The Manx Co-operative Society Limited

Financial statements

Registered number IM 25

For the 52 week period ending 2nd January 2016

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Directors' report

The Directors are pleased to present their annual report and financial statements for the 52 week period ending the 2 January 2016. The Financial Statements have been prepared in accordance with applicable law and applicable International Financial Reporting Standards as adopted by the EU.

Principal activities

The Society's principal activity is that of the provision of retail services.

Business review

The Directors are pleased to report a strong performance, with operating profits for the period of £2,294,000 (period ended 2 January 2015: £2,955,000). The Manx Co-operative Society has enjoyed continued sales growth throughout the year, albeit at lower levels than previous years and against a backdrop of increasing operating costs.

Continued sales growth has been achieved with customer numbers up 2.9% and average basket spend up 0.9%. Overall profitability has decreased with operating profit of 7.5% of sales (period ended 3 January 2015: 10.0%).

During 2015 the food store teams continued to support local causes and community groups through raffles, bag packs, dress down days and donations of various items. Some of the beneficiaries being The One World Centre, Laxey FC juniors, Rushen silver band, Crossroads Care, IOM Children's Centre, Northern Athletics Club, The Wildlife Trust and numerous local schools. Being at the very heart of our communities continues to be a key driver of our business.

Dividend

The Directors do not recommend the payment of a dividend (52 week period ended 3rd January 2015: £nil). However, the membership structure is set up in such a way that, members of the Society who are also members of the Society's parent organisation, Co-operative Group Limited (the 'Parent Organisation'), are eligible for any recommended dividends paid by the Parent Organisation, based on their trade with the Society on the Isle of Man. The structure is the result of a long standing decision agreed by the Board of the Society in relation to the membership structure and payment of dividends.

Directors

The Directors who held office during the year and to date are as follows:

E Calderwood (Chair)	Resigned 16 May 2015
D Bromilow (Chair)	
B Ackerley	
G Callister	
J McNeill	
R Stewart	
M Wright	
W Shimmin	
W Tomlinson	
F Babariya	

Officers

C Oakley (Secretary)	Resigned 4 November 2015
C Dalton (Secretary)	Appointed 4 November 2015
A Corrie (Operations Manager)	

Employees

The Board would like to pay tribute to its employees who have contributed to the success of the Society during the year.

Auditor

Following a review by the ultimate parent, Co-operative Group Ltd, of its external auditors, a resolution to appoint Ernst & Young LLP as auditors of the Society and its subsidiaries will be proposed at the forthcoming Co-operative Group Ltd AGM. This resolution has been considered and approved by the Society's Board, and subject to the outcome of the vote at the Co-operative Group Ltd AGM, Ernst & Young LLP will be formally approved as external auditors for the Society at the subsequent Board meeting.

By order of the Board

C Dalton

C Dalton
Secretary
Date

Registered Office:
4 Myrtle Street
Douglas
Isle of Man
IM1 1ED

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society Law requires the Directors to prepare financial statements for each financial year, which meet requirements of Isle of Man Company Law. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements are required to give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period.

In preparing these 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 they have been prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Industrial and Provident Society Acts 1892 to 1986. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

KPMG

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Report of the Independent Auditors, KPMG LLP, to the members of The Manx Co-operative Society Limited

We have audited the financial statements of The Manx Co-operative Society Limited ("the Society") for the period ended 2 January 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cashflows and the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Society's members, as a body. 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of financial statements that 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 (APB'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 Society'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 non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially consistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material missstatements 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 Society's affairs as at 2 January 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1892 to 1986.

KPMG LLP

KPMG LLP

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

29 June 2016

Income statement
for the period ended 2 January 2016

	Notes	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Revenue		**30,697**	29,685
Cost of sales		**(20,468)**	(19,582)
Gross profit		**10,229**	10,103
Administrative expenses		**(5,266)**	(4,827)
Distribution costs		**(2,720)**	(2,321)
Profit on disposal of Investment Property	7	**51**	-
Profit before taxation		**2,294**	2,955
Taxation	4	**(275)**	(321)
Profit for the year		**2,019**	2,634

The directors consider that all results derive from continuing activities.

