

The Southern Co-operative Limited

Report and Financial Statements

52 week period ended 24 January 2015

REPORT AND FINANCIAL STATEMENTS 2015

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REPORT AND FINANCIAL STATEMENTS 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Chairman	M K Hastilow ^{1 2 4}
Vice-Chairman	T P Blair ^{1 2 3 4}
Vice-Chairman	N Blanchard ^{3 4}
	F A Hobson ²
	A Vincent-Prior ¹
	P Lympany
	D Knight ²
	K Emmence ⁵
	J B Harrington ^{5 3 4}
	D J Blowe ⁶
	G Heath ⁷

- 1 Remuneration and Appointments Committee
- 2 Chair's Committee
- 3 Audit Committee
- 4 Governance Committee
- 5 Elected as Director on 19th June 2014
- 6 Chairman until 19th June 2014
- 7 Director until 19th June 2014

INDEPENDENT MEMBER OF AUDIT COMMITTEE

P James (appointed 1st November 2014)

OFFICERS

M S Smith, FCCA MlOD	Chief Executive
S J Dominy, MBA ACIS	Society Secretary

REGISTERED OFFICE AND TRADING ADDRESS

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Telephone: (02392) 222500
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Website: www.thesouthernco-operative.co.uk

BANKERS

Barclays Bank Plc
Barclays House
Ocean Way
Ocean Village
Southampton
SO14 2ZP

INDEPENDENT AUDITOR

BDO LLP
Chartered Accountants and Statutory Auditor
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

STRATEGIC REPORT

The Southern Co-operative (Society) is a politically neutral and independent regional co-operative based in southern England. We operate 196 convenience/community food retail stores, 2 Starbuck coffee houses and 52 funeral homes and cover the following counties: Berkshire, Dorset, Hampshire, Isle of Wight, Somerset, Surrey, Sussex, Devon, Bristol, Wiltshire and Kent. In addition we operate a crematorium, natural burial ground, florist and a home shopping business supplying aids to daily living. The Society holds a portfolio of rental properties.

As a co-operative business we operate for the benefit of our members, with whom our profits are shared. The ability to fulfil our social responsibilities depends on commercial success and sustainability. The key financial aim is long term profitable growth. The Society's key financial performance indicators are represented by total sales growth; like-for-like retail sales growth; gross margin percentage growth; return on capital employed; surplus before tax and member and colleague share of the profits, as a percentage of surplus before distributions.

The Society's main trading activities are from retail and concession agreements, funeral services and property rental. No disclosure of trading surplus or net assets for each business segment is made as the Directors believe this would be detrimental to the business.

Total sales across The Southern Co-operative grew by £23.8m in the year to exceed £350m for the first time as 20 new locations were added. This 7.3% sales increase extended an unbroken period during which the turnover of our businesses has grown each year.

Very challenging conditions faced the grocery market as a whole during the year which saw unprecedented levels of competition. There were significant changes to the way people shop for food alongside the rapid rise of the discount chains and the advent of price deflation.

These changes put pressure on all mainstream operators in the grocery sector leading a number of retailers to report an impact on their performance. Our business has seen the impact of this and like-for-like food sales (being sales in stores open for more than a year) fell by 1.6% compared to the year before. There was a further impact during the year from a strategic investment programme that saw new end-to-end retail systems introduced across our food business. The scale of this programme, which was successfully implemented into 172 stores in the second half the year, inevitably led to some short-term impacts on sales performance, with some store operating costs also increasing as a result.

These were the major contributing factors to a reduction in the gross profit margin percentage of 0.7% in the year, when compared to the previous year.

There are a series of initiatives in hand to manage these impacts going forward with the intention of restoring the trend of increasing annual profits.

The trading conditions experienced by our core business have reinforced the need for our strategy to grow the scale of our various operations over time. To this end, in the year, total capital expenditure spent was £19.3m.

This significant commitment was fully funded from internal resources and existing banking facilities. Net cash balances at year end were positive at £7.5m (prior year £10.6m).

The benefits of such investment can be seen in the success of The Oaks Crematorium. Opened as our first directly managed facility at the end of 2013, the site achieved over 1000 cremations in its first full year of operation. This is well ahead of the first year site volumes normally expected in the industry.

These investments in new stores, replacement retail systems and in diversifying our funeral business is part of our long-term growth strategy. In setting these plans it is recognised that investment on this scale can have an adverse impact on the revenue account in the short term.

This effect can be seen in the year with a £3.2m increase in the annual depreciation accounting charge set against trading surplus. These increased charges have led to some erosion of the surplus before tax for the year (£2.4m) compared to the previous year (£11.8m) and is also reflected in the decline in the return on capital employed from 11.8% in the prior year to 6.6% this year.

STRATEGIC REPORT continued

In addition, the movement in year on year surplus also reflects the contribution made to the previous year's result of a one-off £3.2m gain related to the closure of the Society's defined benefit pension scheme to further accrual in 2013.

The Society's share of the profits distributed to its members and colleagues as a percentage of its surplus available for distributions has increased significantly year on year from 17% to 49%. This reflects the continued commitment to reward our members who transacted with us throughout the prior year, with a distribution of two pence in every pound spent, being approved at the AGM in June 2014.

On non-financial matters, our new integrated Sustainability Plan has been successfully launched across the business and is now in the process of being fully embedded into all aspects of our operation.

Similarly, good progress has been made on beginning to build our future management capability and on identifying those strategies that will be most important in developing our people to achieve the goals set out in the Sustainability Plan.

There is commitment to building all aspects of our internal capacity, whether that be adding new outlets, investing in people, systems, leadership or governance. This will put us in a strong position to continue to profitably grow our businesses into the future as we achieve ever greater scale.

With the work to build a genuinely sustainable business for the long term well underway. There are clear strategies which have delivered consistent success over recent years, but are alert to the scale of the changes taking place in our main market. The priority now is to ensure the immediate profit impacts of this are effectively managed whilst adapting our longer term strategy to fully reflect the new market conditions.

The main financial performance indicators measured in the period are shown below.

<p>Total Sales Growth</p> <p>2015: 7.3% 2014: 7.8%</p>	<p>Return on Capital Employed (exclusive of investment property)</p> <p>2015: 6.6% 2014: 11.8%</p>	<p>Member and Colleague Share of the Profits as a percentage of surplus before distributions</p>
<p>Like for Like Food Retail Sales Growth</p> <p>2015: -1.6% 2014: -0.3%</p>	<p>Return on Capital Employed (inclusive of investment property)</p> <p>2015: 6.2% 2014: 11.5%</p>	<p>2015:49% 2014: 17%</p>

A full business review is produced in the Annual Review and Summary Financial Statements booklet available on request from retail stores, the Society Secretary at our registered office or from our website www.thesouthernco-operative.co.uk.

By order of the Board

S J Dominy
Society Secretary

30 April 2015

STATEMENT OF CORPORATE GOVERNANCE

Board of Directors	Leadership Team	
Mr Michael Hastilow (Chairman)	Mr Mark Smith	Chief Executive
Mr Thomas Blair (Vice-Chairman)	Mrs Silena Dominy	Society Secretary
Mr Neil Blanchard (Vice-Chairman)	Mr Philip Ponsonby	Chief Operating Officer Food Retail & Services
Mrs Frances Hobson	Mr Stephen Pearce	Chief Operating Officer End of Life Services
Mrs Amber Vincent-Prior	Mr Paul Rodford	Finance Director
Mrs Pauline Lympany	Mrs Sarah Kavanagh	HR Director
Mrs Diane Knight	Miss Gemma Lacey	Director of Communications & Sustainability
Mrs Kelly Emmence		
Mr John Brian Harrington		
Sub Committees of the Board		
Audit Committee		
Mr Neil Blanchard (Chairman)		
Mr Thomas Blair		
Mr John Harrington		
Mr Paul James (Independent Member)		
Remuneration and Appointments Committee		
Mr Thomas Blair (Chairman)		
Mr Michael Hastilow		
Mrs Amber Vincent-Prior		
Governance Committee		
Mr Michael Hastilow (Chairman)		
Mr Neil Blanchard		
Mr Thomas Blair		
Mr John Harrington		
Chair's Committee		
Mr Michael Hastilow (Chairman)	Mrs Frances Hobson (alternate)	
Mr Thomas Blair	Chief Executive	
Mrs Diane Knight	Finance Director	

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

Guidance on achieving the highest possible standards of governance is contained in the Combined Code on Corporate Governance, issued by the Financial Reporting Council in 2010.

As a Co-operative Society, The Southern Co-operative is not required to adhere to the provisions of the revised Combined Code. However Co-operatives^{UK}, the apex body for co-operative enterprises in the UK, with the support of its Congress, issued a Code of Best Practice ('the 2005 Code') for consumer co-operatives to which it requests voluntary compliance. This Code is based on the principles contained in the Combined Code but is tailored to the particular governance characteristics found in consumer co-operative societies. A revision to the 2005 Code was published in November 2013 (the 2013 Code) and The Southern Co-operative is reporting against this revised Code for the year ending 24 January 2015.

The Board is committed to the principles set out in the Code and is compliant with the majority (99.4%) of the Code's recommended provisions. Listed on page 18 are the provisions where we are non-compliant.

Where the Board have specifically chosen not to comply with a recommendation of the Co-operatives^{UK} Corporate Governance Code of Best Practice, explanations have been given within the Statement of Compliance at the end of this Corporate Governance statement.

The summary that follows highlights the main features of the corporate governance arrangements in The Southern Co-operative that the Directors believe are most appropriate for the organisation at this time.

STATEMENT OF CORPORATE GOVERNANCE (continued)

OUR MEMBERS

Co-operatives are member-owned democratic organisations and the Board has sought to encourage members to play their part in the governance of the business and improve membership participation. The Board, as a whole, considers membership issues on a regular and frequent basis and monitors The Southern Co-operative's performance in this area. A number of membership key performance indicators are measured, with improvements to these sought annually. These are set out throughout this section in grey boxes.

As at the year end there were 150,715 members. A continual process is adopted to ensure that the membership register remains as accurate as possible and to apply The Southern Co-operative's Rules in relation to forfeiture of membership. During the year 15,324 accounts were closed upon request or forfeited in accordance with the Rules. 19,480 new members joined The Southern Co-operative during 2014. There was therefore a membership churn of 127% (159% in 2013).

The Board's aim is for membership to be comprised of customers and colleagues who are active through their trade and employment with The Southern Co-operative (TSC). They therefore monitor the activity of members. Members transacting with TSC during 2013 received a Share of the Profits in 2014 based on their spend at a rate of 2p per £1 of eligible purchases (2013: 2p per £1 of eligible purchase)

The percentage of our members actively transacting with us

2015: 82.8% 2014: 83.5%

The amount of our trade with members as a percentage of our total turnover

2015: 19.2% 2014: 21.2%

The Board welcomes contested elections and encourages member participation in the electoral process. It is recognised that the involvement of a participatory membership is central to our co-operative identity and the Board is keen to attract potential future Directors. Members interested in the Director role were invited to indicate this in the members' survey which accompanies their Share of the Profit mailing or by contacting Members' Support. Members who are eligible to stand in elections for the Board of Directors are invited to receive further detail through an information session ahead of our Board elections.

Elections to determine who will serve on the Board are held ahead of the Annual General Meeting (AGM) each year. In order to ensure a fair and transparent election process, which is free from fraud and undue influence, the Board have arranged for Electoral Reform Services to administer the ballot process and vote counting. All members who have been in membership for at least six months are entitled to vote in Board elections. In order to make voting accessible to all members, a postal and electronic voting system is used with ballot papers despatched to those members who have opted to receive them. Members who have not opted to automatically receive a ballot paper may, alternatively, vote in person at the registered office of The Southern Co-operative on a specified election polling day.

In 2014 six nominations were received for three vacancies on the Board. An election was held during which 47,028 ballot papers were despatched to members. 5,983 members returned their ballot paper. The Board seek to encourage an increasing number of members to participate in elections and therefore monitor the democratic participation of members. The decrease in participation seen in 2014 is considered to be attributable to the negative press coverage relating to The Co-operative Group during the year. Whilst The Southern Co-operative is a completely independent Co-operative Society, with a less complex governance structure and its own independent Board of Directors, this has not been clear to all of our customers and members and an element of apathy was seen in the election.

The percentage of our members voting in Board elections

2015: 4.0% 2014: 5.8%

Return rate in Board elections

2015: 12.7% 2014: 19.8%

Further information relating to the election process can be found in The Southern Co-operative's Annual Review and on our website www.thesouthernco-operative.co.uk.

STATEMENT OF CORPORATE GOVERNANCE (continued)

OUR MEMBERS (continued)

Election results are announced at the AGM and published on our website. The AGM is publicised to members in all retail branches and on our website in the lead up to the event. Consideration is given as to the location and timing of the AGM and Members' Convention in order to encourage maximum participation. In addition to the formal business of the AGM, members are given the opportunity to meet Directors and the Leadership Team informally at the Members' Convention and have the opportunity to voice an opinion and be consulted, as well as make suggestions to improve our activities. An exhibition of the business areas and engagement work undertaken by The Southern Co-operative enables members to learn more about their co-operative. The Directors are keen to encourage more members to attend this event each year; they therefore monitor attendance levels.

Number of voting members and percentage of our voting members attending the AGM

2015: 388 (0.26%) 2014: 309 (0.21%)

At our AGM in June 2014 the members voted on a number of issues, with the votes being cast as below:

	Voted For	Voted Against	Abstentions /Nil Votes
Directors' Report and Financial Statements and Advisory Vote on Remuneration Report	86.34%	1.8%	11.86%
Share of the Profit Distribution for Customer Members	89.95%	3.35%	6.7%
Share of the Profit Distribution for Colleague Members	85.82%	4.9%	9.28%
Community Distribution	87.37%	3.35%	9.28%
Appointment of BDO as External Auditor	76.29%	4.64%	19.07%
Rule Amendments	81.96%	4.12%	13.92%
Registration of Rule Amendments as Complete Set	80.15%	3.35%	16.50%

The Board is keen to encourage members to have a say in the way The Southern Co-operative is run, to help our communities and to enjoy member benefits. Opportunities, in addition to our AGM and Members' Convention, were made available for members to interact with us during the first half of 2014. Members attended local Co-operative Community Group meetings in the Spring where they received information about our activities and could influence our community activities. A decision was taken to cease operation of the Community Group meetings during the second half of the year as their reach extended to less than 0.2% of our membership. Members will be invited to participate in a survey in 2015 to inform how they would like to engage with the Society in the future and the results of this survey will help the Board to shape the membership strategy.

There is also the opportunity for members to participate in organised social events and visits where they can learn more about the activities of The Southern Co-operative and its suppliers and partners. Regular updates are provided for our members on our website and via publications. The number of hours of undertaken by members at such events is set out below:

Number of members attending events and average hours of educational events per member attending

2015: 1,040 members 2014: 1,062 members
6.42 hours each 8.25 hours each

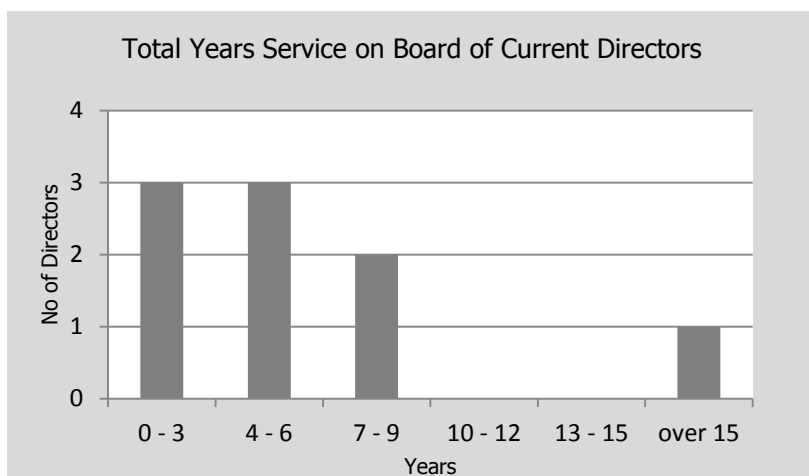
THE BOARD

The Board of Directors consists of up to nine members who are directly elected from, and by, the membership on a 'one member one vote' basis under The Southern Co-operative's democratic structure. All Directors are non-executives and serve terms of 3 years, with one third of the Board retiring by rotation each year. The members have determined that no Director may serve on the Board for more than 9 consecutive years from June 2011. Those elected prior to 2011 may have served longer.

