Rochpion Properties (4) LLP

Members' report and financial statements

Registered number OC338225

Period ended 1 January 2022

Corporate Information

Designated Members	Member A (4) Limited Member B (4) Limited
Auditors	Ernst & Young LLP, 24 Marina Court, Hull, HU1 1TJ
Registered Office	1 Angel Square, Manchester, M60 0AG

Contents

Statement of Members' responsibilities in respect of the financial statements

The Members are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the Members to prepare LLP financial statements for each financial year. Under that law the Members have elected to prepare LLP financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 ‘Reduced Disclosure Framework’.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the Members are required to:

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

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCHPION PROPERTIES (4) LIMITED LIABILITY PARTNERSHIP ('LLP')

Opinion

We have audited the financial statements of Rochpion Properties (4) LLP for the year ended 1 January 2022 which comprise the Statement of Profit and Loss and total comprehensive income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:
• give a true and fair view of the state of the limited liability partnership's affairs as at 1 January 2022 and of its profit for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
• have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion..

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for the period to 30 June 2023.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:
• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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.

Independent auditor's report (continued)

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the limited liability partnership and determined that the most significant are FRS 101 "Reduced Disclosure Framework and the Limited Liability Partnership (Application of Companies Act 2006) Regulations 2008. Our considerations of other laws and regulations that may have a material effect on the financial statements include the Equality Act 2010, Money Laundering Regulations 2019, General Data Protection Regulations and The UK Bribery Act.
• We understood how Rochpion Properties (4) LLP is complying with those frameworks by making enquiries with management, internal audit, and those responsible for legal and compliance matters.
• We assessed the susceptibility of the limited liability partnership's financial statements to material misstatement, including how fraud might occur by considering the controls that the Limited Liability Partnership has established to address risks identified by the entity, or that might otherwise seek to prevent, deter or detect fraud. We also considered areas of significant accounting judgement, complex transactions, performance targets, economic or external pressures and the impact that these have on the control environment. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals by corroborating the entries made to underlying documentation.
• Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: making enquiries with those charged with governance and senior management for their awareness of non-compliance with laws and regulations, inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the partnership's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with regulatory authorities. We engaged with EY specialists to understand the assumptions underpinning and perform specific procedures to audit judgemental or complex balances and transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

DS
Ernst & Young LLP

Matthew Fox (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Hull
Date: May 12, 2022

Statement of Profit and Loss and Total Comprehensive Income

for the period ended 1 January 2022

	Notes	**For period ended 1 January 2022 £'000**	For period ended 2 January 2021 £'000
Revenue		**286**	260
Cost of sales		**(137)**	(277)
Gross profit		**149**	(17)
Change in value of investment property		**365**	(242)
Other income		**-**	1,217
Profit/ (loss) on fixed assets		**10**	(2)
Operating profit	3	**524**	956
Finance income	5	**1,350**	
Finance costs	6	**(6)**	(18)
Profit before taxation		**1,868**	938
Taxation	7	**-**	-
Profit for the financial period before Members' remuneration and profit shares		**1,868**	938
Members' remuneration charged as an expense		**-**	-
Retained profit for the financial period available for discretionary division among Members		**1,868**	938

All amounts relate to continuing activities.

The disclosure notes on pages 10 to 21 form part of these Financial Statements.

The Partnership has no recognised income or expenses in the current or prior period other than those included in the income statement shown above.

Balance Sheet

	Notes	As at 1 January 2022 £'000	As at 2 January 2021 £'000
Non-current assets			
Property, plant and equipment	8	**-**	4
Investment properties	10	**4,276**	6,188
Right-of-use assets	9	**11**	4
Total non-current assets		**4,287**	6,196
Current assets			
Trade and other receivables	11	**102,907**	99,742
Total current assets		**102,907**	99,742
Total assets		**107,194**	105,938
Non-current liabilities			
Lease liabilities	9	**19**	65
Total non-current liabilities		**19**	65
Current liabilities			
Trade and other payables	12	**179**	758
Lease liabilities	9	**62**	49
Total current liabilities		**241**	807
Total liabilities		**260**	872
Net assets		**106,934**	105,066
Equity			
Retained earnings		**106,934**	104,688
Revaluation reserve recycled to retained earnings	13	**-**	378
Total equity		**106,934**	105,066

The disclosure notes on pages 10 to 21 form part of these Financial Statements.

