

Interim report 2024

H1 2024 in brief

A strong and focused Co-op, delivering growth and value for its member-owners.

Group Revenue* £5.6bn <small>Revenue up by £0.1bn on H1 2023 (£5.5bn).</small>	Underlying Operating Profit £47m <small>Underlying operating profit up by £4m on H1 2023 (£43m profit).</small>
Group Profit Before Tax £58m <small>Group profit before tax up by £91m on H1 2023 (£33m loss).</small>	Underlying Profit Before Tax £3m <small>Underlying profit before tax up by £12m on H1 2023 (£9m loss).</small>
Group Net Debt** £42m <small>Group net debt improved by £55m on H1 2023 (£97m).</small>	Net Cash from Operating Activities £207m <small>Net cash from operating activities down by £143m on H1 2023 (£350m).</small>
<small>* Our comparative figures have been restated to align to the accounting treatment adopted in our 2023 Annual Report and Accounts on Federal sales. Details can be found in the General Accounting Policies section on page 77. ** We amended our net debt metric at year end 2023 to show net debt before any interest accruals on debt held at amortised cost. The comparative half year numbers have been re-presented on that basis. Alternative Performance Measures (APMs) are defined in our Jargon Buster, included on page 252 of our 2023 Annual Report and Accounts.</small>	

We have a target of eight million active member-owners by 2030

A 19.5% increase in active member-owners to 5.5 million by the end of H1 (H1 2023: 4.6m.) 653,000 new member-owners joined our Co-op in H1 2024, including 54,000 who joined to take advantage of Co-op Live privileges (H1 2023: 395,000 new member-owners joined) with 270,000 lapsed member-owners reactivated.

- £55 million invested into pricing in our Food stores, delivering more value back to our member-owners and customers.
- £2.5 million fundraising milestone reached towards £5 million target, in support of 750,000 young people across the UK with Barnardo's.
- Co-op's Net Zero targets validated by Science Based Targets Initiative (SBTi) – a first for a UK convenience retailer.

- Pay for frontline colleagues aligned to the Real Living Wage – an investment of £100 million before the end of the financial year.
- Maternity and adoption leave increased to 20 weeks at full pay from 12 weeks, with paternity and co-adopter leave doubled to four weeks at full pay.
- An increase of 38% year-on-year on member-owner voting at our Annual General Meeting.

Our Co-op

Our Co-op is a 180-year-old organisation, with 5.5 million active member-owners and a presence in every postal area in the country.

As the UK's leading convenience retailer, we operate over 2,300 food stores within our Food Retail business unit.

Our Business-to-Business unit includes our Nisa business, serving more than 4,000 independent retail stores; our growing Franchise operation and FRTS (Federal Retail Trading Services), which supplies products on a wholesale basis to 13 independent co-operative societies.

Our Life Services business unit includes:

- Co-op Funeralcare - one of the UK's leading funeral businesses, with over 800 funeral homes across the UK;
- Co-op Legal Services – the largest regulated provider of wills in the UK, which also oversees the largest team of probate solicitors and specialists; and
- Co-op Insurance – with a range of products including home, car, travel, pet and life insurance.

We support our communities through our Local Community Fund, which shared £2.7m with 2,500 causes in February; through our Co-op Foundation charity and through our partnerships (for example with Barnardo's). Also, the Co-op Academies Trust oversees 37 academies with 20,000 students.

Our businesses are all UK-based, with our main support centre in Manchester – the city where the Rochdale Pioneers founded today's modern co-operative movement in 1844. We are the organisation that they originally founded. The movement has always promoted organisations with a clear social purpose, and our Co-op continues that tradition. A stronger Co-op means stronger communities; we're here to create value for our member-owners, and the communities in which we operate. We achieve this by running a successful and responsible business.

How we run our business is important to us. We set high standards for responsible retailing and service. We also embrace our responsibility to campaign on issues that matter to our member-owners, customers and colleagues. By offering great products and services, we expand our customer base and membership, amplifying the positive impact and value we bring to wider society.

For more information on our responsible business performance in 2023, please see our Co-operate Report at www.cooperative.coop

Chair's introduction

I am pleased to report to you, our member-owners, that our Co-op has delivered a good first half-year performance in 2024. Our Co-op is growing again, with increased revenues, profits and membership numbers, and this is being achieved while maintaining the financial rigour that has seen our balance sheet strengthen over the past few years.

This is despite many geo-political and economic uncertainties, which have continued to impact all the world and the markets in which we operate.

It is difficult to recall a time in recent memory where so many global and national issues have combined to create such a volatile and uncertain environment. We are living under the spectre of war occurring in the Middle East and in Eastern Europe; of elections having recently occurred or about to occur in some of the biggest democracies in the world; of the effects of climate change continuing to play out indiscriminately across our planet and of global economies still struggling to show any meaningful and sustainable growth.

Against such a backdrop, it is vital that our Co-op remains financially strong, delivers meaningful value back to you, continues to attract more member-owners into our Co-op and shouts even more loudly about our Co-op Difference. In the first six months of this year, we've achieved all of this.

That's because our Co-op is a different kind of business, one which places your interests firmly at its heart and one which can draw upon a proud 180-year heritage to drive its future growth ambition.

Our new Vision completely aligns with the founding Principles of the Rochdale Pioneers. *'Co-operating to build more value for our member-owners every day'* focuses our thinking, our plans for the future, and has driven the momentum we have witnessed over the first half of the year.

As this report will highlight, we remain well on course in achieving our target of eight million active member-owners by 2030, which will in turn generate more sustained economic and social value for them and for our communities.

This report also shows the underlying strength of our Co-op and the need for us to maintain sound financial management and discipline, during what remains a turbulent socio-economic period.

This is a testament to the commitment and hard work of all of our 55,000 Co-op colleagues and the support and encouragement of our active 5.5 million member-owners. I would also like to thank Shirine and our Operating Board for the commitment and dedication to our Co-operative Values and Principles, and the plan we set for 2024.

Shirine, Rachel, and the Managing Directors of our business areas detail how our planned investment in growth is enabling us to compete within our chosen markets in this report.

The report should also instil confidence in the potential of our business, showcasing a strong and secure foundation for the future, driven by our growth ambition, our business strategy and our new Co-op Vision.

I have immense confidence in the further potential of our Co-op and the same faith in you, our member-owners, to direct us and to be the catalysts for change in improving outcomes where our Co-op can make a difference.

A clear example of this Co-op Difference in action has been the leading role our Co-op has taken on retail crime, which has culminated in a commitment by the new Government to change the law and make assaulting a shopworker a standalone criminal offence. Our campaign was different to that of others because it was member mandated, and it was that

conviction which enabled us to speak louder and more openly than others. It is this basis upon which we will continue to evolve and deliver upon our social value strategy in the future.

Leading my first Co-op AGM (Annual General Meeting) this year was a real privilege and personal highlight, where the enthusiasm and insight provided by you, our member-owners, was rich and inspiring. To those of you who could join us, your active engagement, especially during our Members' Discussion, was encouraging for everyone on the Board to witness and be a part of. It provided a real platform of insight for us to use and to build upon in the years ahead.

I am also grateful to our member-owners for electing me at the AGM, along with our Chief Financial Officer, Rachel Izzard, our Independent Non-Executive Directors Adrian Marsh, Moni Mannings and Luke Jensen, and our Member Nominated Director (MND) Kate Allum. Kate became the new Chair of our Remuneration Committee, taking over from Stevie Spring in June this year.

I would also like to welcome Christine Tacon to our Board for the first time, also as an MND. Christine brings a wealth of industry and co-operative knowledge to the table, and her insight and knowledge will be hugely valuable to us all in the years ahead.

With the strength of our Group and Operating Board, and the hugely valued input and representative voice provided by our National Members' Council, we are well set to maintain our momentum during the remainder of this year and beyond.

I would like to thank you and our colleagues for your continued support, which is all contributing to a growing Co-op with a clear sense of purpose and direction.

We still have much to achieve, but there is clear momentum now within our Co-op, which must be built upon for our long-term Vision to be realised.

Debbie White,

Chair, The Co-op Group.

Chief Executive's overview

It has been a privilege to lead our Co-op over the past two years and to see how the significant transformation and resetting of our Co-op is now starting to bear fruit. While there is still much to do, it is clear we are on the right path.

As Debbie notes in her introduction, we are a much stronger, progressive and future-focused Co-op - a Co-op firmly back in control of its own destiny and a Co-op with its sights set on growth for the benefit of you, our member-owners. I am very proud of the efforts and contributions of our amazing 55,000 Co-op colleagues, whose support has enabled us to make further progress during the first half of this year.

We have navigated a challenging couple of years, marked by sustained economic pressures, political uncertainties and geo-political upheaval. These events have continued into the first half of the year and have impacted all the markets in which we operate. It is testimony to the underlying strength of our Co-op, and to our Vision and strategy, that we have performed well in each of our markets.

I am pleased that while we have been rightly focused on our commercial ambitions, our unique Co-op Difference is also starting to resonate once more. The UK needs a strong co-operative and mutual sector to bring balance and diversity to our economy and into our wider society.

The new Government has acknowledged the huge contribution co-operatives can make to the economy and has pledged to double the size of the UK's co-operative and mutual sector in its manifesto, as part of its support for diverse business models. Research from our Co-op indicates a growing public demand for more diverse models as over half of consumers (55%) are keen to see more co-operatives in business and would give them more backing.

While it is encouraging to see this level of interest in our sector from the new Government, it is incumbent upon ourselves to make the case for our Co-op to the nation, and to demonstrate the greater value that comes from being a member-owner of a co-operative business, rather than expecting others to do that work for us.

This year, therefore, we have launched one of our biggest ever campaigns to encourage the UK to become a nation of co-operators again. We launched the 'Owned by You, Right by You' campaign in the summer, after research revealed that over 50% of consumers didn't understand the co-operative or mutual business model, or how being a member-owner could benefit them and their communities. We will share more about the campaign as part of our Annual Report and Accounts.

This interim report shows the progress we are making in managing short-term challenges, without losing sight of our exciting long-term Vision. It highlights how we are maintaining the financial disciplines which served us so well during the transformation period starting in 2022 when I took on the CEO role; how we are competing effectively within our three core markets of Food Retail, Business-to-Business and Life Services; and how we are continuing to evolve our membership proposition in service of our Vision to *'Co-operate to build more value for our member-owners every day.'*

It is vital that we remain focused on all the key aspects of our business that combine to deliver on our Vision and strategy, which will ensure our long-term success and sustainability.

In H1 2024 - to support our performance trajectory, realise the potential of our investments and drive our significant growth ambition, we have reorganised our businesses into three areas. This will provide more opportunities for us to innovate and strengthen our products and services within our existing business areas. It will also enable us to better explore adjacent market opportunities in the future for the benefit of you, our member-owners.

- **Food Retail:** Led by Matt Hood, this includes our market beating convenience estate of over 2,300 stores and our expanding ecommerce business, which is now the leader within the quick commerce market, according to data from Fox Intelligence.
- **Business-to-Business:** Led by Jerome Saint-Marc, this includes our Nisa wholesale business, serving more than 4,000 independent retail stores, our growing Franchise operation and FRTS, which supplies food on a wholesale basis to other UK independent co-operative societies. I'd like to take this opportunity to welcome Jerome, who joined our Co-op in November 2023 and became our Managing Director of B2B and Growth in March.
- **Life Services:** Led by Caoilionn Hurley, this area includes our Funeralcare business – one of the UK's leading funeral providers; our Legal Services business – one of the largest regulated providers of wills and our award-winning Insurance business.

Details of our respective Business Units' performance is covered over pages 13 to 25.

In this report, our Chief Financial Officer Rachel Izzard will also show that our Co-op is growing again despite the external challenges within each of our markets. Our Group Revenue is increasing although our footprint has remained stable, and our profitability is where we expected it to be, following our increased spend across prudent investments. And our balance sheet remains strong and capable of supporting our growth ambitions, as evidenced by the further reduction in our net debt.

We invested significantly more in the first half of 2024 than in 2023, as part of this growth strategy. This investment has been prudent, and importantly has been made through free cash flow rather than debt, while still generating a healthy amount of net cash through our operating activities.

Rachel's Financial Overview starts on page 9.

The strength of our underlying business, and indeed that of our business model, is best illustrated by the significant investment, business development and wider co-operative action that we were able to make during the first half of this year. This has delivered clear and meaningful value for our member-owners and the wider community. It included:

- A projected full year investment of up to £80 million including new stores, relocations, refreshes and freehold purchases. There is also a further £26.1 million investment in efficiency initiatives. To offer our local communities more shopping options, we also launched an additional £5.4 million investment in enhancing our online services, and £4.2 million to further leverage technology in our stores, for visiting member-owners and our customers. All investment programmes will complete before the end of the financial year.
- An additional £100 million into colleague pay to be made before the end of this financial year, including a 10.1% pay rise for over 38,000 frontline colleagues, maintaining our commitment to align our lower rates of pay to the Real Living Wage as set by the Living Wage Foundation.
- Continued investment in prices across our Food stores, totalling more than £55 million in H1 2024. In January 2024, a further 117 everyday low prices were introduced for our member-owners, including branded items for the first time. Member prices were also made available to Uber Eats and our own Co-op app users this spring.
- Further growth in our Co-op Levy Share Scheme. Over £5 million was pledged in the first half of this year (7 January – 6 July), taking the total pledged to date to £28.5

million. We have now matched over 2,300 apprentices and data collected showed that 64% identify as female, 34% from an ethnic minority background, 19% with a declared disability and 27% declaring a caring responsibility.

Our Vision

Our Vision, which launched in January, guides everything that we do in '*Co-operating to build more value for our member-owners every day*'. It was developed in partnership with our member-owners and National Members' Council to ensure that your ideas and best interests are prioritised. I am so very grateful to everyone who was involved in the thinking and creation of the Vision, and feel very lucky to be leading an organisation where there are so many brains to think and hands to help.

We have actively championed our new Vision along with our heritage, our unique Co-op Difference and the essence of being co-operative, bringing them to the forefront of discussions with journalists and the national media this year. It is crucial for you, our member-owners and potential members to understand the power of your role in our Co-op and what you can expect by being part of it.

In his report, starting on page 26, our Chief Membership & Customer Officer Kenyatte Nelson illustrates how we have continued to evolve our membership proposition. Co-op member-ownership is not a loyalty scheme; it is the means by which we can create sustainable economic and social value for you, our member-owners, as equal and part-owners of your Co-op.

I'm delighted that increasing numbers of the UK population are starting to realise and appreciate the value this provides and, during the first six months of this year, we have seen further growth in new member-owners joining our Co-op.

We are now providing you far more economic value than we have previously and, as Kenyatte will point to in his section, this will not be to the detriment of the wider social impact and ownership value we can and will provide in the future.

In service of our Vision, we have taken both straightforward and much more challenging decisions. For example, our move to change our local member engagement model was a difficult decision to make, given the wonderful job our Member Pioneers and Member Pioneer Co-ordinators have done in recent years. It was, however, the right decision for us to move to a model with the equivalent of 61 full-time Member Engagement Activators (over a mix of 90 full and part times roles), able to give their full focus to promoting the wider benefits of Co-op member-ownership at both a local and regional level.

Summary

It has been a successful first six months of the year and I would like to thank my Operating Board for their commitment and drive. We have moved quickly from transformation to preparing for growth, and there hasn't been a moment to rest.

I thank them and every one of our colleagues for their continued focus and leadership. Additionally, I'd like to extend my thanks to our Group Board and to our new Chair, Debbie White, for their invaluable counsel, and to our National Members' Council, who continue to ensure your voice is heard and acted upon.

Finally, my heartfelt thanks to you, our member-owners, for your continued and active engagement with the things that really matter for our Co-op and to the communities it serves. This makes a huge difference to our success and is our Co-op Difference in action.

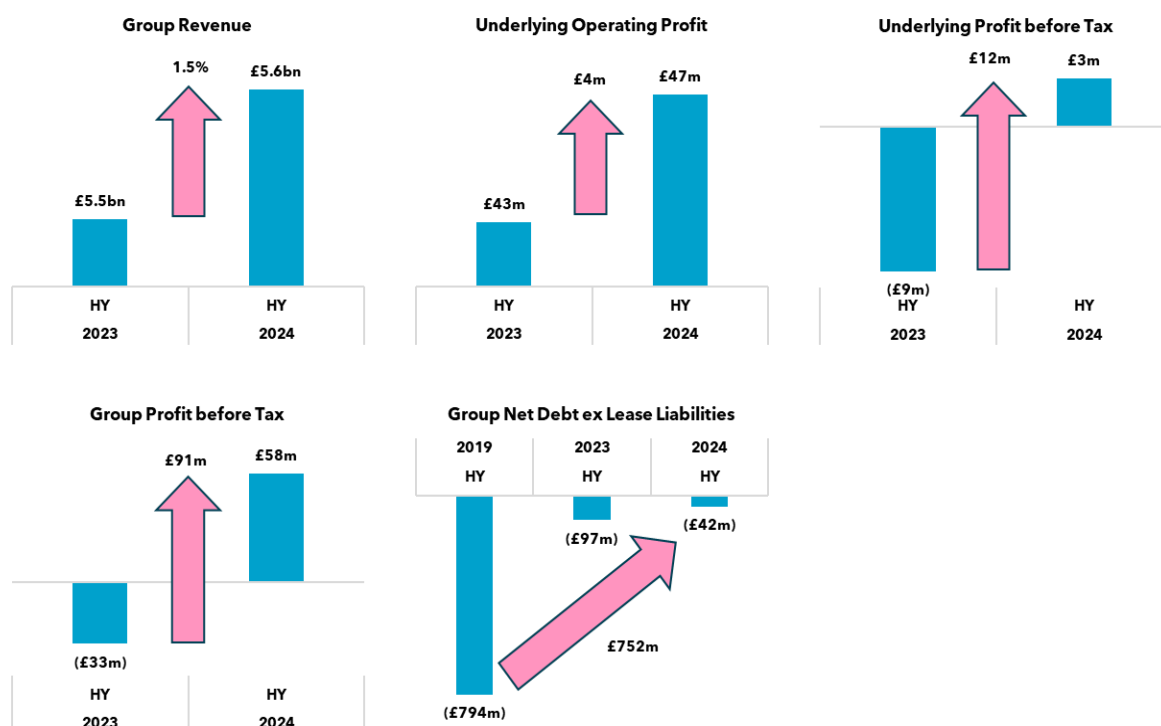
Shirine Khoury-Haq,

CEO, The Co-op Group.

Financial overview – Rachel Izzard, Chief Financial Officer

I'm pleased to share our 2024 Interim financial results with you, our Co-op member-owners, and with our amazing colleagues, whose hard work and dedication enabled us to deliver these successful results over the first half of this year, despite the continued turbulence presented from external factors.

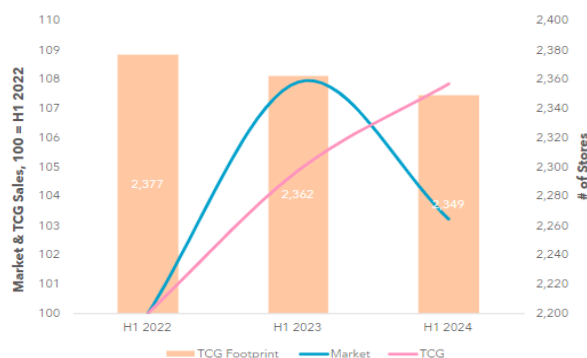
As you will have read from Debbie and Shirine, our Co-op is in a good position, with greater strength and scope to continue to grow and deliver in the future, on behalf of all of us as member-owners.



Despite challenging market conditions, the half year results demonstrate early progress in our move to sustainable, profitable growth. This has been underpinned by our membership strategy and the refreshed Vision that Shirine, Kenyatte and our other leaders speak to in this report.

As a group, we delivered 1.5% revenue growth from £5.5 billion to £5.6 billion. Within our portfolio, we've seen some clear momentum ahead of the wider market. For example, Legal Services grew revenue by 35.5% (H1 2024: £42m, H1 2023: £31m), and Co-op Food, our largest segment, delivered a robust 3.2% sales growth year-on-year, from £3.6 billion to £3.7 billion – this is despite the convenience retail market unexpectedly contracting, compared to earlier external forecasts of growth.

UK consumer conditions have been difficult and although we've been operating in contracting markets, we have held or improved our market share. This has been most marked where we have successfully delivered on products and routes to market that work for Co-op, such as quick commerce leveraging our Food estate's breadth; customer segments such as Legal Services offering great with good value, well executed wills and probate; and finally, our refreshed and effectively marketed membership proposition, with material price investments for our member-owners, increasing the active member-owner count by 19.5% from 4.6 million to 5.5 million year-on-year.



Market is the Convenience Market size in terms of sales value as per Circana for H1 2022, H1 2023 and H1 2024. TCG is the TCG sales as per Circana for H1 2022, H1 2023 and H1 2024. TCG footprint in the number of Food stores at end FY2022, H1 2023 and H1 2024.

Our largest business unit is Food Retail, and to give a sense of the material market changes and The Co-op Group's profitable growth aim, below is a visual of Food Retail's last three years.