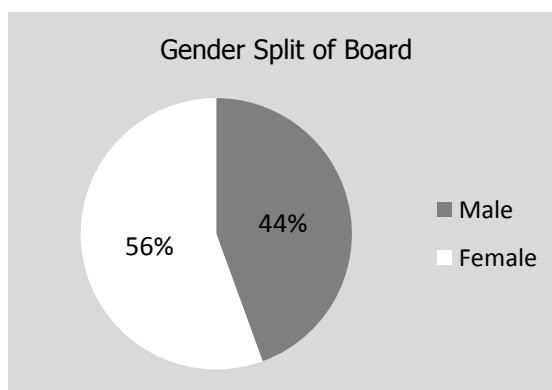
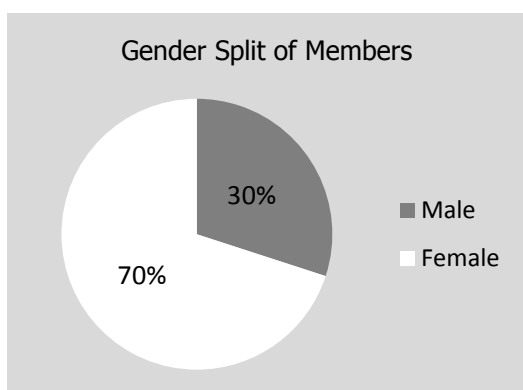
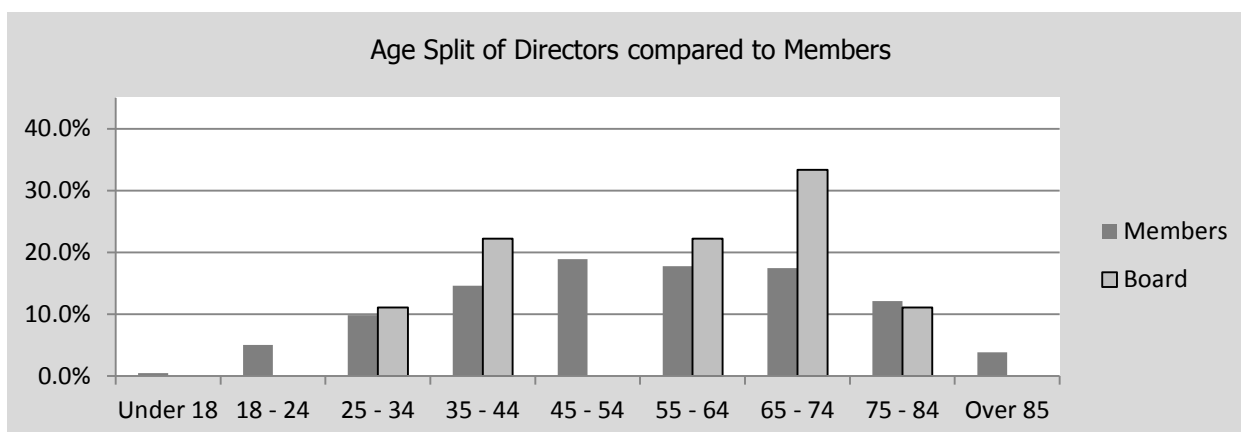
STATEMENT OF CORPORATE GOVERNANCE (continued)

THE BOARD (continued)

The chart below shows the length of total uninterrupted service on the Board for our current Directors since their initial election.



The demographics of the current Board and our membership generally are shown below:



The Board appoints, or re-appoints, a chairperson from one of their number, and thereafter appoints vice-chairs. In accordance with the Corporate Governance Code of Best Practice, the chairperson of the Board is not an employee or recently retired former employee. The current Chairman was appointed in 2014 and, subject to his re-election by the Members, will hold this position for 3 years. The maximum time recommended by the Code for the role is 6 years.

STATEMENT OF CORPORATE GOVERNANCE (continued)

THE BOARD (continued)

The Remuneration and Appointments Committee makes informed recommendations in relation to other Board appointments and Directors complete questionnaires indicating their experience, qualifications and desire to take on such roles to assist the committee with this work.

At the period end, the Board consisted of six Directors who are considered to be independent and three Directors who are also employees of The Southern Co-operative.

On appointment, Directors receive a formal letter of appointment and an induction designed to develop their knowledge and understanding of The Southern Co-operative and their role as a Director. Directors receive details of their duties, matters reserved for their decision, information on the Board and its committees and details of the powers delegated to those committees. They also receive details of The Southern Co-operative's corporate governance practices and operational policies and the latest financial information and meet the business heads to understand the different trading activities of The Southern Co-operative.

All Directors are required to sign acceptance of, and comply with, a Directors' Code of Conduct that has been endorsed by the Board. The Code of Conduct utilised has been based on the model produced by Co-operatives^{UK} but has been adapted to suit The Southern Co-operative's needs. Amongst other areas, the Code of Conduct sets out the requirements of Directors in relation to confidentiality, conflicts of interest and behaviour. A Register of Directors' Interests is maintained and regularly updated. In addition, should a conflict of interest arise for a Director this is declared, where appropriate, during Board business and necessary safeguards are put in place.

The Southern Co-operative provides facilities for all Directors to participate in training and development programmes in order to update their knowledge and capabilities and assist them in fulfilling their roles. A number of our Directors already hold professional qualifications and others are currently working towards achieving the Advanced Diploma in Co-operation and Mutual Directorship. The Remuneration and Appointments Committee is responsible for determining methods to review the skills and knowledge of Directors and for proposing training requirements over and above these arrangements.

Each Director has been allocated an area of business interest within The Southern Co-operative and meets three times a year with relevant management to receive updates and a greater level of information and training on their allocated area. The allocation of business areas is reviewed triennially to allow Directors to retain their area of business interest throughout each 3 year strategic plan cycle. The Board, as a whole, retains the responsibility for ensuring that long-term objectives are established, policies are approved to achieve these objectives and that The Southern Co-operative's performance is questioned and monitored effectively across each business area. The operation of the various business areas remains the responsibility of the Leadership Team, however this process enables the Directors' understanding of The Southern Co-operative's business to be further developed to help them carry out their strategic responsibilities.

The Board is responsible for ensuring that business is conducted in the best interests of The Southern Co-operative and its' members and in accordance with co-operative values and principles. In particular, the Board determines the vision and strategies of The Southern Co-operative and ensures that policies and organisational structures are in place to deliver the long term objectives. The Board also ensure that The Southern Co-operative's actions comply with The Southern Co-operative's Rules, relevant laws and regulations. The Board has responsibility for overseeing the work of The Southern Co-operative's Leadership Team in the implementation of strategy and the monitoring of performance against objectives. Members of the Leadership Team make regular presentations to the Board at key stages throughout the year, in order that progress against strategic plans can be monitored and to increase the Directors' understanding of the business, the markets in which TSC operates and the regulatory environment. There is a written list of matters and decisions that may only be approved by the Board which is regularly reviewed.

STATEMENT OF CORPORATE GOVERNANCE (continued)

THE BOARD (continued)

The Board of The Southern Co-operative has a desire to continually improve. During the latter part of 2014, the Board asked KPMG LLP to facilitate a Board Review in which the Board reviewed its structure and operation. This aimed to identify any areas which might be improved upon and, more specifically, to commence a Governance Roadmap Project. This will seek to determine how the Board should be structured in the future to meet the needs of the business as it grows in scale and complexity. The review included the completion of questionnaires and interviews with Directors. It is planned that a review of this nature, facilitated by an external governance expert, will be undertaken every 3 years in the future. In the intervening years the Board of Directors will undertake their own performance appraisal, based on the use of a questionnaire and interviews with the Chairman.

Through the Governance Roadmap project the Board has strengthened its Audit Committee. It has also recently made improvements to its risk management processes, with the implementation of a new toolkit which will be used by both the Leadership Team and Board of Directors to enhance the previous process of assessing and managing risk. The new process will ensure that a wider view of risk is undertaken and regular reviews of both risks, and actions to mitigate the risks, have been embedded into the agendas of both the Leadership Operational Board and the Board of Directors. The Audit Committee will also evaluate whether material risks are being managed effectively.

This Governance Roadmap project will continue throughout 2015 and will consider further areas of governance including strategy, Board composition, Board committee structures and stakeholder engagement.

The Board meet approximately monthly, with additional sub-committee meetings held on a regular scheduled basis. The Board has established four sub-committees; an Audit Committee, a Remuneration and Appointments Committee, a Governance Committee and a Chair's Committee, to consider specific issues and to ensure proper scrutiny and accountability of The Southern Co-operative's activities. Details of these committees are given below. The Board determines the powers delegated to its sub-committees and receives regular reports from them and its active subsidiary companies. During the year the Chairman has encouraged a number of Directors to take a chairing role of sub-committees in order to develop further the skills of such Directors and to ensure a balanced approach is delivered through the sub-committees. At least two Directors, including the Chairman, where appropriate, sit on each of The Southern Co-operative's active subsidiary companies.

Detailed Board and committee papers are distributed in advance of the meetings to provide the opportunity for Directors to fully prepare for meetings. The Minutes of all Board meetings are circulated to all Directors.

Where Directors require clarification and advice outside of the expertise of management there is an agreed procedure by which they may take independent professional advice at The Southern Co-operative's expense in furtherance of their duties.

The Southern Co-operative's Directors have attended the following Board and committee meetings during the period:

	Main Board	Audit Committee	Remuneration & Appointments Committee	Governance Committee ¹	Chair's Committee
Mr Michael Hastilow	12 (12)	1 (1)	4 (4)		5 (5)
Mr Thomas Blair	10 (12)	3 (3)	4 (4)		4 (5)
Mr Neil Blanchard	12 (12)	3 (3)			
Mrs Frances Hobson	11 (12)				3 (3)
Mrs Amber Vincent-Prior	12 (12)		2 (2)		
Mrs Pauline Lympany	12 (12)				
Mrs Diane Knight	12 (12)				2 (2)
Mrs Kelly Emmence	8 (8)				
Mr John Harrington	8 (8)	2 (2)			
Mr Paul James		1 (1)			

¹ The Governance Committee first met in 2015

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

STATEMENT OF CORPORATE GOVERNANCE (continued)

THE BOARD (continued)

The Audit Committee plays a critical role in providing oversight and serving as a check and balance on the Society's financial reporting system. The Committee provides independent review and oversight of the Society's financial reporting processes, internal controls and independent auditors. It provides a forum, separate from management, in which auditors can candidly discuss concerns.

The Committee currently comprises four Directors including two with recent and relevant financial experience. The chair of the committee is Mr Neil Blanchard. In accordance with the Corporate Governance Code of Best Practice, the Chairman of The Southern Co-operative, the Chief Executive, employee Directors and recently retired and superannuated employee Directors do not sit on this committee. Through the Governance Roadmap project, the Board of Directors have already taken action to enhance the strength of their Audit Committee by co-opting an Independent Member to the Committee. The Independent Member brings to the Committee his experience gained during 8 years with the audit firm Ernst & Young and a further 16 years' senior experience in retail commercial management and finance in companies including British American Tobacco, Inchcape and Dixons Carphone. The Audit Committee is already seeing the benefit of this experience in adding an extra dimension to the constructive challenge of the Leadership Team who manage the business.

Under its terms of reference, the committee:

- Monitors the integrity of the financial statements for The Southern Co-operative and its subsidiaries, together with any significant financial reporting judgements contained within the statements;
- Reviews the consistency of, and any changes to, accounting policies and methods on a year-on-year basis, within The Southern Co-operative and its subsidiaries;
- Reviews the effectiveness of The Southern Co-operative's internal controls and risk management systems;
- Monitors and reviews the effectiveness of the internal audit function outsourced to KPMG LLP, in the context of The Southern Co-operative's overall risk management system. It is also responsible for approving their remit, their appointment and removal and management's responsiveness to the findings and recommendations of the internal auditor;
- Reviews The Southern Co-operative's whistle blowing procedures, ensuring that appropriate arrangements are in place for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- Monitors the effectiveness of the external audit process and makes recommendations to the Board in relation to the appointment, reappointment and remuneration of the external auditor; and
- Ensures that an appropriate relationship between The Southern Co-operative and the external auditors is maintained, including reviewing non-audit services and fees and agreement of the External Audit Policy. The latter seeks to ensure the independence of the external auditor is not compromised and sets out the basis on which the external auditor can carry out tax advisory work and other non-audit work, as well as covering the responsibilities of the parties.

During the period, the Audit Committee completed its responsibilities by considering the above issues during the three meetings held. The committee met both their external auditor and internal auditor at two of the meetings. Both the external and internal auditors have direct access to the Chairman of the Board and the Chair of the Audit Committee at all times and the committee meets with The Southern Co-operative's auditors at least once each year with no members of management being present.

At the AGM in June 2014, the Members of The Southern Co-operative resolved to appoint a new external auditor, BDO LLP, following a formal tender process conducted by the Audit Committee, in line with the External Audit Policy. The previous external auditor, Deloitte LLP, formally handed over to BDO LLP during the year. The Audit Committee also appointed a new internal audit provider during the year and KPMG LLP are now working with the Board of Directors and Leadership Team to carry out a number of reviews aligned to the risks identified for the business.

STATEMENT OF CORPORATE GOVERNANCE (continued)

THE BOARD (continued)

The Chair of the Audit Committee provides a report to the Board after each of its meetings and minutes of the committee's meetings are circulated to all Directors. All Directors also receive the external auditor's Audit Report and consider fully the Risk Register for The Southern Co-operative.

All new appointees to the committee receive an induction in order to prepare them for their role.

The Remuneration and Appointments Committee ensures that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of the Leadership Team. It determines policies for remuneration and terms and conditions for the employment of the Chief Executive and the Society Secretary. Succession planning and Board appointments are also considered by the Committee.

This Committee currently comprises three Directors and is chaired by Mr Michael Hastilow, the Chairman of The Southern Co-operative. No employee or recently retired superannuated employee is permitted to serve on the committee. The committee met four times during the year. The Chair of the Remuneration and Appointments Committee provides a report to the Board after each of its meetings and minutes of the committee's meetings are circulated to all Directors.

The committee's Remuneration Report can be found on pages 20-23.

The Board has determined not to establish a Search Committee, but instead has incorporated the scope of operation of such a committee into the terms of reference of the Remuneration and Appointments Committee.

The Governance Committee takes a leadership role in developing corporate governance principles, policies, standards, and practices that optimally support the Society's strategic priorities and ensures appropriate direction of the Society. The Committee is the steering group for the Governance Roadmap Project which considers the future governance needs of the business and how to transition to such arrangements.

