



Co-operatives UK Annual Report 2016

CO-OPERATIVES UK



Chair's statement

What, is it that time of year already? Time again for our annual report... I do not need to tell you how difficult economic conditions have been so, as we report on our financial performance, you will be pleased that Co-operatives UK continues to balance its books.

In a co-operative, however, the real test is do we generate member value and do members feel engaged in what we do?

Of course we need to be on a sound financial footing to serve members effectively and we have been working hard to sweat the asset of Holyoake House. I am sure old George on his 200th birthday would be pleased to know the building named after him is still generating value for the movement.

2016 was the halfway point in our three year strategy. A strategy built around three pillars and after laying the foundations we – and you our members – will be expecting to see results.

Those pillars are: delivering clear value to members; becoming a centre of excellence for co-operative governance; and doubling the number of large co-operatives in membership.

We have made progress on all fronts. Our redesigned membership offer, with a flat basic rate and bespoke packages, was launched in 2016 and pleasingly we secured three-year agreements with all our largest partner members.

The way we deliver advice was overhauled, with the introduction of our 'contact package'. Offering unparalleled levels of expertise at a £200 price point, the contact package offers excellent value for money – and we are enjoying stronger and stronger take-up figures.

The advice offering is also complemented by our HR service, training courses and tailored governance services. It is no exaggeration to say thousands of employees of co-operatives are benefiting.

In our drive to increase the number of large co-operatives in membership we have focused on and enjoyed success within the agricultural sector. Real success is the development of a set of services that offer genuine value to agricultural co-operatives and by working closely with them to represent their interest to government as Brexit approaches.

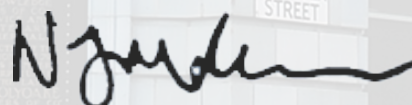
There is no doubt that the world in which we operate has undergone significant change and we have begun our strategy development process earlier as a consequence. Tactically, we have also had significant success, despite tough conditions, in generating project income.

We are also at that time again when our rules tell us we must review our governance to ensure our Board reflects the membership and has the necessary skills to do the job they rightly expect. We are running a strategy session on this at Congress, with all members invited to attend, to ensure all views are fully taken into account. It is at this point that I would like to thank all my fellow directors for their dedication, support and input in 2016.

We have lost some key long-serving staff over the past couple of years. For a relatively small organisation the loss of such institutional memory can be debilitating, but I hope you agree that our Secretary General and the current staff have delivered a very high level of service during the year. However, we are not complacent and we have significantly strengthened the team in 2017.

Our vision at Co-operatives UK is a simple one, to listen to you our members and by working with you generate activities and services you value.

These pages reveal how well we are making that vision a reality.



Nick Matthews
Chair, Co-operatives UK

Contents

Our influence	4-5
Advice services	6-7
Our events	8
Congress focus	9
The co-operative economy	10 -11
Delivering projects	12 -13
Co-operatives Fortnight	14 -15
Our governance	16 – 17
Our Board	18 – 20
Performance indicators	21
Financial statements	22 – 44

Our influence

We work hard to influence government policy to secure the best possible business environment for co-ops of all shapes and sizes. The overarching aim is to build a more co-operative economy, where people share ownership and control. Together, alongside our members, we pinpoint policy needs and lobby on behalf of the movement.

Britain's decision to leave the European Union in June 2016 dramatically altered the policy landscape. Brexit will affect every part of our mission to promote, develop and unite co-operatives, just as it will affect every one of the UK's 7,000 co-operatives. In response to the vote we set out three principles to guide our work:

- Our basic policy needs must still be met despite the government's Brexit workload
- Co-ops should not be put in a disproportionately worse position by the Brexit process
- The potential for co-ops to give people control and build a better economy should be harnessed

By the end of 2016 we had made significant progress in relation to all three. We surveyed our members on the likely implications of Brexit, began identifying key 'Brexit Safeguards', and kept up the pressure on HM Treasury to undertake legal reforms for small co-operatives.

We also developed a clear narrative positioning co-operatives as a positive, hopeful response to the disillusion and discontent that surfaced in 2016.

A UK outside the EU needs co-ops more than ever. But if we are going to start winning arguments about the benefits of co-operative control, we need evidence and a practical cohesive strategy for co-operative development. These needs are now the driving force behind our policy activities.

Away from Brexit we continued to protect the interests of co-operatives, large and small. Alongside our members, we saw off the threat of inappropriate new regulation in our response to a Financial Conduct Authority consultation on member investment. We also worked with the government's Inclusive Economy Unit to increase support for and understanding of the UK's co-operatives.

Significant challenges remain. We took on the Pension Protection Fund (PPF) over "arbitrary and unfair" charges levied on some of the UK's largest co-operatives. The PPF accepts there is an issue but is yet to redress the balance. It highlights the need for a strong co-op lobbying body – and one which remains steadfast and is backed up by an engaged, unified and vocal membership.

In numbers



Significant
policy
wins

Member
participation



Brexit
principles



We drove through a series of changes at government level in 2016. Co-op bonds are now eligible for the new innovative Finance ISA; we have a five-fold member investment limit for Northern Ireland's co-ops plus three further reforms.

In response to Brexit we also brought together some of the UK's largest agricultural co-operatives. The resulting set of shared priorities provided the framework to lobby Defra and key industry bodies in 2017 and beyond.

Advice services

Providing leadership, best practice and hands-on advice to new and existing organisations on the fundamentals of running a successful co-op is a key element of our work. We have provided expert governance, membership and HR advice for more than 20 years and because we exist to serve our members' needs and not profit, our advice offering continues to represent exceptional value for money.

It is a source of huge pride that over the course of 2016 we helped create 121 new co-operatives – close, on average, to one new business every other working day. We also delivered 208 pieces of bespoke governance advice to members and five in-house director training courses.

Behind those figures an immense amount of work has taken place as we aim to further establish ourselves as a centre of excellence for co-op advice. We have developed a resource rich website via The Hive; a model for delivery of chargeable services and consultancy; a feedback-based system of advice delivery; and a range of bespoke sector-focused services.

Our Co-operative Governance Expert Reference Panel, established at the latter end of 2015, also produced its first outputs with guidance around the role of the board and a downloadable resource covering all the key elements of governance.

With 28 members signed up to our HR Package, we have seen further developments in an element of our advice offering that helps ensure more than 100,000 employees enjoy a better working experience.

Regular HR news and update bulletins reach 130 forum members, with nine short videos available as a member resource. Specialised guidance on changes in HR practice and employment law, via training courses, benefited a further 100 members.

There have been challenges of course. The introduction of our Contact Package signalled a significant shift from unlimited levels of advice via basic membership to a costed service. However, at what we believe is a fair and affordable price-point of £200, it ensures the continued provision of expert and technical advice.

“We could not have grown so quickly or effectively without the support of the Co-operatives UK Advice Team,” Alistair MacPherson, Plymouth Energy

Our feedback system opens the door to criticism and we welcome all views as we continue our dedication to developing governance products, training and services based on member needs, as well as focusing on service quality.

