

Co-op Funeral Plans Limited

Financial statements

Registered number 4818

53 week period ended 6 January 2024

## **Corporate Information**

### **Directors**

I Cordwell  
G Dewin  
G Stewart  
J Hindle (Chair)  
P Frost (Appointed 24/05/2023)

### **Secretary**

K Arnold

### **Auditors**

Ernst & Young LLP  
1 Colmore Circus Queensway  
Birmingham  
B4 6AJ

### **Registered Office**

1 Angel Square  
Manchester  
M60 0AG

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## **Statement of Directors' responsibilities in respect of the financial statements**

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

Co-operative and Community Benefit Society Law requires the Directors to prepare financial statements for each financial period. Under that law the Directors 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"). Under that law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period.

In preparing these financial statements the Directors 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 accounting 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's 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.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to Co-op Funeral Plans Limited ("The Society")**

### **Opinion**

We have audited the financial statements of Co-op Funeral plans Limited ("the Society") for the 53 week period ended 6 January 2024 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 25, 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 6 January 2024 and of its income and expenditure for the 53 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

### **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. 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 for a period to 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 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 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.

## **Independent auditor's report to Co-op Funeral Plans Limited (continued)**

### **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 account; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the Board**

As explained more fully in the directors' responsibilities statement set out on page 4, 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 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 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 intends to liquidate the Society or to cease operations, or has 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Society and determined that the most significant are direct 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') and Funeral Plan Conduct of Business ('FPCOB') regulations.

## **Independent auditor's report to Co-op Funeral Plans Limited (continued)**

- We understood how the Society is complying with those frameworks by making enquiries of management, those charged with governance and those responsible for legal and compliance matters. We also reviewed correspondence between the Society and UK regulatory bodies, reviewed minutes of the Board, and gained an understanding of the Society's approach to governance, demonstrated by the internal control processes.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring 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 Society's financial statements to material misstatement, including how fraud might occur by considering the entity level controls that the Society has established to address risks identified by the Society, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. We considered the risk of management override and designated Revenue recognition, Valuation of insurance contract liabilities, Revenue recognition in respect of the release of the Contractual Service Margin and Transition to IFRS 17 to be fraud risks. Our audit procedures included testing the appropriateness of a sample of journal entries recorded in the general ledger, as well as entries related to these risks, posted outside of the general ledger into the financial statements with a specific focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing to address each identified fraud risk, including procedures to test journals that appear to be high risk.
- The Society operates in the financial services industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

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 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.

*Ernst & Young LLP*

**Ernst & Young LLP**  
**Statutory Auditor**  
**Birmingham**  
**24 April 2024**

**Income statement**  
(for the 53 week period ended 6 January 2024)

	For the 53 week period ended 6 January 2024	For the 77 week period ended 31 December 2022 (*restated)
	£'000	£'000
Notes		
Insurance revenue	13      93,910	70,463
Insurance service expense	13      (78,703)	(51,546)
<b>Insurance service result before re-insurance contracts held</b>	<u>15,207</u>	<u>18,917</u>
Allocation of re-insurance premiums	14      (834)	(487)
Amounts recoverable from re-insurers for incurred claims	14      1,273	869
<b>Net income from re-insurance contracts held</b>	<u>439</u>	<u>382</u>
<b>Insurance service result</b>	<u>15,646</u>	<u>19,299</u>
Insurance finance expense for insurance contracts issued	(29,032)	(19,312)
Re-insurance expense for re-insurance contracts held	(241)	(170)
<b>Net insurance financial result</b>	<u>(29,273)</u>	<u>(19,482)</u>
Net fair value gains / (losses) on financial assets	19,044	(23,153)
Interest revenue calculated using the effective interest method	11,755	2,021
<b>Total investment income/ (expense)</b>	<u>30,799</u>	<u>(21,132)</u>
Other expenses (non-insurance)	(6,145)	(4,513)
<b>Profit / (loss) before tax</b>	<u>11,027</u>	<u>(25,828)</u>
Taxation	8      (2,246)	3,555
<b>Profit / (loss) for the period</b>	<u>8,781</u>	<u>(22,273)</u>

All amounts relate to continuing activities.

\* The comparative figures have been restated following the adoption of IFRS 17 (Insurance Contracts). See Note 19 for details of the restatement.

The notes on pages 12 to 46 form an integral part of these financial statements.

**Statement of comprehensive income**  
(for the 53 week period ended 6 January 2024)

	Notes	For the 53 week period ended 6 January 2024	For the 77 week period ended 31 December 2022 (*restated)
		£'000	£'000
<b>Profit / (loss) for the period</b>		<b>8,781</b>	<b>(22,273)</b>
<b>Items that might be reclassified to the Income Statement:</b>			
Insurance finance (expense) / income (funeral plans)	13	(23,878)	257,747
Re-insurance finance (expense) / income (funeral plans)	14	(445)	1,289
Deferred Tax for items that might be reclassified to the Income Statement	15	6,081	(64,759)
<b>Other Comprehensive (loss) / income for the period</b>		<b>(18,242)</b>	<b>194,277</b>
<b>Total Comprehensive (loss) / income for the period</b>		<b>(9,461)</b>	<b>172,004</b>

\* The comparative figures have been restated following the adoption of IFRS 17 (Insurance Contracts). See Note 19 for details of the restatement.

The notes on pages 12 to 46 form an integral part of these financial statements.

**Balance sheet**  
**as at 6 January 2024**

	Notes	As at 6 January 2024	As at 31 December 2022 (*restated)
		£'000	£'000
<b>Non-current assets</b>			
Right-of-use assets	10	12	17
Funeral plan investments	11	1,347,148	1,370,611
Other receivables	12	160,558	167,108
<b>Total non-current assets</b>		<b>1,507,718</b>	<b>1,537,736</b>
<b>Current assets</b>			
Other receivables	12	10,239	7,451
Cash and cash equivalents		41,689	21,787
<b>Total current assets</b>		<b>51,928</b>	<b>29,238</b>
<b>Total assets</b>		<b>1,559,646</b>	<b>1,566,974</b>
<b>Non-current liabilities</b>			
Insurance contract liabilities	13	1,118,044	1,100,419
Re-insurance contract liabilities	14	9,371	10,019
Deferred tax liability	15	58,678	70,350
<b>Total non-current liabilities</b>		<b>1,186,093</b>	<b>1,180,788</b>
<b>Current liabilities</b>			
Lease liabilities	10	15	21
Other payables	16	22,376	27,542
Insurance contract liabilities	13	97,221	95,689
Re-insurance contract liabilities	14	1,041	871
Provisions	17	357	59
<b>Total current liabilities</b>		<b>121,010</b>	<b>124,182</b>
<b>Total liabilities</b>		<b>1,307,103</b>	<b>1,304,970</b>
<b>Net assets</b>		<b>252,543</b>	<b>262,004</b>
<b>Equity</b>			
Called up share capital	18	90,000	90,000
Retained earnings		162,543	172,004
<b>Total equity</b>		<b>252,543</b>	<b>262,004</b>

\* The comparative figures have been restated following the adoption of IFRS 17 (Insurance Contracts). See Note 19 for details of the restatement.

The notes on pages 12 to 46 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 April 2024, and were signed on its behalf by:

*Ian Cordwell*

I Cordwell  
Director

*G Stewart*

G Stewart  
Director

*K Arnold*

K Arnold  
Secretary

**Statement of changes in equity**  
(for the 53 week period ended 6 January 2024)

	Called up Share Capital	Retained earnings	Insurance Finance Income/ (expense)	Deferred tax on IFIE	Total equity
Notes	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 December 2022 (as originally reported)</b>	<b>90,000</b>	<b>(39,045)</b>	<b>-</b>	<b>-</b>	<b>50,955</b>
Impact of adoption of IFRS 17*	19	-	16,772	259,036	(64,759)
<b>Balance at 1 January 2023 (restated for IFRS 17)</b>		<b>90,000</b>	<b>(22,273)</b>	<b>259,036</b>	<b>(64,759)</b>
Total comprehensive income / (expense) for the period		-	8,781	(24,323)	6,081
<b>Balance at 6 January 2024</b>		<b>90,000</b>	<b>(13,492)</b>	<b>234,713</b>	<b>(58,678)</b>
					<b>252,543</b>

	Called up Share Capital	Retained earnings	Insurance Finance Income	Deferred tax on IFIE	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 7 July 2021 (as originally reported)</b>		-	-	-	-
Total comprehensive income / (expense) for the period (*restated for IFRS 17)	19	-	(22,273)	259,036	(64,759)
Issuance of new share capital	18	90,000	-	-	-
<b>Balance at 31 December 2022 (restated for IFRS 17)</b>		<b>90,000</b>	<b>(22,273)</b>	<b>259,036</b>	<b>(64,759)</b>
					<b>262,004</b>

\*The comparative figures have been restated following the adoption of IFRS 17 (Insurance Contracts). See Note 19 for details of the restatement.

The notes on pages 12 to 46 form an integral part of these financial statements.

**Notes**

*(forming part of the financial statements)*

**1 Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements for the year ended 6 January 2024, set out on pages 8 to 46 were authorised by the Board of Directors for issue on 24 April 2024.

**Reporting entity**

From 29 July 2022, the FCA has regulated the funeral plan industry. In preparation for this, the Co-op Funeralcare management made the decision to create a new legal entity to sell, administer and redeem funeral plans and become Co-op's regulated funeral plan Society, this entity is called Co-op Funeral Plans Limited, set up on 7 July 2021.

Co-op Funeral Plans Limited ("the Society") is a Society and is registered and domiciled in England and Wales. The address of the Society's registered office is 1 Angel Square, Manchester, M60 0AG.

The principal activity of the Society is to provide pre-paid funeral plans for customers and members of Co-operative Group Limited.

**Transfer of engagements**

In the prior period, on the 1 May 2022, a partial transfer of engagements from Funeral Services Limited (FSL) to the Society was registered transferring all charges in relation to funeral plan activity from Funeral Services Limited to the Society. Net liabilities of £65.5m for funeral plan assets and liabilities were transferred into the Society from Funeral Services Limited. To compensate for taking on these net liabilities, the Society recognised a £65.5m intercompany loan receivable.

**Accounting date**

The financial statements for the period are prepared for the 53 weeks to 6 January 2024 (the prior period was the 77 weeks to the 31 December 2022 due to the Society being created on 07 July 2021 but did not start trading until 01 May 2022). The Trading Group (Co-operative Group Limited, "Group" - see page 235 of the annual report) subsidiaries prepare their accounts for the first Saturday of January unless 31 December is a Saturday in order to align with Group.

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

**2 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

**Basis of preparation**

The Society meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) 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' and the Co-operative and Community Benefit Societies Act 2014.

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 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 Society faces a lower level of risk and challenges in relation to climate change when compared with its ultimate parent undertaking (the Group) but continues to manage these risks in-line with the Group's approach to climate change. The impact of climate change to the Society is reduced given it does not own or operate the funeral homes which perform funerals for end customers; these are owned by another Group entity.