This Committee was formed late in 2014 and held its first meeting in March 2015. The Committee currently comprises four Directors, one of whom holds a Masters in Business Administration (Corporate Governance). The Committee is chaired by Mr Michael Hastilow, the Chairman of The Southern Co-operative who reports back to the Board after each meeting and minutes of the Committee's meetings are circulated to all Directors.

The Chair's Committee considers matters of a very urgent nature in between Board meetings to ensure that the Board can react quickly to issues and opportunities as they arise. The committee met five times during the year.

The Chair of the committee provides a report to the Board after each of its meetings and minutes of the committee's meetings are circulated to all Directors, together with any papers considered by the committee in order that all Directors are fully informed and may endorse the decisions of the committee.

STATEMENT OF CORPORATE GOVERNANCE (continued)

THE CHAIRMAN

The Rules of The Southern Co-operative clearly set out the separate responsibilities of the Board, the Chief Executive and the Society Secretary.

The Chairman, like all the Directors of The Southern Co-operative, is a non-executive Director. He leads the Board in determination of its strategy and in the achievement of its long term objectives. The Chairman is responsible for organising the business of the Board, and ensuring its effectiveness. The Chairman has no involvement in the operational management of the business.

THE CHIEF EXECUTIVE

The Chief Executive is responsible for conducting the day-to-day business of The Southern Co-operative and is accountable to the Board for the performance of the business and for compliance with The Southern Co-operative's Rules and applicable legal and other regulations.

THE SOCIETY SECRETARY

The Directors have access to the advice and services of the Society Secretary who has responsibility for advising the Board on governance matters. The Southern Co-operative's Rules provide that the appointment and removal of the Society Secretary is a matter for the full Board. The Rules of The Southern Co-operative provide that the roles of Chief Executive and the Society Secretary may not be held concurrently by the same individual.

STATEMENT OF CORPORATE GOVERNANCE (continued)

INTERNAL CONTROL

The Southern Co-operative has had arrangements in place that are consistent with the principles outlined in “Internal Control Guidance for Directors on the Combined Code” (The Turnbull Guidance) for the period under review, and up to the date the Annual Report and Financial Statements were approved. Further specific guidance for co-operative businesses is given in advice provided by Co-operatives^{UK}.

CONTROL FRAMEWORK

In accordance with the Corporate Governance Code of Best Practice published by Co-operatives^{UK}, the Board has conducted a review of The Southern Co-operative’s system of internal controls. The review covered financial, operational and compliance controls and risk management processes.

The Southern Co-operative’s framework of internal controls consists of the following elements:-

- an organisational structure with clearly defined lines of responsibility, delegations of authority and reporting requirements;
- policies for expenditure, with set authorisation levels resulting in larger capital projects, acquisitions and disposals requiring Board approval;
- a comprehensive system of financial reporting where actual results together with budget and forecast comparisons are reported regularly to the Board throughout the period;
- Board review and approval of the annual budget and strategic plans;
- a code of business conduct covering relations with members, customers, employees, the community, the environment, suppliers, and competitors; and
- an Audit Committee that oversees The Southern Co-operative’s system of internal control and the internal audit function.

CONTROL PROCEDURES

The Southern Co-operative 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, review by management, internal audit and external audit. However, the system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

MONITORING

The Audit Committee receives and reviews the annual internal and external audit work plans. A summary of significant matters raised by internal audit is considered by the committee at each meeting. The committee also reviews the annual external audit management letter and the response of the Leadership Team to the auditors’ report.

Having completed its work for the period under review, the Audit Committee considers that there have been no errors or control weaknesses that have resulted in any material losses or contingencies that require disclosure. The Board receives copies of all Audit Committee minutes, the external audit report and the external audit management letter.

STATEMENT OF CORPORATE GOVERNANCE (continued)

RISK MANAGEMENT

Managing our Risks

The Southern Co-operative recognises that risk is an integral and unavoidable aspect of our business. Risk arises in many forms and can have positive or negative impacts on The Southern Co-operative's ability to achieve its stated objectives.

The identification and management of risk reduces the uncertainty associated with the execution of The Southern Co-operative's business strategies and allows the company to maximise opportunities that may arise.

The Southern Co-operative is committed to managing risks in a proactive and effective manner to provide assurance to the Board of Directors and stakeholders. It aims to operate effectively and efficiently while meeting the required standards of accountability, compliance and transparency.

To facilitate this commitment, the following principles underpin the risk management objectives:

- Alignment of risk management processes with The Southern Co-operative's core and main support activities, including strategic and business planning, decision making, performance management and policy governance.
- Ensuring that risk information is communicated through a clear and robust reporting structure.
- Ensuring that in managing risks, the company fully complies with all relevant legislation, standards and regulations.
- Improving performance through anticipating and responding to risks across all areas of The Southern Co-operative.

The Board has overall responsibility for the oversight of material risks in The Southern Co-operative's business. Through the Board and its committees, the Board is responsible for risk management by ensuring that an appropriate risk management policy and framework is effectively implemented by management.

During 2014 the Audit Committee asked KPMG to carry out a review of The Southern Co-operative's Enterprise Risk Management. This review identified some improvements which could be made to current processes which the Board of Directors and Leadership Team have recently put in place.

The Board give directions to ensure that appropriate risk management procedures are in place through the business planning process and operational policies. On an annual basis, the Board will identify the risk priorities derived from the business/strategy plan as set out in the Risk Register, with the input of the Leadership Team. The Board will determine its risk appetite in order that the Leadership Team can plan its management of the identified risks accordingly.

The Board's Audit Committee assists the Board by having oversight of financial reporting risks and in reviewing the adequacy and effectiveness of the internal control and compliance systems. It has oversight of the risk management policy, framework and profile and reviews effectiveness of the risk management system, including the identification and management of significant risks. They will report on material matters, findings and recommendations pertaining to risk management.

The Chief Executive and his Leadership Team are accountable for ensuring that a risk management system is established, implemented and maintained in accordance with the Board's Risk Management Policy. They are therefore responsible for the effective design and implementation of detailed risk management strategies and processes to facilitate the achievement of business plans and goals. They have responsibility for ensuring legal and regulatory compliance and to ensure that appropriate management and accountability responsibilities are assigned throughout the business. The Leadership Team are responsible for the ongoing maintenance and regular reporting on the risk register and for the implementation of the agreed mitigation strategies and actions.

STATEMENT OF CORPORATE GOVERNANCE (continued)

RISK MANAGEMENT (continued)

Managing our Risks (continued)

The most significant risks faced by The Southern Co-operative and its subsidiaries (TSC) and related mitigation actions are set out below:

Risk		Mitigation
Competitive pressure	The market in which TSC operates is increasingly competitive, from both our competitors opening new stores/funeral homes in our operating area and the requirement to keep prices competitive with our rivals.	This is closely monitored and is managed by the introduction of new stores, new funeral locations and innovative products. Prices are closely monitored and reviewed and adapted to reflect changing customer demands and expectations. Product ranges are constantly reviewed and adapted.
Economic market conditions	TSC could be adversely affected by the general UK economic conditions.	TSC has invested in the development and implementation of new strategic IT systems and associated new ways of working. Risks associated with this work have been managed by formal 'PRINCE 2' project governance, full internal auditing and the matching of the system requirements to TSC's strategic plan.
Brand and reputation	TSC's reputation could be damaged by a significant adverse event or? perception which could lead to loss of trust and confidence amongst consumers. This could lead to financial loss.	TSC continually monitors its corporate reputation and brand standards. TSC remains committed to its Sustainability Strategy and involvement in the local community in which we operate. Whilst having adopted the national co-operative brand, TSC is an independent co-operative operating in Southern England with its own governance structure. During the year robust arrangements have been put into place in relation to the federal services acquired from The Co-operative Group.
Business disruption	TSC could be exposed to any significant incident, including information loss, which could adversely affect business operations.	TSC has a robust disaster recovery and business continuity plans that have been developed and tested.
Financial capacity	TSC must be able to generate and maintain sufficient funds to meet business needs.	TSC prepares and reviews on a regular, rolling basis short, medium and long term cash flow forecasts. This includes reviewing bank covenants. Funding requirements are identified and financing options are reviewed by the Directors.
Credit risk	TSC must ensure that a counterparty does not fail to discharge their obligations to TSC.	TSC carries out regular periodic reviews of debtor and loan balances to identify overdue balances. TSC uses debt recovery services. TSC adopts a prudent view for any bad or doubtful debts which are provided for.

STATEMENT OF CORPORATE GOVERNANCE (continued)

PREVENTION OF BRIBERY

The Southern Co-operative values its reputation for high legal, ethical and moral behaviour. It recognises that in addition to being a criminal act, any involvement in bribery is also unethical and dishonest and will reflect adversely on our image and reputation. The Southern Co-operative and its subsidiaries aim therefore to limit their exposure to bribery by:

- adopting a zero tolerance stance to bribery;
- setting out a clear anti-bribery policy and a clear policy setting out when gifts and hospitality may be given or received, and the basis on which charitable donations may be made.
- risk assessing each business in terms of the risk of bribery therein and establishing proportional measures to address identified areas of risk, which may include:
 - training colleagues so that they can recognise and avoid the use of bribery by themselves and others;
 - requiring our suppliers and third parties, acting on our behalf, to adopt similar anti-bribery policies and to comply with appropriate anti-bribery laws;
 - encouraging our colleagues to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately;
 - rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resultant prosecution;
 - taking firm and vigorous action against any individual(s) involved in bribery. Non-compliance by colleagues will amount to gross misconduct leading to disciplinary action up to and including dismissal. We will end our relationship with any suppliers or third parties acting on our behalf found to be involved in bribery.

There have been no instances of bribery during the year.

STATEMENT OF CORPORATE GOVERNANCE (continued)

STATEMENT OF GOING CONCERN

The business activities of The Southern Co-operative Limited and its subsidiaries (TSC), together with factors likely to affect its future development, performance and position are set out within the Directors' Summary. This is contained within the Annual Review and Summary Financial Statements booklet, available on request from stores or from our website www.thesouthernco-operative.co.uk. The financial position of TSC, its cash flows and liquidity position are described in the Chief Executive's review within the Annual Review and Summary Financial Statements booklet.

TSC obtains its financial strength from a broad range of customers and suppliers across different geographic areas. TSC has a solid balance sheet position and significant cash balances. As a consequence, the Directors believe that TSC is well placed to manage its business risks successfully, despite the current uncertain economic outlook. TSC will continue with its plan to increase the number of retail stores and funeral homes. To achieve this growth the Directors will continue to review financial options for obtaining external debt to assist with the expansion. The external debt will be utilised along with internally generated funds to enable TSC to achieve its planned growth.

The Directors have a reasonable expectation that TSC has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

CREDITOR PAYMENT POLICY

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

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

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

Trade creditor days of the Group for the 52 weeks ended 24th January 2015 were 27.1 days (26.4 days for the 52 week period ended 25th January 2014), based on the ratio of trade creditors at the end of the period to the amounts invoiced during the period by trade creditors.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Statement of Corporate Governance confirm that, so far as they are each aware, there is no relevant audit information of which The Southern Co-operative's Auditor is 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 Southern Co-operative's Auditor is aware of that information.

AUDITOR

Pursuant to Section 83 of the Co-operative and Community Benefit Societies Act 2014, BDO LLP are deemed to continue as Auditor, until such time as a resolution may be passed at a general meeting of The Southern Co-operative appointing another auditor in their place

STATEMENT OF CORPORATE GOVERNANCE (continued)

STATEMENT OF COMPLIANCE

The Board is committed to the principles set out in Co-operative^{UK}'s Corporate Governance Code of Best Practice. The Board has reviewed its governance arrangements against those set out in the 2013 Code and can state that there is only one area where the Board has chosen not to fully comply and this area is set out below:

B.22 Where a significant transaction is proposed involving 25% or more of The Southern Co-operative's members' funds, consideration as to consultation with members would be given. However, in practice there could be confidentiality and regulatory issues in relation to the disclosure of details prior to exchange of contracts which may prevent such a consultation. For this reason, the Board of The Southern Co-operative will not give an absolute undertaking to consult. The Board of Directors are elected by the members and have a responsibility to consider the interest of all members and other stakeholders when determining whether to progress such transactions.

The Co-operative and Community Benefit Societies Act 2014 came into force on 1st August 2014. This Act replaces the 'industrial and provident society' legal form with two new legal forms, co-operative society and community benefit society. As a co-operative which was registered prior to the act coming into force, The Southern Co-operative is a 'registered society' under the Act.

The Act also consolidates previous industrial and provident society legislation including:

- Industrial and Provident Societies Act 1965
- Friendly and Industrial and Provident Societies Act 1968
- Co-operative and Community Benefit Societies Act 2003

The Act has not changed the meaning of the previous legislation and therefore all legal requirements remain the same.

STATEMENT OF CORPORATE GOVERNANCE (continued)

BOARD CERTIFICATION

The Statement of Corporate Governance is hereby signed on behalf of the Board and the Financial Statements and notes on pages 39 to 65 are hereby signed on behalf of the Board of Directors pursuant to Section 82 of the Co-operative and Community Benefit Societies Act 2014.

M K Hastilow Chairman

T P Blair Vice-Chairman

N Blanchard Vice-Chairman

S J Dominy Society Secretary

30 April 2015

REMUNERATION REPORT

The Remuneration and Appointments Committee is pleased to present its Remuneration Report to members for the 52 weeks ended 24 January 2015.

This report, which is published in accordance with the Corporate Governance Code of Best Practice published by Co-operatives^{UK}, aims to provide members with an overview of the role of the Remuneration and Appointments Committee, together with information on the remuneration policies and practices applicable to the Leadership Team. Details of the remuneration and pension benefits for the year for Senior Members of the Leadership Team, the Society Secretary and Directors are provided within the report.

The report will be presented at the Annual General Meeting on 4th June 2015 and will be subject to an advisory vote by members.

THE REMUNERATION AND APPOINTMENTS COMMITTEE

Membership of the Remuneration and Appointments Committee is appointed by and from the Board. The committee Chairman reports to the Board on its proceedings at the next available meeting.

The committee currently comprises the Chairman (Mr M K Hastilow), Vice-Chairman (Mr T P Blair) and one other Director (Mrs A Vincent-Prior). The members of the committee have no personal financial interests in the committee's decisions. No Directors who are also employees of The Southern Co-operative or its subsidiaries, or are former employees who have left The Southern Co-operative or its subsidiaries' employment within the last three years, are eligible to sit on this committee. During the year the committee met four times.

The committee has formal terms of reference, set by the Board which provide that the committee:

- Determines and effects, on behalf of the Board, the policy and actual remuneration and other main terms and conditions of employment for the Chief Executive, Society Secretary and such other senior managers as the Board may determine and oversees their contractual arrangements using the services of an independent adviser;
- Considers Board and senior management succession issues and makes recommendations to the Board;
- Considers and makes informed recommendations to the Board in relation to Board appointments, including membership of sub-committees of the Board;
- Determines the frequency and method of appraisal for the Board, individual Directors and the Chairman including the method of reviewing the skills and knowledge of Directors to determine training requirements; and
- Makes recommendations to the Board on the level of remuneration for Directors, as and when appropriate, and is responsible for proposing any changes to the expenses policy for Directors.

EXTERNAL ADVICE

During the year the committee sought independent advice on remuneration and other personnel matters from The Hay Group Management Limited. The Hay Group has also provided services to The Southern Co-operative's Human Resources function.

REMUNERATION POLICIES AND PRACTICES

The Board's policy is to remunerate fairly and responsibly. Directors' fees are recommended to members taking into account the need to attract suitable candidates, the time commitment of the Board members, comparisons with other societies' fees and the responsibilities undertaken by the Board. The Members decide on the level of Board fees.

