

Co-op Insurance Services Limited

Financial statements

Registered number 4390

Year ended 31 December 2023

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Directors' Report

The Board present their report and financial statements for the year ended 31 December 2023.

Principal Activity

Co-op Insurance Services Limited (the "Society") is a UK-based insurance intermediary, operating under the Co-op Insurance brand. Throughout 2023 the Society has distributed a range of products including car, home, travel, life, pet and commercial insurance, all underwritten by third party insurers.

Board

The Board of the Society are:

A Bowe
C Kelly
C Offord
D Williams

The Society maintains appropriate Board and officers liability insurance cover through the Co-operative Group Limited ("the Group") which is the parent organisation, in respect of legal action against its Board and officers.

General Information

The Society is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 and is authorised by the Financial Conduct Authority.

Going Concern

The Society 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 Society 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 Society ("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 31 December 2025.

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 Society.

In making their assessment the Group Directors have noted that the consolidated group accounts show a net current liability position, as a result of the working capital cycle. The Group meets its working capital requirements through a number of separate funding arrangements, certain of which are provided subject to continued compliance with certain covenants. Profitability and cash flow forecasts for the Group, prepared for the period to 31 December 2025 (the forecast period), and adjusted for sensitivities considered by the Group Board to be reasonably possible in relation to both trading performance and cash flow requirements, indicate that the Group will have sufficient resources available within its current funding arrangements to meet its working capital needs, and to meet its obligations as they fall due. Sensitivities have been applied to the market conditions of each of the Group's trading businesses, as well as applying sensitivities to our key strategic activities.

More detail in regard to the going concern assessment is provided in note 2 of these financial statements.

After conducting the financial projections exercise set out in note 2 and making all appropriate enquiries, the Group Directors have a reasonable expectation that the Society and the Group have access to adequate resources to enable them to continue in operational existence for the foreseeable future. The Society's Directors have considered the exercise performed by the Group Directors and has made appropriate enquiries where necessary. The Society's Directors 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 Society's Directors continue to adopt the going concern basis in preparing the Society's financial statements.

Directors' report - continued

Report and Accounts

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware, and the Directors have taken all appropriate steps that they ought to have taken as a Board in order to make themselves aware of any relevant audit information and to establish that the auditors have been made aware of that information.

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

Co-operative and Community Benefit Society law, requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

As required by law, the Directors must not approve the Report and Accounts unless they are satisfied that they give a true and fair view of the state of Affairs of Co-op Insurance Services Limited, its assets, liabilities, financial position and of its profit or loss for that period. In preparing these accounts, the Board are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
 - provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Society financial position and financial performance;
 - in respect of the financial statements, state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

Statement of Board responsibilities in respect of the Board report and the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website.

Auditors

Ernst & Young LLP were re-appointed as auditors of the Society on 14 September 2023. A resolution will be proposed at the 2024 AGM to re-appoint Ernst & Young LLP as the Society's auditors.



Beth Harrison
28 June 2024
1 Angel Square, Manchester, M60 0AG

INDEPENDENT AUDITOR'S REPORT TO CO-OP INSURANCE SERVICES LIMITED

Opinion

We have audited the financial statements of Co-op Insurance Services Limited ('the Society') for the year ended 31 December 2023 which comprise the Profit and loss account, Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 20, 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 including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Society's affairs as at 31 December 2023 and of its profit for the year 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.

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 Society 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 board's 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 Society's ability to continue as a going concern from when the financial statements are authorised for issue until 31 December 2025.

Our responsibilities and the responsibilities of the board 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 Society'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 Board is responsible for the other information.

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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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 Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of accounts; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report to Co-op Insurance Services Limited (continued)

Responsibilities of the Board

As explained more fully in the board's responsibilities set out on page 2, the board is 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 board determines 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 board is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Society 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 Society and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Society and determined that the relevant laws and regulations related to elements of society law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Financial Conduct Authority ('FCA').

- We understood how the Society is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed minutes of the board and gained an understanding of the Society's approach to governance, demonstrated by the board's approval of the Society's governance framework and its review of the Society's risk management framework and internal control processes.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Society's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA.

- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by considering the controls that the Society has established to address risks identified by the Society, or that might otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement including 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 as detailed in our communication with those charged with governance. These procedures included:

- journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business;

- enquiries of management.

