

Co-operative Group Holdings (2011) Limited

Financial statements

Registered number 28501R

Period ended 6 January 2024

Corporate Information

| | |
|-------------------|---|
| Directors | Dominic Kendal-Ward Shirine Khoury-Haq (resigned 23rd January 2023) Simon Nuttall (appointed 23rd January 2023) |
| Secretary | Caroline J Sellers |
| Auditors | Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3EY |
| 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 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.

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

Independent auditor's report to the members of Co-operative Group Holdings (2011) Limited

Opinion

We have audited the financial statements of Co-operative Group Holdings (2011) Limited (the "Society") for the 53-week period ended 6 January 2024 which comprise the Income statement, the Statement of other comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 21, including material accounting policy information. 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 company's affairs as at 6 January 2024 and of its profit 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 as applied to listed public interest entities, 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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The Society has amounts owed to it by Group undertakings of £2,039m and is party to a cash pooling arrangement operated by Co-operative Group Limited's Treasury Department. As a result, the Society is reliant on financial support from Co-operative Group Limited ("the Group"). We obtained an understanding of the process the Board of the Society undertook to evaluate whether the Group had the financial resources to be able to honour their commitments to the Society. We read the letter of support provided from the Group to corroborate management's expectation that the Group has the intent and the ability to provide support and will do so for the period to 31 December 2025.

Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Group's going concern assessment process including the review process over the going concern model and management's related Board memorandum.
- We assessed the adequacy of the going concern assessment period, and considered whether any events or conditions foreseeable after the period indicated a longer review period was required.
- As set out in Note 2 the Group needs to refinance a £350m bond which matures shortly after the Going Concern assessment period. We consulted our Debt Advisory specialists to assess the likelihood of the Group refinancing the bond.
- We checked the arithmetical accuracy of the Group cash flow forecasts, including the base case and downside scenarios, covering the going concern assessment period prepared by management and used by the Board in its assessment.
- We obtained copies of all facility agreements and understood the terms and conditions including those related to covenant test ratio requirements. We re-performed the calculation of headroom in respect of the financial covenant test ratios under the base case and by applying sensitivity analysis to assess compliance under severe but plausible downside scenarios.
- For the Group's downside scenarios, we considered whether they reflected severe but plausible changes in key assumptions and adequately reflected our assessment of management's historical forecasting accuracy.
- We assessed management's ability to execute feasible, mitigating actions, if applicable, to respond to the downside scenarios, based on our understanding of the group and the sector.
- We obtained a forecast of the future climate-related expenditure, checked whether the related cashflows were appropriately incorporated into the model and checked that the model appropriately reflected the Group's climate-related commitments.
- We assessed the appropriateness of the going concern disclosures in describing the risks associated with the group's ability to continue as a going concern for the review period.

Independent auditor's report (continued)

Conclusions relating to going concern (continued)

Explanation of how we evaluated management's assessment (included in Conclusion section above) and the key observations arising with respect to that evaluation:

In making the going concern assessment, we have considered the following:

The Group has net current liabilities of £470m (2022: £223m), which is common in the retail industry due to the working capital cycle. The Group has net debt of £1,326m (2022: £1,639m).

Cash generated from operating activities was £602m (2022: £455m) and was higher than the prior period mainly as a result of the trading performance alongside a focus on cost control and improved working capital management.

We identified the following significant assumptions made by management which have influenced their going concern assessment:

- Sales growth increases through volume recovery because of significant membership price investment and wider strategic plans to grow the business.
- This growth is tempered with the impact of cost headwinds (through real living wage increases and continuing cost inflation) increasing the cost of goods.
- Whilst capital investment remains tightly controlled, growth plans and an improved balance sheet will allow room for higher investment into future growth.
- The bonds due for maturity in 2024 and 2025 are expected to be repaid in full out of existing cash balances, while the bond maturing in 2026 is expected to be refinanced.

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 the period to 31 December 2025.

Our responsibilities and the responsibilities of the Directors 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.

Overview of our audit approach

| | |
|-------------------|--|
| Key audit matters | <ul style="list-style-type: none">• Estimated credit losses on Intercompany receivables• Valuation of Investment in Food Wholesale business |
| Materiality | <ul style="list-style-type: none">• Overall materiality of £36m which represents 2% of equity. |

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Society. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Society and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Society. The Society has determined that the most significant future impacts from climate change will be indirectly through their holdings in a food retail store business, a food wholesaling business, and a funeral plan and funeralcare business which materially comprise the operations of the Group entity. Directly the impact of climate change is not anticipated to be material to the Group or this Society.

The most significant future impacts from climate change across the entities where investments are held will be a lack of raw material availability and reduced access to key facilities (depots & data centres). The material future transition risks arising from climate change are potential damage to consumer sentiment in the market and impairment of technological assets as a result of negative impacts from the transition to a more sustainable business.

These are disclosed in the Group's financial statements for the 53-week period ended 6 January 2024 on pages 120 to 127 in the required Task Force on Climate Related Financial Disclosures and on pages 55 to 59 in the principal risks and uncertainties. All these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information."

Independent auditor's report (continued)

Climate change (continued)

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in their financial statements for the 53-week period ended 6 January 2024 within the Accounting Policies and Basis of Preparation section and in Note 11 and 13 their articulation of how climate change has been reflected in the financial statements and cash flow forecasting, including how this aligns with their commitment to become a net-zero business before 2040. Significant judgements and estimates relating to climate change are described within the section "Material accounting judgements, estimates and assumptions in relation to climate change."

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on page 120 and the significant judgements and estimates disclosed within section "Material accounting judgements, estimates and assumptions in relation to climate change". We assessed whether this impact has been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures (see notes 11, 13 and 25) following the requirements of United Kingdom Generally Accepted Accounting Practice. As part of this evaluation, we performed our own risk assessment, which included a review of the most recent Sustainability Report produced by the Group and a review of "Co-op's Climate Plan" released in April 2023, in order to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit. Our risk assessment was supported by our climate change internal specialists.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter. However, climate change has an indirect impact on one existing key audit matter being Valuation of Investments. As explained within the section "Critical accounting estimates and judgements" the impact of climate change is considered within the annual impairment assessment of investments.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Board |
|--|--|---|
| Estimated Credit Losses on Intercompany Receivables <i>Refer to page 23 under the Trade and other receivables note</i> The balance sheet includes intercompany receivables of £2,039 million (2022: £1,898 million) which are primarily due from the Society's parent undertaking, Co-operative Group Limited. There is a risk that the receivables may be impaired. Management has applied the expected credit loss model under IFRS 9: "Financial Instruments" to determine whether a provision is necessary. The risk has remained the same in the current period. | <ul style="list-style-type: none">• We have agreed the intercompany balances from the trial balance for the entity to the intercompany matrix.• We reviewed a paper prepared by management to demonstrate the ability of group companies to settle their intercompany positions, and, in turn, the recoverability of the intercompany receivables held by the Society, if required.• We reperformed an expected credit loss calculation considering the change in credit risk from initial recognition and the exposure at default, probability of default, and loss given default.• We searched for contradictory evidence to management's key assumptions, such as the ability to make asset sales within a twelve-month period, and ran sensitivities to assess the appropriateness of the assumptions.• We read the disclosure and concluded over the appropriateness of the disclosure in line with the requirements of accounting standards. | We did not identify an impairment in the intercompany receivable amounts. |