Using H1 2022 as our benchmark we have seen sales value growth in both H1 2023 and H1 2024. This has been despite a slightly reducing estate footprint, meaning sales density per store has started to improve. The Co-op Group's Food Retail's sales growth in H1 2024 of 3.2% is ahead of the market for the same period, where the market has contracted by 4.2%.

Our Group underlying operating profit is slightly ahead of last year (H1 2024: £47m, H1 2023: £43m) which is a strong performance in the context of both the contracting markets, and the combination of active investments and operating cost inflation, with significant headwinds over several years. This meant we needed to offset more than £100 million to achieve this slight improvement in profitability year-on-year, over and above the headwinds already absorbed in H1 2023 of over £120 million. In both years we have made active choices to invest in our colleague discount programme (H1 2024: £18m) and community support (H1 2024: £9m).

Key operational investments included more than £55 million additional in pricing in our Food stores, including £34 million in prices specifically for our member-owners. Cost inflation headwinds included pay inflation of £48 million in H1 as we continued our commitment to align to the Real Living Wage, and third-party operating cost inflation of over £20 million on our goods not for re-sale. This was partially offset by a £14 million price saving in our energy costs as the prior year peak in pricing has started to unwind.

We successfully offset the year-on-year c.£100 million of investments and headwinds through a range of initiatives. These included the stimulation of volume vs the market, generated by the member pricing activity and our successful push into Quick Commerce in our Food Retail unit; the continued momentum in Legal Services, and cost efficiency work continuing Group wide.

We've improved Underlying Profit Before Tax (PBT) by £12 million and returned this metric "into the black" to a modest but hard won £3 million (H1 2024: £3m profit, H1 2023: £9m loss). This improvement year-on-year is the £4 million improvement in underlying operating profit, and an £8 million reduction in the net interest paid across our debt and leases, which is a direct benefit from continuing to lower our net debt.

Statutory PBT materially improved by £91 million from a loss of £33 million in H1 2023 to a profit of £58 million in H1 2024. This reflects the underlying result above, plus non-cash improvements in our Funeralcare investment asset returns and a reduced level of non-underlying or one-off charges.

The Funeralcare investment income was £70 million in the period, £60 million higher than the prior year and c. £27 million higher than historical averages. This income fluctuates and is managed over the long term, with H1 2024 relatively high and H1 2023 relatively low.

Other non-underlying charges also reduced with the most material charge relating to store asset impairments. Operating in these tough market conditions, we impaired a small proportion of our Food stores by £21 million, with a £24 million impairment overall. This is an improvement of £12 million year-on-year as we take action to improve our store profitability with fewer stores dropping into this impairment territory.

We have several initiatives in place that are outlined in the Food Retail update to retain stores and serve our communities and to ensure disposal of underperforming stores is taken only as a last resort.

Moving on from earnings to cashflow and balance sheet, we generated solid cashflow from operations in line with our expectations (H1 2024: £207m, H1 2023: £350m). The reduction on prior year is due to last year being abnormally high, when we were catching up with slow processing from the year before. Cashflow from operations is then used to pay for lease charges, capital investment and financing costs.

The amount of capital invested increased in a tightly managed way to £117 million, compared to £68 million in H1 2023, when we constrained capital until we had confidence to invest carefully, which we now have. This is the first time in over three years that it has been over £100 million in the first half.

A key part of the capital this year was returning to opening new stores and refreshing current stores. This is as a result of the hard fought turnaround in the Food business, where we are starting to see improved cash contribution per store. This is enabling positive payback cases for deploying our member-owners' money, including a handful of tactical opportunities to buy freeholds for high performing stores previously on leasehold. As our Co-op has made clear this summer, we're owned by you and do right by you, and want to ensure that our businesses continue to serve you, our member-owners, in a way that you expect and deserve.

	FY 2022 *	FY 2023	H1 2024
Disposals	(87)	(31)	(17)
Acquisitions **	9	3	17
Net change to estate ex PFS	(78)	(28)	0
<i>Percentage change ex PFS</i>	<i>(3%)</i>	<i>(1%)</i>	<i>0%</i>
Freehold buy ins	-	1	1
Capital invested (£m)***	16	40	26

* FY22 is excluding the PFS transaction

** Acquisitions includes six sites where we have contracted with Shell to operate the grocery operations

*** Across acquisition, freehold purchases, refresh and relocations

We expect to spend up to £80 million by the full year on these categories, which is the double the prior year.

We have increased investments, but prudently and through our free cash flow, rather than debt, which has also enabled us to further reduce our bank net debt from £97 million at H1 2023 to £42 million by the end of H1 2024, down a heartening 95% on FY 2021.

Our liquidity remains in a strong position with sufficient headroom after successfully paying back the May 2024 £200 million bond from cash with no need to refinance. This careful balance sheet approach underscores our commitment to growth alongside disciplined financial management. We will continue to carefully ramp up investment and pay forward for the future, generating more value for you, our member-owners, as we invest in our strategic ambition.

In summary, we've delivered topline growth of 1.5%, improved underlying operating profit and moved underlying PBT "into the black" while facing some tough market conditions. We have extended our offers for member-owners, continued our community support and increased colleague and strategic investment, all while maintaining our strong balance sheet position. There is still more to do to build our profitability to a healthy sustainable long-term level, but H1 2024 has been an important step on the way and shows clear momentum.

As our member-owners, I'd like to close by thanking you and our hard-working colleagues for your support in getting our Co-op to a strong position over the first half of this year.

Business unit updates

Food Retail – Matt Hood, Managing Director, Co-op Food

	H1 2024	H1 2023	Var/%
Revenue	£3.7bn	£3.6bn	3.2%
Underlying Operating Profit	£85m	£77m	£8m
Market Share*	14.1%	13.2%	0.9%

* Source: Circana convenience data, 26 weeks to 6 July

This year, our strategic planning in the Food business is firmly anchored to our Co-op Vision of ‘Co-operating to build more value for our member-owners every day’. We’ve started 2024 on a strong note, marking the second year of our Pure Convenience strategy. In building on the solid foundations we initially laid, we are now embracing more innovative approaches.

We aim to deliver convenience without compromise, offering high quality products that you, our member-owners, want and need. We continue to invest in the prices of our most shopped products and reward you with exclusive prices and promotions, to help you manage household costs.

We are clear on our routes to market and growth, as we expand our ecommerce proposition at pace and open new stores. We are committed to the convenience market, with ambitions to service over 40% of it by 2030.

The investments in technology, our stores and efficiency improvements have positioned us to become the best small store operator in the UK as well as a more profitable growth business that creates value for you, our colleagues and the communities we serve.

As always, this progress is down to our dedicated colleagues - thanks to them all.

Our performance

In Food Retail, we saw revenue grow by 3.2% year-on-year from £3.6 billion to £3.7 billion, with a strong sales performance coming through from both our retail estate and our fast-growing Quick Commerce operation.

Our underlying operating profit in H1 2024 was £85 million (H1 2023: £77m) and our sales volume in H1 was up by over 2.5% which, as we said last year, was key for all businesses as inflation slowed in 2024. Indeed, inflation has slowed, arguably faster than we planned for. However, there is still some inflation coming through into the system on top of last year's very high inflationary numbers.

We have significantly improved our value position, in particular for member-owners where it's now up to 11% cheaper for you to shop key lines in our Co-op compared to non-members. Membership was also a growth driver in H1 with 36.2% of food sales now being by a member-owner, up 5.7 percentage points year-on-year.

Our sales were significantly ahead of the convenience market in H1. In the first half of 2024, we saw notable year-on-year growth in sales volumes across our stores and online platforms. Overall, we're outperforming market level sales growth in value by 7.4 percentage points, as reported by Circana Convenience. This was in line with our internal projections and shows the strength of our promotions, online proposition and membership offerings.

Our Quick Commerce channel continues to grow exponentially – revenue was up 62% this half year to £217 million (H1 2023: £134m). By the end of H1, we had become the largest grocery customer on Deliveroo's, Just Eat's and Uber's platforms, and expect to have reached half a billion sales through Quick Commerce channels before the end of this financial year.

In H1, we continued to invest more than ever in colleague pay and continued to align to the Real Living Wage. We increased our Customer Team Member and Post Office Counter Assistant pay from £10.90 to £12/hr (a 10.1% increase year-on-year). We also increased our Team Leader and Post Office Supervisor pay from £12/10 to £13.32/hr (10.1% increase).

H1 key highlights

- **Colleague safety**

Keeping our colleagues safe is and remains our number one priority. Our Safer Colleagues, Safer Communities campaign has been active since 2021 with greater focus from H1 2023, based on the significant increase in incidents.

In April 2024, the then Government announced that attacking or abusing a shopworker would be a standalone offence following an amendment to the Criminal Justice Bill. We had long campaigned for this and it was a key moment for shopworkers and for the communities they serve, so we were disappointed that the Bill fell as a result of the calling of the General Election. However, we were delighted when the new Government made clear its intention to deliver on its long-standing policy to create the standalone offence.

This was a perfect example of the social value that we create every day, as a Co-op. You - our active member-owners - with our colleagues had been the driving force behind this campaign.

In the six months to June 2024, we recorded 950 crimes a day in our stores – that's 172,008 incidents across H1 2024 and a 4% year-on-year increase (H1 2023: 165,652 incidents). 'Leakage' costs to our Food business – which include theft and fraud – were around £39.5 million in H1, compared to £33.3 million in H1 2023.

In H1, we tested how we can use Artificial Intelligence (AI) analytics to detect concealments and thefts in 14 of our stores, alerting colleagues when an incident was occurring. The technology can also detect when a physical assault is taking place and will send an alert directly to our Mitie monitoring station to request support. We will update further as part of our annual results.

While crime and leakage are still high, a recent ACS (Association of Convenience Stores) report showed that despite us representing 29% of the sales they covered within the report, Co-op only represented 6% of the crime reported – indicating that our investment is helping. We hope this gives our colleagues confidence that we are investing in keeping them safe.

- **Investing in value and rewarding loyalty**

We remained firmly focused on our 2030 ambition to serve 40% of the UK convenience market by 2030 and did this by demonstrating economic value to you, our member-owners.

In H1, we invested a further £55m into pricing – continuing to focus on the products our customers already buy, to deliver more value back to our member-owners and customers every time they shop with us.

We'll continue this mission throughout 2024 and beyond, making sure that price is no longer a blocker to convenient shopping. By the end of H1, you could get exclusive Member Prices across 298 lines in our Food stores. These products were bought over four million times per week, on average.

In January 2024, we launched Member Price deals on Uber Eats. We then made Member Prices available on our own online store shop.coop.co.uk in March. These improvements make Member Prices available to those of you who choose to shop online.

We've also invested in Co-op brand Member Promotions. From 17 January – 25 June alone, we had more than 190 Member Promotions, and 2.9 million member-owners redeemed at least one – that's 63% of those of you who shopped with us. Towards the beginning of H1, live promotions included:

- Member Movies – A free Amazon Prime Movie rental with every purchase of our curry meal deal.
- Big Night In x Big Night Out, with you having the opportunity to win a Co-op Live experience when purchasing the deal.
- Full category wine 'Buy 3, Save £5' event.
- Over 50 branded Member Promotions with a focus on known and loved brands and key promo sites in store.
- Our pizza and beer for £5 offer with over 254,000 member-owner redemptions.
- Upweighted summer activity including:
 - Freezer Filler at 5 for £5.
 - 2 for £5 British BBQ.
 - Irr Prosecco at £6.50 (non-member price £7.50).

Quick Commerce

In H1, we continued to grow and improve our online options, offering you more options for quick, easy and convenient online shopping.

In 2023, we became number one in the quick commerce market, which means delivery of products in less than an hour. According to Fox Intelligence by Nielsen, we retained the number one spot throughout H1, with the period ending at a high of 24.6%.

Over H1, we've:

- launched 678 more services into stores that can be accessed by member-owners and customers online, supported by new partnerships including a partnership with Uber Direct, which enables shoppers to order groceries from Co-op's online shop and have them delivered locally by Uber; and a trial with Snappy Shopper to provide store-to-door delivery in Northern Ireland.
- launched member pricing on our own website and extended member pricing on Uber with more than 100,000 member-owners shopping – we were the first to market, to make member prices available this way.
- introduced 288 new parcel options, for collection and return, including the acceleration of our partnership with InPost, which we announced in June.
- launched a new partnership with Walmart Commerce, as part of a first for the convenience sector, to provide our new one-app picking solution, simplifying how our colleagues pick orders.

These improvements saw quick commerce contribute £217m to turnover in H1, growing more than 62% (H1 2023: £134m).

Our stores and how they operate

In H1, the growth of our Food estate and routes to market began, following a number of years where we were re-stabilising our business and had to scale back on new store openings. I'll focus here on the owned Food estate, rather than those stores which are part of B2B.

In H1 our opportunity to serve you, our member-owners, customers and communities increased with:

- 11 new store openings
- We contracted with Shell to operate the grocery operations in six petrol forecourts
- We relocated three stores in Great Shelford, Burry Port and Bristol Ashley Down

We began to invest in H1 in our 'Store of the Future' initiatives, where we expect to spend £4.2 million in 2024 on the latest tech developments to enhance the store experience and drive efficiencies across our estate.

In H1, we implemented some changes to how we run our stores. Rather than a 'one size fits all' model, this offers fairer, more accurate and balanced time for our colleagues, reflective of the individual characteristics and complexities of our stores. This activity is focused on giving colleagues the right amount of time to make sure they can serve their member-owners, customers and communities to the best of their abilities. By the end of H1, we had gone live in 1,909 stores, with the remaining 401 stores launching in H2.

While we are still seeing some disposals of stores (17 in the first half) we have established processes across Property and Food to make sure every store in every community has the chance to survive and thrive. Each store has a unique plan designed to improve profit and maintain a continued presence in our communities, reducing the risk of a site being disposed of.

We also implemented further focus on simplifying the range, space, promotional offers and operating model in some of our loss-making or lower profit stores. The aim is to make these stores more compelling and more profitable, while retaining our presence in our local communities, although we cannot underestimate some of the continued economic challenges these stores might experience, such as the risk of increased business rates. In H1, five stores went live with a planned launch of 27 further stores in H2.

A better way of doing business

At our 2023 AGM, member-owners voted in favour of us reducing the stocking density of our chickens and improving their welfare. Since then, we've made progress and kept you engaged at key milestones.

All Co-op chickens are now reared with a reduced maximum stocking density of 30kg/m², giving the chickens 20% more space to roam.

We opened applications for our third year of 'the Apiary' in January, as our supplier accelerated support scheme. The scheme supports diversity and inclusion within the store range, and smaller-scale suppliers receive tailored support, mentoring and advice on all aspects of the product journey. Every year, we work with eight small purpose-led brands to complete a 12-month trial on Co-op shelves, with a view to gain a permanent listing. In H1, we received over 500 applications and held 40 virtual interviews. Seven suppliers then pitched in person, before we selected our final eight brands.

In April, as part of Co-op Endless Inclusion Hub, we launched 'a gift to give' which is a programme designed for the larger brands we work with to have an opportunity to give something back to our smaller brands on the Apiary scheme – lending office space and mentoring, for example.

We continued to support our local communities through the Local Community Fund and build on existing partnerships to support at home and overseas initiatives, including our work with Fairtrade and The One Foundation. To read more about both, see page 29 and 31.

Business-to-business (B2B) – Jerome Saint-Marc, Managing Director, B2B

	H1 2024	H1 2023	Var/%
Revenue	£1.7bn	£1.8bn	(2.7%)
FRTS	£1.0bn	£1.0bn	(2.5%)
Wholesale & Franchise	£0.7bn	£0.7bn	(2.9%)
Underlying Operating Profit	(£8m)	£3m	(£11m)
FRTS			
Wholesale & Franchise	(£8m)	£3m	(£11m)
Market Share NISA Only*	12.9%	11.9%	1.0%

*Source: Nisa market share of Circana Symbols & Independents - 26 weeks to 6th July

We have bold ambitions to significantly grow our sales and revenue from existing and new business areas by bringing the best of our Co-op to trusted partners. Within B2B, we have Co-op Franchise, Nisa and FRTS (sourcing product and providing logistics services to independent co-operative societies) as well as Corporate and Business Development.

Building our B2B routes to market enables our Co-op to operate in markets and locations which aren't necessarily right for a Co-op Food store. Franchise, Nisa and FRTS allow us to offer a range of options to our B2B customers that best suit their needs.

As one of our member-owners, you may have already visited one of our Franchise stores but, because they look and operate in the same way as our owned stores, you may not have realised it. These stores are owned by independent businesses and we work closely with them to manage the store, whereas our Nisa stores actually look different, being owned by independent businesses but stocking Co-op products alongside their own ranges.

The golden thread which ties all our businesses together is Co-op own brand, which remains a key part of our B2B proposition. As the cost of living crisis and inflation have still been prominent, we've ensured our retailers can meet the demand of their shoppers, by stocking a range of Co-op own brand products recommended for convenience. More than 93% of our partners are leveraging our Co-op own brand (H1 2023: 93%).

More broadly, we are working together with the collective aim to profitably grow our Co-op and create more value for you, our member-owners. Our B2B proposition enables new customers to come into contact with our Co-op, and the high quality of our products and services support their journey to becoming loyal customers or member-owners. We also leverage the volume generated to deliver better prices by negotiating better with our supplier base.

Together we're also helping to serve society and, through our independent retailers and Franchise operation, we're extending our local community impact. We also donate a percentage of the sales on Co-op own brand products bought in Nisa to support grass roots community causes through the successful 'Making a Difference Locally' programme, where independent retailers can nominate causes to which funds can be donated.

In the first half of this year, we have focused on getting the right team in place to deliver these plans and support our ambitions.

Our flexibility and ability to adapt to different environments and different shopper needs has allowed us to attract 213 Nisa retailers or partners, and five new Co-op Franchise stores in H1.

We're only a few months into this new structure but already all of the teams within our business area are working together with the collective aim to profitably grow our Co-op and create more value for you, our member-owners.

Our B2B performance

Our Business-to-Business area saw revenue of £1.7 billion, a 2.7% decline (H1 2023: £1.8bn.)

The fall in sales and profits was reflective of the wider challenges within the wholesale market, where volumes have reduced year-on-year – the Symbols & Independent market has seen a volume decline of 13% year to date, according to data from Circana.

Our underlying loss for H1 2024 was £8 million (H1 2023: £3m profit). The sector has been particularly impacted by input costs to the sector, namely the increase in the national living wage, energy costs, which remain high and the return to pre-Covid business rates. Despite our efforts to support our independent partners, the effects on categories such as Tobacco; Beer Wines and Spirits and Impulse (incremental or unplanned purchases by shoppers) are creating extraordinary challenges for them.

Similarly to our Food business with member pricing, our Nisa business lowered the wholesale selling price of hundreds of branded and own brand products within categories most important to retailers. This was part of a campaign which launched in January 2024 to help retailers to remain competitive. More information on Nisa's financial performance follows shortly.

We also continued to work closely with our independent co-operative society partners through our co-owned buying group FRTS (Federal Retail Trading Services). This is a valuable partnership with organisations and partners who share both our co-operative Values and Principles, as well as a strong common heritage of co-operation. It is a partnership forged over many years and is deeply valued.

In H1, we have been looking to the future and have made a number of strategic decisions to profitably grow our business, that we will be able to illustrate in more detail as part of our annual results.

Nisa

With the above in mind, and as it has remained a challenging environment for independent retailers, we've prioritised what matters most to them in H1. We have worked to help our retailers remain competitive and support them in managing their operating costs, while being able to offer their shoppers great value in this competitive market.

At Nisa, we have the flexibility to work with more than 1,300 business-to-business partners, ranging from convenience stores and supermarkets, through to forecourts and holiday parks. This is in addition to our wholesale customers, who all have access to our high quality Co-op own brand products across 130 countries – we exported more than £1.1 million worth of Co-

op branded products in H1 alone. This is all delivered by Nisa's supply chain, with a strong availability rate in the first half of the year of 97.3%, an increase of 2.4% year-on-year (H1 2023: 94.9%).

As above, the Symbols & Independent market* has seen a volume decline of 13% year to date, and it has consistently underperformed against the total convenience market, which itself has seen a decline of 5%.

While sales were down 2.9% year-on-year due to the wider market conditions (H1 2024: £0.70bn, H1 2023: £0.72bn), as well as our own decisions to invest in lowering prices for customers in a very difficult market, we have also seen a Nisa market share increase of 1% to 12.9% (H1 2023: 11.9%).

* 'Symbols' refers to convenience stores that trade under a common brand (such as Nisa) but are independently owned. 'Independent' stores operate under their own brand. This market definition excludes the major operators such as Co-op.

Delivering value to our retailers

Nisa lowered the wholesale selling price (WSP) of hundreds of branded and own brand products within categories most important to retailers. In June, we changed the way we operate our commercial policy and pricing, extended our range and launched a new Recommended Retail Price (RRP) strategy aligned to market-leading competitors to make it easier for retailers to operate their stores.

