CO-operative Society Limited



community members colleagues producers local community members colleagues producers local community colleagues producers local community members local local community members local local

Your Society, Your Co-operative, Your Opportunity.





...equality & diversity in the workplace

jobs@channelislands.coop

Making a real difference to the communities we serve www.channelislands.coop

The Channel Islands
CO-Operative
Society Limited



WELCOME

2016 was a year of consolidation for the Society on the one hand and preparing the business for delivering our new Member endorsed Vision on the other. 'To make a real difference to the communities we serve' is a compelling Vision Statement that will drive our strategic and operational activity for many years to come.

Having received the resounding support of our Members on the direction of travel we are taking for the future, we started to invest in the people and systems that would be required to take us on that journey. Bringing our legacy IT systems up to modern standards, reviewing our ways of working, investing in and responding to Member requests for even more community focus by building a small team and providing a community van (see page 10) to support that direction were examples of areas of focus in 2016.

Following the changes we made to our food supply chain in 2015, we hope Members will have noticed a significant improvement in the product ranges across our food business. We recognise that these changes would have caused some disruption and would sincerely thank our membership for their patience as we re-arranged stores to accommodate over 1,000 new products.

After an unprecedented period of diversification and growth, 2016 was also a year where we applied considerable effort and investment into integrating our new pharmacy and medical businesses, whilst ensuring we had the right risk frameworks and processes to support our much larger business.

From a performance perspective, the Society's turnover of £172.05m was 1.96% up on last year and with the exceptions of Travel and Homemaker, turnover increased in all other sectors of the Society's business.

In more detail, our food business performed particularly well, seeing a 2.6% overall increase in turnover, medical services experienced an increase in turnover of 7.7% with Pharmacy improving by a more modest 0.5%. An increase in online sales has impacted Homemaker again this year, showing a fall in turnover of 4.8% compared to last year while Travel saw a reduction in the amount of cash passing through the business of 4.7% due to a marked reduction in foreign currency exchange while sales of travel products, which attracts a far higher level of commission, increased.

Towards the end of the year we were faced with an unprecedented level of supplier demand for price increases following the currency market reaction to the Brexit vote. I am really pleased that we managed to stave off many of these although protecting Members from the impacts of these increases has come at the expense of Net Profitability.

That said, our focus on the foundations of the business and making conscious choices to invest in our future, whilst protecting Member benefit, will stand us in good stead to take the Society forward.

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Highlights Turnover £172.05m



DIRECTORS, OFFICIALS AND ADVISORS



* Mr Ben Shenton – President



* Mrs Carol Champion – Vice President



Mrs Jennie Vibert



Mr Peter Roffey



Mr Hamish Marett-Crosby



Mrs Sue Ryde



Mr Richard Le Tocq



Mrs Kiley Henley-Thomas



Mrs Paula Williams



CHIEF EXECUTIVE Mr Colin Macleod



CHIEF OPERATING OFFICER
Mr Mark Cox



SECRETARY Mr Chris Lintell



CHIEF FINANCIAL OFFICER Mr David Rees



CHIEF HUMAN RESOURCES OFFICER
Mrs Donna Abel



CHIEF COMMERCIAL OFFICER
Mr Jim Plumley



CHIEF MARKETING OFFICER
Mr Greg Yeoman



CHIEF INFORMATION OFFICER
Mr Mat Ogden

*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, JE48PX Benest Corbett Renouf (Advocate & Solicitors) 12 Hill Street, Jersey, JE24UA Randell & Loveridge (Advocates) 6 Court Row, Guernsey, GY1 2PD Burges Salmon (Solicitors) One Glass Wharf, Bristol, United Kingdom, BS2 0ZX

Registered Office

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

Registered Number: 14672R. Telephone: (01534) 879822

NOTICE OF MEETINGS

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

Jersey

On Tuesday 16 May 2017 at Hautlieu School, Wellington Road, St Saviour, Jersey, JE2 7TH commencing at 7.30 pm.

Guernsey

On Wednesday 17 May 2017 at Les Beaucamps High School, Ruette des Deslisles, Castel, Guernsey, GY5 7DS commencing at 7.30 pm.

Agenda

- To confirm the Minutes of the Annual Meeting of Members' held on 17 and 18 May 2016.
- 2. To receive the Board of Directors' Report for the 52 week period ended 8 January 2017.
- 3. To receive the audited Financial Statements for the 52 week period ended 8 January 2017, 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.



BUSINESS REVIEW



Property Updates

A new Co-operative Locale store was opened at La Colomberie, St Helier in March 2016, creating 20 jobs. The new addition to our store portfolio delivers more choice and convenience for Society members who live and work in the south east of St Helier.



70 jobs will be created in Jersey once the Society's £16 million Charing Cross development is complete. The site will include a new Co-operative Locale Store, retail unit and a 93 room Premier Inn Hotel. The new store will add to the Society's growing portfolio of convenience stores and will be designed to meet the changing needs of customers, focusing on fresh food and 'food to go'.



Full approval was given for the creation of eight commercial units and 109 residential units at Leale's Yard by Guernsey's planning authority in August 2016 and a further 303 residential units were given outline permission. Earlier in the year, approval was also given for the demolition of the Homemaker store at Lowlands Industrial Estate. All of this will see the area transformed into a vibrant and thriving community, combining retail and modern day living and will breathe new life into the area.



The Co-operative Medical Care's growing medical and pharmacy team moved to a new modern and ergonomically designed Co-operative Medical Centre in July 2016. Joy Davies who had been a patient of the David Place surgery for 29 years, officially opened the health centre located in Bath St, Jersey.









Pharmacy Locale



The Society's Vision is 'to make a real difference to the communities we serve'.

Nothing demonstrates this more than when in 2014, the Pharmacy Locale chain of community pharmacies became part of the Channel Islands Co-operative Society (CICS).

Three years on and Pharmacy Locale is now the largest independent and locally-owned pharmacy operator in the Channel Islands, with three stores located in Guernsey and four stores in Jersey.

In addition to dispensing nearly half a million prescription medicines in 2016, Pharmacy Locale also provides services for a number of care homes and has supply contracts for the States of Jersey and Guernsey.

"Pharmacists are an ideal resource for free expert advice not only on medicines, but also for general health and wellness. They are easily accessible in convenient locations and there is no need for an appointment" says Pharmacy Operations Manager, Sara Kynicos. "This is of even greater value in the Channel Islands, where patients pay to visit their GP".

2016 saw many advances for the Pharmacy Locale team. Not only did they experience changes in leadership and integration with the CICS, many of the pharmacies had refits to improve the experience for both customers and colleagues.

