

Rochpion Properties (4) LLP

Members' report and financial statements

Registered number OC338225

Period ended 06 January 2024

Corporate Information

Designated Members Member A (4) Limited
 Member B (4) Limited

Auditors Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3EY, United Kingdom

Registered Office 1 Angel Square, Manchester, M60 0AG, United Kingdom

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Statement of Members' responsibilities in respect of the financial statements

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

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

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

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

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

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

We have audited the financial statements of Rochpion Properties (4) LLP for the period ended 6 January 2024 which comprise the Statement of Profit and Loss and Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 6 January 2024 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including Financial Reporting Standard 101 'Reduced Disclosure Framework' and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for the period up to 31 December 2025.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

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

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

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

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

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

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Ernst & Young LLP
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Kate Hindle (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date:

**Statement of Profit and Loss and Total Comprehensive Income
 for the period ended 6 January 2024**

	Notes	For period ended 06 January 2024 £'000	For period ended 31 December 2022 £'000
Revenue		124	148
Cost of sales		(154)	(177)
Gross Loss		(30)	(29)
Change in value of investment property (Loss)/Profit on fixed assets		583 (3)	898 1
Operating profit	3	550	870
Finance income	5	6,452	3,245
Finance costs	6	(2)	(2)
Profit before taxation		7,000	4,113
Taxation	7	-	-
Profit for the financial period before Members' remuneration and profit shares		7,000	4,113
Members' remuneration charged as an expense		-	-
Retained profit for the financial period available for discretionary division among Members		7,000	4,113

All amounts relate to continuing activities.

The disclosure notes on pages 10 to 22 form part of these Financial Statements.

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

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

Balance Sheet

	Notes	As at 06 January 2024 £'000	As at 31 December 2022 £'000
Non-current assets			
Property, plant and equipment	8	1	1
Investment properties	10	6,028	5,465
Finance lease receivables	9	19	-
Total non-current assets		6,048	5,466
Current assets			
Finance lease receivables	9	13	-
Trade and other receivables	11	112,211	105,746
Total current assets		112,224	105,746
Total assets		118,272	111,212
Non-current liabilities			
Lease liabilities	9	47	-
Total non-current liabilities		47	-
Current liabilities			
Trade and other payables	12	165	154
Lease liabilities	9	13	11
Total current liabilities		178	165
Total liabilities		225	165
Net assets		118,047	111,047
Equity			
Retained earnings		118,047	111,047
Total equity		118,047	111,047

The disclosure notes on pages 10 to 22 form part of these Financial Statements.

These financial statements were approved by the Board of Members on 27 June 2024 and were signed on its behalf by:



D A Kendal-Ward
 Director of Member A (4) Limited (Designated Member)
 For and on behalf of Rochpion Properties (4) LLP

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

	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023	-	111,047	111,047
Revaluation reserve (sold properties)	-	-	-
Profit for the period	-	7,000	7,000
Balance at 6 January 2024	-	118,047	118,047
Balance at 2 January 2022	-	106,934	106,934
Revaluation reserve (sold properties)	-	-	-
Profit for the period	-	4,113	4,113
Balance at 31 December 2022	-	111,047	111,047

The disclosure notes on pages 10 to 22 form part of these Financial Statements.

Notes to the financial statements

1 General Information

Reporting entity

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

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

The principal activity of the Partnership is rental properties.

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

2 Accounting policies

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

Basis of preparation

The Partnership meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council for the 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 Partnership 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 Partnership faces the same risks and challenges in relation to climate change as its ultimate parent undertaking (the Group) and manages 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.

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

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

Notes (continued)

New and amended standards adopted by the Partnership

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

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

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

Standards, amendments and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 6 January 2024 reporting periods and the Partnership has not early adopted the following standards and statements. The adoption of these standards is not expected to have a material impact on the Partnership's accounts:

- Amendments to IAS 8 - Definition of Accounting Estimates *
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies *
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction *
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *
- IFRS 17 Insurance Contracts *

* 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.

Estimates and judgements

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

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

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

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

Going concern

The Partnership generated a profit of £ 7,000k in the period (2022: £4,113k) and at the balance sheet dates holds net assets of £118,047k (2022: £111,047k).

