Chair’s statement

It has been a great honour to be the Chair of Co-operatives UK. When you enter Holyoake House you see that famous plaque from 1911 that pledges us to be a "Federation of Co-operative Societies in the United Kingdom for the purposes of propagandist and defensive action".

The ghosts of the giants of the past can be somewhat daunting. Are we staying true to our principles? Are we carrying forward the vision they set us?

An illustrious past, however, is not of itself a reason to continue into the future. Every member organisation needs to demonstrate its current value to its members and be able to show its fitness to deliver value into the future. That is what we aim to display in this new look annual report.

It shows the member value we have generated and that we are renewing ourselves so that we can respond to an ever faster changing environment.

I will not pretend that we have not been stretched over the past year. The pressure of constantly trying to do more with less has been a challenge but one we recognise due to the economic conditions our members face every day.

I want to pay tribute to our staff who despite ever increasing demands have delivered the work so clearly expressed here. I would like also to thank the other members of the Board for the support and sage-like advice they have given me throughout the year.

Some great characters and long standing members of the team left the stage in 2015, but we are confident that we are putting in place a team to carry forward our mission.

Despite these challenges the range of activities and services we offer have grown during the year and it was particularly pleasing that we gained the Fair Tax Mark and secured a discounted accreditation rate for our members. Finally I would like to thank all of our members, without which none of this would be possible.

Nick Matthews
Chair
Co-operatives UK
Contents

How we are governed 4-5
Co-operatives Fortnight 6-7
Uniting co-operatives 8-9
Member services 10 -11
Our influence 12 -13
Delivering projects 14 -15
The co-operative economy 16 -17
Our Board 18 - 20
Performance indicators 21 -22
Financial statements 23 - 45

SPONSORS
SPORTS AND LEISURE £m 900
ENERGY AND ENVIRONMENT £m 260
CREATIVE INDUSTRIES £m 26
EDUCATION £m 600
Without our members we are nothing. 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 our standing orders and other procedures.

Co-operatives UK was incorporated in 1869 under the Industrial and Provident Societies Act — now known as the Co-operative and Community Benefit Societies Act 2014. We have more than 750 co-operatives in direct membership, from high street retailers to community-owned pubs, fan-owned football clubs to farming co-operatives. We also have federal members that represent key sectors including credit unions, community shops and housing co-operatives.

Membership categories reflect the 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.

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

We have a representative governance structure. Our Board of Directors is drawn from and appointed by the membership. Our current board structure was designed by our members to reflect representation from co-operative enterprises and the bodies that make up the co-operative movement.

We encourage all members to help shape our activities. As well as engaging in campaigns and events, we encourage members to direct our work in several different ways:

- Attend 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
- Nominate candidates and vote in Board elections
- Stand for election to the Co-operatives UK Board
- Participate in member groups and help shape areas of strategic priority. Co-operatives UK facilitates member groups covering key areas and sectors including finance, governance and worker co-operatives
- Complete our annual member survey
The Board is representative of the membership of Co-operatives UK and is drawn from the types of co-operative enterprise in membership. Our Rulebook provides for a schedule of matters reserved for the Board of Directors, which cannot be delegated.

The Board is collectively responsible for the success of Co-operatives UK and its role is to provide strategic direction to the Management Team which carries out the day to day management of the co-operative.

There are six board meetings a year along with a two-day strategy seminar. We have several board sub-committees. The Audit and Risk Committee meet three times a year, while the Remuneration, Appointments and Succession Committee meet twice a year.

The Governance Committee and Chair’s Committee meet as and when required. We have a three year cycle of nominations and appointments to sub-committees.

New directors take part in an induction which provides information on our priorities, policies and procedures. All directors are provided with a copy of our Rulebook, the Corporate Governance Handbook and provide confirmation that they agree to abide by our code of conduct.

The Chair and Vice Chair are appointed on an annual basis. Since 2014 our Directors have chosen to appoint two Vice Chairs.

“The co-operative values and principles are enshrined in our Rulebook, which provides the foundation for our governance practices and is supported by our standing orders and other procedures.”
Co-operatives Fortnight

The year 2015 was a momentous one for Co-operatives Fortnight. The Big Co-op Clean was born; the awareness campaign was backed by Scottish MPs; The Co-operative Advantage was launched in Westminster; and the Co-operative Economy report enjoyed mass media exposure.

