



Co-operatives UK
Annual Report 2017

Promote

Develop

Unite

Chair's statement



There is no doubt that we are living in challenging times. Times when household name businesses disappear overnight. Times when technologies only a few years old destroy value and bring huge disruption to markets – and when many of our economic and political certainties have become uncertainties.

It would be easy to hold up our hands in despair at such times. Think about it however... this description of rapid economic, technological and social change could easily be a description of the late nineteenth century, a period when the co-operative business model came into its own.

That agenda, for a more inclusive economy in which workers and consumers are also owners of the businesses they rely on, is one which today all political parties endorse. Over a sustained period we have positioned co-operatives and the co-op model as being in harmony with a fairer economy – one that is efficient but that shares the benefits of innovation and growth.

So there is a huge opportunity, but how is Co-operatives UK, alongside you our members, working to grasp this opportunity?

In these pages you will see our collective impact. Through a range of programmes – externally funded to the tune of almost £700,000 – we have championed and delivered activities to foster co-operation. We have created a huge wealth of governance resources to help our members thrive. Our policy work has produced real cash savings for members. And campaigns to promote the co-op model reached millions through social media and national media coverage.

The year 2017 also marks the end of a three-year strategy that began with one of the most difficult times in our history. The events of that year meant Co-operatives UK had to remove around half a million pounds from its budget. A nice welcome present for me as the incoming chair!

As we developed that three-year strategy, from 2015 to 2017, we felt two things. Firstly, that at a time of immense stress it was important to stand firm and demonstrate that the movement is more than one co-op. That yes, we recognise the governance issues with some co-ops, but look at the whole sector and the great examples of vibrant and exciting co-operative enterprise.

The second thing we as a Board did was to maintain all the ambitious targets we had set for the movement. We had taken a huge hit, but for the good of the sector and our members we took the bold decision to carry on regardless. So, thanks to the staff at Holyoake House alongside the constant and solid support of you, our members, for three years we have done more with less.

The fact is I am immensely proud of what the team achieved over those years. We are stronger and more united. The disruption and failure of mainstream business has created spaces and opportunities for co-operative enterprise to flourish. We are in a position to take advantage thanks to our hard working staff, the dedication of our board of directors and the steadfast support of you our members. For that, all I can say is thank you.

A handwritten signature in black ink, appearing to read 'Nick Matthews', written in a cursive style.

Nick Matthews

Chair, Co-operatives UK

Contents

A co-operative strategy	2-3	
Growing co-ops	4-5	
Your network	6	
Member events	7	
The co-operative economy	8-9	
Delivering projects	10-11	
Campaigning for co-ops	12-13	
Our governance	14-15	
Our Board	16-18	
Performance indicators	19	
Financial statements	20-43	

A co-op strategy

Our mission statement is to promote, develop and unite the UK's co-operatives and the co-operative sector as a whole. As a membership body, our strategy and business model also encompasses the creation, maintenance and growth of member value. Our members must always remain at the heart of everything we do, with their participation a core component.

As a co-operative of co-operatives, we rely on annual subscriptions as the core to what we do. So, while we are older – founded in 1870 – than most of our members, our business model requires us to keep on our toes. The need to attract and retain members keeps us, as in any co-operative, responsive to their needs.

There is a compelling rationale for a representative body to act as a voice for the sector. The model of business our members share, with a focus on democratic member ownership, is a distinct one. Over time, Co-operatives UK can create value by promoting a positive business environment for the sector.

At present, we are midway through a business strategy that was set by the Board in 2014 after consultation with our members. In the context of financial stress at one of our largest members, we identified the challenge as one of staying true to our purpose while changing our core business model by diversifying our income.

In 2017, the Board took stock of progress and set new targets for the period up to 2020. For the first time, the strategy going forward is set within the context of growing the co-operative sector as a whole, with the launch in July 2017 of 'Do It Ourselves', an ambitious National Co-operative Development Strategy. This will shape all we do from now.



What about our financial model? In terms of membership subscriptions, we have a continuing focus on our offer for partner consumer retail societies, alongside work started in recent years to engage agricultural co-ops – and we are seeing progress in improving our membership retention for smaller co-ops.

We then have three further sources of mission-related revenue we are looking to develop in the years ahead.

The first is where supporting our members by offering additional advisory services. Having launched a new HR service in 2015, in partnership with members of the Co-operative Employers' Association, we are now saving members £300,000 annually through joint purchasing. We aim to grow our advisory services for members, including our long-standing and respected work on legal and governance advice.

The second is raising funds from charitable foundations or statutory bodies in support of co-operative development. This is a competitive field, with risks around funding and delivery, but we are developing a growing reputation for our quality, our success and our ability to work in partnership.

The third is to make the best use of our home, Holyoake House, as an asset for the movement, a symbol of our heritage and a source of rental income over time from tenants. The Board has approved scoping work to look at a redevelopment of the building to safeguard this future and to make the most of the building in commercial terms.

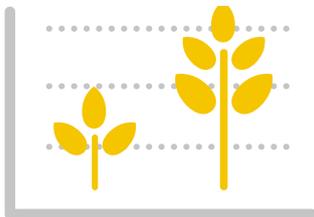
By 2020, Co-operatives UK aims to hit a range of key targets, including raising one pound in earned income for every pound paid in member subscriptions, growing our members by 20% and contributing to a target of around 270 new co-operatives formed every year.

To achieve this, our goal by the year 2020 – our one hundred and fiftieth anniversary – is to fulfil our founders' hopes to be an effective union for co-operatives, which will:

- **Be an authoritative, campaigning voice for co-ops**
- **Be the place where any co-op can find the advice they need**
- **Be at the heart of a thriving network of co-ops**



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campaigning voice for
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**Be at the heart of a
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co-ops**

Growing co-ops

Providing leadership, best practice and direct advice to new and existing organisations on the fundamentals of running a successful co-op business is a key element of our work. We have provided expert governance, membership and HR advice for over 20 years and as we exist primarily to serve member needs, our advice offering continues to represent exceptional value for money.

Our advice is all about providing solutions and better ways of doing business. In 2017 we delivered 144 pieces of bespoke advice via the Contact Package – our governance, HR, membership and finance support service.

Simply handing out advice is not enough. It must provide member value and we received an impressive 97% satisfaction rating for our governance and consultancy work.

Further support is provided through our HR Package. Market-leading HR resources are a mouse click away for subscribers and we provide invaluable support at tribunals and early reconciliation solutions through our mediation work.

We understand that members continue to expect our online advice offering to remain relevant, comprehensive and effective. We provided model policies, contracts and toolkits – including our guide to the new General Data Protection Regulations – to save members time and money. We also updated Simply Legal, our ground-breaking governance guide.

Member groups are instrumental in spearheading the drive to provide these invaluable resources. The Co-operative Governance Expert Reference Panel produced a film on the make-up of a co-op board, a toolkit for director recruitment and the Co-operative Performance Committee created our Narrative Reporting guide, which focused on adding genuine value to annual reports.

We also successfully trialled a new finance training module; held a mock HR tribunal which attracted 133 delegates; and responded to demand by delivering member-led training.

