Co-operative Foodstores Limited

Financial statements

Registered number 32443R

Period ended 4 January 2025

Corporate Information

Directors
M Hood
A Harwood

Secretary
C J Sellers (resigned 31 March 2025)
B Maguire (appointed 31 March 2025)

Auditors
Ernst & Young LLP
1, Bridgewater Place
Water Lane
Leeds
LS11 5QR

Registered Office
1 Angel Square
Manchester
M60 0AG

Contents

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework' and in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014 for the 52-week period ended 4 January 2025.

The Society financial statements are required by law to give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that financial period.

In preparing the Society financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK adopted accounting standards in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014 have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

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

Independent Auditor's Report to Co-operative Foodstores Limited

Opinion

We have audited the financial statements of Co-operative Foodstores Limited for the 52 week period ended 4 January 2025 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice) (‘FRS101’).

In our opinion, the financial statements:

• give a true and fair view of the Society’s affairs as at 4 January 2025 and of its income and expenditure for the period then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society’s ability to continue as a going concern for the period to 31 December 2026.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent Auditor's Report to the members of Co-operative Foodstores Limited - continued

Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Society and determined that the most significant are the direct laws and regulations relating to elements of society law and tax legislation, and the financial reporting framework i.e. Co-operative and Community Benefit Societies Act 2014 and FRS 101.

• We understood how Co-operative Foodstores Limited is complying with those frameworks by making enquiries with management, internal audit, and those responsible for legal and compliance matters. We reviewed the minutes of board meetings and made enquiries of management and those charged with governance to identify any matters which could have a material impact on the Society. We reviewed specialist reports and correspondence with regulators and made enquiries of legal counsel in relation to a cyber incident.

• We assessed the susceptibility of the Society's financial statements to material misstatement, including how fraud might occur by considering areas of significant judgement including complex transactions, performance targets, economic or external pressures and the impact that these have on the control environment. We also performed enquiries of management and those charged with governance to obtain an understanding of the Society's business and accounting practices. We also performed risk assessment analytical procedures and identified sources and types of journal entries in the Society's financial processes. Any fraud risk factors identified were evaluated to identify risk of material misstatement due to fraud as well as the presumptive risk of material misstatement due to fraud in respect of revenue recognition and management override. We determined that the most susceptible accounts to any such override are supplier income and revenue.

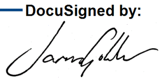
• Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations, including in respect of fraud. In relation to revenue recognition, we performed procedures including testing manual journals outside the normal automated store EPOS process and performed journal analysis to identify sales journals that have not resulted in cash receipts. We also performed audit procedures around supplier income which included testing management's controls in this area, issuing direct requests to third party vendors to confirm the terms of arrangements and sales volumes use, as well as focusing procedures on areas where management apply judgement, where the processing is either manual or more complex and where the value of agreements is high. Our procedures also involved making enquiries with those charged with governance and senior management for their awareness of non-compliance with laws and regulations, inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees and by inquiring about the Society's methods of enforcing and monitoring compliance with such policies.

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

Use of our report

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

DocuSigned by:



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Ernst & Young LLP
Statutory Auditor
Birmingham
Date 29 June 2025

Income Statement
for the period ended 4 January 2025

	Notes	For period ended 4 January 2025* £m	For period ended 6 January 2024 £m
Revenue	3	**975.2**	983.1
Cost of sales		**(669.1)**	(660.8)
Gross profit		**306.1**	322.3
Operating expenses	4	**(232.7)**	(271.5)
Operating profit		**73.4**	50.8
Finance costs	9	**(7.1)**	(7.9)
Finance income	10	**93.3**	89.2
Profit before taxation		**159.6**	132.1
Taxation	11	**2.2**	(35.0)
Profit for the period		**161.8**	97.1

Statement of Comprehensive Income
for the period ended 4 January 2025

	Notes	For period ended 4 January 2025* £m	For period ended 6 January 2024 £m
Profit for the period		**161.8**	97.1
Other comprehensive income/(expense): Items that will not be reclassified to profit or loss			
Remeasurement gains on employee pension scheme	8	**0.1**	36.5
Tax impact on the above	11	**-**	(8.6)
Total comprehensive income for the period		**161.9**	125.0

* The 2024 figures represent the 52 week period ended 4th January 2025 with the 2023 comparatives representing 53 weeks to 6th January 2024.