In July 2016, one of the Jersey stores relocated from De Faye's Chemist in St Helier down the road to the brand new purpose built Bath Street Health Centre. "We are fortunate to be able to collaborate closely with the Co-operative Medical Care team to provide better care to patients" says Pharmacist Manager, Jaime Azedo. In November 2016, as part of the St Helier Grand Marché refit project, the Pharmacy Locale was relocated in-store to the front entrance in a new purpose built dispensary.









Pharmacy Locale are able to offer quick and efficient prescription dispensing with free home delivery if needed. For Members a dividend is offered on purchases within the store (excludes private prescriptions & statutory charges).

Many of the pharmacy locations offer additional services, such as free blood pressure monitoring and smoking cessation support. More health support services will be introduced such as flu vaccines and medicines reviews.







"The whole pharmacy team receive specialist training to be able to provide excellent advice and support for customers, from the pharmacy counter assistants, dispensers, pharmacy technicians and pharmacists. They pride themselves on using their skills and knowledge to go the extra mile for customers and deliver a personal service".

"It is an exciting time for healthcare, for pharmacy in particular, the needs of islanders continue to change and demands grow as the population ages. However your Pharmacy Locale team are always available to provide expert advice on your health & wellness."



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.

2016 Highlights

We supported more than 340 charities, schools and organisations to raise money through bag packing and other fund raising events in our stores.

We support around 250 local charities annually with fundraising prizes and sponsorship.

Our Eco-Fund donated £22,410 to local environmental causes in its tenth year.

Our Helping Hands Fund donated approx. £18,100 to a variety of local charities and organisations in its 23rd year.

We support the David Kirch voucher initiative and in 2016 gave £149,627 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 Friends of Anthony Thomas Age Concern Jersey JSAD – Jersey Sports Association for the Disabled Jersey Macmillan Cancer Support

Guernsey:

Guernsey Youth Commission
Guernsey Blind Association
Priaulx Premature Baby Foundation
Guernsey Citizens Advice
Chest and Heart



Examples of who we have helped:

"On behalf of ACTIVE I would like to thank you for the very generous donation. I can assure you that every penny we raise is spent within the Island with the purpose of sending all people with learning difficulties on holidays and activity breaks."

- Ray Peacegood, President of ACTIVE (Guernsey)
- "I was delighted to learn that we had been successful in obtaining a donation from Helping Hands. This will be of great support for our Baby Steps programme which is making such a real difference to the mothers to be who are participating in the programme."
- Colin Powell, NSPCC Hon Council Member (Jersey)
- "On behalf of La Société Guernesiaise Conservation Herd I would like to say thank you for selecting our charity as a beneficiary of the Eco-Fund. The money you have kindly awarded us will allow us to continue to conserve the Island's grasslands."
- Julia Henney, Conservation Herd (Guernsey)

"I'd just like to say a massive thank you on behalf of the Farm School Initiative for the extremely generous grant given by the Co-op's Eco Fund towards our project. We are over the moon and delighted to tell you that six classes from six different schools will benefit from the donation."

- Grace Davies, The Farm School Initiative (Jersey)



Taking the Co-op to the Community

In September 2016, the Society unveiled its latest initiative to help make a real difference to the community with the introduction of a community van.

Making its first appearance at Jersey Live, the van was used as a pop-up shop selling food and refreshments to music fans. Consultations were also offered from the van's modular room, providing free mole checks and sexual health clinics throughout the weekend.

Custom-built, the van will be used for a whole range of purposes across both Islands in future. Greg Yeoman, Chief Marketing Officer, explained the versatility of the Co-op's new community van, "Because it is a vehicle, it allows us to access more locations, set up easily and have a professional presence. Plus, due to its modular design, it can be used in multitude of different ways."

"For those customers who find it difficult to visit our stores, we could potentially take our store to them; whether it be food, travel or even pharmacy services." Greg Yeoman concluded.

The community vehicle drew in the crowds during Jersey's CI Pride event and provided the perfect stage with which to promote local produce at Guernsey's popular outdoor International Food Festival, supported by celebrity chef Jean-Christophe Novelli.

People who went to the event in St Peter Port were given samples of local food products including cheese, sausages, paté and berries as the Society demonstrated its commitment to local suppliers.



With plans well in hand for a Co-operative presence at popular community events in both islands during 2017, our new community van will prove to be a valuable asset in being able to engage with our membership.

BUSINESS REVIEW

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.





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 8 January 2017, the Society had a membership of 125,050. The changes in membership during the year were as follows:

10 January 2016	123,001
New Members	2,799
Accounts Closed	(750)
At 8 January 2017	125,050
of which:	
of which: Guernsey Members	44,351
	44,351 80,699

Strategic Report

The Directors present their Strategic Report for the 52 week period ended 8 January 2017.

Business Review

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

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

The key financial performance indicators, after adjustment for the restatement (further explained in Note 30 to the Financial Statements), which include the amounts attributable to the non-controlling interest in Jersey Pharmacy Services Limited during the period were as follows:

	52 Weeks 8 January 2017 £'000	52 Weeks 10 January 2016 £'000	Difference £'000
Turnover	172,050	168,746	3,304
Expenses	(45,626)	(47,189)	1,563
Operating Profit	7,608	9,200	(1,592)
Profit for Period	359	2,564	(2,205)
Total Comprehensive Income	(2,865)	8,539	(11,404)
Members' Funds	123,965	117,543	6,422

Turnover increased by £3.304 million (1.96%) during the year. With the exceptions of Travel and Homemaker, turnover increased in all other sectors of the Society's business. The Society acts as an agent in travel and the actual amount of cash passing through Travel reduced by £1.095 million (4.7%) due to a marked reduction in foreign currency exchange transactions, while sales of travel products, which attract a higher level of commission increased. Turnover for the Travel business is reported as having increased; however, this is because the relevant accounting standard requires us to report Travel turnover by commission received, rather than by the amount of cash passing through the business.

Homemaker has again been adversely affected by the inexorable increase in on-line sales in this market sector, showing a fall in turnover of £0.498 million (4.8%). Management have formulated plans to minimise the overall impact this change in shopping habits will have on the Society in the medium and long-term and elements of those plans are being implemented.

Our Food business performed particularly well, enjoying an overall increase in turnover of £3.788 million (2.6%), despite the disruption at St Helier Grand Marché caused by refurbishment works and the closure of our Charing Cross store for redevelopment. Overall performance was boosted by our new stores at La Colomberie, St Helier and a full year

of trading at St Sampson En Route. Both these new stores are performing above expectations.

Our Medical services business increased its turnover by £0.082 million (7.7%), and the Pharmacy business improved its turnover by a more modest £0.046 million (0.5%).

