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Fairtrade Bananas

The Co-operative was the first UK supermarket to sell Fairtrade Bananas.





WELCOME

2015 was a very significant year for the Society. In terms of financial performance, despite a modest decrease in overall turnover, the underlying trading performance remained strong. The Society's turnover of £168.7m was 0.49% down on the previous year, largely caused by the closure of our Total Sport business, food deflation and the impact of much lower fuel prices.

In more detail, food & fuel stores were down 1.1% on last year, Homemaker was 1.3% up on the previous year and we saw very healthy increases in Travel, helped by Forex sales due to favourable exchange rates, and Funeral Care (34.5% up against last year). The Medical and Pharmacy businesses continued to develop well although there are no direct year-on-year comparisons.

The closure of our warehouses was completed on schedule and the benefits are now flowing through the business. There were some expected one off costs and write-downs associated with this substantial change programme, however, the underlying profitability achieved accommodated these exceptional costs. This is explained in more detail in the Strategic Report.

The year also saw the Society open new stores: a Locale in Grouville, Jersey and an En Route at St Sampson in Guernsey. Both have been an unqualified success. We also completed a major refurbishment of our Grand Marché at St Peter, adding Totstop and Travel services and upgrading our food, pharmacy and medical offer. I would like to thank our Members for their patience whilst the extensive work was being carried out.

It was also a year where we made significant strides forward with Charing Cross. I am delighted that we were able to agree a way forward with the planners and the National Trust for Jersey, finalise plans with Whitbread plc and secure a nearby Locale site from which to trade whilst work got underway. I would like to extend my gratitude to all involved.

We substantially enhanced our governance structure in 2015, with new terms of reference for the Board and the Executive Committee. We also established Audit and Risk and Recruitment and Remuneration Committees; and co-opted Richard Le Tocq to serve as a Director and to Chair the Audit and Risk Committee.

Finally, the report will provide details about our new Vision which is articulated on our front cover. Two Member events took place last year where Members helped us understand what they wanted from their Society over the next ten years. Their feedback helped us shape the Vision statement that will define our direction of travel for years to come. I would like to thank those who participated, sharing their views on behalf of the wider Membership. It was a great example of a memberdriven business in action.

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Highlights Turnover £168.7m Amounts returned to Members £8.3m



DIRECTORS, OFFICIALS AND ADVISORS







* Mr Alexander Fearn – Vice President Mrs Carol Champion – Vice President





* Mrs Tanya Dorrity



Mr Peter Roffey



Mr Hamish Marett-Crosby



Mrs Sue Ryde



Mr Richard Le Tocq



CHIEF EXECUTIVE



CHIEF OPERATING OFFICER



SECRETARY Mr Chris Lintell



CHIEF HUMAN RESOURCES OFFICER Mrs Donna Abel



CHIEF COMMERCIAL OFFICER Mr Jim Plumley



CHIEF FINANCIAL OFFICER Mr David Rees

*Retire this year, eligible for re-election

Registered Auditors

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

Bankers

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

Legal Advisors

Mourant Ozannes (Advocates & Solicitors) 22 Grenville Street, Jersey, JE4 8PX Benest Corbett Renouf (Advocate & Solicitors) 12 Hill Street, Jersey, JE2 4UA Randell & Loveridge (Advocates) 6 Court Row, Guernsey, GY1 2PD

Registered Office

57, Don Street, St Helier, Jersey, JE2 4TR. Registered Number: 14672R.

Telephone: (01534) 879822 Facsimile: (01534) 768312

NOTICE OF MEETINGS

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

Jersey

On Tuesday 17th May 2016 at Hautlieu School, Wellington Road, St Helier, commencing at 7.30 pm.

Guernsey

On Wednesday 18th May 2016 at Les Beaucamps High School, Castel, commencing at 7.30 pm.

Agenda

- 1. To confirm the Minutes of the Annual Members' Meetings held on 12th and 13th May 2015.
- 2. To receive the Board of Directors' Report for the 52 week period ended 10th January 2016.
- 3. To receive the audited Financial Statements for the 52 week period ended 10th January 2016, and Declaration of the Dividend.
- 4. To elect one Jersey Member and one Guernsey Member to the Board of Directors.

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

By order of the Board of Directors C Lintell, Secretary

STANDING ORDERS FOR MEMBERS' MEETINGS

- The order of business at every ordinary or special meeting of the Society shall be in accordance with the printed Agenda or Order of Business issued with the Notice of the Meeting.
- 2. Only one Member shall speak at a time and he/she shall be standing and address the Chair.
- 3. The time allowed for making any speech, except for the Chair's address or any formal report to the meeting, shall not, except by consent of the meeting, exceed the following limits:
 - (a) Any speech and discussion 5 minutes
 - (b) Any speech moving a resolution or amendment 10 minutes
 - (c) A reply by the mover of any resolution 5 minutes
 - An extension of the above times, not exceeding 5 minutes in any case, may be allowed by consent of the meeting.
- 4. No Member shall be allowed to speak more than once on the same question (except a mover of a resolution to reply to the discussion) unless permission be given to explain, or the attention of the Chair be called to a point of order.
- Whenever an amendment is made upon a motion, no second amendment shall be taken into consideration unless the first amendment is disposed of. If an amendment be carried it shall then become a substantive motion.
- 6. The mover of an original motion to which no amendment is submitted shall have the right to reply to the discussion on such motion. The mover of an original motion shall also have the right of reply to the discussion on

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

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

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

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



Corporate Information

Registered Office:

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

Registered Number: 14672R

Incorporation

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

Subsidiaries

The Society has two wholly-owned subsidiaries:

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

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

Jersey Pharmacy Services Limited has two subsidiaries:

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

Membership

At 10th January 2016, the Society had a Membership of 123,001. The changes in Membership during the year were as follows:

At 11th January 2015	120,969
New Members	2,811
Accounts Closed	(779)
At 10th January 2016	123,001
of which:	
of which: Guernsey Members	43,534
	43,534 79,467

Strategic Report

The Directors present their Strategic Report for the 52 week period ended 10th January 2016.

Business Review

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

- Travel in both private and business sectors
- Members' Financial Services
- Sub-Post Offices
- Funerals
- Pharmacy
- Medical General Practitioner

For many years the Society had retailed bicycles, sports clothing and sports equipment in Jersey but the introduction of a national sportswear retailer into the Island led to a review of this operation. Not having the economies of scale and buying power of the competitor put the Society at a significant disadvantage and the operation was closed.

In food retailing, the Society had operated its own warehousing for ambient goods. However, none of the Society's competitors had such facilities in the Islands and a detailed study indicated the facility was costing at least £1,000,000 more to operate than by drawing those goods from a UK warehouse operated by the Buying Consortium of which the Society is a member. In addition to the saving on direct costs, moving to UK warehousing released working capital through lower stock-holding, increased the range of goods available in the Society's stores and moved the operation onto a variable cost basis that was directly proportional to the level of trade undertaken by the Society.

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

	52 Weeks 10th	52 Weeks 11th	
	January 2016 £,000	January 2015 £,000	Difference £,000
Turnover	168,746	169,584	(838)
Expenses	(47,189)	(44,797)	(2,392)
Operating Profit	10,050	9,303	747
Profit for Period	3,414	1,869	1,545
Total Comprehensive Income	9,389	(5,856)	15,245
Members' Funds	118,660	101,892	16,768

Turnover decreased by £838,000 (0.49%) during the year. The closure of "Total Sport", coupled with deflation in fuel prices and modest deflation in food prices placed downward pressure on turnover. Moreover, the changes in the consumer shopping profile from predominantly a large weekly shop to more "top-up" shopping and consumers taking a greater advantage of price promotions has resulted in a small decline in food turnover at our larger stores. These factors more than offset the increase experienced as a result of the opening of a new store in Grouville and the introduction of a healthcare dimension as an adjunct to the Pharmacy business, despite both of these ventures proving to be very popular with our Members.

This year is also likely to prove challenging due to the closure of the Society's highly successful food store at Charing Cross to facilitate the redevelopment of the site. The Society has opened a temporary store close to Charing Cross but the sales area is considerably smaller and it cannot therefore generate the same level of trade. Moreover, there is nothing to suggest that food price increases will match the level of general price inflation in the immediate future. However, the new petrol filling station at St Sampson, Guernsey opened at the end of 2015 and the new food store recently opened in La Colomberie, St Helier, Jersey which should provide a welcome boost to food sales.

As a co-operative business above the prescribed size, the Society is obliged to prepare its accounts in compliance with United Kingdom accounting standards; accordingly, this year the Society was required to observe the provisions of Financial Reporting Standard (FRS) 102 for the first time. The transition to this standard has entailed the presentation of the financial statements in a different format to previous years. Of particular relevance has been the FRS 102 requirement to account for changes in the valuation of investment property and derivative financial instruments in the Consolidated Income Statement, previously referred to as the Profit & Loss account. This change has had a significant effect on the reporting of both the operating profit and the profit for the period.

Total operating profit increased by £747,000 during the year. The closure of the Society's on-Island warehouses gave rise to a number of one-off costs and write-downs of fixed assets, which has given rise to a marked increase in expenses. In addition, a fundamental review of all the trading ledgers revealed a number of historic claims that were no longer considered recoverable. With the exception of these items, costs had been well contained, the benefits of closing the warehouses were starting to flow through and the profitability of food sales had improved markedly. The underlying trading performance is therefore very strong despite the fall in turnover and, but for the one-off costs, the Society would have been reporting an improved performance.

While ordinarily these one-off costs would be expected to squeeze profits, the Society enjoyed the benefit of a net gain of £2,969,000 in the revaluation of its investment property. Significant increases in the value of Leale's Yard, Guernsey and the properties owned by the Society on the Bridge, Guernsey offset both the increase in expenses and the revaluation losses, particularly in respect of Charing Cross, which was reclassified as a development site having previously been classified as a trading property. The profit for the period was further boosted by the reduction in the liability of the swap instruments. As these instruments move toward maturity, the liability will reduce, with there being no liability remaining at maturity.