Co-operatives UK's advice offering continues to be complemented by The Hive, our business support programme funded by The Co-operative Bank. It supports members and the wider movement, and provided advice worth more than £400,000 in 2017.

It is not just the advice needs of current members that we must satisfy, but also the needs of future members, and over the course of the 12 months we helped 78 new co-ops come into existence.

In numbers

Bespoke
144
governance
advice

97
%
**Satisfaction
rating**

**Co-op
registrations**
78



Bristol Wood Recycling Project received invaluable governance advice through The Hive. Our short film, showcasing this inspirational co-operative, has been viewed more than 200,000 times on Facebook. Click the link to watch the film now.



Our network

In line with co-operative values, membership of Co-operatives UK is open and voluntary. All our members are co-operatives or organisations that support co-operative values and principles. Alongside partners and associates, we also have several federal members, who themselves represent hundreds of co-operatives, meaning our network stretches to thousands of businesses.

We recorded our best membership retention figures for seven years in 2017. At year end 773 organisations were members of Co-operatives UK, an increase of 46 from the start of 2017. We retained 89% of existing members, with 126 new organisations added to our network.

Of the 126 new members 80, were incorporated in 2017. Prominent established organisations attracted into membership include leading agricultural co-operatives G's Growers and Meadow Quality, both of which feature in the Co-operative Economy top 100. The newly incorporated businesses were drawn from a range of sectors, with arts and culture and housing most prominent.

The increase in member retention follows work on redefining our member offer that began in 2016. We introduced one basic, flat rate of £95 per annum to enter into membership and fundamentally changed the way in which we offer members advice.

Following an anticipated transitional period, we are now seeing the benefits of those and other changes.

We focused our efforts on improving our online advice offering – and making it easier for members to access resources. As a resource rich organisation we must ensure members benefit from new material like General Data Protection Regulation toolkits, as well as existing factsheets, guides and templates.

Our expanded local networking programme, alongside our existing range of events, enabled more of our members to network with one another – in accordance with principle six.

We produced a range of visually powerful case studies to showcase the amazing work co-operatives do for their members and their communities. Our Leeds Bread Co-op film has been viewed more than 50,000 times on Facebook alone!

Work has also begun to improve the member journey for newly incorporated co-operatives, with additional personal contact to ensure those organisations most in need of support gain maximum benefit from being part of our network. Of course the journey does not stop here, as we continue to reshape and improve our services for the benefit of members.

In numbers



Our events



Our extensive suite of events is designed to cater for members' needs covering training, national conferences, member groups, local networking and more. As we are here for the benefit of our members we ensure training and other services are offered at a fraction of the cost – with significant member discounts also in place – charged by alternative providers.

More than 1,000 delegates attended our events in 2017, with a 98.5% overall satisfaction rating from the Co-operative Retail Conference, Congress, Worker Co-op Weekend and Practitioners Forum – our four major conferences.

Delegates from 472 different organisations attended at least one of our events with focused training and local networking – as well as UK-wide conferences – contributing towards an extensive programme.

We rolled out our 'Is a co-op right for you?' sessions, delivered through the Hive, across the UK. Through these events we raised awareness of the co-op model to councils, universities, potential co-op new-starts and more. Success is further underlined with attendee organisations, like Choices4Doncaster, now in membership.

There remain many opportunities as we look to further engage those members yet to take advantage of our events programme. We know increased participation increases the value members place on membership – and our events offering continues to develop to satisfy need.

Results from our annual member survey revealed a growing interest in training delivered in-house and a desire for more flexibility over what training is offered. We have responded to those needs by offering demand-led training.

The survey also highlighted specific member training needs covering the roles of secretaries, directors and chairs, as well as focused HR and finance training. These one-day training events are already in the diary at www.uk.coop/events.

The co-op economy

Our flagship annual report reveals key economic and membership data – covering the UK’s entire co-operative sector. Trends, membership levels and other salient facts and figures feature in the report. In addition to gaining national media exposure, the report acts as a unifying force for co-operatives and co-operation.

We brought the hard reality of inequality and precarious working practices to the fore in our Co-operative Economy 2017 report – and stated the case for the co-operative business model as a key solution to these growing issues.

Case studies featuring Co-operatives UK members Edinburgh Bicycle Co-operative, Cartrefi Cymru Co-operative, Leeds Bread Co-op, Central England Co-operative Society and Organic Milk Suppliers Co-op revealed how co-operatives benefit their members and their communities.

Report figures highlighted the resilience of the co-operative sector, with total turnover remaining at 2016 levels despite tough economic conditions. The numbers also revealed an increased level of interest in co-ops, with active members at an all time high of 13.6 million people.

We used the report to generate local and national media headlines. Positive features across the BBC and in national broadsheets *The Guardian*, *The Telegraph* and *The Times* put forward our arguments for a more co-operative economy, while also promoting member-owned businesses to consumers and encouraging new-starts to consider the co-op option.

Engaging our members with the co-operative economy was a key strategy. We harnessed the power of our network to reach out to members, who were armed with sample messaging and a range of infographics.

Hundreds of co-op businesses, workers, members and customers took to social media to promote the co-op model, reaching millions of people on the day of the co-operative economy launch.



Edinburgh Bicycle Co-operative featured as a case study in our 2017 Co-op Economy report.



ANNUAL TURNOVER

2017	£35.7bn
2016	£35.7bn
2015	£35.7bn
2014	£34.8bn
2013	£35.0bn



NUMBER OF
INDEPENDENT
CO-OPS IN THE UK
6,815

NUMBER OF
EMPLOYEES
OF CO-OPS
226,300

NUMBER OF MEMBERS

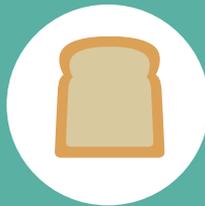


The co-ops behind the brands



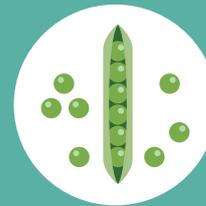
Ribena

Ribena wouldn't have half the taste were it not for The Blackcurrant Growers' Association, a co-operative of farmers which together supplies Ribena with most of its blackcurrants.



Warburtons

All the wheat for the best-known brand of British bread is supplied by the agricultural co-op Openfield – it provides 150,000 tonnes a year from 300 wheat farmers.



Birdseye Peas

The Green Pea Company is a co-operative of UK farmers that – you guessed it – provide the peas for one of Britain's best loved brands.



Anchor

One of the UK's best known brands of butter, Anchor is produced by farmer owned co-op Arla, which is and owned by 12,000 dairy farmers, 2,500 of which are in the UK.



Jubilee Strawberries

Always in the 'best of' range at any supermarket, Jubilee strawberries are supplied by Berry Garden Growers, a co-operative that markets soft fruits from its farmer members.

Delivering projects

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

In 2017 the projects team delivered £698K worth of funding to support innovative programmes across the UK based around three key themes: **place-based economic development**; **co-operative development**; and **community shares**. More than 500 groups benefited from the support and grants accessed through our funded programmes.

Our project team's **co-operative development** work centres around The Hive and the Bright Ideas Fund. The Hive is a £1m UK-wide business support initiative from Co-operatives UK and The Co-operative Bank. It offers a unique mix of advice, training and online resources to build better co-operative businesses.