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 128). Climate related risks are also explained within the Principal Risks and Uncertainties (Environment and Sustainability) section of the ARA on page 57. The Group's assessment of the potential impact on the long term viability of the Group is also set out on page 124 of the Group's 2023 ARA.

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**IFRS Exemptions applied**

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 :

- 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 and 111 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 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.

In the financial statements for the period ended 31 December 2022 ("prior period financial statements"), the Society took an exemption under FRS 101 from preparing disclosures under IFRS 7 and IFRS 13 as disclosed in note 2 in the prior period financial statements. As a financial institution as defined by FRS 101, the Society was not entitled to avail these exemptions and hence the disclosures required under IFRS 7 and IFRS 13 have been included in these financial statements including restating the comparative disclosures which were omitted in the prior period financial statements. Please refer to Notes 20 and 21 for these disclosures.

**New and amended standards adopted by the Society**

**IFRS 17 (Insurance Contracts)** - the Society has adopted the new insurance standard from 1 January 2023 which has a material impact on how the Society accounts for its funeral plan liabilities. The adoption of IFRS 17 is retrospective and has required the restatement of our prior period comparative numbers. Further detail of the approach on transition, the application of the new standard and the impact of the restatement is given in Note 19.

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:

- 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-operative Group 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%.

Due to the exemption applied under FRS 101 there is no disclosure for standards, amendments and interpretations issued but not yet effective.

**Critical accounting estimates and judgements**

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 and liabilities, income and expenses.

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.

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 judgements:**

In the process of applying the Society's accounting policies, management has made the following key judgements which have the most significant impact on the financial statements:

**Funeral plan investments** - These investments hold some underlying investments that rely on significant unobservable inputs to price or a premium or discount that may apply on exit. The Society receives valuations from the policy provider on a periodic basis but the Society has no input to or influence over the valuation methodologies applied by the policy provider. Management's view, supported by historical precedent, is that these periodic valuations reflect the amounts paid out by the provider on redemption of the policy and is therefore considered to be the fair value of the assets. (refer to Notes 11 and 21)

**Trust investments** - The Society recognises the investments of 14 Trusts as part of its funeral plan investments. On the balance of facts, we consider inclusion to be correct as we believe that the trusts are in effect controlled by the Society. Based on the Society's power over these Trusts, the ability to exercise power and our sole exposure to variable returns, the criteria to be presented as assets of the Society are met.

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**Critical accounting estimates and judgements - continued**

**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.

**• Insurance Contract Liabilities (Note 13)**

Under IFRS 17 (Insurance contracts) funeral plan liabilities reflect the current estimate of the present value of the future cashflows to provide the funeral. These are calculated using actuarial advice and are based on a range of assumptions and estimates. The assumptions used are management's best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice.

The main actuarial assumptions include estimates in relation to discount rates, future costs to deliver a funeral including inflation and expense assumptions (maintenance and acquisition), mortality rates, risk adjustments and plan cancellation rates. The insurance contract liability calculation is most sensitive to changes in the discount rate and inflation assumptions and further detail on these items is noted below.

**Discount rate** - the Society applies a bottom-up approach to derive the discount rate such that our insurance contract liabilities (funeral plans) are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium (credit spread). The risk free rate has been derived by reference to market yields on sterling-denominated high quality corporate bonds of appropriate duration consistent with the funeral plans at that date (UK Gilt curve at the valuation date converted from continuous to annual rates). The illiquidity premium is determined by reference to observable market rates (assessed as the average credit spread on 10-15 A rated and 10-15 year AA rated bonds at the valuation date).

**Inflation** - the rate of inflation is set based on the Bank of England Forward Inflation Curve at the valuation date converted from continuous to annual. From 2022 onwards a reduction of 25 basis points has been applied to allow for high levels of demand for inflation linked gilts increasing inflation expectations. Years 2023 to 2026 have been adjusted to reflect management's view based on experience of funeral cost inflation.

**Risk adjustment** - the Society applies a confidence level approach to calculate the risk adjustment which aligns with profitability targets used in the pricing of funeral plans. The Society takes into consideration non-financial risks (lapse, mortality, longevity, expense and funeral inflation) that cause uncertainty around the timing and amount of cashflows in the calculation of the risk adjustment.

**Expense assumptions** - the Society reviews expenditure and allocates costs within the scope of IFRS 17 to fulfilment, maintenance or acquisition costs. Fulfilment is the cost of providing the funeral, maintenance are costs incurred in servicing the contract through its life and acquisition is the cost of inception and acquiring the contract. These are assessed for future appropriateness and inflated as above to derive the expected future cashflows.

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**Going concern**

The Society generated a profit of £9m (2022: £22m loss restated) in the period and at the balance sheet dates holds net assets of £253m (2022: £262m restated).

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 £161m as at 6 January 2024.

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.

Our Co-op 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.

**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 year end date, of the total £1,107m of facilities available to us, we were £664m draw-down. Note 26 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. The Co-op's base case forecast includes prudence following the uncertainty in the market due to geo-political factors, inflation and rising 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.

**Notes to the financial statements (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 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.

**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.

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**IFRS 16 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, 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 Society 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 Society 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 Society and payments of penalties for terminating a lease, if the lease term reflects the Society 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 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.

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

The Society applies the short-term lease recognition exemption to its short-term leases of plant and machinery (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.

**Financial Assets and Liabilities**

The Society classifies its financial assets as either:

- fair value through the income statement; or
- loans and receivables at amortised cost.

**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 Society's business model for managing them. The Society initially measures a financial asset at its fair value, with the exception of 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. Insurance 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 9 (Financial Instruments).

**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 Society 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.

When cash is received from the customer for a funeral plan, an element is taken by the Society to cover the initial costs of setting up the plan and as such is not transferred to an investment in a whole-of-life insurance policy.

In line with the terms and conditions of the Society's Low Cost Instalment Plans (LCIPs), funeral plans can be cancelled if the customer fails to meet their obligations under those terms and conditions. Upon cancellation of the plan all assets and liabilities associated with the plan are derecognised.

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**iii) Financial investments and instruments at fair value through the income statement**

**Funeral plans**

When a customer takes out a funeral plan the initial plan value is recognised as an investment asset in the balance sheet. The investments are held in insurance policies or cash-based trusts and attract interest and bonus payments throughout the year dependent upon market conditions. The plan investment is a financial asset, which is recorded at fair value each period through the income statement using valuations provided by the insurance policy provider or reflecting the trust cash balances.

The obligation to deliver the funeral is treated as an insurance contract liability under the new accounting standard IFRS 17 (Insurance Contracts) and held separately on our balance sheet. The new standard applies to all of the Society's funeral plans (including the re-insurance of the payment waiver on instalment plans) and is effective from 1 January 2023.

**Low Cost Insurance Funeral Plans (LCIPs)**

LCIPs can be paid for by instalments over between 2 and 25 years or they can be paid off in full at any time during this period without any penalties. If the plan holder dies before the instalments have been made in full (and provided that the plan has been in place for at least 12 months or the cause of death was as a result of an accident) then the funeral will still be provided by the Society and the customer will not have to settle the outstanding balance on any instalments and the balance of any monies owed will be waived. Any outstanding amounts owed to the Society (the difference between the full value of the plan and the amount paid up to death by the customer) are covered by an assured benefit from a third party insurer. The assured benefit is between the Society and the third party insurer and has nothing to do with the customer. The Society continues to apply instalment monies received against customers' individual funeral plans until such time as a plan is redeemed or cancelled.

The obligation to deliver the funeral is treated as an insurance contract liability under the new accounting standard IFRS 17 (Insurance contracts) and held separately on our balance sheet. The new standard applies to all of the Society's funeral plans (including the re-insurance of the payment waiver on instalment plans) and is effective from 1 January 2023. IFRS 17 is applied retrospectively and requires restatement of comparative figures. See Note 19 for details of the restatements and approach on transition, Note 13 for details of the Society's Insurance contract and Note 14 for Re-insurance contract liabilities and associated accounting policies.

**iv) Credit risk, illiquidity risk and impairment of financial assets**

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Society is exposed to credit risk from its operating activities (primarily other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by the Co-operative Group's Treasury department in accordance with the Co-operative Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are monitored regularly based on Board approved Treasury Policy, with changes to the credit limits being reported monthly to the Treasury Committee. The limits are set to minimise the concentration of credit risk. Financial assets held at fair value through the income statement are primarily held in low-risk investments.

**Liquidity risk**

The Society's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and leases.

**Other receivables**

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, 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 other receivables (Note 12).

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**Impairment of financial assets carried at amortised cost**

The amount of the impairment loss on assets carried at amortised cost is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of an allowance account.

A write-off is made when all or part of an asset is deemed uncollectable or forgiven after all the possible collection procedures have been completed and the amount of loss has been determined. Write-offs are charged against previously established provisions for impairment or directly to the income statement.

Any additional recoveries from borrowers, counterparties or other third parties made in future periods are offset against the write-off charge in the income statement once they are received.

Provisions are released at the point when it is deemed that following a subsequent event the risk of loss has reduced to the extent that a provision is no longer required.

**Measurement**

The Society 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.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at bank and short-term deposits with banks with a maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and cash equivalents includes debit and credit card payments made by customers which are receivable from banks and clear the bank within three days of the transaction date.

**Insurance Contracts (funeral plans)**

**Background to IFRS 17 (Insurance Contracts)**

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 (Insurance Contracts). IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure, and replaces Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (such as life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects and requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. The new standard applies to all of the Society's funeral plans including the re-insurance of the payment waiver risk on LCIPs and is effective from 1 January 2023.

The Society has transitioned to IFRS 17 from 1 January 2023 and we are required to restate our results from 2 January 2022, adjusting opening reserves as at that date. However, as the Society did not have any insurance contracts as at 2 January 2022 (as the partial transfer of engagements from Funeral Services Limited did not occur until 1 May 2022) there is no restatement required at that point in time and a third balance sheet has not been presented. The comparative figures have been restated for IFRS 17 as at 31 December 2022 and details of the restatement and approach taken on transition are shown in Note 19.

**Summary of significant accounting policies:**

In applying the new insurance standard and the requirements of IFRS 17 the Society has adopted a variety of new accounting policies in relation to the accounting for funeral plans and the waiver insurance on instalment plans. The Society has applied the General Measurement Model (GMM) under IFRS 17 to measure the liability for remaining coverage. A summary of the significant accounting policies is noted below:

**Initial recognition** - an insurance contract is defined as a contract under which the Society accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. The new standard applies to all of the Society's funeral plans and also covers the re-insurance of the payment waiver risk on instalment plans.

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**Level of aggregation and onerous contracts** - the aggregation of insurance contracts determines the 'unit of account' to be used when applying IFRS 17 which affects the allocation of the contractual service margin (CSM) to insurance revenue and the level at which onerous contracts are identified. IFRS 17 specifically requires that portfolios of re-insurance contracts are separately held from portfolios of insurance contracts issued. The aggregation requirements of IFRS 17 arrange insurance and re-insurance contract cash flows into buckets based on two stages or levels:

- **Portfolio level:** (1) by primary risk type; and (2) whether contracts are managed together.
- **Group level:** (1) by time of issuance (one-year issuing period); and (2) by degree of expected profitability at initial recognition.