Other comprehensive income increased markedly during the year, with a decrease in the pension scheme liability of £7,443,000. Members continued to invest in the Society, depositing more money into their share accounts, which together with Comprehensive income strengthened the Society's financial position by £16,768,000.

The Society's 'current ratio' (ratio of current assets to current liabilities) has changed very slightly from 1.34:1 to 1.30:1. Although the amount of stock carried has fallen by £5,226,000 as a result of closing the Society's on-Island warehousing, this has been offset to a large extent by the increase in the Society's cash holdings.

There was a small increase of 15 in the total number of people

employed by the Society during the year despite the closure of the warehouses. This was attributable to the opening of En Route at St Sampson, the expansion of our offer at the St Peter Grand Marché and the Society's venture into healthcare. Many of the new jobs were taken by part-time workers and the number of full-time equivalent employees fell slightly by 24. Average employee numbers are expected to increase slightly as a result of the opening of the new store in La Colomberie, St Helier, Jersey.

Creditor Payment Practice

Payment to suppliers is made in accordance with the Society's agreed Terms and Conditions for its transactions with all its suppliers, provided the said suppliers meet their obligations to the Society's satisfaction. Trade creditor-days as at 10th January 2016 amounted to 30.92 days compared to 13.97 days as at 11th January 2015. The marked change in this ratio is due to the timing of the receipt of invoices, there being no changes to the Society's payment routine.

Principal Risks and Uncertainties

The Board evaluates the Group's risk appetite and undertakes a full review of all significant risks that might affect the Society and/or its Subsidiaries at least annually. The principal risks and uncertainties facing the Society are broadly grouped as: competitive, economic, legislative and financial risk.

• Competitive Risks

In recent years there have been a number of entrants to the food retailing market in the Islands, some of whose stores are in close proximity to those of the Society. This competitive pressure is only likely to increase, with planning permission having been granted in Jersey for a large supermarket in St Helier.

In other areas of retailing, the growth in on-line shopping has had an adverse effect on traditional non-food shops. On-line retailers are able to operate from comparatively cheap warehouses while serving millions of customers and are thus able to derive a significant benefit from lower costs and economies of scale. In Jersey they are also able to gain a competitive advantage through most items being of a value such that Goods and Services Tax (GST) is avoided.

• Economic Risks

The economies of both Jersey and Guernsey are driven primarily by their respective finance industries. A downturn in this sector translates into less money available to spend in the retail sector. The finance sector is highly mobile when compared to traditional industries and off-Island relocation can be readily achieved if economic circumstances so require.

• Legislative Risks

Changes to the laws relating to shop opening hours could have an adverse effect on particular categories of store, rendering them uneconomic to operate on their current bases. The Society through Jersey Pharmacy Services Limited has also invested in Healthcare, which is subject to strict regulation. Changes to the legislative environment relating to healthcare could make the current operating model unviable.

• Financial Risks

The Society has established a financial management framework whose primary objectives are to protect the Society from events that hinder the achievement of the Society's performance objectives. The objectives aim to ensure sufficient working capital exists.



Period Report

The Directors present their report for the 52 week period ended 10th January 2016.

Directors of the Society

The current Directors are shown on page 2.

In May 2015, elections for two vacancies arose as a result of rotational retirement. There were 6 candidates for the vacancies. Mrs Jennie Vibert and Mrs Sue Ryde were elected for a four-year term of office.

On 1st July 2015, Mr Richard Le Tocq was appointed as a Director by co-option under Rule 10.5 of the Society's Rules for an initial term of 12 months, which may be extended for a further term of 12 months by mutual agreement. He is an accountant and risk specialist and the Chair of the Society's Audit and Risk Committee.

Dividends

The Directors recommend a Dividend payment at the rate of 4% of Members' purchases made during the 52 week period ended 10th January 2016. Subject to the agreement of Members, the Dividend will be transferred to Members' share accounts in accordance with Rule 16.1(b).

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

The total returned to Members during the period under review amounted to £8.314 million, inclusive of Dividend, Dividend stamps, travel vouchers and share interest.

Events since the Balance Sheet Date

Events since the Balance Sheet date that would have a material effect on the Financial Statements, the Strategic Report or this, the Directors' Report, are recorded in Note 29 to the Financial Statements on page 35.

Directors' Liabilities

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

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

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

Website

The Financial Statements are published on www.channelislands.coop, which is a website maintained by the Society. The maintenance and integrity of the www.channelislands.coop website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the Financial Statements or the Audit Report since 8th April 2016.

KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 8th April 2016 that in any way extends this date. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors remain responsible for establishing and controlling the process for doing so, and for ensuring that the Financial Statements are complete and unaltered in any way.

Going Concern

The Society's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 4 to 5.

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

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

Disclosure of Information to the Auditors

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

Re-appointment of Auditors

In accordance with the Rules of the Society it is intended that KPMG Channel Islands Limited continue as Auditor of the Society and its subsidiaries.



VISION - MEMBER EVENTS

The Society's direction for the next decade was initiated in the autumn of 2015 at two Member Vision events staged in Jersey and Guernsey to mark the Society's 60th anniversary year as a pan-Island business.

The cross section of 83 Members who volunteered to take part in these events were joined by a number of students from both Islands who were chosen to represent the next Co-operative generation and the wider Membership. Together they had two far-reaching questions to consider what sort of:

- (a) Society they would like to see in place by the year 2025 to serve their Island communities; and
- (b) shopping experiences they would like to have within their Co-operative stores during the Society's seventh decade?

After hours of listening, discussing and brainstorming, the Members and students came up with multiple suggestions for developing the Society and its retail outlets over the next 10 years.

"The value of this has been immeasurable to me", was the verdict of the Society's Chief Executive, Colin Macleod, who was a keen participant throughout the Members' discussions and deliberations.

"Seeing this level of enthusiasm for our business and seeing this level of interest in the future development of our Society has been inspirational", he told them.

"Giving so freely of your time, energy and thoughts, you have generated so many ideas and so much food for thought as we begin this process of moving forward together".

As far as the unified topics were concerned, the Members made it clear that they preferred the term 'Co-op' and that very few of them tend to use the terms 'Co-operative' or particular store format such as 'Locale'. In response the Society has pledged to undertake a brand identity exercise during 2017.

Members wanted to see a higher profile for the Society's community activity and charitable donations. Community is now featured highly in the Society's long-term Vision. In-store, the Membership called for a card to be introduced as an alternative to stamps as a means of gaining bonus dividend. The Board's response is that card capability will form part of the Society's future transformation programme.

Another request was for non-food products to be made available in the Society's larger stores. The Board has agreed to deliver more non-food items into the Grande Marché estate in the future.

In summary, it was clear that Members wanted the Society to continue with its strong moral principles, as well as provide its shoppers with a modern proposition throughout its businesses and to engage with the wider community.

As a result, The Channel Islands' Co-operative Society will be governed over the next 10 years by the following Vision statement:

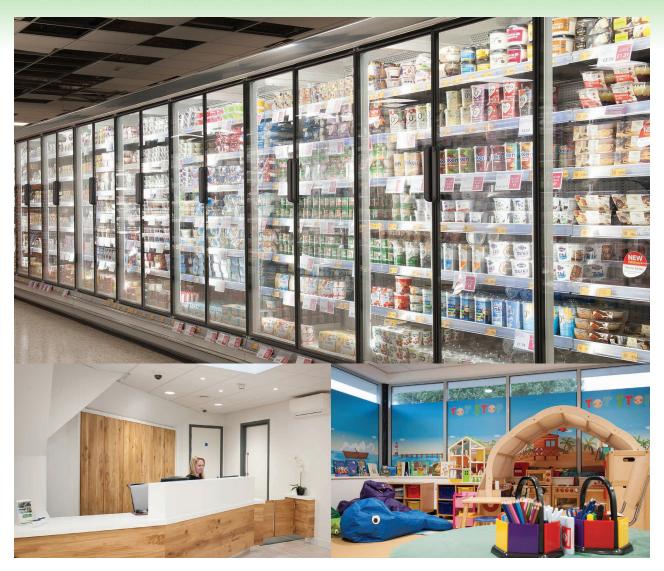
To make a real difference to the communities we serve.

This will be achieved through:

- Fairly distributing the profits we make.
- Working in partnership with our Members.
- Putting ease and convenience at the heart of everything we do.
- Being the local community organisation.
- Always abiding by our strong ethics and values.
- Ensuring Colleagues reach their potential.

Mr Macleod concluded "A Vision is an essential starting point, it gives the Society a sense of direction on which to pin further work on strategy and implementation plans. In a Member-driven business, it is important to incorporate the views of the Membership about our future and I am very grateful to those who attended to help move the business forward".





The Grand Marché at St Peter, Jersey underwent a major refurbishment in 2015. The food store went through significant layout changes, the Medical Centre and the Pharmacy were refitted in October, followed in November by a Totstop and a new Homemaker and Travelmaker offer.



At last, after 15 years endeavour, the Society reached agreement with The States of Jersey Planning Department, the Jersey Architecture Commission and The National Trust for Jersey to deliver a solution to the Charing Cross site, St Helier. The plans include a Premier Inn Hotel, a new and enlarged Co-operative Locale store and the retention of some of the historic buildings.



We are delighted with the first year's trading results from our Locale store at Grouville in Jersey. The 4,000 sq. ft. modern Locale opened on the 5th February 2015 and has continued to exceed our expectations. Customer and community feedback has been very positive.



On the 28th October last year we saw the opening of our new En Route in St Sampson, Guernsey. The 2,600 sq. ft. store has proved to be popular with local residents and the significant passing trade. It is the first store in Guernsey to use digital shelf edge tickets and is already the top sales performing En Route in the Island.



Travelmaker

A quarter of a century after its launch, Co-operative Travelmaker has established itself as one of the Channel Islands' biggest and most trusted holiday providers.

With one very busy retail travel branch in Guernsey and three retail outlets in Jersey, Co-operative Travelmaker has focused even harder in recent years on providing unrivalled customer service which has resulted in steady growth.