The notes on pages 9 to 18 form part of the financial statements.

Statement of comprehensive income
for the period ended 3 January 2016

		For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Profit for the year		**2,019**	2,634
Other comprehensive income			
Revaluation of investment property	7	-	(85)
Total comprehensive profit for the year		**2,019**	2,549

Balance Sheet
at 2nd January 2016

	Notes		**As at 2 January 2016 £'000**		As at 3 January 2015 £'000
Non-current assets					
Property, plant and equipment	5	**2,345**		1,556	
Intangible assets	6	**2,420**		2,420	
Investment properties	7	-		665	
Other investments	8	**39**		39	
Total non-current assets			**4,804**		4,680
Current assets					
Inventories	9	**606**		618	
Trade and other receivables	10	**12,297**		10,438	
Deferred Tax Asset	11	-		45	
Cash and cash equivalents		**121**		98	
Total current assets			**13,024**		11,199
Total assets			**17,828**		15,879
Current liabilities					
Deferred Tax Liability	11		**(60)**		-
Tax Creditor	4		**(169)**		(308)
Total liabilities			**(229)**		(308)
Net assets			**17,599**		15,571
Equity					
Called up share capital	12		**278**		269
Retained earnings			**17,321**		14,859
Revaluation Reserve	7, 13		**-**		443
Total equity			**17,599**		15,571

The notes on pages 9 to 18 form part of these financial statements.

These financial statements were approved by the Board of Directors on 22 June 2016 and were signed on its behalf by:

D Bromilow
Chairman

G Callister
Director

C Dalton
Secretary

Statement of changes in equity
for the period ended 2 January 2016

	Notes	Called up share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 4 January 2014		276	528	12,225	**13,029**
Profit for the period		-	-	2,634	**2,634**
Revaluation of Investment Property	8	-	(85)	-	**(85)**
Move revaluation reserve					
Share Contributions		(7)	-	-	**(7)**
Balance at 3 January 2015		**269**	**443**	**14,859**	**15,571**
Balance at 3 January 2015		269	443	14,859	**15,571**
Profit for the period		-	-	2,019	**2,019**
Transfer revaluation reserve		-	(443)	443	**-**
Share Contributions		9	-	-	**9**
Balance at 2 January 2016		**278**	**-**	**17,321**	**17,599**

The notes on pages 9 to 18 form part of these financial statements.

Statement of cash flows
for the period ended 2 January 2016

	Notes	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Net cash generated from operations	14	**947**	694
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	**(1,374)**	(354)
Proceeds on sale of investment property		**716**	-
Net cash used in investing activities		**(658)**	(354)
Cash flows from financing activities			
Share capital withdrawn	12	**9**	(7)
Taxation	4	**(275)**	(321)
Net cash used in financing activities		**(266)**	(328)
Net increase in cash and cash equivalents		**23**	12
Cash and cash equivalents brought forward		**98**	86
Cash and cash equivalents carried forward		**121**	98

The notes on pages 9 to 18 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Reporting entity

The Manx Co-operative Society Limited is a Society domiciled in the Isle of Man. The address of the Society's registered office is 4 Myrtle Street, Douglas, IM1 1ED.

Basis of preparation

The Society financial statements have been prepared in accordance with the Industrial and Provident Societies Act 1892 to 1986 and applicable law and applicable International Financial Reporting Standards as endorsed by the EU (IFRS) for the year ended 2 January 2016 and are prepared on the historical cost basis except for investment properties which are measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting date

The financial statements for the Society are made up for the 52 weeks to 2 January 2016. The previous period figures are made up for the 52 weeks to 3 January 2015.

Going concern

The financial statements have been prepared on a going concern basis as the Directors, having reviewed forecast trading for the forthcoming twelve months and current funding arrangements, believe this to be appropriate.

Standards and interpretations issued but not yet effective

The Society has not early adopted the following standards and statements. The adoption of these standards is not expected to have a material impact on the Society's accounts when adopted.