REMUNERATION REPORT (continued)

REMUNERATION POLICIES AND PRACTICES (continued)

In determining the remuneration policy for senior members of the Leadership Team, a number of factors are considered, including:

- The importance of attracting, retaining and motivating senior management of the appropriate calibre to further the success of The Southern Co-operative;
- The linking of reward to both individual and business performance; and
- Ensuring that the interests of senior management are aligned with those of The Southern Co-operative and its members.

The current policy is to pay remuneration at a level close to the market median, subject always to personal performance, when compared with other businesses of comparable size and complexity, with particular regard to companies in the same business sector. The committee adopts the principle of performance-related pay and operates both an annual incentive scheme and long-term incentive scheme. The Remuneration and Appointments Committee determines the remuneration of the Chief Executive, The Society Secretary and any senior members of the Leadership Team whose salaries exceed £100,000.

In accordance with best practice, the main components of remuneration for those members of the Leadership Team falling within the remit of the Committee, as identified in the table on page 22, are disclosed below:

Basic Pay

The committee reviews the basic salaries of individuals under its remit on an annual basis. It is the committee's policy to ensure that basic salaries are appropriate and competitive for the responsibilities involved. The committee will have regard to median salary data for organisations of a similar size within the retail sector and will also consider individual performance and the level of salary increases elsewhere in The Southern Co-operative.

Annual Incentive Scheme

Each member of the Leadership Team is eligible to participate in an annual performance-related bonus scheme which is open to all levels of management in The Southern Co-operative. The structure of the scheme is designed to drive team behaviours and encourage individual contributions towards the achievement of The Southern Co-operative's aims and objectives. The committee reviews and sets bonus targets for individuals under its remit on an annual basis. During the year participants could potentially receive on target bonuses of up to 32% of basic salary and bonuses of up to 50% of basic salary where targets are exceeded. Performance is measured on a combination of profit before interest, tax, depreciation and amortisations and personal performance against set targets with the proportions of each varying in accordance with individual roles. Those with business unit responsibilities are measured on the profit from their business unit, whilst group profit is used as the measure for members of the Leadership Team with group responsibilities.

Long Term Incentive Scheme

Members of the Leadership Team also participate in long-term incentive schemes which set targets across a three-year period. The current scheme will end in January 2016 with payments being made during the subsequent financial year. The structure of the scheme is designed to drive team behaviours and encourage individual contributions and long-term commitment to the achievement of The Southern Co-operative's strategic aims and objectives. It is also designed to obviate any long-term risk to The Southern Co-operative and its assets. Participants can potentially receive on target bonuses of up to 50% (up to 75% for outperformance) of their average annual basic salary over the three years of the scheme. The targets upon which the participants are measured are aligned to the 3 Year Strategic Plan of The Southern Co-operative. The targets are both financial and non-financial and include growth in profit before interest, tax, depreciation and amortisations with a minimum average return on capital employed required; colleague and membership engagement and sustainability. Financial measures are based upon the results agreed by the external auditors of The Southern Co-operative and signed off by The Southern Co-operative's Audit Committee. Non-financial performance measures are assessed by the Remuneration and Appointments Committee, in conjunction with the Chief Executive and an Independent Adviser utilising third party data, where available, to ensure consistency of application.

THE SOUTHERN CO-OPERATIVE LIMITED

REMUNERATION REPORT (continued)

Benefits in Kind

The benefits in kind provided during the year were the provision of a car or a cash alternative, the option of a fuel card and health and critical illness insurance.

Name	Position	Commenced in Current Role (Date)	Basic Salary £	Annual Incentive £	Long Term Incentive £	Benefits in kind £	2014/15 Total Emoluments £	2013/14 Total Emoluments £
Mark Smith	Chief Executive	01/10/2008	233,000	66,218	-	17,692	316,910	387,654
Philip Ponsonby	Chief Operating Officer - Food Retail & Services	18/08/2008	165,650	33,557	-	16,707	215,914	257,756
Stephen Pearce	Chief Operating Officer - End of Life Services	03/07/2006	111,200	28,601	-	17,509	157,310	186,609
Paul Rodford	Finance Director	01/02/2014	105,876	26,703	-	19,920	152,499	137,820
Silena Dominy	Society Secretary	01/07/2008	81,600	15,290	-	12,586	109,476	103,430

PENSIONS

The Southern Co-operative closed the defined benefit (DB) pension scheme to future accrual on 31st May 2013 and for ex members of the scheme, offered the opportunity to join a defined contribution (DC) Group Personal Pension Plan (GPPP). The Stakeholder pension scheme available to colleagues not participating in the DB scheme was also closed and these members also offered membership of the GPPP. Benefits accrued in both closed schemes have been calculated to the date of the closure and members informed of their pension/fund value.

Ex members of the DB scheme have retained the death in service insurance cover previously provided and in all other respects are now classified as deferred scheme members.

The GPPP is managed by Legal & General. Ex DB members receive a 10% employer contribution for a minimum 3.5% member contribution; other GPPP members receive a matched employer contribution up to 5% member contributions. All contribution rates are based on basic salary. GPPP members are able to take advantage of pension salary sacrifice arrangements.

Name	Position	Age at end of financial year	Years of society service	Total accrued DB pension at end of financial year £	Increase in DB accrued pension during year £	Employer contribution paid to DC scheme or allowance paid in financial year £	Employer contribution paid to DC scheme as a % of basic salary
Mark Smith	Chief Executive	55	9	30,270	Nil	23,108	* n/a
Philip Ponsonby	Chief Operating Officer - Food Retail and Services	49	30	75,250	Nil	16,376	* n/a
Stephen Pearce	Chief Operating Officer - End of Life Services	49	30	48,986	Nil	11,120	10%
Paul Rodford	Group Financial Controller	52	3	n/a	n/a	5,294	5%
Silena Dominy	Society Secretary	45	24	28,916	Nil	8,160	10%

* receives cash allowance in lieu of contribution to pension scheme

REMUNERATION REPORT (continued)

SERVICE CONTRACTS

It is the policy of The Southern Co-operative for the notice period in service contracts not to exceed one year. The notice period for the Chief Executive is 12 months. All other members of the Leadership Team have notice periods of 13 weeks. In the event of termination, any payments due to a member of the Leadership Team would be based on the value of these notice periods together with the value of other contractual benefits.

NON EXECUTIVE DIRECTORSHIPS

Mark Smith, the Chief Executive of The Southern Co-operative, is a non-executive Director of Federal and Retail Trading Services Limited and a trustee of the Portsmouth Cultural Trust and a non-executive Director of Solent Cultural Enterprise.

Gemma Lacey, Director of Sustainability & Communications for The Southern Co-operative, is a non-executive Director of the West Sussex Environment and Climate Change Board.

DIRECTORS

The Board of The Southern Co-operative is a lay Board of non-executive Directors. Directors do not have service contracts. Directors are elected by the Members of The Southern Co-operative from their number for terms of 3 years. The years of election and expiry of their current terms can be seen in the table below. The Southern Co-operative does not currently have any co-opted professional external Directors on the Board, however the Board of Directors have co-opted an independent Member for the Audit Committee who receives an annual payment of £5,000 for the role.

Directors' fees are approved by The Southern Co-operative's members. The current fee levels were recommended to the membership and approved by them in May 2009 following a detailed review by the Society Secretary, whereby comparisons were made with the fees paid by other societies and the varying responsibilities and time commitments of Directors' roles considered. The fees agreed include a formula for updating fees in line with the average earnings and retail prices indices.

The annual base fees with effect from 19th June 2014 are: Chairman £7,445, Vice-Chairman £6,217 and Director £5,120. Further to the payment of the base fee a payment of £500pa is made per Sub-committee or similar appointment held by a Director and where a Director acts as Chair of such committee or Board a further £250pa is paid to that Director. In addition to their fees, Directors are able to claim expenses reasonably incurred in carrying out Society business.

Name	First Elected	Current Term Expires	Total Years Served	Total 2014/15 Remuneration £	Total Expenses Claimed 2014/15 £
Michael Hastilow (Chairman)	2005	2015	9	9,345	634
Thomas Blair	1997	2015	17	7,456	204
Neil Blanchard	2009	2016	5	6,417	192
Frances Hobson	2006	2016	7	5,331	112
Amber Vincent-Prior	2008	2016	6	5,477	87
Pauline Lympany	2009	2015	5	5,271	0
Diane Knight	2013	2017	1	5,279	65
Kelly Emmence	2014	2017	7 months	2,796	0
John Harrington	2014	2017	7 months	3,208	0

On behalf of the Remuneration and Appointments Committee

T P Blair
Chair of Remuneration and Appointments Committee

30 April 2015

SUSTAINABILITY REPORT

BRINGING OUR PLAN TO LIFE

2014 was an important year for The Southern Co-operative (TSC) with the launch of our new sustainability plan, *'Making a Difference'*. Our focus has been on communicating our sustainability goals under the pillars of: PROTECT, SHARE and SUPPORT (see below) to colleagues, members and others. This is helping them to understand the important role this plays in helping us to deliver our wider business objectives - whether that be embedding sustainability principles into our store development plans, driving efficiencies through energy, water, waste and reduction initiatives or deepening our commitment to our local communities in a way that truly sets us apart from our competitors.

We have used events like our internal business briefings, AGM and Colleague Convention to start to bring our sustainability stories to life, along with the launch of a dedicated section on our TSC website (www.thesouthernco-operative.co.uk/makingadifference/). Stories have also been communicated via our intranet, internal colleague magazine Scoop, Member magazine and through press coverage. Our Leadership Operating Board, between them, visited every one of our food stores to talk about our new business plans, including those relating to sustainability.

For the second year running we took part in Business in the Community's Corporate Responsibility Index, the leading voluntary benchmark of corporate responsibility in the UK. We were successful in moving our total score from 79% to 83%, maintaining our two-star ranking.

Our sustainability goals:

We are working to:

Protect our environment by:

- Reducing carbon emissions
- Saving energy and water
- Preventing waste
- Championing our local wildlife and countryside
- Leaving an environmental legacy for our communities

We are working to:

Share our success with others by:

- Engaging members and others in our business
- Supporting young people into work
- Helping our colleagues to realise their potential
- Promoting local food and drink
- Trading responsibly

We are working to:

Support our communities by:

- Getting actively involved in our local communities
- Helping to tackle important community issues
- Extending the reach of our bereavement education and support service
- Making healthy and sustainable living easier

SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

Our Director, Sustainability & Communications is responsible for ensuring The Southern Co-operative develops and manages its business in a responsible and sustainable manner. She works with colleagues across the business to deliver the key elements of our sustainability plan, and monitors and reports on our progress. She has specific responsibility for communicating and engaging internal and external audiences in our plan and for developing and implementing specific policies and programmes that support our environmental and community investment and engagement goals.

Our Leadership Operating Board, chaired by our Chief Executive, oversees our sustainability strategy and performance, ensuring this is integrated into every day business. Members also have responsibility for strategies, policies and programmes relating to the following areas of the sustainability plan:

- Health and safety – Chief Executive
- Customer engagement and sustainability of our products, services and supply chain - Chief Operating Officers for Food Retail and End of Life Services
- Colleagues and workplace issues – HR Director
- Democratic elements of our membership strategy – Society Secretary
- Environment, community investment and engagement, member and other stakeholder engagement, overall management of the sustainability plan – Director Sustainability & Communications.

This area regularly forms part of strategy and performance discussions with our Board of Directors and Leadership Operating Board and every member of the Operating Board has their performance and pay linked to our sustainability plan. As we work to enhance our organisation's approach to risk management, sustainability and corporate responsibility issues are being embedded into this process.

PROTECTING OUR ENVIRONMENT

In line with our co-operative values we recognise we have a responsibility to protect our environment, whether that is at a local level supporting our communities to be more environmentally sustainable or through everyday actions like saving energy. This plays an essential role in limiting our demand for precious natural resources and future proofing our business against the impacts of climate change, as well as minimising our contribution to it.

Tackling climate change

Our overall objective is to reduce our carbon footprint and find smarter ways to manage our business's environmental impacts. In 2014, there was a continued focus on energy efficiency. Overall electricity consumption was down 1% in our retail business, despite the addition of 20 new stores. Like-for-like store electricity consumption was down 8%. However, natural gas consumption increased significantly due to our Crematorium business which was fully operational for its first year, having opened in December 2013. There were also slight increases in gas usage in our food and Co-operative Independent Living businesses. This, coupled with a significant increase in the fugitive emissions associated with our cooling and refrigeration increased total tonnes of carbon equivalent emissions by 25% compared with the previous year and by 16% compared with 2012. Changes to emissions factors for electricity further added to the overall negative position of our carbon footprint against last year. Carbon intensity increased from 70.31 to 82.12 tonnes per £m sales, a 16% increase on 2013 and 0.5% decrease on 2012. Establishing a longer term plan for tackling carbon emissions remains a priority for us in 2015.

SUSTAINABILITY REPORT

	Tonnes CO ₂ e			% difference on 2013	% difference on 2012 (baseline)
	2014	2013	2012		
Emissions associated with: natural gas usage, company cars and freight/service vehicle fuel and refrigeration and cooling (Scope 1)	10,937.59	6,805.17	8,237.15	60%	33%
Emissions associated with: Electricity purchased (Scope 2)	17,844.93	16,178.86	16,581.89	4%	7%
Total tonnes CO ₂ e (Scope 1 & 2)	28,782.52	22,984.03	24,819.04	25%	16%
Total tonnes CO ₂ e (Scope 3)	4,881.30	4,684.23	-	4%	-
Outside of scopes	13.90	18.29	-	-24%	-
Carbon intensity: tonnes CO ₂ e per £m sales	82.12	70.31	82.51	17%	-0.5%

Saving energy

Our total energy consumption (electricity and natural gas) for our food stores was 38,549,245 kWh and 41,046,180 kWh when all business areas are included. Energy efficiency improved from 88.16kWh (electricity) per sq ft trading area in 2013 to 76.10 kWh in 2014. This represented a 34% improvement against our 2010 baseline and meant we achieved our target early of reducing Retail energy consumption by 32% by the end of 2016.

Year	Total retail energy consumption – kWh electricity	Energy efficiency (total electricity kWh/sq ft trading area)	% Reduction against 2010 baseline
2014	35,093,351	76.10	34%
2013	35,313,222	88.16	24%
2012	34,992,707	97.00	16%
2011	34,468,811	103.88	10%
2010	27,709,189	116.00	-

Across our estate, we have continued to install LED lighting and improved building management systems as standard and where clear energy savings can be made, added doors to chiller units. Investments in these technologies along with behaviour change facilitated through our energy champion network have contributed to our energy reduction in food stores and absorbing the impact of new stores

Steps have also been taken to reduce energy consumption in End of Life Services. The roll out of smart meters to funeral homes is virtually complete and they all now receive monthly reports on energy usage.

Saving water

We have worked with Waterscan to better understand our water consumption, identifying ways we can use less water and lower our water bills. This work will continue in 2015.

SUSTAINABILITY REPORT

PROTECTING OUR ENVIRONMENT (continued)

Reducing waste

In early 2014 all food stores moved to new arrangements to backhaul all store waste to a central depot where it is then sorted and either sent for recycling, anaerobic digestion or an energy from waste facility. This means that 100% of our food waste and virtually all other waste is now diverted from landfill.