Expenses were lower than the prior year by £1.563 million. The closure of our on-Island warehouses in 2015, which gave rise to a number of one-off costs and the write-down of fixed assets, did provide a saving but in any event expenses have been well contained and work is in progress to identify areas for further improvement. The other expenses generally rose in line with the Retail Prices Index, which was challenging for Management during a prolonged period in which inflation in food prices, (which accounts for over 77% of the Society's business) was consistently below the general level of inflation. Expenses in our Medical business were adversely affected by the long-term illness of one of our general practitioners and the attendant need to employ locums to ensure we met our Members' requirements.

Total operating profit decreased by £1.592 million during the year. However, the prior year benefitted from a substantial increase of £2.969 million of revaluation gains of trading and investment properties. Moreover, the sale of two investment properties during the year, coupled with the termination of the lease on another, resulted in a reduction in other operating income of £0.113 million. Taking these factors into account, operating profit from recurring trading activities increased by £1.490 million.

While the overall result is not as good as the Board would wish, your Society has continued to perform better than the grocery market generally and has been able to deliver a dividend of 4% once again. All of the major food retailers in the UK have struggled to maintain profitability, and no major UK Co-operative has been able to offer a return to its Members' close to the return offered by your Society. Management are focussed on improving trading performance, while maintaining customer service and delivering improved customer experience.

Other comprehensive income decreased markedly during the year, wholly due to an increase of £3.352 million in the deficit of the Defined Benefit Pension Scheme. The Scheme was closed to future accruals in 2009 and from that time the Society has supported the scheme with contributions of £1.1 million a year. Nevertheless, the change in actuarial assumptions used to value the Scheme's liabilities, caused by changes in financial market conditions over the year, placed a significantly higher value on the Scheme's future pension liabilities, despite the fair value of the Scheme's assets improving by over £7 million during that period.

The Society's 'quick ratio' (the ratio of current assets to current liabilities) has improved very slightly from 1.27:1 to 1.30:1. Careful husbandry of stock has seen a reduction of £0.577 million in the amount of stock carried as a result of closing the Society's on-Island warehousing, while the Society's cash holdings have decreased by £0.12 million.

Last year, the credit balance for goods received not invoiced was inadvertently understated by £0.850 million due to changes in our supply-chain process. The error was only identified and corrected in the current period when reports not previously available were produced, resulting in a restatement of the profit shown in the prior year's accounts.

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 8 January 2017 was 27.88 days compared to 33.09 days as at 10 January 2016. The change in this ratio is due to the timing of the receipt of invoices, there being no changes to the Society's payment routine.

Principal Risks and Uncertainties

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

The Board has ultimate responsibility for identifying the key risks faced by the Society, with input from Management. It determines the Society's risk appetite, that is, the type and degree of risk the Society is willing to take and is responsible for ensuring that adequate processes are in place for the proper identification and mitigation of risk.

The Board is assisted in this task by the Chief Governance Officer & Society Secretary, who chairs the Risk Task Force, with assistance from the Head of Internal Audit. Management are responsible for operating the systems and controls for identifying and mitigating risk. They are also responsible for escalating emerging risks and proposed methods for mitigating such emerging risks to the Audit & Risk Committee and to the Board.

The Society also has a cross-functional Quality and Patient Safety Group, chaired by the Head of Care, which meets regularly to identify and mitigate risk, as well as improving quality and patient safety standards. The Head of Internal Audit advises the Quality and Patient Safety Group.

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

The Board reviews the Society's risk appetite and undertakes a full review of all significant risks that might affect the Society at least annually. The principal risks and uncertainties facing the Society are broadly grouped as: Strategic, Operational, Financial and Compliance risks.

Strategic risks are: the risk of doing the wrong thing.

Operational risks are: the risk of doing the right thing the wrong way.

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

Compliance risks are: the risk of not doing what the law or regulators require.



Strategic Risks

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

Mitigation: This risk cannot be wholly mitigated but Management monitor the competitive landscape closely and conduct regular market research to determine customers' needs and preferences.

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

Mitigation: The Board has determined the need for growth through diversification into the non-food sector, in areas that supplement the existing range of services and are consistent with the Society's co-operative values.

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

Mitigation: Management have appointed a specialist Project Manager to oversee Project Shore through a Project Board, which reports monthly to Management, who in turn report to the Board regularly on the progress of the Project.

Economic Environment: The Society is as vulnerable to major change and uncertainty in the business environment as any other business. The major factors are currently: the United Kingdom's decision to leave the European Union, or "Brexit", and the general increase in regulatory pressure on the offshore financial services sector, on which the Islands depend.

Mitigation: Management monitor economic indicators and other economic intelligence, and report their findings to the Board as part of the regular Board reporting process, so that appropriate strategic and tactical decisions can be made for the benefit of the business.

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

Mitigation: The Society is enhancing its Succession Plan to ensure the future growth of talent at all levels within the Society. The new plan is being prepared for review and challenge by the Recruitment & Remuneration Committee in preparation for Board approval.

Operational Risks

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

Mitigation: The Society holds business interruption insurance to cover gross profits that would be lost or the increased costs of operating that would be incurred in such circumstances. The Society has also enhanced its IT infrastructure to provide greater resilience and is enhancing its Business Continuity and Emergency Response Plans. These enhancements include the creation of a dedicated Business Continuity Suite.

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

Mitigation: The Society has embarked on a major transformation

programme, referred to above to replace the IT and processes that underpin its retail business. A new system for managing electronic payments is also being commissioned.

To help mitigate the risk of loss through cyber-attack, the Society engaged a specialist IT security consultancy to audit the security of its IT infrastructure and processes. It has since initiated a number of technical enhancements together with new policies and procedures in order to maintain the security of its IT systems and data in response to this fast-moving risk environment.

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

Mitigation: The Society has established a specialist Developments team, led by the Chief Developments Officer. A senior project team has been established to manage the disposal of its largest real property asset, the Leale's Yard site in Guernsey. The team comprises the Chief Executive Officer, the Chief Developments Officer and the Chief Governance Officer & Society Secretary. The Society consults leading firms of Surveyors, Architects and Advocates in Jersey and Guernsey to advise on property matters.

Financial Risks

Equity Structure and Liquidity: The Society's share capital includes the balances on Members' Share Accounts which may fluctuate affecting its Net Asset Value. A major reduction could affect the Society's regulatory position and its ability to borrow.

Mitigation: The Society has adopted prudent liquidity criteria in its Financial Strategy and will offer Members the chance to invest in a new class of shares with a higher rate of interest, subject to a longer notice period for withdrawal.