The notes on pages 11 to 26 form an integral part of these financial statements.

Balance Sheet
As at 4 January 2025

	Notes	**As at 4 January 2025 £m**	As at 6 January 2024 £m
Non-current assets			
Property, plant and equipment	13	**179.9**	183.1
Right-of-use assets	14	**72.6**	78.6
Investment properties	15	**1.3**	1.2
Net employee benefit assets	8	**70.8**	68.6
Trade and other receivables	17	**812.7**	723.1
Deferred tax assets	20	**32.8**	60.6
Total non-current assets		**1,170.1**	1,115.2
Current assets			
Inventories	16	**26.5**	25.1
Finance lease receivables		**1.1**	-
Cash and short term deposits	18	**75.8**	141.6
Total current assets		**103.4**	166.7
Total assets		**1,273.5**	1,281.9
Non-current liabilities			
Lease liabilities	14	**(106.2)**	(114.5)
Provisions	19	**(1.3)**	(1.7)
Total non-current liabilities		**(107.5)**	(116.2)
Current liabilities			
Lease liabilities	14	**(17.2)**	(19.8)
Total current liabilities		**(17.2)**	(19.8)
Total liabilities		**(124.7)**	(136.0)
Net assets		**1,148.8**	1,145.9
Equity			
Called up share capital	21	**493.0**	493.0
Retained earnings		**655.3**	652.4
Revaluation reserve		**0.5**	0.5
Total equity		**1,148.8**	1,145.9

The notes on pages 11 to 26 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 June 2025 and were signed on its behalf by:

A Harwood
Director

M Hood
Director

B Maguire
Secretary

Statement of Changes in Equity
for the period ended 4 January 2025

	Notes	Called up share capital £m	Retained earnings £m	Revaluation reserve £m	Total equity £m
Balance at 1 January 2023		493.0	527.4	0.5	**1,020.9**
Profit for the period		-	97.1	-	**97.1**
Other comprehensive income:					
Remeasurement loss on employee pension scheme, net of tax	8	-	27.9	-	**27.9**
Balance at 6 January 2024		**493.0**	**652.4**	**0.5**	**1,145.9**
Profit for the period		-	161.8	-	**161.8**
Other comprehensive income:					
Remeasurement gain on employee pension scheme, net of tax	8	-	0.1	-	**0.1**
Dividends paid in the period to parent undertaking, Co-operative Group Food Limited	12	-	(159.0)	-	**(159.0)**
Balance at 4 January 2025		**493.0**	**655.3**	**0.5**	**1,148.8**

The notes on pages 11 to 26 form an integral part of these financial statements.

Notes to the financial statements
(forming part of the financial statements)

1 General information

Co-operative Foodstores Limited is a Registered Society and is registered and domiciled in England and Wales.

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

The principal activity of the Society is food retail, operating convenience stores across the United Kingdom.

2 Accounting policies

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

Basis of preparation

The Society meets the definition of a qualifying entity under Financial Reporting Standard 101 ('FRS 101') issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' and the Co-operative and Community Benefit Societies Act 2014 for the 52 week period ended 4 January 2025. The comparative period was for the 53 week period ended 6 January 2024.

The financial statements have been principally prepared on the basis of historical cost. Areas where other bases are applied are explained in the relevant accounting policy.

The Society is a wholly owned subsidiary of Co-operative Group Limited ('the Group'), a Registered Society under the Co-operative and Community Benefit Societies Act 2014 registered in England and Wales. The Society continues to manage risks in relation to climate change in line with the Group's approach.

The Group's overall approach to climate change is outlined in the Climate-Related Financial Disclosures (CRFD) section of the Group's 2024 Annual Report and Accounts (page 110). Climate related risks are also explained within the Principal Risks and Uncertainties (Sustainability) section of the ARA on page 51. The Group's assessment of the potential impact on the long term viability of the Group is also set out on page 106 of the Group's 2024 ARA.