The Hive supported 355 groups and co-ops with expert advice worth more than £100,000 in its second year – and helped communities raise more than £2 million through community shares to save local assets and services.

Bristol Wood Recycling Project, a scheme providing a valued local service and opportunities for older and disadvantaged members of the community, received invaluable support via The Hive – and is just one example from hundreds of success stories.

In total 10,000 employees, volunteers, board members and members benefited from Hive support, with free online resources and guides used an impressive 328,000 times over the course of the year.



Security Professionals Support
Co-operative received crucial early stage set-up advice through The Hive.





We helped provide further business development advice through the £1.85m Bright Ideas scheme. Funded by the Ministry of Housing, Communities and Local Government (MHCLG) and Power to Change, it provides community groups with tailored support and grants of up to £20,000 to develop ideas that the community wants and needs.

For **community shares** and our Community Shares Unit, 2017 was a watershed year. Despite funding via MHCLG coming to an end, the unit continued to deliver on its core activities thanks to the development of our partnership with Power to Change.

During 2017 over 50 community share offers, with ambitious plans to attract more than £15 million in funding, were launched. Our ground-breaking Community Shares Standard Mark continues to lead the way in promoting national standards of best practice, with 32 share offers awarded the best practice stamp of approval in 2017 – an increase of almost 50% on 2016 levels.

The Standard Mark gives local people the confidence to back a share offer – just like it did in Holbrook, Derbyshire. With the Mark on its résumé, Holbrook Community Society raised over £290,000 to save The Spotted Cow pub from closure – preserving a focal point for village life which has stood for over 150 years.

Our Community Shares Booster Programme, funded by Power to Change, supported 15 community businesses in 2017. We distributed over £100,000 in development grants and more than £600,000 in matched equity investments.

The numbers only tell one side of the story. It is the impact on local communities that truly reveals the programme's worth.

By releasing £1.5 million into the community business market we enabled: a Grade II listed Victorian ballroom in Manchester to be restored; a community farm in London to be expanded; the building of community-developed homes in Leeds; and a 122-year-old railway pier in Suffolk to be saved.

The year ended with an announcement of a new £3m Community Shares Booster programme, funded by Power to Change, to support a further 60 local groups over five years.

Place-based economic development has enormous potential to create a fertile environment for co-operatives to thrive – and in 2017 the £1.46m MHCLG supported Community Economic Development programme came to an end.

The second year of this practical programme enabled 21 communities to develop and implement their own local economic plans, while also providing ongoing support to nine communities who produced plans in year one of the programme.

With a focus on generating wealth and jobs that stay local, Community Economic Development gives people real power in their local community and 86% of participant groups, including a business incubation hub in Liverpool and collective of fishermen in Eastbourne, produced quality plans. And we pushed the Community Economic Development case in a final report that captured learning and provided key recommendations.

Following the programme's success, Co-operatives UK was selected as the lead delivery partner for Empowering Places, a radical new Power to Change-funded programme that will channel £8m of targeted support into seven areas across England over five years. Delivery of this programme commenced in quarter four of 2017.

Campaigning

Our campaigning mission is to create a more co-operative economy. We work hard to influence government policy to secure the best possible business environment for co-ops of all shapes and sizes. Our campaigning work extends to promoting the co-operative difference to other bodies of influence and the wider public.

In 2017 we adopted a bolder tone. We focused on positioning co-operatives as central to the fairer more sustainable economy we urgently need. Our campaigns also sought to hold the government to account over its inclusive economy rhetoric.

Our efforts led the UK government to introduce legislation making the audit requirements fairer for growing co-operative and community societies – saving members thousands of pounds each year. We were also successful in preventing inappropriate and unfair extra reporting burdens being imposed on mutuals.

Together with more than 180 co-ops and individuals we drew attention to the injustice of £230 million a year tax breaks handed out to executive shareholders – and called on the Chancellor to reinvest the funds in broadening economic ownership instead.

Alongside our agricultural members we stated the case at the highest level for UK policy outside the EU to include support farmer co-operation. It was a campaign that would yield a multi-million pound fund for farmer co-operation in 2018.

In line with the new national co-op development strategy, Do it Ourselves, we targeted promotional work on the strategy’s core sectors. We invested in research and began early-stage development of a new tool to make it easy for tech workers to set up new co-ops, as well as generating features in The Times and The Independent on co-ops on this important sector – and freelancers more generally.

We worked alongside the Co-op Care Forum to raise the profile of co-operative approaches to social care and published new research which led to in-depth features in both the Independent and The Guardian.

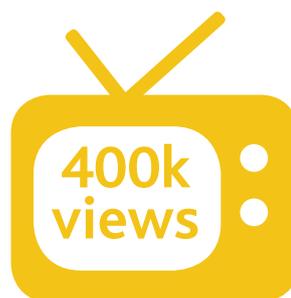
Our campaigns using film took on a new dimension and showcased a range of inspiring members, including Leeds Bread Co-op and Security Professional Support Co-operative. Our ‘re-imagined’ series of short films has been viewed more than 400,000 times across social media.

On the international stage we also enjoyed impact. Prompted by Southern Co-op, our members donated £140,000 to fund the development of co-ops in areas devastated by storms and floods – triggering a worldwide co-op campaign.

In numbers

Flood appeal

 £140k


 400k views

#coop

 1,600 stories



Share your stories of co-operation
www.uk.coop/fortnight

COOP CO-OPERATIVES
 FORTNIGHT
 17 JUNE TO 1 JULY 2017

It's time to co-operate

Co-operatives Fortnight is the UK co-op sector's shared campaign, a two week period when co-ops of all kinds come together to demonstrate the power of co-operation. For 2017 we encouraged people to share their stories of co-operation – with colleagues, members, local communities and social media.

There was tremendous support for the campaign from our wider membership and Co-operatives Fortnight sponsors: **Central England Co-operative, Channel Islands Co-operative Society, Chelmsford Star Co-operative, East of England Co-operative Society, Lincolnshire Co-operative, Scotmid, The Co-op** and **The Southern Co-operative**.

From the smallest community co-ops to the largest co-op retailers, our wonderful sector produced and shared an incredible 1,600 stories across the two weeks. As a result our impact on social media was significant. We tracked the #coopstories hashtag and five million people were reached on Twitter alone. And films about co-ops, including one of actor and co-op supporter Michael Sheen, were viewed more than 180,000 times.

Press coverage, meanwhile, saw more than 10 pieces of high quality national coverage and over 25 local and trade pieces to amplify the message that co-ops make a positive difference to people's lives.

Our governance

Good governance is at the heart of a thriving and sustainable co-op. When the right people with the right skills and experience are in place, 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.

Just like all co-ops, we are owned and controlled by our members – and all our members are co-operatives or organisations that support co-operative values and principles. These 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.

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 provides additional votes for members following an agreed formula relating to subscriptions. Member participation is not just about voting at the Annual General Meeting (AGM). Our members engage in our governance, campaigning and lobbying through:

- Submitting resolutions and engaging in debate at our AGM
- 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
- Responding to our consultations which enable us to represent member views to policy makers
- Sharing co-op stories and joining conversations on social media
- Joining our online discussion community at www.community.uk.coop
- Completing our annual full member survey

Co-operatives UK has a Board of Directors which is collectively responsible for our strategic direction and holding the Management Team to account. Our Board of Directors is made up of individuals nominated and elected by our members with a structure which reflects our categories of membership for co-ops across the breadth of the movement.