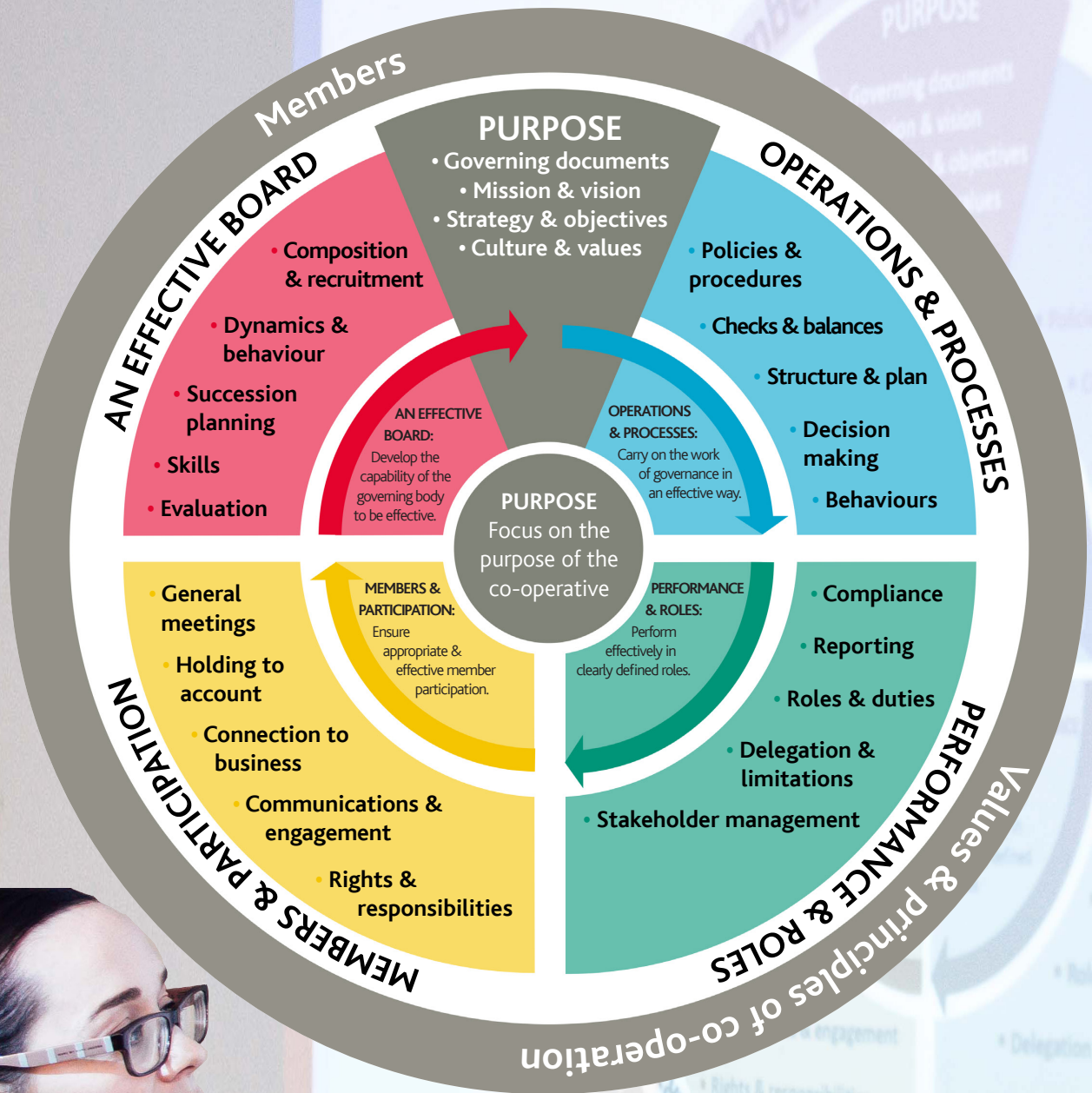
In numbers

Bespoke
208
governance
advice

28
HR
Package
members

Co-op
registrations
121

Created by the Co-operative Governance Expert Reference Panel and available as a member resource on The Hive, the key elements of co-op governance are highlighted in the governance wheel.



Our events

Our suite of events range from national conferences to local networking, and from sector-specific forums to dedicated training.

We are blessed by the level of expertise operating within our members' ranks. Blake House Filmmakers, East of England Co-operative and The Co-op Group were just some of the organisations to provide keynote speakers. We also attracted leaders in their field from outside the co-operative sector and overseas making our events offering truly unique.

The Practitioners Forum – our flagship training event – was a sell-out once again, while the Worker Co-op Weekend continues to build on its success year on year. Combined with Congress and the Co-operative Retail Conference, 92% of delegates who provided feedback rated our events either good or excellent.

In addition to our major conferences, we organised a suite of training and networking events, as well as a series of sector-focused forums. In total 2016 featured more than 40 Co-operatives UK events, attended by towards 1,000 people.

The year was not without challenges. Our webinar programme failed to attract sufficient numbers. However, our two pilot 'Is a Co-op Right For You' sessions were incredibly successful, prompting the creation of new co-ops and paving the way for a UK-wide programme in 2017.



Focus on Congress



Congress is the co-operative sector's annual conference. It is an opportunity for all those working to build a fairer economy to come together to share ideas, get inspiration and take action. The event attracts members and directors, activists and CEOs – from co-operatives large and small.

It is fair to say Congress is a conference packed with content. In 2016 the event featured great speakers, advice surgeries, workshops, the Co-operative of the Year awards, as well as a Dragons' Den style competition. Congress also played a major role in a significant body of work to develop a long-term strategy for strengthening and growing the UK's co-operative sector.

To ensure input from all quarters, we employed a participative approach involving widespread consultation with organisations of all kinds – our largest partner members, credit unions, housing co-ops and those that have traditionally been less engaged with the co-operative sector.

At the heart of this was a participative Congress, which focused on identifying key opportunities and issues for co-ops through a range of facilitated sessions. This was backed up by the first ever census of co-operatives, as we gathered data on how co-ops large and small operate and where they see their major development needs.

A range of co-operative development practitioners provided ideas and insights through a collaborative blog. And all this work was overseen by a panel headed up by Dame Pauline Green, which guided the work and developed the strategy, ready for publication in 2017.

The Co-operative of the Year awards saw a host of high quality co-ops nominated, with nine shortlisted across three categories. More than 10,000 votes were cast in total, with Central England (Leading Co-operative of the Year), the Phone Co-op (Growing Co-operative of the Year) and Riverside Housing Co-operative (Inspiring Co-operative of the Year) the three winners.

"Our vision is to be the UK's best co-operative by making a real difference to our members and communities," said Martyn Cheatle, Chief Executive of Central England Co-operative. "Winning this award shows we are on the right track and that our members and customers feel we have their best interests at heart."

The co-operative economy

The co-operative economy is published annually and details the combined turnover of the co-op sector. Trends, membership levels and other salient facts and figures feature in our flagship report. It can also act as a unifying force and help promote a more co-operative future.

We offered a vision of a new economy, one which works for everyone, in our Co-operative Economy report in 2016.

Our Secretary General, Ed Mayo, said: "By working together people are creating a more co-operative economy. What if more people joined this movement? What if more people had a stake? Now is the time to think big. Now is the time to ask, what if...?"

The reality in hard figures was a drop in turnover from £34.2bn to £34.1bn. However, we were able to report a record total number of co-op members, up to some 17.5 million. And we told the story of successful co-operatives operating right across the economy.

Paper Rhino, a worker co-operative formed by creative freelancers, the retail society Lincolnshire Co-operative, community-owned GlenWyvis Distillery and farmer co-operative Arla Foods all featured as case studies.

The Co-operative Economy also hit national news headlines. Coverage included a half page feature in The Times and editorial in the Daily Express. Exposure was generated at a regional and local news level as well.

Publications, including The Scotsman, The Herald, Sheffield Star, Belfast Telegraph and Management Today all featured positive articles on the breadth and depth of the sector.

But what makes up the co-operative economy? The answer is the 7,000 co-operative businesses and beyond that, millions of co-operative members – the people.

We harnessed that power through a social media campaign. Our members shouted about their co-op values, with the hashtag #CoopEconomy enjoying a reach of 850,000 in the first seven days following the co-operative economy launch. That figure would later go through the million mark, with hundreds of social media shares.



"GlenWyvis will be built on its whisky heritage, its community-ownership and its environmental credentials."
John Mackenzie, part-owner,
GlenWyvis Distillery

Members of Co-operatives UK featured in national media

- The Co-op • Arla Foods • Pink Lane Jazz Co-op • Scotmid
- The Midcounties Co-operative • Fane Valley • First Milk
- England Co-operative • Foster Care Co-operative
- United Merchants • Edinburgh Bicycle Co-operative
- GlenWyvis Distillery • Swindon Music Co-op
- Riverside Housing • Suma Wholefoods



“Are co-operatives the key to rebuilding trust?” *Management Today*

Number of people sharing the story on social media:

562



“Co-ops trumpet growing value of mutual attraction” *The Times*



PIECES OF MEDIA COVERAGE

“Co-operatives hit new record”
Daily Express

Reach of the hashtag #CoopEconomy:

850,000

Impressive numbers and brilliant impact from the UK’s **#CoopEconomy** *British Council*

New **@CooperativesUK** report shows the **#coopeconomy** is going from strength to strength. We’re proud to be a co-op! *Suma Wholefoods*

“Boom time for co-ops with members at record high” *The Scotsman*

“Co-operatives should be incredibly proud of the work they do across the country”

Sajid Javid, Secretary of State for Business

Delivering projects

Our projects team exists to deliver expert advice and support to existing members as well as helping new co-ops and community enterprises to establish and thrive. The team achieves these goals by securing external funding to deliver innovative programmes across the UK.