- IFRS 14 Regulatory deferral accounts*
- Accounting for acquisitions of interests in joint operations (Amendments to IFRS 11)
- Clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16 (Amendments to IAS 16 and IAS 38)
- Equity method in separate financial statements (Amendments to IAS 27)
- Sale or contribution of assets between an investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*
- Annual improvements to IFRSs 2012 - 2014 Cycle - various standards
- Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*
- Disclosure initiative (Amendments to IAS 1)

The adoption of the following standards will or may have a material impact on the Society's accounts when adopted:

- IFRS 9 (Financial instruments: Classification and measurement (2013))*

This new standard, issued in July 2014 replaces IAS 39 (Financial Instruments: Recognition and Measurement (2009)). IFRS 9 Financial Instruments includes requirements for the recognition and measurement, de-recognition and hedge accounting for financial instruments. IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The standard will be effective for annual periods beginning on or after 1 January 2018. Management are assessing the impact of this standard on its financial statements.

- IFRS 15 Revenue from contracts with customers*

This new standard, issued in July 2014 replaces a number of standards and interpretations, including IAS 11, 18 and IFRIC 13, 15 and 18. It will be effective for annual periods beginning on or after 1 January 2018. As the Society's operations are mainly in retail and not in long term contracts, the effects of this standard will be minimal, except with regards to member payments. As a member will usually expect a discount in the form of a dividend on the point of sale, the Society will need to recognise a liability at the point of sale rather than when the dividend is approved at the Annual General Meeting. In addition, the amount recognised as a liability will be presented as a reduction in revenue rather than as a charge to the Income Statement after operating profit. As the Society is still developing its future dividend strategy, the numerical impact of these changes is uncertain.

Notes (continued)

1 Accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

- IFRS 16 Leases*

IFRS 16 fundamentally changes the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. It will be effective for annual periods beginning on or after 1 January 2019. As the Society has material operating lease obligations the introduction of the new standard will have a material impact upon both assets and liabilities on the balance sheet and the rental charge recorded in the income statement. Management are assessing the impact of this standard on its financial statements.

*Not yet endorsed by the European Union.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Cash flow statement

In the cash flow statement the reconciliation to cash has been performed from operating profit in note 14 in order that the cash flows of the entity can be compared consistently with those of the group financial statements.

Property, plant and equipment and depreciation

Owned assets

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum
Plant and machinery	-	12.5 - 33.3% per annum

The residual value, if not insignificant, is reassessed annually.

No depreciation is provided on freehold land.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value at period end. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values at the end of the reporting period, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the properties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised through the revaluation reserve. No depreciation is provided on these properties.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. Similarly, transfers to the investment property portfolio are made when owner occupancy ceases and the property meets the criteria of an investment property under IAS 40. Prior to such a transfer the property is measured at fair value with any uplift recognised in the statement of comprehensive income.

Intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries, associates, and joint ventures. In respect of business acquisitions that have occurred since 11 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Notes (continued)

1 Accounting policies (continued)

Impairment

The carrying amount of the Society's assets, other than investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Society's assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of these assets, an impairment loss is reversed if there has been a change in the estimates based on an event subsequent to the initial impairment used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Pensions and other post-retirement benefits

The Society operates a defined contribution scheme. The assets of the scheme are held separately from those of the Society. The Society's contributions are charged to the income statement as they become payable, in accordance with the rules of the scheme.

Inventories

Inventories and work in progress are stated at the lower of cost, including attributable overheads, and net realisable value.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. All borrowing costs are expensed when incurred except when they are directly attributable to the acquisition, construction or production of a qualifying asset. If this is the case, they are included in the cost of the asset.

Operating segments

The Society's chief operating decision makers are the Board of Directors. The Society does not have any different components of its business which would need to be disclosed separately under IFRS 8 *Operating Segments*.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences arising between the recognition of income and expenditure in different periods for taxation and accounting purposes, where timing differences have originated but not reversed by the balances sheet date, in accordance with IAS 12 Income Taxes.

Revenue

Revenue represents the amounts (excluding value added tax) of goods sold during the period which are derived from the Society's principal activity of retailing in the Isle of Man. Rental income received in relation to the Investment Property is also shown within Revenue.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Share capital

Where the Board has an unconditional right to refuse redemption of co-operative share capital, such shares are treated as equity. Share capital are recorded at the proceeds received, net of direct issue costs.