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

Mitigation: The Trustees have appointed a reputable and experienced Fund Manager who operates in accordance with a prudent set of investment principles and the Investment Manager reports to the Trustees on investment performance quarterly. The Society supports the Scheme with a contribution of £1.1m a year in supplementary funding and the Board reviews the funding level regularly. The Scheme Actuary also provides the Trustees with a formal actuarial valuation every three years. The Scheme was closed to future service accruals with effect from 1 July 2009.

Compliance Risks

Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT): The Society must at all times comply with rigorous AML/CFT regulations overseen by the Jersey and Guernsey Financial Services Commissions in response to the global risk environment.

Mitigation: The Society has detailed policies and procedures designed to ensure compliance with these requirements. The Society's compliance with these policies and procedures is audited quarterly by the Head of Internal Audit.

Data Protection: The Society handles a range of personal and sensitive data giving rise to possible risk of negligent, deliberate or purposeful mishandling of that data.

Mitigation: The Society has a Data Protection Policy. It reviews its procedures relating to such data regularly and is appropriately registered with the Information Commissioner for the Channel Islands. The Society's Data Protection Policy and processes relating to sensitive personal data are subject to annual audit as part of the annual Internal Audit Plan.

Period Report

The Directors present their report for the 52 week period ended 8 January 2017.

Directors of the Society

The current Directors are shown on page 2.

In May 2016, elections for two vacancies arose as a result of rotational retirement. There were seven candidates for the vacancies. Mrs Kiley Henley-Thomas and Mrs Paula Williams were each 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 was chair of the Society's Audit and Risk Committee in the financial year ended 8 January 2017.

Dividends

The Directors' recommend a Dividend payment at the rate of 4% of Members' purchases made during the 52 week period ended 8 January 2017. 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 £7.76million, 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 34.

Directors' Liabilities

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

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

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

Website

The Financial Statements are published on www. channelislands.coop, which is a website maintained by the Society. The maintenance and integrity of the 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 4 April 2017.

KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 4 April 2017 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 12 to 14.

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 made 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.



Compliance Statement

Governance

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

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

Members

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

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

The Board

The Board is responsible for the long-term success of the Society. It determines the Society's vision, mission, values and its strategic aims and oversees the implementation of that strategy. The Board settles business strategy, budgets and talent management strategy, and is also responsible for determining the Society's risk appetite and overseeing the processes for the identification and mitigation of risk, as detailed in the Statement of Principal Risks.

The Board also has a duty to ensure that the Society operates as a bona fide co-operative and adheres to the values and principles unique to such organisations. Certain duties and responsibilities are the sole preserve of the Board and these include all matters concerning determination and general operation of the Society's Rules, all aspects of Membership Policy, approval of all capital funding arrangements and approval of property acquisitions and disposals.

The Board meets on a regular basis throughout the year. At its meetings, it receives reports from 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 Secretary can only be appointed or removed by the Board and is independent of the Management. All Directors have access to the advice and services of the Secretary at all times. In addition, external professional advice may be taken if requested by at least three Directors.

Board Balance and Independence

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

Mr B Shenton Investment Manager
Mrs C Champion Nutritional Therapist

Mrs K Henley-Thomas Small Business Owner / Housewife

Mr R Le Tocq Head of Locate Guernsey

Mr H Marett-Crosby Freelance Journalist and Writer

Mr P Roffey People's Deputy
Mrs S Ryde Project Manager
Mrs J Vibert Personal Assistant
Mrs P Williams Managing Director,
Island Consortium Training

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

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

The Chairman

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

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

Board Skills

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

Board Remuneration

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

Board Skills and Performance Evaluation

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

As a result of this process, the Board instituted a training programme with the Guernsey Training Association University Centre and has since launched a training programme with the Institute of Directors.

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

Board Committees

On 17 August 2015 the Board established an Audit and Risk Committee and a Recruitment and Remuneration Committee. On 19 June 2016 the Board appointed Directors to each of the Committees, as follows:

Recruitment and Remuneration Committee:

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

Audit and Risk Committee:

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

The Audit and Risk Committee's terms of reference provide the Committee with the power to meet the Auditors and also the Head of Internal Audit without the presence of Management annually or as otherwise required.

Internal Control

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

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

- An organisational structure with clearly defined lines of responsibility, delegations of authority and reporting requirements:
- A clear statement of Matters Reserved for Board consideration;
- 3. A Statement confirming the Board's role and responsibilities;
- Clear terms of reference for the Audit and Risk Committee and the Recruitment and Remuneration Committee;

- A Statement confirming the Management team's role and responsibilities;
- 6. An Internal Control Policy setting authority limits for expenditure and commitment;
- 7. A financial reporting system conforming to FRS 102;
- 8. A rolling 3 year budget;
- 9. A 'whistle-blowing' policy and procedure for the reporting and resolution of suspected fraudulent activities.

Society control procedures are designed to ensure accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and review by Management, Internal Audit and the Auditors. A Head of Internal Audit was appointed in April 2016 reducing the need to appoint third parties to perform this function.

Internal Audit Function

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

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

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

Board Meetings

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

Meetii Attenc 20	_	Meetings Held Which Director v Eligible to Atte	vas
Mr B Shenton (President)	7		7
Mrs C Champion (Vice-President)	7		7
Mr A Fearn (Vice-President)	3		3
Mrs T Dorrity	2		3
Mrs K Henley-Thomas	4		4
Mr R Le Tocq	5		7
Mr H Marett-Crosby	7		7
Mr P Roffey	7		7
Mrs S Ryde	7		7
Mrs J Vibert	7		7
Mrs P Williams	3		4

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 Co-operatives 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.
- 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.

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

Signed on Behalf of the Board of Directors

- B. Shenton, President
- C Macleod, Chief Executive
- C. Lintell, Secretary

Financial Results

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52 weeks to 8 January 2017

52 weeks to 10 January 2016

CONSOLIDATED INCOME STATEMENT	Notes	Continuing operations	Discontinued operations	Total	Continuing operations Restated*	Discontinued operations	Total Restated*
£'000							
Turnover	1	172,050	-	172,050	168,380	366	168,746
Cost of sales		(120,384)	-	(120,384)	(116,717)	(290)	(117,007)
Gross profit		51,666	-	51,666	51,663	76	51,739
Administrative expenses	2	(45,626)	-	(45,626)	(47,055)	(134)	(47,189)
Revaluation of trading property and non trading investment property		-	-	-	2,969	-	2,969
Other operating income	3	1,568	-	1,568	1,681	-	1,681
Operating profit		7,608	-	7,608	9,258	(58)	9,200
Other interest receivable and similar income	7	98	-	98	112	-	112
Interest payable and similar charges	8	(2,397)	-	(2,397)	(2,300)	-	(2,300)
(Loss) / profit on disposal of fixed assets	9	(273)	-	(273)	259	-	259
Net gain on financial liabilities at fair value		409	-	409	441	-	441
Profit / (loss) before member payments		5,445	-	5,445	7,770	(58)	7,712
Members payments		(4,848)	-	(4,848)	(4,936)	(15)	(4,951)
Profit / (loss) before tax		597	-	597	2,834	(73)	2,761
Taxation	10	(238)	-	(238)	(197)	-	(197)
Profit / (loss) on ordinary activities		359	-	359	2,637	(73)	2,564
Non controlling interest		129	-	129	10	-	10
Profit / (loss) for the period		488	-	488	2,647	(73)	2,574