The Board develops three-year strategic plans that align with our mission, it retains a documented set of key decisions that cannot be delegated and approves an operational plan, budget and key performance indicators for each year.

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; the Remuneration, Appointments and Succession Committee meets twice a year; and the Governance Committee completes periodic reviews of our governance policies and structure. We also have a Chair's Committee which has the authority to call urgent board meetings and to provide board level approvals when needed between meetings.

New directors receive an induction outlining the role of the Board, our governance and organisation 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.

Directors are elected and appointed for three-year terms of office and the Board elects directors to be Chair and Vice Chair each year.

Internal audit

One element of fulfilling our mission to grow the co-operative economy through action to promote, develop and unite co-operative enterprises is ensuring the best use of member subscriptions and other income we receive. This is monitored, in part, by our internal audit function.

The purpose of our internal audits is to examine and challenge current organisational practice, compliance with internal policies and to identify and implement improvements. Co-operatives UK supports an approach to internal audits which encourages peer review, openness and transparency in how we work. Facilitating active engagement from all staff in order to encourage innovation and focus on continuous improvement.

Internal audit is an important element of governance best practice. The Audit and Risk Committee decides whether Co-operatives UK continues to operate an internal audit function. The committee is accountable for our in-house internal audit policy and for regularly monitoring its effectiveness.

Our approach to internal is to minimize the costs and impact on staff while maximizing insight. Individual employees take responsibility for their areas of work and the rigorous assessment of the quality of systems and processes, providing the committee with transparent information and the highest level of assurance and understanding.

Each year the Committee and Management Team agree on an area of focus for an internal audit. The breadth of topics available for internal audit provide the widest possible scope for assurances to the Audit and Risk Committee. Our society secretary works collaboratively with members of staff and the committee to ensure that the topics, scope, analysis and testing are mutually acceptable.

In 2017, the internal audit focused upon our Anti-Money Laundering Policy and procedures. The objective was to ensure we are meeting all legal requirements and that controls are robust enough to ensure the organisation is managing:

- **Governance risk** – the risk that inadequate anti-money laundering processes incur penalties
- **Financial risk** – the risks that Co-operatives UK is a potential enabler for money laundering and terrorist financing activity
- **Reputational risk** – the risk that the organisation's reputation is damaged through failing to operate best practice anti-money laundering processes

The audit scope included updating our policy to comply with new legislation, ascertaining if existing procedures were sufficient and then compliance testing of the policy and procedures. The final report indicated that processes are adequate, appropriate and effective. The audit demonstrated that operationally we are effective in meeting legislation requirements; our record keeping is good; and that employees undertaking relevant activity are experienced and knowledgeable in this area.

The internal audit had driven activity to ensure best practice was being demonstrated. Some low risk areas for improvement were highlighted to the Audit and Risk Committee with a programme of follow-up activity agreed, including the update of new staff inductions and implementing a formal log of reports, actions and conclusions from referrals to the Anti-Money Laundering Officer.

Following recommendations from the Management Team, The Audit and Risk Committee has agreed that the topic for our internal audit in 2018 will be compliance with the General Data Protection Regulation which comes into force in May 2018.

Board of Directors



Nick Matthews – Chair



John Anderson



Cheryl Barrott



John Chillcott



Dan Crowe



Eileen Driver



Rebecca Hamilton



Philip Hartwell



Ross Hodgson



Mark Lyonette



Mary McGuigan



Don Morris



Mark Simmonds



Paul Singh



Britta Werner



Chris Whitfield



Vivian Woodell

Director	Nominating organisation	Attendance	Fees
Nick Matthews - Chair	Heart of England Co-operative	Board 6(6); Remco 3(3), Governance 2(3)	£2,650
John Anderson	Scottish Midland Co-operative Society	Board 6(6); Audit 3(3); Remco 3(3)	£1,575
Cheryl Barrott	The Co-operative Party	Board 2(3)	£800
John Chillcott	Social Enterprise East of England	Board 4(6)	£1,575
Dan Crowe	The Co-op	Board 6(6); Governance 3(3)	£1,575
Eileen Driver	The Co-op	Board 6(6); Remco 1(2), Governance 2(2)	£1,575
Rebecca Hamilton	The Co-op	Board 1(1)	£0
Phil Hartwell	East of England Co-operative	Board 5(6); Remco 3(3)	£1,575
Ross Hodgson	SUMA Wholefoods	Board 5(5); Remco 1(1); Governance 2(2)	£1,575 ¹
Mark Lyonette	ABCUL	Board 3(3)	£800 ¹
Mary McGuigan	The Co-op	Board 4(6); Remco 2(3)	£1,575
Don Morris	Radstock Co-operative Society	Board 5(6); Audit 2(3); Governance 3(3)	N/A ²
Mark Simmonds	Co-op Culture	Board 6(6); Audit 3(3); Governance 1(2)	£1,575
Paul Singh	Central England Co-operative	Board 6(6); Audit 3(3)	£1,575
Britta Werner	Unicorn Grocery	Board 6(6); Audit 3(3); Governance 1(1)	£1,575
Chris Whitfield	The Co-op	Board 5(6)	N/A ²
Vivian Woodell	The Midcounties Co-operative	Board 6(6); Governance 3(3)	£1,575

The information above pertains to all those directors in office as of 31 December 2017. The details below cover those individuals ending their term of office prior to year end.

Alex Bird	Co-operatives and Mutuals Wales	Board 3(3)	£775
Cheryl Marshall	The Co-op	Board 3(5)	N/A ²
Mike Charkow	Ploughshare Housing Co-op	Board 1(2)	£0

¹ Board fees paid direct to nominating organisation

² Board fees waived by nominating organisation

Directorships

Each board member discloses positions as director or trustee of other entities. In addition, the table below includes employment and memberships where they are deemed to be positions of influence which are relevant to Co-operatives UK.