Investments

Investments are stated at fair value.

Financial Expenses

Interest payable on the loan with the Co-operative Group Limited and the interest earned by members on share accounts held with the Society are both charged to the income statement in the year in which they have accrued.

Notes (continued)

2 Profit before taxation

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Profit before taxation has been stated after charging:		
Depreciation	**585**	520
Operating lease rental charges	**183**	182

The auditor's remuneration of £11,500 (year ended 3 January 2015: £11,500) is borne by Co-operative Group Limited.

3 Staff numbers and costs

The staff costs incurred during the period amounted to £3,455,922 (year ended 3 January 2015: £3,088,432).

Directors' remuneration in respect of services provided to the Society were £18,000 (for the year ended 3 January 2015: £21,000).

4 Taxation

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Current tax (charge) / credit current year	**(169)**	(308)
Current tax (charge) / credit - adjustments in respect of prior years	**-**	(27)
Deferred tax (charge) / credit - current year	**(104)**	(24)
Deferred tax (charge) / credit - adjustments in respect of prior years	**(2)**	38
Total tax (charge) / credit	**(275)**	(321)

The tax on the net profit before tax is applied using the Isle of Man applicable rates of corporation tax of 10%/20% (2014: 10%) as follows:

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
(Loss) / profit before tax	**2,294**	2,955
10%/20% [2014: 10%]	**(233)**	(296)
Effects of:		
Expenses not deductible for tax (including significant items)	**(40)**	(36)
Adjustments in respect of previous periods	**(2)**	11
Tax charge per income statement	**(275)**	(321)

The 2015 Budget Measures announced on 17 February 2015 maintained the 10% tax rate on profits from income from a retail trade and increased the rate of income tax on profits from land and property to 20% from 6 April 2015 (6 April 2014 to 5 April 2015 10%).

Tax Policy

The Society published its Tax Policy on our website http://www.co-operative.coop/corporate/investors/tax-policy/ . The disclosures made in these financial statements complies with the commitments made in that policy.

Notes (continued)

5 Property, plant and equipment

For the period ended 2 January 2016

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 3 January 2015	521	5,830	6,351
Additions	50	1,324	1,374
Fully written down assets*	-	(1,573)	(1,573)
At 2 January 2016	**571**	**5,581**	**6,152**
Depreciation			
At 3 January 2015	393	4,402	4,795
Charge for the period	46	539	585
Fully written down assets*	-	(1,573)	(1,573)
At 2 January 2016	**439**	**3,368**	**3,807**
Net book value			
At 2 January 2016	**132**	**2,213**	**2,345**
At 3 January 2015	128	1,428	1,556

*In previous years, fully depreciated assets have been retained in the Society's fixed asset register and included in the table above. In order to provide greater understanding of the Society's annual depreciation charge in the current year, these assets have been removed from both accumulated cost and depreciation.

For the period ended 3 January 2015

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 4 January 2014	486	5,511	5,997
Additions	35	319	354
At 3 January 2015	**521**	**5,830**	**6,351**
Depreciation			
At 4 January 2014	349	3,926	4,275
Charge for the period	44	476	520
At 3 January 2015	**393**	**4,402**	**4,795**
Net book value			
At 3 January 2015	**128**	**1,428**	**1,556**
At 4 January 2014	137	1,585	1,722

Notes (continued)

6 Intangible assets

For the period ended 2 January 2016	Goodwill £'000
Cost	
At 3 January 2015	2,420
At 2 January 2016	**2,420**
Net book value	
At 2 January 2016	**2,420**
At 3 January 2015	2,420

For the period ended 3 January 2015	Goodwill £'000
Cost	
At 4 January 2014	2,420
At 3 January 2015	**2,420**
Net book value	
At 3 January 2015	**2,420**
At 4 January 2014	2,420

The goodwill balance relates to the Ramsey (£2,200,000) and Laxey (£220,000) stores and represents the differences between the fair value of the assets on acquisition at these sites and the fair value of the consideration paid at that time.