^{*}See note 30

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 8 January 2017

52 weeks to 10 January 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	Continuing operations	Discontinued operations	Total	Continuing operations Restated*	Discontinued operations	Total Restated*
Profit / (loss) for the period		488	-	488	3,497	(73)	2,574
Revaluation of trading property and non trading investment property		-	-	-	(1,478)	-	(1,478)
Remeasurement gain / (loss) of the net defined benefit pension scheme	21	(3,353)	-	(3,353)	7,443	-	7,443
Total comprehensive income for the period		(3,353)	-	(3,353)	5,965	-	5,965
Total comprehensive income for the period		(2,865)	-	(2,865)	8,612	(73)	8,539
Total comprehensive income for the period is attributable to:							
Non controlling interests		129	-	129	10	-	10
Owners of the parent company		(2,994)	-	(2,994)	8,602	(73)	8,529
		(2,865)	-	(2,865)	8,612	(73)	8,539

^{*}See note 30

The Society will be recommending a distribution of £4,796,072 to its Members for the period to 8 January 2017 as detailed in Note 29. In accordance with Section 32 of FRS102, this has not been accrued for in these Financial Statements.

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



		As at 8 January 2017	As at 10 January 2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Notes		Restated*
£'000			
Intangible assets	11	6,252	6,527
Tangible assets	12	94,000	87,884
Investment property	13	35,605	35,471
Investments	14	15	15
		135,872	129,897
Current assets			
Stocks	15	6,584	7,161
Debtors	16	11,036	11,908
Short term deposits	17	17,695	17,119
Cash at bank and in hand	17	8,244	8,942
		43,559	45,130
Creditors: amounts falling due within one year	18	33,442	35,605
Net current assets		10,117	9,525
Total assets less current liabilities		145,989	139,422
Creditors: amounts falling due after more than one year	19	(9,120)	(11,038)
Fair value derivatives	19	(1,596)	(2,005)
Pension liability	21	(11,118)	(8,569)
Net assets		124,155	117,810
Share capital	22	72,352	63,065
Reserves - property revaluation	23	5,103	5,103
Reserves - revenue		46,510	49,375
Total shareholders funds		123,965	117,543
Non controlling interest		190	267
		124,155	117,810

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

^{*}See note 30

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Revaluation reserve	Revenue reserve	Total shareholders equity	Non controlling interests	Total equity
£'000						
Balance at 11 January 2015	55,676	4,640	41,299	101,615	277	101,892
Restated profit / (loss) for the period			2,574	2,574	(10)	2,564
Other comprehensive income			5,965	5,965		5,965
Transfer of revaluation movements to property revaluation reserve		1,491	(1,491)	-		-
Transfer of revaluation movements to revenue reserve		(1,028)	1,028	-		-
Increase in share capital	7,389			7,389		7,389
Restated balance at 10 January 2016	63,065	5,103	49,375	117,543	267	117,810
Restated balance at 10 January 2016	63,065	5,103	49,375	117,543	267	117,810
Profit / (loss) for the period			488	488	(129)	359
Adjustment for subsidiary non controlling interests				-	52	52
Other comprehensive income			(3,353)	(3,353)		(3,353)
Increase in share capital	9,287			9,287		9,287
Balance at 8 January 2017	72,352	5,103	46,510	123,965	190	124,155



CONSOLIDATED CASH FLOW STATEMENT	Notes	52 weeks to 08/01/17	52 weeks to 10/01/16 Restated*
£'000			
Profit for the period		488	2,574
Adjustments to reconcile profit for the period to net cash flow from operating activities			
Amortisation of goodwill	11	447	375
Depreciation of tangible fixed assets	12	2,893	2,924
Revaluation gain on property		-	(2,969)
Interest receivable		(98)	(112)
Interest payable		2,397	2,300
(Profit) / loss on disposal of fixed assets		273	(259)
Net gain on financial liabilities at fair value		(409)	(441)
Non controlling interest		(129)	(10)
Taxation payable		238	197
Tax paid		(222)	(197)
Decrease / (increase) in trade and other debtors		719	(314)
Decrease in stocks		577	5,226
(Decrease) / increase in trade and other creditors		(2,163)	3,960
Contribution to Defined Benefit Pension Scheme	21	(1,100)	(1,192)
		3,424	9,488
NET CASH INFLOW FROM OPERATING ACTIVITIES		3,912	12,062
INVESTING ACTIVITIES			
Interest receivable		98	112
Payments to acquire tangible fixed assets		(10,357)	(10,656)
Payments to acquire intangible assets		(131)	-
Payments to acquire investment properties		(900)	(686)
Receipts from sales of tangible fixed assets	9	1,797	3,212
NET CASH FLOW FROM INVESTING ACTIVITIES		(9,493)	(8,018)
FINANCING ACTIVITIES			
Increase in Share Capital		9,287	7,389
Repayment of property loans		(1,728)	(1,581)
Interest paid		(2,100)	(1,925)
NET CASH FLOW FROM FINANCING ACTIVITIES		5,459	3,883
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(122)	7,927
CASH AND CASH EQUIVALENTS AT START OF THE PERIOD		26,061	18,134
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		25,939	26,061
CASH AND CASH EQUIVALENTS	Notes	As at 8 January 2017	As at 10 January 2016

CASH AND CASH EQUIVALENTS

 ${\it Cash and cash equivalents comprise the following:}$

Cash at bank and in hand

Short term deposits

Cash and cash equivalents

Notes	As at 8 January 2017	As at 10 January 2016
17	8,244	8,942
17	17,695	17,119
	25,939	26,061

Major non cash transactions: There were no major non cash transactions made during the period (2016: £nil).

^{*}See note 30

ACCOUNTING POLICIES

General Information

The Channel Islands Co-operative Society Limited is a registered co-operative society trading in the Channel Islands. The address of the Society's registered office is 57 Don Street, St Helier, Jersey, JE2 4TR

Statement of Compliance

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

Basis of Preparation

The Financial Statements have been prepared on the historical cost basis except for freehold land and buildings, derivatives investment property and 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 8 January 2017 with comparative figures for the fifty two weeks ended 10 January 2016.