Independent auditor's report (continued)

Key audit matters (continued)

| | | |
|---|--|---|
| Valuation of Investments (2023: £217 million, 2022: £217 million) <i>Refer to page 22 under the Investments note</i> The balance sheet includes an investment in the Group's Food Wholesale business of £126 million (2021: £126 million). There is a risk that the investment might be impaired. The risk relating to the carrying value of the investment has increased in the period due to continuing commercial headwinds. | <ul style="list-style-type: none">• We have read management's impairment assessment of the investment in the Food Wholesale business.• We have performed a detailed impairment assessment of the valuation of the investment by assessing:<ul style="list-style-type: none">- management's forecasting accuracy by comparing historic forecasts to historic results across the prior three accounting periods.- key assumptions within the forecasts such as projected growth rates, customer contract wins, losses and renewals and discount rates and corroborating to external benchmarks where available.• We performed a sensitivity analysis on both the discount rate and sales volumes and performed an analysis on EBITDA to evaluate the headroom.• We read the disclosures included within the financial statements and concluded on their appropriateness in line with accounting standards. | We did not identify an impairment in the carrying value of the Society's investment in the Food Wholesale business. |
|---|--|---|

In the prior period, we reported a key audit matter in relation to going concern. The improved financial position of the Group has reduced our risk assessment such that we concluded it was no longer a key audit matter in the current period. In addition, we have refocused the investment risk to focus solely on the investment in the Food Wholesale business which continues to face commercial headwinds.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Society to be £36 million (2022: £36 million), which is 2% (2022: 2%) of equity. We believe that equity provides us with an appropriate performance metric on which to base our materiality calculation. This is due to the principal activity being a holding company for group subsidiaries and for debt financing. Therefore, we concluded that equity, a capital-based measure, was appropriate to use as a performance benchmark given the focus of the users of the accounts is on the solvency of the Society in the long-term.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Society's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £18 million (2022: £18 million). We have set performance materiality at this percentage due to the number of audit misstatements identified in the prior period

Independent auditor's report (continued)

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.8m (2022: £1.8m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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.

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:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report (continued)

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 relating to tax legislation, and the financial reporting framework i.e. Co-operative and Community Benefit Societies Act 2014 and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework". Our considerations of other laws and regulations that may have a material effect on the financial statements include the FCA Disclosure Guidance and Transparency Rules (DTR) and Money Laundering Regulations 2019.
- We understood how Co-operative Group Holdings (2011) Limited is complying with those frameworks by making enquiries with management, internal audit, and those responsible for legal and compliance matters.
- We assessed the susceptibility of the Society's financial statements to material misstatement, including how fraud might occur by considering the controls that the Society has established to address risks identified by the entity, or that might otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement including valuation of investment properties and expected credit losses. Where the risk was higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. For both direct and other laws and regulations, our procedures involved; making enquiries with those charged with governance and senior management for their awareness of non-compliance with laws and regulations, inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Society's methods of enforcing and monitoring compliance with such policies.

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.

Other matters we are required to address

Following the recommendation from the Risk and Audit Committee we were appointed by the Society on 21 May 2016 to audit the financial statements for the 52-week period ending 31 December 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is eight periods, covering the 52-week periods ending 31 December 2016, 5 January 2019, 4 January 2020, 2 January 2021, 1 January 2022, 31 December 2022 and two 53-week periods ending 6 January 2018 and 6 January 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society and we remain independent of the Society in conducting the audit.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014 and our engagement letter dated 20 February 2024. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Ernst & Young LLP

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Ernst & Young LLP
Statutory Auditor
Manchester
24 May 2024

Income Statement
for the period ended 6 January 2024

| | Notes | For period ended 6 January 2024* £'000 | For period ended 31 December 2022 £'000 |
|--|-------|--|---|
| Revenue | 3 | 8,624 | 19,688 |
| Cost of sales | | - | (7,218) |
| Gross profit | | 8,624 | 12,470 |
| Administrative expenses | | (16,138) | (43,412) |
| Change in value of investment properties | | 4,315 | (15,769) |
| Impairment of property, plant and equipment ** | 4 | (4,473) | (8,290) |
| Profit on disposal of property, plant and equipment ** | 4 | 4,912 | 55,972 |
| Impairment of investment | 13 | - | (47,394) |
| Loss on disposal of investment | 13 | - | (8,374) |
| Operating loss | 4 | (2,760) | (54,797) |
| Financial income | 6 | 126,441 | 601,142 |
| Financial expenses | 7 | (49,464) | (47,752) |
| Profit before taxation | | 74,217 | 498,593 |
| Taxation | 8 | (15,983) | (16,806) |
| Profit for the period | | 58,234 | 481,787 |

All amounts relate to continuing activities.

* The 2023 figures represent the 53 week period ended 6th January 2024 with the 2022 comparatives representing 52 weeks to 31st December 2022.

** In prior year financial statements, impairment of property, plant and equipment for the period ended 31 December 2022 was reported as part of profit on disposal of property plant and equipment. In the current year, in order to give a clear view to the users of financial statements, impairment and profit on disposal for the current period as well as their comparatives have been presented separately.

Statement of other comprehensive income
for the period ended 6 January 2024

| | Notes | For period ended 6 January 2024* £'000 | For period ended 31 December 2022 £'000 |
|--|-------|--|---|
| Profit for the period | | 58,234 | 481,787 |
| Other comprehensive income: Items that will not be reclassified to profit or loss | | | |
| Revaluation upon transfer from PPE to investment property | | 1,078 | - |
| Tax impact of above | | - | - |
| Total comprehensive income for the period | | 59,312 | 481,787 |

* The 2023 figures represent the 53 week period ended 6th January 2024 with the 2022 comparatives representing 52 weeks to 31st December 2022.