The Partnership is reliant on the support of Co-operative Group Limited ("the Group") in order to meet its day to day working capital requirements because the Group operates a central treasury function. The Partnership meets these requirements through cash generated from its operations and participation in facility arrangements provided by external lenders to the Group and certain of its subsidiaries, including the Partnership ("the Group facilities"). A letter of support has been obtained from the Group as evidence of its intention to give continued financial support. The Group has confirmed that it has the ability to provide such financial support and has committed to providing such support until at least 31 December 2025. The Partnership has an inter-company receivable of £112k as at 6 January 2024.

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

Notes (continued)

2 Accounting policies (continued)

Going concern (continued)

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.

Notes (continued)

2 Accounting policies (continued)

Going concern (continued)

3. Consider downside sensitivities across the base case forecast

In undertaking our going concern assessment, we have included assumptions related to the 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.

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

2 Accounting policies (continued)

Property, Plant and Equipment

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

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

Freehold buildings - 2% per annum

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

No depreciation is provided on freehold land.

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

IFRS16

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

i) Right-of-use assets

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

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

ii) Lease liabilities

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

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

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

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

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

Notes (continued)

2 Accounting policies (continued)

Financial Assets and Liabilities

i) Recognition of financial assets

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

ii) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when they are qualifying transfers and:

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

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

Measurement

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

Trade payables

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

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

Trade receivables

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (for example, by business division, customer, coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not insured or subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in trade and other receivables (note 11).

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

Notes (continued)

2 Accounting policies (continued)

Investment Property

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Operating segments

The Partnership's chief operating decision makers are the Board of Directors. The Partnership does not have any different components of its business which would need to be disclosed separately under IFRS 8 *Operating Segments*.

Impairment

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

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

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

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

Taxation

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

Revenue

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

Finance Income

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

3 Operating profit

	For period ended 06 January 2024 £'000	For period ended 31 December 2022 £'000
<i>Operating profit before taxation is stated after crediting/(charging):</i>		
Impairment of right-of-use assets	(9)	(7)
Depreciation of right-of-use assets	(4)	(4)
Profit on disposal of right-of-use assets	(3)	1
Change in value of investment property	583	898

The auditor's remuneration of £4,941 (2022: £5,721) is borne by the ultimate parent undertaking. The Partnership is exempt by virtue of s494 of the Companies Act 2006 from further disclosures in relation to auditors' remuneration as it is a wholly owned subsidiary of the Co-operative Group Limited for which consolidated financial statements are prepared disclosing £0.1m (2022: £0.1m) non-audit fee information on a group wide basis, none of this fee relates to Rochpion.

4 Staff numbers and costs

The Partnership does not employ any staff. Members' remuneration in respect of services provided to the Partnership were £nil. (2022: £nil). No staff were employed by the Company in the current or prior period.

5 Finance income

	For period ended 06 January 2024 £'000	For period ended 31 December 2022 £'000
Interest on intra-group receivables	6,452	3,245
	6,452	3,245

6 Finance costs

	For period ended 06 January 2024 £'000	For period ended 31 December 2022 £'000
Underlying interest expense on lease liabilities	(2)	(2)
	(2)	(2)

7 Taxation

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

The tax on the net profit before tax differs from the theoretical amount that would arise using the standard applicable blended rate of corporation tax of 23.5% (2022: 19%) as follows:

	For period ended 06 January 2024 £'000	For period ended 31 December 2022 £'000
<i>Current tax reconciliation</i>		
Profit before tax	7,000	4,113
Current tax charge at 23.5% (2022: 19%)	(1,645)	(781)

Effects of:

Tax payable by the parent undertaking	1,645	781
Tax charge on continuing business	-	-

Notes (continued)

7 Taxation (continued)

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

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

Tax Policy

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

8 Property, plant and equipment

for the period ended 6 January 2024

	Freehold land and buildings
	£'000
Cost	
At 31 December 2022	103
At 6 January 2024	103
Depreciation	
At 31 December 2022	102
At 6 January 2024	102
Net book value	
At 6 January 2024	1
At 31 December 2022	1

9 Leases

for the period ended 6 January 2024

	Property £'000
Right-of use assets	
Cost	
At 31 December 2022	171
Additions	60
Disposals	(98)
At 6 January 2024	133
Depreciation	
At 31 December 2022	(171)
Charge for period	(4)
Impairment	(9)
Disposals	51
At 6 January 2024	(133)
Net book value	
At 6 January 2024	-

The Partnership leases one (2022: two) property assets.