**Portfolio level:**

The following IFRS 17 portfolios were identified for the Society's financial statements:

- Pre-need funeral plans - (insurance contracts issued)
- Premium waiver on underlying Instalment plans – (re-insurance contracts held).

**Group level:** *Time of issuance - Cohort year.* IFRS 17 requires a portfolio of contracts to be divided into annual 'cohorts' or shorter time buckets. A group of contracts may not include contracts issued more than one year apart. The Society allocates cohorts by annual periods based on the financial year of issue.

**Group level:** *Degree of profitability at initial recognition.* IFRS 17 requires portfolios of contracts issued in a given cohort year to be assessed by 'sets' for the purpose of determining whether contracts are onerous or have no significant possibility of becoming onerous. The Society determines the sets based on assessed similarities in pricing and margin and expected sensitivity to future changes in financial and non-financial assumptions over the coverage period. Losses on onerous contracts are taken to the Income statement as incurred.

**Contract boundary:**

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services. The Society considers these cashflows to include the premiums received from the customer, the acquisition costs incurred at the inception of the contract, the cost of maintaining the contract through its life and the cost of providing a funeral when a claim is made (fulfilment cashflow).

**Fulfilment Cashflows:**

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value. Fulfilment cashflows cover:

- (A) best estimates of future cashflows;
- (B) an adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows; and
- (C) a risk adjustment for non-financial risk.

**(A) Best estimate of future cashflows;** - IFRS 17 requires an explicit, unbiased and probability weighted estimate (i.e. expected value) of the present value of the future cash outflows less the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.

For the Society these cashflows mainly comprise: premiums received from customers for pre-paid plans and LCIPs, premiums paid or repayable to re-insurers, internal and external direct fulfilment costs of delivering funerals on behalf of the policy holder, amounts recoverable from re-insurers and insurance acquisition cash flows attributable to the portfolio of contracts.

**(B) An adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows;** - a key component of IFRS 17 is the need to reflect the time value of money when estimating insurance cash flows, and the financial risks related to those cash flows. The Society applies a bottom-up approach to derive the discount rate based on a risk free rate plus an illiquidity premium. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities (UK Gilts). The illiquidity premium is determined by reference to observable market rates.

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**(C) A risk adjustment (RA) for non-financial risk:** - this reflects the compensation the Society requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Society fulfils insurance contracts. The risk adjustment reflects an amount that CFPL would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. IFRS 17 does not prescribe any methodologies for calculating the RA but instead outlines principles that the technique used to quantify the RA will need to adhere to. The RA is important because it is a component of the fulfilment cash flows and therefore impacts the profitability classification of funeral plans. The release of the RA over time is a key component of revenue, along with the contractual service margin. CFPL estimate the RA using a confidence level (probability of sufficiency) approach at 70%.

Insurance acquisition cashflows - IFRS 17 requires expenses that are "directly attributable" to issuing and fulfilling insurance contracts to be included in the measurement of insurance contracts. This includes insurance acquisition cash flows, which are defined as cash flows arising from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The classification and reporting of expenses under IFRS 17 involves the following 3 steps:

*1) Classification of all expenses into one of the following categories:*

- Directly attributable acquisition (costs of acquiring new funeral plans such as internal salaries or external commission);
- Directly attributable maintenance (costs of servicing already acquired funeral plans such as costs of handling claims);
- Non-directly attributable expenses.

*2) Allocation of directly attributable expenses into IFRS 17 Portfolios and then to current and future cohort groups of contracts.*

*3) Amortisation of each group of directly attributable acquisition costs in a manner consistent with the revenue earning pattern of the related contracts in the group.* Directly attributable maintenance and non-directly attributable expenses are fully expensed when incurred.

The Society uses the contractually agreed transfer price with Funeral Services Limited for fulfilment costs.

Contractual Service Margin (CSM) and Coverage units - the CSM for a group of insurance contracts at the end of each reporting period represents the unearned profit relating to future service to be provided under the contracts in the group and is calculated using a roll-forward approach. The five items that are included in the CSM roll forward are:

- the effect of new contracts added to the group;
- interest accretion on the carrying amount of the CSM;
- the change in fulfilment cash flows relating to future service (limited by the amount of CSM);
- the effect of any currency exchange differences on the CSM; and
- the amounts recognized as insurance revenue because of the transfer of services in the period ("amortisation of CSM").

The concept of "coverage units" was introduced in IFRS 17 as a means of reflecting the pattern of services provided under a group of contracts and recognizing revenue from CSM (effectively "amortisation" of CSM) according to that pattern. The number of coverage units in a group is based on the quantity of service provided by the contracts in the group. For each group of contracts, an entity is required to consider the quantity of service and its expected coverage period.

The Society has determined that it is appropriate to measure coverage units based on the maximum expected funeral benefit per period of all the contracts in the IFRS 17 group. The maximum expected pay-out represents the total funeral benefit per period of all contracts expected to be in force in the group for that period. For portfolios of Premium waiver reinsurance contracts, the coverage units will be based on the maximum expected recoverable per period.

**Experience adjustments:**

Experience variances represents the expected expenses, claims and amortisation of acquisition cash flows which are reported as part of the insurance service revenue. This is offset with the actual expenses and claims incurred in the period and recovery of acquisition cash flows.

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**Revenue**

Under IFRS 17 there are 4 components recognised within revenue:

- CSM recognised for services provided
- Change in risk adjustment for non financial risk for risk expired
- Expected incurred claims and other insurance service
- Recovery of insurance acquisition cash flows

**Insurance finance income or expenses (IFIE)**

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The Society disaggregates insurance finance income or expenses on insurance contracts issued for its funeral plan portfolios between profit or loss and OCI. The impact of changes in the discount rate on the value of the insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise volatility through the income statement. Finance income or expenses on the Society's issued reinsurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

**Adoption of IFRS 17 impact on the transfer of engagements**

On the 1 May 2022, a partial transfer of engagements from Funeral Services Limited (FSL) to the Society was registered transferring all charges in relation to funeral plan activity from FSL to the Society. Net liabilities of £65.5m for funeral plan assets and liabilities were transferred into the Society from FSL. To compensate for taking on these net liabilities, the Society recognised a £65.5m intercompany loan receivable.

The Society cannot change the terms of the agreement that took place in 2022 but on adoption of IFRS 17 was required to reassess the liabilities for the funeral plan contracts at the time of the transaction. The assessment of the best estimate of future cashflows and the risk adjustment meant that the Society received net assets of £26.8m. Therefore, a CSM of £92.3m was recognised to maintain the £65.5m of net liabilities transferred in 2022. The £92.3m CSM represents the expected future profit of the contracts transferred to the Society at the time of the transaction.

**Presentation and Disclosures**

The Society has elected to apply certain disclosure policies as permitted under IFRS 17:

- 1) The change in the risk adjustment (RA) for non-financial risk is disaggregated between insurance service result and insurance finance expense in the Income statement;
- 2) Income and expenses from a group of reinsurance contracts is presented as a single amount;
- 3) The Society has elected to disaggregate that element of finance income / expense that arise due to changes in the discount rate and record the impact of those changes in other comprehensive income (OCI) rather than in the Income statement. The large gain recorded in OCI in 2022 primarily arises due to movements in the discount rate in 2022. The discount rate used to determine the finance costs relating to funeral plans, uses the discount rate at initial recognition of the funeral plan cohort;
- 4) Changes to our inflation assumptions are deemed to be non-financial, as the ultimate inflationary cost risk does not relate to a financial market indices, and to the extent that they can be covered are first charged to the CSM buffer rather than direct to the Income statement.

The table below summarises where the financial impact of a change in the assumptions used in the actuarial calculations would be reflected in our financial statements:

Assumption:	Financial Statement Impact:
Discount rate	Statement of comprehensive (loss) / income
Fulfilment costs	Income statement
Inflation rate	Income statement
Risk adjustment	Income statement
Maintenance costs	Income statement
Mortality rates	Income statement
Cancellation rates	Income statement

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**Provisions**

A provision is recognised in the balance sheet when the Society has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Dividend distribution**

Dividend distributions to the Society's members are recognised as a liability in the Society's financial statements in the period in which the dividends are approved by the Society's members.

**Pensions and other post-retirement benefits**

A defined contribution scheme is a pension plan under which the Society pays contributions into a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. All borrowing costs are expensed when occurred except when they are directly attributable to the acquisition, construction or production of a qualifying asset. If this is the case, they are included in the cost of the asset.

**Share capital**

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

**Notes to the financial statements (continued)**

**2 Accounting policies (continued)**

**Taxation**

**(i) Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

**(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 following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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. The deferred tax assets and liabilities of the Society are presented net in the Balance Sheet. This is because the Society is allowed, under UK legislation, to make a single net corporation tax payment giving it the right of off-set.

**Revenue**

The Society adopted IFRS 17 (Insurance Contracts) from 1 January 2023 which specifically applies to the Society's pre-need funeral plans (including the re-insurance of the payment waiver risk where the Society waives the remaining payments if a customer dies during the payment term subject to conditions). IFRS 17 requires revenue to be recognised over the contract coverage period (being the duration of the funeral plan). Further detail as to the accounting policies used to record revenue, recognise profit and value the insurance contract liability are given in the Insurance Contracts (funeral plans) section (page 22).

On redemption of a funeral plan, the Society acts as the principal in relation to the contract with the customer so the cost of fulfilling the service by Funeral Services Limited is recognised as an insurance service expense on redemption.

All revenue is derived from the Society's principal activity of funeral plan contracts in the United Kingdom.

**Member Rewards**

Discounts are offered to customers on the sale of a funeral plan, primarily for being members of the Co-operative Group. Members are also offered a Community award at 2% of sale value. Discounts are classified as a reduction in premiums and Community awards are classified as a directly attributable acquisition cost.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to do so and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**Functional currency**

The functional currency for the Society is pound sterling which is also the presentation currency. All amounts are rounded to the nearest thousand unless otherwise stated.

**Notes to the financial statements (continued)**

**3 Profit / (loss) before tax**

	For the 53 week period ended 6 January 2024 £'000	For the 77 week period ended 31 December 2022 £'000
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*Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting):*

Depreciation of right-of-use assets	1	3
Staff costs (see note 4)	1,523	732

The auditor's remuneration of £1.946m (2022: £0.200m) is borne by the ultimate parent

**4 Staff numbers and costs**

The average number of persons employed by the Society (including Directors) during the period, analysed by category, was as follows:

	Number of employees For the 53 week period ended 6 January 2024	Number of employees for the 77 week period ended 31 December 2022
Full-time	11	17
Part-time	1	-
<b>Total</b>	<b>12</b>	<b>17</b>

The aggregate payroll costs of these persons were as follows:

	For the 53 week period ended 6 January 2024 £'000	For the 77 week period ended 31 December 2022 £'000
Wages and salaries	1,376	592
Social security costs	76	65
Other pension costs (see note 5)	71	75
	<b>1,523</b>	<b>732</b>
	For the 53 week period ended 6 January 2024 £'000	For the 77 week period ended 31 December 2022 £'000
Directors emoluments	139	73
	<b>139</b>	<b>73</b>

The emoluments of the highest paid Director amounted to £66k (2022: £41k), this did not include any contributions to personal pension schemes.