We introduced pricing consistency across 'family groups' of products, which saw us reduce the price of 135 product lines across our 22 top-selling family groups.

As shoppers are looking to save money by buying bigger packs when shopping in convenience, we extended our 'bigger pack, better value' range, which is traded at an Every Day Low Price, or as part of our competitive promotional strategy.

We have also re-introduced our branded RRP strategy and aligned the RRP of 4,000 branded lines to a market leading competitor, for both convenience and supermarket stores.

Through the Nisa 'Making a Difference Locally' charity, we've launched the eighth round of the Heart of the Community initiative, which aims to brighten the futures of children by providing funding for back-to-school uniforms and summer activities, from a pot of £50,000.

Franchise**

Our Franchise business is a key enabler to our Co-op's growth plans and we are looking to double the amount of our new Franchise stores into the first half of 2025.

This growth will come from a variety of different locations and partners. Combining our Co-op retailing expertise with that of our partners, who know and understand their markets, allows us both to grow our partnership and serve more communities, customers and members.

In H1, we opened five franchise stores (H1 2023: one) including our first two franchise stores in Wales. The first of these opened on 18 January in Parc Derwen Bridgend, with the second opening in Morriston.

We also launched one store in Deansbrook, London with partner Our Retail, and two stores with MRMU in Comberton and Uckfield, which are the team's sixth and seventh stores with us.

In H1, we signed a Master Franchise agreement with a significant third party provider and a petrol retailer, and we are partnering with them to trial some new location types in hospitals, Government sites and transport hubs. The first Co-op Franchise store in an NHS site launched in early H2 and we'll update more at annual results.

*** Franchise is reported within our Wholesale segment results alongside Nisa.*

FRTS

The Federal Retail Trading Services buying group comprises of 13 independent co-operative societies with 1,200 stores, as well as The Co-op Group. We buy the vast majority of our food retail goods for re-sale together to leverage common buying scale and promote efficient use of members' money. This year we have renewed our shared Buying Services Agreement and completed the integration of Leicester Depot from Central Co-op into The Co-op Group's logistics network. This partnership generated revenue of £1 billion, representing a 2.5% decrease year-on-year (H1 2023: £1bn.)

Although we buy together, each independent society member has complete autonomy over ranging, presentation and price, and individual society performance is not shared.

We have focused this year on continuing to improve the commercial and practical delivery of the shared Co-op proposition, through improvements in service, availability and logistics. By focusing the range we offer, we have been able to be more efficient and cost effective, which has unlocked greater value and consistency in the core product catalogue. The renewed focus on Co-op own brand development has been embraced by independent co-operatives keen to showcase our difference.

We work closely together and continue to explore opportunities for further amplification of our common co-operative DNA, both commercially and in community and colleague aspects, such as the campaign on retail worker protection and crime.

Life Services – Caoilionn Hurley, MD, Life Services

	H1 2024	H1 2023	Var/%
Revenue	£205m	£191m	7.3%
Funeralcare	£148m	£146m	1.4%
Legal	£42m	£31m	35.5%
Insurance	£15m	£14m	7.1%
Underlying Operating Profit	£24m	£12m	£12m
Funeralcare	£1m	(£4m)	£5m
Legal	£14m	£9m	£5m
Insurance	£9m	£7m	£2m
PBT Funeralcare	£63m	£1m	£62m
Market Share Funeralcare*	14.9%	14.9%	0.1%

**Source: Office for National Statistics & National Records of Scotland Market Data - June Year to Date (6 month rolling)*

In Life Services, we want to help and be there for you, our member-owners in a compelling way, as and when you need us.

While we have always worked closely to get to the right outcomes for you, the creation of our new Life Services division – which brings together our Funeralcare, Insurance and Legal Services businesses - enables us to achieve so much more. Our shared strategic goals will drive growth and member-owner value, and really allow us to focus on what our member-owners need most from their Co-op.

During the first half of 2024, our Life Services businesses continued to focus on growing our share of our respective markets and brought our clients new products to meet their needs. We delivered a good performance through the first half of the year, despite inflationary cost pressures and the volatile markets we operate in.

In H1, we created more choice with our new Direct Cremation funeral plan and renters insurance. And we established new and exciting partnerships to reach even more people with our quality services.

Our colleagues remained central to our success and the progress we made, so a big thanks to them all. By upholding the highest standards of service and care, we continued to see high customer satisfaction scores across each of our businesses. Also, we gained external recognition from Trustpilot, Which?, the British Insurance Awards and UK Institute for Customer Service.

In H1, we have been busy refining our strategy and will be in a position to talk more about this in the annual results.

- **Co-op Legal Services**

We want to help you - our member-owners - and our clients not only understand the law but make the most of it.

We achieved a year-on-year growth in revenue of 35.5% in H1 (H1 2024: £42m, H1 2023: £31m) and, in turn, increased underlying profit compared to the same period last year (H1 2024: £14m, H1 2023: £9m). This was achieved while holding the prices of our services throughout H1 and offering you exclusive Member Prices on selected legal services.

The largest of our practice areas, estate planning, saw case openings increase by 45% compared to the same period last year (H1 2024: 17,546, H1 2023: 12,138), while probate case openings increased by 8% (H1 2024: 5,098, H1 2023: 4,738) despite a lower death rate as confirmed by ONS data.

By partnering with a mixture of organisations – from financial services businesses to charities – we've been able to extend our reach and make our expert services accessible to more clients.

And we managed to achieve a strong customer satisfaction score of 83% (H1 2023: 85%) and maintain 'excellent' scores from Trustpilot: 4.9 out of 5 for Co-op Estate Planning and 4.7 out of 5 for Co-op Legal Services.

In February, we launched five new Level 7 solicitor apprenticeships for students wishing to pursue an alternative path into a career in the legal profession. In H1, these roles were filled and students will begin to earn while they learn in H2. The apprenticeship is carried out over a six-year period and individuals complete the apprenticeship as a solicitor with a law degree.

- **Co-op Funeralcare**

We are committed to helping people say their best goodbyes to their loved ones, providing excellent service and options.

Our primary purpose is to understand and support clients with the personal funeral they would like, and we've seen a continuation of the trend in more clients choosing unattended (or direct cremation) funerals. We responded to this trend with the launch of our new Direct Cremation plan in February 2024.

Providing excellent service to you and to our clients is very important to us, so we were pleased to see that our client satisfaction scores remained strong at the point of funeral need at 91.3% (H1 2023: 89.6%), whilst our Net Promoter Score was +90 (H1 2023: +88).

Our underlying operating profit improved to £1 million (H1 2023: £4m loss). We saw higher revenue from our funeral plan business partially offset by lower volumes in our funerals arranged 'at-need' business from a lower death rate (as confirmed by ONS data) and an increase in clients choosing our lower cost options. Overall profit was also enhanced by a significant increase in our investment returns, resulting in a profit before tax that was up to £63 million (from £1m in H1 2023; investment returns were c. £27m higher than historical averages).

In the first half of 2024, our at-need market share was 14.9% (H1 2023: 14.9%) during a period where there was a 5.5 percent reduction in death rate (H1 2024: 327,924, H1 2023: 347,133). However, our revenue was up 1.4% at £148 million (H1 2023: £146m) driven by higher funeral plan revenues.

Plan sales also grew substantially in H1 at 19,730 (H1 2023: 7,743), in part thanks to the launch of our Direct Cremation funeral plan. Our share of the pre-need market was 20.2% in H1.

We continued to work towards our carbon neutral ambitions and invested £4.4 million in new electric vehicles that joined our fleet in H1 2024. In February, we also launched new systems that supported both clients and colleagues in arranging and redeeming a funeral plan, while making sure we were fully compliant with our regulatory obligations.

We published our 'Planning for Death' report in February, looking into the nation's attitudes to death, dying, bereavement and later life planning. The report showed 29 million people in the UK don't feel able to talk about their funeral wishes and 11 million think about death weekly. To encourage people to have the conversation about funeral wishes, we partnered with Channel 4 on a three-part digital miniseries, *Celebrity Send Off*, where celebrities have a loved one arrange and carry out a funeral service based on what they think they would want.

In addition to this, we partnered with Child Bereavement UK, a leading bereavement charity, for Father's Day on 16 June. We sponsored a short animated film called 'What is Grief?', which explained the different ways people can grieve, the feelings and challenges they might experience, and some things that can help them cope.

- **Co-op Insurance**

It's so important to us that we continue to meet the needs of you and our ever-growing number of active member-owners by providing a range of insurance products that offer the right cover, at the right price. In H1, while remaining true to our core range – home, motor, travel pet and life insurance - we also launched renters insurance.

We are committed to playing our part to grow active member-owners. In H1, we rolled out Member Prices to all our core insurance products to ensure you were able to see the value they get when choosing Co-op Insurance. In the first half of this year, you, our member-owners, who chose Co-op Insurance policies, saved over half a million pounds based on our own calculations. While, in a Co-op Insurance first, we introduced new functionality in H1, designed to make it easy to become a member-owner online when buying travel insurance. Those who choose to pay an extra £1 at point of purchase to begin their journey as a member-owner instantly have a reduced Member Price applied to their policy.

Across our range of products, travel insurance saw the strongest performance with sales up 54% on the same period last year (H1 2024: 27.4k policy sales, H1 2023: 17.8k). In June, the quality of our travel insurance was recognised by consumer champion Which?, rating our platinum, gold and silver cover for annual multi-trip and single trip travel insurance a Best Buy, adding to our Which? Award for pet insurance.

Our new pet insurance proposition, which included a discount for adopted rescue pets, continued to resonate well with pet owners (H1 2024: 32.9k policy sales, H1 2023: 41.6k). Comms and PR activity in the first half of the year drew on research that found over a third (35%) of UK adults would be put off adopting a pet due to worries about potential high medical costs, with 11% believing they wouldn't be able to get insurance for an adopted dog or cat.

Last year was an extremely volatile year in terms of rising claims costs and prices for you, our member-owners, and customers buying car insurance. Through H1, we started to see a slowdown in the level of price increases from those experienced in 2023. In Q1 this year,

prices increased by 1% on the previous quarter, this is significantly less than the 12% rise between quarter three and four of last year (based on data from the Association of British Insurers Price Index), which will hopefully start to ease the burden on car drivers. This was evidenced in the increased levels of switching in the market as customers sought out cheaper quotes after they received their annual renewal. And we anticipate that the car insurance market will continue to be challenging, with higher annual renewals and increased shopping around, which could have some bearing on our overall performance in FY24.

In May, we launched renters insurance. It covers up to six people in your household if the policy holder rents; whether they live alone, as a couple, a family, or with roommates, protecting all the things they own that they would take with them if they moved. Cover starts at £5 a month and, with no fees or cancellation charges, it provides the flexibility you and our customers tell us you have been looking for.

Before the end of the year, we intend to make it easier for you to see the savings you make across all our online customer journeys, and for customers to sign up to be a member-owner when they buy a policy from us.

Finally, after being awarded the accolade of 'UK Insurance Broker of the Year' at the annual British Insurance Awards in 2023, we were delighted to have made it onto the 2024 shortlist in recognition of the quality of service we provide you and our customers. Our standing in the UK Institute of Customer Service bi-annual survey remains strong, with Co-op Insurance coming third in the insurance industry rankings for customer service.

Our Vision Update – Kenyatte Nelson, Chief Membership & Customer Officer

When you join our Co-op, you are not just a customer, you become a member-owner, helping to shape the business you collectively own. Being member-owned means we are driven by a unique set of Values and Principles. It guides our thinking and helps us understand where and how we can make the biggest impact for you.

Since our founding in 1844, we have been on a relentless quest to do the right thing for people, community and the planet. We're owned by you, so we can do right by you.

While the world has changed since 1844, the need for a co-operative business that successfully serves its member-owners remains as relevant and important as ever. We have, therefore, developed a new Vision which fully embraces our heritage and co-operative Values, continuing to place our member-owners at the heart of all we do every day:

Co-operating to build more value for our member-owners every day.

Delivering on our Vision will enable our Co-op to grow revenues and profits, while providing even more value to you, our member-owners. Our ambition is to reach eight million active member-owners, who will know they are part-owners in our business, by 2030. We aim to be a Co-op recognised for the economic value it creates for its member-owners, its responsiveness to their needs, and its positive impact on wider society.

To achieve this, we have evolved our member proposition across three key, equally important aspects of value, aiming to make membership irresistible and indispensable:

- **Economic value – value delivered when buying our products and services**

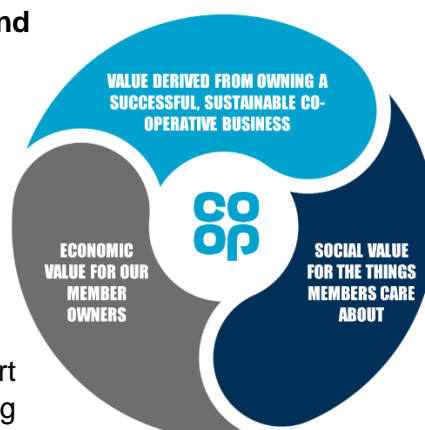
The financial benefits of being a member-owner of our Co-op, including lower prices and exclusive offers that money can't buy.

- **Social value – value delivered on the things our member-owners care about**

The impact we make for our member-owners on broader societal issues, such as retail crime and education, and at a grassroots community level through our work with local causes.

- **Ownership value – value delivered by owning and having a say in how our Co-op is run**

The opportunity for our members to influence the decisions we make as a Co-op. You're an owner, so you can pick our leaders. This means you can choose representatives to be your voice on our Board and 100-strong National Members' Council. You can campaign for change on what matters most, and you can help shape our products, services and strategic direction, to support the wealth and profitability of our Co-op into the long term.



Participation with our Co-op continues to thrive, with over 128,000 member-owners participating twice or more in the first half of the year, to help us deliver our Vision on their

behalf, whether that was attending a Join In event, selecting a local cause to support, or voting in our AGM.

Economic value – when buying our products and services

More members, shopping more often and spending more with our Co-op

During the first half of 2024, our active membership base grew by 19.5%, reaching almost 5.5 million (H1 2023: 4.6 million). Member-owners now shop with us an average of 13 times every 12 weeks (FY 2023: 12.9 times), and member penetration – the proportion of purchases made by member-owners in Co-op Food stores – has remained steady from what we reported at full year at 37%.

Member-owners save more

In January, we launched a significant new round of Member Prices within our Food business, introducing a further 117 everyday low prices, including branded goods for the first time. This follows the introduction of Member Prices on 177 everyday essential products in 2023 and enables you, our Co-op's member-owners, to save up to £10 per week. Our colleague member-owners also continued to enjoy 30% off selected Co-op branded products in H1 and 10% off branded products in Co-op Food stores, as well as other discounts across our family of businesses.

You have also been able to benefit from in-app Member Prices on Uber Eats, which launched in January, saving money on around 250 products when ordering groceries and everyday essentials – a first for a UK delivery platform.

In March, we extended Member Price benefits to our Co-op online shop, and we now offer the same discounts online as offered in store across more than 300 key lines (an increase of 66% on the 177 we launched with, in stores last August), helping you save more, however you choose to shop with us.

Following a motion supported by you for lower prices on healthy products at our Annual General Meeting (AGM) in May, we reduced prices across 54 fruit and vegetable lines. This resulted in price reductions of up to 44% compared to previous standard retail prices, with average savings of nearly 20% for member-owners, based on our calculations. More than £34m was invested in prices in our Food stores for you, our member-owners, across H1 2024. You will have also seen benefits across our other businesses, with other offers available.

To enhance the member-owner experience, we have introduced member registration for our travel insurance customers. Previously, customers had to be a registered member to access Member Prices. Now, membership can be seamlessly selected at point of purchase for instant member benefits. This has been successful with travel insurance customers and will be expanded to other business areas such as home and motor insurance, along with Co-op Live, later this year.

Evolving and electrifying our member proposition

- **Co-op Live**

We are the naming rights sponsor to Co-op Live – the new world class, purpose driven venue hosting international music, sport, charity and business events in Manchester. Despite delays in opening, it has now hosted numerous successful events since May, featuring acts like the Eagles and Liam Gallagher. Based on estimates from our data, 54,000 new member-owners joined us in H1 to take advantage of Co-op Live privileges, and we are delighted that those of you who did so have continued to trade with us and be part of our Co-op.

It embodies our values and aims to be the most sustainable arena in Europe. It will also donate at least £1 million a year to our charity, the Co-op Foundation, to support its youth-led strategy for future Young Gamechangers across the UK.

- **App offers and member deals**

We've continued to give you personalised offers via our Co-op app, with 190,000 new member-owners redeeming offers in H1 2024. In the first half of 2024, we ran five games in our Co-op App, offering exciting prizes, from discounts and free products to tickets to Co-op Live events.

In March, we trialled a new booster offers scheme with 100,000 member-owners, which was successful. It will be scaled up for the rest of the year, so as to be available to more of you.

Social value – supporting the issues our members tell us they care about

Supporting local communities

As a co-operative, we exist to create value for you, our member-owners and your communities. We create social value through our campaigns, the choices we make on sustainability and through our work in our communities.

We support your communities through our Local Community Fund - through the latest round of funding, we will support 2,500 projects. In the first half of the year, you contributed to this by selecting a local community cause to support more than 1.2 million times. We also opened applications to find our new causes to support, which are providing sustainable futures for people and the planet.

From April, we launched the ‘The Winners Share It All’ prize draw, offering you, our member-owners, the chance to win prizes for yourselves and your communities. Each time you spend £5 in-store or online, swipe your membership card and select a Local Community Fund cause, you’re automatically entered into a monthly prize draw. The prizes included £500 off your shopping and £5,000 to support your chosen Local Community Fund cause.

‘The Winners Share It All’ prize draw is designed to help boost Co-op’s existing support for thousands of local grassroots causes across the UK. Among those 30 winners we had between April and June this year were:

- The Sandy Bear Children’s Bereavement charity in Milford Haven, which supports children and young people. The team will use the funds towards a range of one-to-one and peer group support opportunities.
- Food for Families in Halifax, which helps local people struggling with the increased cost of living. Food for Families will use the funds to support a lunch club and a cookery school.
- Autisk in Stockport – a volunteer-led community support group helping families who have children and young people with disabilities and/or educational needs. The team is planning to use funds to start up and run a new girls social and support group.

Working in partnership

Supporting young people is a big part of our Vision of ‘*Co-operating to build more value for our member-owners every day*’. Together with Barnardo’s, we’re aiming to raise £5 million by June 2025 to support the positive futures of 750,000 young people across the UK. In June, we reached our half-way milestone of £2.5 million.

Our partnership is developing online support that will reach all communities and we’re also delivering in-depth support in person, in some of the communities that need it most, based on data from Co-op and Barnardo’s. All the services are co-produced with young people, such as The Young Brent Centre, which offers weekly and holiday activities focused on open discussions for young people across North London about wellbeing, cooking and life skills - helping young people try new things.

In February, for the third year, we participated in ‘Time to Talk Day’, the nation’s largest conversation about mental health and wellbeing. We partnered with Mind, SAMH and Inspire on the day to encourage communities to come together to support their mental wellbeing. In

2024, we enabled over 2.5 million conversations, including more conversations among young people and people from diverse backgrounds.

Colleagues across our Food business, Funeralcare business and our support centre all got involved in having conversations with their own colleagues, with you - our member-owners - and customers. Colleagues in our Nisa business marked the day with numerous events, including a 'Wellbeing Walk and Talk' and mindfulness sessions.

Co-op Foundation

Our charity, the Co-op Foundation, continues to create social value for Co-op member-owners and their communities through its distinctly co-operative approach to funding. As part of its commitment to promoting a more open and trusting approach to grant making, the Foundation released a report with IVAR (the Institute for Voluntary Action Research) advocating the value of unrestricted funding and its greater impact on communities. More information about the Foundation's work can be found by watching the [2023 Impact Report film](#), available on the Co-op Foundation YouTube channel.

The Foundation is the charity partner of Co-op Live and, as a result, was able to award over £500,000 to the first ever Young Gamechangers in partnership with Co-op and #iwill. Thanks to Co-op Live, the ongoing support from the Foundation will enable the Young Gamechangers Fund to revolutionise youth led funding, as it is built by young people for young people and is open to individuals and youth led organisations. This half year, 33 Young Gamechangers aged 10-25 received funding.

The Foundation also launched the third round of its Carbon Innovation Fund - another partnership with Co-op - to help reduce carbon emissions in food and farming. This round awarded grants to initiatives working to protect peatlands.

Co-op Academies Trust

The Co-op Academies Trust, encompassing 37 schools across four regions in the North West, has 75% of its schools classified as 'Good' or 'Outstanding'. Many of these schools were rated 'Inadequate' or 'Requires Improvement' when they joined the Trust.

Raising aspirations and providing equal opportunities for all remains of paramount importance. This year, students participated in the Co-op Young Leaders Programme, the Reach careers programme, public speaking competitions, and attended trust-wide events such as the Eco Conference, Maths Olympics, Spelling Bee and more at our Angel Square support centre in Manchester. Students from across the Trust also performed in regional heats leading up to the highly successful Young Musician of the Year competition at Home Theatre in Manchester and participated in many sporting events and activities.