As described in note 30, the prior period comparatives have been restated to retrospectively correct an error which came to light during the current period.

In preparing these Financial Statements, the Society has consistently applied the following accounting policies:

Basis of Consolidation

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

The Society has two wholly owned subsidiaries:

- 1. Offshore Leisure Limited
- 2. F. Mallett & Son Limited

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

Judgements and Key Sources of Estimation and Uncertainty

The preparation of the Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the period end date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the key areas of judgement (apart from those involving estimates) that have had the most significant effect on amounts recognised in the Financial Statements:

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

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

Valuation of pension scheme liabilities

- Useful life of tangible assets
- Useful life of goodwill

Operating Lease Commitments

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

All properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

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

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

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

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

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

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

Fair value movements are recognised as follows:

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

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

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

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

Gains or losses on disposal of a property are recognised in the Profit or Loss and the related asset is de-recognised when a contract for sale becomes legally binding.

Other Tangible Assets

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

Depreciation is provided on all equipment and motor vehicles, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, which varies between 3 and 10 years depending on the nature of the asset.

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

Intangible Assets

Goodwill

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



ACCOUNTING POLICIES

with the Society's programme of refurbishment of trading assets.

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

Lease Premium

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

Impairment of Non Financial Assets

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

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

Disposal of Capital Assets

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

Financial Instruments

Derivative Financial Instruments

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

Basic Financial Instruments

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

Unquoted Shares

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

Cash and Cash Equivalents

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

Short Terms Debtors, Creditors and Loans Payable

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

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

Inventory

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

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

Pension and Other Post-employment Benefits

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

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

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 Meeting of Members and is payable the following working day. The amount paid is recorded in the Consolidated Income Statement in the year in which it is declared and paid.

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

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

	Notes	2017	2016
1. TURNOVER			
Gross turnover from Group ordinary activities		192,980	190,952
Less gross agency turnover from subsidiary travel activities		(20,930)	(22,206)
		172,050	168,746
Analysed by Business Area			
Food		134,341	132,257
Fuel		15,452	13,758
Homemaker		9,887	10,385
Travel		1,430	1,248
Totalsport		-	366
Online Retail		2	36
Funeral		1,479	1,352
Medical		1,140	-
Pharmacy		8,319	9,344
Total		172,050	168,746
		2017	2211
2. ADMINISTRATIVE EXPENSES	-	2017	2016
Personnel D. frank and the state of the stat	5	25,806	25,594
Defined contribution pension scheme		1,129	1,080
Occupancy costs	12	6,554	5,891
Depreciation		2,893	2,924
Goodwill, amortisation, impairment	11	447	375
Audit fee	4	105	81
Directors' fees	6	127	107
Other expenses		6,565	8,861
Bonus dividend		2,000 45,626	2,276 47,189
		45,020	47,107
3. OTHER OPERATING INCOME		2017	2016
Sundry income		378	268
Rental income		1,190	1,413
		1,568	1,681
4. EXPENSES AND AUDITOR'S REMUNERATION		2017	2016
Included in the profit/loss are the following :			
Restructuring costs expensed as incurred - included in administrative expenses		-	621
Write off of historic claims		-	1,996
		-	2,617
Auditor's remuneration		105	81
Audit of these Financial Statements		105	81

Amounts receivable by the company's Auditor and its associates in respect of the audit of Financial Statements of associated pension schemes is £8,487 (2016: £7,452)



	Notes	2017	2016
5. STAFF NUMBERS AND COSTS			
The average number of persons employed by the Society (including Directors') during the period, was as follows:			
Full-Time		622	577
Part-Time Part-Time		246	252
		868	829
The aggregate payroll costs of these persons was as follows :			
Wages and salaries		25,806	25,594
		25,806	25,594
(Number	Number
6. DIRECTORS FEES			
Directors' fees fall within the following ranges			-
Between £0k and £15,000 pa		8	8
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 £117,000 (2016: £107,000). Key Management is considered to be the Board of Directors of the Society.			
		2017	2017
7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		2017	2016
		98	112
Net gain on financial assets measured at fair value through profit or loss		98	112
		70	112
		2017	2016
8. INTEREST PAYABLE AND SIMILAR CHARGES		2017	2010
Members loan interest expense		267	298
Bank loan interest expense		917	793
Share interest		871	789
Net cost on pension scheme liabilities	22	297	375
Stamp club interest	22	45	45
outinp dub interest		2,397	2,300
			2,000
9. PROFIT / (LOSS) ON DISPOSAL OF FIXED ASSETS		2017	2016
Receipts from the sale of fixed assets		1,797	3,212
Net book value of fixed assets disposed		(2,070)	(2,953)
Profit / (loss) on disposal of fixed assets		(273)	259
10. TAXATION		2017	2016
Current tax on income for the period		238	197
		238	197
Reconciliation of profit before taxation to tax expense in the period			
Taxable rental income net of allowances at 20%		238	197
Tax expense for the period		238	197

	Lease Premium	Goodwill	Total
11. INTANGIBLE ASSETS			1000
Cost at beginning of period	1,000	6,790	7,790
Additions in period	-	131	131
Transfers	-	31	31
Cost at end of period	1,000	6,952	7,952
Amortisation at beginning of period	200	1,063	1,263
Amortisation charge for the period	100	347	447
Transfers	-	(10)	(10)
Amortisation at end of period	300	1,400	1,700
Net book value at end of period	700	5,552	6,252
Net book value at beginning of period	800	5,727	6,527

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 10 January 2016	86,055	26,540	112,595
Additions	5,951	4,406	10,357
Transfers	(6,305)	78	(6,227)
Disposals	(3)	(14,891)	(14,894)
Cost and valuation at 8 January 2017	85,698	16,133	101,831
Depreciation at 10 January 2016	5,491	19,220	24,711
Depreciation charge for the period	1,078	1,815	2,893
Transfers	(4,932)	(277)	(5,209)
Disposals	-	(14,564)	(14,564)
Depreciation at 8 January 2017	1,637	6,194	7,831
Net Book Value at 8 January 2017	84,061	9,939	94,000
Net Book Value at 10 January 2016	80,564	7,320	87,884

The Society has authorised total Capital Expenditure in the sum of £4,707,000 (2016: £9,272,000) in the period in respect of a number of new developments, most notably the continuing development of Charing Cross and the development of retail units at Lowlands. The full amount is contracted for and no provision is made within these Financial Statements.

Included within land and building additions is an amount of £2,563,000 which relates to Property Development expenditure.