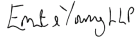
These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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.

Independent auditor's report to Co-op Insurance Services Limited (continued)

Use of our report

This report is made solely to the Society in accordance with 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 Society those matters we are required to state to it 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 Society for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Ernst & Young LLP
Statutory Auditor
Manchester
28 June 2024

Income statement for the year ended 31 December 2023

	Notes	For year ended 31 December 2023 £'000	For year ended 31 December 2022 £'000
Revenue	3	28,745	28,305
Operating expenses	4	(15,122)	(15,679)
Operating profit	5	13,623	12,626
Finance costs	6	(4,786)	(2,897)
Finance income	7	4,456	2,579
Profit on ordinary activities before taxation		13,293	12,308
Taxation	8	(3,056)	(2,279)
Profit for the year		10,237	10,029

All amounts relate to continuing activities.

The notes on pages 10 - 24 form part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2023

The Society has no recognised income or expenses in the current or prior period other than those included in the profit and loss account shown above.

Statement of Financial Position as at 31 December 2023

	Notes	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Non current assets			
Right-of-use assets	9	24	38
Deferred tax asset	8	94	33
Trade and other receivables	10	80,893	80,023
Total non current asset		81,011	80,094
Current assets			
Trade and other receivables	10	4,185	6,942
Total current assets		4,185	6,942
Total assets		85,196	87,036
Non current liabilities			
Lease liabilities	9	10	23
Deferred income	11	15,327	29,269
Trade and other payables	12	245	102
Total non current liabilities		15,582	29,394
Current liabilities			
Current tax liability	8	5,404	4,415
Lease liabilities	9	15	16
Bank overdraft		8,273	8,302
Deferred income	11	11,258	11,160
Trade and other payables	12	3,429	2,750
Total current liabilities		28,378	26,643
Total liabilities		43,960	56,037
Net assets		41,236	30,999
Equity			
Called up share capital	13	17,100	17,100
Retained earnings	14	24,136	13,899
Shareholder's funds		41,236	30,999

The notes on pages 10 - 24 form part of these financial statements.

These financial statements were approved by the Board on 28 June 2024 and were signed on its behalf by:



Charles Offord

Director



Chris Kelly

Director



Beth Harrison

Secretary

Statement of changes in equity for the year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2022	17,100	13,899	30,999
Profit for the year	-	10,237	10,237
Balance at 31 December 2023	17,100	24,136	41,236
Balance at 31 December 2021	17,100	3,870	20,970
Profit for the year	-	10,029	10,029
Balance at 31 December 2022	17,100	13,899	30,999

All items are shown net of tax.

The notes on pages 10 - 24 form part of these financial statements.

Notes to the financial statements

1 General Information

Co-op Insurance Services Limited is a Society registered and domiciled in England and Wales. The Society's registered office is 1 Angel Square, Manchester, M60 0AG.

The principal activity of the Society is the marketing and distribution of a range of insurance products, including car, home, travel, life, pet and commercial, all underwritten by third party insurers.

Accounting date

The financial statements for the period are prepared for the calendar year to 31 December 2023. The comparative period was for the calendar year to 31 December 2022.

All values have been presented rounded to the nearest £'000.

The principal accounting policies adopted by the Society are set out in note 2.

2 Accounting policies

Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Society meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The Society financial statements have therefore been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and Financial Reporting Standard 101 'Reduced Disclosure Framework' and are prepared on the historical cost basis. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Society is a wholly owned subsidiary 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 financial statements of the Society are reported in the consolidated financial statements of the parent, the Co-operative Group Limited. The financial statements of the Co-operative Group Limited can be obtained from 1 Angel Square, Manchester, M60 0AG.

The functional and presentational currency is pound sterling with all transactions conducted in pound sterling. All amounts presented are stated in pound sterling unless stated otherwise.

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 Society 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 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.

Notes to the financial statements

2 Accounting policies (continued)

Basis of preparation (continued)

The Group's overall approach to climate change is outlined in the Task Force on Climate related Financial Disclosures (TCFD) section of the Group's 2023 Annual Report and Accounts (page 120). Climate related risks are also explained within the Principal Risks and Uncertainties (Environment and Sustainability) section of the ARA on page 59. The Group's assessment of the potential impact on the long term viability of the Group is also set out on page 116 of the Group's 2023 ARA.