In 2016 our projects team delivered support equating to £2.8M – but our externally funded programmes are about more than money. At their core is a belief in a better way of doing business; in the co-op ownership model and structures; in co-op values and principles; and in engaged workforces.

More than 120 groups from across the UK benefited from direct support delivered by our network of expert advisers and practitioners in 2016 – and a further 500 organisations have benefited from guidance and advice materials.

The real value in our project work is that it has helped transform communities, businesses and ultimately, the lives of individuals.

We have championed best practice standards and delivered bespoke training and shared this learning via a national peer-to-peer network. We have also fostered successful partnerships with government departments, the European Union, Big Lottery, Power to Change, Locality, New Economics Foundation, CLES, Responsible Finance and The Plunkett Foundation.

These funded programmes have allowed us to be innovative – to test new ideas and solutions. Our interventions have helped address issues around youth unemployment, social care, shortage of affordable homes, raising finance in areas of low income and deprivation, declining coastal areas and responding to the climate change agenda.

"By accessing support from The Hive we were able to create long term budgeting plans to have a much clearer insight into the health, productivity and potential direction of our co-op." Simon Garrod, part-owner, Leeds Bread Co-op





Our projects work is centred around the delivery of a number of key programmes. The Hive is a £1m UK-wide business support initiative from Co-operatives UK and The Co-operative Bank, offering a unique mix of advice, training and online resources to build better co-operative businesses.

In its first year The Hive supported 86 groups and co-ops with expert advice worth £74,600. In 2016 more than 1,300 employees and volunteers benefited through Hive support. Our free online resources and guides enjoyed close to 50,000 views, with almost 2,000 downloads.

“The Hive has allowed us to develop our HR department and get into place the policy and documentation we need to develop our co-op. It’s also helped us in terms of business and client management, marketing and accountancy.”
Simon Ball, Blake House Film Co-operative

Community Economic Development (CED) is a grassroots programme. Funded by the Department for Communities and Local Government (DCLG), it empowers groups to create local solutions to real problems. So far, through CED, we have supported 50 groups with £400,000 worth of support and grants.

For fishermen in Eastbourne, CED means buying land to build a fishery – and ultimately selling directly to local customers. In Bristol residents are addressing housing issues by establishing an ethical letting and maintenance agency and, further down the line, community-led housing initiatives.

Due to the impact of CED we were awarded a new £450,000 contract by the DCLG in March 2016, allowing a further 21 groups to be supported in the delivery of real economic change in their area.

The Community Shares Unit (CSU) continues to enjoy a phenomenal impact at a local level. Some 62 share offers were supported in their bid to raise a combined £29 million in 2016. The total number of share offers declined from 2015 levels, primarily due to more restrictive legislation around renewable energy, but the size, scope and ambition of offers was elevated to unprecedented levels.

The CSU helped save local pubs, shops, football clubs and even piers and harbours – and above all helped build stronger, more vibrant, and independent communities. Its impact on share offers is highlighted by the award of 12 Community Shares Standard Marks, the CSU’s quality stamp of approval.

The unit’s work is complemented by its Booster Programme. This Power to Change-funded initiative supports and stimulates public involvement with community share offers in England, and offers match-funding of up to £100,000.

Leeds Community Homes is a prime example of the cohesive nature of our project work. The Co-operatives UK member successfully raised £360,000 through its Standard Mark-approved share offer and secured the maximum in match-funding.

“There has been lots of talk lately about how to tackle the housing crisis but the solutions are nearly always top-down, not community-led. We believe it’s important that as citizens we take back control of meeting one of our most basic human needs: shelter.” Rob Greenland, Leeds Community Homes.

Co-operatives Fortnight

Co-operatives Fortnight is an annual campaign to raise awareness of the co-operative sector. It is the time to celebrate the strength and diversity of the co-operative sector. Established in 2010, the Co-operatives UK initiative is sponsored by the UK's largest retail societies.

In 2015 the Co-operatives Fortnight sponsors, alongside a cross-section of our membership, answered the call for a unifying action to the campaign by creating the Big Co-op Clean.

THE BIG CO-OP CLEAN

Twelve months later we again called on co-ops from across the UK to stage events and make a tangible difference in their local areas. From posters to press releases, we provided the materials to enable members to engage with the campaign.

Clean-up operations ranged from street and park cleans, to co-op members cleaning out their cupboards in aid of food banks. Our members also used the campaign to engage in partnership working with local councils, charities and other groups.

"We thoroughly enjoyed taking part. It was a fine example of how, when working together, we can achieve so much more."
Emily Harwood, Suma

Housing co-ops, worker owned businesses, co-op pubs, co-op retailers, credit unions... all kinds of wonderful co-ops took part in the Big Co-op Clean.

Together, our combined efforts covered an incredible 768,000 square metres – the equivalent of 154 football pitches. Almost 900 bin bags-full of rubbish were cleared.

"The Big Co-op Clean captured community spirit and brought people together to really make a difference," said Katie Kipling, of the large customer owned retailer, Scotmid.



Online, a series of graphics, unusual co-ops and surprising statistics were used to encourage people to choose co-op. This, combined with a record number of members sharing infographics about our flagship report the co-operative economy, helped Co-operatives Fortnight reach more than a million people.

Co-operatives Fortnight is sponsored by: Central England Co-operative, Channel Islands Co-operative Society, Chelmsford Star Co-operative, East of England Co-operative Society, Lincolnshire Co-operative, Scotmid, The Southern Co-operative and The Co-op Group



1220

people took part

93

Big Co-op Cleans took place

897

We took away 897 bin bags of rubbish

768,000

Together we covered 768,000 square metres - that's 154 football pitches

And we even removed a bath, a motorbike, a lottery ticket, a pair of Elvis glasses, & a pair of pants



Our governance

Good governance is at the heart of a thriving and sustainable co-op – and this is as true for Co-operatives UK as it is for its members. When the right people with the right skills and experience are in place, with agreed policies and good communication, the co-op can set its direction, hold management to account and be sure it is operating in the interests of and providing value to its members.

Without our members we simply would not exist. As a secondary co-operative we are owned and controlled by our members – and all our members are co-operatives or organisations that support co-operative values and principles. It is the participation of our members that makes Co-operatives UK a strong organisation.

The co-operative values and principles are enshrined in our rulebook, which provides the foundation for our governance practices and is supported by a suite of policies and procedures which reflect each of the key areas of governance depicted in the governance wheel (see page seven).

Co-operatives UK was incorporated as a co-operative in 1869. We have more than 700 co-operatives in direct membership, from high street retailers to community-owned pubs and from fan-owned football clubs to farming co-operatives.

We also have federal members that represent co-operatives in key sectors including housing, sports and leisure, credit unions and outdoor retail.

Membership categories reflect different types of member organisations: consumer co-operatives; worker co-operatives; enterprise owned co-operatives; mixed ownership co-operatives; co-operative development bodies; federations; mutuals; and associates.

In line with the International Co-operative Alliance Statement on Co-operative Identity, all co-operatives are owned and controlled by their members. At Co-operatives UK this means all members are eligible and encouraged to vote at general meetings. We follow the principles of many secondary co-operatives in that our democratic structure allows for vote allocation in accordance with contribution. We allocate members additional votes following an agreed formula relating to subscriptions.

Our Board of Directors is drawn from and appointed by the membership. Our current board structure was designed by our members to reflect the breadth of the co-operative movement with directors nominated by member organisations from our categories of membership.