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

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

New and amended standards adopted by the Society

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

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

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 Society has not early adopted these. The adoption of these standards is not expected to have a material impact on the Society's accounts in the future periods when applicable:

- Amendments to IAS 21 - Lack of Exchangeability*
- Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments**
- Annual Improvements to IFRS Accounting Standards - Volume 11**
- IFRS 18 - Presentation and Disclosure in Financial Statements***
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures***

* Applicable for reporting periods on or after 1st January 2025.
** Applicable for reporting periods on or after 1st January 2026.
*** Applicable for reporting periods on or after 1st January 2027.

The Society is currently reviewing the likely impact of IFRS 18 on its statutory reporting as well as any potential impact from the amendments to IFRS 9 and IFRS 7 in relation to credit and debit card payments made by customers which are receivable from banks and clear the bank within three days of the transaction date.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Critical accounting estimates and judgements

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

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

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

Key judgements:

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

- **Leases** (note 13) - The Society determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Society has the option, under some of its leases to lease the assets for additional terms of 5 to 10 years. The Society applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Society reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Key estimates and assumptions:

In the process of applying the Group's accounting policies, management has made the following key accounting estimates and assumptions which have the most material impact on the consolidated financial statements.

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

- **Pensions (note 8)** – the Society's defined benefit pension obligations are determined following actuarial advice and are calculated using the projected unit method. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice. The most material assumptions relate to the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, the Society's defined benefit obligation is highly sensitive to changes in these assumptions. Further details of the financial and demographic assumptions that have been used are shown in note 8 along with associated sensitivities to those assumptions.

- **Impairment of non-financial assets (notes 12 & 13)** - the carrying amount of non-financial assets (such as property, plant and equipment or right-of-use assets) is reviewed at each balance sheet date and if there is any indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the greater of the fair value of the asset (less costs to sell) and the value in use of the asset. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit ('CGU') exceeds its estimated recoverable amount. For property assets the fair value less costs to sell are measured using internal valuations based on the rental yield of the property.

This review is performed annually or in the event where indicators of impairment are present. At 4 January 2025 the Society has considered whether general uncertainty in the wider macro-economic environment including the cost-of-living crisis, rising inflation, energy price increases has the potential to represent a significant impairment indicator.

The Society estimates the value in use of an asset by projecting future cash flows into perpetuity and discounting the cash flows ('DCF') associated with that asset at a pre-tax rate of 10.3% (2023: 9.6%).

The key assumptions used to determine the recoverable amount for the CGUs, and the sensitivity analysis that is undertaken, are disclosed and further explained in note 12.

- **Provisions (note 18)** – a provision is recognised in the balance sheet when the Society has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The most significant provision for the Society relates to property provisions for non-rental costs associated with properties that are no longer used for trading purposes and significant assumptions and estimates are made in relation to the estimation of future cash flows and the discount rate applied. See note 18 for further details.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Going concern

The Society generated a profit of £161.8m in the period (2023: £97.1m) and at the balance sheet dates holds net assets of £1,148.8m (2023: £1,145.9m).

The Society is reliant on the support of Co-operative Group Limited ("the Group") in order to meet its day to day working capital requirements because the Group operates a central treasury function. The Society meets these requirements through cash generated from its operations and participation in facility arrangements provided by external lenders to the Group and certain of its subsidiaries, including the Society ("the Group facilities").

A letter of support has been obtained from the Group as evidence of its intention to give continued financial support. The Group has confirmed that it has the ability to provide such financial support and has committed to providing such support until at least 31 December 2026.

In assessing the ability of the Group to provide financial support to the Society, the Directors of the Society have considered the going concern disclosure included in the Annual Report and Accounts of the Group issued on 3rd April 2025 included below, updated for the impact of any significant events occurring between the 3rd April 2025 and the date of signing these financial statements. As described in the Subsequent events note to these financial statements, the Group has since the end of April 2025 been managing a cyber incident. Our early assessment of the expected worst case impact before mitigation on the Group, has been modelled against the Group going concern downside scenario, with sufficient liquidity and financial covenant headroom over the next 18 month period. The Board is expecting that the impact will be managed and reduced through management of costs and other trading actions.

Based on all of the above considerations, the Directors of the Society have a reasonable expectation that the Society and the Group have access to adequate resources to enable them to continue in operational existence for the foreseeable future, being the period to 31 December 2026. For this reason, they continue to adopt the going concern basis in preparing the Society's financial statements.