Our focus for 2015 will be to explore ways to reduce the amount of waste we produce and to identify further opportunities to boost recycling. New systems in our food stores will create opportunities for us to better manage our product availability and wastage. We work closely with Fareshare who take food away from The Co-operative Food depots which can't be sold and turn this into meals for vulnerable people. A number of our stores also donate certain food waste items to local pig farmers and zoos. We work closely with the Trussell Trust and other food bank providers to support local food banks through collection points in 40 locations.

Waste recycled or Re-used as a percentage of waste arising

2014: 97.76%*

2013: 99.9%

2012: 97.53%

* The Co-operative Group (tCG) has provided estimated data for all TSC retail waste backhauled to their central depots. Calculations have considered the number of TSC stores serviced by each depot for waste, the average waste figures for each store serviced from this depot (this will include tCG stores and other independent co-operative stores). This figure has then been multiplied by the number of The Southern Co-operative stores serviced.

Championing our local wildlife and countryside

Working in partnership with key community partners, we have helped to celebrate and protect our local wildlife and countryside. In 2014, we supported:

- Hampshire & Isle of Wight's 'Make a Wild Change' campaign. A recent survey found that the amount of time children spend outside has dropped by 50% in just one generation. The Trust is hoping to inspire a new generation of nature lovers by encouraging them to get out and about exploring the outdoors. TSC sponsored a film, introduced by Chris Packham, that showcases the work by the Trust and new trail packs with items like bug pots and activity cards to help families explore their wild.
- CPRE Hampshire's Countryside Awards – Community & Voluntary category. The award celebrates countryside projects which are initiated and run by local people and volunteers. TSC was also involved in sponsoring CPRE's countryside poetry competition

"The poetry competition open to school children in the country year 6 and under and year 7 and above, was a great way to encourage children's creativity and, with the focus on the countryside, to get them thinking about what makes their local wildlife and countryside so special"

Gemma Lacey, Director, Sustainability & Communications.

SUSTAINABILITY REPORT

PROTECTING OUR ENVIRONMENT (continued)

Leaving an environmental legacy

We all rely on healthy and diverse ecosystems to provide us with a range of services like food production, access to clean water and materials to make the products we use in everyday living. Our operations can affect the quality of these ecosystems through the land we use, so we are endeavouring to limit these impacts and take proactive steps to enhance the wildlife and habitats around us.

Working in partnership with the Hampshire & Isle of Wight Wildlife Trust, we have developed a conservation plan for The Oaks Crematorium, Havant. Environmental impacts were managed as part of the development and the green 'living' roof of the building, a wildflower meadow, newly planted native trees and flowers and a cleared natural pond now provide additional habitats for wildlife. A biodiversity survey conducted by the Trust in 2014 is starting to show the benefits of these enhancements.

A rare species of floating club rush continues to thrive in the natural pond and surrounding planting has increased the presence of species like flag iris and bluebells. A wildflower meadow survey showed a good variety of meadow plants including wild carrot and marjoram, oxeye daisy and scarlet pimpernel and several butterfly species including the Brown Argus and bees were observed. Bird boxes erected in the Spring showed evidence of blue tit nesting and breeding in all three boxes and two bat boxes have also now been erected. The Trust has made further recommendations which we will take forward in 2015 in addition to follow up monitoring.

The Trust has carried out a wildlife and habitat survey of Clayton Wood, our Natural Burial Ground and the resulting recommendations will be taken forward in 2015.

We also helped support the following education initiatives across our region with funding and colleague time:

- EYE (Eco, Young & Engaged) project - engages young people in making a positive difference to the environment
- Tuppenny Barn Education Centre - being designed to offer schools a 'fork to fork experience'
- Bristol Youth Moves Project – their 'roundhouse' building at Knowle West in Bristol will be used for green workshops while the surrounding area will be used to grow wild fruits amongst other things.

2015 and beyond

- Develop a longer term strategy for tackling carbon emissions
- Develop our approach to developing and managing our estate sustainably
- Continue our focus on waste reduction and recycling
- Develop a Sustainable Procurement policy
- Review our energy champion network and further develop our colleague engagement plans

SUSTAINABILITY REPORT

SHARING OUR SUCCESS WITH OTHERS

OUR MEMBERS

Our members as owners of our co-operative business are central to everything we do. We are committed to encouraging membership throughout our trading area, providing tangible member benefits and encouraging members' democratic participation and engagement in our business using a variety of channels.

Engaging members

Our member numbers have continued to increase in line with the growth of our trading area with over 19,000 new members joining in 2014, bringing the total number to 150,000.

Our successful trading performance meant we were once again able to announce a share of profits at the rate of 2p per pound of qualifying member spend. This was the fourth successive year that this rate has been maintained. Recognising the continued growth in members joining us, the total amounts of profits shared with members in 2014 was £2,821,000, 8% higher than 2013.

Our Members have a right to attend our Annual General Meeting and can raise motions and questions, and vote on motions, statutory resolutions, Share of the Profits and other distributions and any rule changes proposed. We recognise that not all Members wish to exercise their formal rights, but may nevertheless wish to engage with us in a more informal way. We are currently reviewing these engagement opportunities and will be seeking Members' opinions through a survey in Summer 2015.

Following our Spring 2014 Co-operative Community Group meetings for members and after careful consideration we took the decision to cease these meetings to instead concentrate on making member communications more widely available through a greater variety of methods. This includes our member's magazine, website, Facebook page, in store messages, greater colleague awareness, our AGM and members trips and events.

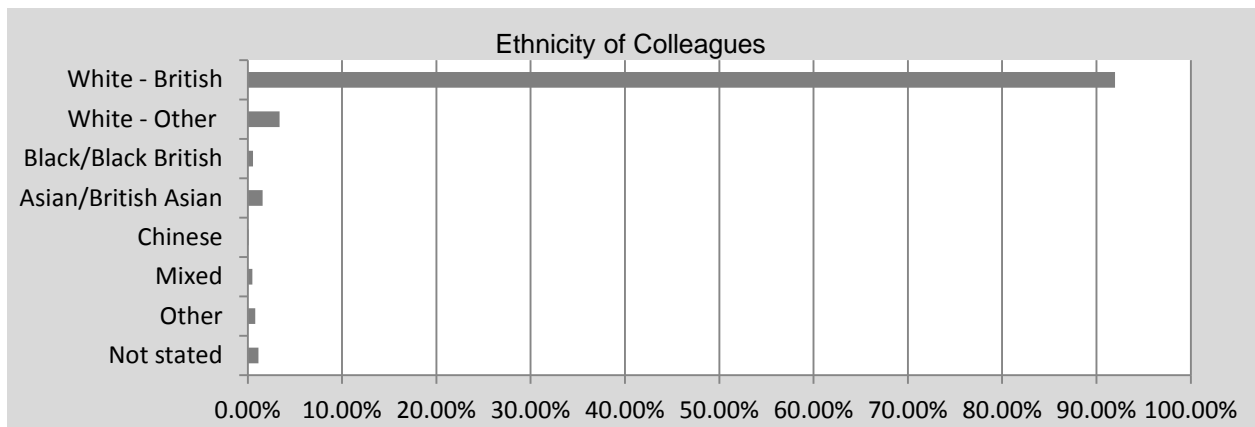
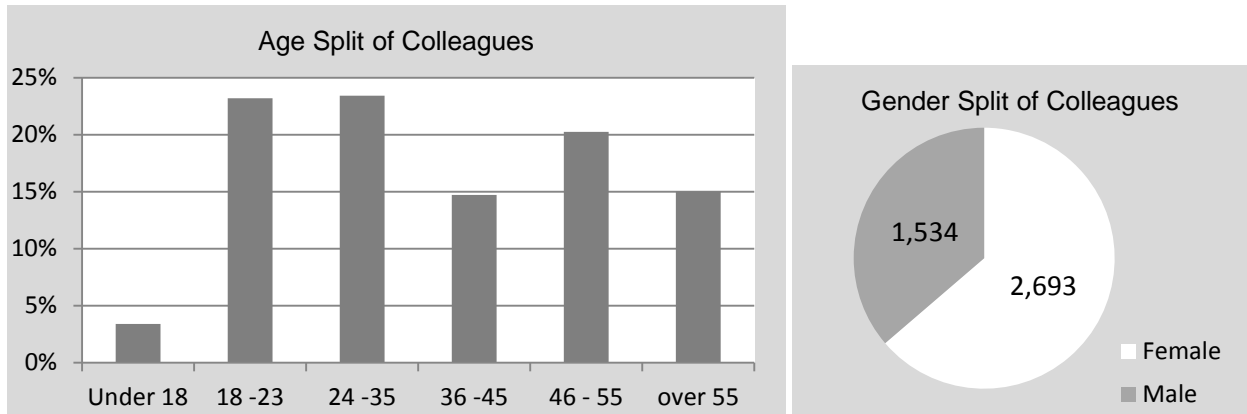
Our members once again took advantage of our events programme with trips to local suppliers Hill Farm Juices, our Oaks Crematorium as well as our apiaries on Bee Island at our Lakeside central offices.

SUSTAINABILITY REPORT

OUR COLLEAGUES

We couldn't achieve our success without our colleagues who deliver to our customers' everyday and are key to achieving our plans for the future. It is important therefore that we are an employer of choice and that we invest in our colleagues' development, giving them the skills and knowledge to grow and realise their potential.

The Southern Co-operative employed 4,227 colleagues at the end of the year (4,071 in 2014). The gender and age split of these colleagues can be seen below.



Pay rates for 85% of colleagues are on a specified rate e.g. Customer Service Assistants, Team Leaders, Funeral Co-ordinators, Funeral Assistants; there is no gender variation for these rates.

SUSTAINABILITY REPORT

OUR COLLEAGUES (continued)

Creating an Employer Brand

Investment in TSC's 'Employer Brand' and the introduction of new advertising materials that promote our values and agenda for growth have started to address external recruitment issues, particularly to support our new store opening programme. These have been used successfully to support new store recruitment campaigns in Freshwater, IOW and Southampton. Further development of TSC's Employer Brand is planned with a specific focus on online advertising.

Workforce stability decreased in 2014, while labour turnover increased at all levels in the organisation. This was most prevalent in retail food stores, where the demand for store managers in particular, was greater than supply, resulting in further reliance on external recruitment. The HR plan is addressing this through various learning and development initiatives with the introduction of TSC Academy aimed at establishing talent pipelines and increasing internal recruitment.

Colleague development

This year 67 colleagues participated in our apprenticeship programme, with 51 colleagues successfully completing an Intermediate Level Apprenticeship in Retail, a further 15 completing the Advanced Level Apprenticeship in Retail and one other colleague completing the Intermediate Level Apprenticeship in Business and Administration.

Under our Athena Management Programme, twelve colleagues achieved a CMI Level 3 Diploma in First Line Management & Leadership, two colleagues achieved a CMI Level 3 Certificate in First Line Management and five colleagues completed CMI Level 4 in Management and Leadership. In addition three Lakeside colleagues achieved the professional qualifications of Post Graduate Diploma in HR Management, the AAT Accounting qualification and the CIMA Accounting qualification.

In the year, 101,143 e-learning modules were undertaken across all areas of the business. In addition to this a further 10,300 e-learning modules were completed in relation to the rollout of our new retail system - Retail Vision System (RVS) and 1,100 colleagues attended one of the 140 workshops run to support the implementation of the new system. Our compliance training in the year extended to 870 colleagues completing qualifications in Food Safety, Health and Safety and Licensing; and in ELS, 13 colleagues achieved qualifications in Funeral Directing, Funeral Services and Funeral Arranging and Administration.

Our 'Stepping Up Stepping In' programme continues to provide various routes of progression for colleagues in Food Retail increasing our overall rate of internal promotion. 23 Team Leaders have been appointed into Deputy Managers and 4 Team Leaders have been appointed Acting Managers as a result of the programme.

Feedback from colleagues has underpinned the design of a new induction programme. With plans to launch in 2015, the programme will ensure all colleagues have the best experience on joining TSC. A new internal management development programme has also been launched covering a range of technical and behavioural management modules. Candidates have been identified to start the programme at the beginning of 2015. Both programmes will be strengthened by TSC's Behaviours framework, which has been developed and launched to the Leadership Operating Board by a representative group of managers from across the business.

Reward & recognition

Rising pay rates have seen operating costs rise ahead of sales, a trend that is predicted to continue in 2015/16. In 2014, we developed a new Reward Strategy that focuses on a 'total reward' approach, reflecting a combination of elements that matter to our colleagues from pay and benefits to career opportunities.

Celebrating success

Professional and vocational qualifications continue to play an important role in colleagues' learning and development and our reward offering. Our annual Celebration of Success ceremony recognised the achievements of over 70 colleagues from all areas of the business.

SUSTAINABILITY REPORT

OUR COLLEAGUES (continued)

Managing change

The implementation of our new Retail Vision System (RVS) in all food stores has been supported by a comprehensive change programme to help colleagues adapt to new ways of working and learn new skills. A dedicated team of trainers facilitated more than 140 workshops to 1,100 store managers and colleagues, the completion of 10,300 e-learning modules, and a number of in-store experience days.

Supporting young people into work

Our Learning and Development team has worked with colleagues, schools and charitable organisations to broaden and improve the range of work experience placements we offer. In 2014 we provided 150 placements across the business, including 13 placements for people with special needs. The introduction of a 'Central Support Work Experience Programme' helped 18 students from schools and colleges in the Portsmouth area to gain on-the-job experience in disciplines including Financial Accounting, Marketing, Human Resources and Retail Store Development.

The Southern Co-operative is working with Business in the Community to establish their Business Class programme in the Solent Region. Business Class, a government-endorsed programme, helps businesses support socially disadvantaged young people through long-term partnerships with the schools they attend. TSC is working with Portchester Community School initially to help raise aspirations of Year 10 pupils by providing mentors to work with them.

Colleague Survey

Over 3000 colleagues responded to the colleague survey in March (76% response rate), resulting in an Employee Engagement Index of 81%. The Index combines colleague feedback from three key areas:

- SAY, how colleagues promote TSC to those outside of the organisation
- STAY, how colleagues can contribute to business success
- STRIVE, how colleagues are motivated to deliver great service.

The colleague survey remains a valuable source of feedback to inform our future plans and activities.

84% of colleagues are proud to tell people they work for The Southern Co-operative

Pensions

Following the introduction of Automatic Enrolment in 2013, we opened a pension scheme for colleagues with the National Employment Savings Trust (NEST). Through 2014 we saw an increase in NEST membership with currently more than 1,600 TSC colleagues saving for retirement through this scheme.

Health and safety

The Southern Co-operative continues to invest in Health and Safety to deliver improvements across the business for the benefit of our colleagues, customers and members. Training to ensure legal compliance in the areas of Health & Safety and First Aid, Licensing and Food Handling, was attended by 870 colleagues. We now work in partnership with our Primary Authority Partners, Portsmouth City Council in the areas of Environmental Health and Trading Standards and Hampshire Fire & Rescue for Fire Safety.

Despite the measures we have in place to provide a safe and healthy place to work, accidents undoubtedly occur. The number of colleague accidents has decreased year on year despite the number of colleagues increasing. The colleague absence rate (which includes absence for general illnesses and injuries unrelated to accidents at work) has increased year-on-year. There has been a change in the basis for reporting (casual workers are now excluded from the data as no sickness is reported) and a higher number of colleagues with longer term absence has increased the overall rate. The latest figures can be seen below:

Staff Injury and Absentee Rates

2015: 316 employee accidents, of which 14 were reportable	2014: 351 employee accidents, of which 23 were reportable
6.01% absence rate	4.88% absence rate

SUSTAINABILITY REPORT

OUR COLLEAGUES (continued)

Looking ahead

As we move into 2015, our focus remains on developing management capability and behaviours. We will build on successes like our apprenticeship programme and establish talent pipelines to create opportunities for our colleagues to grow and support internal recruitment and promotion in line with TSC's expansion plans.