Directors' remuneration in respect of services provided to the Society were borne by the ultimate parent undertaking in the period ended 6 January 2024. The Directors consider that the level of their qualifying services in relation to the Society are incidental and negligible compared to their main role.

Most of the employees who provide services to the Society are employed by Co-operative Group Limited (see Note 24 Related parties).

**Notes to the financial statements (continued)**

**5 Pension Scheme**

The Society is a wholly owned subsidiary of Co-operative Group Limited ("Group") which operated a defined benefit scheme (the Pace Complete scheme) up until the end of October 2015 when it was closed to future accrual. The assets are held in a separately administered trust. Until December 2013, the Pace scheme was defined as a Group plan, as all participating entities were under the common control of Co-operative Group Limited (the sponsoring employer). Following the recapitalisation of The Co-operative Bank PLC in December 2013, the various entities participating in the Pace plan are no longer under common control of the Group and as a result, the Pace scheme became a multi employer scheme. Full details of the Pace plan for the period ending 6 January 2024 are disclosed in the Group's consolidated financial statements for that period.

As the Pace Complete Scheme was closed to future accrual at the end of October 2015, the Pace DC scheme was expanded. The amount recognised as an expense in respect of the Pace DC scheme for this Society was £71k (2022: £75k). This is included in the staff costs as disclosed in note 4. The employer contributions made by the Society have been charged to the income statement when incurred.

**6 Insurance finance**

	For the 53 week period ended 6 January 2024 £'000	For the 77 week period ended 31 December 2022 (*restated) £'000
Insurance finance expense for insurance contracts issued (note 13)	<b>29,032</b>	19,312
Re-insurance finance expense for re-insurance contracts issued (note 14)	<b>241</b>	170
	<hr/> <b>29,273</b>	<hr/> <b>19,482</b>

\*The comparative figures have been restated following the adoption of IFRS 17 (Insurance Contracts). See Note 19 for details of the restatement.

**7 Investment income / (expense)**

	For the 53 week period ended 6 January 2024 £'000	For the 77 week period ended 31 December 2022 £'000
Unrealised fair value movement on funeral plan investments (note 11)	<b>19,044</b>	(23,153)
Interest revenue calculated using the effective interest method	<b>11,755</b>	2,021
	<hr/> <b>30,799</b>	<hr/> <b>(21,132)</b>

**Notes to the financial statements (continued)**

**8 Taxation**

*Analysis of credit in period*

	For the 53 week period ended 6 January 2024	For the 77 week period ended 31 December 2022 (*restated)
	£'000	£'000
<i>UK corporation tax:</i>		
Group relief receivable	(7,847)	9,146
Current tax receivable / (payable) - adjustments in respect of prior periods	10	-
Total current tax and tax charge for the period	<u>(7,837)</u>	<u>9,146</u>
Deferred tax credit / (charge) - current period items	5,256	(5,256)
Deferred tax adjustments in respect of prior periods	-	-
Effect of rate of change on closing balance	335	(335)
Total deferred tax	<u>5,591</u>	<u>(5,591)</u>
Tax charge for the period	<u>(2,246)</u>	<u>3,555</u>

\*The comparative figures have been restated following the adoption of IFRS 17 (Insurance Contracts). See Note 19 for details of the restatement.

*Factors affecting the tax charge for the current period:*

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 Restated: 19%) as follows:

	For the 53 week period ended 6 January 2024	For the 77 week period ended 31 December 2022 (*restated)
	£'000	£'000
<i>Current tax reconciliation:</i>		
Profit / (Loss) before tax	11,027	(25,828)
Current tax credit / (charge) at 23.5% (2022 Restated: 19%)	<u>(2,591)</u>	<u>4,907</u>
<i>Effects of:</i>		
Non-deductible expenditure	-	(11)
Current tax prior year adjustment	10	-
Deferred tax rate change adjustment	335	(1,342)
Total income tax charge (see above)	<u>(2,246)</u>	<u>3,555</u>

\*The comparative figures have been restated following the adoption of IFRS 17 (Insurance Contracts). See Note 19 for details of the restatement.

As announced by the Chancellor in 2021, the main rate of Corporation Tax increased from 19% to 25%, with effect from the 1 April 2023. It follows that the hybrid main rate of corporation tax for 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, to the extent the deferred tax assets and liabilities are expected to crystallise after 1 April 2023, they should be valued using 25% instead of the current corporation tax rate of 23.5%.

**Notes to the financial statements (continued)**

**9 Dividends**

No dividend was declared in the period (2022: nil).

**10 Leases**

**As a lessee**

<b>Right-of-use assets</b>	<b>Plant and equipment</b>	<b>£'000</b>
Balance at 1 January 2023	17	
Intercompany transfer	(5)	
Disposals	1	
Depreciation charge for the period	(1)	
<b>Balance at 6 January 2024</b>	<b>12</b>	
Balance at 7 July 2021	-	
Transfer from Funeral Services Limited	20	
Depreciation charge for the period	(3)	
<b>Balance at 31 December 2022</b>	<b>17</b>	

Vehicle and equipment leases are typically between 1-4 years in length and in some cases the Society has options to purchase the assets at the end of the contract term.

<b>Current lease liabilities</b>	<b>As at 6 January 2024</b>	<b>£'000</b>
Balance at 1 January 2023	21	
Payments	(1)	
Transfer	(5)	

<b>Closing current lease liabilities</b>	<b>15</b>
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	<b>As at 31 December 2022</b>	<b>£'000</b>
Balance at 7 July 2021	-	
Transfer from Funeral Services Limited	24	
Payments	(3)	
<b>Closing current lease liabilities</b>	<b>21</b>	

**Notes to the financial statements (continued)**

**11 Funeral plan investments**

	As at 6 6 January 2024 £'000	As at 31 31 December 2022 £'000
<b>Balance at start of year</b>	1,370,611	-
Transfer from Funeral Services Limited	-	1,414,042
Net plan investments (including ongoing instalments)	72,712	49,353
Existing funeral plans redeemed and cancelled	(115,219)	(69,631)
Fair value movement recognised in the income statement	19,044	(23,153)
<b>At end of year</b>	<b>1,347,148</b>	<b>1,370,611</b>

The funeral plan investments are financial assets which are recorded at fair value each period using valuations provided to the Society by the policy provider. The plan values reflect the amount the policy provider would pay out on redemption of the policy at the valuation date with the main driver being underlying investment performance. The investment strategy is targeted to deliver appropriate returns on the plan investments over the medium term to match expected inflationary increases in the cost to deliver a funeral. Assets include UK and overseas equities, gilts, corporate bonds, property and cash. The majority of these investments are held in whole of life insurance policies issued by The Royal London Mutual Insurance Society Limited. Whilst the main driver of their value is underlying investment performance, some policies also feature security of initial investment value at death and reduced investment volatility.

Included in the balances above are Low Cost Instalment Funeral Plans (LCIP) of £119m (2022: £98m). This relates to 61,568 (2022: 62,948) live plans. See note 2 for accounting policy for LCIP's.

The assured benefit between the Society and the customer is judged to represent an insurance contract and as such falls under the scope of IFRS 17 (Insurance Contracts). In-line with the requirements of IFRS 17 the Society accounts for the LCIPs in the same way as a normal funeral plan (see accounting policy above). These plans are assessed annually (gross of any reinsurance) using a liability adequacy test.

See note 2 for further detail on the accounting policy for funeral plans.

**12 Other receivables**

	As at 6 January 2024 £'000	As at 31 December 2022 (*restated) £'000
<i>Non-current assets:</i>		
Amounts owed by group undertakings	160,558	167,108
	<b>160,558</b>	<b>167,108</b>
<i>Current assets:</i>		
Other receivables	9,840	6,912
Prepayments and accrued income	399	539
	<b>10,239</b>	<b>7,451</b>

Comparative figures have been restated following the adoption of IFRS 17 (see Note 19 for further details of the restatement).

Amounts owed by group undertakings are unsecured, attract interest, have no fixed date of repayment and are repayable on demand. There is no expectation of calling the debt repayment within the next year therefore the amounts are classified as non-current.

The Co-operative Group has applied the expected losses model as defined under IFRS 9 (Financial Instruments) which focuses on the risk that a receivable will default rather than whether a loss has been incurred. The Co-operative Group has applied a simplified approach as allowed under IFRS 9 to use a provision matrix for calculating expected losses for receivables. As a result of this assessment the Society has not provided for any ECL.

For receivables 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.

The Society has assessed that the amounts owed by group undertakings can be repaid on demand due to the terms of the agreement and the funding position of the Co-operative Group. Accordingly, the Society has not made any provision for ECL nor discounted the receivable.

**Notes to the financial statements (continued)**

**13 Insurance Contract Liabilities**

Insurance contract liability as at 6 January 2024 (by nature)	Liabilities for remaining coverage Excluding loss component £'000	Liabilities for claims incurred £'000	Total £'000
<b>Insurance contract liability as at 1 January 2023</b>	1,196,108	-	1,196,108
Insurance revenue	(93,910)	-	(93,910)
<i>Insurance service expenses:</i>			
- Incurred claims and other expenses	-	76,358	76,358
- Amortisation of insurance acquisition cashflows	2,345	-	2,345
- Loss on onerous contracts and reversals of those losses	-	-	-
<b>Insurance service result</b>	(91,565)	76,358	(15,207)
Insurance finance expenses - Income statement	29,032	-	29,032
Insurance finance income - Other comprehensive income	23,878	-	23,878
<b>Total changes in Statement of Comprehensive Income</b>	(38,655)	76,358	37,703
<i>Cashflows:</i>			
- Premiums received less premiums refunded	63,522	-	63,522
- Claims and other expenses paid	-	(76,358)	(76,358)
- Insurance acquisition flows	(5,710)	-	(5,710)
<b>Total cashflows</b>	57,812	(76,358)	(18,546)
<b>Insurance contract liability as at 6 January 2024</b>	1,215,265	-	1,215,265
Insurance contract liability as at 31 December 2022 (by nature)	Liabilities for remaining coverage Excluding loss component £'000	Liabilities for claims incurred £'000	Total £'000
<b>Insurance contract liability as at 1 January 2022</b>	-	-	-
Transfer from Funeral Services Limited	1,469,964	-	1,469,964
Insurance revenue	(70,463)	-	(70,463)
<i>Insurance service expenses:</i>			
- Incurred claims and other expenses	-	49,617	49,617
- Amortisation of insurance acquisition cashflows	1,929	-	1,929
- Loss on onerous contracts and reversals of those losses	-	-	-
<b>Insurance service result</b>	(68,534)	49,617	(18,917)
Insurance finance expenses - Income statement	19,312	-	19,312
Insurance finance income - Other comprehensive income	(257,747)	-	(257,747)
<b>Total changes in Statement of Comprehensive Income</b>	(306,969)	49,617	(257,352)
<i>Cashflows:</i>			
- Premiums received less premiums refunded	35,120	-	35,120
- Claims and other expenses paid	-	(49,617)	(49,617)
- Insurance acquisition flows	(2,007)	-	(2,007)
<b>Total cashflows</b>	33,113	(49,617)	(16,504)
<b>Insurance contract liability as at 31 December 2022</b>	1,196,108	-	1,196,108