These financial statements were approved by the Board of Members on 11 May 2022 and were signed on its behalf by:

S Reay
Director
For and on behalf of Rochpion Properties (4) LLP
Designated Member

Statement of changes in equity
for the period ended 1 January 2022

	Revaluation reserve £'000 (note 13)	Retained earnings £'000	Total equity £'000
Balance at 3 January 2021	**378**	**104,688**	**105,066**
Revaluation reserve (sold properties)	**(378)**	**378**	**-**
Profit for the period	**-**	**1,868**	**1,868**
Balance at 1 January 2022	**-**	**106,934**	**106,934**
Balance at 5 January 2020	378	103,750	104,128
Revaluation reserve (sold properties)	-	-	-
Profit for the period	-	938	938
Balance at 2 January 2021	378	104,688	105,066

The disclosure notes on pages 10 to 21 form part of these Financial Statements.

Notes to the financial statements

1 General Information

Reporting entity

Rochpion Properties (4) LLP (the 'Partnership') is domiciled in England and Wales.

The address of the Partnership's registered office is 1 Angel Square, Manchester, United Kingdom, M60 0AG.

The principal activity of the Partnership is rental properties.

The average number of Members in the Partnership for the period was 2.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The Partnership meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council for the 52 week period ended 1 January 2022. The comparative period was for the 52 week period ended 2 January 2021.

The financial statements have been principally prepared on the basis of historical cost. Areas where other bases are applied are explained in the relevant accounting policy.

The Partnership is a wholly owned subsidary of Co-operative Group Limited (the 'Group'), a registered society under the Co-operative and Community Benefit Societies Act 2014 registered in England and Wales. The Partnership faces the same risks and challenges in relation to climate change as it's ultimate parent undertaking (the Group) and manages these risks in-line with the Groups' approach to climate change. The Group's overall approach to climate change (including our 10-point plan) is outlined in the Group's 2021 Annual Report and Accounts (ARA) - 'Fairer for our planet' section on page 28. Climate related risks are also explained within the risk managment section on page 46 of the ARA and Principal Risks and Uncertainties (Environment and Sustainability) on page 52 of the ARA. The Group's assessment of the potential impact on the long term viability of the Group is also set out on page 108.

Where applicable, the following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101. The specific exemptions that the Partnership has taken advantage of are:

- IFRS 7 Financial instruments : Disclosures
- Para 91-99 of IFRS 13 Fair Value Measurements
- Para 38 of IAS 1 Presentation of Financial Statements in respect of comparative information
- Para 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash flows
- Para 30-31 of IAS 8 Accounting policies, changes in accounting estimates and errors
- Para 17 and 18A of IAS 24 Related party disclosures
- IAS 24 Intra-group transactions
- The second sentence of para 110 and paras 113(a), 114, 115, 118, 119(a) - (c), 120-127 and 129 of IFRS 15 Revenue from Contracts with Customers
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134 (f) and 135(c) to 135(e) of IAS 36, Impairment of Assets
- The requirements of paragraph 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

New and amended standards adopted by the Partnership

The Partnership has considered the following standards and amendments that are effective for the Partnership for the period commencing 3 January 2021 and concluded that they are either not relevant to the Partnership or do not have a significant impact on the financial statements:

- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 4 & IFRS 16)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

Notes (continued)

Standards, amendments and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 1 January 2022 reporting periods and the Partnership has not early adopted the following standards and statements. The adoption of these standards is not expected to have a material impact on the Partnership's accounts:

- Amendments to IFRS 3 Reference to the Conceptual Framework *
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use *
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IAS 41 Agriculture *
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current **
- Amendments to IAS 8 – Definition of Accounting Estimates **
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies **
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction **
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture **
- IFRS 17 Insurance Contracts *
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture **
- IAS 37 Onerous contracts (amendments re cost of fulfilling contract)

* Effective for annual periods beginning on or after 1 January 2022 and ** 1 January 2023.

Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

A key source of estimation uncertainty relates to the valuation of investment properties, where a valuation is obtained annually, either by professionally qualified external valuers, or by the group's own internal qualified staff. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis. Key assumptions applied are described in the Investment Property note (Note 10).

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern

The Partnership generated a profit of £1,868k in the period (2020: £938k) and at the balance sheet dates holds net assets of £106,934k (2019: £105,066k).

