rentals payable under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the term of the lease.

OPERATING LEASES	2021 £'000	2020 £'000
<b>Non cancellable operating lease rentals are payable as follows:</b>		
Less than one year	1,452	1,433
Between one and five years	4,644	4,709
More than five years	4,666	5,270
	10,762	11,412

During the period £1,524k was recognised as an expense in the Consolidated Income Statement account in respect of rental payments under operating leases (2020: £1,635k)

The Society operates a number a trading units under operating leases ranging from 1 year to 15 years. Included within lease commitments is £6,097k (2020: £6,789k) related to the onerous lease provision in note 5.2.

LEASES AS A LESSOR	2021 £'000	2020 £'000
<b>The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:</b>		
Less than one year	1,899	1,978
Between one and five years	4,499	4,646
More than five years	16,367	17,365
	22,765	23,989

During the period £1,973k was recognised as income in the Consolidated Income Statement account in respect of rental payments under operating leases (2020: £2,266k).

The Society lets a number of properties under operating leases ranging from 1 year to 24 years.

## 7.3 Subsidiary Undertakings

### Keeping it simple – Subsidiary Undertakings

These are separate legal entities that form part of the Society which are owned, managed and controlled by the Society.

As at 10 January 2021, the Society consisted of the Channel Islands Co-operative Society Limited and the following subsidiaries in which the Society's interest is more than 20%:

SUBSIDIARY UNDERTAKING	Country of Incorporation	Registered Number	Principal Activity	% of Shares Held
Offshore Leisure Limited	Jersey	77830	Travel	100%
F. Mallett and Son Limited	Guernsey	619	Holding	100%
Jersey Pharmacy Services Limited	Jersey	89296	Pharmacy	80%
JFTU (Property) Limited	Jersey	101370	Holding	100%
Bridge Regeneration Company Limited	Guernsey	67088	Property Dev.	100%

Jersey Pharmacy Services Limited (JPSL) has two subsidiaries, Edgar Holdings Limited and Lloyds (Chemists) Limited. JPSL owns 100% of the issued share capital of Edgar Holdings Limited and has a 95% interest in Lloyds (Chemists) Limited, the 5% balance being held by the Society. The Society also owns minority shareholdings in UK buying groups which are related to its retail operations.

## 7.4 Funeral Plans

### Keeping it simple – Funeral Plans

When the Society sells prepaid funeral plans it recognises a liability, being the cost of providing the future funerals and an asset, being the current value of the underlying investments.

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 Consolidated Statement of Financial Position, together with the current value of the underlying investments. These figures are restated annually and differences are recognised in the Consolidated Income Statement.

As at 10 January 2021, the Society had contracted to provide 800 funerals (2020: 739 funerals) at a total estimated cost of £3,291k (2020: £2,981k).

The value of investments at the valuation date of 10 January 2021 was £3,309k (2020: £2,991k). The difference between the cost and value of £43k is recognised in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS CONT.

## 7.5 Capital Commitments

### Keeping it simple – Capital Commitments

This is the value the Society has approved to spend on assets after the period end.

Contractual commitments in respect of capital projects at the period end were £0 (2020: £0).

## 7.6 Contingencies and Commitments

### Keeping it simple – Contingencies and Commitments

Contingencies are future events or circumstances which are possible but cannot be predicted with certainty. Commitments are items that are not included within liabilities as at the date of the statement of financial position.

#### 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.

#### Commitments

Indemnities are held in favour of Customs and Excise Immigration and Nationality, Guernsey in respect of duty in the sum of £300k (2020: £300k) 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 £128k 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 £1,000k (2020: £1,000k) and a charge card facility with a limit of £45k.

A parental guarantee in favour of NatWest Bank Plc in the sum of £100k (2020:£100k) 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 £206k (2020:£220k) 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 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 £100k; however, it is not anticipated that this guarantee will be called upon. 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.

#### Ultimate controlling party

There is no ultimate controlling party, as there is no single party who is able to exercise majority control.

ANALYSIS OF CHANGES IN NET DEBT	As at 12 January 2020 £'000	Cash Flows	Non Cash Changes	As at 10 January 2021 £'000
Cash at Bank	8,454	7,100	-	15,554
Short Term Deposits	24,501	5,610	-	30,111
Cash and Cash Equivalents	<b>32,955</b>	<b>12,710</b>	-	<b>45,665</b>
Property Loan	(6,296)	1,651	-	(4,645)
Members Loan	(10,739)	1,919	-	(8,820)
Interest Payable	(1,230)	1,437	(1,185)	(978)
<b>Total</b>	<b>14,690</b>	<b>17,717</b>	<b>(1,185)</b>	<b>31,222</b>

## BOARD CERTIFICATION AND DIRECTORS' RESPONSIBILITIES

The Financial Statements and Notes on pages 42 to 68 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.

Jennifer Carnegie, Director

Mark Cox, Director

Chris Lintell, Chief Governance Officer and Society Secretary

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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 and 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

### OPINION

We have audited the financial statements of The Channel Islands Co-operative Society Limited (the 'Society') and its subsidiaries (together, "Group") for the 52-week period ended 10 January 2021 which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 10 January 2021 and of its profit for the 52-week period then ended;
- are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Industrial and Provident Societies Act 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978).

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates and judgements made by the directors and the related disclosures and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the statement of directors responsibilities set out page 69, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with UK GAAP, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Society and the Group and the retail and consumer services industry in which they operate. We determined that the following laws and regulations were most significant: Financial Reporting Standard 102, Industrial and Provident Societies Act 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978), and Jersey and Guernsey taxation laws.
- We understood how the Society and the Group is complying with those legal and regulatory frameworks by, making inquiries to the management, those responsible for legal and compliance and the Chief Governance Officer and Society Secretary. We identified whether there is culture of honesty, integrity and ethical behaviour and whether there is a strong emphasis towards the prevention and deterrence of fraud. We identified areas of the above laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management. We discussed the policies and procedures regarding compliance with laws and regulations with the directors and management and corroborated our enquiries through review of compliance reports, business risk assessments, board minutes and correspondence with the regulatory bodies.
- We assessed the susceptibility of the Society's and Group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that increased revenues, that reclassified costs from the income statement to the balance sheet, or any other entries that are unusual in nature
  - potential management bias in determining accounting estimates, especially in relation to the calculation of property valuations
  - transactions with related parties
  - our audit procedures involved:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud

- understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process
- testing the operating effectiveness of controls that prevent and detect fraud surrounding journal entries and revenue;
- assessing matters reported through the group's whistleblowing programme and the results of management's investigation of such matters;
- challenging assumptions and judgments made by management in its significant accounting estimates;
- identifying and testing journal entries using computer assisted audit techniques (CAATs);
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement teams'
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
  - Knowledge of the industry in which the client operates
  - Understanding of the legal and regulatory requirements specific to the Society and the Group.
- We did not identify any matters relating to non-compliance with laws and regulations or relating to fraud; and
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the entity's operation, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the applicable statutory provisions, rules, orders and guidance; and
  - the entity's control environment.

### USE OF OUR REPORT

This report is made solely to the Society's members, as a body, in accordance with our terms of engagement as detailed in our engagement letter dated 10 September 2020. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited  
Chartered Accountants  
St Helier, Jersey

XX May 2021

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