In numbers

700+

Members

62

members represented @AGM

5 member groups


We encourage all members to help shape our activities. Members can participate in our campaigning and lobbying as well as:

- Attending our annual general meeting (AGM), held as part of the co-operative sector's annual conference, Co-operative Congress. The AGM provides an opportunity to share views, submit formal resolutions and vote on key issues
- Nominating candidates to stand for election to the Board of Directors
- Voting in contested Board elections
- Participating in member groups which help shape areas of Co-operatives UK strategic priority. We facilitate member groups across key specialisms (eg co-operative governance and financial performance) and sectors (eg worker and consumer owned co-ops)
- Joining our online discussion community at www.community.uk.coop
- Completing our annual member survey



The Board is collectively responsible for the success of Co-operatives UK. It provides strategic direction to the day-to-day functions of the Management Team. The Board retains a documented set of key decisions which cannot be delegated. The Board agrees an operational plan, budget and set of key performance indicators each year which align with our mission and strategy.

There are six board meetings a year along with periodic strategic planning sessions. We have several board subcommittees. The Audit and Risk Committee meets three times a year, while the Remuneration, Appointments and Succession Committee meets twice a year.

The Audit and Risk Committee is accountable for our in-house internal audit. Each year an area of the business is reviewed against compliance with best practice and any need for continuous improvement.

In 2016, the internal audit of the 'administration of external 'project' funding' found strengths in meeting the reporting and administrative requirements of funders. However, it also highlighted that there was a significant lack of integration and alignment with Co-operatives UK's core processes and systems.

With no evidence that the weaknesses identified resulted in any actual loss or risk, a timed action plan for addressing issues was agreed and its progress is regularly monitored by the Management Team and by the Audit and Risk Committee.

The Governance Committee and Chair's Committee meet as and when decisions are required. We have a three year cycle of nominations and appointments to subcommittees.

"It is the participation of our members that makes Co-operatives UK a strong organisation."

New directors receive an induction outlining the role of the Board, our governance structure and key stakeholders. They each receive details of our strategic direction, policies and procedures. On appointment, directors are required to complete a register of skills, relevant interests and directorships and they must each agree to be bound by our code of conduct for directors. The Chair and Vice Chair are elected by the Board on an annual basis.



Board of Directors as at



John Anderson

Nominating organisation: Scottish Midland Co-operative Society

Attendance: Board meetings – 5(6); Audit – 3(3)

Board fees received: £1,550



Alex Bird

Nominating organisation: Co-operatives and Mutuals Wales

Attendance: Board meetings – 3(6)

Board fees received: £1,550



John Chillcott

Nominating organisation: Social Enterprise East of England

Attendance: Board meetings – 5(6)

Board fees received: £1,550



Dan Crowe

Nominating organisation: The Co-operative Group

Attendance: Board meetings – 3(4)

Board fees received: £1,162



Eileen Driver

Nominating organisation: The Co-operative Group

Attendance: Board meetings – 5(6); Remco – 3(4)

Board fees received: £1,162



Debbie Harley

Nominating organisation: Delta-T Devices

Attendance: Board meetings – 6(6); Remco – 1(2)

Board fees received: £775¹



Philip Hartwell

Nominating organisation: East of England Co-operative Society

Attendance: Board meetings – 6(6); Remco 4(4)

Board fees received: £1,550



Cheryl Marshall

Nominating organisation: The Co-operative Group

Attendance: Board meetings – 5(5)

Board fees received: N/A²



Nick Matthews – Chair

Nominating organisation: Heart of England Co-operative Society

Attendance: Board meetings – 6(6); Remco – 4(4)

Board fees received: £2,600

31 December 2016



Mary McGuigan
Nominating organisation:
 The Co-operative Group
Attendance: Board meetings – 3(4); Remco – 2(2)
Board fees received: £1,033



Don Morris
Nominating organisation:
 Radstock Co-operative Society
Attendance: Board meetings – 6(6); Audit – 3(3)
Board fees: Waived



Mark Simmonds
Nominating organisation:
 Co-op Culture
Attendance: Board meetings – 3(3); Audit 1(1)
Board fees received: £775



Paul Singh
Nominating organisation:
 Central England Co-operative
Attendance: Board meetings – 6(6); Audit – 3(3)
Board fees received: £1,550



Britta Werner – Vice Chair
Nominating organisation:
 Unicorn Grocery
Attendance: Board meetings – 6(6); Audit – 3(3)
Board fees received: £1,550



Chris Whitfield
Nominating organisation:
 The Co-operative Group
Attendance: Board meetings – 1(1)
Board fees received: N/A²



Vivian Woodell
Nominating organisation:
 Midcounties Co-operative Society
Attendance: Board meetings – 6(6)
Board fees received: £1,550

Also on the Board in 2016

Peter Couchman (Plunkett Foundation), January to December 2015, Board meetings – 3(3), Board fees – £775¹

Hilary Sudbury (CDA Brave), January to June 2015, Board meetings – 2(3), Board fees – £775¹

Marc Bicknell (The Co-operative Group), January to June 2015, Board meetings – 0(1), Board fees – N/A

¹ Paid to nominating organisation

² Board fees for employees of The Co-operative Group waived by the nominating organisation

External directorships

John Anderson	Director of: Scottish Midland Co-operative Society Limited
Alex Bird	Director of: Development Co-op Ltd; YMCA Newport Ltd; Co-operatives & Mutuals Wales. Trustee of: Cardiff YMCA Housing Association. Member of: Consultancy.coop LLP; Wales Co-operative Centre; Institute of Economic Development
John Chillcott	Director of: The Co-operative College CIO; Anglia Home Furnishings; Social Enterprise East of England; Chillcott Consultancy Ltd
Dan Crowe	Member of: The Co-operative Group's National Member Council
Eileen Driver	Member of: The Co-operative Group's National Member Council; The Co-operative Party
Debbie Harley	Director of: Delta-T Devices Ltd
Phil Hartwell	Director of: East of England Co-operative Society Limited. Trustee of: Harwich Electric Palace Trust. Member of: The Co-operative Group's National Member Council
Nick Matthews	Director of: Heart of England Co-operative Society Limited; West Midlands Co-operative Council. Trustee of: Coventry Co-operative Society; Heart of England Co-operative Society Pension Fund. Member of: The Co-operative Group's National Member Council & Senate; The Co-operative College; The Co-operative Party; UK Society of Co-operative Studies
Mary McGuigan	Director of: Wochi Communications Limited. Employee of: The Co-operative College. Member of: The Co-operative Group's National Member Council
Don Morris	Employee of: Radstock Co-operative Society Limited
Mark Simmonds	Director of: Co-op Culture; Pennine Community Power Ltd; Heptonstall Allotment & Garden Society Ltd. Member of: Co-operative Development Community
Paul Singh	Director of: Central England Co-operative Limited; Fry Housing Trust
Britta Werner	Director of: Unicorn Grocery Limited. Member of: The Co-operative College; The Co-operative Party
Chris Whitfield	Director of: The Co-operative Group
Vivian Woodell *positions held as a director of The Midcounties Co-operative Limited	Director of: Avoco UK Limited; Co-operative Renewables Limited; Ecobilling Limited; Phone Co-op Numbering Limited; West Oxfordshire Community Transport; The Midcounties Co-operative Limited; Co-operative Energy Limited*; Co-operative Payroll Giving Limited*; Gloucester Co-operative Pharmacies Limited*; Harry Tuffin Limited*; Kenmare Estates Limited*; The Midcounties Co-operative Investments Limited*; The Midcounties Co-operative Properties Limited*; The Midcounties Co-operative Trading Limited*; West Midlands Co-operative Chemists Limited*. Employee of: The Phone Co-op Limited

NB: only employment and memberships relevant to being a director of Co-operatives UK are disclosed above

Key performance indicators

The key performance indicators (KPIs) are set by our Board of Directors and performance is regularly reviewed by our Management Team (MT). The KPIs are designed to demonstrate progress against the core objectives of our three year strategic plan.