The newest of the four offices, which opened in November 2015 at Grand Marché St Peter, Jersey has reported a 'phenomenal' start to business that has gone beyond the Society's initial expectations.

Co-operative Travelmaker is also highly regarded within the wider UK holiday industry having featured as a finalist in the Travel Trade Gazette Travel Awards for 2015. Both the Jersey and Guernsey Travelmakers are in the running for a TTG accolade again in 2016.

Two highlights of 2015 were the opening of the Grand Marché St Peter retail travel centre and becoming a finalist in the "High Street Store of the Year" category in the TTG Travel Awards.

The Travelmaker brand was established first in Guernsey in 1990 and continues to operate a consistently successful retail travel branch within the Grande Marché, St Sampson store. The following year the first Travelmaker retail branch was opened in Jersey.

Alongside the new travel unit in St Peter, the larger Island has its original Travelmaker retail outlet in Don Street, St Helier. The specialist Travelmaker by Design office in partnership



with international tour operator Kuoni, is at Grand Marché, St Helier.

Travelmaker operates its own 'Travel Money' commission-free Bureau de Change in various Co-operative stores, where customers can also purchase the Travelmaker Prepaid Currency Card. Meanwhile, for those who prefer making their travel arrangements outside normal working hours, the Travelmaker website is always open for business.

Co-operative Travelmaker's 25 years of business success is based on independent and impartial travel advice, expertly delivered, with the added security of ABTA and ATOL membership. Added to this is a firm commitment to the highest level of customer care through the Customer Service Charter.

For hundreds of residents in the Channel Islands, Co-operative Travelmaker has become the number one choice for arranging a holiday, whether it is a budget trip to Spain's Costa del Sol or an all-inclusive luxury stay at an exotic location somewhere in the Caribbean.

As well as being able to provide a wide range of 'standard' package deals, Travelmaker has developed into the specialist area of dynamic, custom made holidays.





Travelmaker also offers direct holidays from the Channel Islands, special deals on escorted tours, activity holidays, city breaks, villa holidays and excursions to family favourites like Disneyland Paris.

For Travel Manager Darren Davison, who leads the 18-strong Co-operative Travelmaker team across the Islands, the 2 highlights of 2015 were the opening of the Grand Marché St Peter retail travel centre and becoming a finalist in the "High Street Store of the Year" category in the TTG Travel Awards.

Darren Davison commented: "There was a shortlist of 5 that included the whole of the UK. We didn't win but even to get shortlisted and recognised in such a prestigious industry event was a real achievement. Also, our Travelmaker agencies in both Guernsey and Jersey have made it to the top 50 shortlist out of 500 throughout the country in the 2016 awards".

"We were one of the first businesses in the Channel Islands to be recognised with 'WorldHost' accreditation"

2015 was also the year in which Co-operative Travelmaker became a WorldHost accredited business. Developed from the 'gamesmakers' programme for the London 2012 Olympics and brought in for the Jersey 2015 Island Games, WorldHost has become a widely accepted mark for excellence in customer service.

"We were one the of first businesses in the Channel Islands to be recognised with 'WorldHost' accreditation". Darren pointed out.

"Most of our Travelmaker Colleagues have now gone through the customer service training course run by WorldHost and one of our Colleagues in the Society's training team in Guernsey is actually a qualified trainer for the WorldHost programme".

He added: "In the travel industry excellent customer service is everything and people are buying into that service. We have seen, especially over the last 5 years, a definite return to travel agents instead of people going online and putting their hard earned cash in the hands of someone they cannot possibly know".

He observed that: "The world is a smaller place thanks to the Internet and so what we're seeing is people being more aware of where they're going before they commit to book. They will do a lot of research themselves online but when it comes to actually physically paying the money to book their holidays they're still entrusting that with us".

Far from being in an industry that is in decline, Darren and his Colleagues are extremely positive about their future prospects. The Travelmaker teams in Jersey and Guernsey have a wealth of experience between them and they are also actively recruiting younger people who are passionate about travel and who want to make it into an exciting career.



The Society continues to support the community in a variety of different ways. Last year, we gave over £250,000 to community and charity related projects in the Channel Islands.

2015 Highlights

We supported more than 140 charities, schools and organisations to raise money through bag packing and other fundraising events in our stores.

We support around 300 local charities annually with fundraising prizes and sponsorship.

Our Eco-Fund donated £25,000 to local environmental causes in its ninth year.

Our Helping Hands Fun donated approx. £17,500 to a variety of local charities and organisations in its 22nd year.

We support the David Kirch voucher initiative and in 2015 gave £183,242 in discount to help the elderly community in Jersey.



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

Those charities were:

Jersey:

Jersey Cancer Relief MIND Jersey Royal British Legion National Trust Jersey

Guernsey:

Disability Swimming LBG Guernsey Chest and Heart The Hub Guernsey Foster Carers



Examples of who we have helped:

"The money we have received from Helping Hands will enable us to continue to practically support these families by providing our Little Miracles boxes when they are most in need".

- Cirsty de Gruchy-Wilson, Little Miracles' Chairperson.

"Edible Guernsey has ambitious plans to re-imagine the food landscape in Guernsey. There are so many threads to the project and we are very grateful to The Co-operative Eco-Fund for its support".

- Jock Pettitt, Director of Edible Guernsey.

"The Farm School Initiative is delighted to have support from The Co-operative Eco-Fund this year. It means a great deal to our project and to the children who will be able to join us in the spring term".

– Grace Davies of The Farm School Initiative.

"This 'Get into Retail' programme has allowed us to form a positive community partnership. The Jersey Youth Service would like to thank The Channel Islands' Co-operative Society for their support in making this possible".

– Nathan Le Mottee, Prince's Trust Coordinator at Jersey Youth Service.







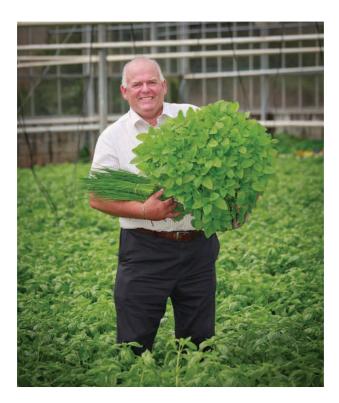


Local

Your Channel Islands' Co-operative is a local business, independent of The Co-operative Group in the UK. We have been operating in the Channel Islands for 97 years.

We have over 1,000 local products in our large stores which include dairy, fruit, vegetables, salad, herbs, alcohol and bakery products, amongst others.

We continue to support over 40 local producers and pay over £11 million for the supply of local produce on an annual basis.







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

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

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

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

Animal Welfare

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

Ethical Trading

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

Environmental Impact

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

Food Quality, Diet and Health

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





Compliance Statement

Governance

As an Industrial & Provident Society, The Channel Islands' Co-operative Society Limited is not required to adhere to the provisions of the Combined Code. However, Co-operatives UK, the apex body for Co-operative enterprises in the UK, with the support of Congress, has issued a code for Consumer Co-operatives to which it requires voluntary compliance. This code is based on the principles contained in the combined code but it is tailored to the particular governance characteristics found in consumer co-operative societies.

The following statement outlines how the Society has complied with the principles of the code and explains in its final statement the provisions with which the Society does not comply and the reasons for non-compliance.

Members

Co-operatives are Member-owned democratic organisations and the Board continues to encourage Members to play their part in the governance of the business and to improve Membership participation.

All Members are encouraged to attend the Annual Members' Meetings, with notices being placed in all of the Society's places of business to which Members have access and in the local press.

The Board

The Board is responsible for setting the Society's objectives and strategy, monitoring delivery by the Management of that strategy and identifying the resultant business risks. The Board also has a duty to ensure that the Society operates as a bona fide co-operative and adheres to the values and principles unique to such organisations. Certain duties and responsibilities are the sole preserve of the Board and these include all matters concerning determination and general operation of the Society's Rules, all aspects of Membership policy, approval of all capital funding arrangements and approval of property acquisitions and disposals.

The Board meets on a regular basis throughout the year. At its meetings, it receives reports from Management on trading and other matters, reviews the financial performance of the Society both for the period and cumulatively for the year and considers papers presented for decision or information. Decisions made are actioned as appropriate by Management. The Board has delegated the day-to-day management of the Society's activities to the Chief Executive and his Management team, who are responsible for the execution of the strategy within the framework set by the Board.

The Society's Secretary can only be appointed or removed by the Board and is independent of the Management structure. All Directors have access to the advice and services of the Secretary at all times. In addition, external professional advice may be taken if requested by at least 3 Directors.

Board Balance and Independence

All Directors are non-executive and hold the following occupations:

Mr B Shenton Investment Manager
Mrs C Champion Nutritional Therapist

Mr A Fearn Director, International Funds and

Investment Management

Mrs T Dorrity Domestic Abuse and Relationship

Education Worker – The Hampton Trust

Mr Richard Le Tocq Head of Locate Guernsey

Mr H Marett-Crosby Freelance Journalist and Writer

Mr P Roffey Freelance Writer

Mrs S Ryde Project Manager

Mrs J Vibert Personal Assistant

With the exception of the Chief Executive Officer, no members of the Management Executive hold any significant directorships. The Chief Executive Officer has been nominated as a Director of Federal Retail Trading Services Ltd – a subsidiary of The Co-operative Group, a Director of Community Savings Ltd, a Director of Jersey Voluntary & Community Sector Ltd and a Director of Jersey Pharmacy Services Ltd.

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

The Chairman

The President of the Society is elected by the Board at the first Board Meeting each year following the Annual Members' Meetings. The President acts as Chairman at all Board Meetings. No employee of the Society may become a Director and therefore the Chairman is independent of Management.

In accordance with Society Rules, Mr Ben Shenton was elected Chairman of Directors' Meetings and President of the Society. Mr Alex Fearn was elected Vice-President (Jersey) and Mrs Carol Champion was elected Vice-President (Guernsey).

Board Skills

All Directors are required to undertake training annually. In addition, newly appointed Directors are required to undertake initial induction training and such further training as being necessary in order to address any skill shortages.