The notes on pages 11 to 24 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 |
|--------------------------------------|-------|----------------------------|------------------------------|
| | | £'000 | £'000 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 13,517 | 4,983 |
| Right-of-use assets | 10 | 5,133 | 5,682 |
| Investment properties | 11 | 29,277 | 32,311 |
| Investments | 13 | 217,225 | 217,225 |
| Finance lease receivables | 10 | 18,042 | 24,854 |
| Trade and other receivables | 14 | 2,018,476 | 1,898,488 |
| Deferred tax asset | 18 | 2,814 | 2,048 |
| Total non-current assets | | 2,304,484 | 2,185,591 |
| Current assets | | | |
| Trade and other receivables | 14 | 7,828 | 18,600 |
| Finance lease receivables | 10 | 2,833 | 7,735 |
| Cash and cash equivalents | | - | 49,822 |
| Total current assets | | 10,661 | 76,157 |
| Total assets | | 2,315,145 | 2,261,748 |
| Non-current liabilities | | | |
| Loans and borrowings | 15 | 357,049 | 349,753 |
| Lease liabilities | 10 | 72,582 | 83,152 |
| Provisions | 16 | 17,010 | 23,469 |
| Derivatives | 12 | 8,580 | 12,625 |
| Total non-current liabilities | | 455,221 | 468,999 |
| Current liabilities | | | |
| Lease liabilities | 10 | 12,178 | 17,224 |
| Trade and other payables | 17 | 19,583 | 18,371 |
| Overdraft | | 21,006 | - |
| Provisions | 16 | 11,929 | 21,053 |
| Total current liabilities | | 64,696 | 56,648 |
| Total liabilities | | 519,917 | 525,647 |
| Net assets | | 1,795,228 | 1,736,101 |
| Equity | | | |
| Called up share capital | 19 | 522,000 | 522,000 |
| Retained earnings | | 1,269,472 | 1,211,238 |
| Revaluation reserve | | 3,756 | 2,863 |
| Total equity | | 1,795,228 | 1,736,101 |

The notes on pages 11 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 May 2024

and were signed on its behalf by:



S Nuttall
Director



D Kendal-Ward
Director



C J Sellers
Secretary

Statement of changes in equity
for the period ended 6 January 2024

| | Called up share capital £'000 | Revaluation reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|--|---------------------------------|-------------------------------|--------------------------|
| Balance at 1 January 2022: | 522,000 | 2,863 | 729,451 | 1,254,314 |
| Profit and total comprehensive income for the period | - | - | 481,787 | 481,787 |
| Balance at 31 December 2022 | 522,000 | 2,863 | 1,211,238 | 1,736,101 |
| Profit for the period | - | (185) | 58,234 | 58,049 |
| Other comprehensive income | | | | |
| Revaluation upon transfer from PPE to investment property | - | 1,078 | - | 1,078 |
| Tax impact of above | - | - | - | - |
| Balance at 6 January 2024 | 522,000 | 3,756 | 1,269,472 | 1,795,228 |

The notes on pages 11 to 24 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 General information

Co-operative Group Holdings (2011) Limited is a Registered Society and is registered 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 property management. The Society ceased food retail activities on 31 December 2022.

2 Accounting policies

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

Basis of preparation

The 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 for the 53 week period ended 6 January 2024. The comparative period was for the 52 week period ended 31 December 2022.

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 owns investments in the Group's food retail store business, a food wholesaling business, and a funeral plan and funeralcare businesses, which materially constitute the operations of the Group. As such, the Directors have determined the level of risk and challenges in relation to climate change to be indirectly commensurate with its ultimate parent undertaking (the Group) and continues to manage these risks in-line with the Group's approach to climate change.

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

As a standalone holding entity, the Society faces an immaterial climate change risk given the trade of the Group's business is not the Society's principal activity.

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

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

New and amended standards adopted by the Society

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

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

* Pillar 2 is being introduced into the UK to support the international actions promoted by the OECD to impose a minimum tax rate of 15%. The 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%.

Standards, amendments and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 1 January 2023 reporting periods and the Society has not early adopted the following standards and statements. The adoption of these standards is not expected to have a material impact on the Society's accounts:

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

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

Notes (continued)

2 Accounting policies (continued)

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:

- Leases (note 10) - The Society determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Society has the option, under some of its leases to lease the assets for additional terms of 5 to 10 years. The Society applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Society reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

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.

- Investment properties valuation (note 11) - investment properties are held on the balance sheet at fair value by the Society. This is determined by either independent valuers or internally each year on a three-year cyclical basis in accordance with the RICS Appraisal and Valuation Manual. Fair value is based on current prices in an active market for similar properties in the same location and condition. Dependent on how volatile the market is, this can have a significant impact on the value of the investment properties on the balance sheet.

- Mixed use of investment properties (note 11) - where a property is used partly for the Society's own use, and partly used to earn rental income, IAS 40 states that the portions with different uses should be accounted for differently - with the part rented out classified as investment property. This proportion of the property is an investment property only if the owner-occupied element is insignificant. The Society applies judgement in defining third-party insignificant as an annual rent of less than £30,000 or occupancy of less than 20%. Properties below this threshold will include small commercial or residential units which are not significant in size or nature to the Group.

The Investment properties balance as at period end includes £8.1m of mixed-use properties. The Land and Buildings balance as at period end within Property, plant and equipment includes £6m of mixed-use properties with significant third-party occupancy and £5.4m of mixed-use properties with insignificant third-party occupancy.

- Investments (note 13) - the carrying amount of investments in subsidiaries is reviewed at each balance sheet date and if there is any indication of impairment, the investment's recoverable amount is estimated. The recoverable amount is the greater of the fair value of the asset (less costs to sell) and the value in use of the asset. An impairment loss is recognised whenever the carrying amount of an investment exceeds its estimated recoverable amount.

The Society estimates the value in use of a subsidiary by projecting future cash flows into perpetuity and discounting the cash flows ('DCF') associated with that subsidiary. The key assumptions used to determine the recoverable amount for the different subsidiaries, and the sensitivity analysis that is undertaken, are disclosed and further explained in note 13.

