

**Registration Number 1159R**

**RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

**Report and Financial Statements**

**52 week period ended 27 February 2016**

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2016**

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# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

George Donkin <sup>2 3</sup>	President
Jeremy Fricker <sup>1 2</sup>	Vice-President
Allan Curtis <sup>1 3</sup>	
Derek Roberts <sup>3</sup>	
Jonathan Rich <sup>3</sup>	
Graham Jeffery <sup>1 2</sup>	
Craig Doughty	
Lynda Robertson <sup>1</sup>	

<sup>1</sup> Audit Committee

<sup>2</sup> Remuneration and Benefits Committee

<sup>3</sup> Pension Trustees

### **OFFICERS**

Don Morris CMIIA FCCA	Chief Executive/Secretary
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### **REGISTERED OFFICE**

Co-operative House  
3 Wells Hill  
Radstock  
BA3 3RQ

Telephone: 01761 431555  
Fax: 01761 436187  
Website: [www.radstockcoop.co.uk](http://www.radstockcoop.co.uk)  
E-mail: [enquiries@radstockcoop.co.uk](mailto:enquiries@radstockcoop.co.uk)

### **BANKERS**

The Co-operative Bank  
16 St Stephen's Street  
Bristol  
BS1 1JR

### **AUDITOR**

Deloitte LLP  
Bristol

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **BOARD'S STRATEGIC REPORT TO MEMBERS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016**

### **INTRODUCTION**

The Board of Directors is pleased to present to members the report and financial statements for the 52 weeks ended 27 February 2016.

### **PRINCIPAL ACTIVITIES**

The Society's principal activities continue to be food and non-food retailing. In addition the Society has farming and travel agency operations and also manages a portfolio of investment properties, receiving rental income in relation to these commercial and residential properties.

### **BUSINESS MODEL**

The Society's model to generate and preserve value is to:

- equip to succeed with continued development to the retail estate, IT systems and business continuity plans;
- engage with our members through statutory annual reporting and developing membership engagement;
- maintain financial control through retained earnings, property portfolios and liquid investments;
- sustain success within the current stores with a continuous re-fit plan and to extend the Estate
- improve the Radstock store's performance, and to improve the Farm's performance;
- engage with colleagues in order to develop and adapt recruitment and retention in-line with performance and economic conditions.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Society continually monitors risks to its strategies from both internal and external sources. Risks are categorised along financial, operational, property and Society wide areas and their potential impact assessed and scored. Principal risks include the threat of competition from other major food retailers, over-reliance on the Co-operative Retail Trading Group and the impact on margin economics. The Board recognises this risk and has committed to a strategy of investment aimed at protecting the core business.

### **FINANCIAL RISK MANAGEMENT**

The Board considers the liquidity and credit risk not to be material given the healthy current asset position of the business. However, the level of cash balances does give exposure to risks in movements in interest rates. Management has treasury management policies in place to review the rate of return achieved on cash investments.

### **EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. It is the policy of the Society that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels with the aim of ensuring that their views are taken into consideration when decisions are made that are likely to affect their interests. Communication with all employees continues through the newsletter and distribution of the annual report. The Society is an Equal Opportunities Employer.

### **CREDITOR PAYMENT POLICY**

For trade creditors, it is the Society's policy to:

- agree the terms of payment at the start of business with that supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

The Society does not follow a standard or code which deals specifically with the payment of suppliers

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **BOARD'S STRATEGIC REPORT TO MEMBERS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016**

#### **PRESIDENT'S STATEMENT**

It is pleasing to be associated with yet another successful year for the Society. The last twelve months have been extraordinarily difficult times for our two most important sectors, food retailing and farming. Sales prices have weakened in both sectors, reducing margins. Costs have been well-controlled resulting in modest but welcome profits overall. The number of food outlets reached fifteen shortly before Christmas with the opening of the Fromefield store on the Bath Road side of Frome. This is another freehold store which the Society has financed from its own resources, both site acquisition and building/shopfitting costs. The steady volume growth and the modest profits we have made are in sharp contrast to the financial and volume losses of some retailers.

Your board has worked especially well this year. Two sub-committees dealing with farming and membership have been formed to give directors an opportunity to further extend their knowledge in these areas and consider future plans in real detail before recommendation to the full board. After the formal meeting, the presentation updating members on the changes to the business will include a section on the exciting changes to the Dividend Card scheme and membership.

The Society was one of the first businesses in the UK to be awarded the Fair Tax Mark. The mark indicates which businesses are setting high standards of responsible tax practice. It is the label of a good taxpayer. We are proud to pay our taxes to support public spending. We have also been proud to recreate links, which almost all co-ops once had with local medical services by donating the net proceeds from the sale of carrier bags to assist local hospitals and surgeries with additional medical equipment. We also supported a number of charities and good causes throughout the year. Members voted to support Radstock Carers Centre and Count Me In at the Annual General Members Meeting last year following which some fairly substantial donations were made. We also supported, on a smaller scale, a variety of community groups and causes including Chew Valley Junior Rugby Club, The Miners Reunion Luncheon, local schools, Pride in Paulton Partnership, Radstock in Bloom, Coleford British Legion. We are also proud of our colleagues' fund-raising efforts, which with the generosity of our customers, helped raise over £3,800.

A number of changes have been introduced this year in the way our accounts are presented. These are meant to make the accounts of different businesses more easily comparable. Where necessary last year's comparative figures have been adjusted. These changes affect our accounting for pensions and for property which the Society rents out to others.

Accounting for our legacy, defined benefit employee pension scheme is now governed by accounting standard FRS102 Employee Benefits. The discount rate used to establish the liabilities of the scheme for annual accounting is now set by reference to the market yield on high quality corporate bonds. This change has increased the discount rate by 0.5%. While this does not sound a lot, over the potential long life of the scheme it has reduced liabilities significantly and contributed to an increase in reserves. This, and other related changes, will affect our published reserves and make it more likely that the amount transferred to reserves will fluctuate from year to year, in a way beyond the control of the society. After accounting for tax, the additional benefit to the Society's reserves will be almost £600,000.

A similar situation, with potentially similar results has occurred in changes to the reporting on the value of property rented to tenants of the Society. In this case the amount has to be shown in the revenue account and has a beneficial effect this year of £71,000, last year the effect was adverse in the sum of £214,000.

Last year saw the retirement of Albert Moulder, who, over a period of thirty years, held a variety of senior positions in the Society and served on the board of directors. This Society has benefitted significantly from his efforts and contribution over the years and we wish him and his wife a well deserved retirement.

As always, I wish to thank, members, dividend cardholders and customers for their trading support during the past year and ask for your continued custom this year. It is a pleasure to take this opportunity to thank all of the Society's staff for their efforts during the past year and for the way they have co-operated with and embraced a number of changes to the way we do business, which will help us be even more successful in the future.

**George Donkin**  
President

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **BOARD'S STRATEGIC REPORT TO MEMBERS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016**

#### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The Society's positive but cautious outlook during 2015 was justified as the retail environment continued to be very challenging throughout. The trading year saw the continuation of the supermarket price war with industry commentators citing expenditure growth for food and grocery products weakening for the seventh consecutive year. As a Society, we have faced the challenges this difficult market presents by increasing sales, controlling costs and ensuring our product ranges meet the needs of our customers and members. There have been a number of successes during the year including the continuing expansion of our community store estate and the improving trading position of our largest store, RADCO. Against significant challenges in the milk industry, our farm has once again made a valuable contribution to the Revenue account along with increased income from our non-trade property portfolio. The outlook for the coming year within the retail sector will remain cautious with weak real volume growth leading to increased competition and pressure on pricing. The Society will continue its expansion strategies with the confidence that it is in a strong position to meet the challenges facing the industry whilst focussing on developing the retail estate.

Gross sales during the financial year grew by £1,948,591 or 7.3% and now stand at £28.7m (2014/15: £26.8m). On a like-for-like basis the Society's stores achieved increased sales of £411,775 or 1.6%. The trading surplus for the year amounted to a modest £12,483 (2014/15: £41,568) which is in excess of the budget set some 12 months earlier and reflects the difficult trading conditions in which the Society operates.

With much anticipation our latest store, the Old Doctors Surgery in Fromefield, opened its doors in December bringing the store estate to up to 15. The freehold store was purpose built by the Society following the acquisition of the site of the former doctor's surgery and incorporates some stunning design features. The retail environment is light, airy and spacious and incorporates some of the latest refrigeration and energy saving technologies. Along with the creation of the new store, 17 new jobs were created led by Tim Schuster, Store Manager. The store exceeded all trading expectations in its first few weeks of trading which bodes well for the future success of the store. As well as expanding our retail estate we have also taken the opportunity to continue to invest in our existing stores. Paulton has undergone a significant face lift with new chillers and freezers, new tills and till counter along with new flooring, lighting and signage. A similar exercise was undertaken at Peasedown St John with a substantial investment in freezers, chillers and flooring which has really enhanced the shopping experience. Fosseyway has also received additional refrigeration to cater for an increased fresh offering.

The difficulties being experienced by the dairy farm industry are well documented and a feature of national news with plummeting milk gate prices forcing many dairy farmers out of business. It is therefore somewhat comforting to note that due to the strategies being pursued, the farm has still been able to make a valuable contribution to the Society's overall result with a surplus of £62,008 (2014/15: £128,703). The farm has been able to counter, to some extent, the fall in milk prices with an improved milk yield. Ross Edwards our Farm Manager from Velcourt is continuing to make the necessary improvements in land management, feedstock and animal husbandry and we remain a member of the Co-operative Dairy Group (CDG). The Society will continue to make appropriate infrastructure investments especially to aid efficiencies in the dairy operation as we continue to expand the dairy herd.