**Notes to the financial statements (continued)**

**13 Insurance contracts (funeral plans) - continued**

Insurance contract liability as at 6 January 2024 (by component)	Estimates of present value of future cashflows	Risk	Contractual	Total
		Adjustment	Service Margin	
	£'000	£'000	£'000	£'000
<b>Insurance contract liability as at 31 December 2022</b>	871,454	53,011	271,643	1,196,108
<i>Changes that relate to current services:</i>				
- CSM recognised for service provided	-	-	(15,139)	(15,139)
- Risk adjustment for the risk expired	-	(4,323)	-	(4,323)
- Experience adjustments	4,255	-	-	4,255
<i>Changes that relate to future services:</i>				
- Contracts initially recognised in the period	(12,077)	767	11,310	-
- Changes in estimates that adjust the CSM	26,789	826	(27,615)	-
- Changes in estimates that do not adjust the CSM	-	-	-	-
<i>Changes that relate to past services:</i>				
- Adjustments to liabilities for incurred claims	-	-	-	-
<b>Insurance service result</b>	18,967	(2,730)	(31,444)	(15,207)
Insurance finance expenses - Income statement	22,039	1,410	5,583	29,032
Insurance finance expenses - OCI	21,755	2,123	-	23,878
<b>Total changes in Statement of Comprehensive Income</b>	62,761	803	(25,861)	37,703
<i>Cashflows:</i>				
- Premiums received less premiums refunded	63,522	-	-	63,522
- Claims and other expenses paid	(76,358)	-	-	(76,358)
- Insurance acquisition flows	(5,710)	-	-	(5,710)
<b>Total cashflows</b>	(18,546)	-	-	(18,546)
<b>Insurance contract liability as at 6 January 2024</b>	915,669	53,814	245,782	1,215,265
Insurance contract liability as at 31 December 2022 (by component)	Estimates of present value of future cashflows	Risk	Contractual	Total
		Adjustment	Service Margin	
	£'000	£'000	£'000	£'000
<b>Insurance contract liability as at 1 July 2021</b>	-	-	-	-
Transfer from Funeral Services Limited	1,283,216	94,496	92,252	1,469,964
<i>Changes that relate to current services:</i>				
- CSM recognised for service provided	-	-	(13,205)	(13,205)
- Risk adjustment for the risk expired	-	(3,760)	-	(3,760)
- Experience adjustments	(1,952)	-	-	(1,952)
<i>Changes that relate to future services:</i>				
- Contracts initially recognised in the period	(1,678)	127	1,551	-
- Changes in estimates that adjust the CSM	(161,554)	(27,822)	189,376	-
- Changes in estimates that do not adjust the CSM	-	-	-	-
<i>Changes that relate to past services:</i>				
- Adjustments to liabilities for incurred claims	-	-	-	-
<b>Insurance service result</b>	(165,184)	(31,455)	177,722	(18,917)
Insurance finance expenses - Income statement	16,428	1,215	1,669	19,312
Insurance finance expenses - OCI	(246,502)	(11,245)	-	(257,747)
<b>Total changes in Statement of Comprehensive Income</b>	(395,258)	(41,485)	179,391	(257,352)
<i>Cashflows:</i>				
- Premiums received less premiums refunded	35,120	-	-	35,120
- Claims and other expenses paid	(49,617)	-	-	(49,617)
- Insurance acquisition flows	(2,007)	-	-	(2,007)
<b>Total cashflows</b>	(16,504)	-	-	(16,504)
<b>Insurance contract liability as at 31 December 2022</b>	871,454	53,011	271,643	1,196,108

**Notes to the financial statements (continued)**

**13 Insurance contracts (funeral plans) - continued**

<b>Contractual Service Margin (CSM)</b> (as at 6 January 2024)	<b>Acquired portfolio contracts</b>	<b>All Other contracts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
CSM as at 31 December 2022	271,643	-	271,643
<i>Changes that relate to current services:</i>			
- CSM recognised for service provided	(14,693)	(446)	(15,139)
<i>Changes that relate to future services:</i>			
- Contracts initially recognised in the period	-	11,310	11,310
- Changes in estimates that adjust the CSM	(25,555)	(2,060)	(27,615)
<b>Sub-total</b>	<b>(40,248)</b>	<b>8,804</b>	<b>(31,444)</b>
Insurance finance expenses	5,255	328	5,583
<b>CSM as at 6 January 2024</b>	<b>236,650</b>	<b>9,132</b>	<b>245,782</b>

Acquired portfolio contracts are the contracts transferred to the Society on the partial transfer of engagements on 1 May 2022.

<b>Contractual Service Margin (CSM)</b> (as at 31 December 2022)	<b>Acquired portfolio contracts</b>	<b>All Other contracts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
CSM as at 7 July 2021	-	-	-
Transfer from Funeral Services Limited			
	92,252	-	92,252
<i>Changes that relate to current services:</i>			
- CSM recognised for service provided	(13,205)	-	(13,205)
<i>Changes that relate to future services:</i>			
- Contracts initially recognised in the period	-	1,551	1,551
- Changes in estimates that adjust the CSM	190,954	(1,578)	189,376
<b>Sub-total</b>	<b>177,749</b>	<b>(27)</b>	<b>177,722</b>
Insurance finance expenses	1,642	27	1,669
<b>CSM as at 31 December 2022</b>	<b>271,643</b>	<b>-</b>	<b>271,643</b>

**Notes to the financial statements (continued)**

**13 Insurance contracts (funeral plans) - continued**

<b>New Business</b> (1 January 2023 to 6 January 2024)	<b>Profitable Contracts</b> <b>Issued</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<i><u>Insurance contracts:</u></i>		
- Estimate of present value of future cashflows	38,175	38,175
- Estimate of insurance acquisition cashflows	6,312	6,312
Estimate of present value of future cash outflows	44,487	44,487
Estimate of present value of future cash inflows	(56,563)	(56,563)
- Risk adjustment	767	767
- Contractual service margin	11,309	11,309
<b>Profit on contracts at initial recognition</b>	-	-
 <i><u>New Business</u></i> (1 May 2022 to 31 December 2022)		
<b>New Business</b> (1 May 2022 to 31 December 2022)	<b>Profitable Contracts</b> <b>Issued</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<i><u>Insurance contracts:</u></i>		
- Estimate of present value of future cashflows	22,149	22,149
- Estimate of insurance acquisition cashflows	3,000	3,000
Total estimate of present value of future cash outflows	25,149	25,149
Estimate of present value of future cash inflows	(26,827)	(26,827)
- Risk adjustment	127	127
- Contractual service margin	1,551	1,551
<b>Profit on contracts at initial recognition</b>	-	-

**Notes to the financial statements (continued)**

**13 Insurance contracts (funeral plans) - continued**

	53 weeks ended 6 January 2024 £'000	35 weeks* ended 31 December 2022 £'000
<b>Insurance Revenue</b>		
- CSM recognised for services provided	15,140	13,205
- Change in risk adjustment for non financial risk for risk expired	4,314	3,762
- Expected incurred claims and other insurance service	72,111	51,567
- Recovery of insurance acquisition cash flows	2,345	1,929
<b>Total insurance revenue</b>	<b>93,910</b>	<b>70,463</b>

\* 35 weeks represents the period following the transfer of the funeral plan business from Funeral Services Limited on 1 May 2022.

**Maturity analysis**

The following two tables show how the Society expects the CSM and the fulfilment cashflows to be realised.

	53 weeks ended 6 January 2024 £'000	35 weeks ended 31 December 2022 £'000
<b>Contractual Service Margin</b>		
- Less than 1 year	12,886	12,847
- 1 to 2 years	12,275	12,468
- 2 to 3 years	11,715	12,081
- 3 to 4 years	11,284	11,702
- More than 4 years	197,622	222,545
<b>Total</b>	<b>245,782</b>	<b>271,643</b>
<b>Fulfilment Cashflows</b>		
- Less than 1 year	56,910	62,806
- 1 to 2 years	59,251	54,743
- 2 to 3 years	59,607	54,622
- 3 to 4 years	59,545	53,871
- More than 4 years	1,411,920	1,392,427
<b>Total</b>	<b>1,647,233</b>	<b>1,618,469</b>

The figures in the table above are undiscounted and exclude cashflows relating to re-insurance as these are not material.

**Critical accounting estimates**

Under IFRS 17 (*Insurance contracts*) the Society's funeral plan liabilities reflect the current estimate of the present value of the future cashflows to provide the funeral. These are calculated using actuarial advice and are based on a range of assumptions and estimates. The assumptions used are management's best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice.

The main actuarial assumptions include estimates in relation to discount rates, future costs to deliver a funeral including inflation and expense assumptions (maintenance and acquisition), mortality rates, risk adjustments and plan cancellation rates. The insurance contract liability calculation is most sensitive to changes in the discount rate and inflation assumptions and further detail on these items is noted below.

**Notes to the financial statements (continued)**

**13 Insurance contracts (funeral plans) - continued**

**Discount rates** - the Society applies a bottom-up approach to derive the discount rate such that our insurance contract liabilities (funeral plans) are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium (credit spread). The risk free rate has been derived by reference to market yields on sterling-denominated high quality corporate bonds of appropriate duration consistent with the funeral plans at that date (UK Gilt curve at the valuation date converted from continuous to annual rates). The illiquidity premium is determined by reference to observable market rates (assessed as 20% of the average credit spread on 10-15 year A rated and 10-15 year AA rated bonds at the valuation date (allowing for the part of the credit spread that relates to default risk and that the liabilities are not perfectly illiquid).

**Inflation** - the rate of inflation is set based on the Bank of England Forward Inflation Curve at the valuation date converted from continuous to annual. From 2022 onwards a reduction of 25 basis points has been applied to allow for high levels of demand for inflation linked gilts increasing inflation expectations. Years 2023 to 2026 have been adjusted to reflect management's view based on experience of funeral cost inflation.

**Risk adjustment** - the Society applies a confidence level approach to calculate the risk adjustment which aligns with profitability targets used in the pricing of funeral plans. The Society takes into consideration non-financial risks (lapse, mortality, longevit, expense and funeral inflation) that cause uncertainty around the timing and amount of cashflows in the calculation of the risk adjustment.

**Expense assumptions** - the Society reviews expenditure and allocates costs within the scope of IFRS 17 to fulfilment, maintenance or acquisition costs. Fulfilment is the cost of providing the funeral, maintenance are the costs of servicing the contract through its life and acquisition is the cost of inception and acquiring the contract. These are assessed for future appropriateness and inflated as above to derive the expected future cashflows.