- Expected credit loss on receivables owed from group undertakings (note 14) - the Society has applied the expected credit loss model to trade receivables and amounts owed by group undertakings under IFRS 9 (Financial Instruments) which focusses on whether the receivables are expected to be recoverable rather than whether an impairment loss has occurred. In all scenarios considered in the model, full recoverability of IC balances is anticipated. This is the case whether that be immediately via cash settlement by the borrowing entity (or via immediate settlement from utilising the Group's available funding arrangements and pooled cash model) or via settlement over a longer period of time (including any potential default by the Group). Where a recovery over time scenario has been modelled then any ECL has been calculated to reflect the risk of default over the time it takes to recover the loan calculated as the impact of discounting the loan balance over the recovery time horizon at the effective interest rate.

- Provisions (note 17) - 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. The most significant provision for the Society relates to property provisions for non-rental costs associated with properties that are no longer used for trading purposes and significant assumptions and estimates are made in relation to the estimation of future cash flows and the discount rate applied. See note 17 for further details.

Notes (continued)

2 Accounting policies (continued)

Going concern

The Society generated a profit of £58,234k in the period (2022: £481,787k) and at the balance sheet dates holds net assets of £1,795,228k (2022: £1,736,101k) and net current liabilities of £54,035k (2022: net current assets of £19,509k). The Society has an inter-company receivable of £2,013m as at 6 January 2024.

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.

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

The Group operates with net current liabilities as our working capital cycle means cash receipts from revenues arise in advance of the payments to suppliers for the cost of goods sold. We also borrow money from banks and others, and as part of this process we have checked that we can comply with the terms of those agreements - for example, banking covenants and facility levels. Accounting standards require that the foreseeable future covers a period of at least 12 months from the date of approval of the financial statements. The assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period, to 31 December 2025. Although the Group 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 the Group 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 the Group 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 the Group 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 27 to the Group's Financial Statements sets out more information on the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit and liquidity risk.

2. Board review and challenge the base case forecast

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

The key assumptions in the plan are:

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

3. Consider downside sensitivities across the base case forecast

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

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

The sensitivities identified above do not risk the validity of the Group 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.

Notes (continued)

2 Accounting policies (continued)

Going concern (continued)

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 the Group'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 the Group'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.

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. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents.

Property, plant and equipment and depreciation

Where parts of an item of property, plant and equipment have materially different useful economic lives, they are accounted for as separate items of property, plant and equipment. Cost includes purchase price plus any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided on the cost or valuation less estimated residual value (excluding freehold land) on a straight-line basis over the anticipated working lives of the assets. The estimated useful lives are as follows:

| | |
|--------------------|----------|
| Freehold buildings | 50 years |
|--------------------|----------|

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.

Notes (continued)

2 Accounting policies (continued)

Impairment

At each reporting date, the Society reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to dispose and its value in use, is estimated in order to determine the extent of the impairment loss. Impairment losses are recognised in the income statement.

In the prior year, when the Society's activities included food retail activities, where the asset did not generate cash flows that were independent from other assets, the Society estimated the recoverable amount of the cash-generating unit ("CGU") to which the asset belonged. In the prior year, CGUs were deemed to represent each food retail trading store.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount is returned to what it would have been, net of depreciation or amortisation, if no impairment loss had been recognised.

Investment property

Properties held for long term rental yields that are not occupied by the Society or properties held for capital growth are classified as investment property. Investment properties are freehold land and buildings and Right-of-use assets. These are carried at fair value which is determined by either independent valuers or internally each year on a three-year cyclical basis in accordance with the RICS Appraisal and Valuation Manual. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement.

A reclassification of properties from property, plant and equipment to investment property has been undertaken in the year as a result of a review performed in 2023 to reassess the existing classification. For future transfers between investment property and property, plant and equipment, these should only be made when there is a change in use, evidenced by the end of user occupation.

Properties reclassified from property, plant and equipment to investment property are measured at fair value with the change in value taken to other comprehensive income (initial valuation) with subsequent revaluations taken to the income statement.

If we start to occupy or trade from one of our investment properties, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. Other disclosures required by IAS 40 (Investment Properties) are not considered to be material.

Dividends

Dividends paid are recognised as a liability in the period in which they are approved and shown as a distribution of reserves (in the Statement of changes in equity). Dividends received are treated as financial income (see note 6).

Investments

The Society holds investments in subsidiary Companies and Societies and these are accounted for at cost less provision for impairment. The carrying value is reviewed at each reporting date to determine any indication of impairment. If such an indication exists, then the investment's recoverable amount is measured. The recoverable amount is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised in the income statement if the carrying amount exceeds the recoverable amount.

Trade receivables

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (for example, by customer, coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not insured or subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in trade and other receivables (note 15).

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

Financial instruments

All financial liabilities are measured at amortised cost, except the hedged portion of the fixed rate sterling Eurobond values, which are measured at fair value through profit or loss.

This is because the Society has used interest rate swaps to hedge the impact of movements in the interest rate and the movement in the fair value of the quoted debt, which is partially offset by the fair value movement in the interest rate swaps (note 12). The un-hedged portion of the Eurobond quoted debt is accounted for at amortised cost in accordance with IFRS 9. This approach applies to those borrowings taken out prior to the adoption of IFRS 9 in 2018. Any subsequent borrowings are initially measured at fair value through the P&L and then amortised cost.

While there is a difference in accounting between the portion of Eurobond debt measured at amortised cost and the hedged portion measured at fair value through profit or loss, hedge accounting is not applied.

Derivatives

Derivative financial instruments are used to provide an economic hedge to reduce the Society's exposure to interest rate risks arising from operational, financing and investment activities. In accordance with treasury policy, the Society does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are measured at fair value and any gains or losses are included in the income statement. Fair values are based on quoted market prices in active markets, and where these are not available, using valuation techniques such as discounted cashflow models.

Interest payments or receipts arising from interest rate swaps are recognised within net financial income / (expenses) in the period when the interest is incurred or earned.

Notes (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.

Property provisions are held for running costs, excluding rental costs, of leasehold properties that are vacant or not planned to be used for ongoing operations. Property provisions are expected to be utilised over the remaining periods of the leases.

The Society considers that where it has entitlement to possession of a property, even if vacant, it retains a statutory obligation to pay the related business rates that have been determined to be levies as defined in IFRIC 21. Accordingly, the estimate of the least net costs of exiting from the contracts excludes future business rates which instead under IFRIC 21 are recognised when the event that triggers the payment of the levy arises (as a periodic cost). Property provisions are expected to be utilised over the remaining periods of the leases which range from 1 to 97 years.