Turning now to future developments, the Society has invested in a new till system which will see the upgrading of both hardware and software. The new system is fully integrated providing a single platform, real time, enterprise-wide solution. The system will deliver an up to date flexible, easy to use system that will provide robust management controls including real time sales margins reporting and better inventory control. The system will be able to provide a premier customer service with both loyalty and membership account management capabilities. This exciting development represent a significant investment in the Society's future and therefore must be futureproof and allow developments, where appropriate, in areas such as 'click and collect', mobile phone scanning and payment and a host of possible ecommerce possibilities.

Behind every successful business there are dedicated and loyal colleagues and our Society is no different. It therefore gives me great pleasure to announce that after reviewing our pay policies in-line with the requirements of the Living Wage, the Society has taken the decision to bring forward the October 2016 pay award for all Customer Service Assistants and Supervisors to the 1<sup>st</sup> April 2016. This ensures that all colleagues, despite age, will receive a wage in excess of the requirements of the Living Wage and demonstrates the Society's commitment to its people.

**Don Morris, Chief Executive**

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **BOARD'S STRATEGIC REPORT TO MEMBERS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016**

#### **GOING CONCERN**

Budgets and forecasts have been prepared and considered for a period of at least twelve months after the signing date and support the adoption of the going concern basis.

After taking into account the trading performance, the strength of the balance sheet and the cash balances held by the Society, the Directors have a reasonable expectation that the Society has adequate resources to continue in existence for the foreseeable future. There are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. For this reason, they continue to adopt the going concern basis in preparing the Society's Financial Statements in accordance with Section D1.1 of the Co-operatives<sup>UK</sup> Limited's Corporate Governance Code of Best Practice Volume 1.

#### **AUDITOR**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

#### **BOARD'S RESPONSIBILITIES STATEMENT**

Co-operative and Community Benefit Societies Act 2014 requires the Directors to ensure that the financial statements give a true and fair view of the state of affairs of the Society at the end of the financial period, and of the surplus or deficit 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business; and
- keep proper accounting records that 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 Co-operative and Community Benefit Societies Act 2014. They have a 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.

Under applicable law the Directors are also responsible for preparing a Directors' Report that complies with those Acts. The Directors are responsible for the maintenance and integrity of the Society's website.

The Directors confirm they have complied with the above requirements in preparing the financial statements.

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **BOARD'S STRATEGIC REPORT TO MEMBERS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2016**

### **BOARD CERTIFICATION**

Having taken all the matters considered by the Board and brought to the attention of the Board during the year, we are satisfied that the annual report and accounts, taken as a whole, is fair, balanced and understandable.

The Board's Strategic Report to Members and the Statement of Corporate Governance are hereby signed on behalf of the Board and the Financial Statements and notes on pages 26 to 44 are hereby signed on behalf of the Board of Directors pursuant to Section 82(1) of the Co-operative and Community Benefit Societies Act.



**George Donkin**  
President



**Jeremy Fricker**  
Vice-President



**Don Morris**  
Chief Executive/Secretary



## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **STATEMENT OF CORPORATE GOVERNANCE**

The role of the Board is to effectively govern the co-operative; it is accountable to its membership and is collectively responsible for the long-term success of the business in accordance with the International Co-operative Alliance Values and Principles.

#### **BOARD OF DIRECTORS**

George Donkin  
Jeremy Fricker  
Allan Curtis  
Derek Roberts  
Jonathan Rich  
Graham Jeffery  
Craig Doughty  
Lynda Robertson

#### **SUB COMMITTEES OF THE BOARD AUDIT COMMITTEE**

Jeremy Fricker (Chair)  
Allan Curtis  
Graham Jeffery  
Lynda Robertson

#### **REMUNERATION AND BENEFITS COMMITTEE**

George Donkin  
Jeremy Fricker  
Graham Jeffery

#### **SENIOR MANAGEMENT TEAM**

Don Morris	Chief Executive/Secretary
Annette Pellow	Financial Controller
Albert Moulder	Head of Special Projects (Retired 8 August 2015)
Alan Jackson	Head of Retail Operations
Vicki Przytocki	Head of Human Resources

Corporate Governance is the system by which an organisation is directed and controlled at the most senior levels in order to achieve its objectives and meet the necessary standards of accountability and probity.

Guidance on achieving the highest possible standards of governance is contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2012. As a Co-operative and Community Benefit Society (formerly an Industrial and Provident Society until August 2014), Radstock Co-operative Society Limited is not required to adhere to the provisions of the revised Combined Code. However, Co-operatives<sup>UK</sup>, the apex body for co-operative enterprises in the UK, has issued a Code of Best Practice ('the Code') for consumer co-operatives with which it requests voluntary compliance. This Code (revised November 2013) is based on the principles contained in the Combined Code but is tailored to the particular governance characteristics found in consumer co-operative societies.

It is the Board's objective to comply with Co-operatives<sup>UK</sup> Corporate Governance Code of Best Practice as far as practicable in the Society's particular circumstances. The Board recognises that work needs to be completed before full compliance with the code is completed. However, a significant start has been made.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **STATEMENT OF CORPORATE GOVERNANCE (continued)**

#### **SENIOR MANAGEMENT TEAM (continued)**

Areas of non-compliance are the establishment of a Search Committee, Interim Report, refreshing the Board, a written Board diversity policy, position of Chief Executive and Secretary being held by one individual, and co-option of professional external directors. The Society has not conformed to the Code in these areas but is working towards compliance with the Code of Best Practice.

The summary that follows highlights the main features of the corporate governance arrangements in the Society that the directors believe are most appropriate for the organisation at this time.

#### **OUR MEMBERS**

Co-operatives are member-owned democratic organisations and the Board has sought to encourage members to play their part in the governance of the business and improve membership participation. The Board considers membership issues on a regular basis and reviews the Society's performance in this area.

The Board welcomes contested elections and encourages the participation of the membership in the electoral process. It is recognised that the involvement of a participatory membership is central to our co-operative identity and the Board is keen to attract potential future directors.

Elections to determine who will serve on the Board are held ahead of the Annual General Meeting each year. All members are entitled to vote in such elections. Members vote in person at any of the Society's retail stores on a specified election polling day. Election results are announced at the Society's Annual General Meeting which is publicised to members in all retail stores.

The Annual General Meeting is used to communicate with the members and encourage them to exercise their democratic rights and their active participation. Annual Statutory accounts are available to all members at least 14 days prior to the Annual General Meeting. The Society ensures that all notified amendments to the membership register are promptly updated.

#### **THE BOARD**

The Board of Directors consists of up to nine members who are directly elected from, and by, the membership. After you have been a member for two years with a minimum of £50 in your share account, you become eligible to stand for election to the Board of Directors. Any member can nominate another member who meets the criteria to stand for election. Directors are elected for a maximum of three years in line with the recommendations of the Corporate Governance Code of Best Practice. The Society does not have a policy of co-opting professional external directors onto the Board. The Board appoints, or reappoints, the President and Vice-President on an annual basis.

<b>Name</b>	<b>First elected</b>	<b>Term expires</b>
George Donkin	2007	2016
Jeremy Fricker	2008	2017
Albert Moulder (resigned 24 April 2015)	2005	-
Allan Curtis	2008	2017
Angela Wilson (term expired June 2015)	2009	-
Sally Heiron (resigned 30 July 2015)	2009	-
Derek Roberts	2011	2017
Jonathan Rich	2014	2016
Graham Jeffery	2014	2018
Craig Doughty	2015	2018
Lynda Robertson	2015	2018

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **STATEMENT OF CORPORATE GOVERNANCE (continued)**

#### **THE BOARD (continued)**

Directors' fees are approved by the Society's members. The current fee levels were recommended to the membership and approved by them in June 2015. In addition to their fees, directors are able to claim expenses reasonably incurred in carrying out Society business.

The Board is led by the President, who is also the Chairman, and who should ensure that the Board is in effective control of the Society's affairs and alert to its obligations to its members. The Chairman should promote an effective working relationship between directors and encourage the active engagement and participation of all the members of the Board.

The Board is responsible for ensuring that business is conducted in the best interests of the Society and its members and in accordance with co-operative values and principles. In particular, the Board determines the vision and strategies of the Society and ensures that policies and organisational structures are in place to deliver the long-term objectives.

The Board also ensures that the Society's actions comply with the Society's rules, relevant laws and regulations. The Board meets at least monthly, with additional sub-committee meetings on a regular scheduled basis.

The Board as a whole assumes responsibility for membership engagement. It reviews existing member activity, member research and feedback and develops proposals for membership engagement and development programmes which it monitors and reviews. The Board is responsible for plans for membership communication and membership benefits and for the strategic direction of community support.

The Society maintains appropriate directors' and officers' liability cover in respect of legal action against its directors and officers. The arrangements are reviewed periodically.

The Board has established four sub-committees: an Audit Committee; a Remuneration and Benefits Committee; a Membership Committee and a Farm Committee. The Board determines the powers delegated to its sub-committee and receives regular reports from them. The President and three directors serve as Trustees of the Pension Scheme along with four elected representatives of the Scheme's members (Member Nominated Trustees).