John Anderson	Director of: Scottish Midland Co-operative Society Limited
Cheryl Barrott	Director of: Aizlewood Group; Change AGents Network UK Limited; The Co-operative Party; Sheffield Co-operative Development Group; UK Society of Co-operative Studies. Member of: Labour Party Policy Forum; Commission for Health and Social Care
John Chillcott	Director of: Co-operative College CIO; Anglia Home Furnishings; Social Enterprise East of England; Chillcott Consultancy Limited
Dan Crowe	Trustee of: Co-operative Community Investment Foundation; Whitley Bay Big Local CIO. Member of: The Co-op's National Member Council and Senate
Eileen Driver	Member of: The Co-op's National Member Council
Rebecca Hamilton	Director of: The Co-operative Credit Union. Employee of: The Co-op. Member of: The Co-op's National Member Council
Phil Hartwell	Director of: East of England Co-operative Society; Harwich Connexions Transport Co-operative Limited. Trustee of: Harwich Electric Palace Trust. Member of: The Co-operative Group's National Member Council
Ross Hodgson	Employee and member of: Suma Wholefoods
Mark Lyonette	Employee of: Association of British Credit Unions Limited; Credit Union Foundation. Director of: Cornerstone Mutual Services Limited
Nick Matthews	Director of: Heart of England Co-operative Society Limited; West Midlands Co-operative Council; Sibford Quaker School. Trustee of: Coventry Co-operative Society; Heart of England Co-operative Society Pension Fund. Member of: The Co-op's National Member Council and Senate
Mary McGuigan	Director of: Wochi Communications Limited. Member of: The Co-op's National Member Council
Don Morris	Employee of: Radstock Co-operative Society Limited
Mark Simmonds	Director of: Co-op Culture; Pennine Community Power Limited; Hebden Bridge Partnership Ltd; Heptonstall Allotment and Garden Society Limited
Paul Singh	Director of: Central England Co-operative Limited; Accord Housing Association
Britta Werner	Director, employee and member of: Unicorn Grocery Limited
Chris Whitfield	Employee of: The Co-op
Vivian Woodell	Director of: The Midcounties Co-operative Limited; West Oxfordshire Community Transport Limited. Employee of: The Phone Co-op Foundation for Co-operative Innovation Limited. <i>By virtue of his role as a director of The Midcounties Co-operative Limited, Vivian Woodell holds numerous further directorships. The full list can be viewed here: www.uk.coop/woodell_directorships</i>

KPIs

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	2017 target	Outcome
Membership	How likely are you to recommend joining Co-operatives UK to another co-operative?	0.30 (net promoter score)	+0.17
Member retention	Retention of retail society partner members	100%	100%
	Retention of all members	85%	90%
Member events	Delegate satisfaction (good or excellent)	85%	97%
	Delegates completing evaluation	50%	48%
Member participation	Members engaged with Co-operatives UK	65%	76%
	Members highly engaged with Co-operatives UK	40%	43%
Member services	Satisfaction with our governance advice and consultancy	75%	97%
Top 100 members	Number of top 100 UK co-operatives in membership	+10	+3
Income diversification	Income from outside retail society partner subscriptions	58%	59%

We met or exceeded seven of our KPI targets, narrowly missing out on hitting one other indicator while making significant progress against a further target.

The increasing value members place on membership is demonstrated in the KPI around recommending Co-operatives UK to potential new members. The net promoter score rebounded from a low of -0.15 in 2016 to a positive score of 0.17 which, albeit lower than our ambitious target, shows we are heading in the right direction.

Member engagement remains, as always, a hugely important point of focus and we are delighted to exceed both participation targets.

We fell short of our 'top 100' KPI. However, we have increased the number of larger organisations within membership. We understand that engaging with, demonstrating value to and recruiting the biggest non-members from across the sector is not an easy or quick process. It requires significant time and focus and remains a development area for Co-operatives UK.

Financial statements

Our financial performance in 2017 has delivered a pre-tax surplus from ordinary activities of £480,232. For the first time the overall surplus includes the receipt of equity investment funding from Power to Change under the Booster Project. Co-operatives UK has invested this funding in various societies (see note seven for a complete list).

Income and expenditure remained in line with expectations and we saw a slight increase in both in 2017. Project income fell by £105,091 as we continued efforts to bring in funding which enables us to deliver better value for our members and emerging co-operatives and community enterprises.

Our balance sheet remains stable with reserves of £1,357,532 (2016 – £876,887) and a healthy level of net liquid assets. The main item of note was our market investment, which saw a capital return of £30,294 (2016 – £20,916).

Statement of responsibilities of the Board (Directors' Responsibilities)

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under that law it has elected to prepare 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.

The financial statements are required by law to give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society.

In preparing the Society's 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
- Assess the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so

The directors are 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The directors are responsible for ensuring that Co-operatives UK carries out its commitment to being a co-operative. The Board will ensure that in carrying out its business activity, the management team maintains the co-operative identity 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 which is 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 ensures that the controls and systems of risk management are robust and defensible.

Internal controls

The Board is ultimately responsible for Co-operatives UK's 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 effectiveness of risk management processes are reviewed at least annually by the Board and the Audit and Risk Committee
- Considering reports from the management team, internal and external audit on the systems of internal control and any material control weaknesses
- In line with our Internal Audit Policy, the Audit and Risk Committee oversees the audit of at least one business area each year. The policy, agreed by the Board in 2015, brings responsibility for compliance testing and continuous improvement activity in house
- The Board receives a report of each meeting of the Audit and Risk Committee, including orally from its Chair, and directors have access to the minutes of all subcommittee meetings on a timely basis
- A programme of governance process improvements has been implemented in order to ensure periodic review of policies and internal controls

Co-operatives UK's internal control framework contains the following key elements:

Control environment

- An organisational structure is in place with clearly defined lines of reporting, accountability and responsibility for planning, executing, controlling and monitoring business operations
- The Board and staff team work together in developing the strategic objectives of the organisation to deliver on its mission. Employee engagement with and understanding of our strategic objectives are regularly monitored and operational planning ensures alignment between our strategy and day-to-day activity
- 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. Performance against budget and forecasts is reviewed at least quarterly by the Board and twice each year by the Audit and Risk Committee, with any significant variances considered and remedial action taken where appropriate
- A schedule of matters reserved for decision by the Board is followed and provides limits to the spending and decision making delegated to the management team
- During the induction process all employees are given adequate information and training on Co-operatives UK's strategic plan, internal controls and policies
- Our code is put into everyday practice accompanied by supportive policies which enable employees to report any serious wrongdoing

Risk identification

- Risk management is an important element of our internal controls and the Board is accountable for these processes. The management team has the primary responsibility for identifying the key risks to the business with each employee taking responsibility for raising any risks associated with their area of work. Risk processes embedded within the culture of the organisation involve regular consideration of risk
- Risk management procedures include systems for the identification, evaluation and management of risks to the business. Each risk is allocated an owner and scored in terms of its likelihood and impact before and after documented mitigating actions. The most significant risks to the business have contingency plans in place
- Details of our risk management and the principal risks to the business are regularly provided to the Board and the Audit and Risk Committee

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
- A comprehensive suite of policies and procedures is in place across the organisation. They are regularly reviewed, compliance is monitored and we provide thorough inductions for new members of staff
- A process of control self-assessment and reporting has been established which provides for an auditable trail of accountability

Information and communication

- Regular communication with our members uses a variety of channels including member groups, publications, social media, e-bulletins and our website (www.uk.coop)
- Co-operatives UK communicates with the staff team via regular meetings and email updates on strategic matters. Staff members use our intranet, which provides a platform for our suite of applications, online learning resources, policies and procedures
- A Performance Management scheme is in place for all employees and includes monitoring alignment between individual roles and strategic objectives

Monitoring

- There are clear and consistent procedures in place for monitoring the system of internal financial controls. The Audit and Risk Committee meets at least twice a year and, within its remit, reviews the effectiveness of the system of internal financial controls

- The Internal Audit Policy requires the audit of at least one business area each year. The programme of audits focuses on business risk and priority. The Society Secretary works collaboratively with members of staff to complete the required reviews of control procedures, compliance testing and recommendations for improvement. Responsibility and timescales for remedial actions are agreed with the management team, and evidence of completion is provided to the Audit and Risk Committee.
- As part of its remit the Audit and Risk Committee annually monitors and reviews the independence, objectivity and effectiveness of our internal audit approach
- The Board monitors performance of the management team and delivery of operational and strategic plans. Progress is assessed against key performance indicators and financial targets agreed annually

Creditor payment policy

It is the policy of Co-operatives UK to:

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

Trade creditor days of Co-operatives UK for the year ended 31 December 2017 were 19 days (2016 - 25 days) based on the ratio of average monthly trade creditors during the year to the total amounts invoiced during the year by trade creditors. A total sum of trade purchases, analysed through the purchase ledger for 2017 was £1,687,916 (2016 - £1,454,262), of which £493,167 (2016 - £498,522) related to co-operative entities - 29% (2016 - 34%).