Ensuring that learning extends beyond the classroom continues to broaden horizons and inspire our young people to succeed together.

In line with our social value campaign and strategy, Co-op colleagues can also support the development of our Academies by becoming a Governor – it's an opportunity to use their own skills while helping to support the development of our Academies and the pupils who attend them.

Sustainability

Reducing our impact on the planet is important to us as a business and to you, our member-owners. Over the last six months, we've continued to pursue our ambitious targets, which are detailed within our Co-operate Report, available on co-operative.coop

We continue to campaign for climate justice and remain proud to be the first UK convenience retailer to have our Net Zero targets validated by the globally recognised Science Based Targets initiative (SBTi) in H1. Our near-term and overall targets to become Net Zero across our operations by 2035, and our entire value chain by 2040, have been validated by this global body.

Working with our suppliers extends our reach and impact on sustainability goals. In January, we launched a pilot scheme to financially reward farmers in our beef supply chain for reducing their environmental impact with our support. The results of this two-year programme will help shape our future sustainability plans to achieve Net Zero by 2040.

In the first half of this year, we celebrated two significant sustainability milestones.

Firstly, in June, we reached the milestone of raising £20 million to support clean water, hygiene and sanitation projects with The One Foundation, marking 18 years of partnership and changing the lives of over three million people. We also introduced a new way for our members to help support this cause in June, through the sale of our own brand ice cubes and we estimate that a further £150,000 per annum will be raised.

Secondly, we celebrated 30 years of Fairtrade and 30 years of Co-op's commitment to supporting farmers, workers and communities as the UK's largest convenience seller of Fairtrade products, with plans to launch 30 rebranded Fairtrade products. The relaunch of these products started throughout the first half of the year with more planned into H2 - in H1, we became the first UK retailer to move our entire range of fresh cut roses to be 100% Fairtrade and the first to launch an own brand Fairtrade spirit, our Fairtrade rum.

People

We strive to make Co-op a great place to work for all our colleagues and are committed to the health and wellbeing of our 55,000 colleagues, ensuring everyone feels included and supported.

In H1 2024, we made significant progress in supporting our colleagues. In March, we increased the pay of our frontline store colleagues to at least £12 per hour, aligning with the Real Living Wage. This represents a 10.1% increase from last year, and a 21% increase since March 2022.

We have also enhanced key people policies, such as our family-friendly policies, offering increased flexibility and time off. From 31 March, maternity and adoption leave pay increased from 12 weeks to 20 weeks at full pay, while paternity and co-adopter leave doubled from two weeks to four weeks at full pay. These changes were implemented after listening to feedback from our colleagues and with their input, helping to shape our refreshed policies.

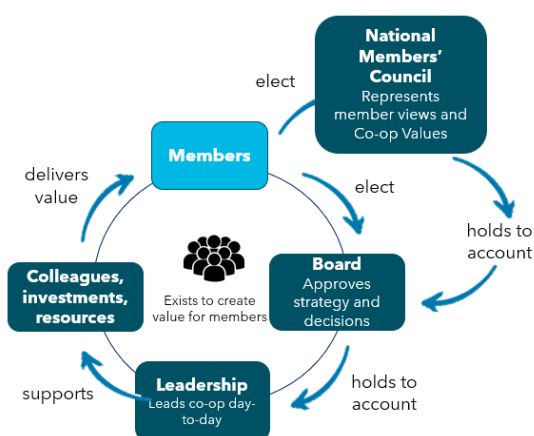
To read more about our ongoing Safer Colleagues, Safer Communities campaign, go to page 14.

Ownership value – the value from owning and having a say in how our Co-op is run

Your National Members' Council and Board: Elected by you to be your voice.

We're not owned by a wealthy few. We're owned by you. As a Co-op member-owner, you own your Co-op, together with our 5.5 million other active member-owners. Because we're owned by you, we can do right by you.

Millions of member-owners get involved and shape their Co-op every year. You can get involved as much or as little as you want, about the things that you care about – whether that's through choosing a local cause you want us to support in your community, having your voice heard by getting involved in big national campaigns or shaping our priorities, products and services.



You, as our member-owners, also vote for other member-owners to represent you and to champion the interests of our 5.5m active member-owners on our Board and National Members' Council

In the first six months of 2024, you, our Co-op member-owners, shaped and influenced your Co-op in so many impactful ways:

- 276,000 member-owners joined in 516,000 times, participating and shaping your Co-op across 62 unique Join In opportunities. These have included an opportunity to learn more about our unique business model; shape the community programmes that matter most to you; design new products such as our Fairtrade Chunky Salted Caramel & Pretzel Chocolate bar and join our online monthly wine events, to learn more about the products we sell directly from the producers who make them possible.
- Over 13,000 member-owners helped identify the big issues our Co-op should take action on, those being sourcing, the environment and fair opportunities for all. These were all themes within our first Members' Discussion at the Annual General Meeting, so we could be sure that we addressed those topics you said were most important.
- Over 43,000 of you voted to elect your Board and Council representatives via our app for the first time - that's 38% more member-owners voting than last year (2023: 31,130)
- Over 40,000 of you voted to ask our Board to lower prices on healthier products and everyday household items; to continue to champion the safety of our colleagues in store, and to celebrate what makes us different as Co-op. In the summer, we introduced Member Prices on 54 fruit and veg lines, and our new 'Owned By You, Right By You' campaign showcasing who we are as a Co-op.
- 20,000 members of our Co-op joined forces with members of other co-operatives and campaigned to see a change in the law that would make violence against shop workers a standalone criminal offence. For more information, see page 14.

Making a difference with and for our member-owners: Members at the heart of our Co-op

As Co-op, we are owned and controlled by you, our members, and we exist to create value for you.

Your Board and 100-strong National Members' Council have continued to work together to champion your interests and make sure your voice is heard and reflected in our decisions and priorities, including:

- progress on our commitments to reduce stocking density on chickens and improve welfare. For more information, see page 16.
- Ensuring the rewards you get when you trade with your Co-op are central to our decisions, recognising that Member Prices give you lower prices on the everyday items you buy most.
- Asking questions of our Co-op on its performance and plans to grow. The Council's Business Performance Committee remains dedicated to finding the best ways to measure and communicate the value we are working so hard to achieve for our member-owners.
- Shaping plans to make sure Co-op membership is irresistible and indispensable to give more value for member-owners every day and grow to eight million members by 2030.
- Considering how we can best celebrate and champion the difference you, our member-owners, make for people and our planet by choosing your Co-op.
- Making sure our Food stores are continuing to give you the products and services you want, including adding more own brand products.

You can find out more about your Board and Council and how they work for you on our website www.co-operative.coop/about-us

Looking ahead – Shirine Khoury-Haq, Chief Executive Officer

In terms of the future, our focus will remain firmly on delivering against our new Vision, with the goal of reaching eight million active member-owners by 2030.

‘Co-operating to build more value for member-owners every day’ aims to deepen our connection with you - our existing member-owners - and demonstrate the benefits of membership to potential new members.

As our membership base grows, so will our ability to deliver greater value to you. Achieving eight million active member-owners will significantly enhance our sales and profits, benefiting all member-owners. It will also increase member-owner participation in Co-op governance and allow us to expand our support for local communities and wider society, focusing on the issues which matter most to you.

Entering the second half of 2024, we remain confident in our Co-op’s potential for continued growth, driven by key investments and ways of working within our business areas. We will be further embedding our Business-to-Business unit and developing our plans for growth including new routes to market, as we look towards the rest of this year and beyond.

By the end of the financial year, we expect to complete an investment of up to £80 million across our core Food store estate including new stores, relocations, refreshes and freehold purchases. Our further ongoing £26.1 million investment in efficiency initiatives is supporting our Food colleagues, fuelling growth and reducing operating costs. Additionally, we will complete our £4.2 million investment in ‘Store of the Future’ initiatives, leveraging the latest technologies to enhance the store experience and drive efficiencies. Trials have been underway this year, with larger-scale rollouts planned over the next few years.

All of this will be supported by our ongoing major brand campaign that launched at the beginning of H2 and is reintroducing the UK population to our Co-op, highlighting our difference and the unique value and benefits which come from being a member-owner.

Our Co-op Difference will be further enhanced by the unveiling of a new Social Value strategy, which will highlight where and how our Co-op intends to make a demonstrable impact in the areas which matter most to you. And we will continue to find ways to listen to you, our member-owners, to make sure our businesses are run for you, and we take action on the issues you care about.

While the world around us remains uncertain, our Co-op has a clear view of how we will navigate through it with you - our valued member-owners - and colleagues, as well as the impact we aim to make and the support we will offer to those within our business. The geo-political and economic climate will undoubtedly present challenges, and the path forward may not always be easy. However, we are committed to making decisions that are right for our member-owners because we are owned by you, and will do right by you.

Principal risks and uncertainties

We manage risk in the context of value creation and value protection, and the delivery of our strategy. This means we assess the risks external to Co-op - those which shape our market opportunities – and risks internal to Co-op, so we understand how they affect delivery of our strategy and our business model. This in turn informs our key risks, and our key controls.

Our Board and Risk and Audit Committee regularly review the principal risks to our business and our position against our risk appetite. Consideration is also given to emerging risks and to any changes in the internal or external environment that could impact our strategy and how we operate. Through our governance processes, we regularly update our risks and the controls that mitigate them, and the Board and Risk and Audit Committee review the following principal risks and uncertainties that could pose a threat to our Co-op.

Our principal risks

The principal risks set out in our 2023 Annual Report and Accounts remain relevant for the first half of 2024. Should these risks materialise, they would have the most impact on our ability to deliver our strategy and meet our commitment to grow and protect value for our member-owners and the communities we serve.

Risk	Description
Change	We will make changes to the way we operate through our four-year plan. If our plans are not delivered in an effective way, we do not manage the effects of change effectively or fail to realise planned benefits, our strategy will not be delivered.
Competitiveness and External Environment	The competitive and economic landscape in which we operate means that we need to respond by tailoring our growth targets, propositions and competitor behaviour to remain viable and innovative.
Brand and Reputation	We are a genuinely unique business in terms of our business model, what we offer our customers and our place in society. Our Co-op Difference means we are owned by and run for our member-owners. As a co-operative, we reflect our Values and Principles and consider wider social and ethical impacts within our decision-making, so that we can be commercially successful and sustainable. If we don't live those standards, or make our difference clear to our customers, our brand value reduces.
Funding and Liquidity	We rely on a combination of external funding and cashflow generation to run our businesses. Any deterioration in economic conditions or changing business ambition may require our Co-op to take action to ensure adequate funding and cashflows. Such mitigation could include reducing or delaying capital expenditure, eliminating discretionary costs and/or disposal of non-core assets.
Technology & Cyber Threats	We electronically store and process data on our member-owners, colleagues, customers and partners. We are reliant on technology to deliver our business operations, so theft of data, unavailability of key systems or a cyber attack could significantly disrupt our business.
People	Our ability to attract and retain colleagues with relevant skills and experience while fostering a diverse and fairer workplace is important to achieving a strong, competitive Co-op. If we do not continue to sustainably recruit talent and invest in our

	colleagues, then it may impact our operations and our ability to deliver on our strategic plans.
Misuse and/or Loss of Personal Data	We hold personal information of our member-owners, colleagues and customers. We need to make sure we protect and manage this responsibly.
Health & Safety and Security	We have a duty of care to protect our colleagues, customers and third parties. Failure to carry out this duty effectively may result in harm to colleagues, customers or third parties, and adverse legal, financial and reputational impacts.
Supply Chain and Operational Resilience	Insufficient business resilience, including in our supply chain, in the face of a major failure or external shock could significantly affect the availability and quality of products and services delivered to our member-owners, colleagues, customers and partners.
Regulatory Compliance	Our Co-op is subject to laws and regulations across its businesses. Failure to respond to changes in regulations or stay compliant could affect profitability, our reputation (through fines and sanctions from our regulators) and our licence to operate.
Pre-need Funeral Plan Obligations	The measurement of our pre-paid funeral plan obligations is sensitive to changes in several factors. Adverse movements could result in lower-than-expected funds being available and the business receiving a lower amount for each funeral or result in individual contracts becoming onerous.
Environment and Sustainability	The way we choose to run our business operations and the products and services we provide are affected by local and global social and environmental events; this is informed and in line with the wishes of our member-owners. Running our Co-op sustainably is essential to achieving our Co-op's goals and meeting our ambition of becoming Net Zero for Scope 1 and 2 emissions by 2035 and for Scope 3 emissions by 2040.

You can find further details of our principal risks on pages 59-67 of our 2023 Annual Report, available on co-operative.coop

Task Force on Climate-Related Financial Disclosures

As a large organisation, our Co-op is committed to complying with the UK Government's mandate to disclose Task Force on Climate-Related Financial Disclosures (TCFD) aligned financial information. As an ethically responsible business, we are committed to playing our part in addressing the climate emergency. Details of this disclosure are set out on pages 120-127 of our 2023 Annual Report, available on co-operative.coop

Emerging Risks

We proactively monitor emerging risks and opportunities for our Co-op, and across our businesses and functions where the full extent and implications of a risk may not be completely understood but need to be tracked. We regularly evaluate changes to our risk profile triggered by new or unexpected events and respond to them at a function, business or group level with the support of our business continuity and legal teams.

Political risks

The instability in the geo-political landscape could further complicate our supply chains and operations, and our ability to create value for our member-owners. The new UK Government

is likely to introduce further legislation that could lead to an increase our operating costs.

- We protect value by:

Having robust business continuity plans in place to mitigate, and by continuing to work with suppliers and partners. We maintain regular contact with relevant Government departments and industry bodies.

Economic risks

Economic volatility in the world increases the possibility of future financial instability, which may impact our ability to protect value and support our member-owners and their communities.

- We protect value by:

Drawing upon our member-ownership model, which means we are able to take a longer-term view than our competitors; we aim to create a strategically commercially viable and sustainable business.

Social risks

Changes in demographics and population structures in the UK may impact our business.

- We protect value by:

Reviewing our propositions to meet both our colleagues' and member-owners' needs now and in the future.

Technological risks

Progression in technology accelerates, our existing ways of operating and working become outmoded and impact the opportunities to create value offered by new technology.

- We protect value by:

Adopting new technology to improve our operations, explore opportunities in new markets and deliver value to our member-owners.

Legal risks

Differing regulation and legislation across the UK's devolved nations and with the EU continues to drive up costs and impacts our value creation activities.

- We protect value by:

Engaging with Government, its agencies and industry bodies to ensure compliance is achieved in an effective way.

Environmental risks

Climate change and an increase in severe weather events may impact our capacity to protect and create sustainable value for our member-owners.

- We protect value by:

Demonstrating best practice in transitioning to a clean economy and renewable energy solutions.

Regulatory landscape

We undertake horizon scanning to continuously monitor planned changes by our regulators and we adapt and implement changes to meet new requirements they set. There is an increasing amount of regulation that the businesses within our Co-op are each required to comply with. The divergence of regulatory requirements and legislation between the devolved nations in the UK increases both complexity and cost of implementation.

Our businesses provide financial and legal products and services which are regulated by the Financial Conduct Authority (FCA) and the Solicitors Regulation Authority (SRA). There are codes and regulations that apply to our Food business including the Groceries Supply Code of Practice (GSCOP).

In January 2024, the Financial Reporting Council (FRC) announced revisions to the UK Corporate Governance Code to enhance transparency and accountability of businesses that subscribe to the Code. We have a programme of work in place to prepare for these revisions and their subsequent implementation, to ensure we comply with the requirements that are set out. The new Code expectation for the Board declaration on the effectiveness of controls, set out in Provision 29, will come into effect from 1 January 2026.

Our financial performance

Earlier in this interim report, Rachel Izzard, our Chief Financial Officer gives an overview of the Group's performance during the first half of the year - it can be found on pages 9 – 12. Rachel's commentary touches on our Co-op's sustainable, profitable growth despite the ongoing challenging market conditions and difficult trading environment that we've experienced in the first half of 2024.

In addition to Rachel's financial overview, a summary of the Group's financial performance is set out in the tables below along with accompanying commentary on our results. Further insight on our individual businesses is also available across our business unit updates, over pages 13 - 25, where each managing director shares an insight on how our businesses performed in the first half of 2024.

Summary of financial performance – total Group

£m	H1 2024	H1 2023*	Var (£m)	Var %
Revenue	5,603	5,522	81	1.5%
Operating profit	35	3	32	n/a
Profit / (loss) before tax (PBT)	58	(33)	91	n/a
Underlying EBITDA	224	226	-2	-0.9%
Underlying operating profit	47	43	4	9.3%
Underlying profit / (loss) before tax	3	(9)	12	n/a
Net debt (including leases)**	(1,229)	(1,374)	145	10.6%
Net debt (excluding leases)**	(42)	(97)	55	56.7%

* The comparative figures have been restated. Details can be found in the General Accounting policies section on page 77.

** We amended our net debt metric at year end 2023 to show net debt before any interest accruals on debt held at amortised cost. The comparative half year numbers have been re-presented on that basis in the table above.

Our Group financial metrics

- **Revenue:** total Group sales of £5.6 billion are 1.5% higher than last year (2023: £5.5bn). This is mainly driven by an increase in sales in our Food business, with sales up by £0.1 billion representing an increase of 3.2%.

Our Funeralcare, Legal Services and Insurance businesses have all performed well, with sales up in each area. Sales in our Wholesale and Federal businesses are down slightly. Further insight on our individual businesses is also available in our business unit updates over pages 13 - 25.

- **Underlying operating profit:** underlying operating profit is our main measure of trading performance and at £47 million is consistent with the comparative half-year period (H1 2023: £43m). Increased profitability in our Food, Legal Services, Insurance and Funeralcare businesses has been offset by reductions in Wholesale, which has experienced particularly challenging market conditions. Furthermore, we have seen

higher costs on supporting functions, which reflects an increase in our tightly managed investments and cost inflation, including pay awards to support colleagues, net of the impact of cost efficiency measures.

- **Operating profit:** at £35 million, our operating profit is £32 million better than the comparative period (H1 2023: £3m) with underlying profitability up by £4 million and non-underlying charges £28 million favourable to last year. Specifically on non-underlying items, net profit on disposal and impairment charges are £23 million lower than last year at a net loss of £13 million (H1 2023: £36m loss) and we have also recognised a gain of £7 million on disposal of investment properties (H1 2023: £nil), offset by £6 million (H1 2023: £nil) of losses on onerous funeral plan contracts. Other non-underlying charges are £4 million lower at £nil (H1 2023: £4m) with the prior period, relating to costs to support our colleagues through the winter cost of living crisis.
- **PBT:** at £58m, our Profit Before Tax (PBT) is £91 million higher than last year (H1 2023: £33m loss). As noted above, our operating profit is £32 million higher than the comparative period, with net finance income also being £59 million better than H1 2023. Overall, we have recorded a net gain in finance income and expense of £23 million (H1 2023: £36m net loss).

A key driver of the movement in net finance income and expense is that we have seen more favourable unrealised gains on our funeral plan investments in comparison to last year at £70 million (H1 2023: £10m). Investment returns are market driven and current period returns are above the long term average that we would expect, at around £50 million for the full year (mostly earned in the first half) compared to the prior period return at £10 million.

Other smaller favourable movements have been seen on the fair value of some of the financial instruments that we hold (such as foreign exchange contracts, commodity derivatives and interest rate swaps) and increased interest received on cash deposits have been offset to some degree by lower pension finance income following the buy-in transaction undertaken in 2023 (see the Non-underlying interest section below for further detail).

- **Underlying PBT** – at a small profit of £3 million, our underlying PBT is favourable to last year by £12 million (H1 2023: £9m loss). As noted above, our underlying operating profit is £4 million higher than H1 2023 with a further £8 million improvement in underlying PBT reflecting reduced net underlying interest, primarily due to generating more interest on the cash balances that we hold.
- **Underlying EBITDA:** again, this is broadly in line with the comparative period at £224 million (H1 2023: £226m) and consistent with the comparable underlying operating profit performance. Underlying EBITDA reflects our underlying operating profit excluding depreciation and amortisation charges (which are £6m lower in H1 2024 vs H1 2023).
- **Net debt (excluding leases):** we closed the half year at £42 million of core net debt excluding leases (H1 2023: £97m) – this represents a further improvement from the year-end position of £82 million. Our resilient trading performance and consistent cost control has continued to achieve strong operating cash generation whilst maintaining our investment in member pricing and colleague support.

Our gross debt has also reduced (see Net Debt and Cashflow section below) following the repayment of £200 million in cash of our bond borrowings in May 2024, with neutral impact on net debt and no need to refinance.

- **Net debt (including leases):** our lease liabilities reduced by £46 million from the year end position being a function of lease maturities, with the majority of these being under review and in negotiation with our landlords, and increased discount rates. In conjunction with the above, this saw our net debt including leases liabilities reduce to £1,229 million from the year end position of £1,315 million – an improvement of £86 million (H1 2023: £1,374m).