Detailed Board and Committee papers are distributed in advance of the meetings to provide the opportunity for directors to fully prepare for meetings. The Minutes of all Board meetings are circulated to all directors. The Board receives regular presentations from management at its meetings to increase directors' understanding of the business. Where directors require clarification and advice outside of the expertise of management the Society's rules provide that they may take independent professional advice at the Society's expense in furtherance of their duties.

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **STATEMENT OF CORPORATE GOVERNANCE (continued)**

### **THE BOARD (continued)**

The Society's directors have attended the following Board and Committee meetings during the period:

Director	Main Board		Audit Committee		Remuneration and Benefits Committee		Employees' Superannuation Fund	
George Donkin	10	(12)	-	-	-	-	2	(2)
Jeremy Fricker	10	(12)	4	(4)	-	-	-	-
Albert Moulder	2	(2)	-	-	-	-	-	-
Angela Wilson	2	(3)	2	(2)	-	-	1	(1)
Allan Curtis	10	(12)	4	(4)	-	-	2	(2)
Sally Heiron	4	(4)	2	(2)	-	-	-	-
Derek Roberts	10	(12)	-	-	-	-	2	(2)
Jonathan Rich	11	(12)	-	-	-	-	1	(1)
Graham Jeffery	11	(12)	2	(2)	-	-	-	-
Craig Doughty	9	(9)	-	-	-	-	-	-
Lynda Robertson	9	(9)	2	(2)	-	-	-	-

The number in brackets indicates the total number of meetings the director was eligible to attend during the period.

Directors are inducted into their role; they are briefed and informed in order to enable them to carry out their duties effectively. The Society has developed an induction process detailing board issues, directors' duties and the Society's business.

During the year the Board has undertaken two full days training, one day facilitated by Co-operatives UK on The Role and Responsibilities of a Co-operative Director and one day on the Role and Responsibilities of Directors for Health & Safety.

The changes in directors during the period are as follows:

Albert Moulder	resigned 24 April 2015
Angela Wilson	term expired 17 June 2015
Allan Curtis	re-elected 17 June 2015
Sally Heiron	resigned 30 July 2015
Graham Jeffery	re-elected 17 June 2015
Craig Doughty	elected 17 June 2015
Lynda Robertson	elected 17 June 2015

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **STATEMENT OF CORPORATE GOVERNANCE (continued)**

#### **THE AUDIT COMMITTEE**

The principal role of the Audit Committee is to help the Board fulfil its obligations in respect of financial reporting, risk management and internal control principles. The Audit Committee considers value for money across the expenditure of the business as a whole.

The Audit Committee has documented Terms of Reference which include its role, responsibilities, membership and authority delegated to it by the Board. Under its terms of reference, the Audit Committee:

- monitors the integrity of the Society's financial statements, including its annual reports;
- reviews the consistency of, and any changes to, accounting policies and methods on a year-on-year basis;
- reviews the effectiveness of the Society's internal controls and risk management system, risks are identified and reviewed on an annual basis;
- monitors and reviews the effectiveness, independence and objectivity of the internal audit function outsourced to RSM Risk Assurance Services LLP, in the context of the Society's overall risk management system. It is responsible for approving their remit, their appointment and removal, and management's responsiveness to the findings and recommendations of the internal auditor;
- reviews the Society's whistle-blowing procedures, ensuring that appropriate arrangements are in place for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- monitors the effectiveness of the external audit process and makes recommendations to the Board in relation to the appointment, reappointment and remuneration of the external auditor; and
- ensures that an appropriate relationship between the Society and the external auditor is maintained, including reviewing non-audit services and fees.

The Committee comprises four directors. The Chairman of the Committee is Jeremy Fricker. In accordance with the Code neither the Chairman of the Board nor the Chief Executive Officer sits on this Committee and employee directors are barred from membership.

The Audit Committee discharged its responsibilities by considering the above issues during the four meetings held in the year. At the start of the year the Audit Committee reviewed and approved RSM's annual internal audit programme agreeing areas to be focused on in order to mitigate risk and ensure robust management and financial controls are in place. During the year RSM gave regular Audit Progress Reports, Management Actions Updates and detailed reports on any audit work carried out at the Audit Committee Meetings. The Audit Committee reviewed capital expenditure on projects and discussed and updated the risk register.

The Audit Committee worked with the external auditors, Deloitte, to agree accounting and reporting policy and approved the statutory accounts. The Committee considered significant issues in relation to the financial statements; these included stock valuation and the valuation of the pension scheme. These issues were highlighted due to the high value and materiality involved in these areas, which affects the profitability of the Society and the wider retail sector.

These issues have been addressed throughout the year through the internal audit process, the monitoring of management processes and reviewing of financial and non-financial information presented both to the Audit Committee and to the Board. Work has been carried out in the year to monitor stock more effectively and provide accurate management reporting; with external stocktakes to verify the results. Financial reporting to the Board and Senior Management Team comparing actual revenues to budgets and forecasts with gross profit margins has been available to monitor progress of all trading sectors of the Society. The Co-operative Muller milk contract provides the Society with some protection against the severe fluctuations of the milk price. The pension scheme liability has been calculated by external actuaries, a full three year valuation completed in 2014, with management and external auditors checking the assumptions used.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **STATEMENT OF CORPORATE GOVERNANCE (continued)**

#### **THE AUDIT COMMITTEE (continued)**

These internal findings and results are then communicated to the external auditor for further review. A full external audit report is presented to the Audit Committee, which reports on their findings and areas they feel should also be addressed. The Audit Committee meets with the external auditor to review and discussed the audit review and check all significant issues been considered. How the external auditors have addressed these significant issues is shown in the Independent Auditor's report.

The Committee met both the external auditor and the internal auditor. Both the external and internal auditors have direct access to the President and the Chairman of the Committee at all times and the Committee meets with the Society's external auditor at least once each year. The Chair of the Audit Committee presents the minutes of the Committee's meeting to the Board after each meeting. Committee minutes are also circulated to all directors.

The Society has a policy of allowing the external auditor to provide other services to the Society on the provision that it does not impair its independence. The Board reviews the independence of the external auditor through monitoring of the level and nature of non-audit services. Fees paid to the external auditor are disclosed in note 6.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

#### **INTERNAL CONTROL**

The Society continues to operate under the Co-operatives<sup>UK</sup> Corporate Governance Code of Best Practice revised November 2013, under which the Board of Directors is collectively responsible for the system of internal control and for reviewing its effectiveness.

In order to assist the Board in discharging its duties in monitoring and assessing risks to the business it has an Audit Committee. The Audit Committee's responsibilities include receiving reports from the internal and external auditors, in addition to meeting with internal and external auditors and such external advisers as deemed necessary.

Systems are designed to manage and minimise risks to the business but can provide only reasonable but not absolute assurance against material misstatement or loss.

#### **CONTROL ENVIRONMENT**

The Society is committed to the highest standards of business conduct and seeks to maintain the standards throughout the Society. The Society has developed an appropriate management and organisation structure with defined lines of responsibility and delegation of authority for planning, controlling and monitoring the business operations.

#### **RISK MONITORING AND MANAGEMENT**

The Board and Executive Management have responsibility for identifying the key business risks facing the Society and for the development of appropriate policies and procedures to manage these risks. During the period under report the business risk register was updated. Risks have been scored in terms of both impact and the likelihood of each risk crystallising.

The Audit Committee has completed an annual review of the risk register and the effectiveness of the Society's risk management and internal control systems. The Audit Committee confirms that actions are in place or are being under taken to limit the risks and remedy any weaknesses in internal controls which have been identified throughout the year.

#### **INFORMATION AND COMMUNICATION**

The Society undertakes periodic strategic reviews, including the evaluation of business alternatives. Senior management prepare annual budgets, and performance against budget is actively monitored at store and cost centre level. Results are presented to the Board on a regular basis, and consequently the Society's performance is continually monitored and remedial action taken where required.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **STATEMENT OF CORPORATE GOVERNANCE (continued)**

#### **CONTROL PROCEDURES**

Society control procedures are designed to produce complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud.

Capital projects and asset acquisitions and disposals require Board approval. The Board receives reports regularly on capital asset movements. Commitments, which require the use of the Society's seal, are authorised by the Board.

#### **MONITORING**

During the period under report the Society implemented RSM Risk Assurance Services LLP as its internal audit provider. The Audit Committee has received the results of an internal review and will approve internal audit plans for the forthcoming year. Management continues to monitor the internal control environment.

The Society has a documented Whistleblowing procedure in place that has been reviewed by the Audit Committee.

## RADSTOCK CO-OPERATIVE SOCIETY LIMITED

### KEY CO-OPERATIVE, ENVIRONMENTAL AND SOCIAL PERFORMANCE INDICATORS

As a responsible retailer the Society is keen to monitor its environmental and corporate social responsibility. One such measurement framework is the Co-operative Movement's Key Social and Co-operative Performance Indices. The Society is working towards being able to report against all of the following areas:

NO	AREA	MEASUREMENT	OUTCOME
1	Member economic involvement	Trade (£) conducted with members as a proportion of turnover (%)	There was no practical mechanism to apply this measurement during 2015/16.
2	Member democratic participation	Number of members voting in elections and as a % of total membership	Nominations from 5 candidates for 4 vacancies on the Board were received. Two directors were re-elected and two new candidates elected. During the year a By-Election was held with nominations from 3 candidates for 1 vacancy for an 8 month term of office with 1 new candidate elected.
3	Participation of employees and members in training and education schemes	All types of training	Employees attended 778 (2014/15: 534) training events equating to 280 full days during 2015/16. This included personal development, NVQ, professional development, management training, dignity at work, compliance training, product and services training and systems and participation in new eLearning modules.
4	Staff injury and absentee rates	Staff injury rates/number of accidents/number reportable. Total absentee rate	During 2015/16, there were 45 accidents (2014/15: 54) involving our employees, of which 2 were reportable (2014/15: 2). The total employee absence rate for 2015/16 was 3.74% (2014/15: 3.18%).
5	Staff profile - gender and ethnicity % where data supplied (38% of the workforce have not supplied details of their ethnicity).	% male/female and non-white British employees	Of our employees, 67% are female and 33% are male (2014/15: 67% female, 33% male). Employees with ethnic origin other than White British are 0.8% (2014/15: 0.3%).
6	Customer satisfaction %	Number of customers satisfied as a %	We aspire to 100% customer satisfaction. We record customer feedback (including complaints) and employ "mystery shoppers". This information helps to direct us to those areas that need improvement. The Society's average mystery shopping score was 92.3% (2014/15: 94.8%) against a pass mark of 92.0%.



# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **KEY CO-OPERATIVE, ENVIRONMENTAL AND SOCIAL PERFORMANCE INDICATORS (continued)**

<b>NO</b>	<b>AREA</b>	<b>MEASUREMENT</b>	<b>OUTCOME</b>
7	Considerations of ethical issues in procurement and investment decisions	Qualitative Description of how these factors are considered in the course of business	The Society is a member of the Co-operative Retail Trading Group and shares the procurement policy of that body. The ethical trading policy and procedures in CRTG address the issues of sound sourcing, animal welfare, food integrity and health and ecological sustainability. On the Society's own dairy farm in Hardington, livestock are treated in accordance with the highest standards of animal welfare.
8	Investment in community and co-operative initiatives	Annual proportion of pre-tax investment in community initiatives as a proportion of surplus before tax (%)	A total of £6,430 (2014/15: £7,221) was donated in support of our community relations strategy. The total represents 2.17% (2014/15: 0.89%) of pre-tax surplus. £1,000 of charity funds received from the CRTG will be gifted to local charities at our annual Gala event.  The involvement of colleagues within stores in community initiatives and fundraising is significant with at least £3,842 (2014/15 £4,533) raised in the year.
9	Net carbon dioxide (CO2) emissions arising from operations	Annual CO2 emissions associated with energy used for all on-site operations, i.e. offices/shops	During 2015/16, we purchased 98% (2014/15: 98.2%) green energy from our electrical supply contract, which resulted in 1,778 tonnes of CO2. The basis of measurement was taken from the Carbon Trust. For natural gas, the total usage for the year amounted to 118 tonnes of CO2. We have 39 hectares of forest on our farm estate at Hardington. This equates to 527 tonnes of CO2 captured each year according to Forestry Commission guidelines.
10	Waste recycled/reused as % of waste arising	% of recycled/reused	100% of all packaging waste (cardboard and plastic) is recycled through the CRTG distribution centres.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **REMUNERATION AND BENEFITS COMMITTEE**

The Remuneration and Benefits Committee is pleased to present its Report to members for the year ended 27 February 2016.

This report will be put to an advisory vote at the AGM.

The Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Society's Chief Executive, the Society's Secretary and other members of the senior management team. In doing so it takes into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the senior management team of the Society are provided with an appropriate remuneration package to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Society.

The Remuneration and Benefits Committee met on the 14 April 2016. The Committee plans to meet at least once a year and at such other times as the Chair of the Committee shall require or if requested by two members of the Committee.

The Committee comprises three directors. The Chairman of the Committee is George Donkin. The other Committee members are Jeremy Fricker and Graham Jeffery. In accordance with the Corporate Code of Best Practices published by Co-operatives<sup>UK</sup> employee directors are not allowed to sit on the Committee. The fundamental principle that no Executive should be present for any part of a meeting when their own terms and conditions are being discussed has been fully observed.

The Committee is accountable to the Board and reports on its activities at the next Board meeting following a Committee meeting. All significant decisions made by the Committee are endorsed by the Board before implementation. The minutes of all Committee meetings are given to the Board for review.

#### **Independent External Advice**

The Committee's principal external adviser is the Co-operative Employers Association; its services have been utilised during the past year by the Society.

The Committee is also empowered to seek additional independent external advice whenever it deems necessary.

No external advice other than that obtained from the Co-operative Employers Association has been sought in the past year.

#### **Service Contract**

There has been no change in the service contract arrangements of our senior management team during the year. The Chief Executive's notice period is one year.

#### **Pension Benefits**

There has been no change to the pension arrangements of our senior management team during the year.

## RADSTOCK CO-OPERATIVE SOCIETY LIMITED

### REMUNERATION AND BENEFITS COMMITTEE (continued)

#### Senior Management Team Emoluments

Details of the total remuneration of the senior managers are given in the table below.

Name	Chief Executive Officer £	Head of Retail Operation £	Head of Special Projects (Retired 8 Aug 2015)* £	Head of Human Resources £	Financial Controller £
Salary	126,625	75,405	61,132	65,449	58,732
Employers Pension Contributions	10,253	2,127	2,268	5,265	2,947
<b>Total Emoluments</b>	<b>136,878</b>	<b>77,532</b>	<b>63,400</b>	<b>70,714</b>	<b>61,679</b>

\* Head of Special Projects retired due to ill health received an early retirement severance settlement of £23,000.

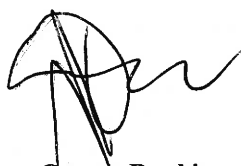
#### Directors' Emoluments

The rules of the Society require that the fees and expenses paid to directors are approved by the Society's members. The current annual fees payable to directors are set out below.

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

Name	Fees (including back pay) 2015/16 £	Expenses 2015/16 £	Total Emoluments 2015/16 £
George Donkin	3,757	782	4,539
Jeremy Fricker	3,113	868	3,981
Albert Moulder	381	-	381
Allan Curtis	2,576	-	2,576
Angela Wilson	715	-	715
Sally Heiron	1,060	-	1,060
Derek Roberts	2,576	-	2,576
Jonathan Rich	2,576	101	2,677
Graham Jeffery	2,576	139	2,715
Craig Doughty	1,859	-	1,859
Lynda Robertson	1,859	-	1,859

By order of the Board



**George Donkin**  
President and Chair of the Remuneration and Benefits Committee

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RADSTOCK CO-OPERATIVE SOCIETY LIMITED

## Opinion on financial statements of Radstock Co-operative Society Limited

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 27 February 2016 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Society Act 2014.

The financial statements comprise the Revenue Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity, the Statement of Accounting Policies and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

## Going concern

We have reviewed the directors' statement contained on page 5 that the Society is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Society's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
<b>Valuation of stock</b> <b>Stock must be valued at the lower of its net realisable value (sales retail price) and its purchase cost. Stock may be over-valued due to lack of provisioning for shrinkage, wastage or slow moving items. Discounts may also mean that the net realisable value of stock items is lower than the cost of those items thus overstating the value of the stock.</b>	<p>We have reviewed the design and implementation of key controls around the valuation of stock. We attended stock counts to confirm the existence and completeness of the stock balance and identify any significant holdings of damaged or out of date stock. We have tested samples of stock lines for appropriate valuation by agreeing them to the master price file for purchase and retail prices. We have reviewed amounts of stock written off in previous periods against historical provisions to assess management's accuracy at predicting stock wastage, and assessed the amount of stock written off post year-end to assess the reasonableness of year end provisions.</p>
<b>Valuation of the pension scheme</b> <b>There is inherent judgement in the assumptions used by the Society to value the liabilities of the pension scheme; in particular, the return on the scheme's assets and the discount rate applied.</b>	<p>We have assessed the competence of the actuary in valuing the pension scheme's liabilities by confirming their qualifications. We have challenged the assumptions used in valuing the scheme's liabilities by benchmarking them against assumptions used in other pension schemes with the same or similar year-ends and performed sensitivity analysis to assess the impact on the accounts of changes in these assumptions. We have agreed the value of a sample of the invested assets to statements provided by the investment manager.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RADSTOCK CO-OPERATIVE SOCIETY LIMITED (continued)**

	<p>The Audit Committee's consideration of these risks is set out on page 11.</p> <p>Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.</p>
<b>Our application of materiality</b>	<p>We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.</p> <p>We determined materiality for the Society to be £365,000 which is derived from turnover, and represents 0.9% of the annual gross takings.</p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £18,250, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.</p>
<b>An overview of the scope of our audit</b>	<p>The Society is made up of 15 stores and a farm all accounted for by a central head office team. When testing the valuation of stock, each year the audit team assesses the locations with material amounts of stock or those where an increased risk of misstatement is perceived. The Senior Statutory Auditor or a member of her team then visits locations based on this assessment, as well as a sample of other locations on rotation.</p>
<b>Matters on which we are required to report by exception</b>	
<b><i>Adequacy of explanations received and accounting records</i></b>	<p>We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Society Act 2014 require us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• a satisfactory system of control over transactions has not been maintained; or</li> <li>• the Society has not kept proper accounting records; or</li> <li>• the financial statements are not in agreement with the books of account; or</li> <li>• we have not received all the information and explanations we need for our audit.</li> </ul>
<b>Other matters</b>	<p>Although not required to do so, the directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We have reviewed this statement for its factual accuracy, and have nothing to report arising from our review.</p>
<b>Respective responsibilities of directors and auditor</b>	<p>As explained more fully in the Board's Responsibilities Statement, 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, and independent partner reviews.</p> <p>This report is made solely to the Society's members, as a body, in accordance with Section 9 of the Co-operative and Community Benefit Society Act 2014. 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/or those further matters we have expressly agreed to report to them on in our engagement letter 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.</p>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RADSTOCK CO-OPERATIVE SOCIETY LIMITED (continued)**

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**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 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.