The Partnership is reliant on the support of Co-operative Group Limited ("the Group") in order to meet its day to day working capital requirements because the Group operates a central treasury function. The Partnership meets these requirements through cash generated from its operations and participation in facility arrangements provided by external lenders to the Group and certain of its subsidiaries, including the Partnership ("the Group facilities"). A letter of support has been obtained from the Group as evidence of its intention to give continued financial support. The Group has confirmed that it has the ability to provide such financial support and has committed to providing such support until at least 30 June 2023.

As such, an assessment of the Group was undertaken by the Group Directors to determine the appropriateness of the going concern basis of preparation for its subsidiaries, including the Partnership.

Our Co-op borrows money from banks and others, and as part of this process we have checked that we can comply with the terms of those agreements, for example, banking covenants and facility levels. Accounting standards require that the foreseeable future covers a period of at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. The assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period, to 30 June 2023. Although our Co-op has a robust planning process, the current economic uncertainty (driven by factors including ongoing Covid 19 impact, inflation and rising energy costs) means that additional sensitivities and analysis have been applied to test the going concern basis under a range of downside test scenarios.

Notes (continued)

2 Accounting policies (continued)

Going concern (continued)

The following steps have been undertaken to allow the directors to conclude on the appropriateness of the going concern assumption:

1) Understand what could cause our Co-op not to be a going concern in relation to facility headroom and covenant compliance.

In making their assessment the directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability; cash flow and covenant compliance; and available capital resources.

The potential scenarios which could lead to our Co-op not being a going concern are:

a. Not having enough cash to meet our liabilities as they fall due. Throughout the going concern period the facility limit within which we need to operate is £1,179m, which includes £779m non-bank facilities and £400m bank syndicate facilities; and/or

b. A breach of the financial covenants implicit in our bank facility agreement.

• Net Debt Leverage: Consolidated net debt as a multiple of bank-defined EBITDA must not exceed 3.00:1.00 at each six-monthly covenant test date.

• Adjusted Interest Cover: The bank-defined EBITDA (further adjusted by a fixed rental figure) as a multiple of the consolidated net finance charges, must not fall below 1.75:1.00 measured at each six-monthly covenant test date.

We note at the year end date, of the total £1,179m of facilities available to us, we were £972m drawn-down. Post the balance sheet date, there have been positive changes to the liquidity position.

2) Board review and challenge the base case forecast

We have conducted a detailed forward planning exercise as part of our strategic plan. The Co-op's base case forecast includes prudence due to the uncertainty in the market due to geo-political factors, inflation and rising energy costs. The Board have reviewed and approved these plans.

The key assumptions in the plan are:

1.Year on year modest sales growth driven by inflation. Such inflation will be driven by various cost inflationary pressures, primarily in the cost of goods.

2.Cost optimisation program to drive higher operational efficiencies.

3.A capital light store growth program to drive higher cash generation and reduce indebtedness.

Notes (continued)

2 Accounting policies (continued)

Going concern (continued)

3) Consider downside sensitivities across the base case forecast

In undertaking our going concern assessment, we have included assumptions related to the impact of the pandemic and uncertain economic environment, and modelled further severe but plausible downside sensitivities of internal and external factors on the financial projections including (but not limited to):

• A reduction in the sales in our Food Retail business, with a prudent 1% reduction to sales volume. Reducing the Net sales from the base case

• A reduction in the demand of our Funeralcare business, with a prudent 1% reduction in sales.

• An increase in cost price inflation of 0.5% incremental to what has been used within our base model. It is also assumed that none of that is passed through to the sales price inflation.

• An increase in energy cost for unhedged volumes priced at prevailing market rate adding a further 15% premium for 2022 and 7.5% premium for 2023.

• Assuming 75% of our cost saving initiative across 2022 and 2023, is not achieved.

During the preparation of these various downside scenarios, we have also reviewed the impact of the Russia – Ukraine conflict and continue to monitor the scenario through the involvement of the senior members of the organisation with various industry bodies. We note that our sourcing of products from Russia and Ukraine is limited. We note that the direct impact of the conflict to Co-op is proportionately lower, driven by the British sourcing strategy and lesser exposure to National Brands with broader supply chains given tighter range offer.