How our businesses have performed

£m	Revenue				Underlying operating profit /(loss)		
	H1 2024	H1 2023	Var	Var %	H1 2024	H1 2023	Var
Food*	3,677	3,563	114	3.2%	85	77	8
Wholesale	698	719	(21)	(2.9%)	(8)	3	(11)
Federal	1,023	1,049	(26)	(2.5%)	-	-	-
Total B2B	1721	1768	(47)	(2.7%)	(8)	3	(11)
Funeralcare**	148	146	2	1.4%	1	(4)	5
Insurance	15	14	1	7.1%	9	7	2
Legal Services	42	31	11	35.5%	14	9	5
Total Life Services	205	191	14	7.3%	24	12	12
Support centre*	-	-	-		(54)	(49)	(5)
Total Group	5,603	5,522	81	1.5%	47	43	4

* Following a change to our membership proposition, Community rewards are now included within Costs from supporting functions, where previously they were included within the Food segment. The comparative tables above have been represented to reflect this change seeing £9 million (H1 2023) and £19 million (FY 2023) of costs moved from Food to Costs from supporting functions.

** The Funeralcare segment includes the results of our pre-need funeral plan business recorded under IFRS 17 (Insurance Contracts). Underlying operating profit remains management's primary alternative performance measure and basis of our segmental reporting, however for the funeral segment we consider that this should be reviewed alongside other metrics to understand the performance of the Funeralcare business. As such we have included profit before tax as an additional metric in the segmental tables for the Funeralcare business to aid a reader's understanding of the performance of that business and will consider further at year end. This shows a PBT of £63 million for H1 2024 (H1 2023: £1m).

Further insight on the performance of each of our individual businesses is available in the business unit updates, over pages 13 - 25. Each managing director shares an overview on how each of our businesses has performed during the first half of 2024.

Other Group items

Financing costs/income

Financing costs / income £m	H1 2024	H1 2023	Var
Underlying bank / loan interest	(26)	(28)	2
Interest received	14	9	5
Net underlying lease interest	(32)	(33)	1
Total underlying interest (net)	(44)	(52)	8
Net pension finance income	8	35	(27)
Net finance income (funeral plans)	70	10	60
Net finance expense (funeral plans)	(10)	(11)	1
Movement on foreign exchange contracts	1	(9)	10
Movement on quoted debt	(2)	(6)	4
Movement on Interest rate swaps	1	(2)	3
Other non-underlying interest (net)	(1)	(1)	-
Total non-underlying interest	67	16	51

- **Net underlying interest expense:** at £44 million, our net underlying financing costs have decreased in comparison to the first half of 2023 (H1 2023: £52m). This is mainly because our improved cash position meant that we earned more interest in H1 2024 than we did in H1 2023. Interest charges on our borrowings and leases are broadly in line with the comparative period. Going forward, we will be paying less interest following the maturity and settlement of the remaining £200 million 5.125% Sustainability Bond in May 2024, which is expected to be offset by lower interest income as our cash balances will be lower.
- **Non-underlying interest:** the net finance income recorded from non-underlying items increased by £51 million. The significant movements in this are:
 - The unrealised gains achieved on our funeral plan investments in the first half of 2024 were £70 million which is £60 million higher than in the equivalent period in 2023 (H1 2023: £10m). The higher returns on the investments were driven by market conditions and the 2023 performance reflected a much lower return than we would expect to see in a typical year of around £50 million. The returns achieved in the first half of 2024 are above that longer-term average.
 - At £8 million income, the net finance pension income is lower than in the first half of 2023 (H1 2023: £35m income). This income is non-cash and the relative movement reflects the significant reduction in the net pension surplus that we hold on our balance sheet following the buy-in transaction undertaken in November 2023, which saw the value of the pension asset held reduce by around £1 billion. The net pension interest recorded in our Income Statement is a function of the value of the surplus at the start of the period and so will continue to be lower in the future than it has historically been.
 - The fair value of our foreign exchange contracts and commodity derivatives (mainly diesel fuel contracts) moved favorably in the year, generating a £1

million finance income. The equivalent movement in the first half of 2023 was adverse - seeing a £9 million finance charge.

- The fair value movement on the Group's quoted debt was £2 million (finance charge) in comparison to an equivalent charge of £6 million in the first half of 2023.

Non-underlying items

£m	H1 2024	H1 2023	Var
Property disposals and closures	11	-	11
Impairments of assets	(24)	(36)	12
Change in value of investment properties	7	-	7
Loss on onerous contracts (funeral plans)	(6)	-	(6)
Other non-underlying items	-	(4)	4
Total non-underlying items	(12)	(40)	28

*Positive items are gains and negative items are losses.

Property disposals and closures – we recorded a gain of £11 million on the disposal of a small selection of Food stores during the first half of 2024, and the proceeds received exceeded the net book value we were holding for those properties. No gain or loss was achieved in the first half of 2023.

Impairment of assets – we recorded £24 million of impairment charges in the first half of 2024, primarily in relation to those Food stores where our latest future trading cashflow forecasts do not fully support the asset value of the sites. This is an improvement from the £36 million recorded in the prior period, where less favorable forecasts and assumptions around the general economic trading environment resulted in a higher impairment charge. The prior period charge of £36 million also included a £4 million charge against the value of the leased asset that we hold on our central support centre at Angel Square.

Change in value of investment properties – we recorded a £7 million gain on two specific investment properties that we disposed of in the period.

Loss on onerous contracts (funeral plans) – the loss recorded in H1 2024 of £6 million relates to certain pre-need funeral plan contract cohorts where the total expected cost of fulfilling the contract currently exceeds the expected economic benefits of the contract. The losses have arisen due to an adverse movement in the long term inflation expectation and higher expected costs to fulfill the contracts.

Other non-underlying items – there have been no significant other non-underlying items in the first half of 2024. The £4 million in the prior period related to the final tranche of the membership spend added to colleagues' membership cards to help support them through the winter cost of living crisis.

Net debt and cashflow

£m	H1 2024	H1 2023	YE 2023	Var ***
Bank debt	(502)	(702)	(688)	186
Lease debt	(1,187)	(1,277)	(1,233)	46
Total debt	(1,689)	(1,979)	(1,921)	232
Group cash & cash equivalents*	334	579	395	(61)
Short term investments*	100	-	200	(100)
Net debt (excluding leases)**	(42)	(97)	(82)	40
Net debt (including leases)**	(1,229)	(1,374)	(1,315)	86

£m	H1 2024	H1 2023	Var ****
Operating profit	35	3	32
Depreciation and amortisation	177	183	(6)
Impairment of assets	24	36	(12)
Pensions	20	(6)	26
Working capital	(31)	134	(165)
Other movements	(18)	-	(18)
Net cashflow from Operating activities	207	350	(143)
Capital expenditure	(117)	(68)	(49)
Short term investments	100	-	100
Interest received	20	9	11
Other movements	28	45	(17)
Net cash generated from / (used in) investing activities	31	(14)	45
Interest on borrowings	(9)	(9)	-
Leases – interest and principal	(90)	(99)	9
Repayment of borrowings	(200)	(99)	(101)
Other movements	-	3	(3)
Net cash used in financing activities	(299)	(204)	(95)
Net (decrease) / increase in cash and cash equivalents	(61)	132	(193)
Cash and cash equivalents at the beginning of the period	395	447	(52)
Cash and cash equivalents at the end of period	334	579	(245)

* Our net debt metric includes our short term investments (£100m (H1 2024) and £200m (YE 2023)).

** We amended our net debt metric at year end 2023 to show net debt before any interest accruals on debt held at amortised cost. The comparative numbers have been re-presented on that basis in the table above. Further details on the Group's alternative performance measures (APMs) can be found in the Jargon Buster section of the Group's 2023 Annual Report & Accounts (page 252).

*** Variance on the net debt table represents movement from H1 2024 vs YE 2023.

**** Variance on the cashflow table represents H1 2024 vs H1 2023.

We continued to reduce our overall indebtedness in 2024 closing out the first half at £42 million of net debt (excluding lease liabilities). This is a reduction of £55 million from H1 2023 and £40 million from 2023 year end. This trend continues the good progress made over the last 18 months, seeing a reduction in net debt of £280 million from the 2022 year end position of £322 million, and further builds on the decisive action we took in the second half of 2022 to reduce the Group's overall debt and strengthen our balance sheet.

During the first half of 2024, our Co-op generated strong net cashflows from operating activities of £207 million (H1 2023: £350m) demonstrating a resilient trading performance across our business portfolio and our continued focus on cost control. The comparative period included a significant working capital benefit of £134 million whereas H1 2024 saw a smaller, more normal movement on working capital (being a £31m outflow of cash).

In the first half of 2024, we increased the amount we are spending to invest and grow our Co-op through £117 million in capital expenditure (H1 2023: £68m). Furthermore, in May we repaid the remaining £200 million principal on maturity of the Sustainability Bond in cash without refinancing, which has reduced both our debt and cash balances.

Our balance sheet

The total net assets of the Group increased by £0.1 billion from the start of the year.

Significant movements include the reduction in our borrowings following the maturity and settlement in cash of the remaining £200 million 5.125% Sustainability Bond in May 2024 with no refinancing. This reduction in liabilities is offset by a corresponding reduction in assets held in short-term investments and cash that were utilised to fund that repayment.

Our funeral plan investments have also increased by £65 million, which includes the £70 million gain from investment returns that we have recorded in H1 2024. Funeral plan liabilities have also reduced by £64 million primarily driven by a £73 million gain from finance income (recorded in other comprehensive income) following an increase in the risk-free gilt rate in the first half of the year. This is used to discount future cashflows associated with the back-book of funeral plans.

The net pension surplus that we hold on our balance sheet has reduced slightly from the year end position to £331 million (FY 2023: £356m) as a reduction in asset values (primarily driven by gilt yields) outweighed the reduction in liabilities (primarily driven by corporate bond yields). The net pension surplus that we hold on the Group balance sheet is much smaller now following the buy-in transaction in November of last year.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting.
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year.

A list of current directors is maintained on www.co-operative.coop

By order of the Board of Co-operative Group Limited

Debbie White

Chair, The Co-op Group

24 September 2024

Condensed Consolidated Income Statement

for the 26 weeks ended 6 July 2024

What does this show? Our income statement shows our income for the period less our costs. The result is the profit or loss that we've made.

Continuing Operations		26 weeks ended 6 July 2024 (unaudited)	26 weeks ended 1 July 2023 (unaudited & restated*)	53 weeks ended 6 January 2024 (audited)
	Notes	£m	£m	£m
Revenue (excluding funeral plans)		5,556	5,479	11,176
Insurance revenue (funeral plans)	12	47	43	86
Total Revenue	1	5,603	5,522	11,262
Operating expenses (excluding insurance service expenses on funeral plans)		(5,522)	(5,483)	(11,125)
Insurance service expenses (funeral plans)	12	(51)	(41)	(80)
Other income		5	5	9
Operating profit	1	35	3	66
Finance income	3	96	56	126
Finance costs (excluding insurance finance expense on funeral plans)	4	(63)	(81)	(148)
Insurance finance expenses (funeral plans)	4, 12	(10)	(11)	(16)
Profit / (loss) before tax		58	(33)	28
Taxation	5	(19)	(6)	(27)
Profit / (loss) from continuing operations		39	(39)	1
Discontinued Operation				
Profit on discontinued operation (net of tax)		-	-	2
Profit / (loss) for the period		39	(39)	3

* See the Accounting policies section (page 77) for details of the restatement.

The accompanying notes on pages 53 - 76 form an integral part of these financial statements.

Non-GAAP measure: underlying profit / (loss) before tax**

What does this show? The table below adjusts the operating profit figure shown in the consolidated income statement above by taking out items that are not generated by our day-to-day trading. This makes it easier to see how our business is performing. We also take off the underlying interest we pay (being the day-to-day interest on our bank borrowings and lease liabilities) to show the underlying profit or loss that we've made.

Continuing Operations		26 weeks ended 6 July 2024 (unaudited)	26 weeks ended 1 July 2023 (unaudited & restated*)	53 weeks ended 6 January 2024 (audited)
	Notes	£m	£m	£m
Operating profit (as above)		35	3	66
Add back / (deduct):				
Other non-underlying items	1	-	4	12
Loss on onerous contracts (funeral plans)	1	6	-	-
Property disposals and closures	1	(11)	-	(9)
Impairment of non-current assets	1	24	36	32
Change in value of investment properties		(7)	-	(4)
Underlying operating profit		47	43	97
Less net underlying interest payable	4	(12)	(19)	(31)
Less net underlying interest expense on leases	3, 4	(32)	(33)	(68)
Underlying profit / (loss) before tax **		3	(9)	(2)

** Refer to note 1 for a definition of underlying operating profit and underlying profit / (loss) before tax. Further details on the Group's alternative performance measures (APMs) can be found in the Jargon Buster section of the Group's 2023 Annual Report & Accounts (page 252).

Condensed Consolidated Statement of Comprehensive Income

for the 26 weeks ended 6 July 2024

What does this show? Our statement of comprehensive income includes other income and costs that are not included in the consolidated income statement on the previous page. These are usually revaluations in relation to our pension schemes and insurance finance income or expense on funeral plans.

		26 weeks ended 6 July 2024 (unaudited)	26 weeks ended 1 July 2023 (unaudited & restated*)	53 weeks ended 6 January 2024 (audited)
	Notes	£m	£m	£m
Profit / (loss) for the period		39	(39)	3
Items that will never be reclassified to the income statement:				
Remeasurement losses on employee pension schemes	6	(13)	(255)	(1,310)
Related tax on items above	5	3	64	328
		(10)	(191)	(982)
Items that are or may be reclassified to the income statement:				
Revaluation gain on properties prior to transfer to Investment properties		2	-	3
Insurance finance income / (expense) on funeral plans	12	73	6	(37)
Tax on funeral plan liabilities (insurance contracts)		(18)	(1)	9
		57	5	(25)
Other comprehensive profit / (loss) for the period net of tax		47	(186)	(1,007)
Total comprehensive profit / (loss) for the period		86	(225)	(1,004)

* See the Accounting policies section (page 77) for details of the restatement.

The accompanying notes on pages 53 - 76 form an integral part of these financial statements.

Condensed Consolidated Balance Sheet

as at 6 July 2024

What does this show? Our balance sheet is a snapshot of our financial position as at 6 July 2024. It shows the assets we have and the liabilities that we owe.

		As at 6 July 2024 (unaudited) £m	As at 1 July 2023 (unaudited & restated*) £m	As at 6 January 2024 (audited) £m
	Notes			
Non-current assets				
Property, plant and equipment		1,521	1,549	1,543
Right-of-use assets		779	853	827
Goodwill and intangible assets		913	911	917
Investment properties		41	39	40
Investments in associates and joint ventures		5	5	5
Funeral plan investments	10	1,411	1,349	1,346
Pension assets (net pension assets for schemes in surplus)	6	334	1,369	359
Trade and other receivables		-	5	1
Finance lease receivables		22	23	21
Contract assets		6	6	6
Deferred tax assets	5	18	-	52
Total non-current assets		5,050	6,109	5,117
Current assets				
Inventories		447	430	440
Trade and other receivables		561	565	594
Finance lease receivables		6	11	8
Contract assets		1	1	1
Derivatives		1	1	-
Short-term investments		100	-	200
Cash and cash equivalents		334	579	395
Total current assets		1,450	1,587	1,638
Total assets		6,500	7,696	6,755
Non-current liabilities				
Interest-bearing loans and borrowings	7	470	468	470
Lease liabilities	7	1,022	1,096	1,054
Trade and other payables		12	23	18
Insurance contract liabilities (funeral plans)	12	979	957	1,010
Re-insurance contract liabilities (funeral plans)		6	7	7
Derivatives		9	15	10
Provisions		59	54	55
Pension liabilities (net pension liabilities for schemes in deficit)	6	3	3	3
Deferred tax liabilities	5	-	195	-
Total non-current liabilities		2,560	2,818	2,627
Current liabilities				
Interest-bearing loans and borrowings	7	32	234	218
Lease liabilities	7	165	181	179
Trade and other payables		1,533	1,530	1,564
Insurance contract liabilities (funeral plans)	12	57	106	88
Re-insurance contract liabilities (funeral plans)		1	1	1
Derivatives		2	5	3
Provisions		44	23	55
Total current liabilities		1,834	2,080	2,108
Total liabilities		4,394	4,898	4,735
Equity				
Members' share capital		76	75	76
Retained earnings		2,019	2,717	1,935
Other reserves		11	6	9
Total equity		2,106	2,798	2,020
Total equity and liabilities		6,500	7,696	6,755

* See the Accounting policies section (page 77) for details of the restatement.

The accompanying notes on pages 53 - 76 form an integral part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

for the 26 weeks ended 6 July 2024

What does this show? Our statement of changes in equity shows how our net assets have changed during the year.

For the 26 weeks ended 6 July 2024 (unaudited)	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 6 January 2024		76	1,935	9	2,020
Profit for the period		-	39	-	39
Other comprehensive income / (losses):					
Remeasurement losses on employee pension schemes	6	-	(13)	-	(13)
Tax on items taken directly to other comprehensive income	5	-	3	-	3
Insurance finance income (funeral plans)	12	-	73	-	73
Tax on funeral plan liabilities (insurance contracts)	5	-	(18)	-	(18)
Revaluation gain on properties prior to transfer to Investment properties		-	-	2	2
Total other comprehensive loss		-	45	2	47
Balance at 6 July 2024		76	2,019	11	2,106

For the 26 weeks ended 1 July 2023 (unaudited & restated*)	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 31 December 2022		75	2,942	6	3,023
Loss for the period		-	(39)	-	(39)
Other comprehensive income / (losses):					
Remeasurement losses on employee pension schemes	6	-	(255)	-	(255)
Tax on items taken directly to other comprehensive income	5	-	64	-	64
Insurance finance income (funeral plans)	12	-	6	-	6
Tax on funeral plan liabilities (insurance contracts)		-	(1)	-	(1)
Total other comprehensive loss:		-	(186)	-	(186)
Balance at 1 July 2023		75	2,717	6	2,798

* See the Accounting policies section (page 77) for details of the restatement.

For the 53 weeks ended 6 January 2024 (audited)	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 31 December 2022		75	2,942	6	3,023
Profit for the period		-	3	-	3
Other comprehensive income / (losses):					
Remeasurement losses on employee pension schemes	6	-	(1,310)	-	(1,310)
Tax on items taken directly to other comprehensive income	5	-	328	-	328
Insurance finance income (funeral plans)	12	-	(37)	-	(37)
Tax on funeral plan liabilities (insurance contracts)		-	9	-	9
Revaluation gain on properties prior to transfer to Investment properties		-	-	3	3
Total other comprehensive loss		-	(1,010)	3	(1,007)
Items taken directly to retained earnings:					
Shares issued less shares withdrawn		1	-	-	1
Total of items taken directly to retained earnings		1	-	-	1
Balance at 6 January 2024		76	1,935	9	2,020

The accompanying notes on pages 53 - 76 form an integral part of these financial statements.

Condensed Consolidated Statement of Cash Flows

for the 26 weeks ended 6 July 2024

What does this show? Our statement of cash flows shows the cash coming in and out during the period. It splits the cash by type of activity - showing how we've generated cash and then how we've spent it.

	Notes	26 weeks ended 6 July 2024 (unaudited) £m	26 weeks ended 1 July 2023 (unaudited) £m	53 weeks ended 6 January 2024 (audited) £m
Net cash from operating activities	8	207	350	602
Cash flows from investing activities				
Purchase of property, plant and equipment		(93)	(61)	(182)
Proceeds from sale of property, plant and equipment		16	11	23
Purchase of intangible assets		(24)	(7)	(23)
Disposal of business		5	-	10
Disposal of petrol forecourts		-	4	4
Purchase of investments for pre-paid funeral plans sales	10	(50)	(34)	(73)
Receipts from funds for pre-paid funeral plans performed and cancelled	10	56	64	113
Short-term investments		100	-	(200)
Dividends received from investments		1	-	-
Interest received on deposits		20	9	18
Net cash generated from / (used in) investing activities		31	(14)	(310)
Cash flows from financing activities				
Interest paid on borrowings		(9)	(9)	(57)
Interest paid on lease liabilities		(33)	(35)	(70)
Interest received on subleases		1	1	2
Repayment of borrowings (net)	7	(200)	(99)	(101)
(Decrease) / increase in other borrowings	7	(1)	1	1
Payment of lease liabilities		(57)	(64)	(123)
Derivative settlements		-	1	3
Individual member share capital		-	-	1
Net cash used in financing activities		(299)	(204)	(344)
Net (decrease) / increase in cash and cash equivalents		(61)	132	(52)
Cash and cash equivalents at beginning of period		395	447	447
Cash and cash equivalents at end of period		334	579	395

The balances above include cashflows from Discontinued operations.

The accompanying notes on pages 53 - 76 form an integral part of these financial statements.