Co-operatives Fortnight is a two-week period when businesses of all shapes and sizes across the UK come together to encourage people to choose co-operative. It is the perfect time to celebrate the strength and diversity of our sector. But we wanted to do something better, something bigger...

More than 100 of our members were involved in Co-operatives Fortnight activities – and with many organising multiple clean-ups, some 170 events were recorded.

Around 50 non-member events also took place, with circa 30,000 pieces of marketing material ordered. On social media Co-operatives Fortnight enjoyed its biggest exposure ever, with an 8.8 million potential reach recorded on Twitter alone.

“The Big Co-op Clean isn’t just about picking up litter, it’s about achieving more by working together.” Gemma Lacey, The Southern Co-operative

Voted for by campaign sponsors and a cross-section of our membership, the Big Co-op Clean was introduced as a single unifying action that anyone and everyone could take part in. From cleaning parks and beaches to cleaning out cupboards for food banks, it demonstrated the power of co-operative working.

The Co-operative Economy report was also launched during Co-operatives Fortnight. The annual publication, detailing the size of the co-op economy and emerging trends, proved to be another extremely powerful vehicle in terms of increasing our sector’s media exposure.

In numbers

Events

170

Twitter reach

8.8m

+30,000 marketing materials
When the Chief Executive of The Southern Co-operative spoke about a “once in a generation chance to move forward together” it said everything about the relevance of the subject matter. Mark Smith was the headline speaker at our first major event in 2015, the Co-operative Retail Conference, and he set the tone for the rest of the year.

Record numbers attended the Worker Co-op Weekend, while the Practitioners Forum – our flagship training event – was a sell-out for a third successive year. At Congress, the sector’s annual conference, lively and impassioned debates led to firm commitments in the areas of finance and sustainability to further the co-op cause.

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 2015 featured more than 50 Co-operatives UK events, attended by in excess of 1,000 people. Crucially, 91 per cent of attendees rated our events either good or excellent. It is a solid foundation to improve and build upon as we look to further strengthen our events and training offering to members.
Nine fantastic co-ops made the shortlist for the 2015 Co-operative of the Year. The Channel Islands Co-operative, East of England Co-operative, FC United of Manchester, The Foster Care Co-operative, Jamboree, The Midcounties Co-operative, Oikocredit UK, The Phone Co-op, and Unicorn Grocery all received the nod following a nomination process thrown open to co-op members for the first time.

In another notable first, an online vote was used to decide the Desjardins Financial Group-sponsored award. It prompted an incredible response with more than 27,000 votes recorded – an average of more than 900 for every day the vote was live.

Following a closely fought contest, The Midcounties Co-operative emerged victorious and was presented with the prestigious award at Co-operative Congress.

Ben Reid, Chief Executive of The Midcounties Co-operative, said: “As a member owned society, this award win is particularly important to us because it was voted for by our members.

“The fact that they took the time to go online and support us shows that they are really excited and engaged with the work we’re doing in their local community.”
Member services

We have helped co-operatives with their governance, membership and HR for more than 20 years. From simple rule changes to director training or arbitration, we are experts in the co-operative model and take a huge amount of pride in working with our members every day.

Our advice helped almost 300 co-operatives and mutual enterprises improve their governance in 2015. We also gave our service offer a significant boost by introducing a new HR package.

By providing quality HR advice and support, networking opportunities and additional service and product benefits through joint procurement, we inspire and enable co-operatives to deliver value to their staff, members and customers. More than 100,000 co-op employees already benefit from our new HR package.

Further work also took place behind the scenes. To ensure value for money and increased clarity we revamped our membership offer – introducing a standard membership flat annual fee with a price point of below £100. In addition, a bespoke package for agriculture co-operatives was developed to help ensure we have the tools and expertise to cater for this extremely important sector.

We also introduced the Contact Package, enabling our members to access the best co-op advice, in the most appropriate form, when it suits them.

“The Hive has the potential to be a game-changer for co-operative development and to be an engine for the growth of the co-operative sector, enabling co-operatively minded entrepreneurs to achieve their potential all over the country.”