The Directors of the Society do not expect climate risk to have a significant impact on the business.

New and amended standards

The Society has considered the following standards and amendments that are effective for the Society for the period commencing 1 January 2023 and concluded that they are either not relevant to the Society or do not have a significant impact on the financial statements:

- IFRS 17 - Insurance Contracts
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IFRS 17 - Initial application of IFRS 17 & IFRS 9 Comparative information
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 - International Tax Reform Pillar Two Model Rules *

** Pillar 2 is being introduced into the UK to support the international actions promoted by the OECD to impose a minimum tax rate of 15%. The Co-op have considered the impact of the new rules and concluded that it has no application for the current year and is very unlikely to apply in 2024. This is because our prevailing Effective Tax Rate is above 15%.*

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 2023 reporting periods and the Society has not early adopted the following standards and statements. The adoption of these standards is not expected to have a material impact on the Society's accounts:

- Amendments to IAS 1 - Classification of Liabilities as current or non-current *
- Amendments to IAS 1 - Non-current liabilities with covenants *
- Amendments to IAS 16 - Lease liability in sale and leaseback *
- Amendments to IAS 7 - Supplier finance arrangements *
- Amendments to IFRS 10 and IAS 8 - Sale or contribution of assets between an investor and its associate or joint venture **

* Effective for annual periods beginning on or after 1 January 2024. ** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense.

The 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the annual report and accounts, is described within the significant accounting policies below.

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.

Key estimates and assumptions

The key assumptions and areas of uncertainty around key assumptions at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Society based its assumptions and estimates on information available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Society. Such changes are reflected in the assumptions when they occur.

Notes to the financial statements

2 Accounting policies (continued)

Key estimates and assumptions (continued)

- A significant accounting estimate and a significant accounting judgement has been noted with regards to the revised 4 year Distribution Agreement with Markerstudy Limited, which was signed on 1 May 2023 and supersedes the previous 13 year contract. The future value of the Distribution Agreement is estimated using the expected number of customer insurance policy renewals and estimated notional commission per policy across the revised 4 year term. These estimates are based on actual historical data with a management overlay for forecast changes in future periods and are therefore subject to change, with the financial models used to calculate the future value reviewed on a periodic basis. During the financial period the forecast estimates were reviewed against actual performance data and the revised 4 year term and as a result the financial model was updated to reflect these changes to both the actual and forecast assumptions. More details can be found below.

- The loss allowance estimates includes an amount equal to 12-month ECL as defined under IFRS 9 (Financial Instruments) using a provision matrix based on the credit rating of the debtor, the remaining term of the debt, general economic conditions and an assessment of the current direction of conditions at the reporting date. See disclosures in note 11 for details of the key estimates and assumptions that are made.

- Refunds of commission occur where the insurance contract on which commission is received is cancelled part way through the policy. The refund liability reflects the expected proportion of commission received that may be refunded over the period of the contract and is estimated using historical data obtained from actual contracts which have cancelled. See disclosures in note 13 for details of the key estimates and assumptions that are made.

Going concern

The Society generated a profit of £10,237 in the period (2022: profit of £10,029k) and at the year end has a net currently liability position of £24,193k (2022: net liability of £19,702k). holds net assets of £41,236k (2022: £30,999k). However the Society is owed £80.5m from the Parent Society, Co-operative Group Limited ("the Group") which is shown in non-current assets.

The Society 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 Society 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 Society ("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 31 December 2025. The Society has an inter-company receivable of £80.5m as at 31 December 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 Society. The details of which are:

The Co-op Group operates with net current liabilities as our working capital cycle means cash receipts from revenues arise in advance of the payments to suppliers for the cost of goods sold. We also borrow 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. The assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period, to 31 December 2025. Although our Co-op has a robust planning process, the continuing economic uncertainty means that additional sensitivities and analysis have been applied to test the going concern basis under a range of downside scenarios. 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.
2. Review and challenge of the base case forecast produced by management, including key investment choices.
3. Consider downside sensitivities across the base case forecast as part of going concern.
4. Examine what controllable mitigating actions would be taken in the event of these scenarios.
5. Perform a reverse stress test to assess under what circumstances liquidity and covenant headroom would become a risk, assess the likelihood of whether they could occur and any further mitigating actions.
6. Conclude upon the going concern assumption.