Board Remuneration

The Board's Remuneration was fixed by the Members at their Annual Members' Meetings held in 2013. Provision was made for the remuneration to be increased annually in line with the increase agreed between the Co-operative Employees' Association and the National Association of Co-operative Officials, subject to a review by Members 5 years after the date of the passing of the resolution.

Board Skills and Performance Evaluation

Although a formal Board skills audit is not carried out, the Board undertakes an informal skills review on an annual basis to identify training needs for the Board collectively.

As a result of this process the Board has instituted specialised training for new and existing directors in liaison with the Guernsey Training Association University Centre and the Institute of Directors which will commence during the summer of 2016.

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

Board Committees

On 17th August 2015 the Board established an Audit and Risk Committee and a Recruitment and Remuneration Committee, which are comprised as follows.

Recruitment and Remuneration Committee:

Mrs C Champion Chair
Mrs J Vibert Director
Mr H Marett-Crosby Director
Mrs T Dorrity Director
Mr C Lintell Secretary

Audit and Risk Committee:

Mr R Le Tocq Chair
Mr A Fearn Director
Mrs S Ryde Director
Mr C Lintell Secretary

The Audit and Risk Committee's terms of reference provide the Committee with the power to meet the External Auditors and also the Company Secretary in his capacity as the Society's Head of Internal Audit without the presence of Management annually, or as otherwise required.

Internal Control

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

The Society has adopted an internal control framework which contains the following key elements:

- An organisational structure with clearly defined lines of responsibility, delegations of authority and reporting requirements.
- 2. Policies for expenditure, with set authorisation levels.
- 3. A comprehensive system of financial reporting.
 Actual results together with budget comparisons
 and prior year comparisons are reported regularly to
 the Board throughout the year.
- 4. The Board review and approve the annual 3 year rolling budget and plans for the Society.
- 5. A 'whistle-blowing' policy and procedure for the reporting and resolution of suspected fraudulent activities.
- An internal audit function charged with reviewing the Society's systems of internal control.

The Board and the Executive Management have primary responsibility for identifying and controlling the key risks facing the Society. The Society operates a risk management process that aims to identify the key risks. These risks are considered at Senior Management level and are reviewed by the Audit and Risk Committee. Action is taken to mitigate the risks identified.

Society control procedures are designed to ensure accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and review by Management, Internal Audit and the External Auditors. During the period under review, internal audit reviews have been undertaken by an independent third party service supplier. A Head of Internal Audit has been appointed and will commence in April 2016.

In 2016 the Board appointed Price Bailey LLP and Ultra Electronics Ltd (trading as CORVID) to conduct an independent review of internal controls and the IT infrastructure respectively to provide additional assurance as to the effectiveness of the Society's internal control and systems. These reports will be used as a basis for further strengthening the Society's systems of control where weaknesses are identified and to plan future system enhancements to ensure that the Society is at least attaining, and where possible exceeding, current industry standards.

Board Meetings

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

Mee	tings	Mee	tings
Attended	2015	Entitled to At	tend
Mr B Shenton (President)	9		10
Mrs C Champion (Vice-President)	10		10
Mr A Fearn (Vice-President)	10		10
Mrs T Dorrity	10		10
Mr R Le Tocq	4		5
Mr H Marett-Crosby	10		10
Mr P Roffey	9		10
Mrs S Ryde	10		10
Mrs J Vibert	10		10

Board Committee Meetings

Both the Board's Committees are required to meet at least three times a year; these Committee Meetings are additional to and separate from the Society's Board Meetings.



Statement of Non-compliance

A revised Code of Practice was issued by Co-operatives UK in November 2013. The Code contains 163 provisions and, for ease of reference, the numbers stated below are those of the provisions with which the Society does not currently comply:

- 69. There is no total maximum service as Chair of the Society. The Board are of the opinion that the Chair should be the best person for the role and that they should not be constrained by a Director's maximum period of office when making their choice. There is an annual election for a Chair.
- 82. The Society has a term of office of four years for Directors rather than the maximum three years stipulated within the Code. Having reviewed the composition of the Board, in consultation with Cooperatives UK, it was agreed that the provision of a four-year term of office would provide the most practical and fairest way of dealing with rotational retirements, without significantly increasing the number of Directors serving on the Board.
- 83. There is no maximum period for a Director to serve on the Board. The Board are concerned that, with a relatively small number of Directors, coupled with the time taken for a person to become fully effective as a Director, continuity takes a higher priority to retain experience so far as is practicable. In a democratic organisation, the Board do not consider it appropriate to advise the Members as to whom they should elect in order to obtain a balance of experience and newly-elected Board members.
- 84. Under the Code of Governance, Co-operatives are obliged either to set a maximum period for a person to serve on the Board or to have an age rule. The Board consider that with a small Board, the need to retain experience is of greater importance and therefore do not propose a change to the Rules at this time.
- 155. Although the Society has a detailed whistleblowing procedure, it was last reviewed by the Board as a whole and not by the Audit and Risk Committee.

Signed on behalf of the Board of Directors

B. Shenton, President
C Macleod, Chief Executive

C. Lintell, Secretary

Financial Results

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52 weeks to 10th January 2016

52 weeks to 11th January 2015

CONSOLIDATED INCOME STATEMENT	Notes	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		- p-:::::::::::::::::::::::::::::::::::	эрээлэлэ			- P	
Turnover	1	168,380	366	168,746	168,687	897	169,584
Cost of sales		(115,867)	(290)	(116,157)	(116,646)	(507)	(117,153)
Gross profit		52,513	76	52,589	52,041	390	52,431
Administrative expenses	2	(47,055)	(134)	(47,189)	(44,565)	(232)	(44,797)
Revaluation of trading property and non trading investment property		2,969	-	2,969	-		-
Other operating income	3	1,681	-	1,681	1,669		1,669
Operating profit		10,108	(58)	10,050	9,145	158	9,303
Other interest receivable and similar income	7	112	-	112	91		91
Interest payable and similar charges	8	(2,300)	-	(2,300)	(2,545)		(2,545)
Profit on disposal of fixed assets	9	259	-	259	60		60
Net gain on financial liabilities at fair value		441	-	441	230		230
Profit / (loss) before member payments		8,620	(58)	8,562	6,981	158	7,139
Members payments		(4,936)	(15)	(4,951)	(5,031)	(39)	(5,070)
Profit / (loss) before tax		3,684	(73)	3,611	1,950	119	2,069
Taxation	10	(197)	-	(197)	(200)	-	(200)
Profit / (loss) on ordinary activities		3,487	(73)	3,414	1,750	119	1,869
Non controlling interest		10	-	10	(74)		(74)
Profit / (loss) for the period		3,497	(73)	3,424	1,676	119	1,795

The Totalsport part of the business ceased trading in July 2015. The trade relating to this part of the business has been classified as 'Discontinued Operations' in the Consolidated Income Statement

52 weeks to 10th January 2016

52 weeks to 11th January 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit / (loss) for the period		3,497	(73)	3,424	1,676	119	1,795
Revaluation of trading property and non trading investment property		(1,478)	-	(1,478)	(315)	-	(315)
Remeasurement gain / (loss) of the net defined benefit pension scheme	21	7,443	-	7,443	(7,336)	-	(7,336)
Total comprehensive income for the period		5,965	-	5,965	(7,651)	-	(7,651)
Total comprehensive income for the period		9,462	(73)	9,389	(5,975)	119	(5,856)
Total comprehensive income for the period is attributable to:							
Non controlling interests		10	-	10	(74)	-	(74)
Owners of the parent company		9,452	(73)	9,379	(5,901)	119	(5,782)
		9,462	(73)	9,389	(5,975)	119	(5,856)

The Society will be recommending a distribution of £4,847,538 to its members for the period to 11th January 2015 as detailed in Note 29. In accordance with Section 32 of FRS 102, this has not been accrued for in these financial statements.

The accounting policies and notes on pages 23 to 38 inclusive form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Notes	As at 10th January 2016	As at 11th January 2015
Intangible assets	11	6,527	6,902
Tangible assets	12	87,884	89,037
Investment property	13	35,471	27,362
Investments	14	15	15
		129,897	123,316
Current assets			
Stocks	15	7,161	12,387
Debtors	16	11,908	11,594
Short term deposits	17	17,119	10,065
Cash at bank and in hand	17	8,942	8,069
		45,130	42,115
	4.0	24.755	24 (00
Creditors: amounts falling due within one year	18	34,755	31,609
Net current exects		10,375	10,506
Net current assets		10,373	10,306
Total assets less current liabilities		140,272	133,822
Total assets less current nabilities		140,272	133,022
Creditors: amounts falling due after more than one year	19	(11,038)	(12,655)
Fair value derivatives	19	(2,005)	(2,446)
Pension liability	21	(8,569)	(16,829)
Net assets		118,660	101,892
Share capital	22	63,065	55,676
Reserves - property revaluation	23	5,103	4,640
Reserves - revenue		50,225	41,299
Total shareholders funds		118,393	101,615
Non controlling interest		267	277
		118,660	101,892

The accounting policies and notes on pages 23 to 38 inclusive form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	CALLED UP SHARE CAPITAL	REVALUATION RESERVE	REVENUE RESERVE	TOTAL SHAREHOLDERS EQUITY	NON CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 12th January 2014	51,822	4,955	46,840	103,617		103,617
Profit / (loss) for the period			1,795	1,795	74	1,869
Other comprehensive income			(7,651)	(7,651)		(7,651)
Transfer of revaluation movements to property revaluation reserve		(315)	315	-		-
Increase in share capital	3,854			3,854		3,854
Generated on the acquisition of Jersey Pharmacy Services Limited					203	203
Balance at 11th January 2015	55,676	4,640	41,299	101,615	277	101,892
Balance at 11th January 2015	55,676	4,640	41,299	101,615	277	101,892
Profit / (loss) for the period			3,424	3,424	(10)	3,414
Other comprehensive income			5,965	5,965		5,965
Transfer of revaluation movements to property revaluation reserve		1,491	(1,491)	-		-
Transfer of cumulative revaluation movements to revenue reserve on disposal		(1,028)	1,028	-		-
Increase in share capital	7,389			7,389		7,389
Balance at 10th January 2016	63,065	5,103	50,225	118,393	267	118,660