Austen Cordasco, Co-operative Assistance Network

Partner agencies remain an integral component of the advice and services we offer. The new support programme for co-op and community businesses, The Hive, is a case in point. The support package was developed over the course of 2015 with multiple partners involved, including Co-operative Assistance Network (CAN), which provided a comprehensive range of valuable online tools and resources.
“Congress was great, Worker Co-ops Weekend was superb, legal team have been wonderfully helpful.”
Chris Nicholl, Delta-T Devices
The fundamental principles of the co-operative model as we know it were threatened in 2015. Draft guidance put out for consultation in October 2014 by the Financial Conduct Authority (FCA) posed significant risks – sparking a year of vocal lobbying, campaigning and detailed consultation.

Together with our members, we prompted the FCA’s major rethink over its treatment of co-operatives. The final guidance, published in November 2015, contained significant policy improvements across the board.

The FCA’s narrow definition that excluded retail societies and worker co-operatives was dropped and restrictive interest rate caps scrapped. Our combined efforts created positive change and as a sector we will continue to guard against damaging regulation.

The success highlights the impact a unified co-operative sector can have. Some 48 different co-ops participated in our policy work in 2015, with many feeding into numerous different areas. Their input helped secure a series of important policy wins.

Our intervention ensured that the Scottish Community Empowerment Act 2015 was amended to include community co-ops. This gives people the power to own and run local assets using the co-operative model.

Football fans were also left cheering after Scottish Parliament voted to extend the ‘right-to-buy’ to football supporters’ trusts.

A major political event took place in 2015 – and we raised the profile of co-operatives in the run up to the General Election as a leading Social Economy Alliance player.

We racked up no fewer than 1,565 contacts with parliamentary candidates and secured important manifesto commitments from every single major party.
Faced with continued fiscal constraint, local authorities need to innovate to ensure care needs are met – and a co-operative approach could form part of a locally focused and ethical solution.

To explore opportunities in this important sector we established the Co-op Care Forum. The forum brings together experts in care, public service reform and co-op development to identify, support and champion co-op approaches to care.
We delivered our most extensive range of programmes ever in 2015 – working on a series of new schemes alongside established initiatives equating to more than £2m of activity.

Our flagship Community Shares Unit (CSU) launched its new Standard Mark good practice scheme for community share offers. Over 25 offers received this new quality mark over the year, with the CSU working alongside a growing network of licensed practitioners to award the Standard Mark to community enterprises.

We launched our largest new programme – Community Economic Development – with Co-operatives UK heading up a partnership with NEF, CDFA, CDF and Locality. The programme features £1m of funding to support 50 communities across England in their bid to build a more prosperous future. Communities benefit through a suite of advice and technical support as well as £250,000 in direct grants to develop their local economic development plans.

We scoped and prepared The Hive programme for launch – a new nationwide, cross-sectoral business support programme from Co-operatives UK and The Co-operative Bank, designed for people wanting to start or grow co-operatively-run organisations.

Delivering projects
The Community Energy Awards in September proved extra special for many of our members after our hugely successful Peer Mentoring Programme scooped the Community Energy Innovation Award.

The scheme, funded by Esmee Fairbairn Foundation and the government-backed CSU, set a national benchmark in delivering world class support and training for new community energy groups.

The 30 mentored organisations saved upwards of £100,000 in cumulative training and consultancy fees and were helped to raise £1.4 million in share equity.

Petra Morris, Project Manager, said: “It’s amazing for the Peer Mentoring Programme to be recognised in this way. The competition was stiff for this award, so to come out on top is incredible.

“The award really goes to our fantastic peer mentors and mentees. Without our community energy experts we couldn’t have delivered such an incredible support programme.

“We also had 30 new and highly motivated community energy groups who were eager to learn from their mentors. The programme’s success highlights the strength and unity of this wonderful sector.”

### In numbers

- **Engaged with** 1000 groups
- **600 hours of support**
- **Share equity** £1.4m
Co-operatives offer a solution – and a compelling one. On the outside they might look like any other business but it is what goes on inside, because of the way they are owned, that makes the difference. Co-operatives give people control over things that matter to them and help them pull together.

The theme of shared ownership is one which runs through all our communications. It is a thread that is woven through the fabric of our new website – revamped and relaunched in 2015. It is an angle used to promote our annual co-operative economy report, with impressive results in terms of media exposure.

Co-operatives UK Secretary General, Ed Mayo, was interviewed on the BBC Breakfast sofa and we secured media coverage across all the national broadsheets, in addition to numerous trade publications and local/regional newspapers.

A selection of our members, from big retailers like East of England Co-operative to community energy organisation Torrs Hydro New Mills, also benefited after being used as case studies to bring the co-operative economy to life.