Going Concern assessment for the Co-operative Group Limited (“the Group”)

In assessing the Group’s ability to continue as a going concern, the Group directors have considered the Group’s most recent forecasting process and specifically the Group’s profitability, cashflows, committed funding and liquidity positions for the period to December 2026. The Group operates with net current liabilities as our working capital cycle means cash receipts from revenues arise in advance of the payments to suppliers for the cost of goods sold. We also borrow money from banks and other funding sources, structuring our borrowings with phased maturities to manage our refinancing risk as well as maintaining sufficient levels of liquidity for the Group. As part of the going concern review, we have ensured that we remain in compliance with the terms of these agreements, for example related banking covenants and facility levels, for the period under assessment.

As part of strategic planning, the Group Directors make key assumptions about business performance and stress-test financial scenarios to ensure compliance with facility terms, even under principal risk events. Although the Group has a robust planning process, which reflects the continuing economic uncertainty and headwinds impacting the group, we have performed additional stress testing of the going concern basis under severe but plausible downside scenarios, and reflect our principal risks. The results of our stress testing of severe but plausible downside scenarios provided a reasonable basis to support the Group directors’ conclusion over going concern.

In arriving at the conclusion of the appropriateness of the going concern assumption, the Group directors have considered the following:

1. Understand what could cause the Group not to be a going concern in relation to facility headroom and covenant compliance.

The Group successfully extended its revolving credit facility (“RCF”) in November 2024 at £400m for 5 years to the end of November 2029. In making their assessment, the Directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability; cashflow and covenant compliance; and available capital resources. The potential scenarios which could lead to the Group not being a going concern are:

a. Not having enough liquidity to meet our debt liabilities as they fall due; and/or
b. A breach of the financial covenants implicit in our bank revolving credit facility.

As at 4 January 2025, the Group had total available liquidity of £820m, being cash of £420m, including amounts on short term deposit, and headroom of £400m of the Group’s Revolving credit facility (“RCF”) that remained undrawn at year end. Total available facilities amounted to £862m at year end.

The Base case has sufficient liquidity and bank covenants headroom over the going concern period.

A definition of the Group's banking covenants is provided in Note 18 of the Group's Annual Report and Accounts (2024). Further details on capital management, financial instruments, and risk exposures are provided in Notes 25 and 26 to those financial statements.

2. Review and challenge management’s base case forecast, including key choices

The Group's Directors have also considered the Group’s cash flow forecasts and profitability projections for the period to December 2026 (“Base Case”). The Group’s base case forecast takes into consideration the continued uncertainty in the market, and has also been adjusted for the impacts of the UK chancellor’s autumn budget to provide a more accurate base case for going concern sensitivities. The Group's Board has reviewed and approved these plans.

The key assumptions in the plan are:

a. Growth in price, volume and profit, whilst keeping net debt steady.

b. This growth is tempered with impact of continued cost headwinds on payroll, goods not for resale inflation, and expected increase in packaging costs, being offset by margin and operating cost efficiencies.

c. Whilst the impact of Chancellor's budget is market-wide, base case has been adjusted to quantify the national insurance and other impacts along with mitigations of these headwinds.

d. Our healthy balance sheet position will allow us to repay the £112m 2025 subordinated notes (due December 2025). As disclosed in the subsequent events note, the Group has in June 2025 signed a new 5 year term loan for £350m which will allow us to repay the £350m bond maturing in July 2026.

The Base Case has sufficient liquidity and bank covenant headroom over the going concern period, with all bank covenant conditions met.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Going concern (continued)

3. Assess downside scenarios against the base case

The Group's Directors have also considered the impact on forecasted performance of severe but plausible downside scenarios (“Downside Case”), including (but not limited to) the following: a reduction in trade volumes in our Food and Funeralcare business, increase in energy costs which covers unhedged energy prices, wage and other costs inflation.

The downside sensitivities identified do not risk the validity of the Group as a going concern even before applying the mitigating actions considered below. We have also considered a plausible combination of the sensitivities happening concurrently where the validity remains protected. Even in the unlikely scenario of all the sensitivities happening simultaneously we still have liquidity and covenant headroom over the Going concern period.