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**Sonya Butters (Senior statutory auditor)**  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

10 May 2016

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**


## **REVENUE ACCOUNT**


**For the 52 week period ended 27 February 2016**

	<b>Notes</b>	<b>2016 £</b>	<b>2015 £</b>
<b>Gross takings</b>		37,677,847	36,127,912
Less agency and concession turnover		(8,963,732)	(9,362,388)
<b>Gross sales (including VAT)</b>		28,714,115	26,765,524
Value added tax		(2,602,318)	(2,400,278)
<b>Retail turnover</b>	3	26,111,797	24,365,246
Cost of sales		(18,945,241)	(17,389,777)
<b>Gross profit</b>		7,166,556	6,975,469
Other operating income	4	709,889	758,075
Expenses	5	(7,863,962)	(7,691,976)
<b>Trading surplus</b>		12,483	41,568
Farm surplus	7	62,008	128,703
Non-trade property net income	8	196,915	197,612
<b>Operating surplus</b>		271,406	367,883
Profit on sale of non-trade properties		-	716,601
Revaluation gain/(loss) on investment properties	13	71,004	(214,282)
Finance costs (net)	9	(51,836)	(53,341)
<b>Surplus before distributions</b>		290,574	816,861
Share interest	20	(1,001)	(1,847)
Donations		(5,730)	(3,221)
Death benefits		(1,206)	(1,058)
<b>Surplus before tax</b>		282,637	810,735
Taxation	11	(68,908)	(131,458)
<b>Surplus for the period</b>	13	213,729	679,277

All amounts derive from continuing operations.

The financial statements of Radstock Co-operative Society Limited (registered number 1159R) were approved by the board of directors and authorised for issue on 28<sup>th</sup> April 2016. They were signed on its behalf by:

  
**George Donkin**  
President

  
**Jeremy Fricker**  
Vice-President

  
**Don Morris**  
Chief Executive/Secretary

**RADSTOCK CO-OPERATIVE SOCIETY LIMITED****STATEMENT OF COMPREHENSIVE INCOME**  
**For the 52 week period ended 27 February 2016**

	<b>Note</b>	<b>2016 £</b>	<b>2015 £</b>
<b>Profit for the period</b>		<u>213,729</u>	<u>679,277</u>
Remeasurement of net defined benefit liability	22	717,000	(520,000)
Tax relating to components of other comprehensive income	19	<u>(178,700)</u>	<u>104,200</u>
<b>Other comprehensive income</b>		<u>538,300</u>	<u>(415,800)</u>
<b>Total comprehensive income attributable to equity shareholders of the Company</b>		<u><u>752,029</u></u>	<u><u>263,477</u></u>




# RADSTOCK CO-OPERATIVE SOCIETY LIMITED


## BALANCE SHEET At 27 February 2016

	Note	27 February 2016 £	28 February 2015 £
<b>Fixed assets</b>			
Intangible assets	12	265,781	298,061
Tangible assets	13	9,641,136	8,758,440
Investments	14	50,971	50,971
		<u>9,957,888</u>	<u>9,107,472</u>
<b>Current assets</b>			
Stocks	15	2,063,016	1,948,398
Debtors – due within one year	16	822,665	653,380
Debtors – due after one year	16	260,197	447,056
Investments	14	3,904,625	4,479,639
Cash at bank and in hand		241,582	250,178
		<u>7,292,085</u>	<u>7,778,651</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(2,272,748)</u>	<u>(1,905,348)</u>
<b>Net current assets</b>		<u>5,019,337</u>	<u>5,873,303</u>
<b>Total assets less current liabilities</b>		<u>14,977,225</u>	<u>14,980,775</u>
<b>Creditors: amounts falling due after more than one year</b>	18	<u>(1,377,615)</u>	<u>(2,184,614)</u>
<b>Provisions for liabilities</b>	19	<u>(214,034)</u>	<u>(163,891)</u>
<b>Net assets</b>		<u><u>13,385,576</u></u>	<u><u>12,632,270</u></u>
<b>Capital and reserves</b>			
Called-up share capital	20	236,601	235,324
Revenue account		<u>13,148,975</u>	<u>12,396,946</u>
<b>Members' funds</b>		<u><u>13,385,576</u></u>	<u><u>12,632,670</u></u>

The financial statements of Radstock Co-operative Society Limited (registered number 1159R) were approved by the board of directors and authorised for issue on 28 April 2016. They were signed on its behalf by:



**George Donkin**  
President



**Jeremy Fricker**  
Vice-President



**Don Morris**  
Chief Executive/Secretary

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **STATEMENT OF CHANGES IN EQUITY**

**At 27 February 2016**

	<b>Called-up share capital £</b>	<b>Revaluation reserve £</b>	<b>Revenue account £</b>	<b>Total £</b>
<b>At 22 February 2014 as previously stated</b>	233,885	1,416,833	10,716,636	12,367,354
Changes on transition to FRS 102 (see note 25)	-	(1,416,833)	1,416,833	-
<b>At 23 February 2014 as restated</b>	233,885	-	12,133,469	12,367,354
Profit for the financial year	-	-	679,277	679,277
Remeasurement of net defined benefit liability	-	-	(520,000)	(520,000)
Tax relating to items of other comprehensive income	-	-	104,200	104,200
<b>Total comprehensive income</b>	-	-	263,477	263,477
Issue of share capital	7,144	-	-	7,144
Interest on of equity share issues	1,847	-	-	1,847
Withdrawals of share capital	(7,552)	-	-	(7,552)
<b>At 28 February 2015</b>	235,324	-	12,396,946	12,632,270
Profit for the financial year	-	-	213,729	213,729
Remeasurement of net defined benefit liability	-	-	717,000	717,000
Tax relating to items of other comprehensive income	-	-	(178,700)	(178,700)
<b>Total comprehensive income</b>	-	-	752,029	752,029
Issue of share capital	12,090	-	-	12,090
Interest on of equity share issues	1,001	-	-	1,001
Withdrawals of share capital	(11,814)	-	-	(11,814)
<b>At 27 February 2016</b>	236,601	-	13,148,975	13,385,576

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **CASH FLOW STATEMENT**

**At 27 February 2016**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Operating surplus	271,406	367,883
Adjustment for:		
Depreciation and amortisation	827,330	820,305
(Profit)/loss on sale of fixed assets	(299)	86,055
Taxation	(1,256)	(114,910)
<b>Operating cash flows before movement in working capital</b>	<b>1,097,181</b>	<b>1,159,333</b>
Increase in stocks	(114,617)	(165,713)
Decrease in debtors	(169,285)	172,752
Increase/(decrease) in creditors	357,108	(306,769)
Adjustment for pension funding	(162,000)	(282,000)
<b>Net cash flows from operating activities</b>	<b>1,008,387</b>	<b>577,603</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of equipment	299	-
Proceeds from sale of investment properties	-	771,753
Purchase of equipment	(1,606,742)	(1,407,455)
Interest received	21,445	22,659
Interest paid	(1,281)	-
Withdrawals from/(deposits to) short term investments	575,014	(67,410)
<b>Net cash flows from investing activities</b>	<b>(1,011,265)</b>	<b>(680,453)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(6,936)	(4,279)
Repayments of other borrowings	(59)	1,439
Increase in members' share capital	1,277	(190)
<b>Net cash flows from financing activities</b>	<b>(5,718)</b>	<b>(3,030)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,596)</b>	<b>(105,880)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>250,178</b>	<b>356,058</b>
<b>Cash and cash equivalents at end of year</b>	<b>241,582</b>	<b>250,178</b>
<b>Reconciliation to cash at bank and in hand:</b>		
Cash at bank and in hand	241,582	250,178
Cash equivalents	-	-
<b>Cash and cash equivalents</b>	<b>241,582</b>	<b>250,178</b>

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### **a. General information and basis of accounting**

Radstock Co-operative Society Limited is a company incorporated in the United Kingdom under the Co-operative and Community Benefit Societies Act 2014. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 6.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 25.

The functional currency of Radstock Co-operative Society Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### **b. Going concern**

The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. This report further describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

Budgets and forecasts have been prepared and considered for a period of at least twelve months after the signing date and support the adoption of the going concern basis.

After taking into account the trading performance, the strength of the balance sheet and the cash balances held by the Society, the Directors have a reasonable expectation that the Society has adequate resources to continue in existence for the foreseeable future, being a period of at least 12 months from issuing these financial statements. There are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. For this reason, they continue to adopt the going concern basis in preparing the Society's Financial Statements in accordance with Section D1.1 of the Co-operatives<sup>UK</sup> Limited's Corporate Governance Code of Best Practice Volume 1.

#### **c. Intangible assets**

Goodwill is the amount by which the purchase consideration for businesses acquired exceeds the fair value of net assets acquired at the date of acquisition. Goodwill is capitalised as an intangible asset and is amortised over the estimate of its useful economic life as follows:

Acquisition of trade and assets	15 years
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#### **d. Tangible fixed assets**

Fixed assets are stated at their purchase cost, together with any incidental costs of acquisition. Cost includes all expenditure incurred in delivery to its current location and condition. Depreciation is charged over the expected useful economic lives of the assets concerned on a straight-line basis at the following rates:

Freehold buildings	2.5% to 10% per annum
Building improvements	14.3% per annum
Fixtures, machinery and transport	10% to 20% per annum
Motor vehicles	25% per annum
Computers	25% to 50% per annum

No depreciation is provided on freehold land, farm land or assets under construction.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

#### **1. Accounting policies (continued)**

##### ***e. Investment properties***

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

The requirement of the Industrial and Provident Societies Acts 1965 to 2014 (replaced by the Co-operative and Community Benefit Society 2014 from 1 August 2014) is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in FRS 102 Section 16. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt FRS 102 Section 16 in order to give a true and fair view.