CONSOLIDATED CASH FLOW STATEMENT	Notes	52 weeks to 10/01/16	52 weeks to 11/01/15
Profit for the period		3,424	1,795
Adjustments to reconcile profit for the period to net cash flow from operating activities			
Amortisation of goodwill	11	375	148
Depreciation of tangible fixed assets	12	2,924	3,242
Revaluation gain on property		(2,969)	-
Interest receivable		(112)	(91)
Interest payable		2,300	2,545
Profit on disposal of fixed assets		(259)	(60)
Net gain on financial liabilities at fair value		(441)	(230)
Non controlling interest		(10)	74
Taxation payable		197	200
Tax paid		(197)	(200)
Decrease / (Increase) in trade and other debtors		(314)	(471)
Decrease / (Increase) in stocks		5,226	1,480
(Decrease) / Increase in trade and other creditors		3,110	(5,244)
Contribution to defined benefit pension scheme	21	(1,192)	(1,008)
		8,638	385
NET CASH INFLOW FROM OPERATING ACTIVITIES		12,062	2,180
INVESTING ACTIVITIES			
Interest receivable		112	91
Payments to acquire share in subsidiary		-	(4,256)
Net cash acquired on acquisition of subsidiary		-	1,027
Payments to acquire tangible fixed assets		(10,656)	(9,479)
Payments to acquire investment properties		(686)	-
Receipts from sales of tangible fixed assets	9	3,212	70
NET CASH FLOW FROM INVESTING ACTIVITIES		(8,018)	(12,547)
		(1)	, , , ,
FINANCING ACTIVITIES			
Increase in Share Capital		7,389	3,854
Repayment of property loans		(1,581)	(1,511)
Interest Paid		(1,925)	(2,124)
NET CASH FLOW FROM FINANCING ACTIVITIES		3,883	219
		3,000	217
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		7,927	(10,148)
CASH AND CASH EQUIVALENTS AT START OF THE PERIOD		18,134	28,282
CASH AND CASH EQUIVALENTS AT START OF THE PERIOD		26,061	18,134
CASTLARY CASTLEGOVALERIS AT LIVE OF THE FERIOD		20,001	10,134

CASH AND CAS	H EQUIVALENTS
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 ${\it Cash \ and \ cash \ equivalents \ comprise \ the \ following:}$

Cash at bank and in hand

Short term deposits

Cash and cash equivalents

Notes	As at 10th January 2016	As at 11th January 2015
17	8,942	8,069
17	17,119	10,065
	26,061	18,134

Major non cash transactions

There were no major non cash transactions made during the period (2015 :£nil)

ACCOUNTING POLICIES

General Information

The Channel Islands' Co-operative Society Limited's legal form is described on page 4.

Statement of Compliance

The Society's financial statements have been prepared in compliance with United Kingdom Accounting Standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland as issued in September 2015.

The Society transitioned from legacy UK Accounting Standards to FRS 102 as at 13th January 2014.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for freehold land and buildings, derivatives, investment property and pension liability measured at fair value.

The financial statements are prepared in sterling and rounded to the nearest £1,000.

The financial statements are prepared on the basis that the Society is a going concern and is expected to remain so for the foreseeable future.

Accounting Date

The financial statements are made up for the fifty two weeks ended 10th January 2016 with comparative figures for the fifty two weeks ended 11th January 2015.

The changes implemented to accounting policies and presentations as a result of the transition to FRS 102 are explained in Note 31. In preparing these financial statements, the Society has consistently applied the following accounting policies:

Basis of Consolidation

The Society financial statements consolidate the financial statements of the Channel Islands' Co-operative Society Limited and all its subsidiary undertakings for the full financial period. Subsidiaries are consolidated from their date of acquisition, being the date on which the Society gains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

The Society has 2 wholly owned subsidiaries:

- (a) Offshore Leisure Limited; and
- (b) F. Mallett & Son Limited.

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

Judgements and Key Sources of Estimation and Uncertainty

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the period end date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual

outcomes could differ from those estimates.

The following are the key areas of judgement (apart from those involving estimates) that have had the most significant effect on amounts recognised in the financial statements:

- fair value of property; and
- fair value of pension scheme.

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

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

Key Accounting Policies

Operating Lease Commitments

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

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

Property

The Society has both investment properties and properties used in trade. The Board has adopted the policy of revaluation of all freehold properties. These are accounted as follows:

- all properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure; and
- properties whose fair value can be measured reliably are measured at fair value on a triennial basis except where the property market movement in the intervening time indicates that an interim measurement is required.

Property fair values may be estimated using market-based, income-based or replacement cost approaches. Generally, the fair value of a property is measured by an independent member of the Royal Institute of Chartered Surveyors (RICS) using a market-based approach. Properties used in trade that are newly acquired or redeveloped may be valued using a depreciated replacement cost or income-based approach, to allow for circumstances where a significant range of acceptable values is observed. As at 10th January 2016, the Society's trading properties at Grouville and St Sampson En Route are carried at a fair value of £7,163,273, representing their estimated depreciated replacement cost.



ACCOUNTING POLICIES

Fair value movements on investment property are recognised in the Consolidated Income Statement. Fair value movements on trading property are recognised in the Statement of Comprehensive Income to the extent fair value exceeds cost and in the Consolidated Income Statement to the extent fair value is below cost.

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

The valuation of properties undertaken by the independent member of the RICS has been measured in accordance with RICS guidelines using a range of yields from 6% to 9%, the yield selected for each property being that currently attained in the local market having due regard to the construction, age, use and location of each property.

Tangible Assets

Tangible assets and other property, are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all equipment and motor vehicles, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, which varies between 4 and 8 years depending on the nature of the asset.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible Assets

Goodwill

The Society establishes a reliable estimate of the useful life of goodwill arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, and any legal, regulatory or contractual provisions that can limit useful life. Where the useful life cannot be determined but benefits are expected to accrue to the Society over a prolonged period of time, a useful life of between 10 and 25 years is assumed, in line with the Society's programme of refurbishment of trading assets.

Goodwill is amortised on a straight-line basis over the assessed useful life of the asset.

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

Impairment of Non-Financial Assets

Where there are indicators of impairment of individual assets, the Society performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for

the next three years and do not include restructuring activities that the Society is not yet permitted to do or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

The Society assesses at each reporting date whether an asset may be impaired. If any such indication exists the Society estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss. An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Disposal of Capital Assets

Capital assets are no longer recognised in the Statement of Financial Position at the time the title to the asset passes to a third party. Gains and losses on disposal declared are the differences between the carrying value and the amount received in payment for the asset.

Financial Instruments

Derivative Financial Instruments

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

The Society uses interest rate swaps to hedge interest rate exposures.

Basic Financial Instruments

Basic financial instruments include shares, cash, short-term debtors and creditors.

Unquoted Shares

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

Cash and Cash Equivalents

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

Short terms Debtors, Creditors and Loans Payable

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

Other Debtors, including loans receivable are recognised initially at transaction price less attributable cost. Creditors, including loans payable and members' loans, are recognised initially at transaction price plus attributable costs.

ACCOUNTING POLICIES

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

Inventory

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

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

Pension and Other Post-employment Benefits

The Society operates an Employees' Superannuation Scheme, membership to which has been taken up by the majority of those employees who are eligible to join the Scheme. The Society closed its Defined Benefit Scheme to future accruals on 30th June 2009 and since that time the Society has operated a defined contribution scheme administered by an independent third party service provider for both existing and new members.

The valuation of the assets and liabilities of the Defined Benefit Scheme is determined by an independent actuary using a range of assumptions selected by the Directors having taken independent professional advice. Actuarial gains and losses are accounted in the Statement of Comprehensive Income.

Members' Capital

Withdrawable share capital can only be withdrawn at the discretion of the Directors; accordingly withdrawable share capital is classified as equity capital in the Statement of Financial Position.

Members' loans can be withdrawn at three months' notice and they are classified as a short-term creditors.

Taxation

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

Turnover

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

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

Provision for Liabilities

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

Members' Payments

The Society pays a dividend to Members as a proportion of their expenditure with the Society on certain goods and services. The dividend payable is declared annually at the Annual Members' Meetings and payable the following working day. The amount paid is recorded in the Consolidated Income Statement in the period in which it is declared and paid.

Interest is payable on Members' share and loan accounts at rates determined by the Board from time to time. Interest is credited to the accounts annually on the first working day of the new financial period.

From time to time the Society issues "Dividend Stamps". These can be used in exchange for foods, services or cash at their face value. Where stamps are redeemed during the month of December for goods purchased in the Society's stores, an additional 5% of the face value is allowed.