	Notes	As at 6 July 2024 (unaudited) £m	As at 1 July 2023 (unaudited)* £m	As at 6 January (audited) £m
Group net debt				
Interest-bearing loans and borrowings:				
- current		(32)	(234)	(218)
- non-current		(470)	(468)	(470)
Total Interest-bearing loans and borrowings		(502)	(702)	(688)
Lease liabilities:				
- current		(165)	(181)	(179)
- non-current		(1,022)	(1,096)	(1,054)
Total lease liabilities		(1,187)	(1,277)	(1,233)
Total debt		(1,689)	(1,979)	(1,921)
- Group cash		334	579	395
- Short-term investments		100	-	200
Group net debt	7	(1,255)	(1,400)	(1,326)
Add back: accrued interest on amortised debt		26	26	11
Group net debt (excluding accrued interest on amortised debt)*		(1,229)	(1,374)	(1,315)
Group net debt (excluding lease liabilities)		(68)	(123)	(93)
Add back: accrued interest on amortised debt		26	26	11
Group net debt (excluding lease liabilities and accrued interest on amortised debt) *	7	(42)	(97)	(82)

* We amended our net debt metric at year-end 2023 to show net debt before any interest accruals on debt held at amortised cost. The comparative half-year numbers have been re-presented on that basis in the table above. Further details on the Group's alternative performance measures (APMs) can be found in the Jargon Buster section of the Group's 2023 Annual Report & Accounts (page 252).

Notes to the interim financial statements

1 Operating segments

What does this show? This note shows how our different businesses have performed. This is how we report and monitor our performance internally. These are the numbers that our Board reviews during the year.

26 weeks ended 6 July 2024 (unaudited)	Food	Wholesale	Federal (b)	Funeral* (d)	Insurance	Legal	Costs from supporting functions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	3,677	698	1,023	148	15	42	-	5,603
Underlying segment operating profit / (loss) (a)	85	(8)	-	1	9	14	(54)	47
Other non-underlying items (a) (i)	13	-	-	-	-	-	(13)	-
Loss on onerous contracts (funeral plans) (a) (ii)	-	-	-	(6)	-	-	-	(6)
Property disposals and closures (a) (iii)	6	1	-	-	-	-	4	11
Impairments of non-current assets (a) (iii)	(22)	(1)	-	-	-	-	(1)	(24)
Change in value of investment properties	-	-	-	-	-	-	7	7
Operating profit / (loss)	82	(8)	-	(5)	9	14	(57)	35
Profit before tax (funerals only)	-	-	-	63	-	-	-	63
Depreciation and amortisation	148	4	-	14	-	-	11	177
EBITDA (c)	230	(4)	-	9	9	14	(46)	212
Underlying EBITDA (c)	233	(4)	-	15	9	14	(43)	224

* Funeral revenue comprises £47m (HY23: £43m; FY23: £86m) in relation to pre-need funeral plans and £101m (HY23: £103m; FY23: £195m) for at-need funerals.

26 weeks ended 1 July 2023 (unaudited & restated**)	Food**	Wholesale	Federal** (b)	Funerals* (d)	Insurance	Legal	Costs from supporting functions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	3,563	719	1,049	146	14	31	-	5,522
Underlying segment operating profit / (loss) (a)	77	3	-	(4)	7	9	(49)	43
Other non-underlying items (a) (i)	(3)	-	-	-	-	-	(1)	(4)
Loss on onerous contracts (funeral plans)	-	-	-	-	-	-	-	-
Property disposals and closures (a) (ii)	-	-	-	-	-	-	-	-
Impairments of non-current assets (a) (ii)	(32)	-	-	-	-	-	(4)	(36)
Change in value of investment properties	-	-	-	-	-	-	-	-
Operating profit / (loss)	42	3	-	(4)	7	9	(54)	3
Profit before tax (funerals only)	-	-	-	1	-	-	-	1
Depreciation and amortisation	156	4	-	13	-	-	10	183
EBITDA (c)	198	7	-	9	7	9	(44)	186
Underlying EBITDA (c)	233	7	-	9	7	9	(39)	226

** See the Accounting policies section (page 77) for details of the restatement.

53 weeks ended 6 January 2024 (audited)	Food**	Wholesale	Federal** (b)	Funerals* (d)	Insurance	Legal	Costs from supporting functions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	7,262	1,480	2,142	281	29	68	-	11,262
Underlying segment operating profit / (loss) (a)	173	14	-	(11)	14	21	(114)	97
Other non-underlying items (a) (i)	9	-	-	-	-	-	(21)	(12)
Loss on onerous contracts (funeral plans)	-	-	-	-	-	-	-	-
Property disposals and closures (a) (ii)	9	(1)	-	-	-	-	1	9
Impairments of non-current assets (a) (ii)	(20)	(1)	-	-	-	-	(11)	(32)
Change in value of investment properties	-	-	-	-	-	-	4	4
Operating profit / (loss)	171	12	-	(11)	14	21	(141)	66
Profit before tax (funerals only)	-	-	-	13	-	-	-	13
Depreciation and amortisation	314	8	-	27	-	1	21	371
EBITDA (c)	485	20	-	16	14	22	(120)	437
Underlying EBITDA (c)	487	22	-	16	14	22	(93)	468

Following a change to our membership proposition Community rewards are now included within Costs from supporting functions whereas previously they were included within the Food segment. The comparative tables above have been represented to reflect this change seeing £9m (HY23) and £19m (FY23) of costs moved from Food to Costs from supporting functions.

Notes to the interim financial statements continued

1 Operating segments continued

a) Underlying operating profit / (loss) is a non-GAAP measure of segment operating profit / (loss) before the impact of non-underlying items, which relate to property and business disposals (including impairment of non-current assets within our businesses), the change in the value of investment properties and other non-underlying items. Underlying profit / (loss) before tax includes charges for underlying interest on our borrowings and leases. The Directors believe that these Alternative Performance Measures ("APMs") help our members understand our Group's and business segments underlying performance. Further details on the Group's APMs is given in the Jargon Buster section of the Group's 2023 Annual Report & Accounts (page 252). The difference between underlying operating profit / (loss) and operating profit / (loss) includes:

i) Other non-underlying items comprises a charge of £nil (2023: £4m). The prior period charge related to discretionary costs (membership spend added to colleagues membership cards) helping to support them through the Winter cost-of-living crisis.

ii) Losses on onerous contracts of £6m (2023: £nil) relate to certain pre-need funeral plan contract cohorts where total cost of fulfilment currently exceeds the economic benefits of the contract. The losses have arisen as a result of an adverse movement in long term inflation and higher costs to fulfill the contracts.

iii) Losses from property and business disposals and impairments of £13m (2023: £36m loss). This comprises a net gain on disposal and closure of properties of £11m (2023: £nil) less impairment charges of £24m (2023: £36m). See table overleaf.

b) Federal relates to the activities of a joint buying group that is operated by the Group for other independent co-operative societies. This is run on a cost recovery basis and therefore no profit is derived from its activities.

c) EBITDA (earnings before interest, tax, depreciation and amortisation) and underlying EBITDA are non-GAAP measure of performance which help our members to understand the profits our business segments are generating before capital investment and interest charges. EBITDA is calculated by adding back depreciation and amortisation charges to operating profit (which is calculated before interest charges). Underlying EBITDA is calculated in a similar way but starting from underlying operating profit. Further details on the Group's alternative performance measures (APMs) is given in the Jargon Buster section of the Group's 2023 Annual Report & Accounts (page 252).

d) The Funeral segment includes the results of our pre-need funeral plan business recorded under IFRS 17 (Insurance Contracts). Underlying operating profit remains management's primary alternative performance measure and basis of our segmental reporting, however for the Funeral segment we consider that this should be reviewed alongside other metrics to understand the performance of the Funeralcare business. As such we have included profit before tax as an additional metric in the segmental tables for the Funeral business to aid a reader's understanding of the performance of that business and will consider further at year end.

Funerals segment (£m)	26 weeks ended 6 July 2024 (unaudited) £m	26 weeks ended 1 July 2023 (unaudited) £m	53 weeks ended 6 January 2024 (audited) £m
Operating loss	(5)	(4)	(11)
Finance income (funeral plans)	70	10	17
Finance cost (funeral plans)	(10)	(11)	(16)
Finance income (other)	9	7	25
Finance costs (other)	(1)	(1)	(2)
Profit before tax	63	1	13

Notes to the interim financial statements continued

1 Operating segments continued

e) A reconciliation between underlying operating profit and profit / (loss) before tax is provided below:

Reconciliation between underlying operating profit and profit / (loss) before tax	Notes	26 weeks ended	26 weeks ended	53 weeks ended
		6 July 2024 (unaudited)	1 July 2023 (unaudited & restated*)	6 January 2024 (audited)
		£m	£m	£m
Underlying operating profit	1	47	43	97
Underlying net interest on loans and deposits	4	(12)	(19)	(31)
Underlying net interest expense on leases	3, 4	(32)	(33)	(68)
Underlying profit / (loss) before tax		3	(9)	(2)
Other non-underlying items	1	-	(4)	(12)
Loss on onerous contracts (funeral plans)	1	(6)	-	-
Gain on property, business disposals and closures (see below)	1	11	-	9
Impairments of non-current assets	1	(24)	(36)	(32)
Increase in value of investment properties	1	7	-	4
Finance income (net pension income)	3	8	35	77
Fair value movement on foreign exchange contracts and commodity derivatives	3	1	(9)	(6)
Fair value movement on interest rate swaps	3	1	(2)	4
Fair value movement on Group debt	2	(2)	(6)	(10)
Finance income (funeral plans)	3	70	10	17
Finance costs (funeral plans)	4	(10)	(11)	(16)
Net other non-cash finance cost	3, 4	(1)	(1)	(5)
Profit / (loss) before tax (from continuing operations)		58	(33)	28

* See the Accounting policies section (page 77) for details of the restatement.

Losses from property and business disposals and closures and impairment of non-current assets	26 weeks ended		26 weeks ended		53 weeks ended	
	6 July 2024 (unaudited)		1 July 2023 (unaudited)		6 January 2024 (audited)	
	£m	£m	£m	£m	£m	£m
Disposals, closures and onerous contracts						
- proceeds	16		11		23	
- less net book value written off	(4)		(15)		(14)	
- provisions released	(1)		4		-	
		11		-		9
Impairment of non-current assets		(24)		(36)		(32)
Total		(13)		(36)		(23)

Impairment

The Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets and goodwill to determine whether there is any indication that those assets have suffered an impairment loss.

This review is performed annually or in the event where indicators of impairment are present. At 6 July 2024, the Group has considered whether general ongoing uncertainty in the wider macro-economic environment including the cost-of-living crisis and the conflict in Ukraine and the Middle East has the potential to represent a significant impairment indicator as at 6 July 2024. Despite the difficult trading conditions and associated additional costs of serving our customers the Group's main business areas have proven resilient and the performance of the Group's cash-generating units has remained strong. Therefore, management concluded that the impact of the factors noted on the longer term outlook for these cash-generating units did not constitute an indicator of significant impairment and hence a full impairment test across all CGUs was not required. This judgement is unchanged from 6 January 2024. An impairment review as at 6 July 2024 has been performed over our Food and Funeralcare estate with an overall impairment charge of £24m (FY23: £36m)

Notes to the interim financial statements continued

1 Operating segments continued

Impairment continued

The methodology for our impairment reviews is consistent with the methodology disclosed in the 2023 annual report. This methodology is summarised in the table below:

Assumption	Food Segment	Funeral Segment
Structure of a CGU	Each individual food store is deemed to be an individual CGU.	A CGU is deemed to be a local network of interdependent branches, known as a Funeralcare Hub.
Cash flow years / assumptions	<p>Future cash flows for FY24 and FY25 derived from Board approved four-year plan cash flow assumptions, actualised for H1 2024 results.</p> <p>These forecasts are based on the four-year plan for FY24 - FY25 and then subject to a long term growth rate of 0% for the remainder of the lease period and then 1.9% (FY23: 1.9%) into perpetuity after the lease period reflecting the UK's long-term post war growth rate which is in-line with industry norms for the period of the lease. Where we have known lease exit dates then the remaining lease terms have been used. Perpetuities are included in cash flows with 1.9% growth (FY23: 1.9%) where stores are expected to be operated beyond their current lease term (adjusted for rent expense given the impact of IFRS 16 leases).</p> <p>Cash flows include estimated periodic store capital maintenance costs based on the square footage of the store.</p> <p>The Group is currently working to identify the physical risk to our business and supply chains from the changing climate, along with the potential impact of policy, technology and market changes as we transition to a lower carbon future. This is a developing area with inherent uncertainty which is constantly evolving. The work being undertaken will help inform our overall response to the risks and opportunities that are identified. Our assessment of the impact of climate-related risk and related expenditure is reflected in the financial models and plans and will continue to be monitored in future periods.</p>	<p>Future cash flows for FY24 and FY25 derived from Board approved four-year plan cash flow projections, actualised for H1 2024 results.</p> <p>These forecasts are based on budget for FY24, four-year plan for FY25 and then subject to a long term growth rate of 1.1% (FY23: 1.9%) into perpetuity reflecting the UK's long-term post war growth rate which is in-line with industry norms for the period of the lease. Where we have known lease exit dates then the remaining lease terms have been used. Perpetuities are included in cash flows with 1.1% growth (FY23: 1.9%) where the Hub is expected to be operational beyond its current lease terms (adjusted for rent expense given the impact of IFRS 16 leases).</p> <p>Cash flows include an appropriate estimate of periodic capital maintenance costs.</p> <p>The Group is currently working to identify the physical risk to our business and supply chains from the changing climate, along with the potential impact of policy, technology and market changes as we transition to a lower carbon future. This is a developing area with inherent uncertainty which is constantly evolving. The work being undertaken will help inform our overall response to the risks and opportunities that are identified. Our assessment of the impact of climate-related risk and related expenditure is reflected in the financial models and plans and will continue to be monitored in future periods.</p>
Discount rate and Sensitivity analysis	<p>A post tax discount rate has been calculated for impairment purposes, with the Food segment's weighted average cost of capital (WACC) deemed to be an appropriate rate, subsequently grossed up to a pre-tax rate of 9.6% (FY23: 9.6%).</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> <p>In each of the current and comparative years, sensitivity analysis has been performed in relation to our store impairment testing, testing for a 2% increase in discount rate and a decrease in growth to minus 2%; within both these sensitivities no additional material impairment was calculated. The sensitivity analysis performed considers reasonably possible changes in the discount rate and growth rate assumptions. Sensitivity analysis has also been performed on our goodwill impairment testing.</p>	<p>A post tax discount rate has been calculate for impairment purposes, with the Funeralcare segment's weighted average cost of capital (WACC) deemed to be an appropriate rate, subsequently grossed up to a pre-tax rate of 11.6% (FY23: 11.6%).</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> <p>In each of the current and comparative years, sensitivity analysis has been performed in relation to our Funeralcare Hub impairment testing, testing for a 2% increase in discount rate and a decrease in growth to minus 2%; within both these sensitivities no additional material impairment was calculated. The sensitivity analysis performed considers reasonably possible changes in the discount rate and growth rate assumptions. Sensitivity analysis has also been performed on our goodwill impairment testing.</p>

Notes to the interim financial statements continued

2 Supplier income

What does this show? Sometimes our suppliers give us money back based on the amount of their products we buy and sell. This note shows the different types of income we've received from our suppliers based on the contracts we have in place with them. This income is taken off operating expenses in the income statement.

Supplier Income	26 weeks ended 6 July 2024 (unaudited) £m	26 weeks ended 1 July 2023 (unaudited) £m	53 weeks ended 6 January 2024 (audited) £m
Food - Long-term agreements	81	81	162
Food - Bonus income	35	18	74
Food - Promotional income	131	126	260
Total Food supplier income	247	225	496
Wholesale - Long-term agreements	10	12	32
Wholesale - Bonus income	2	5	12
Wholesale - Promotional income	34	34	72
Total Wholesale Supplier income	46	51	116
Total Supplier income	293	276	612

Percentage of Cost of Sales (before deducting Supplier Income)	%	%	%
Food - Long-term agreements	2.9%	3.0%	3.0%
Food - Bonus income	1.3%	0.7%	1.4%
Food - Promotional income	4.8%	4.7%	4.8%
Total Food supplier income %	9.0%	8.4%	9.2%
Wholesale - Long-term agreements	1.6%	1.8%	2.4%
Wholesale - Bonus income	0.4%	0.7%	0.9%
Wholesale - Promotional income	5.3%	5.2%	5.3%
Total Wholesale supplier income %	7.3%	7.7%	8.6%

All figures exclude any income or purchases made as part of the Federal joint buying group.

Notes to the interim financial statements continued

3 Finance income

What does this show? Finance income arises from the interest earned on our pension schemes, any bank interest we receive on the cash balances we hold as well as interest from finance lease receivables which have been discounted. If they are gains then we also include the movement in the fair value of some elements of our debt, our interest rate swap positions, foreign exchange contracts and commodity derivatives (which are used to manage risks from interest rate movements). If they are losses, they are included in Finance costs (see Note 4). If they are gains, then we also show the fair value movement on our funeral plan investments.

	26 weeks ended 6 July 2024 (unaudited) £m	26 weeks ended 1 July 2023 (unaudited) £m	53 weeks ended 6 January 2024 (audited) £m
<u>Underlying finance income:</u>			
Interest income from finance lease receivables	1	1	2
Interest receivable on deposits	14	9	25
Total underlying finance income	15	10	27
<u>Non-underlying finance income:</u>			
Net pension finance income	8	35	77
Fair value movement on foreign exchange contracts and commodity derivatives	1	-	-
Fair value movement on interest rate swaps	1	-	4
Unrealised fair value movement on funeral plan investments	70	10	17
Other non-underlying finance income	1	1	1
Total non-underlying finance income	81	46	99
Total finance income	96	56	126

4 Finance costs

What does this show? Our main finance costs are the interest that we've paid during the year on our bank borrowings (that help fund the business) and the interest payments we incur on our lease liabilities. We also include the movement in the fair value of some elements of our debt and our interest rate swap positions (which are used to manage risks from interest rate movements) if these are losses. If they are gains, they are included in Finance income (see note 3). We also include the insurance finance interest expense (from the unwind of the discounting applied to our funeral plan liabilities).

	26 weeks ended 6 July 2024 (unaudited) £m	26 weeks ended 1 July 2023 (unaudited) £m	53 weeks ended 6 January 2024 (audited) £m
<u>Underlying finance costs:</u>			
Loans repayable within five years	(26)	(28)	(56)
Interest expense on lease liabilities	(33)	(34)	(70)
Total underlying finance cost	(59)	(62)	(126)
<u>Non-underlying finance costs:</u>			
Fair value movement on interest rate swaps	-	(2)	-
Fair value movement on foreign exchange contracts and commodity derivatives	-	(9)	(6)
Fair value movement on quoted Group debt	(2)	(6)	(10)
Non-underlying insurance finance expenses (funeral plans)	(10)	(11)	(16)
Other non-underlying finance cost	(2)	(2)	(6)
Total non-underlying finance cost	(14)	(30)	(38)
Total finance costs	(73)	(92)	(164)

Notes to the interim financial statements continued

5 Taxation

What does this show? This note shows the tax charge recognised at half year. This is calculated in four parts based on (i) the forecast effective tax rate for the full year applied to our underlying half year trading results (excluding the tax impact of any material transactions) (ii) material transactions reflected in the half year results (iii) recognition of the full impact of enquiries concluded by HMRC in the first half of the year and (iv) an adjustment in respect of revised estimates used to calculate the timing of when deferred tax charges arise.

The Group does not expect to be tax-paying in respect of its half-year results due to the availability of brought forward tax losses and allowances. The tax charge therefore relates to forecast use or movements of deferred tax assets or liabilities.

The tax charge in respect of continuing operations of £19m (26 weeks ended 1 July 2023: charge of £6m; and 53 weeks ended 6 January 2024: charge of £27m) and effective tax rate of 33% (26 weeks ended 1 July 2023: (18%); and 53 weeks ended 6 January 2024: 99%) relates to:

1. A review of the effective tax rate for the full year has been applied to the underlying trading results (excluding recurring net pension credits taken to the income statement) - this results in a tax charge of £2m.
2. A review of material transactions reflected in the 26 week period ended 6 July 2024 gave rise to a net nil tax charge. See Note 1 for more detail of non-underlying profit movements.
3. There has been no material change in the status of any HMRC enquiries in the first half of the year, as such the uncertain tax risk provision for existing enquiries remains unchanged from as at 6 January 2024, being £nil.
4. The Finance Act 2021 enacted the Corporation Tax rate rise from 19% to 25% on 1 April 2023. The deferred tax assets and liabilities of the Group were restated to the prevailing 25% tax rate in 2021. Current year movement in deferred tax is therefore aligned to the current 25% Corporation tax rate for 2024.

A credit of £3m has been posted to other comprehensive income in respect of the deferred tax recognised on the actuarial movement arising on the Group's pension schemes. In addition a debit of £18m has been posted to other comprehensive income in respect of deferred tax recognised on movements on funeral plans. No deferred tax has been recognised in respect of the revaluation gain on properties recognised in other comprehensive income as the amount is immaterial.

The net deferred tax asset of the Group at half year is £18m (as at 1 July 2023: £195m liability; and 6 January 2024: £52m) and the Corporation tax creditor for continuing operations is £nil.