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 themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Auditors

Pursuant to s93(1) Co-operative and Community Benefit Societies Act 2014 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. The investments of £1.24m can be realised quickly, along with a prudent programme of cost management. As a result, the Board considers they are well placed to manage its business risks successfully in the current economic environment.

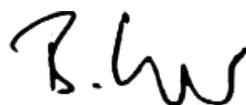
After making all enquiries, the Board has a reasonable expectation that Co-operatives UK has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis.

Board certification

The accounts and notes on pages 26 to 43 are hereby signed on behalf of the Board pursuant to the Co-operative and Community Benefit Societies Act 2014.



Nick Matthews



Britta Werner



Zena King

21 March 2018

Auditor's report

Opinion

We have audited the financial statements of Co-operatives UK Limited for the year ended 31 December 2017 which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- Give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of the Society's affairs as at 31 December 2017 and of the income and expenditure of the Society for the year then ended; and
- Comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Society in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information, which comprises the Finance review. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

In addition to our audit of the financial statements, the directors have engaged us to review whether their Corporate Governance Statement on pages 1 to 3 reflects the Society's compliance with provisions 43 and 123 to 152 of Co-operatives UK Limited's Corporate Governance Code for Consumer Co-operative Societies issued in November 2013 ('the Code'). We have nothing to report in this respect.

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.

We have nothing to report in these respects.

Directors' responsibilities

As more fully explained in their statement set out on pages 20 and 21 the Society's directors are responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

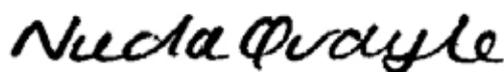
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Society 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 those matters we are required to state to it in an auditor's report and, in respect of the reporting on corporate governance, those matters we have agreed to state to it 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 for our audit work, for this report, or for the opinions we have formed.



Nicola Quayle (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One St Peter's Square
Manchester
M2 3AE

Income Statement

Year ended 31 December 2017

	Note	2017 £	2016 £
Income	2	2,957,264	2,919,171
Expenditure	2	(3,020,663)	(2,957,835)
Deficit before interest and taxation		<u>(63,399)</u>	<u>(38,664)</u>
Interest receivable	7	65,826	61,162
Power to Change Equity Investment	7	477,805	-
Surplus before taxation		<u>480,232</u>	<u>22,498</u>
Surplus before Power to Change Equity Investment		2,427	22,498
Power to Change Equity Investment		477,805	-
Surplus after Power to Change Equity Investment		<u>480,232</u>	<u>22,498</u>
Taxation	9	402	4,537
Surplus & total comprehensive income transferred to reserves		<u>480,634</u>	<u>27,035</u>

The above relates entirely to continuing operations .

The statutory accounts are rounded to the nearest pound.

Balance sheet

as at 31 December 2017

	Note	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	6		224,113		181,354
Investments	7		30,255		30,255
Power to Change Equity Investment	7		477,805		-
			<u>732,173</u>		<u>211,609</u>
Current assets					
Debtors	8	390,002		214,256	
Investments	7	1,239,225		1,458,931	
Cash at bank and in hand		152,835		70,784	
		<u>1,782,062</u>		<u>1,743,971</u>	
Current liabilities					
Creditors: Amounts falling due within one year	10	(1,146,489)		(1,058,724)	
Net current assets			<u>635,573</u>		<u>685,247</u>
Total assets less current liabilities			<u>1,367,746</u>		<u>896,856</u>
Non-Current liabilities					
Creditors : Amounts falling due after more than one year	10	(10,214)		(10,616)	
Funds	11	-		(9,353)	
			<u>(10,214)</u>	<u>(19,969)</u>	
Net assets			<u>1,357,532</u>		<u>876,887</u>
Financed by :					
Share capital	12		193		182
Reserves			1,357,339		876,705
			<u>1,357,532</u>		<u>876,887</u>

These financial statements were approved by the Board of Co-operatives UK on 21 March 2018 and were signed on its behalf by:



Chair: Nick Matthews

Reg. No 002783R

The notes on pages 30 to 43 form part of these financial statements.

Cash flow statement

Year ended 31 December 2017

Note	2017 £	2016 £
Cash flows from operating activities		
Surplus for the year	480,634	27,035
Adjustments for:		
Depreciation , amortisation and impairment	52,238	41,577
Interest receivable and similar income	(65,826)	(61,162)
Taxation	(402)	(4,537)
Decease/(Increase) in trade and other debtors	(175,746)	149,851
Increase/(Decrease) in trade and other creditors	87,765	231,033
Interest paid	-	-
Net cash from operating activities	378,663	383,797
Cash flows from investing activities		
Interest received	65,826	61,162
Acquisitions of tangible fixed assets	(94,997)	(50,638)
Acquisitions of Power to Change Investments	(477,805)	-
Net cash from investing activities	(506,976)	10,524
Cash flows from financing activities		
(Loss) /Proceeds from the issue of share capital	11	(14)
Movement in Funds	(9,353)	-
Net cash from financing activities	(9,342)	(14)
Net increase/(decrease) in cash and cash equivalents	(137,655)	394,307
Cash and Cash equivalents at 1 January 2017	1,529,715	1,135,408
Cash and Cash equivalents at 31 December 2017	1,392,060	1,529,715

The notes on pages 30 to 43 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 2016	196	849,670	849,866
Surplus	-	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>

	Called up Share Capital	Profit and Loss Account	Total Equity
Balance at 1 January 2017	182	876,705	876,887
Surplus	-	480,634	480,634
Total comprehensive income for the period	<u>182</u>	<u>1,357,339</u>	<u>1,357,521</u>
Issue of Shares	32	-	32
Cancellation of Shares	(21)	-	(21)
Balance at 31 December 2017	<u>193</u>	<u>1,357,339</u>	<u>1,357,532</u>

Notes

1. Statement of accounting policies

Basis of accounts

Co-operatives UK Limited (the "Society") is a society registered in the UK. 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

The 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 twelve 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. Directors consider that the investments of £1.24m 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 there are 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 plus 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 recognised in profit or loss.

Other investments are measured at cost less impairment. Under the Power to Change (P2C) project, the Society receives external funding for investment in other co-operative and community benefit societies. On receipt of this funding a corresponding liability is recognised to reflect the restrictive nature of these funds. Investment income is recorded at the point of making an equity investment in such a society. These equity investments are measured at cost price and subsequently assessed for impairment on an annual basis.