Taxation

(i) Income tax

Income tax on the profit or loss for the period comprises current and deferred 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, and any adjustment to tax payable in respect of previous years.

(ii) Deferred taxation

Deferred tax is provided, with no discounting, using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The 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. In the case of investment properties it is assumed that uplifts on valuation principally reflect future rentals.

Share capital

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

Revenue

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

The Society recognises revenue when it transfers control over a product to a customer. For the sale of goods, revenue is recognised at the point of sale. Any rebates, VAT and other sales tax or duty items are deducted from revenue. Retail payment terms are net cash due at point of sale. If a customer is dissatisfied with any of our products and returns it, the Society would offer a single refund or a replacement product when accompanied by a proof of purchase that verifies the purchase of the product from one of our stores.

Rental income is recognised in the income statement on a straight line basis over the term of the lease. Rent incentives granted by the Society are spread evenly over the course of the rental term, even if the payments are not made on such a basis. The rental term is the non-cancellable period of the rental agreement, along with any further optional term, which at the inception of the rental agreement, it is reasonably certain that the tenant will exercise.

All revenue is derived from the Society's principal activity of property management.

Notes (continued)

3 Revenue

| | For period ended 6 January 2024 £'000 | For period ended 31 December 2022 £'000 |
|---|---|---|
| <i>Revenue comprises the following:</i> | | |
| Property rental income | 8,624 | 9,357 |
| Food retail | - | 10,331 |
| | <u>8,624</u> | <u>19,688</u> |

4 Operating profit

| | For period ended 6 January 2024 £'000 | For period ended 31 December 2022 £'000 |
|---|---|---|
| <i>Operating profit is stated after charging / (crediting):</i> | | |
| Depreciation of land and buildings | 747 | 1,060 |
| Depreciation of right-of-use assets | 723 | 1,104 |
| Impairment of land and buildings | 565 | 2,076 |
| Impairment of right-of-use assets | 3,908 | 6,385 |
| Profit on disposal of property, plant and equipment | (4,912) | (55,972) |
| | <u><u> </u></u> | <u><u> </u></u> |

The auditor's remuneration of £96,576 (2022: £9,678) is borne by the ultimate parent undertaking. Non-audit fees (audit related assurance services) were £nil (2022: £nil).

5 Director's remuneration

Directors' remuneration in respect of services provided to the Society were borne by the ultimate parent undertaking in both the period ended 6 January 2024 and the period ended 31 December 2022.

The cost of remuneration paid to Directors who are also executive Directors of Co-operative Group Limited cannot be meaningfully apportioned to the Society. The full amounts of their total remuneration are fully disclosed in the annual report and accounts of Co-operative Group Limited and not included here.

The cost of remuneration paid to other Directors, who are employed and paid by Co-operative Group Limited but not recharged to the Society, cannot be meaningfully apportioned to the Society as the level of their qualifying services in relation to the Society are incidental and negligible compared to their main role. No emoluments are paid directly to them by the Society.

6 Financial income

| | For period ended 6 January 2024 £'000 | For period ended 31 December 2022 £'000 |
|---|---|---|
| Underlying interest income from finance lease receivables | 1,982 | 2,427 |
| Interest on intra-group receivables | 117,734 | 45,180 |
| Fair value movement on quoted debt | - | 27,825 |
| Fair value movement on interest rate swaps (see note 12) | 4,045 | - |
| Other interest income | 2,680 | 2,086 |
| Dividend in specie received from Violet S Propco* | - | 523,624 |
| | <u>126,441</u> | <u>601,142</u> |

* See note 13 for details on the dividend in specie received from Violet S Propco

7 Financial expenses

| | For period ended 6 January 2024 £'000 | For period ended 31 December 2022 £'000 |
|--|---|---|
| Interest expense on loans | 28,320 | 28,662 |
| Interest on lease liabilities | 5,482 | 6,837 |
| Fair value movement on interest rate swaps (see note 12) | - | 10,559 |
| Fair value movement on quoted debt | 9,975 | - |
| Other interest expense | 5,687 | 1,694 |
| | <u>49,464</u> | <u>47,752</u> |

Notes (continued)

8 Taxation

Analysis of charge/credit in period

| | For period ended 6 January 2024 | For period ended 31 December 2022 |
|---|--|--|
| | £'000 | £'000 |
| <i>UK corporation tax</i> | | |
| Group relief payable | (16,926) | (15,153) |
| Current tax credit / (charge) - adjustments in respect of prior years | 177 | (479) |
| Total current tax charge | (16,749) | (15,632) |
| <i>Deferred tax (see note 18)</i> | | |
| Deferred tax credit / (charge) - adjustments in respect of current year | 1,171 | (24) |
| Deferred tax charge - adjustments in respect of prior years | (480) | (1,143) |
| Effect of rate change on closing balance | 75 | (7) |
| Total deferred tax credit / (charge) | 766 | (1,174) |
| Tax charge on profit before taxation | (15,983) | (16,806) |

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: 19%) as follows:

| | For period ended 6 January 2024 | For period ended 31 December 2022 |
|--|--|--|
| | £'000 | £'000 |
| <i>Current tax reconciliation</i> | | |
| Profit before tax | 74,217 | 498,593 |
| Current tax charge at 23.5% (2022: 19%) | (17,441) | (94,733) |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | (1,890) | (8,172) |
| Profit on disposal of fixed assets | 408 | (10,964) |
| Depreciation and amortisation on non-qualifying assets | 3,127 | (2,234) |
| Adjustments to tax charge in respect of previous periods | (303) | (1,622) |
| Non-taxable income | - | 99,489 |
| Deferred tax rate change adjustment | 75 | (7) |
| Transfer pricing adjustments | 41 | 38 |
| Capital (gains) / losses transferred | - | 1,399 |
| Total income tax charge | (15,983) | (16,806) |

Following the Budget on the 3 March 2021, the Chancellor announced that the main rate of Corporation Tax will increase from 19% to 25%, with effect from the 1 April 2023. Therefore the pro-rated tax rate for the year to 2023 is 23.5%.

Under IFRS (IAS 12) it is the rate enacted at the balance sheet date that determines the amount of deferred tax to be recognised. As the 25% rate has been enacted at the balance sheet date, deferred tax assets and liabilities expected to crystallise post balance sheet are all valued using 25%.

The impact in 2023 of recognising the net deferred tax movements at 25% rather than 19% has meant the tax charge through the income statement is decreased by £75k.