OUR CUSTOMERS & SUPPLIERS

During the year we introduced a new method of obtaining customer feedback in the form of the TellTSC online survey. Customers are provided with details of the survey on their till receipts and are incentivised to leave feedback. This can then be used to reward good service and improve services, where they are not to the high standards we would expect. The results show below are for the time between when TellTSC was launched in April 2014 to year end.

Percentage of Satisfied Customers

2015: 93% 2014: 94%

As a co-operative we are committed to trading responsibly, and acting honestly and fairly in our dealings with our customers by providing a range of products and services that respond to customer need and embrace our co-operative values and difference. We also seek to build partnerships with our suppliers, developing long-term relationships that are based on trust and mutual advantage and our support for local farmers, producers and suppliers is a particular area of growth for us.

Trading responsibly

We demand the highest ethical standards when sourcing the products and services we sell and use within our business. All the products sold within our food stores, with the exception of Local Flavours, our local food and drink range, are procured through the Co-operative Retail Trading Group. Through these arrangements (and our membership of the Federal Trading Group Board and Food Policy Group) we continue to develop and maintain market-leading policies on issues such as support for British farming, environmental protection, fair trade and health and nutrition. This approach extends through to the supply chain, supported by a robust monitoring and support programme to help suppliers in key sourcing countries to manage and raise labour standards. We are in the process of developing a sustainable procurement policy to guide decision making for goods not for resale.

SUSTAINABILITY REPORT

Promoting local food and drink

We continue to make good progress in the development of our 'Local flavours' range. Sales reached £4.12m in 2014 and by year end there were 60 stores, in twelve counties, with a full Local Flavours range and a further 112 with a limited/selective local offer. We continue to review our offer and currently work with 240 suppliers across our estate.

We remained active in supporting local food producing communities. Our Local Sourcing Manager is a Board Member of Hampshire Fare. Our sponsorship of the Sussex Food & Drink Awards 'Food Producer of the Year' entered its fourth year and it was our inaugural year sponsoring the same category for the Hampshire Life Food & Drink Awards after a year as Associate Sponsors in 2013. 2015 will see new activity with the Royal Isle of Wight County Show as headline sponsors for their Food Pavilion.

The Create and Cook partnership with Fit2Cook Education continued to engage local school children throughout the year. The competition is open to all 12-14 year olds in secondary schools in Hampshire, West Sussex and the Isle of Wight. 2015 will see the competition extended to East Sussex.

We will also be funding a new South Downs Food Website which will act as a promotional and educational tool to signpost residents and visitors to the National Park region making it easier for people to seek out local food and drink, and provide a means to connect the local food and drink business community.

OUR COMMUNITIES

The Southern Co-operative has always had a purpose beyond profit. Social responsibility lies at the heart of our co-operative approach to business which is why we are investing in and supporting communities across the south. Working in partnership with organisations who share our values and goals we can help to tackle the issues that really matter to our local communities.

Donations

Colleagues across the business supported community groups through small donations of goods, vouchers or funding totalling £84,683. Through donations made as part of new store openings and major reformat, £11,000 was given to new communities.

Volunteering

Volunteering brings benefits to both our business and our communities, by providing much needed support and resources and building colleagues' confidence and skills through individual and team involvement in community projects.

Despite it being a challenging year for our business, colleagues volunteered 4,700 hours, a slight decrease on last year. Improved monitoring and analysis has helped us identify the benefits of volunteering to colleagues and communities, and will inform future volunteering initiatives. Evaluating the impact of volunteering on colleague morale, self-confidence and skills development means this can also contribute to colleagues' personal and business development. Approximately 5% of colleagues take part in volunteering, with support for social welfare, education, arts and culture and environmental activities being most popular, reaffirming our support for charities such as the Wildlife Trusts and local food banks.

SUSTAINABILITY REPORT

OUR COMMUNITIES (continued)

Helping tackle important community issues

Food poverty remains a key issue for our members and communities. In response, we have increased our support for Food Banks, working with 17 different food banks (compared with 3 in the previous year) with collection points in 32 food stores and 8 funeral homes. We will continue to develop our approach looking at ways to support organisations who tackle the root causes of food poverty.

Following feedback from last year's AGM, towards the end of 2014/15 we began to review our community investment strategy through a series of surveys and consultations in order to better understand the views of our colleagues, members and partners. The results of these will feed into our future strategy for tackling issues most important to our communities and help us focus our investment and activities accordingly.

Community Support Card

Participating stores presented cheques totalling £193,855 in 2014/15 to good causes chosen by local members, and raised a further £81,680 to be presented in 2015/16. The scheme has been running for over 10 years donating hundreds of thousands of pounds. The anniversary has prompted a review of the scheme, which should be completed in 2015. Feedback from previous recipients on the benefits of participation will inform this work.

2014 Community Contribution

We are now using the London Benchmarking model framework for reporting our community investment. This has meant some changes to the way we report our community investment figures.

	2014	2013	
Charity and community donations (£)	£434,156.00	£442,146	Includes corporate partnerships, Community Support Scheme, direct and facilitated charitable donations, donations to other co-operatives and funding to support colleague involvement
Support for Co-operatives	£51,649		
Time (£)	£29,704	£31,418*	Value of time volunteered by our colleagues (hours)
Management time (£)	£115,050	£115,000	Colleague hours donated to managing community projects
Total community contribution (£)	£630,559	£588,564**	
Community contribution as a % of pre-tax, pre-dividend profits***	12%	5.5%	
Leverage (£)	£216,327	£268,000	Membership, colleague and supplier donations leveraged through fundraising activity

*This figure included the value of paid cover for colleague volunteering only. The 2014/15 figure includes the £ value of the hours volunteered by colleagues. The paid cover is included in the cash donations figure.

** Recalculated to include management time as per London Benchmarking Model for community investment

***Used total trading surplus figure £5,198,000 (£10,770,000 last year)

SUSTAINABILITY REPORT

OUR COMMUNITIES (continued)

Charity Partnership

Our two year charity partnership with Canine Partners ended in April 2014. £22,752.47 was raised Feb-April 2014 with this year's share of the profits donations going to the charity totalling £88,496.91. The total for the two year partnership was in excess of £535,000. It's success is down to the generosity of our members, customers, colleagues and suppliers who have dressed up as dogs, run races, cycled, parachuted, held raffles and cake sales, joined our 'Bark in the Park' sponsored dog walks and 'Bark at the Ball' dinner and auction, to mention just a few of the inspirational fundraising activities.

Our new charity partnership with Whizz-Kidz launched in May 2014. There are an estimated 70,000 disabled children and young people in the UK waiting for a wheelchair that fits their young lives. That's where Whizz-Kidz comes in. As a national charity with a local focus, Whizz-Kidz provides disabled children with the essential wheelchairs and other mobility equipment they need to lead fun and active childhoods. The wheelchair is just the start; Whizz-Kidz also run youth groups, wheelchair skills training, work experience placements and residential camps.

Fundraising events were organised throughout the year, such as a Halloween themed family day, which featured activities such as wheelchair basketball, sitting volleyball and table cricket. The event offered disabled and non-disabled children the chance to play these games together. Support for the charity has been impressive, with colleagues completing a 100mph zip wire challenge, skydives and even leg waxing to raise an impressive £80,077.65 in the first 9 months of the partnership.

New Community Partners

A grass roots initiative, "Get into Music, Portsmouth" led by Portsmouth Cultural Trust (PCT), which has the support of local venues, radio, promoters and arts organisations, became one of our new partnerships in 2014. Targeted at 14-24 year olds, some of whom are not engaged in employment, education or training (NEET), the programme aims to help young people gain knowledge of the music industry, developing confidence in their abilities and increasing aspirations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom Co-operative and Community Benefit Societies Law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of The Southern Co-operative and its subsidiaries (TSC) at the end of the financial period, and of the income and expenditure of TSC for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that TSC will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of TSC and to enable them to ensure the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of TSC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOUTHERN CO-OPERATIVE LIMITED

We have audited the financial statements of The Southern Co-operative Limited for the 52 week period ended 24 January 2015 which comprise statement of accounting policies, group revenue account, group statement of total recognised gains and losses, note of historic cost profits and losses, group balance sheet, group cash flow statement, reconciliation of movements in shareholders' funds, and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the Directors Responsibilities Statement, the board members 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 Financial Reporting Council's (FRC'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 FRC'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 24 January 2015 and of its loss for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial 52 week period for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Malcolm Thixton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
United Kingdom
6 May 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice. The particular accounting policies adopted by the Directors are described below.

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the annual revaluation of certain investments and investment properties which are carried at market value. This departure from the historical cost convention is explained further below in the investment and the investment properties accounting policy notes.

Going concern

The Southern Co-operative and its subsidiaries (TSC) obtains its financial strength from a broad range of customers and suppliers across different geographic areas. TSC has a solid balance sheet position and significant cash balances. This is discussed further in the Statement of Going Concern on page 17. As a consequence, the Directors believe that TSC is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that TSC has adequate resources to continue in operational existence for the foreseeable future. TSC will continue with its plan to increase the number of retail stores and funeral homes. To achieve this growth the Directors will continue to review financial options for utilising external debt to assist with the expansion. This debt will be utilised along with internally generated funds. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Parental Guarantee

In accordance with Sections 394A, 448A and 479A of the Companies Act 2006 The Southern Co-operative Limited has provided a statement of guarantee for its 100% owned subsidiaries to enable them to take the audit exemption, please see note 28 for further details.

Accounting date

The financial statements are made up for the 52 weeks to 24 January 2015 with comparative figures for the 52 weeks to 25 January 2014.

Basis of consolidation

The group financial statements of The Southern Co-operative consolidate the accounts of The Southern Co-operative and all its subsidiaries. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Revenue

Sales includes cash sales, goods sold on credit, property rental and concession income. Income is recognised on delivery of goods or related services. Property rental income is recognised on a straight line basis over the lease term. Funeral income is recognised on completion of the funeral service (burial or cremation). All revenue is shown net of value added tax.

Other operating income

Other operating income represents commissions receivable on funeral bond investments.

Investments and investment income

Interest and dividends received are accounted for on an accruals basis. Investments held as fixed assets are carried at cost, less provision for any impairment in value. Funeral investments held as current assets are carried at market value with movements being taken annually to the revenue account.

STATEMENT OF ACCOUNTING POLICIES

Investment properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve, except where a deficit on an individual investment property is expected to be permanent in which case it is charged (or credited, where a deficit is reversed) to the profit and loss account of the period. No depreciation is provided in respect of investment properties. The Companies Act requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Associated companies

In the group financial statements of The Southern Co-operative, investments in associates are accounted for using the equity method. The consolidated revenue account includes the group's share of the associates' profits less losses whilst the group's share of the net assets of the associates is shown in the consolidated balance sheet.

Fixed assets and depreciation

Land and buildings are stated at historic cost less depreciation. No depreciation is provided on freehold land.

Tangible fixed assets are depreciated by equal annual instalments over their estimated useful economic lives based on cost as follows:

Freehold buildings	2.5% per annum
Fixtures and fittings	12.5% per annum
Plant and machinery	15.0% per annum
Computers/software	25.0% per annum
Systems Development	20.0% per annum
Motor vehicles	25.0% per annum
Hearses	16.6% per annum
2 nd hand hearses	33.3% per annum
Cremators	6.7% per annum

Leasehold property is depreciated at 2.5% per annum or over the unexpired period of the lease, if shorter. Burial Land is depreciated based on consumption with no residual value.

Assets in the course of construction are stated at cost and are not depreciated. Assets are capitalised and transferred to their category once completed.

The gain or loss arising on the disposal or retirement of fixed assets is determined as the difference between the sales proceeds (or value of the option to replace the asset) and the carrying amount, and is recognised in the profit and loss for the period.

Goodwill and intangible assets

Goodwill represents any excess of the fair value of the consideration given over the identifiable assets and liabilities acquired. For acquisitions of a business, goodwill is capitalised in the period in which it arises and amortised over its estimated useful life up to a maximum of 20 years. The Directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period.

Goodwill which arose on the acquisition of a business prior to the implementation of FRS 10, which was written off to revenue reserves as a matter of accounting policy, remains eliminated in that reserve and will be charged or credited in the revenue account as appropriate on the subsequent disposal of the business to which it relates.

STATEMENT OF ACCOUNTING POLICIES

Goodwill and intangible assets (continued)

Post office licences are amortised by equal annual instalments over their estimated useful lives at a rate of 5.0% per annum.

Impairment of goodwill

In determining whether goodwill is impaired TSC prepares an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Leased assets

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over the estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital outstanding. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line-line basis over the lease term.

Taxation

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

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

Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Financial assets

Financial assets, including options to obtain replacement fixed assets, are initially recognised at fair value on the date the underlying contract is entered into.

Stocks

Retail stocks are valued at purchase price less provisions for slow moving and obsolete stock. Other stock, including stock not for resale, is valued at the lower of cost or net realisable value.

Repairs

Repairs expenditure is charged to the revenue accounts in the period that costs are incurred.

Funeral bond schemes

Amounts received in advance for funeral bonds are recorded as a liability, apportioned between amounts due within one year and after more than one year, based upon past periods' experience of redemptions.

STATEMENT OF ACCOUNTING POLICIES

Funeral bond schemes (continued)

All receipts are invested in individual whole life insurance policies with the Royal London Insurance Group). Investments of the receipts are held as assets in the balance sheet, apportioned between fixed and current assets on the same basis as the related liabilities. The investments are held at cost.

Interest receivable on the fund is recognised in the revenue account on encashment of the bond when the related funeral is provided. Commission on funds invested with Royal London is recognised in the revenue account on receipt.

Pension costs

For defined benefit schemes the amounts charged to the trading surplus are the current service costs and gains and losses on settlements and are included as part of staff costs. Past service costs are recognised immediately in the revenue account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

During the period, and following consultation with active members, the final salary scheme was closed to future benefit accrual with effect from 1 May 2013. See note 21 for further details.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of TSC, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the employer costs are charged to the revenue account in the period in which they are incurred.

Distributions

Distributions to and on behalf of members, including colleague and member share of profits, grants and donations, are recognised when approved by members in general meetings and are treated as an application of profits in line with The Southern Co-operative's rules. Where payments to employee members in their capacity as employees are non-contractual and distinguishable from the operating activities of the business and payment is dependent on, and subject to, member approval in a general meeting, these payments are termed 'Distributions'.

THE SOUTHERN CO-OPERATIVE LIMITED

GROUP REVENUE ACCOUNT
52 weeks ended 24 January 2015

	Note	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Revenue	1	350,505	326,716
Cost of sales		(244,693)	(225,695)
Gross profit		105,812	101,021
Trading expenses	2	(100,943)	(90,806)
Other operating income		143	410
TRADING SURPLUS		5,012	10,625
Share of operating profit in associated undertaking		186	145
TOTAL TRADING SURPLUS: Group and share of associated undertaking		5,198	10,770
Pension scheme curtailments and settlements	21	-	3,171
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST RECEIVABLE		5,198	13,941
Investment income and interest receivable	4	1,019	1,386
Interest payable		(283)	(115)
Share of interest payable by associated undertaking		(150)	(137)
Total interest payable	5	(433)	(252)
SURPLUS FOR THE PERIOD BEFORE MINORITY INTEREST		5,784	15,075
Minority interest	18	-	(24)
SURPLUS FOR THE PERIOD BEFORE DISTRIBUTIONS		5,784	15,051
Distributions	6	(3,418)	(3,261)
SURPLUS FOR THE PERIOD BEFORE TAXATION		2,366	11,790
Taxation	19	(2,418)	(3,728)
(LOSS)/SURPLUS FOR THE PERIOD AFTER TAX TRANSFERRED TO RESERVES	16	(52)	8,062

All results are derived from continuing operations.