Category	Indicator	2016 target	Outcome
Member satisfaction	How likely are you to recommend joining Co-operatives UK to another co-operative?	0.34 (net promoter score)	-0.15
Member retention	Retention of retail society partner members	100%	100%
	Retention of all members	90%	76%
Member events	Delegate satisfaction (good or excellent)	85%	92%
	Delegates completing evaluation	50%	36%
Member participation	Members engaged with Co-operatives UK	65%	64.3%
	Members highly engaged with Co-operatives UK	40%	44%
Member services	Satisfaction with our governance advice and consultancy	75%	76%
Top 100 members	Percentage of top 100 UK co-operatives in membership	40% (building to 56% by 2017)	34%
Income diversification	Percentage of income not from retail society partner subscriptions	58%	61%

We met six of our KPI targets with significant progress made against two further indicators.

The net promoter score on recommending Co-operatives UK to potential new members dropped significantly from 2015 levels. The implementation of our new member offer and new internal systems are seen as primary factors in both this and the member retention drop.

We fell short of our 'top 100' target. However, we have enjoyed a sizeable increase in the recruitment of larger members through highly focused engagement with larger agricultural co-operatives.

The long-term commitment and focus around member recruitment continues to sit alongside the caveat of being able to deliver a valued service that helps ensure high retention levels.

Financial statements

Review

2016 proved to be another extremely challenging year for Co-operatives UK. However, we are pleased to be able to report a strong financial performance and a pre-tax surplus for the second year in a row. The surplus before tax was £22,498 a creditable achievement when compared to the previous year surplus of £14,392 and was considerably better than the deficit budget approved by the Board.

Income and expenditure remained in line with expectations and we saw a slight increase in both in 2016.

The restructured events programme continues to mean savings for both Co-operatives UK and its members. Project income rose by £83,042 due to a full year of the Co-operative Employers Association integration, Community Shares and DCLG Lot 4 continuation and Hive project activity.

Our Balance sheet remains stable with reserves of £876,887 (2015 – £849,866) and a healthy level of net liquid assets. The main item of note was our market investment which saw a return of £34,347 compared to a loss of £8,965 in 2015.

Statement of responsibilities of the Board

The Board is responsible for preparing the financial review and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period.

In preparing each of the group and parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The Board is responsible for keeping 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. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and the Society and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that Co-operatives UK carries out its commitment to be a bona fide co-operative, including its commitment to the International Co-operative Alliance (ICA) statement of co-operative identity. The Board will ensure that in carrying out its business activity, the management team maintains the co-operative values and standards of Co-operatives UK, and that its obligations to its members and others, in particular employees, customers, suppliers and the community, are understood and met.

The Board is responsible for developing and deciding the strategy of Co-operatives UK, in consultation with the management team who will be responsible for its implementation and delivery.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Co-operatives UK website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board is satisfied, having received advice from the management team, on the integrity of financial information and other critical structural and operational procedures. The Board ensures that the controls and systems of risk management are robust and defensible.

Internal controls

The Board is ultimately responsible for the Co-operatives UK system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Co-operatives UK's Audit and Risk Committee has reviewed and reported on internal controls in accordance with the Co-operatives UK Corporate Governance Handbook. The process used by the Board to review the effectiveness of the system of internal control includes the following:

- The Audit and Risk Committee reviews the effectiveness of the risk management process
- A full risk assessment has been carried out to identify and evaluate the risks faced by Co-operatives UK
- Procedures have been established by the management team to regularly identify, evaluate and to manage significant risks
- Considering reports from management, internal and external audit on the systems of internal control and material control weaknesses
- To embed the process within the culture of Co-operatives UK, all employees have received a presentation explaining the procedures taken by the management team along with details of the major risks of the business. The staff have been encouraged to engage in the risk management process through open communications with managers
- Communication has been made to all staff of the strategic aims and organisational objectives of Co-operatives UK
- Beever and Struthers, as Internal Auditors, completed one report during 2015 on business continuity planning. The report received full assurance and has been presented to the Audit and Risk Committee for its consideration
- In 2015, the Audit and Risk Committee implemented a new approach to internal auditing which brings responsibility for compliance testing and continuous improvement in-house. In November 2015 the Audit and Risk Committee noted the report and recommendations of an audit on Terms of Reference (contents and compliance)
- The programme of internal audits has yet to be agreed for 2017

- The Chair of the Audit and Risk Committee reports on all Audit and Risk Committee meetings to the Board which also receives minutes of all such meetings

Co-operatives UK has adopted an internal control framework that contains the following key elements:

Control environment

- An organisational structure is in place with clearly defined lines of responsibility for planning, executing, controlling and monitoring business operations
- Co-operatives UK operates a detailed system of financial reporting
- Annual budgets are reviewed by the Audit and Risk Committee and approved by the Board. Results are reviewed quarterly at each Board meeting against budgets and forecasts, with any significant variances considered by the Board and remedial action taken where appropriate

Risk identification

- Co-operatives UK's Board and Management Team have the primary responsibility for identifying the key risks to the business
- Co-operatives UK operates a risk management process identifying the key risks facing Co-operatives UK. Each risk is assessed for the probability and likelihood of occurrence with the existing controls in place or controls required necessary to manage the risk. All risks are logged and categorised with the key risks reported to the Audit and Risk Committee and the Board

Control procedures

- Co-operatives UK has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, reviews by management, internal and external audit to the extent necessary to arrive at their audit opinions

- Co-operatives UK and the Board continue to review and develop its written procedures in order to assist current and existing staff thereby ensuring greater continuity during staff changes and at times of expansion

- A process of control self assessment and hierarchical reporting has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across the operations of Co-operatives UK and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the Board
- Planned corrective actions are independently monitored for timely completion

Information and communication

- Communication with the member organisations of Co-operatives UK takes place throughout the year via the various publications of Co-operatives UK, including the members newsletter and its website (www.uk.coop)
- A performance management scheme is in place for all employees, through which information on strategy and objectives are communicated on an annual basis. Employees receive and are provided with other information through regular management and staff meetings

Monitoring

- There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit and Risk Committee meet at least twice a year and, within its remit, reviews the effectiveness of the system of internal financial controls
- Co-operatives UK utilise the services of an Internal Auditor who carries out a review of control procedures on a regular basis having due regard to the key risks identified. Audit reports are made to the appropriate level of management, containing recommendations to improve controls where weaknesses are found, together with a management response

Creditor payment policy

It is the policy of Co-operatives UK to:

- Agree the terms of payment at the start of business with that supplier
- Ensure that suppliers are aware of the terms of payment
- Pay in accordance with its contractual and other legal obligations

Trade creditor days of Co-operatives UK for the year ended 31 December 2016 were 25 days (2015 – 29 days) based on the ratio of average monthly trade creditors during the year to total amounts invoiced during the year by trade creditors.

A total sum of trade purchases, analysed through the purchase ledger for 2016 was £1,454,262 (2015 – £1,413,827), of which £498,522 (2015 – £439,609) related to co-operative entities – 34% (2015 – 31%).

Disclosure of information to Auditor

The directors who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make them self aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Going Concern

The Board has prepared forecasts for the forthcoming 12 month period which indicates that Co-operatives UK has sufficient committed subscriptions and financial resources to meet its obligations as they fall due. It considers that the investments of £1.4m can be realised quickly along with a prudent programme of cost management. As a result the Board considers it is well placed to manage its business risks successfully in the current economic environment.

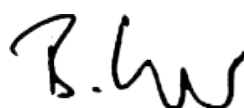
After making all enquiries, the Board has a reasonable expectation that Co-operatives UK has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis.

Board certification

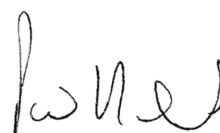
The accounts and notes on pages 22 to 44 are hereby signed on behalf of the Board pursuant to the Co-operative and Community Benefit Societies Act 2014.



Nick Matthews, Chair



Britta Werner, Vice Chair



Peter Kerns, Interim Secretary

15 March 2017

Independent auditor's report

We have audited the financial statements of Co-operatives UK Limited (the 'Society') for the year ended 31 December 2016 set out on pages 27 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and, in respect of the reporting on corporate governance, on terms that have been agreed. 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, in respect of the reporting on corporate governance, those matters we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Society's affairs as at 31st December 2016 and of the Society's income and expenditure for the year then ended
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2014

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- The Society has not kept proper books of account; or
- The Society has not maintained a satisfactory system of control over its transactions; or
- The financial statements are not in agreement with the Society's books of account; or
- We have not received all the information and explanations we need for our audit

In addition to our audit of the financial statements, the Board has engaged us to review the statement on pages 16 to 17 as regards the Society's compliance with paragraphs 5c, 6a, 6d (paragraph three) and 6e of the Co-operatives UK Corporate Governance Handbook ('the Handbook') issued in June 2010. Under the terms of our engagement, we are required to review whether the statement reflects the Society's compliance with the four provisions of the Handbook specified for our review.