##### ***f. Financial instruments***

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### ***(i) Financial assets and liabilities***

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### ***(ii) Investments***

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

##### ***(iii) Fair value measurement***

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

#### **1. Accounting policies (continued)**

##### **g. Stocks**

Retail stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

The Society has taken appropriate professional advice from Cooper and Tanner LLP, a firm of chartered surveyors to undertake the herd valuation. The farm dairy cattle stocks are valued on a herd basis. Young cattle, grain and sundries are stated at market valuation. The valuations are performed annually, with the most recent valuation performed in February 2016.

Provision is made to reduce stock to its estimated recoverable value.

##### **h. Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

##### **i. Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

#### **1. Accounting policies (continued)**

##### ***j. Turnover***

Turnover relates to retail trade only and includes cash sales and goods sold on credit. Turnover excludes VAT.

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer which is normally at the point of sale in our shops. Revenue from trade relationships, where the Society acts as an agent and receives commissions from the principal, are shown as other operating income.

##### ***k. Farm and property income***

Farm income is recognised in accordance with the Society's revenue recognition policy as defined above and is included in the revenue account net of related expenditure.

Rental income from non-trade properties is recognised on an accruals basis. Non-trade property income is included in the revenue account net of related expenditure.

##### ***l. Employee benefits***

The Society operates a defined contribution scheme available to all employees. The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The defined benefit scheme was closed to future accrual during the financial year 2010-11. Amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Society, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

##### ***m. Leases***

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

#### **2. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

##### ***Critical judgements in applying the Society's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### ***Retail stock valuation***

Given the materiality and volumes of retail stock, a critical judgement is the level of provision required for perishable stock, as well as ensuring that all lines are valued at the lower of cost and net realisable value, factoring in multi-buy offers and discounts where applicable at the period-end.

##### ***Key source of estimation uncertainty –impairment of tangible assets***

Determining whether tangible assets are impaired requires an estimation of their value in use to the Society. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the tangible asset and a suitable discount rate in order to calculate present value.

##### ***Key source of estimation uncertainty –defined benefit pension scheme assumptions***

The valuation of the Society's defined benefit pension scheme involves complicated actuarial assumptions to determine future pension increases, mortality rates, long term discount and inflation rates. These assumptions are inherently judgemental

#### **3. Turnover**

An analysis of the Society's turnover by class of business is set out below.

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Turnover:</b>		
Retail	26,111,797	24,365,246
Farm (note 7)	1,805,320	1,756,390
Non-trade property (note 8)	270,517	234,440
	<u>28,187,634</u>	<u>26,356,076</u>

All of the Society's turnover is derived from UK operations.

#### **4. Other operating income**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Concession rental income	356,791	414,620
Rental income	328,737	318,337
Travel agency income	24,068	24,268
Other income	293	850
	<u>709,889</u>	<u>758,075</u>



# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

### **5. Expenses**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Personnel costs (note 10)	4,645,146	4,345,905
Occupancy costs	869,097	888,972
Depreciation	701,808	716,963
Amortisation (note 12)	32,280	32,901
Professional fees (note 6)	45,385	38,453
Operating leases – land and buildings	242,086	251,136
(Gain)/loss on disposal of fixed assets	(299)	86,055
Other expenses	1,328,459	1,331,591
	<u>7,863,962</u>	<u>7,691,976</u>

### **6. Auditor's remuneration**

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £31,850 (2015: £26,750).

Fees payable to Deloitte LLP and their associates for non-audit services were £13,535 (2015: £11,703).

### **7. Farm surplus**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Sales	1,805,320	1,756,390
Cost of sales	(1,228,781)	(1,076,209)
<b>Gross profit</b>	<u>576,539</u>	<u>680,181</u>
Expenses (note A)	(514,531)	(551,478)
<b>Farm surplus</b>	<u>62,008</u>	<u>128,703</u>

#### **A. Expenses**

	<b>£</b>	<b>£</b>
Personnel costs	162,563	210,479
Occupancy costs	77,279	85,013
Depreciation (note 13)	75,652	69,535
General repairs	70,603	62,390
Legal and professional	38,417	32,501
Other expenses	88,767	90,110
Valuation fee	1,250	1,450
	<u>514,531</u>	<u>551,478</u>

The average monthly number of employees (including executive directors) was:

	<b>Number</b>	<b>Number</b>
Full time equivalent	<u>4</u>	<u>5</u>

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **For the 52 week period ended 27 February 2016**

### **8. Non-trade property net income**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Sales	270,517	234,440
Cost of sales	-	-
<b>Gross profit</b>	<u>270,517</u>	<u>234,440</u>
Expenses (note A)	(73,602)	(36,828)
<b>Net income</b>	<u><u>196,915</u></u>	<u><u>197,612</u></u>

#### **A. Expenses**

	<b>£</b>	<b>£</b>
Occupancy costs	41,312	21,975
Depreciation	17,590	906
General repairs	3,450	4,052
Legal and professional	10,293	9,470
Other expenses	957	425
	<u>73,602</u>	<u>36,828</u>

### **9. Finance costs (net)**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Interest payable and similar charges	73,281	76,000
Less: Investment income	(21,445)	(22,659)
	<u>51,836</u>	<u>53,341</u>

#### **Investment income**

	<b>£</b>	<b>£</b>
Other interest receivable and similar income	<u>21,445</u>	<u>22,659</u>

#### **Interest payable and similar charges**

	<b>£</b>	<b>£</b>
Other interest payable	1,281	-
Net interest cost on defined benefit pension scheme (note 22)	72,000	76,000
	<u>73,281</u>	<u>76,000</u>

# RADSTOCK CO-OPERATIVE SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 February 2016

### 10. Directors, Staff numbers and costs

#### a) Employee costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Retail		
- full time	61	60
- part time	272	270
Administration	28	30
	<u>361</u>	<u>360</u>

The full-time equivalent average number of employees was 217 (2015: 213).

Their aggregate remuneration comprised:

	£	£
Wages and salaries	4,428,203	4,193,897
Social security costs	244,406	231,725
Other pension costs (note 22)	135,100	130,762
	<u>4,807,709</u>	<u>4,556,384</u>
Analysed by:	£	£
Retail (note 5)	4,645,146	4,345,905
Farm (note 7)	162,563	210,479
	<u>4,807,709</u>	<u>4,556,384</u>

#### b) Directors' remuneration

	£	£
Emoluments	125,359	136,828
Company contributions to money purchase pension schemes	9,901	8,836
Compensation for loss of office	23,000	-
	<u>158,260</u>	<u>145,664</u>

#### The number of directors who:

	Number	Number
Are members of a defined benefit pension scheme	2	3
Are members of a money purchase pension scheme	2	2

#### Remuneration of the highest paid director:

	£	£
Emoluments	61,513	77,824
Company contributions to defined benefit pension schemes	2,268	5,960

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

### **10. Directors, Staff numbers and costs (continued)**

#### **c) Senior management team remuneration**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Salaries	387,343	323,841
Company contributions to money purchase pension schemes	22,860	24,234
	<u>410,203</u>	<u>348,075</u>

### **11. Tax on profit on ordinary activities**

The tax charge comprises:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Current tax on profit on ordinary activities</b>		
UK corporation tax	34,564	46,685
Adjustments in respect of prior years	(23,958)	23,864
<b>Total current tax</b>	<u>10,606</u>	<u>70,549</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	67,441	60,909
Adjustment in respect of previous periods	21,033	-
Effect of a change in tax rates	(30,172)	-
<b>Total deferred tax (see note 19)</b>	<u>58,302</u>	<u>60,909</u>
<b>Total tax on profit on ordinary activities</b>	<u>68,908</u>	<u>131,458</u>
<b>Deferred tax charge/(credit) recognised in other comprehensive income</b>	<u>178,700</u>	<u>(104,200)</u>

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u>282,637</u>	<u>1,025,017</u>
	<b>£</b>	<b>£</b>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20%)	56,527	205,003
Effects of:		
- Expenses not deductible for tax purposes	60,161	47,665
- Income not taxable in determining taxable profit	(14,683)	(145,074)
- Adjustments to tax charge in respect of previous periods	(2,925)	23,864
- Changes to tax rates	(30,172)	-
<b>Total tax charge for period</b>	<u>68,908</u>	<u>131,458</u>

From 1 April 2015, the main rate of corporation tax reduced to 20%. This rate has been used to calculate deferred tax balances as it was substantively enacted at the balance sheet date. In the budget on 8 July 2015, the government announced further reductions in the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. These changes were substantively enacted on 26 October 2015.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

#### **11. Tax on profit on ordinary activities (continued)**

##### **Expenses not deductible for tax purposes**

Some expenses incurred by the Society may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction against taxable income when calculating the Society's tax liability for the same accounting period. Examples of disallowable expenditure include some legal expenses.

##### **Income not taxable for tax purposes**

Post the company's transition to new UK GAAP FRS102, we are required to create a deferred tax liability in respect of rolled over gains (or indeed revalued assets), and a deferred tax liability has been brought onto the balance sheet.