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 - five to 10 years
- Computer equipment - two to four years
- Motor vehicles - four 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 that 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

	2017		2016	
	£	£	£	£
Income				
Subscriptions		1,377,640		1,370,826
Chargeable services		158,795		79,874
Project income (note 3)		936,672		1,041,763
Lettings income		344,773		316,821
Conferences / Events		137,084		108,102
Miscellaneous		2,300		1,785
Total Income		2,957,264		2,919,171
Expenditure				
Personnel costs (note 4)		1,099,704		1,126,431
Establishment:				
Co-operative Education	42,000		43,992	
Rates and insurance	115,379		121,345	
Light, heat, cleaning	62,859		57,573	
Repairs, renewals	136,907		128,953	
		357,145		351,863
Administration:				
Postage, telephones	11,580		8,962	
Printing, stationery, publications	21,908		17,917	
Auditor's fees				
- for audit	16,700		16,519	
- for other work	4,700		4,500	
Professional fees	45,394		41,792	
Consultancy fees	246,304		117,868	
Travel costs	36,529		13,477	
Miscellaneous	7,622		13,455	
		390,737		234,490
Congress and committee expenses:				
Conferences / Events	121,657		98,848	
Board & committees	48,717		52,850	
		170,374		151,698
Grants and subscriptions (note 5)		13,793		10,013
Project expenditure (note 3)		936,672		1,041,763
Depreciation (note 6)		52,238		41,577
Total Expenditure		3,020,663		2,957,835

3. Project Income

During the course of the year project income was received from a number of sources. Income and expenditure has been recognised on actual work completed to the end of December 2017. The balances carried forward under accrued charges (note 10) is £30,564 (2016 - £18,660) and trade debtors (note 8) £207,271 (2016 - £ 21,000).

	Co-operative Employers Association £	The Co-operative Bank £	Power to Change £	Community Economic Development £	Community Shares £	Miscellaneous Projects £	Total £
Income							
Deferred income b/fwd	23,440	83,898	35,714	12,906	-	24,879	180,837
Debtors b/fwd	-	-	(21,000)	(3,063)	(17,581)	(16)	(41,660)
Income received in year	220,140	259,384	128,868	86,964	118,038	79,962	893,356
Deferred income c/fwd	(17,565)	(169,350)	(125,153)	(22,461)	-	(9,807)	(344,336)
Debtors c/fwd	12,075	90,420	107,196	-	8,220	30,564	248,475
Total income	238,090	264,352	125,625	74,346	108,677	125,582	936,672
Expenditure							
Personnel costs	171,992	106,509	25,307	22,337	19,391	35,160	380,696
Consultancy	52,582	130,011	95,407	39,370	79,273	71,600	468,243
Meeting costs	5,236	5,862	-	2,753	2,598	255	16,704
Travel	3,641	4,999	744	876	522	2,222	13,004
Postage and telephone	-	3,318	-	90	-	-	3,408
Printing and stationery	4,639	5,223	-	-	-	-	9,862
Grants	-	-	-	3,288	-	-	3,288
Overheads	-	8,430	4,167	5,632	6,893	16,345	41,467
Total expenditure	238,090	264,352	125,625	74,346	108,677	125,582	936,672
Net cost	-	-	-	-	-	-	-

Equity Investment from Power to change was £477,805 see Note 7

4. Employees

The average number employed by the Society was:

	2017 Number	2016 Number
Full time	28	25
Part time	5	6
	33	31

The costs incurred in respect of these employees were:

	2017 £	2016 £
Salaries	1,240,123	1,165,228
Special Allowance	8,625	8,721
Social security costs	117,501	116,290
Pension costs	107,733	146,922
Other costs	6,418	34,663
	1,480,400	1,471,824
<i>Less charged to Projects</i>	(380,696)	(345,393)
	1,099,704	1,126,431

Other costs include an amount for reorganisation costs of £ nil (2016 - £12,500).

Pensions

PACE has a defined contribution (DC) section and a defined benefit (DB) section (for eligible employees). Actual contributions to the PACE DB scheme for its employees during 2017 were £12,719 (2016 - £146,875). 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 £24,963 (2016 - £25,636).

4. Employees (continued)

Management Team Remuneration

Total remuneration of Management team employees, excluding pension contributions, was as follows:

	Full Time Equivalent £	Basic Salary £	Benefits in kind £	2017 Total Remuneration £	2016 Total Remuneration £
Ed Mayo	140,546	126,178	8,625	134,803	133,421
Neil Turton (a)	82,620	67,261	-	67,261	n/a
Helen Barber (b)	-	62,180	-	62,180	69,183
Shelegh Everett (c)	-	-	-	-	53,656
Stuart Coe (d)	65,000	16,250	-	16,250	36,000
Michael Shepherd	59,885	59,885	-	59,885	64,642
Paul Murphy	45,237	44,961	-	44,961	43,838
Giles Simon	43,323	34,447	-	34,447	33,316
Emma Laycock	43,192	39,249	-	39,249	34,220
Zena King	42,267	37,996	-	37,996	32,233
John Atherton	40,775	39,170	-	39,170	38,887

a) Starter 3 March 2017

b) Long-term sickness

c) Leaver 31 December 2017

d) Leaver 31 March 2017

Tim Knowles is employed at senior management level and in 2017 received a remuneration of £92,639 and is not a member of the Management Team. Neil Turton and Tim Knowles also receive a travel allowance

Pension details of the Management Team was as follows:

	Employers' contributions paid to DC section £	Employers' contributions paid to AVC section £
Ed Mayo	12,618	3,782
Neil Turton	-	-
Helen Barber	6,218	1,864
Stuart Coe	325	-
Michael Shepherd	5,989	1,797
Paul Murphy	4,496	1,346
Giles Simon	776	-
Emma Laycock	3,925	1,175
Zena King	3,800	1,139
John Atherton	3,917	1,173

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).

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

	2017	2016
	£	£
CECOP subs	6,227	5,649
Co-operatives Europe	-	260
Other grants and donations	7,566	4,104
	13,793	10,013

6. Fixed assets - tangible

	L & B Freehold	Fixtures & Fittings	Total
	£	£	£
Cost			
1 January 2017	59,743	492,589	552,332
Additions	-	94,997	94,997
Disposals	-	-	-
31 December 2017	59,743	587,586	647,329
Depreciation			
1 January 2017	59,742	311,236	370,978
Charge for year	-	52,238	52,238
Disposals	-	-	-
31 December 2017	59,742	363,474	423,216
Net book value - 1 January 2017	1	181,353	181,354
Net book value - 31 December 2017	1	224,112	224,113

Capital Commitments

As at 31 December 2017 there were capital commitments of £nil (2016 -£nil).

Capital expenditure authorised but not committed amounts to £nil (2016 - £nil).