Notes (continued)

9 Property, plant and equipment

| For the period ended 6 January 2024 | Land and buildings £'000 |
|-------------------------------------|-----------------------------|
| Cost | |
| At 31 December 2022 | 77,468 |
| Additions | 2,129 |
| Disposals* | (40,260) |
| Transfers to investment property | (8,329) |
| Transfers to Group undertakings | (1,962) |
| At 6 January 2024 | 29,046 |
| Depreciation | |
| At 31 December 2022 | 72,485 |
| Charge for the period | 747 |
| Impairment | 565 |
| Disposals* | (54,545) |
| Transfers to investment property | (3,648) |
| Transfers to Group undertakings | (75) |
| At 6 January 2024 | 15,529 |
| Net book value | |
| At 6 January 2024 | 13,517 |
| At 31 December 2022 | 4,983 |

* An exercise has been carried out in the year to cleanse the fixed assets ledger and this has resulted in immaterial reclassifications being posted to Disposals lines above.

Transfers to Group undertakings include transfers of property to the Group's trading entities at carrying amount.

| For the period ended 31 December 2022 | Land and buildings £'000 |
|---------------------------------------|-----------------------------|
| Cost | |
| At 1 January 2022 | 86,750 |
| Additions | 717 |
| Disposals | (10,244) |
| Transfers to investment property | (633) |
| Transfers from Group undertakings | 878 |
| At 31 January 2022 | 77,468 |
| Depreciation | |
| At 1 January 2022 | 74,413 |
| Charge for the period | 1,060 |
| Impairment | 2,076 |
| Disposals | (4,207) |
| Transfers to investment property | - |
| Transfer from Group undertakings | (857) |
| At 31 December 2022 | 72,485 |
| Net book value | |
| At 31 December 2022 | 4,983 |
| At 1 January 2022 | 12,337 |

10 Leases

A. As a lessee

Right-of-use assets

| | Property £'000 | Plant and equipment £'000 | Total £'000 |
|--|-------------------|------------------------------|----------------|
| Balance at 31 December 2022 | 5,651 | 31 | 5,682 |
| Depreciation charge for the year | (713) | (10) | (723) |
| Additions | 6,422 | - | 6,422 |
| Disposals | (2,534) | - | (2,534) |
| Impairment | (3,908) | - | (3,908) |
| Transfers from / (to) Group undertakings | 215 | (21) | 194 |
| Balance at 6 January 2024 | 5,133 | - | 5,133 |

The Society leases many assets, principally it leases properties for the Group's non-trading food retail stores and non-trading funerals branches as well as some vehicles and other equipment. The leases of non-trading stores are typically between 1-20 years in length. Vehicle and equipment leases are typically between 1-4 in length and in some cases the Society has options to purchase the assets at the end of the contract term.

Notes (continued)

10 Leases (continued)

Lease liabilities

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|--|-------------------------------------|---------------------------------------|
| Current | 12,178 | 17,224 |
| Non-Current | 72,582 | 83,152 |
| Lease liabilities included in the balance sheet | 84,760 | 100,376 |

| | As at 6 January 2024 £'000 | As at 31 December 2022 (restated*) £'000 |
|---|-------------------------------------|--|
| Lease liabilities - maturity analysis (undiscounted) | | |
| Less than 6 months | 6,250 | 8,799 |
| 6 - 12 months | 6,211 | 8,774 |
| 1 - 2 years | 11,722 | 16,286 |
| 2 - 5 years | 29,287 | 40,679 |
| 5 - 10 years | 29,632 | 32,141 |
| 10 - 15 years | 10,544 | 11,796 |
| More than 15 years | 35,119 | 49,382 |
| Total lease liabilities | 128,765 | 167,856 |

* The comparative discounted balances as at 31 December 2022 have been restated to correct for an error included in the prior year financial statement disclosure.

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|-----------------------------------|-------------------------------------|---------------------------------------|
| Opening lease liabilities | 100,376 | 136,624 |
| Additions | 9,101 | 4,516 |
| Disposals | (13,348) | (28,832) |
| Interest expense | 5,482 | 6,836 |
| Payments | (15,959) | (21,897) |
| Transfers from Group undertakings | (892) | 3,129 |
| Closing lease liabilities | 84,760 | 100,376 |

Extension options

Some leases of non-trading retail stores contain extension or termination options exercisable by the Society up to one year before the end of the non-cancellable contract period. Where practicable, the Society seeks to include extension and termination options in new leases to provide operational flexibility. The extension and termination options held are typically exercisable only by the Society and not by the lessors.

The Society assesses at lease commencement whether it is reasonably certain to exercise the extension or termination options. The Society reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As at 6 January 2024, potential future cash outflows of £7,804k (discounted) (2022: £12,139k) have not been included in the lease liability because it is not reasonably certain that the Society will exercise the extension option. Included within the lease liability are future cash outflows of £1,365k (discounted) (2022: £1,145k) where the Society holds termination options but it is not reasonably certain to execute those termination options.

B. As a lessor

Lease income from lease contracts in which the Group acts as a lessor is as below:

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|---|-------------------------------------|---------------------------------------|
| Operating lease (i) | | |
| Lease income | 8,624 | 9,357 |
| Finance lease(ii) | | |
| Finance income on the net investment in the lease | 1,982 | 2,427 |

i. Operating lease

The Society leases out its investment property. The Society classifies these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|---|-------------------------------------|---------------------------------------|
| Less than one year | 5,486 | 4,834 |
| One to two years | 4,484 | 4,188 |
| Two to three years | 3,609 | 3,953 |
| Three to four years | 2,968 | 3,200 |
| Four to five years | 2,433 | 2,633 |
| More than five years | 30,893 | 30,831 |
| Total undiscounted lease payments receivable | 49,873 | 49,639 |

Notes (continued)

ii. Finance lease

The Society also sub-leases some of its non-occupied leased properties. The Society classifies the sub-lease as a finance lease, where the period of the sub-lease is for substantially the remaining term of the head lease.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|---|-------------------------------------|---------------------------------------|
| Less than one year | 6,175 | 9,297 |
| One to two years | 5,599 | 8,532 |
| Two to three years | 5,261 | 7,916 |
| Three to four years | 4,648 | 7,255 |
| Four to five years | 3,499 | 5,847 |
| More than five years | 16,281 | 19,507 |
| Total undiscounted lease payments receivable | 41,463 | 58,354 |
| Less: Unearned finance income | (7,994) | (17,108) |
| Present value of minimum lease payments receivable | 33,469 | 41,246 |
| Impairment loss allowance | (12,594) | (8,657) |
| Finance lease receivable (net of impairment allowance) | 20,875 | 32,589 |

The finance lease receivable is split between current and non-current receivables as shown below:

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|-------------|-------------------------------------|---------------------------------------|
| Current | 2,833 | 7,735 |
| Non-Current | 18,042 | 24,854 |
| | 20,875 | 32,589 |

Impairment of finance lease receivable

The Society estimates the loss allowance on finance lease receivables at an amount equal to lifetime expected credit losses. The lifetime expected credit losses are estimated based upon historical defaults on sub-leases, the credit quality of current tenants and forward looking factors. In the current year, this is £12,594k (2022: £8,657k).