The sensitivities identified above do not risk the validity of our Co-op as a going concern even before applying the mitigating actions set out below. Also, we have considered a plausible combination of the sensitivities happening concurrently where the validity remains protected. Only in the highly implausible scenario of all the sensitivities happening simultaneously will we need mitigating actions to be taken.

4) Examine what mitigating actions would be taken in the event of these scenarios

Whilst out of line with our strategic ambition, there are several options within the business's control we could exercise, if the above risks materialised. Options include:

• Our Co-op’s ability to control the level and timing of its capital expenditure programme

• Apply cost control measures across both variable and overhead budgets, as well as flexibility to the level of pass through of energy and cost inflation to the end customer.

5) Perform a reverse stress test and assess any further mitigating actions

Whilst our initial going concern approach assesses likely risks to our base case forecasts through severe but plausible downside scenarios and options to mitigate them, the reverse stress test represents a worst-case scenario at which point the model breaks. Whilst unlikely, to demonstrate the above, we have modelled a significant downturn in the grocery market driven by cost of living inflation and geo-political uncertainty of a further -4% retraction in Retail sales and a further reduction in funeral volume of -5%. In addition, we have modelled the impact of a higher than expected Food cost inflation and further energy price rises.

We note, however, that we could mitigate the reverse stress test scenario through a further reduction or delay in capital expenditure and a change in the timing of our investment into operational improvements. There is also the option to apply further cost control measures and flexibility to pass a higher level of energy and cost inflation onto the end customer. Whilst all remain undesirable strategically there is also the option to apply further stringent cost control measures.

The Partnership Designated Members have considered the exercise performed by the Group Directors and have made appropriate enquiries where necessary. The Partnership Designated Members have also reviewed internal forecast documentation, management accounts and publicly available information relating to the Group's performance and are satisfied that the Group has access to sufficient funds to honour its commitments set out in the letter of support obtained from the Group. For this reason, the Partnership Designated Members continue to adopt the going concern basis in preparing the Partnership financial statements.

Notes (continued)

2 Accounting policies (continued)

Property, Plant and Equipment

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold buildings - 2% per annum

The residual value, if not insignificant, is reassessed annually.

No depreciation is provided on freehold land.

Freehold land that is subject to potential development is held as a separate class of property, plant and equipment and is carried at fair value. Movements in fair value are recognised in the profit and loss account.

IFRS16

The Partnership leases assets which comprise of property leases. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Partnership, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

i) Right-of-use assets

The Partnership recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use).Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Partnership is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Partnership recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Partnership and payments of penalties for terminating a lease, if the lease term reflects the Partnership exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Partnership uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes (continued)

2 Accounting policies (continued)

Financial Assets and Liabilities

i) Recognition of financial assets

Financial assets are recognised on the trade date which is the date it commits to purchase the instruments. Loans are recognised when the funds are advanced. All other financial instruments are recognised on the date that they are originated. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Partnership's business model for managing them. The Partnership initially measures a financial asset at its fair value, with the exception of trade receivables that don't contain a significant financing component or where the customer will pay for the related goods or services within one year of receiving them. For financial assets which are not held at fair value through the income statement, transaction costs are also added to the initial fair value. Trade receivables that don't contain a significant financing component or where the customer will pay for the related goods or services within one year of receiving them are measured at the transaction price determined under IFRS 15 (Revenue from Contracts with Customers).

ii) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when they are qualifying transfers and:

- the rights to receive cash flows from the assets have ceased; or
- the Partnership has transferred substantially all the risks and rewards of ownership of the assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement.

Measurement

The Partnership calculates expected credit losses in line with guidance under IFRS 9. Where there is evidence of impairment, any impairment loss is recognised in the income statement.

Trade payables

For payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value, where the effect of discounting is immaterial.

Payables with a remaining life in excess of one year are deemed to be financial liabilities and measured at the present value of the future cashflows. Such liabilities are subsequently carried at amortised cost.

Trade receivables

Trade receivables are initially measured as a financial asset at fair value and subsequently at amortised cost under IFRS 9 (Financial Instruments).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (for example, by business division, customer, coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not insured or subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in trade and other receivables (note 10).

An impairment analysis is also performed at the reporting date for amounts owed by group undertakings using the expected credit loss model in IFRS 9. Where there is either no probability of default or there is no expected loss from default, no impairment is recognised.