**Financial Assumptions:**

			2023	2022	2022 (on transition)
<b>Discount rate</b>	<b>Risk free rate - UK Gilt curve</b>	Year 1	3.55%	3.87%	1.71%
		Year 2	3.02%	3.69%	1.77%
		Year 3	2.99%	3.64%	1.73%
		Year 4	3.10%	3.64%	1.75%
		Year 5	3.29%	3.67%	1.82%
		Year 10	4.76%	4.36%	2.44%
		Year 15	5.04%	4.66%	2.48%
		<b>Illiquidity premium at 6 January 2024</b>	<b>0.16%</b>	<b>0.24%</b>	<b>0.21%</b>
			2023	2022	2022 (on transition)
<b>Inflation rate</b>	<b>Bank of England curve less / plus management view</b>	Year 1	3.22%	4.75%	5.18%
		Year 2	3.33%	3.50%	4.09%
		Year 3	3.30%	2.00%	3.81%
		Year 4	3.18%	2.25%	3.71%
		Year 5	3.09%	3.26%	3.68%
		Year 10	3.25%	3.52%	3.87%
		Year 15	3.20%	3.64%	3.64%

**Sensitivities:**

The following sensitivity analysis shows the impact on insurance contract liabilities and profit before tax for reasonably possible movements in the key financial assumptions noted on the previous page with all other assumptions held constant.

The combination of assumptions will have a material effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The discount rate sensitivity noted below covers the risk free rate plus the illiquidity premium.

	6 January 2024 £'000	31 December 2022 £'000
<b>Change in Insurance contract liability:</b>		
Discount rate +/- 1.0%	115,700	124,000
Inflation rate +/- 1.0%	120,900	130,000
Mortality stress +/- 20%	15,900	12,000

	6 January 2024 £'000	31 December 2022 £'000
<b>Change in Profit before tax:</b>		
Discount rate +/- 1.0%	-	-
Inflation rate +/- 1.0%	4,643	6,000
Mortality stress +/- 20%	1,193	1,000

**Notes to the financial statements (continued)**

**13 Insurance contracts (funeral plans) - continued**

*Discount rate* - the impact of a change in discount rate flows through other comprehensive income (OCI) rather than the Income statement and so doesn't impact Profit before tax (PBT) in either 2023 or 2022.

*Inflation* - changes to our inflation assumptions are deemed to be non-financial, as the ultimate inflationary cost risk does not relate to a financial market indices, and to the extent that they can be covered are first charged to the contractual service margin (CSM) buffer rather than direct to the Income statement. As the CSM would be reduced by the modelled sensitivities, the impact to PBT noted in the table above, reflects 1 year's impact across the 20 year CSM period.

*Mortality* - In the first instance charged to the contractual service margin (CSM) buffer, if the CSM is reduced to nil any residual balance will be charged to the income statement. As the CSM would be reduced by the modelled sensitivities, the impact to PBT noted in the table above, reflects 1 year's impact across the 20 year CSM period.

**14 Re-insurance contract liabilities (funeral plans)**

Re-insurance contract liabilities as at 6 January 2024 (by nature)	Assets for remaining coverage Excluding loss recovery component £'000	Amounts recoverable on insured claims £'000	Total £'000
<b>Net re-insurance contract liability as at 31 December 2022</b>	<b>10,890</b>	-	<b>10,890</b>
An allocation of re-insurance premium	834	-	834
<i>Amounts recoverable from re-insurers for incurred claims:</i>			
- Amounts recoverable for incurred claims and other expenses	-	(1,273)	(1,273)
- Loss recovery on onerous underlying contracts and adjustments	-	-	-
<b>Net income from re-insurance contract held</b>	<b>834</b>	<b>(1,273)</b>	<b>(439)</b>
Re-insurance finance income - Income statement	241	-	241
Re-insurance finance income - OCI	445	-	445
<b>Total changes in Statement of Comprehensive income</b>	<b>686</b>	-	<b>686</b>
<i>Cashflows:</i>			
- Premiums paid (net of commission)	(1,998)	-	(1,998)
- Amounts received	-	1,273	1,273
<b>Total cashflows</b>	<b>(1,998)</b>	<b>1,273</b>	<b>(725)</b>
<b>Net re-insurance contract liability as at 6 January 2024</b>	<b>10,412</b>	-	<b>10,412</b>
Re-insurance contract liabilities as at 31 December 2022 (by nature)	Assets for remaining coverage Excluding loss recovery component £'000	Amounts recoverable on insured claims £'000	Total £'000
<b>Net re-insurance contract liability as at 1 July 2021</b>	-	-	-
Transfer from Funeral Services Limited	12,982	-	12,982
An allocation of re-insurance premium	487	-	487
<i>Amounts recoverable from re-insurers for incurred claims:</i>			
- Amounts recoverable for incurred claims and other expenses	-	(869)	(869)
- Loss recovery on onerous underlying contracts and adjustments	-	-	-
<b>Net income from re-insurance contract held</b>	<b>487</b>	<b>(869)</b>	<b>(382)</b>
Re-insurance finance income - Income statement	170	-	170
Re-insurance finance income - OCI	(1,289)	-	(1,289)
<b>Total changes in Statement of Comprehensive income</b>	<b>(632)</b>	<b>(869)</b>	<b>(1,501)</b>
<i>Cashflows:</i>			
- Premiums paid (net of commission)	(1,460)	-	(1,460)
- Amounts received	-	869	869
<b>Total cashflows</b>	<b>(1,460)</b>	<b>869</b>	<b>(591)</b>
<b>Net re-insurance contract liability as at 31 December 2022</b>	<b>10,890</b>	-	<b>10,890</b>

**Notes to the financial statements (continued)**

<b>Re-insurance contract liabilities</b> (by component)	<b>Estimates of present value of future cashflows</b>	<b>Risk Adjustment</b>	<b>Contractual Service Margin</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net re-insurance contract liability as at 31 December 2022</b>	<b>7,455</b>	<b>449</b>	<b>2,986</b>	<b>10,890</b>
<i><u>Changes that relate to current services:</u></i>				
- CSM recognised for service provided	-	-	(154)	(154)
- Risk adjustment for the risk expired	-	56	-	56
- Experience adjustments	(341)	-	-	(341)
<i><u>Changes that relate to future services:</u></i>				
- Contracts initially recognised in the period	263	16	(279)	-
- Changes in estimates that adjust the CSM	(565)	(207)	772	-
- Changes in the contractual service margin due to recognition of a loss recovery component from onerous underlying contracts	-	-	-	-
- Changes in the contractual service margin due to adjustments to the loss recovery component from onerous underlying contracts	-	-	-	-
<i><u>Changes that relate to past services:</u></i>				
<b>Re-insurance service result</b>				
Re-insurance finance income - Income statement	183	11	47	241
Re-insurance finance income - OCI	414	31	-	445
<b>Total changes in Statement of Comprehensive Income</b>	<b>(46)</b>	<b>(93)</b>	<b>386</b>	<b>247</b>
<i><u>Cashflows:</u></i>				
- Premiums and similar expenses paid	(1,998)	-	-	(1,998)
- Amounts received	1,273	-	-	1,273
<b>Total cashflows</b>	<b>(725)</b>	<b>-</b>	<b>-</b>	<b>(725)</b>
<b>Net re-insurance contract liability as at 6 January 2024</b>	<b>6,684</b>	<b>356</b>	<b>3,372</b>	<b>10,412</b>
<b>Re-insurance contract liabilities (funeral plans)</b> (by component)				
	<b>Estimates of present value of future cashflows</b>	<b>Risk Adjustment</b>	<b>Contractual Service Margin</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net re-insurance contract liability as at 1 July 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer from Funeral Services Limited	11,387	833	762	12,982
<i><u>Changes that relate to current services:</u></i>				
- CSM recognised for service provided	-	-	(144)	(144)
- Risk adjustment for the risk expired	-	43	-	43
- Experience adjustments	(281)	-	-	(281)
<i><u>Changes that relate to future services:</u></i>				
- Contracts initially recognised in the period	170	12	(182)	-
- Changes in estimates that adjust the CSM	(2,162)	(377)	2,539	-
<i><u>Changes that relate to past services:</u></i>				
- Changes in amounts recoverable arising from changes in liability for incurred claims	-	-	-	-
<b>Re-insurance service result</b>				
Re-insurance finance income - Income statement	148	11	11	170
Re-insurance finance income - OCI	(1,216)	(73)	-	(1,289)
<b>Total changes in Statement of Comprehensive Income</b>	<b>(3,341)</b>	<b>(384)</b>	<b>2,224</b>	<b>(1,501)</b>
<i><u>Cashflows:</u></i>				
- Premiums and similar expenses paid	(1,460)	-	-	(1,460)
- Amounts received	869	-	-	869
<b>Total cashflows</b>	<b>(591)</b>	<b>-</b>	<b>-</b>	<b>(591)</b>
<b>Net re-insurance contract liability as at 31 December 2022</b>	<b>7,455</b>	<b>449</b>	<b>2,986</b>	<b>10,890</b>

**Notes to the financial statements (continued)**

**15 Deferred Taxation**

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

	As at 6 January 2024 £'000	As at 31 December 2022 (*restated) £'000
Deferred taxation asset / (liability) opening balance	-	-
Adjustment to opening balance	(70,350)	-
Restated Balance Brought Forward	(70,350)	-
Income statement credit / (charge) in the period	5,591	(5,591)
Other comprehensive income credit / (charge) in the period	6,081	(64,759)
Deferred tax liability closing balance	(58,678)	(70,350)
Comprising:		
Insurance finance income and expense through OCI	(58,678)	(70,350)
Deferred tax liability closing balance	(58,678)	(70,350)

There has been a restatement of 2022 deferred tax as a result of the IFRS 17 restatement. Previously there was no comparative deferred tax but we now consider it appropriate to recognise a comparative deferred tax liability of £5.6m based on movements through the 2022 income statement and £64.8m on the movement through OCI totalling £276m (£17m retained earnings and £259m IFIE).

**16 Other payables**

	As at 6 January 2024 £'000	As at 31 December 2022 (*restated) £'000
<i>Current liabilities:</i>		
Amounts owed to group undertakings	13,822	22,019
Other payables including taxation and social security	8,121	5,075
Accruals and deferred income	433	448
	<hr/> <b>22,376</b>	<hr/> <b>27,542</b>

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.

**17 Provisions**

	As at 6 January 2024 £'000	As at 31 December 2022 £'000
	Provisions Total £'000	Provisions Total £'000
Balance as at 31 December 2022 / 7 July 2021	59	-
Provisions made in the period	<hr/> 298	<hr/> 59
<b>At end of the period</b>	<hr/> <b>357</b>	<hr/> <b>59</b>

All provisions have been treated as current at the end of the reporting period.

The provisions relate to a programme to resolve instances where a funeral plan holder is deceased but no claim was made against the contract.

**Notes to the financial statements (continued)**

**18 Called up share capital**

£90m of shares were issued in the comparative period in line with the ownership of the Society, such that Co-operative Group Holdings (2011) Limited purchased £60m of shares and Co-operative Group Limited purchased £30m.

	As at	As at
	6 January	31 December
	2024	2022
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<b>90,000</b>	<b>90,000</b>

There is a single class of share capital.