11 Investment properties

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|--|-------------------------------------|---------------------------------------|
| Valuation at beginning of period | 32,311 | 47,722 |
| Revaluation surplus/(deficit) recognised in income statement | 4,130 | (14,659) |
| Revaluation upon transfer from PPE (recognised through OCI) | 1,078 | - |
| Additions | 14 | - |
| Disposals | (12,937) | (447) |
| Transfers from/(to) PPE (note 9) | 4,681 | (477) |
| Impairment charge | - | 172 |
| Valuation at end of period | 29,277 | 32,311 |

The properties are valued individually at the end of each period, and yields vary on a property-by-property basis.

The mean Estimated Rental Value yield over the whole estate is 10.57% (2022: 10.07%)

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

Investment Properties as at 6 January 2024 and 31 December 2022 are freehold properties and non trading leaseholds.

Rental income from investment properties in the period was £3,095k (2022: £3,254k). Direct operating expenses (including repairs and maintenance) in the year arising from investment properties that did generate rental income was £741k (2022: £1,184k) and direct operating expenses (including repairs and maintenance) in the year arising from investment properties that did not generate rental income was £326k (2022: £59k).

12 Derivatives

Derivatives held for non trading purposes for which hedge accounting had not been applied are as follows:

| | As at 6 January 2024 | | | As at 31 December 2022 | | |
|---------------------|---|-------------------------------|------------------------------------|---|-------------------------------|------------------------------------|
| | Contractual/ notional amount £'000 | Fair value assets £'000 | Fair value liabilities £'000 | Contractual/ notional amount £'000 | Fair value assets £'000 | Fair value liabilities £'000 |
| Interest rate swaps | 105,000 | | 8,580 | 105,000 | | 12,625 |

Forward exchange contracts, such as the Society's interest rate swaps, are either valued at fair value using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps, broker quotes are used. Those quotes are back-tested using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market-related data at the balance sheet date. The Society's derivatives are not formally designated as hedging instruments but under IFRS 9 (Financial Instruments) they are used to match against a proportion of the Eurobond liabilities carried at fair value through the income statement, showing as an income of £4,045k in 2023 (2022: £10,559k expense) (see notes 6 and 7).

Notes (continued)

13 Investments

The Society holds investments of £217,225k (2022: £217,225k).

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|---------------------------------------|-------------------------------------|---------------------------------------|
| Balance as at the start of the period | 217,225 | 204,619 |
| Additions | - | 60,000 |
| Impairments* | - | (47,394) |
| | 217,225 | 217,225 |

* In October 2022 Violet S Propco, a wholly owned subsidiary of the Society, undertook a share premium cancellation of £41.3m, a share capital reduction of £6.1m, and announced a dividend in specie to the Society to the value of the intercompany receivable on Violet S Propco's balance sheet of £523.4m in order to simplify its balance sheet. The dividend in specie is unrealised and is not distributable until the intercompany receivable with Co-op Group Limited is settled. This reduction and cancellation has therefore led to an impairment and subsequent disposal of the Society's investment in Violet S Propco of £47.4m to the P&L and recognition of the dividend in specie against finance income.

The Society has more than a 5% interest in the following principal companies and societies which are all incorporated in England and Wales:

| | Type of company / society | Ownership |
|-------------------------------------|---------------------------|---------------|
| Co-operative Group Food Limited | Food retailing | 93% Ordinary |
| Co-operative Legal Services Limited | Legal services | 100% Ordinary |
| Funeral Services Limited | Funeral directors | 67% Ordinary |
| Co-op Funeral Plans Limited | Funeral provider | 67% Ordinary |
| Member A (4) Limited | Holding company | 100% Ordinary |
| Member B (4) Limited | Holding company | 100% Ordinary |
| CWS (No.1) Limited | Holding company | 50% Ordinary |
| Nisa Retail Limited | Food retailing | 100% Ordinary |
| Coldham Windfarm Limited | Wind farming | 20% Ordinary |

Impairment

The recoverable amount for subsidiaries is the greater of the fair value of the subsidiary (less costs to sell) and the value in use ("VIU") of the subsidiary. The value in use for subsidiaries has been determined using discounted cash flow calculations.

The key assumptions in the value in use calculations are as follows:

| Assumption | Detail |
|-------------------------------|--|
| Cash flow years / assumptions | <p>Future cash flows derived from Board approved four-year plan cash flow assumptions.</p> <p>These forecasts are based on budget for FY24, four-year plan for FY25 to FY27 and taken to perpetuity. A long term growth rate of 1.9% has been applied beyond the four-year plan period (2022: 1.9%) reflecting the UK's long-term post war growth rate which is in-line with industry norms.</p> |
| Discount rate | <p>A post tax discount rate has been calculated for impairment purposes. For the investment in Nisa Retail Limited, the Group's Food segment's weighted average cost of capital (WACC) was deemed to be an appropriate rate, subsequently grossed up to a pre-tax rate of 9.6% (2022: 10.1%).</p> <p>The post tax discount rate has been calculated using the capital asset pricing model.</p> <p>Certain inputs into the capital asset pricing model are not readily available for non-listed entities. As such, certain inputs have been obtained from industry benchmarks which carries a measure of estimation uncertainty. However, as discussed in the sensitivity section below, this estimation uncertainty level is not deemed to be material.</p> |
| Sensitivities | <p>In each of the current and comparative years, sensitivity analysis has been performed in relation to our investment in subsidiaries impairment testing, testing for a 2% increase in discount rate; within which no additional impairment was calculated. The sensitivity analysis performed considers reasonably possible changes in the discount rate assumption.</p> <p>For the cash flows in Nisa Retail Limited, an additional sensitivity analysis has been performed in relation to potential loss of contracts. If the entity were to lose 43% of supply contracts by value, then this would reduce the headroom to £97.4m from £241m. If the entity were to lose 63% of supply contracts by value, then this would reduce the headroom to £19.5m from £241m.</p> |