Headline figures of a £37 billion a year contribution to the UK economy helped generate media coverage of course. The year also marked the John Lewis Partnership’s rise to the very summit of biggest co-ops by turnover list.

In another notable first, we launched the report on an open data platform, so the full co-operative economy could be explored in numerous new and wonderful ways. And we delved into the success of three distinct sectors, with health and social care, agriculture and community energy identified as ‘star performers’.

Our economy report also emphasised the resilience of co-operatives. Only four in 10 new businesses in the UK survive their first five years. Co-operatives buck the trend, however, with eight out of 10 created in the five years up to 2015 still going strong.

Intrinsic to this business resilience is ownership. Sharing ownership boosts productivity. It also harnesses innovation and drives forward entrepreneurship.

**In numbers**

<table>
<thead>
<tr>
<th>Economic value</th>
<th>Advertising value equivalent estimated at £5.5 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>£37 BILLION</td>
<td>233 media stories</td>
</tr>
<tr>
<td>Total co-op members</td>
<td>14.9m</td>
</tr>
</tbody>
</table>
"Working here is meaningful, whether I'm sweeping the floor or taking part in business decisions. Does being a part owner make a difference? Of course it does."

Joe Haydn, part owner, Unicorn Grocery
Board of Directors as at

John Anderson  
**Member organisation:** Scottish Midland Co-operative Society  
**Attendance:** Board meetings - 5(6); Audit - 3(3)  
**Board fees received:** £1,550

Alex Bird  
**Member organisation:** Co-operatives and Mutuals Wales  
**Attendance:** Board meetings - 6(6)  
**Board fees received:** £1,550

John Chillcott  
**Member organisation:** Social Enterprise East of England  
**Attendance:** Board meetings - 4(6)  
**Board fees received:** £1,550

Peter Couchman  
**Member organisation:** Plunkett Foundation  
**Attendance:** Board meetings - 5(6); Remco 1(3)  
**Board fees received:** £1,550

Eileen Driver  
**Member organisation:** The Co-operative Group  
**Attendance:** Board meetings - 4(6); Remco - 2(3)  
**Board fees received:** N/A

Philip Hartwell  
**Member organisation:** East of England Co-operative  
**Attendance:** Board meetings - 6(6); Remco - 3(3)  
**Board fees received:** £1,550

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**Co-operation with co-operatives**

One of our core principles as a co-op is to explore opportunities to work with other co-operatives, both in the UK and aboard. We track the extent to which we do this, including trade with members. This trade includes commercial contracts with which members of our Board may have external involvement, including member subscriptions and also a small level of our sales (less than 0.05%). For transparency we will expand the level of detail on member trade – along with formal related party transactions – in future annual reports.
31 December 2015

Nick Matthews - Chair
Member organisation: Heart of England Co-operative Society
Attendance: Board meetings - 6(6); Audit - 2(2); Remco - 3(3)
Board fees received: £2,600

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

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

Hilary Sudbury
Member organisation: CDA (Brave)
Attendance: Board meetings - 5(6)
Board fees received: £1,550

Jenny de Villiers - Vice Chair
Member organisation: The Co-operative Group
Attendance: Board meetings - 6(6); Remco - 1(3)
Board fees received: N/A

Britta Werner - Vice Chair
Member organisation: Unicorn Grocery
Attendance: Board meetings - 5(6); Audit 2(3)
Board fees received: £1,550

Vivian Woodell
Member organisation: Midcounties Co-operative
Attendance: Board meetings - 5(6)
Board fees received: £1,550

Also on the Board in 2015
Bob Cannell (Suma), January to December 2015, Board meetings - 5(6), Board fees - £1,550

Robert Edgar (Grosmont Co-operative), January to June 2015, Board meetings - 3(3), Audit 1(1), Board fees - £775

David Pownall (The Co-operative Group), January to June 2015, Board meetings - 3(3), Board fees - N/A

Linda Ward (The Co-operative Group), January to June 2015, Board meetings - 3(3), Board fees - N/A