We have nothing to report in respect of the above responsibilities.



Nicola Quayle (Senior Statutory Auditor)
KPMG LLP Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE

15 March 2017

Income Statement

Year ended 31 December 2016

	Note	2016 £	2015 £
Income	2	2,919,171	2,914,953
Expenditure	2	(2,957,835)	(2,920,778)
Deficit from ordinary activities before interest and taxation		<u>(38,664)</u>	(5,825)
Interest receivable	7	61,162	20,217
Surplus/(Deficit) from ordinary activities before taxation		<u>22,498</u>	14,392
Taxation	9	4,537	(8,835)
Surplus & total comprehensive income transferred to reserves	13	<u><u>27,035</u></u>	5,557

The above relates entirely to continuing operations .
The statutory accounts are rounded to the nearest pound.

Balance sheet

as at 31 December 2016

	Note	2016		2015	
		£	£	£	£
Fixed assets					
Tangible assets	6		181,354		172,293
Investments	7		30,255		30,255
			211,609		202,548
Current assets					
Debtors	8	214,256		364,107	
Investments	7	1,458,931		1,088,015	
Cash at bank and in hand		70,784		47,393	
		1,743,971		1,499,515	
Current liabilities					
Creditors: Amounts falling due within one year	10	(1,058,724)		(827,691)	
Net current assets			685,247		671,824
Total assets less current liabilities			896,856		874,372
Non-Current liabilities					
Creditors : Amounts falling due after more than one year	10	(10,616)		(15,153)	
Funds	11	(9,353)		(9,353)	
			(19,969)		(24,506)
Net assets			876,887		849,866
Financed by :					
Share capital	12		182		196
Reserves	13		876,705		849,670
			876,887		849,866

These financial statements were approved by the Board of Co-operatives UK on 15 March 2017 and were signed on its behalf by:



Chair: Nick Matthews
Reg. No 002783R

The notes on pages 31 to 44 form part of these financial statements.

Cash flow statement

Year ended 31 December 2016

Note	2016 £	2015 £
Cash flows from operating activities		
(Deficit) / Profit for the year	27,035	5,557
Adjustments for:		
Depreciation , amortisation and impairment	41,577	40,077
Interest receivable and similar income	(61,162)	(29,182)
Interest payable and similar expenses	-	8,965
Taxation	(4,537)	8,835
Decease/(Increase) in trade and other debtors	149,851	(103,567)
Increase/(Decrease) in trade and other creditors	231,033	(128,829)
Interest paid	-	(8,965)
Tax Paid	-	(8,835)
Net cash from operating activities	383,797	(215,944)
Cash flows from investing activities		
Interest received	61,162	29,182
Acquisitions of tangible fixed assets	(50,638)	(48,771)
Write off from Co-operative House Brussels	-	22,353
Net cash from operating activities	10,524	2,764
Cash flows from financing activities		
(Loss) /Proceeds from the issue of share capital	(14)	13
Movement in Funds	-	(664)
Net cash from financing activities	(14)	(651)
Net increase/(decrease) in cash and cash equivalents	394,307	(213,831)
Cash and Cash equivalents at 1 January 2016	1,135,408	1,349,239
Cash and Cash equivalents at 31 December 2016	1,529,715	1,135,408

The notes on pages 31 to 44 form part of these financial statements.

Statement of Change in Equity

	Called up Share Capital	Profit and Loss Account	Total Equity
Balance at 1 January 2015	183	844,113	844,296
Profit	-	5,556	5,556
Total comprehensive income for the period	<u>183</u>	<u>849,669</u>	<u>849,852</u>
Issue of Shares	39	-	39
Cancellation of Shares	(27)	-	(27)
Balance at 31 December 2015	<u>196</u>	<u>849,669</u>	<u>849,865</u>

	Called up Share Capital	Profit and Loss Account	Total Equity
Balance at 1 January 2016	196	849,670	849,866
Profit	-	27,035	27,035
Total comprehensive income for the period	<u>196</u>	<u>876,705</u>	<u>876,901</u>
Issue of Shares	34	-	34
Cancellation of Shares	(48)	-	(48)
Balance at 31 December 2016	<u>182</u>	<u>876,705</u>	<u>876,887</u>

Notes

1. Statement of accounting policies

Basis of accounts

Co-operatives UK Limited (the "Society") is a registered society under the Co-operative and Community Benefit Societies Act 2014. The registered number is 002783R and the registered address is Holyoake House, Hanover Street, Manchester, M60 0AS.

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement basis

Financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: fixed asset investments.

Going Concern

The Board has prepared forecasts for the forthcoming 12 month period which indicate that Co-operatives UK has sufficient committed subscription income and financial resources in order to enable it to meet its obligations as they fall due. They consider that the investments of £1.4m can be realised quickly along with a prudent programme of cost management and as a result, the Board believes that it is well placed to manage its business risks successfully in the current economic climate.

After making all enquiries, the Board has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing its accounts.

Income

All income is shown exclusive of value added tax. Subscription income includes all amounts receivable for the year. Income from chargeable services represents the amount invoiced for services rendered during the year together with the cost value of uncompleted work not invoiced at the year-end.

Project income is not recognised until the conditions for its receipt have been complied with and there is reasonable assurance that the income will be received. Lettings income is accounted for on an accruals basis. Event income and expenditure is not recognised until after the event has taken place

Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets. For example, land is treated separately from buildings.

The Society assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Fixtures and fittings: 5-10 years
- Computer equipment: 2-4 years
- Motor vehicles: 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits.

Leased Assets

Rentals due under operating leases are charged to income and expenditure in the year that the cost accrues. The future commitment relating to operating leases is based on the minimum amounts payable.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised ___ on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Repairs

Repair expenditure is charged to the Income and Expenditure account in the year that the cost is incurred or accrued.

Accounting estimates and judgements

In the application of the Society's accounting policies 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. These estimates and 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 only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not believe there are any accounting policies that would be likely to produce materially different results should there be a change to the underlying judgements, estimates and assumptions.

Pensions

Co-operatives UK Limited is a participating employer within the Co-operative Group PACE scheme. The contributions are recognised by the employer and charged through the income & expenditure account on a monthly basis. Employer contributions for the PACE Complete scheme were increased from 1 July 2014 by 2% up to 18%. The PACE Complete scheme was closed to future accruals from 28 October 2015, All employees were changed to the PACE defined contribution scheme from this date. The maximum contribution to PACE for the employer has been set at 10% and the employee can opt within the range 1% to 10% contribution.

Funds

Funds are shown as long-term liabilities and are subject to a variety of restrictions in respect of their usage.