	Notes	2016	2015
1. TURNOVER			
Gross turnover from Group ordinary activities		190,952	187,829
Less gross agency turnover from subsidiary travel activities		(22,206)	(18,245)
		168,746	169,584
Analysed by business area			
Food		132,257	133,579
Fuel		13,758	14,007
Homemaker		10,385	10,254
Travel		1,248	1,147
Totalsport		366	897
Online Retail		36	79
Funeral		1,352	1,006
Pharmacy		9,344	8,615
Total		168,746	169,584
2. ADMINISTRATIVE EXPENSES		2016	2015
Personnel	5	25,594	25,584
Defined contribution pension scheme		1,080	1,008
Occupancy costs		5,891	5,856
Depreciation	12	2,924	3,242
Goodwill, amortisation, impairment	11	375	149
Audit fee	4	81	80
Directors' fees	6	107	96
Other expenses		8,861	6,483
Bonus dividend		2,276	2,299
		47,189	44,797
3. OTHER OPERATING INCOME		2047	2045
		2016	2015
Sundry income		268	354
Rental income		1,413	1,315
		1,681	1,669
4. EXPENSES AND AUDITOR'S REMUNERATION		2016	2015
Included in the profit/loss are the following :			
Write down on other debtors and prepayments		-	375
Restructuring costs expensed as incurred - included in administrative expenses		621	_
Write off of historic claims		1,996	_
		2,617	375
Auditor's remuneration		81	80
Audit of these financial statements		81	80

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £7,452 (2015: £7,452)

	Notes	2016	2015
5. STAFF NUMBERS AND COSTS			
The average number of persons employed by the Society (including directors) during the period, was as follows:			
Full-Time		577	604
Part-Time		252	249
		829	853
The aggregate payroll costs of these persons was as follows :			
Wages and salaries		25,594	25,584
		25,594	25,584
		Number	Number
6. DIRECTORS FEES			
Directors' fees fall within the following ranges			
Between £0k and £15,000 pa		8	7
Between £15,000 and £30,000 pa		1	1
In excess of £30,000 pa		0	0
The total payments made to key management personnel were £107,000 (2014 : £96,000). Key Management is considered to be the Board of Directors of the Society			
· · · · · · · · · · · · · · · · · · ·			
		2016	2015
7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME			
Net gain on financial assets measured at fair value through profit or loss		112	91
		112	91
		2017	201 F
O INTERECT DAVABLE AND CIMILAR CHARGES		2016	2015
8. INTEREST PAYABLE AND SIMILAR CHARGES Mambara loop interest supposes		298	346
Members loan interest expense		793	
Bank loan interest expense Share interest		789	1,008 724
Net cost on pension scheme liabilities	21	375	421
Stamp club interest	21	45	46
Stamp dub interest		2,300	2,545
		2,000	2,073
9. PROFIT / (LOSS) ON DISPOSAL OF FIXED ASSETS		2016	2015
Receipts from the sale of fixed assets		3,212	70
Net book value of fixed assets disposed		(2,953)	(10)
Profit on disposal of fixed assets		259	60
10. TAXATION		2016	2015
Current tax on income for the period		197	200
		197	200
Reconciliation of profit before taxation to tax expense in the period			
Taxable rental income net of allowances at 20%		197	200
Tax expense for the period		197	200



	Lease Premium	Goodwill	Total
11. INTANGIBLE ASSETS			
Cost at beginning of period	1,000	6,790	7,790
Additions in period		-	-
Cost at end of period	1,000	6,790	7,790
Amortisation at beginning of period	100	788	888
Amortisation charge for the period	100	275	375
Amortisation at end of period	200	1,063	1,263
Net book value at end of period	800	5,727	6,527
Net book value at beginning of period	900	6,002	6,902

Intangible assets comprise goodwill on a number of cash generating units within the Society and a lease premium on a Pharmacy at Queen's Road

	Land and Buildings	Plant and Machinery	Total
12. TANGIBLE ASSETS			
Cost and valuation at 11 January 2015	86,014	38,103	124,117
Additions	7,675	2,981	10,656
Transfer to investment properties	(5,454)		(5,454)
Revaluations	(2,078)		(2,078)
Disposals	(102)	(14,544)	(14,646)
Cost and valuation at 10 January 2016	86,055	26,540	112,595
Depreciation at 11 January 2015	4,478	30,602	35,080
Depreciation charge for the period	1,013	1,911	2,924
Disposals		(13,293)	(13,293)
Depreciation at 10 January 2016	5,491	19,220	24,711
Net Book Value at 10 January 2016	80,564	7,320	87,884
Net Book Value at 11 January 2015	81,536	7,501	89,037

The Society has authorised total Capital Expenditure in the sum of £9,272,000 (2015: £5,650,000) in the period in respect of a number of new developments, most notably the development of Charing Cross. The full amount is contracted and no provision is made within these financial statements.

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, has undertaken a full valuation of the Society's property portfolio as at 10th January 2016. In accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual, those properties primarily occupied by the Society were valued on the basis of existing use value. The carrying amount of the Society's property portfolio which includes freehold land and buildings and investment property under the historical cost model would be £110,932,000 (2015: £104,258,000).

During the period under review the Society opened two new outlets: Grouville Locale and St Sampson En Route respectively. The Board has undertaken an assessment of the economic benefit to the Society based on anticipated returns and has concluded that the value of the properties is not less than the cost of bringing those units into operation. Although the economic benefit indicated by the valuation is greater than the cost of those units, due to the limited time they have been in operation and thus the limited data available, the Board has exercised prudence and determined no increase in value should be recognised at this time. The carrying value is therefore the cost of those units less depreciation.

The valuation of properties undertaken by the independent member of the RICS has been measured in accordance with RICS guidelines using a range of yields from 6% to 9%, the yield selected for each property being that currently attained in the local market having due regard to the construction, age, use and location of each property. For those properties newly acquired or redeveloped, the net present value of the expected cash-flows.

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

	Notes	2016	2015
13. INVESTMENT PROPERTY			
Balance at the beginning of the period		27,362	27,362
Additions		686	
Disposals		(1,600)	-
Transfer from Property, plant and equipment		5,454	-
Movement in revaluation		3,569	-
Balance at the end of the period		35,471	27,362

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, has undertaken a full valuation of the Society's property portfolio as at 10th January 2016. In accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual, those properties held as investments of for future development were valued on the basis of open market value.

The valuation of properties undertaken by the independent member of the RICS has been measured in accordance with RICS guidelines using a range of yields from 6% to 9%, the yield selected for each property being that currently attained in the local market having due regard to the construction, age, use and location of each property.

Investment properties includes properties held for sale of £9,540,000 (2015: £nil) which are currently being marketed.

14. INVESTMENTS

The Society owns 100% of the voting rights in Offshore Leisure Ltd, the principal activity of which is the provision of travel services to both private and business sectors within the Channel Islands.

The Society owns 80% of the voting rights in Jersey Pharmacy Services Ltd, the principal activity of which is the provision of retail pharmacy and prescription services in the Channel Islands.

The undertakings in which the Society's interest at the period end is more than 20% are as follows: Subsidiary undertaking	Country of Incorporation	Registered number	Principal activity	Percentage of shares held
Offshore Leisure Limited	Jersey	77830	Travel	100%
F. Mallett & Son Ltd	Guernsey	619	Holding	100%
Jersey Pharmacy Services Ltd	Jersey	89296	Pharmacy	80%

In the opinion of the Directors there has been no permanent diminution in the value of the below investments as at the period end or subsequently.

	Other investments	Total
Cost		
At beginning of period	15	15
Additions	-	-
Disposals	-	-
Reclassification	-	-
At end of period	15	15

Unquoted investments	£′000
Unquoted Co-operative Group (CWS) 105 Shares at £5 each	1
Unquoted - Industrial Common Ownership Fund PLC 10,000 ordinary shares £1 each	10
Unquoted Toymaster Limited 4,000 ordinary shares £1 each	4
	15



2016

Notes

2015

		_0.0	_0.0
15. STOCKS			
Finished goods		7,161	12,387
The value of goods purchased for resale and recognised as an expense during the period was £134,746,754 (2015 : £131,144,740)			
16. DEBTORS		2016	2015
Trade Debtors		10,166	8,547
Sundry accounts, prepayments and accrued interest		1,742	1,642
Consideration receivable in respect of F Mallett & Son Ltd - land held for resale		-	1,405
		11,908	11,594
17. CASH AND CASH EQUIVALENTS		2016	2015
Short term deposits		17,119	10,065
Cash at bank and in hand		8,942	8,069
Cash and cash equivalents per cashflow statements		26,061	18,134
18. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR		2016	2015
Trade creditors		9,757	4,486
Taxation		107	105
Members loans	20	15,942	18,461
Share interest		789	724
Accrued loan interest		298	345
Non trade creditors and expense accruals		6,309	5,971
Property loans	20	1,553	1,517
		34,755	31,609
19. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		2016	2015
Property loans	20	11,038	12,655
Fair value derivatives	20	2,005	2,446
		13,043	15,101
			., .

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

The derivatives are held with the Co-operative Bank. For information on interest rates, maturity and repayment schedule see Note 20.

2016 2015 Notes 20. INTEREST BEARING LOANS AND BORROWINGS Fair value derivatives 2,005 2,446 Property loans due after more than one year 11,038 12,655 Members loans 15,942 18,461 Property loans due within one year 1.553 1,517 30,538 35,079

Terms and debt repayment schedule	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016	2015
Property loan	GBP	LIBOR + 0.95%	2023	Quarterly	12,591	14,172
Members loans	GBP	0.1% - 1.75%	On demand	On demand	15,942	18,461

The Society uses interest rate swaps to hedge interest rate exposures on its property loan. There are two swaps in place. One for £10million which matures in 2023 and attracts a fixed interest rate of 5.46% and another for £9 million which matures in 2018 and attracts a fixed interest rate of 5.58%

21. EMPLOYEE BENEFITS

Nature of the scheme

The Channel Islands' Co-operative Society Limited Employees' Superannuation Scheme (the 'Scheme') operated by the Society is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary.

The Scheme closed to the future accrual of benefits with effect from 28 June 2009. All remaining active members were treated as having left Pensionable Service with effect from that date, but with a different rate of increases to deferred pensions applied compared to those members who had previously left service

The most recent actuarial valuation of the Scheme indicated that the Scheme had a deficit. The Society and the Trustees of the Scheme have agreed that the deficit will be funded by annual payments of £1,100,000, which will continue to be paid until the deficit is eliminated subject to these payments not affecting the future viability of the Society.

The most recent formal actuarial valuation of the Scheme was carried out as at 30 June 2013.

The calculations for the FRS 102 disclosures have been carried out by the Scheme Actuary as at 10 January 2016.

Funding Policy

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

Scheme Amendments

There were a number of redundancies during the period. This has given rise to a curtailment gain of £161,000 as outlined on the following page.