Whilst out of line with our strategic ambition, there are several options within the business' control we could exercise, if the above risks materialised and the Group's management wanted to implement mitigating actions. Options include the Group’s ability to control the level and timing of its capital expenditure programme, saving a minimum of £25m per annum and applying cost control measures across both variable and overhead budgets. In addition, we have flexibility in the level of pass-through of energy and cost inflation to the end customer.

4. Conduct reverse stress tests to identify risks to liquidity and covenant headroom and assess their likelihood and mitigations

Our going concern approach assesses risks to our forecasts through severe but plausible downside scenarios and mitigation options. A reverse stress test identifies the point where the model fails. Following our modelling, we consider this scenario to be remote.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and short-term deposits with banks with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Assets and liabilities held for sale

The Society classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

Investment Properties

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

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

Property, plant and equipment and depreciation

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

Freehold buildings:	50 years
Long leasehold buildings:	Shorter of period of lease or 50 years
Plant and machinery:	3 - 12 years

Notes to the financial statements (continued)

2 Accounting policies (continued)

IFRS 16 Leases

i) Right-of-use assets

The Society recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Society is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii) Lease liabilities

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

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

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

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

Impairment

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

Where the asset does not generate cash flows that are independent from other assets, the Society estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. The CGU is deemed to be each trading store.

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

Pensions and other post-retirement benefits

The Society's employees were members of a Co-operative Group Limited ('the Group') wide pensions scheme, the Co-operative Group Pension (Average Career Earnings) Scheme (the PACE Scheme), the United Norwest Co-operative Employees' Pension Fund, and the Somerfield Pension Scheme. This PACE Complete Scheme is a defined benefit scheme. The Society contributed to these schemes in respect of its employees who were members of the schemes up until the end of October 2015 when it was closed to future accrual. However, the Society is unable to identify its share of the underlying assets and liabilities of the PACE scheme and therefore contributions to the schemes up until the end of October 2015 were accounted for as if they were a defined contribution scheme. There is no contracted agreement or stated Group policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual Group entities, therefore Co-operative Foodstores Limited, in its individual financial statements, cannot recognise the net defined cost so charged. Refer to disclosure of information relevant to the scheme in note 8.

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

Inventories

Inventory which comprises goods for resale is stated at the lower of cost, including attributable overheads, and net realisable value.

Interest-bearing borrowings

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

Notes to the financial statements (continued)

2 Accounting policies (continued)

Taxation

(i) Income tax

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

(ii) Deferred taxation

Deferred tax is provided, with no discounting, using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In the case of investment properties it is assumed that uplifts on valuation principally reflect future rentals.

Revenue

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

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

The majority of revenue is derived from the Society's principal activity of operating convenience stores and supermarkets in the United Kingdom. Rental income is derived from investment and non-investment properties. Income arising from operating leases on both investment and non-investment properties is accounted for on a straight-line basis over the lease term.

Member rewards

In the comparative period Member and Community rewards were earned at 2% (4% in total) of member spend. 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. Members have been able to redeem their rewards throughout 2024 with any unused member reward being recognised within revenue in the income statement based on an assessment of future redemption rates.

Trade receivables

The Society has applied a simplified approach as allowed under IFRS 9 to use a provision matrix for calculating expected losses for trade receivables. The main impact of this relates to trade and intercompany receivable balances where an expected credit loss model has been applied which focuses on the risk that a trade receivable will default rather than whether a loss has been incurred. The impact of the calculated expected credit loss is not material.

Supplier income

Supplier income is recognised as a deduction from cost of sales on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. Where amounts received are in the expectation of future business, these are recognised in the income statement in line with that future business.

The Group has a mixture of contractual terms with its suppliers. Where our trading terms state that the supplier income is netted against amounts owing to that supplier and it is our intention to settle the balances on a net basis then any outstanding invoiced supplier income at the reporting date is included within trade payables. Any amounts received in advance of income being recognised are included in accruals and deferred income. When we do not have the right of offset (or we do not intend to settle on a net basis) then the Group classifies outstanding supplier income within trade receivables. Where the supplier income is earned but not yet invoiced to the supplier at the reporting date, this is classified within accrued income.