Transfers reflect the re-categorisation of assets between categories which have taken effect during the period.

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, undertook a full valuation of the Society's property portfolio as at 10 January 2016 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. Except as noted below, those properties primarily occupied by the Society were valued on the basis of existing use value. The valuation assumed a range of yields from 6% to 9%, the yield selected for each property being that attained in the local market having due regard to the construction, age, use and location of each property.

For those outlets opened in the prior year, namely Grouville Locale and St Sampson En Route, and those opened in the current year, namely Colomberie Locale, the Board at the time undertook an assessment of the economic benefit to the Society based on anticipated returns, which was estimated based on the net present value of the expected cash-flows over a period of 10 years, assuming inflation in goods sold of 1% and general inflation of 2%. As the economic benefit indicated was greater than the cost of those units, the Board elected to base the carrying value of those units at cost less depreciation.

The Board is not aware of any factors which might suggest that the fair value of the Society's properties has changed significantly from the prior year. Accordingly, the Society's properties continue to be recognised in line with the valuation methodologies above as at 8 January 2017.

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 £114,563,000 (2016: £110,932,000).

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



	Notes	2017	2016
13. INVESTMENT PROPERTY			
Balance at the beginning of the period		35,471	27,362
Additions		900	686
Disposals		(1,740)	(1,600)
Transfers		974	5,454
Movement in revaluation		-	3,569
Balance at the end of the period		35,605	35,471

The Society's Property Advisor, Buckley & Co, a firm of Chartered Surveyors, undertook a full valuation of the Society's property portfolio as at 10 January 2016 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual. Those properties held as investments or for future development were valued on the basis of open market value. The valuation assumed a range of yields from 6% to 9%, the yield selected for each property being that attained in the local market having due regard to the construction, age, use and location of each property.

The Board is not aware of any factors which might suggest that the fair value of the Society's properties has changed significantly from the prior year. Accordingly, the Society's properties continue to be recognised in line with the valuation methodology above as at 8 January 2017.

Investment properties includes properties held for sale of £20,444,000 (2016: £9,540,000) which are currently being marketed.

14. INVESTMENTS

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

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

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

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

The Society also owns minority shareholding in UK buying groups which are related to its retail operations.

	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

	Notes	2017	2016
15. STOCKS			
Finished goods		6,584	7,161
The cost of goods purchased for resale and recognised as an expense during the period was £118,962,424 (2016: £112,540,360).			
16. DEBTORS		2017	2016
Trade Debtors		9,524	10,166
Sundry accounts, prepayments and accrued interest		1,512	1,742
		11,036	11,908
17. CASH AND CASH EQUIVALENTS		2017	2016
Short term deposits		17,695	17,119
Cash at bank and in hand		8,244	8,942
Cash and cash equivalents per cash flow statements		25,939	26,061
18. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR		2017	2016 Restated
Trade creditors	30	9,196	10,607
Taxation		107	107
Members loans	20	15,517	15,942
Share interest		871	789
Accrued loan interest		267	298
Non trade creditors and expense accruals		5,511	6,309
Property loans	20	1,973	1,553
		33,442	35,605
A prior period adjustment was identified that increased the 2016 trade creditors by £850,000. Refer to note 30 for	more detail.		
19. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		2017	2016
Property loans	20	9,120	11,038

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.

Fair value derivatives

The derivatives are held with the Co-operative Bank and are stated at fair value using valuations from the Co-operative Bank. For information on interest rates, maturity and repayment schedule see Note 20.

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 an interest rate of 5.46% and another for £9 million which matures in 2018 and attracts an interest rate of 5.58%.

1,596

10,716

2,005

13,043



	Notes	2017	2016
20. INTEREST BEARING LOANS AND BORROWINGS			
Fair value derivatives		1,596	2,005
Property loans due after more than one year		9,120	11,038
Members loans		15,517	15,942
Property loans due within one year		1,973	1,553
		28,206	30.538

Terms and Debt Repayment Schedule	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017	2016
Property loan	GBP	LIBOR + 0.95%	2023	Quarterly	11,093	12,591
Members loans	GBP	0.1% - 1.75%	On demand	On demand	15,517	15,942

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 30th June 2013.

The calculations for the FRS102 disclosures have been carried out by running full actuarial calculations as at 8 January 2017.

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.

	Notes	As at 8 Jan 2017 £'000	As at 10 Jan 2016 £'000
21. EMPLOYEE BENEFITS (CONTINUED)			
The amounts recognised in the Balance Sheet are as follows :			
Fair value of scheme assets		51,061	43,795
Present value of funded obligations		(62,179)	(52,364)
Net (under) / overfunding in Scheme		(11,118)	(8,569)
Unrecognised asset due to asset ceiling		-	-
Net defined benefit asset / (liability)		(11,118)	(8,569)
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		296	536
Expense recognised in the Profit or Loss		296	375
The net interest on net defined benefit liability item is broken down as follows :		£′000	£′000
Interest on obligation		1,907	2,009
Interest on assets		(1,611)	(1,473)
Interest on unrecognised assets		-	-
Net interest on defined benefit liability		296	536
The amounts recognised as remeasurements in other comprehensive income are as follows :		£′000	£′000
Return on assets (not included in interest)		6,184	(2,102)
Actuarial gains / (losses) on obligation		(9,537)	9,545
Change in unrecognised assets (other than interest)		-	-
Total remeasurements recognised in other comprehensive income		(3,353)	7,443
Cumulative amount or remeasurements recognised in other comprehensive income		(3,246)	107
Actual return on scheme assets		7,795	(629)
Changes in the present value of the Scheme's defined benefit obligation are as follows :		£′000	£′000
Opening defined benefit obligation		52,364	61,682
Service cost		-	-
Contributions by Members		-	-
Cost of benefit changes		-	-
Curtailment costs / (gains)		-	(161)
Liabilities extinguished on settlements		-	-
Benefits paid		(1,629)	(1,621)
Interest on obligation		1,907	2,009
Experience losses / (gains)		(2,086)	(3,828)
Losses / (gains) from changes in assumptions		11,623	(5,717)
Closing defined benefit obligation		62,179	52,364
The weighted average duration of the liabilities of the Scheme was 23 years as at 8 January 2017			



	As at 8 Jan 2017 £'000	As at 10 Jan 2016 £'000
21. EMPLOYEE BENEFITS (CONTINUED)		
Changes in the fair value of Scheme assets are as follows :		
Opening fair value of Scheme assets	43,795	44,853
Interest on assets	1,611	1,473
Return on assets (not included in interest)	6,184	(2,102)
Assets distributed on settlements	-	-
Contributions by Employer	1,100	1,192
Contributions by Members'	-	-
Benefits paid	(1,629)	(1,621)
Administrative expenses	-	-
Closing fair value of scheme assets	51,061	43,795
The major categories of Scheme assets as a percentage of the total Scheme assets are as follows :	%	%
Equities	62.9	59.7
Gilts	18.9	20.8
Corporate bonds	9.1	11.3
Property	7.4	4.4
Cash	1.7	3.8
The principal actuarial assumptions used for the FRS 102 disclosures :	%ра	%ра
Discount rate at end of period	2.9	3.7
Discount rate at start of period	3.7	3.3
Inflation	3.6	3.3
Rate of increase in deferment whilst in employment with the Society	3.6	3.3
Rate of increase in deferred pensions for those who have left employment with the Society	3.4	3.2
Rate of increase in pensions in payment	3.4	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 90 if they are female.