Notes to the financial statements

2 Accounting policies (continued)

Going Concern (continued)

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; cashflow 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 debt liabilities as they fall due; and/or
- b. A breach of the financial covenants implicit in our bank facility agreement.

We note at the 6 January 2024, of the total £1,107m of facilities available to us, we were £664m draw-down. Note 27 to the Group's Financial Statements sets out more information on the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit and liquidity risk.

2. Board review and challenge the base case forecast

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

The key assumptions in the plan are:

- a. Sales growth is driven by volume recovery following significant membership price investment and wider strategic scaling activity.
- b. This growth is tempered with impact of cost headwinds (wage through Real Living Wage and continuing cost inflation) increasing the cost of goods.
- c. Whilst capital investment remains tightly controlled, growth plans and an improved balance sheet will allow room for higher investment into future growth.
- d. The sustainability bond due to mature in 2024 and the notes due to mature in 2025 will be repaid in full out of existing cash balances. The 2026 bond maturity is expected to be refinanced.

3. Consider downside sensitivities across the base case forecast

In undertaking our going concern assessment, we have included assumptions related to the 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 1% reduction to sales volume in FY24 and 1% thereafter.
- A reduction in the demand of our Funeralcare business, with a 1% reduction in volume of funerals delivered, a reduction in average sales price and a move to customer preferences towards lower cost funerals.
- An increase in energy costs of £10m in 2024 rising to £26m by end of 2025, which covers unhedged energy prices and significant escalation in the Middle East. Although we'd expect this risk to decrease overtime and don't foresee a long-term increase of this extent, we have assumed the same levels of risk across the outer years of the plan, increasing the risk to £51m by 2027.
- Assuming a slower salary inflation reversion to normal levels in FY25, representing £30m cost each year (the base plan assumes that salary inflation normalises over the life of the plan).
- Assuming a loss of a full third-party contract from Q2 2024, resulting an ongoing impact of circa £13m per annum.

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. Even in the implausible scenario of all the sensitivities happening simultaneously we still have liquidity and covenant headroom.

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' 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, saving a minimum of 10% of the total capital outlay.
- Apply cost control measures across both variable and overhead budgets of at least £25m, as well as flexibility to the level of pass-through of energy and cost inflation to the end customer.

Notes to the financial statements

2 Accounting policies (continued)

Going Concern (continued)

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 scenario at which point the model breaks. Whilst unlikely, to demonstrate the above, we have modelled that a negative cash impacting event of £585m could occur before we would be at risk of breaching our covenant and/or liquidity headroom.

We note that whilst all remain undesirable strategically, 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.

6. Conclude upon the going concern assumption

For the purposes of going concern, we assume that no new facilities are required or needed. We do not anticipate any change in this assumption, but this will be kept under review. Beyond the going concern assessment period the Group's £350m 7.5% Bond matures in July 2026; our current forecast assumes that we will be able to refinance a broadly equivalent level of debt prior to its maturity. Based on Co-op's past experience of successfully issuing bonds / raising debt, our credit rating and our expectations of the debt markets, the Directors are comfortable that this will be achievable as planned.

Based on all of the above considerations, the Directors have not identified any material uncertainties and have a reasonable expectation that the Society and the Group have access to adequate resources to enable them to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

The Society Directors have considered the exercise performed by the Group Directors and have made appropriate enquiries where necessary. The Society Directors 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 Society Directors continue to adopt the going concern basis in preparing the Society's financial statements.

Revenue

Revenue relates to brokerage commission receivable for products not underwritten by Co-op Insurance Services Limited and the recognition of income received in advance of services performed under a 4 year distribution agreement and is derived from the Society's principal activity as an Insurance Distributor in the United Kingdom.

Revenue is recognised at the later of the policy inception date and the date on which policy placement is complete, net of expected commission claw back. This is in line with IFRS 15, Revenue from Contracts with Customers which states that revenue should be recognised when performance obligations are met.

IFRS 15 introduced a 5 step approach to revenue recognition which states that revenue should be recognised when performance obligations are met. Co-op Insurance Services Limited receives commission for the brokerage service it provides on products underwritten by third party insurer partners. Performance obligations are satisfied at the date on which policy placement is complete and the policy is inception.