The above results have been presented on a historical cost basis, with the exception of the revaluation of investment properties and investments (note 7).

THE SOUTHERN CO-OPERATIVE LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
52 weeks ended 24 January 2015

	Note	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
(Loss)/Surplus for the financial period		(52)	8,062
Unrealised gain/(deficit) on revaluation of investment properties		22	(90)
Unrealised gain/(loss) arising from valuation in respect of retirement benefits	21	1,187	(8,174)
Pension fund related deferred tax (debit)/credit	21	(597)	1,880
TOTAL GAINS AND LOSSES RECOGNISED SINCE THE LAST ANNUAL REPORT		560	1,678

NOTE OF HISTORIC COST PROFITS AND LOSSES

	2015 £'000	2014 £'000
Reported profit on ordinary activities before taxation	2,366	11,790
Historic cost profit on ordinary activities before taxation	2,366	11,790
Historic cost (loss)/profit on ordinary activities after taxation	(52)	8,062

THE SOUTHERN CO-OPERATIVE LIMITED

GROUP BALANCE SHEET
At 24 January 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	7	14,910	17,058
Tangible assets	7	94,644	90,737
Investments	8	20,077	18,875
		129,631	126,670
Current assets			
Stocks		16,116	13,103
Debtors			
- Due within one year	10	6,995	7,190
- Due after one year	10	3,378	3,440
Investments	11	1,485	1,365
Cash at bank		7,456	10,568
		35,430	35,666
Creditors			
Amounts falling due within one year	12	(34,760)	(33,612)
Net current assets			
		670	2,054
Total assets less current liabilities			
		130,301	128,724
Creditors			
Amounts falling due after more than one year	12	(19,714)	(17,873)
Provisions for liabilities			
Other provisions	13	(1,053)	(1,189)
Deferred tax	20	(2,168)	(1,078)
		107,366	108,584
Net assets excluding pension deficit			
Pension scheme			
Pension deficit	21	(1,723)	(3,529)
		105,643	105,055
Equity			
Financed by:			
Share capital	15	618	590
Reserves	16	104,855	105,113
Investment property revaluation reserve	17a	(1,673)	(2,491)
Revaluation reserve	17b	401	401
		104,201	103,613
Minority interest	18	1,442	1,442
Total equity		105,643	105,055

These financial statements of The Southern Co-operative, registered number 1591R, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors

Director

THE SOUTHERN CO-OPERATIVE LIMITED

GROUP CASH FLOW STATEMENT
52 weeks ended 24 January 2015

	Note	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Net cash inflow from operating activities	22	16,882	20,398
Returns on investments and servicing of finance	23	(187)	(43)
Taxation		(1,522)	(2,780)
Acquisition of subsidiary	24	-	(1,897)
Capital expenditure and financial investment	25	(16,597)	(26,927)
Net cash outflow before financing		(1,424)	(11,249)
Financing	26	(1,688)	10,980
Decrease in cash in the period		(3,112)	(269)
		52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Reconciliation of net cashflow to movement in net funds			
Decrease in cash		(3,112)	(269)
Movement in net funds		(3,112)	(269)
Net funds at start of period		10,568	10,837
Net funds at end of period		7,456	10,568
	As at 25 January 2014 £'000	Cash flow £'000	As at 24 January 2015 £'000
Analysis of net funds			
Cash at bank and cash in hand	10,568	(3,112)	7,456
Total	10,568	(3,112)	7,456

THE SOUTHERN CO-OPERATIVE LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
52 weeks ended 24 January 2015

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
(Loss)/Surplus for the financial period	(52)	8,062
Other profits/(losses) relating to the period	590	(6,294)
	<hr/> 538	<hr/> 1,768
Revaluation of investment properties during the period	22	(90)
Movement in share capital	28	(51)
	<hr/> 588	<hr/> 1,627
Net addition to shareholders' funds		
Opening shareholders' funds	103,613	101,986
Closing shareholders' funds	<hr/> 104,201	<hr/> 103,613

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

1. REVENUE

Results for the period are attributable to retail and concession agreements, funeral services and property rental. The origin and destination of the revenue is wholly within the United Kingdom.

Analysis of revenue:

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Retail	334,348	311,177
Funeral services	13,310	12,599
Property rental	2,847	2,940
	<hr/> 350,505 <hr/>	<hr/> 326,716 <hr/>

Revenue consists entirely from within the United Kingdom. No disclosure of the trading surplus or net assets by each segment has been made as the Directors' consider this would be detrimental to the business.

2. TRADING EXPENSES

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Personnel expenses	48,554	44,950
Occupancy costs	10,250	9,659
Depreciation:		
- owned assets	11,946	9,885
- amortisation of goodwill	1,652	1,611
Surplus on disposal of fixed assets	(489)	(1,188)
Impairment -additional depreciation		
- on goodwill	509	58
- on owned assets	914	262
Operating leases:		
- land and buildings	8,713	7,376
- plant and machinery	958	729
Onerous property provision	333	120
Auditors' remuneration:		
- fees payable to the Company's auditors for the audit of the Company's annual financial statements	60	68
- fees payable to the Company's auditors for non-audit services	-	-
Other expenses	17,543	17,276
	<hr/> 100,943 <hr/>	<hr/> 90,806 <hr/>

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

3. EMPLOYEES (including Directors)

	52 weeks ended 24 January 2015 No.	52 weeks ended 25 January 2014 No.
The average number employed by The Southern Co-operative and its subsidiaries was:		
Full-time	1,442	1,391
Part-time	2,777	2,591
	4,219	3,982
	£'000	£'000

The costs incurred in respect of these employees were:

Wages and salaries	48,543	44,809
Social security costs	2,976	2,532
Other pension costs	567	666
	52,086	48,007

Of the above salaries £3,532,000 (2014: £3,057,000) is included in cost of sales, relating to operational staff within the funeral business.

Other pension costs include £Nil (2014: £323,000) in respect of defined benefit schemes and £567,000 (2014: £343,000) in respect of defined contribution schemes.

4. INVESTMENT INCOME AND INTEREST RECEIVABLE

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Southern Co-operatives investment fund	54	23
Pension scheme financing	675	1,058
Long term deposits	17	27
Other interest receivable	8	8
East Devon Crematorium Loan	265	270
	1,019	1,386

5. INTEREST PAYABLE

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Bank overdraft, other interest and commission	266	101
Onerous contract interest	17	14
Share of interest payable by associated undertaking	150	137
	433	252

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

6. DISTRIBUTIONS

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Share interest	-	2
Pensioners' welfare	53	60
Donations	101	65
Corporate partnerships	81	102
Facilitation fund	16	19
Volunteering	26	31
Community support card	194	250
Colleague members share of profits	1,126	1,050
Customer members share of profits	1,695	1,556
Work hours donated to community projects	115	115
Grants	-	6
Education	11	5
	3,418	3,261

7. FIXED ASSETS - TANGIBLE AND INTANGIBLE

	Land and buildings £'000	Plant and fixtures £'000	Vehicles £'000	Assets in course of construction £,000	Total £'000	Goodwill and intangible assets £'000
Cost or valuation						
As at 26 January 2014	43,047	93,436	2,485	8,735	147,703	28,783
Additions	-	-	-	19,858	19,858	-
Transfers in year	3,650	16,137	215	(20,002)	-	-
Revaluation	22	-	-	-	22	-
Disposals	(3,172)	(1,869)	(291)	-	(5,332)	-
As at 24 January 2015	43,547	107,704	2,409	8,591	162,251	28,783
Accumulated depreciation and amortisation						
As at 26 January 2014	4,241	50,895	1,830	-	56,966	11,725
Provided this period	790	10,901	255	-	11,946	1,652
Impairment	91	823	-	-	914	509
Disposals	(99)	(1,830)	(290)	-	(2,219)	(13)
As at 24 January 2015	5,023	60,789	1,795	-	67,607	13,873
Net book value at 24 January 2015	38,524	46,915	614	8,591	94,644	14,910
Net book value at 25 January 2014	38,806	42,541	655	8,735	90,737	17,058

The net book value of assets held under finance leases included above is £Nil (2014: £Nil). Included within fixed assets are assets with a net book value of £792,711 (2014: £Nil) which are provided as security for the asset backed bank loans.

An impairment charge of £1,423,120 was made in the period, following an impairment review (2014: £320,223).

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

7. FIXED ASSETS - TANGIBLE AND INTANGIBLE (continued)

The Southern Co-operative prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows based on an estimated growth rate of 1.25%. This rate does not exceed the average long-term growth rate for relevant markets. The rate used to discount the forecast cash flows is 6.9% (2014: 5.6%).

Included in land and buildings are investment properties of £8,905,000 (2014: £9,765,000) which are valued each year on an open market basis by external chartered surveyors. The valuation in 2015 on certain properties was performed by Vail Williams, based on open market values at 31 December 2014.

The net book value of land and buildings comprises:

	2015	2014
	£'000	£'000
Cost or valuation:		
Land	12,816	12,998
Freehold buildings	16,326	15,563
Investment properties	8,905	9,765
Long leasehold buildings	477	480
Total Net Book Value	38,524	38,806

There are capital commitments contracted for, amounting to £5,388,941 (2014: £9,510,121), which have not been provided for in these accounts.

	2015	2014
	£'000	£'000
Operating Lease Commitments		
Operating leases expiring:		
Within one year	533	571
In the second to fifth year inclusive	1,343	1,203
Over five years	7,158	6,513
	9,034	8,287

The leases of land and buildings are subject to rent reviews.

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

8. INVESTMENTS - LONG TERM

	2015 £'000	2014 £'000
Co-operative Group Limited	780	780
Other Co-operative organisations	8	8
Royal London Funeral Bond Scheme	19,211	18,043
East Devon Crematorium Limited	78	44
	<u>20,077</u>	<u>18,875</u>
	2015 £'000	2014 £'000
Share of net assets in associated undertaking:		
At start of period	44	36
Profit in the period	34	8
At end of period	<u>78</u>	<u>44</u>
	2015 £'000	2014 £'000
Movement on the Royal London Funeral Bond Scheme during the period:		
At start of period	18,043	13,453
Additions	1,168	1,436
Transfer in of State Street liquidated funeral bond funds	-	3,154
At end of period	<u>19,211</u>	<u>18,043</u>

9. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 31 January 2013, The Southern Co-operative group acquired 100% of the issued share capital of Sussex Woodlands Limited for a consideration of £2,161,000. Included within the total consideration was an amount of £250,000, treated as deferred consideration and being payable dependent upon specified contractual targets. During the year, it was determined that the deferred consideration would not be payable. The amount has been released and the fair value of the land has been adjusted accordingly.

10. DEBTORS AND PREPAYMENTS

	2015 £'000	2014 £'000
Falling due within one year:		
Customer accounts	3,337	2,631
Expenses prepaid and other debtors	3,458	4,268
Loan to East Devon Crematorium Limited	138	238
Asset loan to East Devon Crematorium Limited	62	53
	<u>6,995</u>	<u>7,190</u>
These amounts are net of a provision for bad and doubtful debts of	<u>168</u>	<u>185</u>
Falling due in more than one year:		
Loan to East Devon Crematorium Limited	2,884	2,884
Asset loan to East Devon Crematorium Limited	494	556
Other debtors	<u>3,378</u>	<u>3,440</u>

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

10. DEBTORS AND PREPAYMENTS (continued)

The loan was issued to East Devon Crematorium Limited, a company set up as an associate of South of England Funeral Partners Limited, a group company to acquire, develop crematorium facilities and trade on land at Whimple, Devon. The loan is for a maximum principal sum of £3,200,000 and is solely for the purpose described above.

Interest is receivable on the loan at a rate of 6.0% and will rise in 1% increments to 8% by April 2014.

The loan is repayable in quarterly instalments which commenced in June 2013 at £25,000. Repayments will then rise to £37,500 in June 2015 and increase annually thereafter to £154,866 by June 2022.

The asset loan to East Devon Crematorium is repayable over ten years and interest is charged at 7.9%.

11. INVESTMENTS - SHORT TERM

	2015	2014
	£'000	£'000
Royal London Funeral Bond Scheme - at cost	<u>1,485</u>	<u>1,365</u>

Amounts are held with third party investment managers which are readily available but not accessible within twenty four hours.

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

12. CREDITORS

	2015 £'000	2014 £'000
Falling due within one year:		
Bank loans and overdrafts	8,682	11,000
Trade creditors	9,149	8,925
VAT	385	127
Corporation tax	1,183	1,379
Funeral bonds and prepayment plans	1,627	1,535
Other creditors	13,734	10,646
	<u>34,760</u>	<u>33,612</u>

The bank loans and overdraft represent the amount drawn down from a facility with Barclays Bank and an asset backed loan agreement with the same bank. The sums drawn from the facility have various maturity dates all of which are within twelve months from the date of drawdown. The monies are secured on a number of freehold properties. The asset backed loan agreement is repayable on a quarterly instalment basis over four years and is secured on specific tangible fixed assets. Interest is payable based on the LIBOR interest rates.

	2015 £'000	2014 £'000
Falling due after more than one year:		
Bank loans and overdrafts	579	-
Funeral bonds and pre-payment plans	19,135	17,873
	<u>19,714</u>	<u>17,873</u>

13. OTHER PROVISIONS

	2015 £'000	2014 £'000
Onerous property leases	848	1,048
Dilapidation provision	205	141
	<u>1,053</u>	<u>1,189</u>
Movements in the period:		
As at beginning of period	1,189	1,134
Additions	263	419
Utilised in the period	(367)	(310)
Released in the period	(32)	(54)
As at end of period	<u>1,053</u>	<u>1,189</u>

The onerous property lease provision relates to the sub-letting and/or vacant Winklebury Milford-on-Sea, Denmead, Southsea, Mere, Freshwater, Tadley, Palmerston Road, Old Christchurch, St Edmunds and Haywards Heath sites. The costs provided for relate to the remaining lease terms of 6, 8, 6, 6, 13, 1, 5, 3, 2, 16 and 4 years respectively over which period the provision will be released.

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

14. OPERATING LEASE COMMITMENTS

Amounts due under non-cancellable operating leases for vehicles and plant and equipment are:

	2015 £'000	2014 £'000
Operating leases expiring:		
In less than one year	175	13
In the second to fifth year inclusive	621	487
	<u>796</u>	<u>500</u>

Amounts due under non-cancellable operating leases for land and buildings are shown in note 7.

15. SHARE CAPITAL

	2015 £'000	2014 £'000
As at beginning of period	590	641
Contributions	35	-
Southern Co-operative (SIP) Trustee Limited	63	55
Interest	2	2
	<u>690</u>	<u>698</u>
Withdrawals	(72)	(108)
As at end of period	<u>618</u>	<u>590</u>

The Southern Co-operative abides by a code of practice which requires it to provide a statement to its shareholders of the nature of their investment and any change affecting it. The position that a shareholder of The Southern Co-operative occupies is no different from that of a shareholder in any other corporate body in the sense that, if The Southern Co-operative fails, not all or any of their investment may be returned to them. Investments are withdrawable without penalty. The Southern Co-operative, unlike banks and building societies, is not subject to prudential supervision by the Financial Services Authority.