There are three main types of income:

1. Long term agreements: These refer to supplier income rebates based on the value of purchases Co-op places with its suppliers. Typically, these are annual % rebate agreements applied to the purchases Co-op makes from its suppliers. Income is only recognised once the rebate agreement is in place with the supplier.

2. Bonus income: These are typically unique payments made by the supplier and are not based on volume. They include payments for marketing support, range promotion and product development. These amounts are recognised when the income is earned and confirmed by suppliers. An element of the income is deferred if it relates to a future period.

3. Promotional income: Rebates based on sales volumes relating to agreed promotional activity. These are retrospective rebates based on sales volumes.

Share Capital

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

Provisions

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

Notes to the financial statements (continued)

3 Revenue

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Revenue by type		
Sale of products and services	**975.4**	986.1
Member reward on sale of products and services	**(0.1)**	(3.0)
	975.2	983.1

All revenue is generated within the United Kingdom

4 Operating profit

		For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Operating profit has been stated after charging / (crediting):			
Depreciation of property, plant and equipment	12	**17.8**	19.1
Depreciation of right-of-use	13	**10.5**	11.4
Pension scheme administrative expenses	8	**1.1**	1.1
(Gain)/loss on property, business disposals and closures (before impair	7	**(3.8)**	1.4
Impairment of property, plant and equipment	12	**3.1**	2.7
Impairment of right-of-use assets	13	**1.2**	1.5
Cost of inventories recognised as an expense		**741.3**	728.6
Supplier income	5	**(72.2)**	(67.8)
Employee benefits expense	6	**99.1**	95.7
Community reward earned*		**0.1**	2.9
One-off items*		**(0.4)**	-

The auditor's remuneration of £107,510 (2023: £101,068) is borne by the ultimate parent undertaking.

* Following a change to the Group's membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024.

** One-off items represent a settlement received from a legal claim.

5 Supplier income

This note shows the different types of supplier income received. The income is deducted from cost of sales.

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Long term agreements	**21.6**	22.1
Bonus income	**16.9**	10.1
Promotional income	**33.6**	35.5
	72.2	67.8
Percentage of cost of sales before deducting supplier income:		
Long term agreements	**2.9%**	3.0%
Bonus income	**2.3%**	1.4%
Promotional income	**4.5%**	4.9%
	9.7%	9.3%

6 Staff costs

Staff were employed by the ultimate parent undertaking and the costs incurred and recharged amounted to £99.1m (2023: £95.7m). Staff are included within the average number of people employed by the Co-operative Group Limited which can be found on page 142 of the Co-op Annual Report 2024.

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Wages and salaries	**87.3**	84.7
Social security costs	**5.5**	5.0
Pension costs	**6.3**	6.0
	99.1	95.7

Directors' remuneration in respect of services provided to the Society were borne by the ultimate parent Society in both the period ended 4 January 2025 and the period ended 6 January 2024.

Notes to the financial statements (continued)

7 Profit/(loss) from property, business disposals and closures

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Disposals, closures and onerous contracts		
-net proceeds/(expenses)	**(1.0)**	(1.3)
- less net book value written off	**4.7**	(0.1)
- provisions recognised	**0.1**	-
Profit/(loss) on disposals	**3.8**	(1.4)

Proceeds and disposals of property, plant and equipment relate to the sale of food stores to third parties. Transfers of property, plant and equipment relate to the transfer of food stores to other group companies.

8 Net employee benefit assets

(i) Co-operative Group Pension (Average Career Earnings) Scheme (PACE)

The Society is a wholly owned subsidiary of Co-operative Group Limited which participates in the Co-operative Group Pension Scheme ('Pace'). The DB section of Pace ('Pace Complete') closed to future service accrual on 28 October 2015 and all future service is provided on a DC basis. Full details of the Pace plan for the period ending 6 January 2024 are disclosed in the Co-operative Group Limited's consolidated financial statements for that period.

(ii) Somerfield Pension Scheme

Nature of scheme

The Somerfield Scheme is a defined benefit pension scheme which closed to future accrual in November 2012. Following closure of the Somerfield Scheme, all active members at the date of closure started to accrue benefits in Pace, unless they elected not to join Pace. All benefits in an historic defined contribution section were transferred out of the Somerfield Scheme in previous years and the defined contribution section completed winding-up during 2015.