2. Income and expenditure

	2016		2015	
	£	£	£	£
Income				
Subscriptions		1,370,826		1,434,409
Chargeable services		79,874		91,670
Project income (note 3)		1,041,763		958,721
Lettings income		316,821		285,676
Congress		25,503		29,483
Conferences / Events		82,599		75,331
Miscellaneous		1,785		39,663
Total Income		<u>2,919,171</u>		<u>2,914,953</u>
Expenditure				
Personnel costs (note 4)		1,126,431		1,145,279
Establishment:				
Co-operative Education	43,992		44,000	
Rates and insurance	121,345		118,673	
Light,heat,cleaning	57,573		30,450	
Repairs, renewals	128,953		99,328	
		351,863		292,451
Administration:				
Postage, telephones	8,962		11,790	
Printing,stationery,publications	17,917		22,103	
Auditor's fees				
- for audit	16,519		14,000	
- for other work	4,500		7,210	
Professional fees	41,792		57,186	
Consultancy fees	117,868		150,342	
Travel costs	13,477		29,917	
International Office	0		11,500	
Miscellaneous	13,455		26,070	
		234,490		330,118
Congress and committee expenses:				
Congress	24,413		29,087	
Conferences / Events	74,435		67,465	
Boards, committees	52,850		48,179	
		151,698		144,731
Grants and subscriptions (note 5)		10,013		9,401
Project expenditure (note 3)		1,041,763		958,721
Depreciation (note 6)		41,577		40,077
Total Expenditure		<u>2,957,835</u>		<u>2,920,778</u>

4. Employees

The average number employed by the Society was:

	2016 Number	2015 Number
Full time	25	23
Part time	6	7
	31	30

The costs incurred in respect of these employees were:

	2016 £	2015 £
Salaries	1,165,228	1,103,539
Special Allowance	8,721	9,588
Social security costs	116,290	98,427
Pension costs	146,922	156,435
Other costs	34,663	64,977
	1,471,824	1,432,966
<i>Less charged to Projects</i>	(345,393)	(246,876)
<i>Less charged to International Office</i>	-	(40,811)
	1,126,431	1,145,279

Other costs include an amount for reorganisation costs of £12,500 (2015 £21,937).

Pensions

PACE has a defined contribution (DC) section and a defined benefit (DB) section (for eligible employees). Actual contributions to the PACE scheme for its employees during 2016 were £146,922 (2015 - £156,435). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Board remuneration

The total remuneration of the members of the Board was £25,636 (2015 - £18,100).

Employees (continued)

Management Executive remuneration

The total remuneration of the Management Executive, excluding pension contributions, was as follows:

	Basic Salary £	Bonus £	Benefits in kind £	2016 Total Remuneration £	2015 Total Remuneration £
Ed Mayo (a)	124,700	-	8,721	133,421	130,641
Philip Holmes (b)	-	-	-	-	107,815
Helen Barber (c)	69,183	-	-	69,183	67,911
Shelagh Everett (d)	53,656	-	-	53,656	56,700
Michael Shepherd	64,642	-	-	64,642	49,121
Paul Murphy	43,838	-	-	43,838	42,614
Emma Laycock (e)	34,220	-	-	34,220	33,202
Giles Simon (f)	33,316	-	-	33,316	31,620
John Atherton (g)	38,887	-	-	38,887	-
Stuart Coe (h)	36,000	-	-	36,000	-

- a) Ed reduced his working week from full time to a 9 day fortnight from 1 January 2014 (90% full time equivalent)
- b) Philip left Co-operatives UK on 31 July 2015. As part of the severance package Philip was paid £57,000 (added to basic salary) and was gifted his company car with a market value of £8,000
- c) Helen reduced her working week from full time to a 9 day fortnight from 1 April 2014 (90% full time equivalent)
- d) Shelagh is contracted as a part-time employee (60% full time equivalent)
- e) Emma's permanent working week comprises of 25 hours (71.4% full time equivalent). Increased to 32 Hours from September 2016.
- f) Joined the Management Team from 05 January 2015. Basic salary is shown for the full year.
- g) Joined the Management Team from 01 October 2016. Basic salary is shown for the full year.
- h) Joined the Management Team from 13 June 2016.

Pension details of the Management Executive was as follows:

	Age at 31 December 2016	Years of service	Employers' contributions paid to DC section £	Employers' contributions paid to AVC section £
Ed Mayo	52	7	12,470	3,741
Helen Barber	53	27	6,918	2,076
Shelagh Everett	54	6	5,366	1,396
Michael Shepherd	52	15	6,464	2,105
Paul Murphy	36	4	4,384	1,315
Emma Laycock	41	18	3,422	1,069
Giles Simon (f)	39	2	666	-
John Atherton (g)	35	8	4,184	1,121
Stuart Coe (h)	53	0	542	-

Pace has a defined contribution (DC) section and a defined benefit (DB) section (for eligible employees). The DB section closed for future benefit accrual in October 2015. Total accrued DB pension at the end of the financial year assumes the pension accrued to that date increases at 5% pa calculated until normal retirement date at 65 years of age (i.e. as if the individual had left PACE at the end of the financial year and price inflation was 5% pa calculated until normal retirement date). (g) Philip Holmes chose to draw his DB pension in 2014 and join the DC section for future pension.

Members of the DB and DC Pace schemes have the option of paying additional voluntary contributions within the tax rules. Neither these contributions nor the benefits arising from them are shown in the figures on this page.

5. Grants and subscriptions

	2016	2015
	£	£
CECOP subs	5,649	4,932
Co-operatives Europe	260	-
Other grants and donations	4,104	4,469
	10,013	9,401

6. Fixed assets - tangible

	L & B Freehold	Motor Vehicles	Fixtures & Fittings	Total
	£	£	£	£
Cost				
1 January 2016	59,743	-	447,346	507,089
Additions	-	-	50,638	50,638
Disposals	-	-	(5,395)	(5,395)
31 December 2016	59,743	-	492,589	552,332
Depreciation				
1 January 2016	59,742	-	275,054	334,796
Charge for year	-	-	41,577	41,577
Disposals	-	-	(5,395)	(5,395)
31 December 2016	59,742	-	311,236	370,978
Net book value - 1 January 2016	1	-	172,292	172,293
Net book value - 31 December 2016	1	-	181,353	181,354

Capital Commitments

As at 31 December 2016 there were capital commitments of £nil (2015 -£nil).

Capital expenditure authorised but not committed amounts to £nil (2015 - £nil).

7. Investments

	The Co-operative Group	Other Co-operative Shares	Other Investments	Totals (1,118,270)
Value brought forward	304,210	576,045	238,015	1,118,270
Additions	350,000	-	-	350,000
Disposals	-	-	-	-
Change in Market Value	-	-	20,916	20,916
Value carried forward	654,210	576,045	258,931	1,489,186
Interest Received	6,769	20,046	13,431	40,246
Fair value gains on investment	-	-	20,916	20,916
	6,769	20,046	34,348	61,162

The subsidiary companies of Co-operatives UK and any associated investments are as follows:

	Status	Investment (£)	% Holding
Co-operatives Wales	Dormant	-	100%
Co-operatives Scotland	Dormant	-	100%
Rochdale Equitable Pioneers Society Limited	Dormant	20	50%

The dormant companies below were wound up in the current financial year:

Co-operatives East Midlands	Dormant	-	100%
Co-operatives West Midlands	Dormant	-	100%
Co-operatives East	Dormant	-	100%
Employee Ownership Options	Dormant	-	100%
Microgenius Limited	Dormant	-	100%

8. Debtors

	2016 £	2015 £
Trade debtors	150,480	202,545
Prepayments	23,983	8,348
Other debtors	37,521	113,603
Tsunami Appeal Fund	2,272	39,611
	214,256	364,107

Debtors are shown after making a provision for bad debts of £nil (2014 - £nil)

9. Taxation

	2016 £	2015 £
Analysis of tax charge/(credit) for the period		
<i>Current tax</i>		
UK Corporation tax at 20.00%	-	5,916
<i>Deferred tax</i>		
Origination and reversal of timing differences	(444)	4,143
Adjustment in respect of previous periods	(3,443)	-
Effect of tax rate change on opening balance	(650)	(1,224)
Total deferred tax charge/(credit)	(4,537)	2,919
Tax on profit on ordinary activities	(4,537)	8,835
Provision for Deferred Tax		
Accelerated capital allowances	15,384	16,132
Short term timing differences	-	(278)
Tax losses carried forward	(6,286)	(701)
Unrealised capital gains on investments	1,518	-
Total deferred tax liability	10,616	15,153
<i>Movement in provision</i>		
Provision at start of period	15,153	12,234
Deferred tax Charge/(credit) to P&L for the period	(4,537)	2,919
Provision at end of period	10,616	15,153
Deferred tax (asset)/liability not recognised	-	(701)

There is a deferred tax liability of £10,616 consisting of a liability in respect of accelerated capital allowances of £15,384, an asset of £6,286 in respect of losses carried forward and a liability of £1,518 in respect of unrealised capital gains on investments. These balances have been calculated at 17% as it is expected that this will be the rate at which these balances will reverse. The liability of £10,616 has been provided in the accounts and disclosed separately in the creditors disclosure note (see note 10).