Any questions regarding the code should be addressed to the Society Secretary at The Southern Co-operative's registered address at 1000 Lakeside, Western Road, Portsmouth, Hampshire, PO6 3FE.

16. REVENUE RESERVES

	2015 £'000	2014 £'000
As at beginning of period	105,113	103,179
Other net recognised gains/(losses) in the period	590	(6,294)
Surplus on property revaluation in the period	84	-
Transfer from investment property revaluation reserve	(880)	166
Transfer from revenue account	(52)	8,062
As at end of period	<u>104,855</u>	<u>105,113</u>

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

17. a) INVESTMENT PROPERTY REVALUATION RESERVE

	2015 £'000	2014 £'000
As at beginning of period	(2,491)	(2,235)
Deficit on property revaluation in period	(62)	(90)
Transfer to revenue reserves	880	(166)
As at end of period	<u>(1,673)</u>	<u>(2,491)</u>

b) REVALUATION RESERVE

	2015 £'000	2014 £'000
At beginning and end of period	<u>401</u>	<u>401</u>

The revaluation reserve relates to the property development in 2008/09 at New Hawthorn Road, where the uplift in value over the previous cost has been taken to reserves.

18. MINORITY INTEREST

	2015 £'000	2014 £'000
As at beginning of period	1,442	1,418
Transfer from revenue account	-	24
As at end of period	<u>1,442</u>	<u>1,442</u>

19. TAXATION

	2015 £'000	2014 £'000
Current tax		
United Kingdom corporation tax: 2015: 21% (2014:23%)	2,109	2,494
Adjustments in respect of prior period	(783)	(129)
Total current taxation	<u>1,326</u>	<u>2,365</u>
Deferred tax		
Timing differences, origination and reversal	(268)	166
Decrease in tax rate	(211)	(35)
On pension deficit	255	1,120
Adjustments in respect of prior periods	1,314	112
	<u>1,090</u>	<u>1,363</u>
Share of Associate's tax	2	-
	<u>2,418</u>	<u>3,728</u>

The tax assessed for the period is higher (2014: higher) than that resulting from applying the standard rate of corporation tax in the UK: 2015: 21% (2014: 23%).

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

19. TAXATION (continued)

	2015 %	2014 %
The differences are explained below:		
Standard tax rate for period as a percentage of profits	21	23
Effects of:		
Expenses not deductible for tax purposes	10	6
Other timing differences	-	1
Depreciation in excess of capital allowance	73	6
Prior period adjustment	(39)	(2)
Current tax rate for period as a percentage of profits	<u>65</u>	<u>34</u>

Factors that may affect the future tax charge:

- a. A deferred tax asset has not been recognised in respect of timing differences relating to funeral bonds as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £Nil (2014: £461,694);
- b. Deferred tax has not been provided in respect of gains realised of that have been rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further rollover relief is not obtained. The taxable gain that would arise in these circumstances is £215,275 (2014: £428,189).
- c. Deferred tax has not been provided on revaluations of investment properties. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £17,000 (2014: £Nil).
- d. The Finance Act 2014, which provided for a reduction in the main rate of corporation tax from 21% to 20% effective from 1 April 2015, was substantively enacted on 17 July 2014. This rate reduction have been reflected in the calculation of deferred tax at the balance sheet date.

The impact of any further changes in the main rate of corporation tax will be taken into account at subsequent reporting dates, once any changes have been substantively enacted.

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

20. DEFERRED TAX

	2015	2014
	£'000	£'000
Analysis of deferred tax balance:		
Capital allowances in excess of depreciation	2,168	1,078
Pension creditor	(459)	(1,056)
	1,709	22
Movements in deferred tax during the period:		
As beginning of period	1,078	719
Charge to revenue account	1,090	359
As at end of period	2,168	1,078
Tax movement on pension deficit:		
At beginning of period	(1,056)	(296)
Movement for the period - revenue account	-	1,120
Movement for the period - statement of total recognised gains and losses	597	(1,880)
As at end of period	(459)	(1,056)

21. PENSION SCHEME

FRS 17 'Retirement Benefits' has been fully adopted in these financial statements. The Southern Co-operative operated a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 28 January 2012 and updated to 24 January 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

	2015	2014	2013	2012	2011
	%	%	%	%	%
Discount rate	3.20	4.30	4.60	4.70	5.60
Rate of increase in salaries	N/A	N/A	4.00	3.60	4.10
Rate of increase in deferred pensions - RPI	3.10	3.50	3.50	3.10	3.60
Rate of increase in deferred pensions - CPI	2.10	2.50	2.50	2.10	N/A
Rate of increase in pensions in payment accrued after 5 April 1997	3.00	3.30	3.30	3.00	3.50
Rate of increase in pensions in payment accrued before 6 April 1997	2.10	2.20	2.20	2.10	2.30
Inflation assumption	3.10	3.50	3.50	3.10	3.60

Mortality assumption – for 2015 and 2014 uses the S1PxA table using the CMI 2013 projection model rated up to 1 year for males with default parameters and a 1% per annum long term rate of improvement.

The Southern Co-operative's contributions during the 52 week period amounted to £542,000 (2014: £964,000). The best estimate of contributions to be paid to the scheme by The Southern Co-operative for the 53 weeks ended 30 January 2016 is £750,000.00.

The scheme is closed to new entrants so the average age of membership is expected to increase over time. The projected unit method is used to calculate the current service cost. This calculates the value of the following year's pension accrual and expresses it as a percentage of pensionable pay. This percentage will increase as the members of the Scheme approach retirement. The scheme was closed to future benefit accrual on 31 May 2013 and a curtailment gain of £3,171,000 was realised in the prior year.

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

21. PENSION SCHEME (continued)

The assets in the scheme and the expected rate of return were:

	2015		2014		2013	
	Long term rate of return expected	Value £'000	Long term rate of return expected	Value £'000	Long term rate of return expected	Value £'000
Equities and property	7.00%	58,913	7.00%	49,700	7.00%	71,202
Gilts and bonds	3.00%	63,129	3.30%	50,829	2.65%	29,935
Other	0.25%	325	0.25%	34	0.25%	(5)
Total market value of assets		122,367		100,563		101,132
Present value of scheme liabilities		124,549		105,148		102,413
(Deficit) in scheme		(2,182)		(4,585)		(1,281)
Related deferred tax asset		459		1,056		295
Net pension liability		(1,723)		(3,529)		(986)

The scheme deficit at 24 January 2015 after deferred tax was identified of £1,723,000. This deficit has been recognised as a liability £1,723,000 (2014: deficit of £3,529,000 was recognised as a liability under FRS 17 of The Southern Co-operative group).

The expected return on assets is derived from the assumptions of long term expected returns on each asset class, these are shown below:

	2015 %	2014 %	2013 %
Equities	7.00	7.00	7.00
Bonds	3.00	3.30	2.65
Gilts	-	-	-
Property	-	-	-
Other investments	0.25	0.25	0.25

The overall expected return on assets of 4.35% pa (2014: 5.17%) is the weighted average of the expected returns on each individual asset class.

Analysis of amount charged to trading surplus

	2015 £'000	2014 £'000
Current service cost	-	323
Total operating charge	-	323

Analysis of amount credited to other finance income

	2015 £'000	2014 £'000
Expected return on pension scheme assets	5,114	5,689
Interest on pension scheme liabilities	(4,439)	(4,631)
Net return	675	1,058

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

21. PENSION SCHEME (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	19,984	(3,272)
(Loss) arising from changes in assumptions underlying the scheme liabilities	(18,797)	(4,902)
Actuarial gain/(loss) recognised in STRGL	<u>1,187</u>	<u>(8,174)</u>

The cumulative amount of losses recognised in the STRGL is £27,176,000 (2014: £27,766,000)

Reconciliation of the present value of the defined benefit obligation

	2015 £'000	2014 £'000
Present value of the defined benefit obligation at the beginning of the year	105,148	102,413
Movement in year:		
Current service cost	-	323
Interest cost	4,439	4,631
Members' contributions	-	85
Benefits paid	(3,835)	(4,035)
Actuarial loss	18,797	4,902
Curtailments and settlements	-	(3,171)
	<u>124,549</u>	<u>105,148</u>

Reconciliation of the fair value of scheme assets

	2015 £'000	2014 £'000
Fair value of scheme assets at the start of the year	100,563	101,132
Movement in year:		
Expected return on scheme assets	5,114	5,689
Actuarial gain/(loss) on scheme assets	19,984	(3,272)
Employer contributions	542	964
Members' contributions	-	85
Benefits paid	(3,836)	(4,035)
	<u>122,367</u>	<u>100,563</u>

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

21. PENSION SCHEME (continued)

History of experience gains and losses

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets	19,984	(3,272)	4,298	(2,306)	5,458
Percentage of scheme assets	16%	(3)%	4%	(2)%	6%
Experience gain/(loss) on scheme liabilities	724	(96)	2,250	(306)	(358)
Percentage of the present value of the scheme liabilities	1%	0%	2%	0%	0%
Total amount recognised in statement of total recognised gains and losses before the restriction of surplus	1,187	(8,174)	3,176	(10,250)	6,181
Percentage of the present value of the scheme liabilities	1.1%	(8)%	3%	(10)%	7%

Defined contribution scheme

For new employees, the society provides a Group Personal Pension Plan to which it contributes. The cost to TSC in the 52 week period ended 24 January 2015 was £569,878 (2014: £323,833). The amount payable to the scheme at the end of the period was £Nil (2014: £Nil).

22. RECONCILIATION OF TRADING SURPLUS TO NET CASH INFLOW FROM TRADING ACTIVITIES

	2015	2014
	£'000	£'000
Trading surplus	5,198	10,770
Share of operating profit in associated undertaking	(186)	(145)
Distributions	(3,418)	(3,261)
Depreciation	11,946	9,780
Amortisation	1,652	1,611
Impairment reversal on goodwill	509	(19)
Impairment on owned assets	914	339
Difference between pension contributions paid and amount recognised in profit and loss	(541)	(641)
Forfeited shares written back	(23)	(31)
(Profit) on sale of fixed assets	(489)	(1,188)
(Increase) in stocks	(3,013)	(1,841)
Decrease in debtors	104	(945)
Increase in creditors	4,229	5,969
	16,882	20,398

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

23. RETURNS ON INVESTMENTS AND SERVICE OF FINANCE

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Interest paid	(266)	(101)
Interest received	79	58
	(187)	(43)

24. ACQUISITION OF SUBSIDIARY

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Purchase of subsidiary undertaking	-	(1,911)
Net cash acquired with subsidiary undertaking	-	14
	-	(1,897)

25. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Payments to acquire tangible and intangible fixed assets	(19,316)	(28,410)
Net increase in funeral bond investments	(1,288)	(4,978)
Proceeds from sale of fixed assets	3,589	6,072
East Devon Crematorium loan repayments	418	389
	(16,597)	(26,927)

26. FINANCING

	52 weeks ended 24 January 2015 £'000	52 weeks ended 25 January 2014 £'000
Issue/(repayment) of share capital	51	(20)
Loan facility (repaid)/drawdown	(2,500)	11,000
Asset loan facility drawdown	761	-
	(1,688)	10,980

NOTES TO THE ACCOUNTS
52 weeks ended 24 January 2015

27. RELATED PARTY DISCLOSURE

Controlling parties

The directors do not consider there to be an ultimate controlling party.

The company has taken advantage of the exemption conferred by FRS 8 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries.

Related party transactions

At the year end, there is an amount owing by the Society to its 91% subsidiary company, Southern Co-operative Dairies Limited of £15,059,647 (2014: £15,060,307). Interest is charged on the balance at 1.5% above base rate. The interest charged during the year was £NIL (2014: £298,954). In addition, the Society charged a Management Fee of £ 23,534 (2014: £NIL) to Southern Co-operative Dairies Limited

The amount due to The Southern Co-operative in relation to a loan issued to East Devon Crematorium Limited, an associate of South of England Funeral Partners Limited, is £3,578,000 at the year end (2014: £3,731,000). Interest charged during the year was £265,009 (2014: £270,070).

THE SOUTHERN CO-OPERATIVE LIMITED

NOTES TO THE ACCOUNTS 52 weeks ended 24 January 2015

28. SUBSIDIARIES

The financial statements consolidate the results of The Southern Co-operative and the following subsidiaries, all of which are incorporated in Great Britain.

Subsidiary	Registered No.	Type of registration	Activity	Percentage of shares held %	Net profit/(loss) £,000
Southern Co-operative Dairies Ltd	24986R	Co-operative Society	Property Management	91	(2)
Mutual Associates Ltd *	02207748	Limited Company	Property investment	100	87
Mutual Services (Portsmouth) Ltd *	05904980	Limited Company	Funeral furnishing	100	143
Southern Co-operative Retailers Ltd *	02301593	Limited Company	Property investment and management	100	(91)
SCL (Members) Trustee Ltd	3397456	Limited Company	Trustee	100	-
J Edwards & Son (Funeral Directors) Ltd	1256971	Limited Company	Non-trading	100	-
Southern Co-operative Funerals Ltd *	00382640	Limited Company	Funeral furnishing	100	(24)
Southern Co-operative Properties Ltd *	05016485	Limited Company	Property management	100	(78)
Co-operative Franchising Ltd*	06492138	Limited Company	Grocery retail licensing agent	100	145
Co-operative Independent Living Ltd *	06538560	Limited Company	Disability products	100	(437)
Caring Ladies Funeral Directors Ltd	03102001	Limited Company	Non-trading	100	-
Caring Lady Funeral Directors Ltd	08159436	Limited Company	Non-trading	100	-
South of England Funeral Partners Ltd *	06961496	Limited Company	Investment	100	(25)
South of England Natural Burials Ltd	08322729	Limited Company	Non-trading	80	-
Sussex Woodlands Limited*	06542570	Limited Company	Natural Burial Ground	100	(20)

*Subsidiaries taking advantage of the exemption from the requirement to have their own accounts audited in accordance with s479A of the Companies Act 2006.

The limited companies above all have an accounting year end date of 31 January 2015, however, for the purposes of consolidation and their individual account preparation the cut off of 24 January 2015 has been used.

Copies of financial statements of The Southern Co-operative Ltd can be obtained from the Society Secretary at 1000 Lakeside, Western Road, Portsmouth, Hampshire, PO6 3FE.

THE SOUTHERN CO-OPERATIVE LIMITED

FIVE PERIOD COMPARATIVE STATEMENT
52 weeks ended 24 January 2015

Year ending January	2011 52 weeks	2012 52 weeks	2013 52 weeks	2014 52 weeks	2015 52 weeks
Membership ('000)	100	115	137	147	151
£'000					
Revenue	260,094	281,442	303,106	326,716	350,505
Depreciation and amortisation	7,615	9,140	10,143	11,816	15,021
Trading surplus	9,422	11,001	9,828	10,625	5,012
Retained (deficit)/ surplus	5,900	6,622	5,401	8,062	(52)
Fixed assets	84,350	97,719	108,450	126,670	129,631
Net current assets	26,323	16,546	11,030	2,054	670
Total assets less current liabilities	110,673	114,265	119,480	128,724	130,301
Long term liabilities including pension liabilities	14,756	16,783	16,076	23,669	24,658
Net assets including pension liabilities	95,917	97,482	103,404	105,055	105,643
Share capital	683	621	641	590	618
Reserves	93,404	95,466	101,345	103,023	103,583
Minority interest	1,379	1,395	1,418	1,442	1,442
Total sales area (sq. ft '000)	346	367	390	442	475