Deferred taxes in respect of brought forward tax losses and allowances are fully recognised and offset against deferred tax liabilities. A reconciliation of the restated opening deferred tax balance to the closing balance is set out below:

Movements in deferred tax in period to 6 July 2024	26 weeks ended 6 July 2024 (unaudited) £m
At beginning of the year (net asset)	52
<u>Charged to the Income Statement:</u>	
- Current period movement	(19)
<u>Credit / (charge) to equity:</u>	
- Employee pension schemes	3
- IFRS 17 funeral plans	(18)
At end of period (net asset)	18

Notes to the interim financial statements continued

6 Pensions

What does this show? This note shows the net position (either a surplus or a deficit) for all of the Group's defined benefit (DB) pension schemes and the key assumptions that our actuaries have used to value the Pace scheme as well as showing how the total net position has changed during the period.

Net retirement benefit asset (per balance sheet)	6 July 2024 (unaudited) £m	1 July 2023 (unaudited) £m	6 January 2024 (audited) £m
Pension schemes in surplus	334	1,369	359
Pension schemes in deficit	(3)	(3)	(3)
Closing net retirement benefit	331	1,366	356

The Group operates a number of defined benefit (DB) pension schemes, the assets of which are held in separate trustee-administered funds for the benefit of its employees and former employees. The Group also provides pension benefits through defined contribution (DC) arrangements.

The main DB pension scheme for the Group is the Pace scheme which closed to future service accrual on 28 October 2015. The latest 2022 actuarial valuation for the Pace scheme has been updated to 6 July 2024 in accordance with IAS 19. Valuations for the Somerfield and United schemes have also been updated for the 2024 interim financial statements.

The principal assumptions used to determine the liabilities of the Pace pension scheme were:

Assumptions	6 July 2024 (unaudited)	1 July 2023 (unaudited)	6 January 2024 (audited)
Discount rate	5.07%	5.09%	4.76%
RPI Inflation rate	3.37%	3.52%	3.32%
Pension increases in payment (RPI capped at 5.0% p.a.)	3.15%	3.26%	3.12%
Future salary increases	3.62%	3.77%	3.57%

Net Retirement benefit asset	6 July 2024 (unaudited) £m	1 July 2023 (unaudited) £m	6 January 2024 (audited) £m
Opening net retirement benefit attributable to Group	356	1,581	1,581
Admin expenses paid from plan assets	(3)	(3)	(6)
Net finance income	8	35	77
Employer contributions	1	8	14
Pace DC contributions	(18)	-	-
Remeasurement losses	(13)	(255)	(1,310)
Closing net retirement benefit asset	331	1,366	356

Notes to the interim financial statements continued

6 Pensions continued

Amounts recognised in the balance sheet:	6 July 2024 (unaudited) £m	1 July 2023 (unaudited) £m	6 January 2024 (audited) £m
Fair value of plan assets:			
- Pace	4,832	5,709	5,051
- Somerfield scheme	689	667	690
- United scheme	472	480	472
Total assets	5,993	6,856	6,213
Present value of liabilities:			
- Pace	(4,576)	(4,409)	(4,768)
- Somerfield scheme	(619)	(635)	(622)
- United scheme	(464)	(443)	(464)
- Unfunded liabilities	(3)	(3)	(3)
Total liabilities	(5,662)	(5,490)	(5,857)
Net retirement benefit asset per balance sheet:			
Pace	256	1,300	283
Somerfield scheme	70	32	68
United scheme	8	37	8
Total assets	334	1,369	359
Unfunded liabilities	(3)	(3)	(3)
Total Liabilities	(3)	(3)	(3)
Net Assets	331	1,366	356

The majority of pensions benefits are now bought in with an insurance company and for those benefits the value of the assets is equal to the value of the liabilities, resulting in a relatively stable balance sheet. For those benefits that are not insured their liability has fallen due to rising corporate bond yields. Assets for those have fallen by a greater degree because they are invested in gilts which have fallen in value more than the liabilities. This has resulted in a small reduction in the pension surplus.

Notes to the interim financial statements continued

7 Interest-bearing loans and borrowings

What does this show? This note gives information about our interest-bearing loans including their value, interest rate and repayment timings. Details are also given about other borrowings and funding arrangements such as corporate investor shares and our leases. All items are split between those that are due to be repaid within one year (current) and those which won't fall due until after more than one year (non-current).

See Note 10 for a breakdown of the IFRS 13 level hierarchies (which reflect different valuation techniques) in relation to these borrowings.

Non-current liabilities:	6 July 2024 (unaudited) £m	1 July 2023 (unaudited) £m	6 January 2024 (audited) £m
£109m 11% Final repayment subordinated Notes due 2025	109	109	109
£20m 11% Instalment repayment Notes (final payment 2025)	3	5	3
£105m 7.5% Bond Notes due 2026 (fair value)	107	101	105
£245m 7.5% Bond Notes due 2026 (amortised cost)	251	253	253
Total (excluding lease liabilities)	470	468	470
Lease liabilities	1,022	1,096	1,054
Total Group non-current interest-bearing loans and borrowings	1,492	1,564	1,524

Current liabilities:	6 July 2024 (unaudited) £m	1 July 2023 (unaudited) £m	6 January 2024 (audited) £m
£300m 5.125% Sustainability Bond due 2024 (amortised cost) *	-	201	202
£20m 11% Instalment repayment Notes (final payment 2025) **	2	2	2
£109m 11% Final repayment subordinated Notes due 2025 **	7	7	-
£245m 7.5% Bond Notes due 2026 (amortised cost) ***	19	19	9
Other borrowings	1	2	2
Corporate investor shares	3	3	3
Total (excluding lease liabilities)	32	234	218
Lease liabilities	165	181	179
Total Group current interest-bearing loans and borrowings	197	415	397

* The remaining £200m principal on the Sustainability bond matured on 17 May 2024 and was repaid in full with cash.

** The £7m interest accrual on the £109m (11% Final repayment subordinated notes 2025) is settled annually in December. Any interest accrual as at the year-end date (6 January 2024) was not material for disclosure in the table above. The £2m balance noted on the £20m notes represents the repayment of the capital instalment due < 1 year.

*** The amortised cost balances in current liabilities includes £19m of accruals for interest payments that will be made within 1 year of the balance sheet date. These balances are excluded from our net debt metric.

Notes to the interim financial statements continued

7 Interest-bearing loans and borrowings continued

Reconciliation of movement in net debt

Net debt is a measure that shows the amount we owe to banks and other external financial institutions less our cash and short-term investments.

For the 26 weeks ended 6 July 2024 (unaudited)	Start of period £m	Non-cash movements		Cash flow	
		New leases £m	Other £m	£m	End of period £m
Interest-bearing loans and borrowings:					
- current	(218)	-	(15)	201	(32)
- non-current	(470)	-	-	-	(470)
Lease liabilities					
- current	(179)	(4)	(72)	90	(165)
- non-current	(1,054)	(27)	59	-	(1,022)
Total Debt	(1,921)	(31)	(28)	291	(1,689)
Group cash:					
- cash & overdrafts	395	-	-	(61)	334
- short term investments	200	-	-	(100)	100
Group Net Debt	(1,326)	(31)	(28)	130	(1,255)
Less: interest accrued on amortised debt	11	-	20	(5)	26
Group Net Debt (excluding interest accrued on amortised debt)	(1,315)	(31)	(8)	125	(1,229)

For the 26 weeks ended 1 July 2023 (unaudited)	Start of period £m	Non-cash movements		Cash flow	
		New leases £m	Other £m	£m	End of period £m
Interest-bearing loans and borrowings:					
- current	(17)	-	(216)	(1)	(234)
- non-current	(763)	-	196	99	(468)
Lease liabilities					
- current	(182)	(8)	(90)	99	(181)
- non-current	(1,124)	(45)	73	-	(1,096)
Total Debt	(2,086)	(53)	(37)	197	(1,979)
Group cash:					
- cash and overdrafts	447	-	-	132	579
Group Net Debt	(1,639)	(53)	(37)	329	(1,400)
Less: interest accrued on amortised debt	11	-	22	(7)	26
Group Net Debt (excluding interest accrued on amortised debt)	(1,628)	(53)	(15)	322	(1,374)

For the 53 weeks ended 6 January 2024 (audited)	Start of period £m	Non-cash movements		Cash flow	
		New leases £m	Other £m	£m	End of period £m
Interest-bearing loans and borrowings:					
- current	(17)	-	(203)	2	(218)
- non-current	(763)	-	194	99	(470)
Lease liabilities					
- current	(182)	(12)	(178)	193	(179)
- non-current	(1,124)	(68)	138	-	(1,054)
Total Debt	(2,086)	(80)	(49)	294	(1,921)
Group cash and short term investments:					
- cash and overdrafts	447	-	-	(52)	395
- short term investments	-	-	-	200	200
Group Net Debt	(1,639)	(80)	(49)	442	(1,326)
Less: interest accrued on amortised debt	11	-	30	(30)	11
Group Net Debt (excluding interest accrued on amortised debt)	(1,628)	(80)	(19)	412	(1,315)

Notes to the interim financial statements continued

8 Reconciliation of operating profit to net cash flow from operating activities

What does this show? This note shows how our operating profit figure, as reported in the income statement, is reconciled to the net cash from operating activities as shown as the starting position in the cash flow statement. Non-cash items are added back to or deducted from the operating profit figure as are cash items that have not gone through operating profit to show how much cash is generated from our operating activities.

	26 weeks ended 6 July 2024 (unaudited)	26 weeks ended 1 July 2023 (unaudited)	52 weeks ended 6 January 2024
	£m	£m	£m
Operating profit	35	3	66
Depreciation and amortisation charges	177	183	371
Non-current asset impairments	24	36	32
Profit on closure or disposal of businesses and non-current assets	(11)	-	(10)
Change in value of investment properties	(7)	-	(4)
Retirement benefit obligations	20	(6)	(9)
(Increase) / decrease in inventories	(7)	3	(7)
Decrease in receivables	29	32	14
Increase in insurance contract liabilities (funeral plans)	(5)	(15)	(28)
(Decrease) / Increase in payables and provisions	(48)	114	174
Net cash flow from operating activities (continuing operations)	207	350	599
Net cash flow from operating activities (discontinued operations)	-	-	3
Net cash flow from operating activities	207	350	602

Notes to the interim financial statements continued

9 Commitments and contingent liabilities

What does this show? This note shows the value of capital expenditure that we're committed to spending at the balance sheet date and provides an update on the contingent liabilities included in our 2023 annual report.

Capital commitments - Capital expenditure which the Group is committed to at 6 July 2024 (but which has not been accrued for at that date as it has not yet been incurred) was £13m (1 July 2023: £7m).

Contingent liabilities:

i) In common with other retailers, the Group has received Employment Tribunal claims from current and former food store colleagues alleging their work is of equal value to that of distribution centre colleagues and differences in pay and other terms are not objectively justifiable. The claimants are seeking the differential in pay (and other terms) together with equalisation going forward. There are currently circa 4,900 claims (YE23: circa 4,700 claims) and it is anticipated that this number will rise, though it is not possible to predict the point to which this may increase or the rate of increase.

These equal pay claims are initiated in the Employment Tribunal and claimants will need to succeed in three stages to succeed. The first stage concerns whether the roles of store colleagues can be compared with those of warehouse colleagues. In light of European and Supreme Court decisions, Co-op Group has conceded that it will not contest this point. The second and third stages are concerned with an equal value assessment between comparator roles and if this is shown to be the case, a subsequent consideration of Co-op Group's material factor defences (which are the non-discriminatory reasons for any pay differential). It is expected this litigation will take a number of years to final resolution.

The claims are still at an early stage; the number of claims, merit, outcome and impact are all highly uncertain. No provision has been made as it is not possible to assess the likelihood nor quantum of any outcome. There are substantial factual and legal defences to the claims and the Group intends to defend them robustly.

ii) In early February 2023 a claim was issued against Co-operative Group Limited and certain of its subsidiaries (Co-operative Group Food Limited, Co-operative Foodstores Limited and Rochpion Properties (4) LLP) 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. Co-operative Group Limited has provided an indemnity to its subsidiaries named above for any costs and losses which may be incurred by them in relation to this claim.

The amount claimed is approximately £450m plus further unquantified amounts of interest and costs. Co-op strongly disputes both liability and quantum of the claim and the claim will be vigorously defended.

10 Funeral plan investments and fair values of financial assets and financial liabilities

What does this show? Our Funerals business holds some investments in relation to funeral plans. This note provides information on these investments as well as how any other financial assets and liabilities are valued.

Funeral plan investments as per the balance sheet:	6 July 2024 (unaudited) £m	1 July 2023 (unaudited) £m	6 January 2024 (audited) £m
Current	-	-	-
Non-current	1,411	1,349	1,346
Funeral plan investments	1,411	1,349	1,346

Fair value through the income statement:	6 July 2024 (unaudited) £m	1 July 2023 (unaudited) £m	6 January 2024 (audited) £m
Funeral plan investments	1,411	1,349	1,346
Total Funeral plan investments	1,411	1,349	1,346

Fair values recognised in the balance sheet

The following table provides an analysis of the financial assets and liabilities that are recognised at fair value. These are grouped into three levels based on the following valuation techniques:

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

Notes to the interim financial statements continued

10 Funeral plan investments and fair values of financial assets and financial liabilities continued

Fair values recognised in the balance sheet continued

6 July 2024 (unaudited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Financial assets at fair value through income or expense				
- Derivative financial instruments	-	1	-	1
- Funeral plan investments	-	-	1,411	1,411
Total financial assets held at fair value	-	1	1,411	1,412
Liabilities				
Financial liabilities at fair value through income or expense				
- Fixed-rate sterling bond	-	107	-	107
- Derivative financial instruments	-	11	-	11
Total financial liabilities held at fair value	-	118	-	118

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

1 July 2023 (unaudited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Financial assets at fair value through income or expense				
- Derivative financial instruments	-	1	-	1
- Funeral plan investments	-	-	1,349	1,349
Total financial assets held at fair value	-	1	1,349	1,350
Liabilities				
Financial liabilities at fair value through income or expense				
- Fixed-rate sterling bond	-	101	-	101
- Derivative financial instruments	-	20	-	20
Total financial liabilities held at fair value	-	121	-	121

6 January 2024 (audited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Financial assets at fair value through income or expense				
- Funeral plan investments	-	-	1,346	1,346
Total financial assets held at fair value	-	-	1,346	1,346
Liabilities				
Financial liabilities at fair value through income or expense				
- Fixed-rate sterling bond	-	105	-	105
- Derivative financial instruments	-	13	-	13
Total financial liabilities held at fair value	-	118	-	118

Notes to the interim financial statements continued

10 Funeral plan investments and fair values of financial assets and financial liabilities continued

Level 2 - Basis of valuation of financial assets and liabilities:

Derivatives - the Group uses derivative financial instruments to provide an economic hedge to its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with our Treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives entered into include swaps, forward-rate agreements and commodity (diesel) swaps. 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 prices and where these are not available, valuation techniques such as discounted cash flow models are used. Interest payments or receipts arising from interest rate swaps are recognised within finance income or finance costs in the period in which the interest is incurred or earned.

Bonds - on inception these drawn-down loan commitments were designated as financial liabilities at fair value through the income statement. The Group adopted IFRS 9 from 7 January 2018 and subsequently only £105m of the original par value of £350m 2026 notes were designated as financial liabilities at fair value through the income statement. Fair values are determined in whole by using quoted market prices. The remaining bonds are held at amortised cost using an effective interest rate.

Level 3 - Basis of valuation of financial assets and liabilities:

Funeral plans - when a customer takes out a funeral plan the initial plan value is recognised as an investment asset in the balance sheet and at the same time a liability is also recorded in the balance sheet representing the liability to perform the funeral service that is covered by each of the funeral plans in the future. The investments are held in insurance policies or cash-based trusts and attract interest and bonus payments throughout the year dependent upon market conditions. The plan investment is a financial asset, which is recorded at fair value each period through the income statement using valuations provided to Co-op by the insurance policy provider. The plan values represent what the policy provider would pay out on redemption of the policy at the valuation date with the main driver being underlying market and investment performance. The obligation to deliver the funeral is treated as an insurance contract liability under IFRS 17 (Insurance contracts) and held separately on our balance sheet. IFRS 17 applies to all of the Group's funeral plans (including re-insurance of the payment waiver on instalment plans) and was effective from 1 January 2023. See Note 12 for details of the Group's Insurance contract and Re-insurance contract liabilities.

Funeral plan investments	6 July 2024 (unaudited)	1 July 2023 (unaudited)	6 January 2024 (audited)
	£m	£m	£m
At start of period	1,346	1,369	1,369
New plan investments (including on-going instalments)	50	34	73
Plans redeemed	(48)	(54)	(95)
Plans cancelled	(8)	(10)	(18)
Unrealised fair value movement on funeral plan investments (see Note 3)	70	10	17
At end of period	1,411	1,349	1,346

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

Notes to the interim financial statements continued

11 Membership and community reward

What does this show? This note shows the number of active members that we have at the end of the period as well as the benefits earned by those members for themselves and their communities during the period. Active members are defined as those members that have traded with one or more of our businesses within the last 12 months.

Members	6 July 2024 (unaudited) m	1 July 2023 (unaudited) m	6 January 2024 (unaudited) m
Active Members	5.5	4.6	5.0
Membership and community rewards (within the income statement)	£m	£m	£m
Member reward earned	-	11	25
Community reward earned	1	9	20
Total reward	1	20	45

In the comparative periods Member and Community rewards were earned at 2% of member spend on selected Co-op products and services. Following a change to our membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024.

Notes to the interim financial statements continued

12 Insurance contracts (funeral plan liabilities)

What does this show? The disclosures in this note cover the insurance and re-insurance contracts that the Group holds (where they are material for Group reporting). These exclusively relate to the liabilities that we have on funeral plans which are recorded under IFRS 17 (Insurance contracts). The various tables show how the balance sheet liability has moved during the period as well as showing the movements in the Income statement and in Other Comprehensive Income. We also give details of the key accounting estimates that we make in relation to the accounting for insurance contracts, how sensitive our numbers are to some of those assumptions and estimates as well as outlining the key accounting policy choices we have made.

Insurance contract liabilities - by nature (H1 2024)	Liabilities for remaining coverage		Liabilities for claims incurred	Total
	Excluding loss component	Loss component		
	£m	£m		
Insurance contract liability as at 6 January 2024	1,097	1	-	1,098
Insurance revenue	(47)	-	-	(47)
<u>Insurance service expenses:</u>				
- Incurred claims and other expenses	-	-	44	44
- Amortisation of insurance acquisition cashflows	1	-	-	1
- Loss on onerous contracts and reversals of those losses	-	6	-	6
Insurance service result	(46)	6	44	4
Insurance finance expenses - Income statement	10	-	-	10
Insurance finance income - Other comprehensive income	(73)	-	-	(73)
Total changes in Statement of Comprehensive income	(109)	6	44	(59)
<u>Cashflows:</u>				
- Premiums received less premiums refunded	45	-	-	45
- Claims and other expenses paid (including investment components)	-	-	(44)	(44)
- Insurance acquisition flows	(4)	-	-	(4)
Total cashflows	41	-	(44)	(3)
Insurance contract liability as at 6 July 2024	1,029	7	-	1,036

Insurance contract liabilities - by nature (H1 2023) restated*	Liabilities for remaining coverage		Liabilities for claims incurred	Total
	Excluding loss component	Loss component		
	£m	£m		
£m	£m	£m	£m	£m
Insurance contract liability as at 1 January 2023	1,073	-	-	1,073
Insurance revenue	(43)	-	-	(43)
Insurance service expenses:				
- Incurred claims and other expenses	-	-	40	40
- Amortisation of insurance acquisition cashflows	1	-	-	1
Insurance service result	(42)	-	40	(2)
Insurance finance expenses - Income statement	11	-	-	11
Insurance finance income - Other comprehensive income	(6)	-	-	(6)
Total changes in Statement of Comprehensive income	(37)	-	40	3
Cashflows:				
- Premiums received less premiums refunded	30	-	-	30
- Claims and other expenses paid (including investment components)	-	-	(40)	(40)
- Insurance acquisition flows	(3)	-	-	(3)
Total cashflows	27	-	(40)	(13)
Insurance contract liability as at 1 July 2023	1,063	-	-	1,063

* See the Accounting policies section (page 77) for details of the restatement.