Notes (continued)

2 Accounting policies (continued)

Investment Property

Properties held for long term rental yields that are not occupied by the Group or properties held for capital growth are classified as investment property. Investment properties are freehold land and buildings and are carried at fair value as determined by independent valuers each year in accordance with the RICS Appraisal and Valuation Manual. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement. If we start to occupy or trade from one of our investment properties, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Impairment

The carrying amount of the Partnership’s assets, other than investment property are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets’ recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

The recoverable amount of the Partnership’s assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of these assets, an impairment loss is reversed if there has been a change in the estimates based on an event subsequent to the initial impairment used to determine the recoverable amount.

Taxation

Provision for corporation and deferred taxation is not made because the ultimate parent organisation has indicated that it will meet any taxation liabilities.

Revenue

Revenue is recognised in line with IFRS 15 which defines performance obligations as a 'promise to provide a distinct good or service or a series of distinct goods or services'. Revenue is recognised when a performance obligation has been delivered which reflects the point when control over a product or service transfers to a customer. Revenue is measured based on the consideration set out in the contract with the customer and excludes amounts collected on behalf of third parties. Revenue represents the amounts (excluding value added tax) derived from property management.

Finance Income

Finance income comprises intra-group interest receivable which arises on amounts due to the Society from other Group undertakings. The interest receivable is calculated on a quarterly basis using an agreed intra-group rate of interest and the amount owed to the Society by the counterparty. The interest rate is based on the Bank of England base rate. As the Society does not have a bank account the amounts are not settled in cash but are instead added to the intercompany balance owed to the Society.

3 Operating profit

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Operating profit before taxation is stated after crediting/(charging):		
Impairment of right-of-use assets	**(17)**	211
Depreciation of right-of-use assets	**(3)**	(1)
Profit on disposal of right-of-use assets	**11**	-
Change in value of investment property	**365**	(242)
Loss on disposal of property, plant and equipment	**(1)**	(2)
Litigation	**-**	1,217

Notes (continued)

3 Operating profit (continued)

The auditor's remuneration of £5,154 (2020: £9,007) is borne by the ultimate parent undertaking. The Partnership is exempt by virtue of s494 of the Companies Act 2006 from further disclosures in relation to auditors' remuneration as it is a wholly owned subsidiary of the Co-operative Group Limited for which consolidated financial statements are prepared disclosing non-audit fee information on a group wide basis.

4 Staff numbers and costs

The Partnership does not employ any staff. Members' remuneration in respect of services provided to the Partnership were £nil. (2020: £nil).

5 Finance income

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Interest on intra-group receivables	**1,350**	-
	1,350	-

6 Finance costs

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Underlying interest expense on lease liabilities	**(6)**	(18)
	(6)	(18)

7 Taxation

The Partnership is not subject to pay corporation tax as any tax payable will be borne by the parent undertaking, being the Partners to this Partnership.

The tax on the net profit before tax differs from the theoretical amount that would arise using the standard applicable blended rate of corporation tax of 19% (2020: 19%) as follows:

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Current tax reconciliation		
Profit before tax	**1,868**	939
Current tax charge at 19% (2020: 19%)	**(355)**	(178)
Effects of:		
Tax payable by the parent undertaking	**355**	178
Tax charge on continuing business	**-**	-

Notes (continued)

7 Taxation (continued)

Following the Budget on the 3 March 2021, the Chancellor announced that the main rate of Corporation Tax will increase from 19% to 25%, with effect from the 1 April 2023.

Under IAS 12 it is the rate enacted at the balance sheet date that determines the amount of deferred tax to be recognised. As the 25% rate has been enacted at the balance sheet date, to the extent the deferred tax assets and liabilities are expected to crystalise after 1 April 2023, they should be valued using 25% instead of the current corporation tax rate of 19%. While a minority of assets and liabilities are forecast to unwind between the balance sheet date and 1 April 2023, it is expected that this is immaterial to the overall deferred tax balance and therefore a flat rate of 25% has been applied.

However, as noted within the Accounting Policies, the Partnership does not recognise deferred tax, accordingly there are no other impacts from changes to Corporation Tax rates.

Tax Policy

Co-operative Group Limited published its Tax Policy on our website http://www.cooperative.coop/corporate/investors/tax-policy.

The disclosures made in these financial statements complies with the commitments made in that policy.