The transaction price recognised as revenue is calculated based on the contracted commission rates payable by the third party insurer which underwrites each policy and the policy premium.

Payment is received from the third party insurer as a lump sum, with the date of payment based on contracted payment terms between Co-op Insurance Services Limited and the third party insurer. The commission receivable balance relates to those contracts where the performance obligations have been met but payment has yet to be received.

Refunds of commission occur where the insurance contract on which commission is received is cancelled part way through the policy. A refund liability is recognised to reflect that a proportion of commission received may be refunded over the period of the contract.

The refund liability is calculated based on a probability weighted expected value using historic data and assumptions. The calculation assumes that the rate of cancellations seen in the historic data will continue into future months and takes into account that cancellation rates are higher in the month after inception than in the remainder of the policy period. Cancellation rates are applied to commission earned in each month of the year with the commission repayable pro-rated based on the length of policy remaining.

Notes to the financial statements

2 Accounting policies (continued)

Taxation

(i) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred taxation

Deferred tax is provided, with no discounting, using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred Income

On 2 December 2020 Co-operative Group Limited, the parent of the Society, completed the sale of its insurance underwriting business CIS General Insurance Services Limited ('CISGIL') to Soteria Finance Holdings Limited. As part of the arrangement to dispose of CISGIL, Co-op Insurance Services Limited signed a 13 year agreement with Markerstudy Limited to provide marketing and distribution services for motor and home insurance products. The total consideration of £109,000 was discounted to £81,431k and has been fully received by the Co-operative Group Limited at the accounting date.

The consideration value was discounted back to a present value of £80,431k and is settled through intercompany accounts between Co-op Insurance Services Limited and Co-operative Group Limited, shown as an amount receivable from Group companies within the financial statements.

Co-op Insurance Services Limited are being remunerated in advance of performing the services to Markerstudy Limited and as a result a significant finance component is recognised under IFRS 15 'Revenue from Contracts with Customers'. As required by IFRS 15 in such circumstances, the difference between the consideration received and the stand alone selling price of the services is recognised as a financing charge. This is a critical accounting estimate and the accretion rate required to bring the cash selling price of the services under the distribution agreement to the discounted cash value is 8.2%. Further, the services being provided by the Society to Markerstudy Limited relate to marketing and distribution services of the existing customer portfolio at the time of the disposal of CISGIL. This portfolio was expected to wind down over the course of the 13 year distribution agreement, based upon the expected number of customer insurance policy renewals, and as a result a significant accounting judgement is present in estimating the amount of revenue to be recognised in each period.

On 1st May 2023, Co-op Insurance Services Limited renegotiated the 13 year distribution agreement with Markerstudy Limited, with new commercial terms including a reduction of the contract period to 4 years from signing. On 1st May 2023 the estimated remaining value of the 13 year distribution agreement was reviewed and reassessed as £35,781k which is recognised across the revised 4 year Distribution Agreement term. At 31 December 2023, the estimated remaining value of the accounting estimate was £26,584k.

Leases

i) Right-of-use assets

The Society 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, 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. The recognised right-of-use assets are depreciated on a straight-line basis over the lease term.

ii) Lease liabilities

At the commencement date of the lease, the Society recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Society 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.

Notes to the financial statements

2 Accounting policies (continued)

Leases (continued)

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

The Society applies the short-term lease recognition exemption to its short-term leases. (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. below £5,000). 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.

Trade and other receivables

Trade and other receivables include all known amounts due to the Society for commission receivable for products and services administered by third parties and related parties within the Co-operative Group Limited for goods and services provided. The full commission receivable balance, which also relates to contracts with customers under IFRS 15, is less than 12 months old. The Society measures the loss allowance for commission receivable at an amount equal to 12-month expected credit loss. The expected credit losses are estimated using a provision matrix based on the credit rating of the debtor, the age of the debt, general economic conditions and an assessment of the current direction of conditions at the reporting date.

Based on the Society's historic practice and future plans not to call on intercompany receivables in the short-term such balances are classified as non-current in line with IAS 1 (however such balances remain repayable on demand, and can be called upon at the sole discretion of the Society if required). 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.