In line with the Society's accounting policies an annual impairment review has been undertaken to compare the carrying value of the goodwill with the estimated recoverable amount. The recoverable amount of the Society's assets is the greater of their net selling price and value in use. In assessing value in use, current pre-tax cashflows, taken to perpetuity, have been discounted at a rate of 7.5% using growth rates of 1%. Key assumptions used in assessing value in use are past experience as well as forecast growth in the business.

This has been done on an individual store basis representing each relevant cash generating unit. On this basis no impairment of the goodwill is required as the expected value in use for each store exceeds the carrying value of its goodwill.

7 Investment properties

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Valuation at end of year	**-**	665

Investment properties as at 3 January 2015 were freehold properties.

The investment property has been sold within the year and the net proceeds on disposal was £716,000. The profit on disposal was £51,000.

8 Other Investments

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Co-operative Group Ltd	**35**	35
Other investments	**4**	4
	39	39

Notes (continued)

9 Inventories

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Goods for resale	606	618

10 Trade and other receivables

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Current assets:		
Amounts owed by Co-operative Group Limited	12,297	10,438

Amounts owed by Co-operative Group Limited are unsecured, interest free and are repayable on demand.

11 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 10% (2014: 10%).

	£'000	£'000
Deferred taxation liability		
At 3 January 2015	45	29
Income statement (charge) / credit in the period	(105)	14
Prior year adjustment to retained earnings	-	2
At 2 January 2016	(60)	45
Comprising:		
Accelerated tax depreciation	(60)	45
At 2 January 2016	(60)	45

12 Called up share capital

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Authorised		
A class ordinary shares of £1 each	306	306
Allotted, called up and fully paid		
A class ordinary shares of £1 each	278	269

IFRIC 2 determines the features, which allow shares to be classified as equity capital.

The 278,000 (year ended 3 January 2015: 269,000) "A" class ordinary shares are voting, non-transferable and redeemable at par. The Board took the decision to cease paying interest on share capital with effect from 1 February 2013 (historically share interest was accrued annually to the shareholders based upon the prevailing Co-operative Bank base rate). The year on year movement on this balance represents the impact of the purchase and withdrawal of shares in the Society by members.

The 16 (year ended 3 Jan 2015: 16) "B" class £1 ordinary shares are voting, transferable but non-redeemable and are not entitled to any benefits arising out of the results of the Society.

Notes (continued)

13 Reserves

The nature and purpose of each reserve is described below. Refer to the Statement of Changes in Equity on page 6 for a full reconciliation of changes in each reserve.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment prior to its reclassification to investment property.

14 Cash flows from operating activities

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Cash flows from operating activities		
Operating profit	**2,294**	2,955
Adjustments for:		
Depreciation	**585**	520
Profit on disposal of Investment Property	**(51)**	-
Operating profit before changes in working capital and provisions	**2,828**	3,475
Decrease / (increase) in inventories	**12**	32
Increase in trade and other receivables	**(1,860)**	(3,076)
Increase in deferred tax asset	**105**	(45)
(Decrease) / increase in trade and other payables	**(138)**	308
Net cash generated from operating activities	**947**	694

15 Commitments and contingent liabilities

(i) There are no capital commitments at the end of the current period and preceding financial year.

(ii) The future minimum lease payments under non-cancellable operating leases are as follows:

	For period ended 2 January 2016 £'000	For period ended 3 January 2015 £'000
Operating leases which expire:		
Within one year	**183**	182
In the second to fifth years inclusive	**631**	716
Over five years	**-**	95
	814	993

16 Parent and controlling parties

The Society has a subsidiary relationship with Co-operative Group Limited, a Registered Society under the Co-operative and Community Benefit Societies Act 2014, registered in England and Wales. The Society's results are included within the consolidated accounts that are prepared for Co-operative Group Limited. A copy of the Co-operative Group Limited accounts can be obtained from the Secretary, Co-operative Group Limited, 1 Angel Square, Manchester, M60 0AG. Co-operative Group Limited also holds the Class B shares in the Society and retains certain controlling powers within the Rules of the Society, including appointing and removing Directors to and from the Board. Further details on the called up share capital of the Society and the rights attached to the share categories is detailed in Note 12 to these accounts.