Notes to the interim financial statements continued

12 Insurance contracts (funeral plan liabilities) continued

Insurance contract liabilities - by nature (FY 2023)	Liabilities for remaining coverage		Liabilities for claims incurred	Total
	Excluding loss component	Loss component		
	£m			
£m	£m	£m	£m	£m
Insurance contract liability as at 1 January 2023	1,073	-	-	1,073
Insurance revenue	(86)	-	-	(86)
<u>Insurance service expenses:</u>				
- Incurred claims and other expenses	-	-	77	77
- Amortisation of insurance acquisition cashflows	2	-	-	2
- Loss on onerous contracts and reversals of those losses	-	1	-	1
Insurance service result	(84)	1	77	(6)
Insurance finance expenses - Income statement	16	-	-	16
Insurance finance income - Other comprehensive income	36	-	-	36
Total changes in Statement of Comprehensive income	(32)	1	77	46
<u>Cashflows:</u>				
- Premiums received less premiums refunded	63	-	-	63
- Claims and other expenses paid (including investment components)	-	-	(77)	(77)
- Insurance acquisition flows	(7)	-	-	(7)
Total cashflows	56	-	(77)	(21)
Insurance contract liability as at 6 January 2024	1,097	1	-	1,098

Insurance contract liabilities - by component (H1 2024)	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin £m	Total £m
Insurance contract liability as at 6 January 2024	934	55	109	1,098
<u>Changes that relate to current services:</u>				
- Risk adjustment for the risk expired	-	(2)	-	(2)
- Experience adjustments	1	-	-	1
<u>Changes that relate to future services:</u>				
- Contracts initially recognised in the period	(4)	-	4	-
- Changes in estimates that adjust the contractual service margin	101	-	(101)	-
- Changes in estimates that do not adjust the contractual service margin	5	-	-	5
Insurance service result	103	(2)	(97)	4
Insurance finance expenses - Income statement	8	-	2	10
Insurance finance expenses - Other comprehensive income	(70)	(3)	-	(73)
Total changes in Statement of Comprehensive income	41	(5)	(95)	(59)
<u>Cashflows:</u>				
- Premiums received less premiums refunded	45	-	-	45
- Claims and other expenses paid (including investment components)	(44)	-	-	(44)
- Insurance acquisition flows	(4)	-	-	(4)
Total cashflows	(3)	-	-	(3)
Insurance contract liability as at 6 July 2024	972	50	14	1,036

Notes to the interim financial statements continued

12 Insurance contracts (funeral plan liabilities) continued

Insurance contract liabilities - by component (H1 2023) restated*	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin £m	Total £m
Insurance contract liability as at 1 January 2023	896	55	122	1,073
<u>Changes that relate to current services:</u>				
- Contractual service margin recognised for service provided	-	-	(4)	(4)
- Risk adjustment for the risk expired	-	(2)	-	(2)
- Experience adjustments	4	-	-	4
<u>Changes that relate to future services:</u>				
- Contracts initially recognised in the period	(4)	-	4	-
- Changes in estimates that adjust the contractual service margin	(69)	(2)	71	-
Insurance service result	(69)	(4)	71	(2)
Insurance finance expenses - Income statement	9	-	2	11
Insurance finance expenses - Other comprehensive income	(5)	(1)	-	(6)
Total changes in Statement of Comprehensive income	(65)	(5)	73	3
<u>Cashflows:</u>				
- Premiums received less premiums refunded	30	-	-	30
- Claims and other expenses paid (including investment components)	(40)	-	-	(40)
- Insurance acquisition flows	(3)	-	-	(3)
Total cashflows	(13)	-	-	(13)
Insurance contract liability as at 1 July 2023	818	50	195	1,063

* See the Accounting policies section (page 77) for details of the restatement.

Insurance contract liabilities - by component (FY 2023)	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin £m	Total £m
Insurance contract liability as at 1 January 2023	896	55	122	1,073
<u>Changes that relate to current services:</u>				
- Contractual service margin recognised for service provided	-	-	(6)	(6)
- Risk adjustment for the risk expired	-	(4)	-	(4)
- Experience adjustments	3	-	-	3
<u>Changes that relate to future services:</u>				
- Contracts initially recognised in the period	(12)	1	11	-
- Changes in estimates that adjust the contractual service margin	21	(1)	(20)	-
- Changes in estimates that do not adjust the contractual service margin	1	-	-	1
Insurance service result	13	(4)	(15)	(6)
Insurance finance expenses - Income statement	13	1	2	16
Insurance finance expenses - Other comprehensive income	33	3	-	36
Total changes in Statement of Comprehensive income	59	-	(13)	46
<u>Cashflows:</u>				
- Premiums received less premiums refunded	63	-	-	63
- Claims and other expenses paid (including investment components)	(77)	-	-	(77)
- Insurance acquisition flows	(7)	-	-	(7)
Total cashflows	(21)	-	-	(21)
Insurance contract liability as at 6 January 2024	934	55	109	1,098

Notes to the interim financial statements continued

12 Insurance contracts (funeral plan liabilities) continued

Contractual service margin (H1 2024)	Contracts using the fair value approach	All other contracts	Total
	£m	£m	£m
Contractual service margin as at 6 January 2024	86	23	109
<u>Changes that relate to current services:</u>			
- Contractual service margin recognised for service provided	-	-	-
<u>Changes that relate to future services:</u>			
- Contracts initially recognised in the period	-	4	4
- Changes in estimates that adjust the contractual service margin	(80)	(21)	(101)
Sub-total	(80)	(17)	(97)
Insurance finance expenses	1	1	2
Contractual service margin as at 6 July 2024	7	7	14

Contractual service margin (H1 2023) restated*	Contracts using the fair value approach	All other contracts	Total
	£m	£m	£m
Contractual service margin as at 1 January 2023	122	-	122
<u>Changes that relate to current services:</u>			
- Contractual service margin recognised for service provided	(3)	(1)	(4)
<u>Changes that relate to future services:</u>			
- Contracts initially recognised in the period	-	4	4
- Changes in estimates that adjust the contractual service margin	61	10	71
Sub-total	58	13	71
Insurance finance expenses	2	-	2
Contractual service margin as at 1 July 2023	182	13	195

* See the Accounting policies section (page 77) for details of the restatement.

Contractual service margin (FY 2023)	Contracts using the fair value approach	All other contracts	Total
	£m	£m	£m
Contractual service margin as at 1 January 2023	105	17	122
<u>Changes that relate to current services:</u>			
- Contractual service margin recognised for service provided	(5)	(1)	(6)
<u>Changes that relate to future services:</u>			
- Contracts initially recognised in the period	-	11	11
- Changes in estimates that adjust the contractual service margin	(16)	(4)	(20)
Sub-total	(21)	6	(15)
Insurance finance expenses	1	1	2
Contractual service margin as at 6 January 2023	85	24	109

Notes to the interim financial statements continued

12 Insurance contracts (funeral plan liabilities) continued

New Business (H1 2024)	Profitable contracts issued £m	Onerous contracts issued £m	Total £m
<i>Insurance contracts:</i>			
- Estimate of present value of future cashflows, excluding insurance acquisition costs	34	-	34
- Estimate of insurance acquisition cashflows	5	-	5
Estimate of present value of future cash outflows	39	-	39
Estimate of present value of future cash inflows	(43)	-	(43)
- Risk adjustment	-	-	-
- Contractual service margin	4	-	4
Profit on contracts at initial recognition	-	-	-

New Business (H1 2023) * restated	Profitable contracts issued £m	Onerous contracts issued £m	Total £m
<i>Insurance contracts:</i>			
- Estimate of present value of future cashflows, excluding insurance acquisition costs	20	-	20
- Estimate of insurance acquisition cashflows	3	-	3
Estimate of present value of future cash outflows	23	-	23
Estimate of present value of future cash inflows	(27)	-	(27)
- Risk adjustment	-	-	-
- Contractual service margin	4	-	4
Loss on onerous contracts at initial recognition	-	-	-

* See the Accounting policies section (page XX) for details of the restatement.

New Business (FY 2023)	Profitable contracts issued £m	Onerous contracts issued £m	Total £m
<i>Insurance contracts:</i>			
- Estimate of present value of future cashflows, excluding insurance acquisition costs	39	-	39
- Estimate of insurance acquisition cashflows	6	-	6
Estimate of present value of future cash outflows	45	-	45
Estimate of present value of future cash inflows	(56)	-	(56)
- Risk adjustment	1	-	-
- Contractual service margin	11	-	11
Profit on contracts at initial recognition	1	-	1

Notes to the interim financial statements continued

12 Insurance contracts (funeral plan liabilities) continued

Insurance revenue	26 weeks ended 6 July 2024 (unaudited) £m	26 weeks ended 1 July 2023 (unaudited & restated*) £m	53 weeks ended 6 January 2024 (audited) £m
<i>Amounts relating to changes in liabilities for remaining coverage:</i>			
- Contractual service margin recognised for services provided	-	4	6
- Change in risk adjustment for non financial risk for risk expired	2	2	4
- Expected incurred claims and other insurance service	43	36	73
- Recovery of insurance acquisition cash flows	2	1	3
Total insurance revenue	47	43	86

* See the Accounting policies section (page 77) for details of the restatement.

Contractual service margin maturity	26 weeks ended 6 July 2024 (unaudited) £m	26 weeks ended 1 July 2023 (unaudited & restated*) £m	53 weeks ended 6 January 2024 (audited) £m
- Less than 1 year	1	10	6
- 1 to 2 years	1	9	5
- 2 to 3 years	1	9	5
- 3 to 4 years	1	9	5
- More than 4 years	10	158	88
Total	14	195	109

* See the Accounting policies section (page XX) for details of the restatement.

Fulfilment cashflows	26 weeks ended 6 July 2024 (unaudited) £m	26 weeks ended 1 July 2023 (unaudited) £m	53 weeks ended 6 January 2024 (audited) £m
- Less than 1 year	11	35	59
- 1 to 2 years	68	59	61
- 2 to 3 years	69	59	62
- 3 to 4 years	69	58	62
- 4 to 5 years	68	58	61
- More than 5 years	1,540	1,392	1,402
Total	1,825	1,661	1,707

Aged buckets are based on calendar cohort years with half-year figures representing the 6 months remaining within the less than 1 year category.

Notes to the interim financial statements continued

12 Insurance contracts (funeral plan liabilities) continued

Critical accounting estimates

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

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

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

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

Financial assumptions			HY 2024	HY 2023	YE 2023
Discount rate	Risk free rate - UK Gilt curve	Year 1	4.98%	6.29%	3.55%
		Year 2	4.13%	6.10%	3.02%
		Year 3	3.85%	5.54%	2.99%
		Year 4	3.79%	5.05%	3.10%
		Year 5	3.86%	4.73%	3.29%
		Year 10	5.00%	4.99%	4.76%
		Year 15	5.43%	5.64%	5.04%
	Illiquidity premium (credit spread)		0.16%	0.60%	0.16%
Inflation rate	Bank of England curve less 25 bps plus management view	Year 1	4.12%	4.25%	3.22%
		Year 2	3.62%	2.50%	3.33%
		Year 3	3.37%	2.00%	3.30%
		Year 4	3.21%	3.24%	3.18%
		Year 5	3.14%	3.67%	3.09%
		Year 10	3.22%	3.33%	3.25%
		Year 15	3.19%	3.36%	3.20%

Notes to the interim financial statements continued

12 Insurance contracts (funeral plan liabilities) continued

Sensitivities

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

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

Change in Insurance contract liability - £m	HY24	YE23
Discount rate - decrease of 1.0%	120	126
Inflation rate - increase of 1.0%	124	130
Mortality stress + 20%	20	16

Change in Profit before Tax - £m	HY24	YE23
Discount rate - decrease of 0.5%	-	-
Inflation rate - increase of 0.5%	(6)	(6)
Mortality stress + 20%	(1)	(1)

Discount rate - the impact of a change in discount rate flows through Other comprehensive income (OCI) rather than the Income statement and so doesn't impact Profit before tax (PBT) in either HY24 or FY23.

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

Mortality - to the extent that they can be covered are first charged to the contractual service margin (CSM) buffer rather than direct to the Income statement. As the CSM would be reduced by the modelled sensitivities, the impact to PBT noted in the table above, reflects 1 year's impact across the 20 year CSM period.

Accounting policies and basis of preparation

What does this show? This section outlines the overall approach to preparing the interim financial statements. This section also gives details of the impact of any new accounting standards that we've applied for the first time and the expected impact of upcoming standards that will be adopted in future years where that impact is likely to be significant.

General information

These condensed consolidated interim financial statements of Co-operative Group Limited ('the Society') for the period ended 6 July 2024 ('the interim financial statements') include the Society and its subsidiaries (together referred to as 'the Group').

The audited consolidated financial statements ('the 2023 annual report') of the Group for the 53 week period ended 6 January 2024 are available upon request from the Society's registered office at 1 Angel Square, Manchester, M60 0AG.

The interim financial statements as at and for the 26 weeks ended 6 July 2024 are unaudited and do not constitute statutory accounts.

Statement of compliance

These interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules (DTR) of the UK's Financial Conduct Authority. They do not include all the statements required for full annual financial statements and should be read in conjunction with the 2023 annual report.

The comparative figures for the 53 week period ended 6 January 2024 presented within these financial statements are not the Society's statutory financial statements for that financial year. Those financial statements have been reported on by the Society's auditors and filed with the Mutuals Public Register. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters in which the auditors drew attention by way of emphasis without qualifying their report, and (iii) contained no statement that the Society did not keep appropriate accounting records.

These interim financial statements were approved by the Board of Directors on 24 September 2024.

Accounting estimates and judgements

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In preparing these interim financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied in the 2023 annual report except where stated within the notes to these accounts.

Restatements

The comparative figures presented within these financial statements for the 26 weeks ended 1 July 2023 are consistent with the 2023 interim report, with the exception of the following restatements:

(A) Federal sales and operating expenses: as noted in our 2023 Annual Report and Accounts (Note 1 Operating segments) a reclassification adjustment has been applied to the 2023 half-year numbers. The adjustment restates the half-year 2023 figures that were previously published for Federal revenue (which increases from £957m to £1,049m) with a corresponding increase in Federal operating expenses. The restatement has no impact on profit for the Federal segment or for the Group as a whole and there is also no impact on the Group's net assets or cashflows.

(B) IFRS 17 (Insurance contracts) - funeral plans: the Group applied the new standard to its funeral plans for the first time for the 26 weeks ended 1 July 2023. As part of the subsequent year-end 2023 reporting and external audit for the 53 weeks ended 6 January 2024 further refinements to the Group's approach and actuarial modelling methodology were developed and applied. This updated approach and methodology has retrospectively been applied to the originally reported figures for the 26 weeks ended 1st July 2023. This included bringing the movement on our funeral plan liabilities that is recorded in other comprehensive income into tax (such that tax is now applied to that movement whereas previously it was not). Furthermore, certain contract asset balances that were previously presented at half-year 2023 within trade receivables have also been represented as a separate contract asset line item in the consolidated balance sheet. The impact from these changes on the consolidated income statement and consolidated balance sheet of the Group is shown in the tables overleaf. There is no impact on cashflows.

Accounting policies and basis of preparation continued

Summary impact of restatements

The impact of the restatements noted overleaf are shown in the tables below covering the impact on the Group's key alternative performance metric (underlying operating profit / loss before tax) as well as the impact on the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income and the Consolidated Balance sheet.

Key Alternative Performance Metric: for the 26 weeks ended 1 July 2023:

£m	Originally reported	Federal	IFRS 17 Funeral plans	Restated
Underlying loss before tax	(9)	-	-	(9)

Consolidated Income Statement for the 26 weeks ended 1 July 2023:

£m	Originally reported	Federal	IFRS 17 Funeral plans	Restated
Revenue (excluding funeral plans)	5,387	92	-	5,479
Insurance revenue (funeral plans)	43	-	-	43
Total Revenue	5,430	92	-	5,522
Operating expenses	(5,391)	(92)	-	(5,483)
Insurance service expense (funeral plans)	(41)	-	-	(41)
Other income	5	-	-	5
Operating Profit	3	-	-	3
Finance Income	56	-	-	56
Finance Costs	(92)	-	-	(92)
Loss before Tax	(33)	-	-	(33)
Tax	(6)	-	-	(6)
Loss after Tax	(39)	-	-	(39)

Consolidated Statement of Other Comprehensive Income for the 26 weeks ended 1 July 2023:

£m	Originally reported	Federal	IFRS 17 Funeral plans	Restated
Loss for the period	(39)	-	-	(39)
Remeasurement losses on employee pension schemes	(255)	-	-	(255)
Related tax on the above	64	-	-	64
Insurance finance income (funeral plans)	6	-	-	6
Related tax on the above	-	-	(1)	(1)
Total comprehensive loss for the period	(224)	-	(1)	(225)

Consolidated Balance Sheet as at 1 July 2023:

£m	Originally reported	Federal	IFRS 17 Funeral plans	Restated
Non-current assets	6,103	-	6	6,109
Current assets	1,593	-	(6)	1,587
Total Assets	7,696	-	-	7,696
Non-current liabilities	2,709	-	109	2,818
Current liabilities	2,079	-	1	2,080
Total Liabilities	4,788	-	110	4,898
Equity & Reserves	2,908	-	(110)	2,798

Accounting policies and basis of preparation continued

New standards and accounting policies adopted by the Group

Except as described below, the accounting policies applied in preparing these interim financial statements are consistent with those described in the 2023 annual report.

(A) New standards:

The Group has considered the following standards and amendments that are effective for the Group for the period commencing 7 January 2024 and concluded that they are either not relevant to the Group or do not have a significant impact on the financial statements:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 (Practice statement 2) - Non-current Liabilities with Covenants
- Amendments to IAS 16 - Lease liability in sale and leaseback
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements*

*As disclosed in the 2023 annual consolidated financial statements, Co-op has supplier financial arrangements. The adoption of the amendments to IAS 7 and IFRS 7 may result in Co-op providing more disclosures about these arrangements in the consolidated financial statements for the year ending 4 January 2025. The new disclosures are not required to be provided in the 2024 interim report.

(B) Standards, amendments and interpretations issued but not yet effective:

Certain new accounting standards and interpretations have been published that are not mandatory for 7 January 2024 reporting periods and the Group has not early adopted the following standards and statements. Unless noted the adoption of these standards is not expected to have a material impact on the Group's accounts:

- Amendments to IAS 21 - Lack of Exchangeability*
- Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments**
- IFRS 18 - Presentation and Disclosure in Financial Statements***
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures***

*Applicable for reporting periods on or after January 2025. **Applicable for reporting periods on or after January 2026.

***Applicable for reporting periods on or after January 2027. The Group is currently reviewing the likely impact of IFRS 18 on its statutory reporting.

External continuing volatility in macro-economic conditions

Management has considered the ongoing impact of the conflicts in Ukraine and the Middle-east, as well as the ongoing cost of living crisis and associated squeeze on consumer spending, on the Group's accounting policies, judgements and estimates. Impairment assessments have been carried out in the period as detailed in Note 1.

Impact of Climate Change on our Interim financial statements

In preparing the Groups' Consolidated Financial statements management has considered the impact of climate change covering both the financial statements and the disclosures included in the Strategic report. This included an assessment of the potential impact of, and associated responses to, climate change, and how that could impact the non-current assets that we hold as well as our expectations of future trading conditions. This assessment did not identify any requirement to shorten asset lives of the Group's asset base and neither did it identify any material risks arising from climate change, accordingly, there has been no material impact on the valuation of the Group's assets or liabilities. Where material the Group has included the impact of climate change within its forecasts, impairment reviews and assessments of going concern and viability. Further detail is given on page 255 of the Group's 2023 Annual Report and Accounts in section 'Material accounting judgements, estimates and assumptions in relation to climate change.' The Group will keep this assessment under review and continue to monitor developments in the future.

Accounting policies and basis of preparation continued

Going concern

The financial statements are prepared on a going concern basis as the directors have a reasonable expectation that the Group has enough money to continue in business for the foreseeable future.

Our Co-op borrows money from banks and others, and as part of this process, we have checked that we can comply with the terms of those agreements, for example, banking covenants and facility levels. Accounting standards require that the foreseeable future covers a period of at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. The assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period, to 31 December 2025.

In making their assessment the Directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability, cash flow and covenant compliance, and available capital resources. Liquidity available to the Group is more than sufficient to meet upcoming maturities within the going concern period.

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

a. Not having enough cash to meet our liabilities as they fall due.

At the 2023 year-end date, we had cash and cash equivalents and short-term investments of £595m plus a total £1,107m of bank and debt facilities available to us, of which we were £664m drawn down. Subsequently, on the 17th May 2024 the Group repaid the remaining £200m of the £300m 5.125% Sustainability Bond on maturity in full in cash.

As at 6 July 2024 Group Net Debt (excluding lease liabilities) was £42m (HY 2023: £97m and FY 2023: £82m). Facilities available to the Group were £907m and cash and cash equivalents and short-term investments were £434m. Liquidity available to the Group is more than sufficient to meet upcoming maturities within the going concern period.

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

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

- Adjusted Interest Cover: The bank-defined EBITDA (further adjusted by a fixed rental figure) as a multiple of the consolidated net finance charges, must not fall below 1.50:1.00 measured at each six-monthly covenant test date.

The Group has been in compliance with all covenants applicable to this facility within the financial year and is forecast to continue to be in compliance for 12 months from the date of signing of the financial statements.

We have reviewed our actual results in the first half of 2024 against those that were used in the going concern forecast and assessment for our 2023 financial statements; actual results have been positive versus forecasts used and therefore we have concluded there is no change in the going concern assessment and assumption.

The Directors, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements as at and for period ended 6 July 2024.