	Notes	As at 10th Jan 2016 £'000	As at 11th Jan 2015 £'000
21. EMPLOYEE BENEFITS (CONTINUED)			
The amounts recognised in the Balance Sheet are as follows :			
Fair value of scheme assets		43,795	44,853
Present value of funded obligations		(52,364)	(61,682)
Net (under) / overfunding in Scheme		(8,569)	(16,829)
Unrecognised asset due to asset ceiling		-	-
Net defined benefit asset / (liability)		(8,569)	(16,829)
The amounts recognised in the Profit or Loss are as follows :		£′000	£'000
Service cost		-	-
Cost of benefit changes		-	-
Curtailment costs / (gains)		(161)	-
Settlement costs / (gains)		-	-
Net interest on net defined benefit liability		536	421
Expense recognised in the Profit or Loss		375	421
The net interest on net defined benefit liability item is broken down as follows :		£′000	£′000
Interest on obligation		2,009	2,242
Interest on assets		(1,473)	(1,821)
Interest on unrecognised assets		-	-
Net interest on defined benefit liability		536	421
The amounts recognised as remeasurements in other comprehensive income are as follows :		£′000	£′000
Return on assets (not included in interest)		(2,102)	1,715
Actuarial gains / (losses) on obligation		9,545	(9,051)
Change in unrecognised assets (other than interest)		-	-
Total remeasurements recognised in other comprehensive income		7,443	(7,336)
Cumulative amount or remeasurements recognised in other comprehensive income		107	(7,336)
Actual return on scheme assets		(629)	3,536
Changes in the present value of the scheme's defined benefit obligation are as follows:		£′000	£′000
Opening defined benefit obligation		61,682	51,529
Service cost		-	-
Contributions by members		-	-
Cost of benefit changes		-	-
Curtailment costs / (gains)		(161)	-
Liabilities extinguished on settlements		-	-
Benefits paid		(1,621)	(1,140)
Interest on obligation		2,009	2,242
Experience losses / (gains)		(3,828)	(1,835)
Losses / (gains) from changes in assumptions		(5,717)	10,886
Closing defined benefit obligation		52,364	61,682
The weighted average duration of the liabilities of the Scheme was 24 years as at 11th January 2015			

NITY MEMBERS COLLEAGUES PRODUCERS LOCAL COMMUNITY MEMBERS COLLEAGUES PRODUCERS LOCAL COMMUNITY MEMBERS COLLEAGUES PRODUCERS LOCA	As at 10th Jan 2016 £'000	As at 11th Jan 2015 £'000
21. EMPLOYEE BENEFITS (CONTINUED)		
Changes in the fair value of Scheme assets are as follows :		
Opening fair value of scheme assets	44,853	41,449
Interest on assets	1,473	1,821
Return on assets (not included in interest)	(2,102)	1,715
Assets distributed on settlements	-	-
Contributions by employer	1,192	1,008
Contributions by members	-	-
Benefits paid	(1,621)	(1,140)
Administrative expenses	-	-
Closing fair value of scheme assets	43,795	44,853
The major categories of Scheme assets as a percentage of the total Scheme assets are as follows :	%	%
Equities	59.7	62.9
Gilts	20.8	22.4
Corporate bonds	11.3	14.0
Property	4.4	-
Cash	3.8	0.7
The principal actuarial assumptions used for the FRS 102 disclosures :	%ра	%ра
Discount rate at end of period	3.7	3.3
Discount rate at start of period	3.3	4.4
Inflation	3.3	3.3
Rate of increase in deferment whilst in employment with the Society	3.3	3.3
Rate of increase in deferred pensions for those who have left employment with the Society	3.2	3.2
Rate of increase in pensions in payment	3.2	3.2

Mortality Assumptions

 $The \ mortality \ assumptions \ are \ based \ on \ standard \ mortality \ tables \ which \ allow \ for \ future \ mortality \ improvements.$

The assumptions are that a member aged 65 will live on average until age 89 if they are male and until 91 if they are female.

For a member currently aged 40 the assumptions are that if they attain age 65 they will live on average until age 92 if they are male and until age 93 if female.

22. SHARE CAPITAL

As a Co-operative, the Society issues withdrawable Share Capital and this is the only form of Share Capital issued by the Society. Share Capital comprises individual shares held by the members of the Society. The rights attached to shares are set out in the Society's rules. Share capital can only be withdrawn at the discretion of the Directors and are therefore treated as equity shares.

23. REVALUATION RESERVE - PROPERTY

The Society carries its property portfolio comprising freehold land and buildings and investment property at fair value with changes in fair value ultimately being recognised in the revaluation reserve. This reserve relates to the surplus created following the revaluation of certain assets in the Society in previous periods.

The reserve is a non distributable reserve.



	Notes	2016	2015
24. OPERATING LEASES			
Non cancellable operating lease rentals are payable as follows :			
Less than one year		2,192	2,192
Between one and five years		5,962	5,962
More than five years		9,345	11,537
		17,499	19,691

During the period £1,683,000 was recognised as an expense in the Consolidated Income Statement account in respect of operating leases (2015 : £1,499,000) The Society operates a number a trading units under operating leases ranging from 2 years to 21 years.

Leases as a lessor		
The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows :		
Less than one year	1,357	1,357
Between one and five years	382	382
More than five years	109	210
	1,848	1,949

During the period £1,413,000 was recognised as income in the Consolidated Income Statement account in respect of operating leases (2015:£1,315,000) The Society lets a number of properties under operating leases ranging from 1 year to 9 years.

25. COMMITMENTS

Capital commitments

Contractual commitments in respect of capital projects at the period end were £9,272,000 (2015: £5,650,000)

26. CONTINGENCIES

Indemnities are held in favour of 'Customs and Excise Immigration and Nationality, Guernsey' in respect of Duty in the sum of £200,000 (2015: £200,000) for which no provision has been made within the Financial Statements.

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

A Parental guarantee in favour of Natwest Bank Plc in the sum of £100,000 (2015:£100,000) has been entered into in respect of exposure to credit card transactions entered into with Offshore Leisure Limited. It is not anticipated that this guarantee will be called upon.

A Parental guarantee in favour of Royal Bank of Scotland International Limited in the sum of £177,384 (2015:£177,384) has been entered into in respect of a Bond issued by the Bank in favour of the Association of British Travel Agents for the benefit of Offshore Leisure Limited. It is not anticipated that this guarantee will be called upon.

The previous owner of de Gruchy Funeral Services had agreed to provide a number of funerals at a fixed price. The Society will honour that undertaking and a provision of £38,000 has been made within the Financial Statements to meet the anticipated costs of those funerals.

Where Members and Customers require a pre-paid funeral plan, the Society provides access to a whole of life insurance plan operated by Ecclesiastical Life Ltd, with the underlying assets managed by Royal London Asset Management Ltd. The Society guarantees that the total cost of 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.

27. RELATED PARTIES

Transactions with directors and key management personnel

A number of trading transactions are entered into with key management and are at arms length. Key management are considered to be directors of the Society. Other than the compensation set out in Note 7 there were no transactions greater than £1,000 with the Society's entities (2015: £nil)

Entities over which Society has control - Offshore Leisure Limited
Entities over which Society has control - Jersey Pharmacy Services Limited
Employees of the Society

- 1	Receivables outstanding		Payables outstanding	
	2016	2015	2016	2015
	42	42	2,443	1,935
	1,678	2,491	0	0
	114	57	0	0
	1,834	2,590	2,443	1,935

27. RELATED PARTIES (CONTINUED)

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

All buying terms of goods for resale supplied from FRTS sources are negotiated with third party suppliers by FRTS on behalf of its members and all members benefit from the advantageous buying terms that such a major group can offer. The closure of the Society's own warehouses during 2015 has greatly increased the purchases made by the Society through FRTS. In the 52-week period to 10th January 2016, total purchases from FRTS amounted to £43,002,367 (2015: £30,791,761) and the payments due by the Society to FRTS as at that date totalled £5,337,204 (2015: £358,897). As at 10 January 2016 the amount due by FRTS to the Society in respect of rebates was £4,442,653 (2015: £4,164,042) and the amount due to the Society by FRTS in respect of Duty drawbacks is £2,319,468 (2015: £1,300,000).

The Society has provided a guarantee for Community Savings Ltd (CSL) as disclosed in Note 20. The Society's CEO has been appointed as a director of CSL. The provision of a guarantee has been made on the basis of corporate social responsibility and the Society receives no pecuniary benefit in return.

28. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors there is no ultimate controlling party as there is no single individual party who is able to exercise majority control.

29. SUBSEQUENT EVENTS

The Society has yet to recommend a distribution of £4,847,538 to its Members for the period to 10th January 2016.

The recommendation to accept this distribution will be, it is envisaged, ratified at the Annual Members' Meetings on the 17th and 18th May 2016.

Provision for this sum has not been made within these financial statements in line with the requirements of Section 32 of FRS 102.

The Society opened a new store at La Colomberie in Jersey in April 2016.

The store at Charing Cross, Jersey will be developed during 2016 and 2017 and accordingly, the store temporarily ceased trading in December 2015 when this development work started.

The Society disposed of two properties after the period end, Albalat House and Brunswick House. Considerations of £485,000 and £620,000 received respectively.

30. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk arises from the possibility of customers failing to meet their obligations to the Society. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Society does not require collateral in respect of financial assets. The majority of the businesses in the Society have cash based rather than credit based sales hence customer credit risk is relatively small.

At the Consolidated Statement of Financial Position date there were no significant concentrations of credit risk.

Interest Rate Risk

Interest rate risk arises from movements in interest rates that impact on the fair value of the assets and liabilities and related finance flows. Interest rate swaps, denominated exclusively in sterling, have been entered into to mitigate and manage the Society's exposure to interest rate fluctuations. Two property loan swaps with an initial notional value of £10 million and £9 million respectively were entered into during 2008 and run concurrently with the property loans (Note 21). The fair value of the swaps at 10th January 2016, based upon the difference between the floating interest rate due to be received by the Society less the fixed interest due to be paid by the Society over the period that the swaps were contracted for were £1,279,849 and £725,572 (2015: £1,504,575 and £941,466). These amounts are recognised as fair value derivatives.