**19 Transition to IFRS 17**

**IFRS 17 Insurance Contracts**

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17 (Insurance Contracts). IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure, replacing Insurance Contracts (IFRS 4) that was issued in 2005. The new standard applies to all of the Society's pre-need funeral plans and is effective from 1 January 2023. IFRS 17 applies to all types of insurance contracts (such as life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects and requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. As noted the new standard is applicable to all of the Group's pre-need funeral plans including the re-insurance of the payment waiver risk (where the Society waives the remaining payments if a customer dies during the payment term subject to conditions).

**Key Accounting Changes:**

The adoption of IFRS 17 in 2023 represents a fundamental change to the way that we currently account for all of our funeral plans and waiver insurance policies under IFRS 15 (Revenue from Contracts with Customers). The main accounting policies the Society will apply under IFRS 17 are shown in Note 2. The main areas of change will include:

- **Revenue recognition** – under IFRS 15 revenue from funeral plans was only recognised at the point the funeral was arranged (at redemption of the plan). IFRS 17 requires revenue to be recognised over the contract coverage period (being the duration of the funeral plan).
- **Insurance Liability measurement** - the Society uses the General Measurement Model (GMM) under IFRS 17 to measure the liability for remaining coverage. IFRS 17 requires actuarial modelling of the liability, updated each reporting period for current estimates of expected cash flows. IFRS 15 did not remeasure the liability to reflect a current estimate of the future cash flows to provide the funeral.
- **Re-insurance** - under IFRS 15 waiver insurance costs were expensed as incurred. IFRS 17 requires the cash flows to be modelled and the expense to be recognised over the contract coverage period.
- **Opening equity** - at 1 May 2022 (as at the date of transfer of the funeral book from Funeral Services Limited) opening reserves have been restated consistently with IFRS 17.
- **Level of aggregation** - under IFRS 17 we now separate our insurance contracts into portfolios consisting of contracts that are subject to similar risks and that are managed together. Portfolios are further sub-categorised into groups and cohorts. This disaggregation is a new concept to the Society and important for determining if a set of contracts is onerous, how contracts are presented and how profit or loss is recognised. If contracts are onerous we'll need to recognise a loss component and allocate that over time.

**Notes to the financial statements (continued)**

**19 Transition to IFRS 17 (continued)**

**Key Presentational changes:**

**Income Statement:**

- Revenue and Gross Profit

The result of our insurance activities in relation to funeral plans is shown separately on the face of the Income statement reflecting the net of revenue from insurance contracts and insurance service expense and replaces the Revenue, Cost of Sales and Gross Profit lines previously shown.

IFRS 17 is based upon a fulfilment cashflow model and as such revenue and expenses includes the cost of funeral disbursements gross (whereas previously they were shown net under IFRS 15).

- Insurance finance expense - Finance expense will include:

- Net finance expense from insurance contracts and net finance income from reinsurance contracts.

**Comprehensive Statement of Income:**

Under IFRS 17 the Society has elected to disaggregate certain elements of finance income / expense that arise due to changes in assumptions and record the impact of those changes in Other Comprehensive Income (OCI) rather than in the Income statement. This is limited to the assumption of the discount rate, all other assumptions are recorded through the income statement.

**Balance Sheet:**

**Approach on transition:**

The Society has transitioned to IFRS 17 from 1 January 2023 but we are required to restate our results from 1 May 2022, the date that the funeral plan contracts transferred to the Society.

For the acquired portfolios of insurance contracts, the CSM results in no income or expense on initial recognition of the free cash flows. This is the difference between the calculated liabilities of the group of insurance contracts (i.e. the £65.5m consideration the Society received for the transfer of engagements for all funeral plan liabilities and the corresponding funeral plan investments) and its fulfilment cash flows at date of the transfer of engagements, 1 May 2022. The free cash flows of the insurance contracts has been measured by taking the following steps:

- Measured the undiscounted IFRS 17 fulfilment cashflows at 30 April 2022;
- Discounted the above cash flows based on the expected market return less tax and expenses (at a rate consistent with the wider IFRS 17 calculation);
- Applied a margin for a required profit, which was assessed at 10%.

A summary of the adjustments that are required to restate the comparative figures to reflect the new basis of accounting are shown on the following pages. The restatements impact the income statement, the statement of comprehensive income and the balance sheet.

**Notes to the financial statements (continued)**

**19 Transition to IFRS 17 - continued**

The tables below show the numbers that we originally reported in the comparative period under IFRS 15 and what the restated figures are under IFRS 17. The impact on the Income statement is shown in two tables below as we move to an Income statement format appropriate for insurers (under IFRS 17) from the previously adopted format (under IFRS 15). This approach helps a reader to understand which line items have been impacted by the restatement and which have not.

**Income Statement - restated**

(for the 77 week period ended 31 December 2022)

	As previously reported	IFRS 17	Restated
	£'000	£'000	£'000
<b>Previous Income statement format under IFRS 15:</b>			
Revenue	71,838	(71,838)	-
Cost of sales	(46,950)	46,950	-
<b>Gross profit</b>	<b>24,888</b>	<b>(24,888)</b>	<b>-</b>
Administrative expenses	(10,818)	6,305	(4,513)
<b>Operating profit</b>	<b>14,070</b>	<b>(18,583)</b>	<b>(4,513)</b>
Finance income	2,021	-	2,021
Interest accruing on funeral plan liabilities	(42,199)	42,199	-
Unrealised fair value movement on funeral plan investments	(23,153)	-	(23,153)
Discount unwind on funeral plan debtors	1,070	(1,070)	-
<b>Loss on ordinary activities before taxation</b>	<b>(48,191)</b>	<b>22,546</b>	<b>(25,645)</b>
Taxation	9,146	-	9,146
<b>Loss for the period after tax</b>	<b>(39,045)</b>	<b>22,546</b>	<b>(16,499)</b>
<b>New Income statement format under IFRS 17:</b>			
Insurance revenue	-	70,463	70,463
Insurance service expense	-	(51,546)	(51,546)
<b>Insurance service result before re-insurance contracts held</b>	<b>-</b>	<b>18,917</b>	<b>18,917</b>
Allocation of re-insurance premiums	(487)	(487)	-
Amounts recoverable from re-insurers for incurred claims	869	869	-
<b>Net expense from re-insurance contracts held</b>	<b>-</b>	<b>382</b>	<b>382</b>
<b>Insurance service result</b>	<b>-</b>	<b>19,299</b>	<b>19,299</b>
Insurance finance expense for insurance contracts issued	(19,312)	(19,312)	-
Re-insurance	(170)	(170)	-
<b>Net insurance financial result</b>	<b>-</b>	<b>(183)</b>	<b>(183)</b>
Net fair value losses on financial assets	(23,153)	-	(23,153)
Other interest and similar income	2,021	-	2,021
Other expenses (non-insurance)	(4,513)	-	(4,513)
<b>Loss before tax</b>	<b>(25,645)</b>	<b>(183)</b>	<b>(25,828)</b>
Taxation	9,146	(5,591)	3,555
<b>Loss for the period after tax</b>	<b>(16,499)</b>	<b>(5,774)</b>	<b>(22,273)</b>
<b>Net impact from restatement on Loss after Tax</b>		<b>16,772</b>	

**Statement of Comprehensive Income - restated**

(for the 77 week period ended 31 December 2022)

	As previously reported	IFRS 17	Restated
	£'000	£'000	£'000
<b>(Loss)/profit for the period</b>			
<i>Items that will never be reclassified to the income statement</i>	(39,045)	16,772	(22,273)
Insurance finance income / (expense) (funeral plans)	-	257,747	257,747
Re-insurance finance income / (expense) (funeral plans)	1,289	1,289	-
Deferred Tax Movement	(64,759)	(64,759)	-
Other comprehensive income for the period before tax	- 194,277	194,277	-
<b>Total comprehensive income for the period</b>	<b>(39,045)</b>	<b>211,049</b>	<b>172,004</b>

**Notes to the financial statements (continued)**

**19 Transition to IFRS 17 - continued**

The table below shows the adjustments required to restate the balance sheet as at 31 December 2022 (as originally reported under IFRS 15) to that required under IFRS 17. Although the application of IFRS 17 is retrospective a further additional opening balance sheet as at 1 January 2022 has not been shown as the transfer of funeral plans to Co-op Funeral Plans Limited from Funeral Services Limited did not occur until May 2022 (and so there is no restatement at that time).

<b>Balance Sheet - restated</b> (As at 31 December 2022)	<b>As previously reported</b>	<b>IFRS 17</b>	<b>Restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>			
Right-of-use assets	17	-	<b>17</b>
Funeral plan investments	1,370,611	-	<b>1,370,611</b>
Insurance and other receivables	334,828	(167,720)	<b>167,108</b>
Contract assets	33,379	(33,379)	-
<b>Total non-current assets</b>	<b>1,738,835</b>	<b>(201,099)</b>	<b>1,537,736</b>
<b>Current assets</b>			
Insurance and other receivables	38,039	(30,588)	<b>7,451</b>
Contract assets	3,759	(3,759)	-
Cash and cash equivalents	21,787	-	<b>21,787</b>
<b>Total current assets</b>	<b>63,585</b>	<b>(34,347)</b>	<b>29,238</b>
<b>Total assets</b>	<b>1,802,420</b>	<b>(235,446)</b>	<b>1,566,974</b>
<b>Non-current liabilities</b>			
Contract liabilities	1,543,869	(1,543,869)	-
Insurance contract liabilities	-	1,100,419	<b>1,100,419</b>
Re-insurance contract liabilities	-	10,019	<b>10,019</b>
Deferred tax liability	-	70,350	<b>70,350</b>
<b>Total non-current liabilities</b>	<b>1,543,869</b>	<b>(363,081)</b>	<b>1,180,788</b>
<b>Current liabilities</b>			
Lease liabilities	21	-	<b>21</b>
Insurance and other payables	27,316	226	<b>27,542</b>
Contract liabilities	180,200	(180,200)	-
Insurance contract liabilities	-	95,689	<b>95,689</b>
Re-insurance contract liabilities	-	871	<b>871</b>
Provisions	59	-	<b>59</b>
<b>Total current liabilities</b>	<b>207,596</b>	<b>(83,414)</b>	<b>124,182</b>
<b>Total liabilities</b>	<b>1,751,465</b>	<b>(446,495)</b>	<b>1,304,970</b>
<b>Net assets</b>	<b>50,955</b>	<b>211,049</b>	<b>262,004</b>
<b>Equity</b>			
Called up share capital	90,000	-	<b>90,000</b>
Retained earnings	(39,045)	211,049	<b>172,004</b>
<b>Total equity</b>	<b>50,955</b>	<b>211,049</b>	<b>262,004</b>

**Notes to the financial statements (continued)**

**20 Financial risk management**

The main financial risks facing the Group are set out below. The 2022 disclosures have been restated. Refer to Note 2.

**Capital management**

The Society defines capital as its share capital and reserves. The Society's policy is to maintain a strong base and to be more prudent than industry 'normal' levels as it is not able to raise equity outside of the Co-operative Group. The Society recognises the need to maintain a balance between the potential higher returns that might be achieved with riskier investments and the advantages and security coming from lower risk investments.