There is a deferred tax credit in the period of £4,537 consisting of movement in timing differences of £444, adjustments in respect of prior periods of £3,443 and the impact of tax rate changes on the opening balance of £650.

Taxation (continued)

	2016 £	2015 £
FRS 19 reconciliation of current tax (credit)/charge		
(Deficit)/surplus on ordinary activities before tax	22,498	14,392
Tax at 20%/20%	4,500	2,878
Expenses not deductible for tax purposes	61	8,125
UK dividend income not subject to tax	(2,686)	(484)
Unrealised gains on investments	(4,183)	-
Depreciation in excess of capital allowances	(175)	2,590
Short term timing differences	-	309
Tax losses arising/(utilised) in the period	2,483	(7,502)
Current tax	-	5,916
Depreciation in excess of capital allowances for assets eligible for capital allowances	175	(2,590)
Short term timing differences	-	(309)
Tax losses arising/(utilised) in the period	(2,483)	7,502
Unrealised gains on investments	1,786	-
Adjustments to tax charge in respect of previous periods - deferred tax	(3,443)	-
Effects of change in tax rate on deferred tax	(572)	(1,684)
Total tax	(4,537)	8,835

Deferred Tax Provision

	Gross amounts £	Tax amount £	Deferred tax assets/ liabilities not recognised £	Provision required £
Closing provision at 17% liability/(asset)				
Fixed asset timing differences	90,495	15,384	-	15,384
Short term timing differences	-	-	-	-
Losses and other deductions	(36,979)	(6,286)	-	(6,286)
Unrealised capital gains on investments	8,931	1,518	-	1,518
	62,447	10,616	-	10,616
Opening provision at 18% liability/(asset)				
Fixed asset timing differences	89,621	16,132	-	16,132
Short term timing differences	(1,544)	(278)	-	(278)
Losses and other deductions	(3,892)	(701)	-	(701)
Unrealised capital gains on investments	-	-	-	-
	84,185	15,153	-	15,153
Movement - charge/(credit)				
Fixed asset timing differences	874	(748)	-	(748)
Short term timing differences	1,544	278	-	278
Losses and other deductions	(33,087)	(5,585)	-	(5,585)
Unrealised capital gains on investments	8,931	1,518	-	1,518
	(21,738)	(4,537)	-	(4,537)

10. Creditors

	2016	2015
	£	£
Amounts falling due within one year		
Trade creditors	71,878	126,776
VAT	27,445	24,390
Income tax and social security	43,150	34,962
Corporation tax	-	5,916
Accruals & deferred income	888,996	571,053
National Strategic Forum - UKCF	24,983	24,983
Tsunami Appeal Fund	2,272	39,611
	1,058,724	827,691
Amounts falling due after more than one year		
Deferred Tax	10,616	15,153

11. Funds

	2016	2015
	£	£
Balance at 1 January	9,353	10,017
Income	-	-
Interest	-	-
	9,353	10,017
<i>LESS:</i>		
Expenditure	-	664
Balance at 31 December	9,353	9,353

12. Share Capital

	2016	2015
	£	£
Balance at 1 January	196	183
Movements during year:		
Issued	34	39
Cancelled	(48)	(26)
Balance at 31 December	182	196

The share capital represents shares with a nominal value of 25p each. Total number of members at the year end are 727 (2015 - 782)

13. Operating Lease Commitments

At 31 December 2016 Co-operatives UK Limited had total future commitments under non-cancellable operating leases in respect of plant & fixtures expiring as follows:

	2016 £	2015 £
Operating lease expiring: in the second to fifth year inclusive	5,645	5,645

14. Related Party Transactions

The following are related parties together with details of notable transactions:

(a) Members of the board of Co-operatives UK Limited

Co-operatives UK Limited board members are entitled to a fee of £ 1,550 p.a. (2015 - £1,550 p.a.). Radstock chose to waive their entitlement to a board fee.

The Chair receives a sum of £ 2,600 p.a. (2015 - £2,600 p.a.).

Board members, excluding the Group, are also reimbursed for expenses incurred on Co-operatives UK Limited business. Radstock board representative chose not to claim expenses.

(b) Co-operative College Trust

Co-operatives UK Limited paid and received during the year a total of £51,848 and £79,070 respectively (2015 - £44,049 and £80,578) for grants and services supplied on normal commercial terms. The balances owed by and to Co-operatives UK Limited at the year end were £ 12,000 and £ 6,366 respectively (2015 - £12,000 and £5,834).

The Co-operative College Trust became a Charitable Incorporated Organisation in November 2014. Co-operatives UK ceased to be the trustee for the Co-operative College Trust in April 2015.

(c) Control by Member Societies

The standard requires disclosures of any entity which exercises significant control over Co-operatives UK Limited. For this purpose significant control represents 20% or more of Co-operatives UK Limited voting rights. There is one member society, Co-operative Group, which has total voting rights of 40%.

Related Party Transactions (continued)

This is a list of the directors of Co-operatives UK as at 31 December 2016.

The data details the economic relationships between the directors' nominating organisation and Co-operatives UK.

Director	Nominating Organisation	Member	Delegate	Client	Supplier
Paul Singh	Central England Co-operative Limited	Yes	Yes	Yes	-
Mark Simmonds	Co-op Culture	Yes	Yes	-	Yes
Dan Crowe	Co-operative Group Limited				
Eileen Driver					
Cheryl Marshall					
Mary McGuigan					
Chris Whitfield					
Alex Bird	Co-operatives and Mutuals Wales	Yes	Yes	-	-
Debbie Harley	Delta-T Devices Limited	Yes	Yes	Yes	-
Phil Hartwell	East of England Co-operative	Yes	Yes	Yes	-
Nick Matthews	Heart of England Co-operative Society	Yes	Yes	Yes	-
Don Morris	Radstock Co-operative Society Limited	Yes	Yes	Yes	-
John Anderson	Scottish Midland Co-operative Society Limited	Yes	Yes	Yes	-
John Chillcott	Social Enterprise East of England	Yes	Yes	-	Yes
Vivian Woodell ⁽¹⁾	The Midcounties Co-operative	Yes	Yes	Yes	-
Britta Werner	Unicorn Grocery Limited	Yes	Yes	Yes	-

⁽¹⁾ Vivian Woodell is also the Chief Executive of the Phone Co-op which is a supplier of services to Co-operatives UK, a member, a client and a tenant of Holyoake House. All transactions are at arm's length

ERECTED 1911.

THE
CO-OPERATIVE
UNION LIMITED

THE COOPERATIVE UNION IS A
FEDERATION OF COOPERATIVE
SOCIETIES IN THE UNITED KINGDOM
FOR THE PURPOSE OF PROPAGANDIST
AND DEFENSIVE ACTION.

ITS OBJECTS ARE

1. TO ESTABLISH & ORGANIZE
CO-OPERATIVE SOCIETIES.
2. TO DIFFUSE A KNOWLEDGE
OF THE PRINCIPLES OF CO-
OPERATION BY ADVICE AND
INSTRUCTION. - LITERARY.
LEGAL AND COMMERCIAL.

THIS BUILDING WAS ERECTED BY THE
VOLUNTARY CONTRIBUTIONS OF 794
COOPERATIVE SOCIETIES MEMBERS
OF THE UNION, TO PERPETUATE
THE MEMORY OF THE LATE
GEORGE JACOB HOLYOAKE
ONE OF THE PIONEERS OF CO-
OPERATION, WHO FOR NEARLY 70
YEARS WAS A STRENUOUS WORKER
FOR LIBERTY AND REFORM.

BORN 1817.

DIED 1906.

Thousands of businesses, one network

Co-operatives UK is the network for Britain's thousands of co-operatives. We work together to promote, develop and unite member-owned businesses across the economy. From high street retailers to community owned pubs, fan owned football clubs to farmer controlled businesses, co-operatives are everywhere and together they are worth billions to the British economy.

Co-operatives UK Limited
Holyoake House
Hanover Street
Manchester M60 0AS
Tel: 0161 214 1750
www.uk.coop

**Co-operatives UK trades and is registered
under the same address**

Published 2017