Lease liabilities

	£'000
At 6 January 2024	
Current	13
Non-Current	47
	60
	£'000
At 31 December 2022	
Additions	11
Disposals	69
Interest expense	(3)
Payments	2
Balance at 6 January 2024	(19)
	60

Notes (continued)

9 Leases (continued)

Finance lease

The Partnership also sub-leases some of its non-occupied leased properties. The Partnership 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	14	-
One to two years	14	-
Two to three years	14	-
Three to four years	14	-
Four to five years	10	-
More than five years	-	-
Total undiscounted lease payments receivable	<u>66</u>	-
Less: Unearned finance income	<u>(34)</u>	-
Present value of minimum lease payments receivable	<u>32</u>	-
Impairment loss allowance	-	-
Finance lease receivable (net of impairment allowance)	<u><u>32</u></u>	-

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	13	-
Non-Current	19	-
	<u><u>32</u></u>	-

Impairment of finance lease receivable

The Partnership 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 £Nil (2022: £Nil).

10 Investment Properties

	For period ended 06 January 2024 £'000	For period ended 31 December 2022 £'000
Valuation at beginning of period	5,465	4,276
Revaluation gain recognised in profit and loss account	583	898
Additions	168	-
Transfers in / from property, plant and equipment	-	446
Disposals	(188)	(155)
Valuation at end of period	6,028	5,465

Investment properties have been valued as at 6 January 2024. The valuation was carried out internally and external by chartered surveyors such as CBRE and Savills, on the basis of open market value in accordance with the RICS Appraisal and Valuation Manual.

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

The mean ERV yield over the whole estate is 2.6% (2022: 2.7%)

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.

Rental income from investment properties in the period was £124,077.51 (2022: £147,856).

Direct operating expenses (including repairs and maintenance) in the period arising from investment properties that did generate rental income was £Nil (2022: £68K) and direct operating expenses (including repairs and maintenance) in the period arising from investment properties that did not generate rental income was £34k (2022: £33k).

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

	As at 06 January 2024 £'000	As at 31 December 2022 £'000
Cost	4,958	4,938
Accumulated depreciation	(59)	46
Net historic cost value	4,900	4,984

11 Trade and other receivables

	As at 06 January 2024 £'000	As at 31 December 2022 £'000
Amounts owed by group undertakings	112,154	105,686
Other receivables	56	59
Prepayments and accrued income	1	1
	112,211	105,746

Amounts owed by Group undertakings are repayable on demand, however based on management's assessment of credit loss and the fact that no loss on default is expected to arise, management have deemed that any provision for ECL is immaterial. Other receivables are stated net of an impairment provision of £51,334 (2022: £49,924).

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

Notes (continued)

12 Trade and other payables

	As at 06 January 2024 £'000	As at 31 December 2022 £'000
Trade payables	115	127
Accruals and deferred income	50	27
	165	154

13 Contingencies

The Group has a revolving credit facility (RCF) for which the Partnership 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, the Partnership continued to be a guarantor of the RCF agreement and the facility was undrawn.

The Partnership is also a guarantor of the Group's bond and loan notes, comprising a £300m Sustainability bond due in May 2024, £109m final repayment subordinated notes and the £20m instalment repayment notes due December 2025, and a £350m bond due in July 2026.

As noted in the Co-op Group's 2023 Annual Report and Accounts (Note 28; Commitments and contingencies on page 216); the partnership is a named entity in a claim by the liquidators of The Food Retailer Operations Limited in connection with transactions which took place in 2015 and 2016 relating to the Somerfield supermarket business acquired by Co-op in 2009. The Partnership has the benefit of an indemnity from Co-operative Group Limited in respect of all liabilities, costs, expenses, damages and losses and all other professional costs and expenses suffered or incurred by the Partnership arising out of or in connection with such claims.

14 Group Entities

Ultimate parent company

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