Co-op Insurance Services Limited writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Trade and other payables

Trade and other payables include all known amounts payable by the Society to both third parties and related parties within the Co-operative Group Limited for goods and services provided. In addition, a refund liability reflects that a proportion of commission received from third parties may be refunded over the period of the contract due to the cancellation of contracts. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be cancelled. The Society uses historic data to estimate the value of refunds.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Share Capital

Where the Board has an unconditional right to refuse redemption of share capital, such shares are treated as equity.

3 Revenue

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
Revenue comprises the following:		
Commission income	28,745	28,305
	28,745	28,305

Commission income is in respect of third party commercial arrangements and is considered revenue from contracts with customers per IFRS 15. Following the updated four year Distribution Agreement with Markerstudy, revenue in the financial year for Car and Home insurance products has increased to £26.0 m (2022: £24.7m). The Society reports commission income on a consolidated basis as all current contracts are distribution agreements, similar in nature and timing of cash flows.

Notes to the financial statements

4 Operating expenses

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
Personnel management recharge	(4,263)	(3,854)
Marketing	(6,844)	(8,799)
Divisional and central administration costs	(3,998)	(3,014)
Other expenses	(16)	(12)
	<u>(15,122)</u>	<u>(15,679)</u>

5 Operating Profit

All colleagues are employed through the Co-operative Group Limited which provides administrative and other services and a management charge is payable to cover the costs of these services.

The Co-operative Group Limited is also responsible for the remuneration of all Executive and Non-Executive Directors of Co-op Insurance Services Limited, for which a management service charge is incurred at cost. Board remuneration in respect of services provided to Co-op Insurance Services Limited was £522k (2022: £424k).

The Co-operative Group is responsible for the audit fees of these financial statements of £61k (2022: £32k).

6 Finance costs

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
Accretion rate applied to deferred income from distribution agreement	(4,784)	(2,723)
Other interest costs	(2)	(174)
	<u>(4,786)</u>	<u>(2,897)</u>

On 2 December 2020 the Society signed a 13 year Distribution Agreement with Markerstudy which was renegotiated to a 4 year term commencing 1 May 2023 (see accounting policies in Note 2 for further details). Under this agreement, consideration is received in advance of the services performed. Under IFRS 15 a 'significant financing component' is recognised whereby an accretion rate is applied to represent the difference between the consideration and the cash selling price of the services.

Notes to the financial statements

7 Finance Income

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
Interest on intra-group receivables	4,456	2,579
	<u>4,456</u>	<u>2,579</u>

8 Taxation

Analysis of (charge)/credit in period

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
Adjustments in respect of prior periods	6	(22)
Group relief charge	(3,123)	(2,287)
Total current tax	<u>(3,117)</u>	<u>(2,309)</u>
Deferred tax credit - current year	65	1
Deferred tax adjustments in respect of previous periods	(8)	28
Effect of rate change on closing balance	4	1
Total deferred tax	<u>61</u>	<u>30</u>
Total tax charge	<u>(3,056)</u>	<u>(2,279)</u>

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 23.5% (2022: 19%) as follows:

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
<i>Current tax reconciliation</i>		
Profit before tax	13,293	12,308
Current tax at 23.5% (2022: 19%)	<u>(3,124)</u>	<u>(2,339)</u>
<i>Effects of:</i>		
Transfer pricing adjustment	67	53
Current tax prior year adjustment	6	(22)
Deferred tax prior year adjustment	(8)	28
Deferred tax rate change adjustment	3	1
Total income tax charge	<u>(3,056)</u>	<u>(2,279)</u>

Notes to the financial statements

8 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. Therefore the pro-rated tax rate for the year to 2023 is 23.5%.

Under IFRS (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, deferred tax assets and liabilities expected to crystallise post balance sheet are all valued using 25%.

The impact in 2023 of recognising the net deferred tax movements at 25% rather than 23.5% has meant the tax charge through the income statement is decreased by £4k.

Analysis of current tax (liability)/ asset

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
At the beginning of the financial year	(4,415)	(2,106)
Recognised in the period	(3,117)	(2,309)
Group relief (received) in the period	2,128	-
At the end of the financial year	<u>(5,404)</u>	<u>(4,415)</u>

The current tax liability of £5,405k (2022: liability of £4,415k) is payable to the parent Co-operative Group Limited.

Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% (2022: 25%).