7. Investments

	The Co-operative Group	Other Co-operative Shares	Power to Change Equity Investments	Other Investments	Totals
Value brought forward	654,210	576,045	-	258,931	1,489,186
Additions	-	-	477,805	-	477,805
Disposals	(250,000)	-	-	-	(250,000)
Change in Market Value	-	-	-	30,294	30,294
Value carried forward	404,210	576,045	477,805	289,225	1,747,285
Interest Received	6,820	20,400	-	8,312	35,532
Fair value gains on investments	-	-	-	30,294	30,294
	6,820	20,400	-	38,606	65,826

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

The registered address for all the subsidiary companies is Holyoake House, Hanover Street, Manchester, M60 0AS

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

Power to Change Equity Investment

	2017 £	2016 £
Leeds Community Homes	100,000	-
Nenthead Chapel Enterprises Ltd	13,805	-
Friends of Stretford Public Hall	100,000	-
Bamford Community Society	10,000	-
Friends of the Earth Birmingham	100,000	-
Grimsby Community Energy	23,525	-
Future Wolverton Limited	50,000	-
Shotley Pier Heritage Group	62,015	-
Bythams Community Shop	18,460	-
	477,805	-

8. Debtors

	2017 £	2016 £
Trade debtors	305,619	150,480
Prepayments	34,247	23,983
Other debtors	50,136	37,521
Tsunami Appeal Fund	-	2,272
	390,002	214,256

Debtors are shown after making a provision for bad debts of £nil (2016 - £nil)

9. Taxation

	2017 £	2016 £
Analysis of tax charge/(credit) for the period		
<i>Current tax</i>		
UK Corporation tax at 19.25% (2016 - 20.00%)	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(402)	(444)
Adjustment in respect of previous periods	-	(3,443)
Effect of tax rate change on opening balance	-	(650)
Total deferred tax charge/(credit)	(402)	(4,537)
Tax on profit on ordinary activities	(402)	(4,537)
Provision for Deferred Tax		
Accelerated capital allowances	14,359	15,384
Short term timing differences	-	-
Tax losses carried forward	(11,029)	(6,286)
Unrealised capital gains on investments	6,884	1,518
Total deferred tax liability	10,214	10,616
<i>Movement in provision</i>		
Provision at start of period	10,616	15,153
Deferred tax credit to P&L for the period	(402)	(4,537)
Provision at end of period	10,214	10,616
Deferred tax (asset)/liability not recognised	-	-

There is a deferred tax liability of £10,214 consisting of a liability in respect of accelerated capital allowances of £14,359, an asset of £11,029 in respect of losses carried forward and a liability of £6,884 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 £10,214 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 £402 consisting of movement in timing differences of £402.

9. Taxation (continued)

	2017 £	2016 £
FRS 102 reconciliation of current tax (credit)/charge		
(Deficit)/surplus on ordinary activities before tax	480,233	22,498
Tax at 19.25%/20%	92,445	4,500
Expenses not deductible for tax purposes	433	61
UK dividend income not subject to tax	(1,600)	(2,686)
Income not subject to tax	(91,960)	-
Unrealised gains on investments	(5,832)	(4,183)
Depreciation in excess of capital allowances	1,161	(175)
Short term timing differences	-	-
Tax losses arising/(utilised) in the period	5,370	2,483
Current tax	-	-
Depreciation in excess of capital allowances for assets eligible for capital allowances	(1,161)	175
Short term timing differences	-	-
Tax losses arising/(utilised) in the period	(5,370)	(2,483)
Unrealised gains on investments	6,076	1,786
Adjustments to tax charge in respect of previous periods - deferred tax	-	(3,443)
Effects of change in tax rate on deferred tax	53	(572)
Total tax	(402)	(4,537)

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	84,462	14,359	-	14,359
Short term timing differences	-	-	-	-
Losses and other deductions	40,497	6,884	-	6,884
Unrealised capital gains on investments	(64,874)	(11,029)	-	(11,029)
	60,085	10,214	-	10,214
Opening provision at 17% liability/(asset)				
Fixed asset timing differences	90,495	15,384	-	15,384
Short term timing differences	-	-	-	-
Losses and other deductions	8,931	1,518	-	1,518
Unrealised capital gains on investments	(36,979)	(6,286)	-	(6,286)
	62,447	10,616	-	10,616
Movement - charge/(credit)				
Fixed asset timing differences	(6,033)	(1,025)	-	(1,025)
Short term timing differences	-	-	-	-
Losses and other deductions	31,566	5,366	-	5,366
Unrealised capital gains on investments	(27,895)	(4,743)	-	(4,743)
	(2,362)	(402)	-	(402)

10. Creditors

	2017 £	2016 £
Amounts falling due within one year		
Trade creditors	106,192	71,878
VAT	21,424	27,445
Income tax and social security	47,800	43,150
Accruals & deferred income	912,986	888,996
Wider Movement Grants	33,104	-
National Strategic Forum - UKCF	24,983	24,983
Tsunami Appeal Fund	-	2,272
	1,146,489	1,058,724
Amounts falling due after more than one year		
Deferred Tax	10,214	10,616

11. Funds

	2017 £	2016 £
Balance at 1 January 2017	9,353	9,353
Income	-	-
Interest	-	-
	9,353	9,353
<i>LESS:</i>		
Expenditure	9,353	-
	-	9,353
Balance at 31 December 2017	-	9,353

12. Share Capital

	2017 £	2016 £
Balance at 1 January 2017	182	196
Movements during year:		
Issued	32	34
Cancelled	(21)	(48)
	193	182
Balance at 31 December 2017	193	182

The share capital represents shares with a nominal value of 25p each.
Total number of members at the year end are 773 (2016 - 727)

13. Operating Lease Commitments

At 31 December 2017 Co-operatives UK Limited had total future commitments under non-cancellable operating leases in respect of plant & fixtures expiring as follows:

	2017 £	2016 £
in year one	1,129	1,129
in the second to fifth year inclusive	5,645	5,645
above five years	-	-

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 Board members are entitled to a fee of £ 1,575 p.a. (2016 - £1,550 p.a.). Radstock Co-operative Society Limited chose to waive their entitlement to a board fee. The Chair receives a sum of £ 2,650 p.a. (2016 - £2,600 p.a.). Board members, excluding the Group, are also reimbursed for expenses incurred on Co-operatives UK Limited business. The director nominated by Radstock Co-operative Society Limited chose not to claim expenses.

(b) Co-operative College Trust

Co-operatives UK Limited paid and received during the year a total of £ 54,026 and £ 97,606 respectively (2016 - £51,848 and £79,070) 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 £ nil respectively (2016 - £12,000 and £6,366). 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 list is of the directors of Co-operatives UK as at 31 December 2017.

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

Director	Nominating Organisation	Member	Delegate	Client	Supplier	Tenant	Investment
Paul Singh	Central England Co-operative Limited	Yes	Yes	Yes	-	-	-
Mark Simmonds	Co-op Culture	Yes	Yes	-	Yes	-	-
Dan Crowe	Co-operative Group Limited	Yes	Yes	Yes	Yes	-	Yes
Eileen Driver							
Rebecca Hamilton							
Mary McGuigan							
Chris Whitfield							
Mark Lyonette	Association of British Credit Unions	Yes	Yes	-	-	Yes	-
Ross Hodgson	Triangle Wholefoods Collective	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	-	-
Cheryl Barrott	The Co-op Party	Yes	Yes	-	-	-	-
Vivian Woodell	The Midcounties Co-operative	Yes	Yes	Yes	-	-	Yes
Britta Werner	Unicorn Grocery Limited	Yes	Yes	Yes	-	-	-

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.

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

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