##### **Capital allowances in excess of depreciation**

The accounting treatment of expenditure on fixed assets differs from the taxation treatment. For accounting purposes, an annual rate of depreciation is applied by the Society. For taxation purposes, the Society is able to claim capital allowances, a tax relief provided in law. This difference between the rates of depreciation and capital allowances means that there is a difference between the taxable profit for accounting and taxation purposes and this year the Society accounting charge for depreciation was higher than the claim for tax relief.

##### **Movement in short term timing differences**

Short term timing differences arise on items such as provisions and pensions, because the treatment of such items is different for tax and accounting purposes. These differences usually automatically reverse in the year following that in which they arise, as is reflected in the deferred tax charge in these financial statements.

##### **Adjustments to tax changes in prior years**

Adjustments to tax changes in earlier years arise because the tax charge in the financial statements is estimated before the detailed corporation tax calculations are prepared. Additionally, HM Revenue & Customs may not agree with the tax return that was submitted for a year and the tax liability for a previous year may be adjusted as a result.

#### **12. Intangible fixed assets**

	<b>Goodwill £</b>
As at 28 February 2015 and 27 February 2016	482,351
<b>Amortisation</b>	
At 28 February 2015	184,290
Charge for the year	32,280
At 27 February 2016	216,570
<b>Net book value</b>	
At 27 February 2016	265,781
At 28 February 2015	298,061

# RADSTOCK CO-OPERATIVE SOCIETY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 27 February 2016

### 13. Tangible fixed assets

	Investment properties £	Land and buildings £	Farm land, buildings and machinery £	Fixtures, machinery and vehicles £	Assets in the course of construction £	Total £
<b>Cost or valuation</b>						
At 1 March 2015	3,213,000	3,634,584	1,456,504	4,007,668	390,144	12,701,900
Additions	-	723,183	59,557	811,172	12,830	1,606,742
Revaluations	71,004	-	-	-	-	71,004
Disposals	-	(8,400)	-	(55,193)	-	(63,593)
Transfers	(373,004)	659,541	-	-	(390,144)	(103,607)
At 27 February 2016	<u>2,911,000</u>	<u>5,008,908</u>	<u>1,516,061</u>	<u>4,763,647</u>	<u>12,830</u>	<u>14,212,446</u>
<b>Depreciation</b>						
At 1 March 2015	-	1,014,770	760,179	2,168,511	-	3,943,460
Charge for the year	-	191,942	75,652	527,456	-	795,050
Disposals	-	(8,400)	-	(55,193)	-	(63,593)
Transfers	-	(103,607)	-	-	-	(103,607)
At 27 February 2016	<u>-</u>	<u>1,094,705</u>	<u>835,831</u>	<u>2,640,784</u>	<u>-</u>	<u>4,571,310</u>
<b>Net book value</b>						
<b>At 27 February 2016</b>	<u>2,911,000</u>	<u>3,914,203</u>	<u>680,230</u>	<u>2,122,873</u>	<u>12,830</u>	<u>9,641,136</u>
At 28 February 2015	<u>3,213,000</u>	<u>2,619,814</u>	<u>696,325</u>	<u>1,839,157</u>	<u>390,144</u>	<u>8,758,440</u>

#### i. Investment properties

Investment properties, which are all freehold, were revalued to fair value at 27 February 2016, based on a valuation undertaken by Graham Jones (MRICS) of Carter Jonas, an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was based on market realisable value. There are no restrictions on the realisability of investment property.

The historical cost of investment properties is £2,783,923. As set out in note 8, property net income earned during the year was £196,915 (2015: £197,612). No contingent rents have been recognised as income in the current or prior year.

At the balance sheet date, the Society had contracted with tenants for the following future minimum lease payments:

	2016 £	2015 £
Within one year	202,267	210,782
In the second to fifth years inclusive	809,067	843,129
After five years	<u>683,549</u>	<u>873,283</u>

#### ii. Land and buildings

Land and buildings at cost or value comprise £4,724,915 (2015: £3,350,591) freehold and £283,993 (2015: £283,993) long leasehold.

#### iii. Security

The Society's defined benefit pension scheme holds security over the Hardington farm land to the value of £3,800,000.

#### iv. Finance leases

No assets included above are leased on finance leases.

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

### **14. Investments**

#### **Other investments**

	<b>Non-current investments</b>		<b>Current investments</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
The Co-operative Group Limited shares	36,585	36,585	-	-
Other shares	2,670	2,670	-	-
Unquoted companies' shares	11,716	11,716	-	-
Short-term bank deposits	-	-	3,900,435	4,476,924
The Co-operative Group Corporate investor shares	-	-	4,190	2,715
	<u>50,971</u>	<u>50,971</u>	<u>3,904,625</u>	<u>4,479,639</u>

Other investments are held at cost less impairment because their fair value cannot be measured reliably.

### **15. Stocks**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Agricultural stock	859,880	807,674
Goods for resale – retail stock	1,203,135	1,140,724
	<u>2,063,015</u>	<u>1,948,398</u>

### **16. Debtors**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Trade debtors - retail	345,343	318,628
Trade debtors – farm	139,505	23,243
Other debtors	194,771	244,779
Prepayments	143,046	66,730
	<u>822,665</u>	<u>653,380</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 19)	260,197	447,056
	<u>260,197</u>	<u>447,056</u>

### **17. Creditors: amounts falling due within one year**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade creditors	1,466,428	1,216,594
Corporation tax	9,578	227
Other taxation and social security	12,849	91,485
Other creditors	171,470	148,860
Accruals	517,840	331,855
Dividend points and stamps	94,500	116,185
Stamp clubs	83	142
	<u>2,272,748</u>	<u>1,905,348</u>

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

### **18. Creditors: amounts falling due after one year**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Defined benefit pension scheme (note 22)	1,377,615	2,184,614

### **19. Deferred tax**

#### ***Deferred tax liability***

Deferred tax is provided as follows:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Accelerated capital allowances	214,034	163,891
	<b>£</b>	<b>£</b>
Provision at start of the period	163,891	133,326
Deferred tax charge in revenue account for the period (note 11)	50,143	30,565
<b>Provision at end of the period</b>	<b>214,034</b>	<b>163,891</b>
<b><i>Deferred taxation asset relating to defined benefit pension deficit</i></b>		
	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
At start of the period	447,056	373,200
(Charged)/credited to the statement of other comprehensive income	(178,700)	104,200
Charge to the revenue account (note 11)	(8,159)	(30,344)
<b>At end of the period</b>	<b>260,197</b>	<b>447,056</b>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

### **20. Called-up share capital and reserves**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Balance at start of the period	235,324	233,885
Contributions	12,090	7,144
Interest	1,001	1,847
	248,415	242,876
Withdrawals	(11,814)	(7,552)
<b>Balance at end of the period</b>	<b>236,601</b>	<b>235,324</b>

(a) Share capital is composed of one type of share.

(b) Share capital comprises 7,027 members with a minimum holding of £2.00 per member. Balances over £25 attracted interest at 0.5% p.a.



## RADSTOCK CO-OPERATIVE SOCIETY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 February 2016

#### 20. Called-up share capital and reserves (continued)

- (c) Shares may be withdrawn by members upon giving one week's notice to the Society in accordance with Rule 22 of 2010 Rule Book.
- (d) Each member is entitled to one vote.
- (e) In the event of winding up, any balance remaining after meeting all liabilities would be distributed in a manner prescribed by the Co-operative and Community Benefit Society Act ruling at the time of dissolution, and in accordance with the Society's rules at the time of dissolution.

#### 21. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>Land and buildings</b>	
	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Within one year	245,250	225,195
Between one and five years	981,000	821,000
After five years	2,350,104	2,724,682
	<u>3,576,354</u>	<u>3,770,877</u>

#### 22. Employee benefits

##### *Defined contribution schemes*

The Society operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 27 February 2016 was £135,100 (2015: £130,762).

##### *Defined benefit schemes*

The Society operates defined benefit schemes which is now closed to future accrual (the Radstock Co-operative Society Limited Employees' Superannuation Fund) in the UK. No other post-retirement benefits are provided. The assets of the fund are held in a separate fund administered by the trustees.