1 Paid to the member organisation
2 Paid by the member organisation
## External directorships

<table>
<thead>
<tr>
<th>Name</th>
<th>Directorships</th>
<th>Trusteeships/memberships</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Anderson</td>
<td>Directorships: Scottish Midland Co-operative Society Limited</td>
<td></td>
</tr>
<tr>
<td>Alex Bird</td>
<td>Directorships: Development Co-operative Ltd; Cardiff YMCA Housing Association Ltd; Co-operatives and Mutuals Wales</td>
<td>Trusteeships/memberships: Consultancy.coop LLP; UK Society for Co-operative Studies; Glas Cymru Cyfyngedig</td>
</tr>
<tr>
<td>John Chillcott</td>
<td>Directorships: The Co-operative College CIO; Anglia Home Furnishings; Social Enterprise East of England; Chillcott Consultancy Ltd</td>
<td></td>
</tr>
<tr>
<td>Peter Couchman</td>
<td>Trusteeships/memberships: Arkleton Trust</td>
<td></td>
</tr>
<tr>
<td>Eileen Driver</td>
<td>Trusteeships/memberships: The Co-operative Group’s National Member Council; The Co-operative Party</td>
<td></td>
</tr>
<tr>
<td>Nick Matthews</td>
<td>Directorships: Heart of England Co-operative Society Limited; Coventry Co-operative Society Pension Fund*; Co-operatives West Midlands; Birmingham Co-operative Housing Services; Sibford Quaker School; People’s Press Printing Society.</td>
<td>Trusteeships/memberships: Heart of England Co-operative Society Pension Fund; The Co-operative Party; UK Society of Co-operative Studies</td>
</tr>
<tr>
<td>Don Morris</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Paul Singh</td>
<td>Directorships: Central England Co-operative Limited; Fry Housing Trust</td>
<td></td>
</tr>
<tr>
<td>Hilary Sudbury</td>
<td>Directorships: South West Co-operative Support Limited; Paper Tiger Co-operative Limited</td>
<td></td>
</tr>
<tr>
<td>Jenny de Villiers</td>
<td>Trusteeships/memberships: The Co-operative Group’s National Member Council</td>
<td></td>
</tr>
<tr>
<td>Britta Werner</td>
<td>Trusteeships/memberships: The Co-operative College; The Co-operative Party</td>
<td></td>
</tr>
<tr>
<td>Vivian Woodell</td>
<td>Directorships: Avoco UK Limited; Co-operative Renewables Limited; Ecobilling Limited; Phone Co-op Numbering Limited; The Midcounties Co-operative Limited; Co-operative Energy Limited*; Co-operative Payroll Giving Limited*; Gloucester Co-operative Pharmacies 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*</td>
<td></td>
</tr>
</tbody>
</table>
We work with our members to facilitate reporting against a series of non-financial indicators. Alongside these co-operative indicators, our Board tracks progress against our three strategic objectives through a set of key performance indicators (KPIs). More detailed scrutiny of organisational performance is completed each month by our Management Team.

<table>
<thead>
<tr>
<th>Indicator theme</th>
<th>How measured</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative initiatives</td>
<td>Donations and funding to co-operative and community initiatives</td>
<td>£489,609</td>
<td>£319,103</td>
</tr>
<tr>
<td>Member economic</td>
<td>Purchases from co-operatives as a percentage of total purchases</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>Member democratic</td>
<td>Number of member organisations attending the annual general meeting (AGM)</td>
<td>55</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Percentage of eligible members voting in the election of directors</td>
<td>No elections</td>
<td>27%</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>Percentage satisfaction with our advice services</td>
<td>79%</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>Percentage of delegates rating our events as good or excellent</td>
<td>91%</td>
<td>94%</td>
</tr>
</tbody>
</table>

Delegates at the 2014 Practitioners Forum gave the event an 89% satisfaction rating.
Key performance indicators

<table>
<thead>
<tr>
<th>Indicator theme</th>
<th>2015 target</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member retention</td>
<td>100% retail society partner members; 88% all members retained</td>
<td>100% retail society partner members; 85% all members retained</td>
</tr>
<tr>
<td>Delegate satisfaction (good or excellent) at Co-operatives UK events</td>
<td>85%</td>
<td>91%</td>
</tr>
<tr>
<td>Satisfaction with governance services</td>
<td>75%</td>
<td>79%</td>
</tr>
<tr>
<td>Member recruitment from Top 100 UK co-operatives</td>
<td>Four new ‘top 100’ members in 2015 (building to 56 in total by 2017) 28 baseline, target 32</td>
<td>(2) 26 in membership</td>
</tr>
<tr>
<td>Development of a diversified income base in line with our strategic objectives</td>
<td>Income streams: subscriptions £1,392,000; chargeable services £70,000; projects £24,500; lettings £284,000</td>
<td>Income streams: subscriptions £1,434,409; chargeable services £91,000; projects £46,000; lettings £285,000</td>
</tr>
</tbody>
</table>

Our Board continues to monitor progress against KPIs not met in 2015, in particular our objective to bring more larger co-operatives into membership in order to enable their engagement in the movement, bolster our legitimacy and increase our subscription income.