For a member currently aged 45 the assumptions are that if they attain age 65 they will live on average until age 91 if they are male and until age 92 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	2017	2016
24. OPERATING LEASES			
Non cancellable operating lease rentals are payable as follows :			
Less than one year		2,029	2,192
Between one and five years		5,208	5,962
More than five years		7,219	9,345
		14,456	17,499

During the period £1,852,000 was recognised as an expense in the Consolidated Income Statement account in respect of operating leases (2016: £1,683,000) The Society operates a number a trading units under operating leases ranging from 1 years to 21 years.

	Notes	2017	2016
24. OPERATING LEASES (CONTINUED)			
Leases as a Lessor			
The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:			
Less than one year		1,052	1,357
Between one and five years		346	382
More than five years		44	109
		1,442	1,848

During the period £1,190,000 was recognised as income in the Consolidated Income Statement account in respect of operating leases (2016: £1,413,000) 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 £4,707,000 (2016: £9,272,000).

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 (2016: £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 Jersey Pharmacy Services Limited (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 (2016: £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 £167,384 (2016: £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 quarantee will be called upon.

The previous owner of De Gruchy Funeral Care had agreed to provide a number of funerals at a fixed price. The Society will honour that undertaking and a provision of £35,000 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 a 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 a 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. Refer to Note 6 for the compensation to Directors.

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

Income received		
2017	2016	
23	13	
198	170	

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

Receivables outstanding		Payables outstanding	
2017	2016	2017	2016
42	42	2,278	2,443
3,014	1,678	0	0
330	114	0	0
3,386	1,834	2,278	2,443

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

All buying terms of goods for resale supplied from FRTS sources are negotiated with third party suppliers by FRTS on behalf of its members and all members benefit from the advantageous buying terms that such a major group can offer. In the 52-week period to 8 January 2017, total purchases from FRTS amounted to £60,601,071 (2016: £43,002,367) and the payments due by the Society to FRTS as at that date totalled £6,182,558 (2016: £5,337,204). As at 8 January 2017 the amount due by FRTS to the Society in respect of rebates was £4,352,922 (2016: £4,442,653) and the amount due to the Society by FRTS in respect of duty drawbacks is £1,482,566 (2016: £2,319,468).

The Society has provided a guarantee for Community Savings Ltd (CSL) that will meet the administrative cost of CSL for a period of one year in the event that CSL is unable to meet its liabilities. The actual amount that might be payable is not considered likely to exceed £100,000; however, it is not anticipated that this guarantee will be called upon. The Society's CEO has been appointed as a Director of CSL. The provision of a guarantee has been made on the basis of corporate social responsibility and the Society receives no pecuniary benefit in return.



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 £4,796,072 to its members for the period to 8 January 2017. The recommendation to accept this distribution will be, it is envisaged, ratified at the Annual Meeting of Members' on the 16 and 17 May 2017. Provision for this sum has not been made within these Financial Statements in line with the requirements of Section 32 of FRS 102.

30. PRIOR PERIOD ERROR

Following enhancements to the reporting available from the Society's stock system that were implemented in the current period, Management determined that the creditor balance for stock received from suppliers prior to the period-end date, but invoiced to the Society after the period-end date, was understated by approximately £850,000 in the prior period.

The error, which was compounded by process changes that occurred in the prior period as a result of the project to close the Society's on-Island food warehouses, was identified and corrected in the current period through restatement of the prior period balances affected. The effect of the error is set out below, with the impact that prior period profit and net assets are reduced by £850,000:

Balances as at 10 January 2016, as previously reported Impact of the prior period error Balances as at 10 January 2016

Cost of sales	Trade creditors
(116,157)	9,757
(850)	850
(117,007)	10,607

Financial liabilities

at fair value

through P&L

1,596

Financial liabilities at

15,952 11,093 15,517

amortised cost

31. 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 20). The fair value of the swaps at 8 January 2017, 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 £1,122,125 and £473,829 (2016: £1,279,849 and £725,572). These amounts are recognised as fair value derivatives.

Financial assets as

Estimation of Fair Values

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

Derivative

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

2017

Financial assets

	an equity instrument	at amortised cost	а
Debtors		9,524	
Creditors			
Loans payable			
Members' loans			
Derivative financial instruments			
Unquoted shares	15		

Carrying amounts of financial assets and liabilities

Debtors
Creditors
Loans payable
Members' loans
Derivative financial instruments
Unquoted shares

	20	10	
Financial assets as an equity instrument	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial liabilities at fair value through P&L
	10,724		
		18,110	
		12,591	
		15,942	
			2,005
15			

2016

BOARD CERTIFICATION

The Financial Statements and Notes on pages 19 to 34 are hereby signed on behalf of the Board of Directors pursuant to Section 3 (5) (C) of the Friendly and Industrial and Provident Societies Act 1968.

- B. Shenton, President
- C. Champion, Vice-President
- 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 8 January 2017 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 UK and Ireland.

This report is made solely to the Society's Members, as a body, in accordance with the Industrial and Provident Societies Act 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 35, 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 8 January 2017 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with UK Accounting Standards including Financial Reporting Standard (FRS) 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the Industrial and Provident Societies Act 1965-1978 (Industrial and Provident Societies (Channel Islands) Order 1965-1978).

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

4 April 2017

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

20,000+ HOURS

of training completed



1,000+ EMPLOYEES



With a policy to promote from within



120,000+ MEMBERS







250

local charities and community causes supported

OVER £11 MILLION

Spent with local suppliers





local producers we're proud to be working with

...with numbers that make a difference

Caring and sharing
www.channelislands.coop

The Channel Islands
CO-Operative
Society Limited

MOVED RECENTLY?

MAKE SURE YOU LET US KNOW.



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

This can be done in a number of ways

- A 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

Caring and sharing www.channelislands.coop