8 Property, plant and equipment

For the period ended 1 January 2022

	Freehold land and buildings £'000
Cost	
At 2 January 2021	**4**
Additions	**-**
Disposals	**(1)**
Transfers to Investment Property	**(3)**
At 1 January 2022	**-**
Depreciation	
At 2 January 2021 and 1 January 2022	**-**
Net book value	
At 1 January 2022	**-**
At 2 January 2021	4

Notes (continued)

9 Leases

For the period ended 1 January 2022

Right-of use assets	**Property £'000**
Cost	
At 2 January 2021	**114**
Lease length amendment**	**(9)**
Dilapidations	**25**
Transfers from Group undertakings	**41**
At 1 January 2022	**171**
Depreciation	
At 2 January 2021	**(110)**
Charge for period	**(3)**
Impairment	**(17)**
Transfers from Group undertakings	**(41)**
Lease length amendment**	**11**
At 1 January 2022	**(160)**
Net book value	
At 1 January 2022	**11**

The Partnership leases three property assets.

**Lease length amendments relate to strategic changes in the partnership's intention to utilise break/extension clauses within lease contracts.

Lease liabilities

At 1 January 2022	**£'000**
Current	**62**
Non-Current	**19**
	81

	£'000
As at 2 January 2021	**114**
Additions	**(9)**
Disposals	**-**
Interest expense	**6**
Payments	**(58)**
Transfers from Group Undertakings	**28**
Balance at 1 January 2022	**81**

Notes (continued)

10 Investment Properties

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Valuation at beginning of period	**6,188**	6,600
Revaluation (loss)/gain recognised in profit and loss account	**365**	(242)
Transfers in / from property, plant and equipment	**3**	-
Disposals	**(2,280)**	(170)
Valuation at end of period	**4,276**	6,188

Investment properties have been valued as at 1 January 2022. The valuation was carried out by external chartered surveyors such as CBRE and Savills, on the basis of open market value in accordance with the RICS Appraisal and Valuation Manual.

The properties are valued individually, and yields therefore vary on a property-by-property basis.

The mean ERV yield over the whole estate is 6.7% (2020: 6.8%)

In the case of investment properties it is assumed that uplifts on valuation principally reflect future rentals.

Investment Properties as at 1 January 2022 and 2 January 2021 are freehold properties.

Rental income from investment properties in the period was £286,475 (2020: £261,275).

Direct operating expenses (including repairs and maintenance) in the period arising from investment properties that did generate rental income was £nil (2020: £646k) and direct operating expenses (including repairs and maintenance) in the period arising from investment properties that did not generate rental income was £97k. (2020: £15k).

If investment properties were carried at historical cost, the cost and accumulated depreciation would be:

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
Cost	**5,505**	6,742
Accumulated depreciation	**(7)**	(200)
Net historic cost value	**5,499**	6,542

11 Trade and other receivables

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
Amounts owed by group undertakings	**102,867**	99,239
Other receivables	**37**	499
Prepayments and accrued income	**3**	4
	102,907	99,742

Amounts owed by group undertakings are repayable on demand, however based on management's assessment of credit loss and the fact that no loss on default is expected to arise, management have deemed that any provision for ECL is immaterial. Other receivables are stated net of an impairment provision of £58,067 (2020:£43,700).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes (continued)

12 Trade and other payables

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
Trade payables	**115**	572
Accruals and deferred income	**64**	186
	179	758

13 Reserves

The nature and purpose of revaluation reserve is described below. Refer to the Statement of Changes in Equity on page 9 for a full reconciliation of the movement in the reserve.

Revaluation reserve

The revaluation reserve relates to the unrealised profit on investment properties transferred from another business.

	£'000
Balance at 3 January 2021	**378**
Revaluation reserve (sold properties)	**(378)**
Profit for the period	**-**
Balance at 1 January 2022	**-**
Balance at 5 January 2020	378
Revaluation reserve (sold properties)	-
Profit for the period	-
Balance at 2 January 2021	378

14 Group Entities

Ultimate parent company

The Partnership is a wholly owned subsidiary of Co-operative Group Limited which is a Registered Society under the Co-operative and Community Benefit Societies Act 2014. This is the smallest and largest group of which the Partnership is a member and for which consolidated accounts are prepared. A copy of the Group accounts can be obtained from the Secretary, Co-operative Group Limited, 1 Angel Square, Manchester, United Kingdom, M60 0AG.