Governance

TCG Southern Trustees Limited is the corporate body that acts as Trustee of the Somerfield Scheme.

The Trustee Board comprises up to nine Trustee Directors: One Group appointed professional independent Trustee Director, up to four Group appointed Trustee Directors and up to three Member Nominated Directors (MNDs) elected by scheme members. The Chair of Trustees is appointed by the Trustee Directors, having considered the Group's view on the appointment.

The Trustee is responsible for the development and implementation of appropriate policies for the investment of the scheme assets and for negotiating scheme funding with the Group. The Trustee consults with the Co-operative Group Limited in developing investment strategy and delegates the responsibility for implementing and monitoring the strategy to an Investment Committee.

Scheme funding regime

Under the scheme specific funding regime established by the Pensions Act 2004, the Trustee must undertake a full actuarial valuation at least every three years. The purpose of the valuation is to determine if the scheme has sufficient assets to pay the benefits when these fall due. Any shortfall in the assets, relative to the funding target, is financed over a period that ensures the contributions are reasonably affordable.

The valuation targets full funding (scheme assets equal to the value of pension liabilities) against a basis that prudently reflects the scheme's risk exposure. The basis on which DB pension liabilities are valued for funding purposes differs to the basis required under IAS19. Contributions to eliminate a funding shortfall may therefore be paid even when a surplus is reported in the IAS19 disclosure.

In 2020, the Scheme Actuary completed a full actuarial valuation of the Somerfield Scheme As at 6 March 2019. The results of the valuation showed that the Somerfield Scheme had a shortfall of £7m. This deficit is being recovered by additional asset outperformance. Deficit contributions of £2.6m pa ceased with effect from 30 June 2020.

Notes to the financial statements (continued)

8 Net employee benefit assets (continued)

Risks in relation to the scheme

Risk description	Mitigation
Risk of changes in contribution requirements - The contributions paid reflect the funding level of the schemes at the valuation date. The funding level at future valuation dates is uncertain and this leads to uncertainty in future cash requirements.	The closure of the Scheme has reduced the exposure to this risk. Furthermore, the Society and Trustee have taken steps to reduce the volatility of the funding level (as set out below). The Society monitors the funding level of the Scheme in order to understand the likely outcome of valuations and the Trustee is required to obtain agreement from the Society to funding assumptions and deficit recovery contributions.
Interest rate risk - Pension liabilities are measured with reference to yields on bonds, with lower yields increasing the liabilities. The Scheme is therefore exposed to the risk of falls in interest rates.	The recently acquired pensioner buy-in annuity contract and investments in liability driven investment products which increase (decrease) in value when yields on Government bonds fall (rise), thus providing protection against interest rate risk. Approximately 80% of the liability is currently protected from movements in yields on Government bonds.
Risk associated with volatility in asset value - The market value of the assets held by the Scheme can be volatile. This creates a risk of short term fluctuations in funding level.	This risk has been mitigated by reducing the exposure of the Scheme to those asset classes which have the most volatile market values. In particular, the Scheme have limited allocation to return seeking assets such as equity.
Inflation risk - Many of the benefits paid by the scheme are linked to inflation. Therefore, the pension liabilities reflect expectations of future inflation with higher inflation leading to higher liabilities.	The pensioner buy-in annuity contract and investments in liability driven investment products which increase (decrease) in value when expectations of future inflation rates increase (fall), provide protection against inflation risk. Approximately 80% of the liability is currently protected from movements in inflation.
Risk associated with changes in life expectancy - Pensions paid by the scheme are guaranteed for life, and therefore if members are expected to live longer, the liabilities increase.	The pensioner buy-in annuity contract will provide some protection against increasing life expectancy. The Scheme's funding target also incorporates a margin for prudence to reflect uncertainty in future life expectancy.

Guarantees

Co-operative Group Limited (the Group) is the Principal Society in relation to the Somerfield Scheme, and is also a statutory employer. There are various guarantees in place in relation to the Somerfield Scheme:

- The Group provides a guarantee in respect of the Society's obligations to the Somerfield Scheme up to a maximum of the debt on insolvency or wind-up of the Somerfield Scheme. Co-operative Group Food Limited provides a guarantee to the Somerfield Scheme in the same terms.