The Financial Conduct Authority's (FCA) handbook for funeral plan providers requires that a firm must at all times maintain capital resources equal to or in excess of its core capital resources requirement (FPCOB 15.3). Should the Society breach this requirement, the FCA will be informed and would expect the Society to take immediate remedial action to ensure a satisfactory level of headroom (as determined by the FCA) is provided. FPCOB 15.5 defines the core capital resource requirement as the higher of:

- 1) £20,000;
- 2) 2.5% of the firm's annual income; or
- 3) the sum of:

- (a) the number of undrawn funeral plan contracts backed by trust arrangements, multiplied by the median of the amounts that would be payable to the firm under each trust arrangement if a funeral were required on the day following the end of the firm's previous period for submitting its funeral plan financials return in accordance with SUP 16.12, multiplied by 0.5%; and
- (b) the number of undrawn funeral plan contracts backed by a whole of life insurance policy, multiplied by the median of the amounts payable to the firm under each whole of life insurance policy if a funeral were required on the day following the end of the firm's previous period for submitting its Funeral plan financials return in accordance with SUP 16.12, multiplied by 0.5%.

For the Society, this is (3) which results in a core capital resource requirement of £7,171k. The Society's share capital and reserves at the balance sheet date were £252,543k providing headroom of £245,372k.

Core capital is reported on a periodic basis and management consider the core capital requirement on a frequent basis (at least quarterly) including stress tested projections for a 4 year period. Ensuring the Society has sufficient core capital is also a consideration in forming the going concern opinion. The material sensitivities to the capital position are the fair value gains/losses on financial assets through the income statement and the insurance finance income/expenses through other comprehensive income.

	Impact on core capital		Impact on core capital	
	Movement	£k	Movement	£k
Fair value gains/losses on funeral plan investments	+1%	11,000	-1%	(11,000)
Discount rate impact on IFIE	+1%	74,000	-1%	(91,000)

For the Society to breach the core capital resource requirement, investments would need to fall by 24% or discount rates would need to fall by 2.7%. Management consider the likelihood of these events to be remote and therefore are comfortable with the level of capital held by the Society.

**Credit risk**

Credit risk arises from the possibility of customers and counterparties failing to meet their obligations. The terms of the contract agreed with customers allow the Society to terminate the contract if a customer defaults on payments thus removing the obligation to fulfil the contract. In such circumstances the customer receives a refund of any premiums paid less a cancellation fee if applicable.

Funeral Plan funds are invested in whole-of-life insurance policies which pay out a lump sum when the insured person dies. Any provider of these policies to the Society must be authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. There are also some funds relating to plans taken out prior to 2002 that are held in interest-bearing trustee-administered bank accounts which can only be utilised to meet liabilities in respect of funeral plans. These amounts are recognised at fair value on the face of the balance sheet.

The carrying value of all balances that attract a credit risk, which represents the maximum exposure, is set out below:

	Carrying amount	Carrying amount	
		2023	2022 (restated)
	£'000	£'000	
Other receivables (excluding prepayments and accrued income)	9,840	6,912	
Funeral plan investments	1,347,148	1,370,611	
Amount owed by group undertaking	160,558	167,108	
Cash	41,689	21,787	

**Notes to the financial statements (continued)**

**20 Financial risk management (continued)**

**Liquidity risk**

This is the risk that the Society will not have sufficient monies to fund its future operations and meet its obligations. The Society has two sources of financing through cash and an intercompany loan agreement. The Society's policy is to manage these resources to ensure appropriate flexibility and headroom to fulfil obligations over the short, medium and long term. This is predominantly the fulfilment cashflows of £56.9m for the insurance contracts (for full maturity analysis see note 13). Each quarter management receives updated projections of liquidity including stressed scenarios to ensure it is confident that the Society will generate sufficient funds to meet its obligations. The primary focus of these updates is a solvency assessment of the funeral plan investments to gain a level of comfort that the cash received from investments is in excess of the expected cost of fulfilling the obligations of the funeral plan contracts. The level of headroom is monitored including and excluding the intercompany loan receivable to assess liquidity without having to draw down on the intercompany loan.

As at 6 January 2024 the balance of cash was £41,689k (2022: £21,787k), the amount owed by group undertaking was £160,558k (2022: £167,108k) and the value of the funeral plan investments was £1,347,148k (2022: £1,370,611k).

**Concentration of credit risk**

The Society has determined that there is no concentration of risk, i.e. that a significant number of contracts would unexpectedly result in claims at the same time. Long term mortality trends suggest that the number of plans that will redeem in a year is stable, relatively predictable and the fulfilment partner has significant headroom to be able to fulfil a significant increase in the number of funeral fulfilments if required e.g. Covid did not have a significant impact on fulfilment of contracts or the associated cashflows.

**Insurance and markets risk**

This is the risk that changes in variables arising from contracts within the scope of IFRS 17 will impact the profit and loss. Management monitor these variables and assess the validity and appropriateness of the assumptions on a quarterly basis updating sensitivities and/or taking action as required. The material sensitivities and exposure are disclosed in note 13.

**Insurance risk - Claims development**

Unlike a typical insurance policy, it is expected that the vast majority of funeral plan contracts will result in a claim as the purpose of the contract is to provide a funeral at the time of need. Management view historic trends in cancellation rates when determining the assumptions to use for IFRS 17 however cancellation rate sensitivities do not have a material impact on the financial statements of the Society.

**21 Financial instruments, derivatives and valuation of financial assets and liabilities**

The 2022 disclosures have been restated. Refer to Note 2.

**a) Financial instruments at fair value through the income statement**

**Investments in funeral plans**

Where there is no active market or the investments are unlisted, the fair values are based on commonly used valuation techniques refer to accounting policy note 2 for further details.

**Notes to the financial statements (continued)**

**21 Financial instruments, derivatives and valuation of financial assets and liabilities (continued)**

**b) Receivables and payables**

For receivables and 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. For further details see the Accounting Policy section at the end of this note.

The table below analyses financial instruments by measurements basis:

2023	Fair value through income statement	Amortised cost	Total
		£'000	£'000
<b>Assets</b>			
Funeral plan investments	1,347,148	-	1,347,148
Other receivables	-	170,797	170,797
Cash and cash equivalents	-	41,689	41,689
<b>Total financial assets</b>	<b>1,347,148</b>	<b>212,486</b>	<b>1,559,634</b>
<b>Liabilities</b>			
Other payables	-	22,376	22,376
<b>Total financial liabilities</b>	<b>-</b>	<b>22,376</b>	<b>22,376</b>
2022 (restated)	Fair value through income statement	Amortised cost	Total
		£'000	£'000
<b>Assets</b>			
Funeral plan investments	1,370,611	-	1,370,611
Other receivables	-	174,559	174,559
Cash and cash equivalents	-	21,787	21,787
<b>Total financial assets</b>	<b>1,370,611</b>	<b>196,346</b>	<b>1,566,957</b>
<b>Liabilities</b>			
Other payables	-	27,542	27,542
<b>Total financial liabilities</b>	<b>-</b>	<b>27,542</b>	<b>27,542</b>

The following table provides an analysis of financial assets and liabilities that are valued or disclosed at fair value, by the three-level fair value hierarchy as defined within IFRS 13 (Fair Value Measurement):

• Level 1	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2	Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3	Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Valutaion of financial instruments**

2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Financial assets at fair value through the income statement				
- Funeral plan investments	-	-	1,347,148	1,347,148
<b>Total financial assets at fair value</b>	<b>-</b>	<b>-</b>	<b>1,347,148</b>	<b>1,347,148</b>

Funeral plan investments are classified as level 3 under the IFRS 13 hierarchy. Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs). The vast majority of our funeral plan investments are held in Whole of Life (WoL) insurance policies. The plan investments are financial assets which are recorded at fair value each period using valuations provided to the Society by the policy provider. The plan values reflect the amount the policy provider would pay out on redemption of the policy at the valuation date with the main driver being underlying market and investment performance.

A 5% movement in the fair value of the funeral plan investments would result in a £67.4m increase/decrease in the carrying value of the investments with a corresponding movement to the net fair value gains/(losses) on financial assets in the income statement.

There were no transfers between Levels 1 and 2 during the period and no transfers into and out of Level 3 fair value measurements. For other financial assets and liabilities of the Society including cash, other receivables / payables then the notional amount is deemed to reflect the fair value.

2022 (restated)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Financial assets at fair value through the income statement				
- Funeral plan investments	-	-	1,370,611	1,370,611
<b>Total financial assets at fair value</b>	<b>-</b>	<b>-</b>	<b>1,370,611</b>	<b>1,370,611</b>

**Notes to the financial statements (continued)**

**22 Commitments**

The Society participates in the Co-operative Group's cash pool arrangement and as such provides a guarantee for all members in relation to the Co-operative Group's cash pool liability. At 6 January 2024, there was no liability arising from the Co-operative Group's cash pool.

Co-op Funeral Plans Limited, alongside other companies in the group (under its parent entity Co-operative Group Limited), provides a guarantee to three pension schemes: The Co-operative Pension Scheme (PACE) - Co-op section, The Somerfield Pension Scheme and The United Norwest Co-operatives Employees' Pension Fund. In aggregate, at 6 January 2024, these pension funds were estimated to be in surplus on a solvency basis.

Co-op Funeral Plans Limited is also a guarantor for the bondholder debt and subordinated debt instruments held by the Co-operative Group which had a book value as at 6 January 2024 of £664m (2022: £767m). Bonds: £550m (2022: £651m) and Other: £114m (2022: £116m).

**23 Ultimate parent undertaking**

The Society's ultimate parent undertaking and controlling party is Co-operative Group Limited, a Registered Society registered in England and Wales. This is the smallest and largest group of which the Society 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, M60 0AG.

**24 Related parties**

**Identity of related parties**

The Society has a related party relationship with its Directors.

The Directors' emoluments are disclosed in Note 4.

**Transactions with other Trading Group subsidiaries**

The Society is involved in a group set-off scheme whereby the bank accounts within the Trading Group are netted off against each other and any interest payable or receivable is settled or received by the ultimate parent Society, Co-operative Group Limited. The Society has an agreement with fellow group Society Funeral Services Limited; whereby Funeral Services Limited is responsible for providing the At-Need Funeral for all Funeral plan contracts held by the Society. The Society also has an intra group service agreement with Co-operative Group Limited, whereby Co-operative Group Limited provides business support services such as Finance, HR and Administration activities.

**Balances owed to / from related parties**

At the balance sheet date, the Society had an intercompany loan receivable with the parent subsidiary and balances owed to other related parties for services provided under the agreements listed above.

	For the 53 week period ended 6 January 2024	For the 77 week period ended 31 December 2022 (*restated)
	£'000	£'000
Amounts owed by group undertakings (note 12)	160,558	167,108
Amounts owed to group undertakings (note 16)	(13,822)	(22,019)
Net amount owed by group undertakings	<u>146,736</u>	<u>145,089</u>

**25 Events after the reporting period**

In February 2024, Co-op Funeral Plans Limited introduced a new finance system, D365. The cost of the new system was £18.5m and had been incurred in fellow group society Funeral Services Limited. On implementation, this was transferred to Co-op Funeral Plans Limited at cost of £18.5m and has been classified as an intangible asset in 2024.