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 27 February 2016 by Mr Paul Bunzl, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

	<b>Valuation at</b>	
	<b>2016</b>	<b>2015</b>
<b>Key assumptions used:</b>		
Discount rate	4.00%	3.50%
Future pension increases (5% LPI)	3.10%	3.20%
Future pension increases (2.5% LPI)	2.00%	2.10%
Rate of pensions deferment	3.20%	3.30%
Inflation	3.20%	3.30%

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

### **22. Employee benefits (continued)**

#### **Mortality assumptions:**

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<b>2016 years</b>	<b>Valuation at 2015 years</b>
Retiring today:		
Males	22.4	22.6
Females	24.5	24.7
Retiring in 20 years:		
Males	24.6	24.7
Females	26.8	27.0

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	<b>2016 £</b>	<b>2015 £</b>
Net interest cost	72,000	76,000
Recognised in the revenue account (note 9)	72,000	76,000
Recognised in other comprehensive income	(717,000)	520,000
<b>Total (income)/cost relating to defined benefit scheme</b>	<b>(645,000)</b>	<b>596,000</b>

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	<b>2016 £</b>	<b>2015 £</b>
Present value of defined benefit obligations	(7,138,000)	(8,862,000)
Fair value of scheme assets	5,760,000	6,677,000
<b>Net liability recognised in the balance sheet</b>	<b>(1,378,000)</b>	<b>(2,185,000)</b>
Movements in the present value of defined benefit obligations were as follows:		
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	8,862,000	7,867,000
Interest cost	293,000	341,000
Actuarial gains and losses	(1,064,000)	875,000
Benefits paid	(953,000)	(221,000)
<b>Closing defined benefit obligation</b>	<b>7,138,000</b>	<b>8,862,000</b>

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

### **22. Employee benefits (continued)**

Movements in the fair value of scheme assets were as follows:

	£	£
At 1 January	6,677,000	5,996,000
Interest income	221,000	265,000
Actuarial gains and losses	(347,000)	355,000
Contributions from the employer	162,000	282,000
Benefits paid	(953,000)	(221,000)
<b>At 31 December</b>	<b>5,760,000</b>	<b>6,677,000</b>

The analysis of the scheme assets at the balance sheet date was as follows:

	<b>Fair value of assets</b>	
	<b>2016</b>	<b>2015</b>
Equity instruments	45%	45%
Diversified growth fund	40%	38%
Government bonds	15%	15%
Cash	0%	2%
	<b>100%</b>	<b>100%</b>

### **23. Related party transactions**

There have been no transactions with related parties outside of standard commercial terms.

### **24. Controlling party**

In the view of the directors, there is no controlling party.

# **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 27 February 2016**

### **25. Explanation of transition to FRS 102**

This is the first year that the Society has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 28 February 2015 and the date of transition to FRS 102 was therefore 23 February 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

#### ***Reconciliation of equity***

<b>Note</b>	<b>At 28 February 2015 £</b>	<b>At 23 February 2014 £</b>
Equity reported under previous UK GAAP	12,632,270	12,367,354
<b>Adjustments to equity on transition to FRS 102</b>		
1 <i>Reallocation of revaluation reserve</i>	-	-
2 <i>Revaluation of investment properties</i>	-	-
3 <i>Remeasurement of defined benefit liability</i>	-	-
<b>Equity reported under FRS 102</b>	<b>12,632,270</b>	<b>12,367,354</b>

#### ***Notes to the reconciliation of equity at 23 February 2014***

Following FRS 102 requirements for gains and losses on revaluation of investment properties being recognised through the revenue account, rather than other comprehensive income, the residual revaluation reserve of £1,416,833 was transferred into the revenue reserve. There was no net impact on total members' funds.

#### ***Reconciliation of surplus for 2015***

<b>Note</b>	<b>£</b>
<b>Surplus for the financial year under previous UK GAAP</b>	<b>946,559</b>
2 <i>Revaluation of investment properties</i>	(214,282)
3 <i>Remeasurement of defined benefit liability</i>	(53,000)
<b>Surplus for the financial year under FRS 102</b>	<b>679,277</b>

#### ***Notes to the reconciliation of surplus for 2015***

### **2 Revaluation of investment properties**

FRS 102 requires gains and losses on revaluation of investment properties to be recognised in the revenue account, rather than through other comprehensive income. This is a reclassification, and there is no net change to total comprehensive income.

### **3 Remeasurement of defined benefit liability**

The valuation method for the defined benefit pension scheme under FRS 102 differs from previous UK GAAP, resulting in additional finance charges of £66,000 to be recognised in the revenue account, with a corresponding increase to the deferred tax credit recognised in the revenue account of £13,000. This is a reclassification, and there is no net change to total comprehensive income.

# RADSTOCK CO-OPERATIVE SOCIETY LIMITED

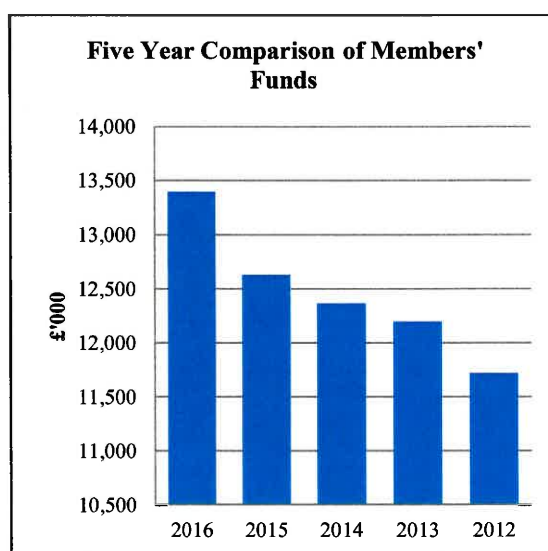
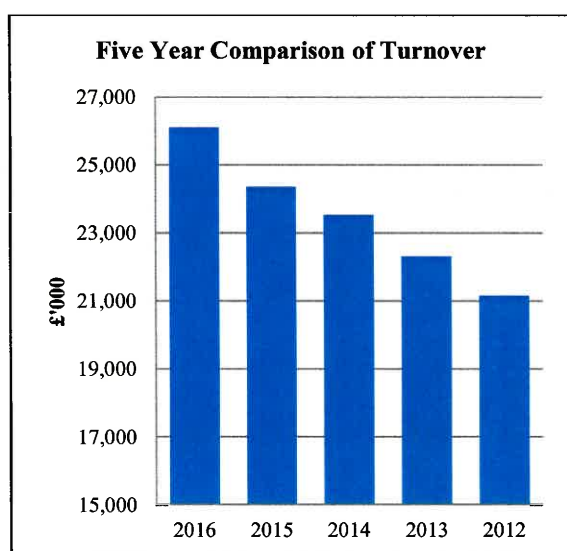
## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 February 2016

### Five year comparative statement

	2016 No.	2015* No.	2014* No.	2013 No.	2012 No.
Membership	7,027	7,013	6,988	6,751	6,788
<b>REVENUE ACCOUNT</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Turnover	26,112	24,365	23,543	22,324	21,170
Trading result	12	42	153	818	1,155
Farm result	62	129	74	67	65
Surplus before distributions	291	817	412	996	1,476
Surplus for period	214	679	307	699	1,137
Depreciation and amortisation	827	820	700	568	568
<b>BALANCE SHEET</b>					
Fixed assets	9,958	9,107	8,820	8,646	6,138
Net current assets	5,019	5,873	5,179	5,131	7,000
Total assets less current liabilities	14,977	14,980	13,999	13,777	13,137
Less: Long term liabilities	(1,591)	(2,348)	(1,632)	(1,577)	(1,416)
<b>NET ASSETS</b>	<b>13,386</b>	<b>12,632</b>	<b>12,367</b>	<b>12,200</b>	<b>11,721</b>
Share capital	237	235	234	237	242
Reserves	13,149	12,397	12,133	11,963	11,479
<b>MEMBERS' FUNDS</b>	<b>13,386</b>	<b>12,632</b>	<b>12,367</b>	<b>12,200</b>	<b>11,721</b>

\* As restated for transition to FRS 102.



## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 27 February 2016**

#### **Notice of annual general meeting**

Notice is hereby given that the Annual General Meeting of the Society will be held on:  
Wednesday 15 June 2016 at 7.00pm at the Radstock Working Men's Club, **RADSTOCK**.

#### **Agenda**

1. To confirm the Minutes of the last meeting.
2. To receive the Directors' Report and audited Financial Accounts for the 52 week period ended 27 February 2016.
3. To appoint the Society's Auditor.
4. To declare the results of the election to the Directors to the Board.

#### **Admission to Shareholders' Meetings**

Members must present their Share Account Statement to attend Shareholders' Meetings.

## **RADSTOCK CO-OPERATIVE SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the 52 week period ended 27 February 2016**

#### **STANDING ORDERS**

##### **1. Order of Business**

The order of business at every ordinary or special meeting of the Society shall be in accordance with the printed Agenda of business issued with the notice of the meeting.

##### **2. Speaking**

- (a) The mover of a motion or amendment shall be allowed 10 minutes in which to state the case. The mover of the motion shall also have the right to reply at the end of the discussion, and in replying shall be confined to answering previous speakers and shall not be permitted to introduce new matters into the debate. Five minutes shall be allowed for this right of reply after which the motion or amendment shall be put to the vote.
- (b) In regard to any motion amendment no other speaker shall be allowed more than five minutes.
- (c) Every member who speaks shall address the Chair and confine their speech to the subject under discussion.
- (d) Whenever the Chairman rises during a debate any member then speaking or attempting to speak must resume their seat.
- (e) No member shall address the meeting more than once on the same subject except as *provided in 2(a)*.
- (f) The Chairman may invite an officer or professional adviser of the Society present at the meeting to give a report and/or to respond to any comments or questions raised by a member.
- (g) In response to any question or comment raised by a member, the Chairman reserves the right to arrange for a written response to be forwarded to the member in due course.

##### **3. Closure of Debate**

- (a) "That the question be now put" may be moved on any motion or amendment before the meeting and if seconded, shall at once be put to the vote without discussion. If this is carried, the question before the meeting shall then be put to the vote and decided upon without further delay.
- (b) All meetings shall terminate not later than two-and-a-half hours after the commencement time specified in the notice of the meeting.

##### **4. Chairman of Meetings**

- (a) The Chairman may call attention to continued irrelevance, repetition, unbecoming language or any breach of order on the part of a member and may direct such member to discontinue their speech.
- (b) If the Chairman considers that a motion or amendment has been discussed sufficiently he/she may move that the question be now put, and the motion or amendment shall at once be put to the vote without further discussion.
- (c) The decision of the Chairman on any point shall be final.