	£'000
<i>Deferred taxation asset</i>	
31 December 2022	33
Income statement (charge) / credit in the period	61
31 December 2023	<u>94</u>
Comprising:	
Tangible Fixed Assets	27
Provisions	67
31 December 2023	<u>94</u>

Notes to the financial statements

9 Leases

A. As a lessee

Right-of-use assets

	Vehicle £'000	Total £'000
Balance at 1 January 2022	27	27
Depreciation charge for the year	(10)	(10)
Additions	21	21
Balance at 31 December 2022	38	38
Balance at 1 January 2023	38	38
Depreciation charge for the year	(14)	(14)
Additions	-	-
Balance at 31 December 2023	24	24

The Society leases two cars. The vehicle leases are managed centrally by Group on behalf of all subsidiary entities.

Lease liabilities

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Current	15	16
Non-Current	10	23
Lease liabilities included in the balance sheet	25	39

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Opening lease liabilities	39	27
Additions (including interest)	2	23
Payments	(16)	(11)
Closing lease liabilities	25	39

Maturity Analysis

	< 6 months £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000
As at 31 December 2023	8	8	7	5
As at 31 December 2022	8	8	16	12

Notes to the financial statements

10 Trade and other receivables

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
<i>Non-Current Assets</i>		
Amounts receivable from Group companies	80,524	79,654
Commission receivables	369	369
	80,893	80,023
<i>Current Assets</i>		
Commission receivables	3,926	6,881
Prepayments	259	68
Loss allowance	-	(9)
Other Debtors	-	1
	4,185	6,942

The Society measures the loss allowance at an amount equal to 12-month ECL, defined under IFRS 9 (Financial Instruments) which focusses on the risk that a receivable will default rather than whether a loss has been incurred. The expected credit losses are estimated using a provision matrix based on the credit rating of the debtor, the remaining term of the debt, general economic conditions and an assessment of the current direction of conditions at the reporting date.

Co-op Insurance Services Limited writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. No credit losses are assumed for balances with the parent entity as all are repayable on demand under an inter-company loan agreement between the Society and the Co-operative Group Limited. There have been no write offs during 2022 or 2023.

The following table details the risk profile of trade and other receivables based on Co-op Insurance Services Limited's provision matrix:

At 31 December 2023	0-30	30-60	60-90	90>	Not yet due	Total
Trade and other receivables	381	30	1	3	84,404	84,819
Estimated total carrying amount at default	-	-	-	-	-	-
At 31 December 2022	0-30	30-60	60-90	90>	Not yet due	Total
Trade and other receivables	553	577	561	1,455	83,759	86,905
Estimated total carrying amount at default	-	-	-	-	9	9

Not yet due includes £80,431k (2022: £80,431k) being the discounted consideration value of the Distribution Agreement signed with Markerstudy Limited on 2 December 2020 which is owed to Co-op insurance Services Limited by the parent company Co-operative Group Limited and repayable on demand. All values outside of 'Not yet due' have been cash settled by March 2024.

Notes to the financial statements

11 Deferred income

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
<i>Non-Current liabilities:</i>		
Deferred income	<u>15,327</u>	<u>29,269</u>
	<u>15,327</u>	<u>29,269</u>
<i>Current liabilities:</i>		
Deferred income	<u>11,258</u>	<u>11,160</u>
	<u>11,258</u>	<u>11,160</u>

Deferred income relates to the revised 4 year distribution agreement with Markerstudy from 1 May 2023 whereby consideration has been received or is receivable in advance of the service being performed. The balance at 31 December 2023 of £26,584k (2022: £40,429k) reflects an opening balance on 1 January 2023 of £40,429 (2022: £55,645k) a revaluation of £2,859k (2022: £nil) and a release during the financial period of £13,845k (2022: £15,216k).

Revenue recognition and deferral accounting policy is governed by the requirements of IFRS 15 "Revenue from Contracts with Customers". As the consideration receivable in respect of the Distribution Agreement with Markerstudy was settled at the commencement of the contract, a significant financing arrangement exists. The discount rate applied in the determination of the fair value of future performance obligations requires an estimate of the return expected by the customer if entering a separate financing transaction (see note 2 for further details). Sensitivity analysis to model a reasonable possible change of plus or minus 2% in the discount rate estimate of 8.2% applied to the cashflow model did not result in a material change in the financing charge recognised in the year.