The implementation of our 2015 – 2017 Strategic Plan initiated significant change across the organisation. In 2015 we successfully introduced a new brand, website, membership and subscriptions structure, package of advice services, business area (HR Services), marketing materials, internal systems, Open Data online explorer, case and project management software and funded work in partnership with members.

Despite significant levels of work, the new initiatives and systems were all achieved without disruption to our existing member services, key events or statutory requirements.

As an organisation we also delivered on our policy aims and commitments, recruited more new members than ever before (6.7% growth) and increased occupancy levels in Holyoake House.
2015 proved to be another challenging year. Overall income was up on the previous year by more than 30%. Expenditure rose by a similar percentage. This required a full review of our budgets and careful monitoring during the year.

The surplus before tax was £14,391, a creditable achievement when compared to the previous year’s deficit of £3,616, and considerably better than the deficit budget approved by the Board.

Income remained in line with expectations with lettings from Holyoake House holding up with the securing of tenants midway through 2015 for the third floor. A restructured events programme meant savings for both Co-operatives UK and its members through lower delegate fees.

Project income rose by £576,695 due to the Community Economic Development funding, continued funding for the Community Shares Unit programme and the merging of the Co-operative Employers Association.

The balance sheet remains stable with reserves of £849,669 (2014 - £844,113) and a healthy level of net liquid assets.

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 to companies 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 an ongoing 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 it 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 reasonable 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 operate as a bona fide co-operative, including its commitment to the International Co-operative Alliance (ICA) Statement on 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 to 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 2016
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 the Society. 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 Co-operatives UK’s members member 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 2015 were 29 days (2014 – 16 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 2015 was £1,413,827 (2014 - £965,884), of which £439,609 (2014 - £319,103) related to co-operative entities - 31% (2014 - 33%).

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. The audit was tendered in the second quarter of 2015 following which a proposal from the Board was forwarded for member approval at the AGM on 26 June 2015 and KPMG LLP was reappointed following a member vote.

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 £1.1m 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 23 to 45 are hereby signed on behalf of the Board pursuant to the Co-operative and Community Benefit Societies Act 2014.

Nick Matthews, Chair

Jenny de Villiers, Vice Chair

Britta Werner, Vice Chair

Helen Barber, Secretary

16 March 2016
We have audited the financial statements of Co-operatives UK (the ‘Society’) Limited for the year ended 31 December 2015 set out on pages 28 to 45. 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 five, 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 2015 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 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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 four to five 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 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.

Michael Frankish (Senior Statutory Auditor)
KPMG LLP Chartered Accountants
1 St. Peter’s Square
Manchester
M2 3AE

16 March 2016
Basis of accounts
The financial statements are prepared on the historical cost accounting basis for the year ended 31 December 2015, and in accordance with applicable accounting standards.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Society and its subsidiary undertakings made up to 31 December 2015. Under this method, the results of subsidiary undertakings acquired during the year are included in the consolidated income and expenditure account from the date of acquisition.

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 and effective immediately have been applied. The presentation currency of these financial statements is sterling. In the transition to FRS 102 from old UK GAAP, the Society has made no measurement and recognition adjustments.

Going Concern
The Board have 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 £1.1m 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.

Investments
Fixed asset investments are held in the form of shares on a long term basis with member and associated organisations of Co-operatives UK Limited. Current asset investments held are based on periods ranging from one week to one year. Investments in subsidiary undertakings are stated at cost. Investment income is accounted for on an accruals basis. Investment income is accounted for on an accruals basis.

Depreciation
Fixed assets are depreciated by equal annual instalments, based on cost, at the following minimum rates:
- Fixtures and Fittings - 10% to 20% per annum.
- Computer Equipment - 25% to 50% per annum.
  (included in Fixtures and Fittings, note six)
- Motor Vehicles - 25% per annum.

Leased Asset
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
The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.
Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

**Repairs**

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

**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 and 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.
Thousands of businesses, one network