Notes (continued)

17 Related parties

Transactions with other Trading Group subsidiaries

Company	Nature of transactions	2016 £'000	2015 £'000
Co-operative Group Food Limited	**Purchases**	**21,678**	20,588

As at 2 January 2016, the Society had a receivable amount due from Co-operative group Limited of £12,298k (3 January 2015: £10,438k). See note 11.

The Society is involved in a Group set-off scheme whereby the bank accounts within the Trading Group are netted off against each other and any interest payable or receivable is settled or received by the ultimate parent society, Co-operative Group Limited.

Directors' remuneration in respect of services provided to the Society is disclosed in note 3.

18 Financial instruments and financial risk management

(a) Financial risk management

The principal financial risk of the Society relates to the generation and availability of sufficient funds to meet business needs. The Society has exposure to commodity prices and fluctuations in interest rates, which can impact on financial performance.

The Board is responsible for approving the Society's strategy, its principal markets and the level of acceptable risks.

The Society's Parent Organisation has a risk register in place which robustly identifies and manages those risks facing the business on the Isle of Man. Risk assessments are updated by the Parent Organisation on a quarterly basis and reported and maintained by the Co-operative Group Audit & Risk Committee.

On an annual basis, the Parent Organisation provides the Board of the Society with a list of the key risks facing the business on the Isle of Man, along with a Letter of Comfort confirming that it has identified those risks, including the impact of them occurring, and that it has taken any necessary action to manage those risks accordingly.

(b) Determination of fair values of financial instruments

Trade and other receivables

For trade and other receivables the notional amount is deemed to reflect the fair value.

Trade and other payables

For trade and other payables the notional amount is deemed to reflect the fair value.

Cash and cash equivalents

The fair value of cash and cash equivalents is equal to its carrying value. All cash is repayable on demand.

(c) Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount As at 2 January 2016 £'000	**Fair Value As at 2 January 2016 £'000**	Carrying amount As at 3 January 2015 £'000	Fair Value As at 3 January 2015 £'000
Trade and other receivables	**12,297**	**12,297**	10,438	10,438
Cash and cash equivalents	**121**	**121**	98	98
Total financial assets	**12,418**	**12,418**	10,536	10,536

Notes (continued)

18 Financial instruments and financial risk management (continued)

(d) Credit risk and financial risk management

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Society has a non interest bearing receivable balance with Co-operative Group Limited. There is no significant credit risk associated with this balance.

The Society does not have any interest bearing loan balances and as such there is no potential for any credit risk associated with such a balance.

(e) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due.

The policy on overall liquidity is to ensure that the Society has sufficient funds to facilitate all on-going operations. As part of the annual budgeting and long term planning process, the Society's cash flow forecast is reviewed and approved by the Group Board. The cash flow forecast is amended for any material changes identified during the period e.g. material acquisitions and disposals.

Where funding requirements are identified from the cash flow forecast, appropriate measures are taken to ensure these requirements can be satisfied.

Cash held at 2 January 2016 amounted to £121,000 (year ended 3 January 2015: £98,000).

The Society does not have any financial liabilities with contractual maturity profiles.

(f) Market Risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Society's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Society is not exposed to currency risk, as all revenue is derived in sterling and all expenditure incurred is from other trading group subsidiaries within the United Kingdom.

(ii) Interest rate risk

The Society no longer has any borrowings that might be affected by fluctuations in interest rates.

The Board took the decision to cease paying interest on share account balances (with effect from the 1st of Feb 2013) and as such at the reporting date there are no interest bearing financial instruments or interest rate profile to disclose.

19 Capital Management

The Society's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefit for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Society sets the amount of capital in proportion to the risk. The Society manages the capital structures and makes adjustment to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In assessing the level of capital, all components of equity are taken into account.

There were no changes to the Society's approach to capital management in the period.

20 Subsequent events

No material events outside of the ordinary course of business have occurred between the reporting date and signature date of these financial statements.