Estimation of Fair Values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments

Forward exchange contracts, such as the Society's interest rate swaps are stated at fair value using valuations from the issuing bank.

Interest bearing loans and borrowings

These are shown at amortised cost which presently equates to fair value.

Trade and other receivables / payables

For receivables / payables, the notional amount is deemed to reflect the fair value.

Carrying amounts of financial assets and liabilities

20	1	1
20	ч	О

	Financial assets as an equity instrument	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial liabilities at fair value through P&L
Debtors		10,724		
Creditors			17,260	
Loans payable			12,591	
Members' loans			15,942	
Derivative financial instruments				2,005
Unquoted shares	15			

Carrying amounts of financial assets and liabilities

Carrying amounts of financial assets and liabilities	2015						
	Financial assets as an equity instrument	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial liabilities at fair value through P&L			
Debtors		10,266					
Creditors			11,631				
Loans payable			14,172				
Members' loans			18,461				
Derivative financial instruments				2,446			
Unquoted shares	15						



31. EXPLANATION OF TRANSITION TO FRS 102 FROM UK GAAP

As stated in Note 1, these are the Society's first financial statements prepared in accordance with FRS 102.

The accounting policies set out on pages 22 to 33 have been applied in preparing the financial statements for the period ended 10th January 2016 and the comparative information presented in these financial statements for the period ended 11th January 2015.

In preparing its FRS 102 Consolidated Statement of Financial Position, the Society has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting, UK Accounting Standards. An explanation of how the transition from UK Accounting Standards to FRS 102 has affected the Society's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Consolidated Statement of Financial Position as at 12th January 2014	Notes	UK GAAP	Effect of transition to FRS 102	Other changes	FRS 102
Intangible assets		1,544			1,544
Tangible assets		84,239			84,239
Investment property		27,362			27,362
Investments		1,483			1,483
		114,628	-	-	114,628
Current assets					
Stocks		13,101			13,101
Debtors		9,394		(170)	9,224
Investments		15,040			15,040
Cash at bank and in hand		13,242			13,242
		50,777	-	(170)	50,607
Creditors: amounts falling due within one year		(34,855)		170	(34,685)
Net current assets		15,922	-	-	15,922
Total assets less current liabilities		130,550	-	-	130,550
Creditors: amounts falling due after more than one year		(14,177)			(14,177)
Fair value derivatives	a*		(2,676)		(2,676)
Pensions and similar obligations		(10,080)			(10,080)
Net assets		106,293	(2,676)	-	103,617
Share capital		51,822			51,822
Reserves - general		36,000		(36,000)	-
Reserves - revaluation		4,955			4,955
Reserves - revenue	a*	13,516	(2,676)	36,000	46,840
Total shareholders funds		106,293	(2,676)	-	103,617
Non-controlling interests		-			-
		106,293	(2,676)	-	103,617

31. EXPLANATION OF TRANSITION TO FRS 102 FROM UK GAAP (continued)

31. EXI ENVALIDING TRANSPITOR TO TREE TOZITROM OR GAAL (CONTIN					
Consolidated Statement of Financial Position to 11th January 2015		LUCCAAD	Effect of transition	Other	FDC 400
lakan alkin asarah	Notes	UK GAAP	to FRS 102	changes	FRS 102
Intangible assets		6,902			6,902
Tangible assets		89,037			89,037
Investment property		27,362 15			27,362 15
Investments		123,316			123,316
Current assets		123,310	-	-	123,310
Stocks		12,387			12,387
Debtors		11,764		(170)	11,594
Investments		10,065		(170)	10,065
Cash at bank and in hand		8,069			8,069
Cash at bank and in hand		42,285		(170)	42,115
		42,203	-	(170)	42,113
Creditors: amounts falling due within one year		(31,779)		170	(31,609)
Net Current assets		10,506	-	-	10,506
					-
Total assets less current liabilities		133,822	-	-	133,822
Creditors: amounts falling due after more than one year		(12,655)			(12,655)
Fair value derivatives	a*		(2,446)		(2,446)
Pensions and similar obligations		(16,829)			(16,829)
Provisions					-
Net assets		104,338	(2,446)	-	101,892
					-
Share capital		55,676			55,676
Reserves - general		37,500		(37,500)	-
Reserves - revaluation		4,640			4,640
Reserves - revenue	a*	6,245	(2,446)	37,500	41,299
Total shareholders funds		104,061	(2,446)	-	101,615
Non-controlling interests		277			277
		104,338	(2,446)	-	101,892

The following were changes in accounting policies arising from the transition to FRS 102:

^{*}a) Interest rate swaps are recorded on the Consolidated Statement of Financial Position at fair value and movements in their fair value are accounted for in the Consolidated Income Statement. Under legacy UK Accounting Standards these were not revalued to fair value or shown on the Society Consolidated Statement of Financial Position at the period end.

b) In accordance with the requirements of FRS 102, the full financial commitment arising out of operating leases is now disclosed. Previously, only payments due in the following year were stated.

c) Property: Under legacy UK accounting standards, valuation of property at 'fair value' was considered to be that measured by an independent member of the RICS is accordance with the guidance issued by that Institute. FRS 102 allows a wider range of valuation methods to be used. Having due regard to their expected cash flows, the Directors have valued Grouville Locale and St Sampson En-Route at their depreciated replacement cost. All other properties have been valued at the amount advised by an independent surveyor using a market-based approach. See Accounting Policies for recording of gain/(loss) on revaluation on Pages 23 and 24.

d) Goodwill: Previously, accounting standards permitted an assumed life of 20 years when amortising purchased goodwill. FRS 102 requires that where a reliable estimate of useful life cannot be made, goodwill shall be amortised over a period of 5 years. The Society undertakes a refurbishment of its properties every 10 years and therefore, except where benefits are expected to accrue over a longer period, the Society amortises goodwill between 10 and 25 years.



31. EXPLANATION OF TRANSITION TO FRS 102 FROM UK GAAP (continued)

31. EXPLANATION OF TRANSITION TO FRS 102 FROM OR GAAP (CONTINU	eu)				
Consolidated Income Statement for the 52 weeks to 12th January 2015			Effect of transition	Other	
	Notes	UK GAAP	to FRS 102	changes	FRS 102
Turnover		168,437		1,147	169,584
Cost of sales		(116,006)		(1,147)	(117,153)
Gross profit		52,431	-	-	52,431
Administrative expenses		(44,705)		(92)	(44,797)
Other operating income		1,577		92	1,669
Group operating profit		9,303	-	-	9,303
Other interest receivable and similar income		91			91
Interest payable and similar charges	a*	(1,074)	(747)	(724)	(2,545)
Share interest		(724)		724	-
Profit / (Loss) on disposal of fixed assets		60			60
Profit on ordinary activities before taxation		7,656	(747)	-	6,909
Taxation		(200)			(200)
Profit / (loss) on ordinary activities before non controlling Interests and distributions		7,456	(747)	-	6,709
Members payments				(5,070)	(5,070)
Net fair value (loss) / gain on derivatives	b*		230		230
Non controlling interest		(74)			(74)
Profit / (loss) on ordinary activities before distributions		7,382	(517)	(5,070)	1,795
Dividend (ratified)		(5,070)		5,070	-
Profit / (loss) for the financial period		2,312	(517)	-	1,795
Share of operating profit in associate undertaking		-			-
Profit / (loss) for the financial period		2,312	(517)	-	1,795
Other comprehensive income					_
Profit / (loss) for the period		2,312	(517)	-	1,795
Revaluation of tangible fixed assets		(315)	. ,		(315)
Remeasurement of the net defined benefit liability (asset)		(8,083)	747		(7,336)
		(6,086)	230	_	(5,856)
		(0,000)	200		(0,000)

^{*}a) Interest on the defined benefit pension scheme is now applied to the Net Defined Benefit Obligation using the discount rate adopted for the disclosures. Previously, interest was applied at this rate to the liabilities but a separate expected return on the assets was calculated based on the investment returns expected from the assets held by the Scheme.

^{*}b) Interest rate swaps are recorded on the Consolidated Statement of Financial Position at fair value and accounted for at fair value through Consolidated Income Statement. Under previous UK GAAP these were not revalued to fair value or shown on the Society Consolidated Statement of Financial Position at the period end.

BOARD CERTIFICATION

The Financial Statements and Notes on pages 19 to 38 are hereby signed on behalf of the Board of Directors pursuant to Section 3 (5) (C) of the Friendly and Industrial and Provident Societies Act 1968.

- B. Shenton, President
- C. Champion, Director
- A. Fearn, Director
- C. Lintell, Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable laws, regulations and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102, the Financial Reporting Standard applicable to the UK and Republic of Ireland. The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Society will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Industrial & Provident Societies Act 1965 – 1978 (Industrial & Provident Societies (Channel Islands) Order 1965 – 1978). They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



REGISTERED AUDITORS' REPORT

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

We have audited the Group financial statements of The Channel Islands' Co-operative Society Limited ("the Society") for the period ended 10 January 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Society's Members, as a body in accordance with the Industrial and Provident Societies Acts 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978). Our audit work has been undertaken so that we might state to the Society's Members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 10 January 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Act 1965-1978 (Industrial and Provident Societies (Channel Islands)
 Order 1965 -1978).

KPMG Channel Islands Limited Registered Auditors, 37 Esplanade, St Helier, Jersey, JE4 8WQ

8th April 2016

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

OVER £8 MILLION

Returned to local members in Dividend



1,000+ EMPLOYEES



With a policy to promote from within











...with numbers that make a difference

Caring and sharing channelislands.coop

The Channel Islands
CO-Operative
Society Limited

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MAKE SURE YOU LET US KNOW.

If you have changed address recently or you are about to move house, please let us know so we can keep your details up to date.

This can be done in a number of ways

- **Call into our Member Services Counter at one of our Post Offices
- Call us on **01534 879822**
- @ Email us at member.services@channelislands.coop
- Write to us Member Services, Co-operative House, 57 Don Street, St Helier, Jersey, JE2 4TR
- Or visit www.channelislands.coop/addresschange





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