Notes (continued)

14 Trade and other receivables

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|------------------------------------|-------------------------------------|---------------------------------------|
| <i>Current assets:</i> | | |
| Trade receivables | 355 | 6,019 |
| Prepayments and accrued income | 795 | 1,362 |
| Other receivables | <u>6,678</u> | <u>11,219</u> |
| | 7,828 | 18,600 |
| <i>Non current assets:</i> | | |
| Amounts owed by group undertakings | 2,013,076 | 1,898,488 |
| Other receivables | <u>5,400</u> | <u>-</u> |
| | 2,018,476 | 1,898,488 |
| | <u><u>2,026,304</u></u> | <u><u>1,917,088</u></u> |

Amounts owed by group undertakings are due from the parent (Co-operative Group Limited). They are unsecured, have no fixed date of repayment, are repayable on demand and are subject to quarterly interest at the current Bank Rate increased by the Group's revolving credit facility margin.

The Society has applied the expected credit loss model to trade receivables and amounts owed by group undertakings under IFRS 9 (Financial Instruments) which focusses on whether the receivables are expected to be recoverable rather than whether an impairment loss has occurred. Amounts owed by group undertakings are repayable on demand, and based on management's assessment of credit loss, the balance is stated net of an expected credit loss provision of £45,288k (2022: £37,455k). Trade receivables are stated net of an impairment provision of £1,710k (2022: £1,800k).

Other receivables includes £6,314k (2022: £10,935k) in relation to VAT receivable.

15 Loans and borrowings

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|---|-------------------------------------|---------------------------------------|
| <i>Non-current liabilities:</i> | | |
| £105m 7.5% Eurobond Notes due 2026 (fair value) | 104,475 | 94,500 |
| £245m 7.5% Eurobond Notes due 2026 (amortised cost) | <u>252,574</u> | <u>255,253</u> |
| | <u><u>357,049</u></u> | <u><u>349,753</u></u> |

Terms and repayment schedule

The 2026 £350m 7.5% bond has an original value of £350m (carrying amount of £357m). This bond has been paying an additional 1.25% coupon since 8 July 2013 following the downgrade of the Group's credit rating to sub-investment grade. On maturity this bond will be repaid at par.

The bonds are listed as wholesale debt and are listed on the London Stock Exchange.

16 Provisions

| | Property provisions £'000 |
|-----------------------------------|---|
| At 31 December 2022 | 40,612 |
| Credit to income statement | (3,742) |
| Discounting | 1,233 |
| Payments | (10,072) |
| Transfers from Group undertakings | 908 |
| At 6 January 2024 | <u><u>28,939</u></u> |
| | As at 6 January 2024 £'000 |
| Non-current | 17,010 |
| Current | <u>11,929</u> |
| | <u><u>28,939</u></u> |

Property provisions

Property provisions are held for running costs, excluding rental costs, of leasehold properties that are vacant or not planned to be used for ongoing operations.

The Society considers that where it has entitlement to possession of a property, even if vacant, it retains a statutory obligation to pay the related business rates that have been determined to be levies as defined in IFRIC 21. Accordingly, the estimate of the least net costs of exiting from the contracts excludes future business rates which instead under IFRIC 21 are recognised when the event that triggers the payment of the levy arises (as a periodic cost).

Property provisions are expected to be utilised over the remaining periods of the leases which range from 1 to 97 years. The detailed breakdown of the expected timing of outflows is as follows:

| | As at 6 January 2024 £'000 |
|----------------------|-------------------------------------|
| Less than one year | 11,929 |
| One to two years | 1,466 |
| Two to five years | 3,491 |
| More than five years | 12,053 |
| | <u><u>28,939</u></u> |

Notes (continued)

17 Trade and other payables

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|------------------------------|-------------------------------------|---------------------------------------|
| <i>Current liabilities:</i> | | |
| Other payables | 2,023 | 2,520 |
| Accrued Interest | 15,555 | 13,571 |
| Accruals and deferred income | 2,005 | 2,280 |
| | 19,583 | 18,371 |

18 Deferred Taxation

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

| | For period ended 6 January 2024 £'000 | For period ended 31 December 2022 £'000 |
|--|---|---|
| Deferred taxation asset | | |
| At beginning of the period | 2,048 | 3,222 |
| Income statement credit / (charge) in the period | 766 | (1,174) |
| Other comprehensive income charge in the period | - | - |
| At end of the period | 2,814 | 2,048 |
| Comprising: | | |
| Other temporary differences | (5,510) | (6,887) |
| Capital allowances on fixed assets | 1,218 | 1,511 |
| Unrealised gains on investment properties | (3,616) | (5,599) |
| IFRS 16 transition adjustment taken through opening reserves | 9,219 | 9,894 |
| Provisions | 1,503 | 3,129 |
| | 2,814 | 2,048 |

19 Called up share capital

| | As at 6 January 2024 £'000 | As at 31 December 2022 £'000 |
|---|-------------------------------------|---------------------------------------|
| Allotted, called up and fully paid | | |
| 522,000,000 Ordinary shares of £1 each | 522,000 | 522,000 |

There is a single class of share capital.

All shares rank pari passu in all respects.

20 Commitments

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

The Group has a revolving credit facility ('RCF') for which Co-operative Group Holdings (2011) Limited is a guarantor under the facility. On the 20th of March 2023, the Group concluded an amendment and extension exercise on its £400m Revolving Credit Facility. The facility increased in size to £442.5m until September 2024 when it will fall to £360m. The £360m facility will mature in March 2026. As at 6 January 2024, Co-operative Group Holdings (2011) Limited continued to be a guarantor of the RCF agreement and the facility was undrawn. There is no premium charged with respect to Co-operative Group Holdings (2011) Limited being a guarantor under the facility.

Co-operative Group Holdings (2011) Limited is the issuer of a £350m bond due in July 2026. The society is also a guarantor of the Group's other bond and loan notes, comprising a £200m Sustainability bond due in May 2024, £109m final repayment subordinated notes due December 2025, and the £20m instalment repayment notes due December 2025. There is no premium charged with respect to Co-operative Group Holdings (2011) Limited being a guarantor of the Sustainability bond and loan notes.

21 Ultimate parent undertaking

The Society is a wholly owned subsidiary of 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.