12 Trade and other payables

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
<i>Non-Current liabilities:</i>		
Accrued expenses	<u>245</u>	<u>102</u>
	<u>245</u>	<u>102</u>
<i>Current liabilities:</i>		
Trade payables	1,498	1,002
Accrued expenses	1,587	1,245
Refund liability	<u>344</u>	<u>503</u>
	<u>3,429</u>	<u>2,750</u>

As a proportion of commission received may be returned over the period of the contract, the refund liability of £344K (2022: £503k), a net decrease of £163k (2022: £79k) reflects the expected future refunds payable where an insurance policy is cancelled during the contract term. The refund liability utilises actual historical data obtained from insurance contracts which have cancelled and where a refund is due to the customer.

For 2023, there were no marketing incentives such as Co-op Retail Limited gift vouchers to reflect future liabilities due to extended redemption periods, resulting in no provision required at December 2023.

More detail on these balances can be found in the accounting policies in Note 2.

Notes to the financial statements

13 Called up share capital

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
Authorised		
17,100,000 ordinary shares of £1 each	17,100	17,100
Issued and Paid Up		
17,100,000 ordinary shares of £1 each	17,100	17,100

Each share has one vote.

14 Retained earnings

	For period ended 31 December 2023 £'000	For period ended 31 December 2022 £'000
At the beginning of the financial year	13,899	3,870
Profit for the financial year	10,237	10,029
At the end of the financial year	<u>24,136</u>	<u>13,899</u>

15 Related party transactions

	Balances with parent undertaking 2023 £'000	Balances with parent undertaking 2022 £'000
Balances with related parties		
At the beginning of the financial year	79,654	80,133
Movement	870	(479)
At the end of the financial year	<u>80,524</u>	<u>79,654</u>

In 2023, the balance includes £80.4m (2022: £80.4m) for the discounted consideration received by the parent Co-operative Group Limited in relation to the four year agreement with Markerstudy Limited to provide marketing and distribution services for motor and home insurance products (see Note 1). The remaining balance reflects day to day trading activities with the parent company including the provision of purchase and sales ledger facilities.

Notes to the financial statements

16 Group Entities

Ultimate parent company

The Co-operative Group Limited is the parent of the Society and is incorporated as a Registered Society under the Co-operative and Community Benefit Societies Act 2014 and is registered in England and Wales. The financial statements of the parent organisation are available from 1 Angel Square, Manchester, M60 0AG.

17 Capital Management

Capital composition

Capital resources correspond to capital and reserves which can serve as a buffer against risks and absorb financial losses. For Co-op Insurance Services Limited this equates to share capital and retained earnings, less any dividends paid.

The Financial Conduct Authority requires Co-op Insurance Services Limited to calculate a capital requirement and to hold sufficient capital to meet it. The minimum capital requirement for the Society is £5k which the Society has maintained significant headroom above throughout 2023.

Objectives when managing capital

Co-op Insurance Services Limited's strategy in respect of capital management is to ensure that the following objectives are met:

- It has sufficient capital to meet all regulatory requirements.
- It has sufficient additional capital above the regulatory requirements to make any breach of the regulatory requirement unlikely.
- Subject to the above objectives being met, it makes the required return on equity.

There were no changes to the Society's approach to capital management in the period.

18 Contingencies

The Group has a revolving credit facility (RCF) for which Co-op Insurance Services Limited is a guarantor under the facility. On the 20 March 2023, Co-op concluded an amendment and extension exercise on its £400m Revolving Credit Facility. The facility increased in size to £442.5m until September 2024 when it will fall to £360m. The £360m facility will mature in March 2026. As at 31 December 2023, Co-op Insurance Services Limited continued to be a guarantor of the RCF agreement and the facility was undrawn.

Co-op Insurance Services Limited is also a guarantor of the Group's bond and loan notes, comprising a £300m Sustainability bond repaid in March 2024, £109m final repayment subordinated notes and the £20m instalment repayment notes due December 2025, and a £350m bond due in July 2026.

Co-op Insurance Services Limited is also a participant in the Group's cash pool arrangement and as such provides a guarantee for all members in relation to the Group's cash pool liability. As at 31 December 2023, there was no liability arising from the Group's cash pool.

19 Post Balance Sheet Events

The Directors are not aware of any significant post balance sheet events that require disclosure within these financial statements