- The Group provides an additional guarantee in respect of participating employers' liabilities in relation to the Somerfield Scheme, up to 105% on the section 179 Pensions Act 2004 valuation basis. If certified, this would enable the calculation of the risk-based element of the Pension Protection Fund levy to be based on the Group's insolvency rating.

- The Group's key subsidiaries (currently six entities) also guarantee the obligations of the Society to the Somerfield Scheme, up to a maximum of the debt on insolvency or wind-up of the Somerfield Scheme. This guarantee expires on 31 December 2034.

Financial assumptions

	As at 4 January 2025 % p.a.	As at 6 January 2024 % p.a.
Discount rate	**5.54**	4.76
RPI Inflation rate	**3.39**	3.32
Pension increases in payment (RPI capped at 5% p.a.)	**3.17**	3.12
Future salary increases	**3.64**	3.57

Sensitivities

	As at 4 January 2025 £m	As at 6 January 2024 £m
Change in liability from a 0.1% increase in discount rate	**(6.5)**	(7.9)
Change in liability from a 0.1% increase in RPI inflation	**(3.1)**	(3.8)
Change in liability from a 0.25% increase in long-term rate of longevity improvements	**3.7**	4.4

Notes to the financial statements (continued)

8 Net employee benefit assets (continued)

Mortality rates

The average life expectancy (in years) for mortality tables used to determine scheme liabilities for the schemes at 4 January 2025 are as follows:

	Member currently aged 65 (current life expectancy)		Member currently aged 45 (life expectancy at age 65) (current life expectancy)	
	Male	**Female**	**Male**	**Female**
	20.8	**22.7**	**21.3**	**23.4**

The fair value of plan assets at the period end were as follows:

	As at 4 January 2025 £m	As at 6 January 2024 £m
Cash and cash equivalents	**238.3**	262.7
Liability Driven Investment (LDI)	**170.3**	207.7
Investment grade credit	**161.0**	158.1
Illiquid / other credit assets	**57.9**	62.0
	627.5	690.5

The amounts recognised in the balance sheet are as follows:

	As at 4 January 2025 £m	As at 6 January 2024 £m
Present value of funded obligations	**(556.7)**	(621.9)
Fair value of plan assets	**627.5**	690.5
Net retirement benefit asset	**70.8**	68.6

The amounts recognised in the income statement are as follows:

	As at 4 January 2025 £m	As at 6 January 2024 £m
Interest expense on DBO*	**(28.6)**	(30.4)
Interest income on plan assets*	**31.8**	31.9
Administrative expenses and taxes	**(1.1)**	(1.1)
Settlement costs	**-**	-
Past service cost (including curtailments)	**-**	-
	2.1	0.4

*The interest income on plan assets of £31.8m (2023: £31.9m) and the interest expense on DBO of £28.6m (2023: £30.4m) are shown net within Finance income of £3.2m (2023: £1.5m) in the income statement.

Changes in the present value of the defined benefit obligation (DBO) are as follows:

	As at 4 January 2025 £m	As at 6 January 2024 £m
Opening defined benefit liabilities	**621.9**	645.0
Interest expense on DBO	**28.6**	30.4
Remeasurements:		
a. Effect of changes in demographic assumptions	**(2.9)**	(10.1)
b. Effect of changes in financial assumptions	**(53.6)**	(9.0)
c. Effect of experience adjustments	**(2.5)**	0.6
Benefit payments from plan	**(34.8)**	(35.0)
Settlements	**-**	-
Past service cost (including curtailments)	**-**	-
Closing defined benefit liabilities	**556.7**	621.9

Changes in the fair value of the plan assets are as follows:

	As at 4 January 2025 £m	As at 6 January 2024 £m
Opening fair value of scheme assets	**690.5**	676.7
Interest income	**31.8**	31.9
Gains / (losses) on plan assets (excluding interest income)	**(58.9)**	18.0
Administrative expenses paid from plan	**(1.1)**	(1.1)
Employer contributions	**-**	-
Benefits paid	**(34.8)**	(35.0)
Closing fair value of scheme assets	**627.5**	690.5

Notes to the financial statements (continued)

9 Finance costs

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Interest expense on lease liabilities	7.1	7.9
	7.1	7.9

10 Finance income

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Net interest income on plan assets (see note 8)	3.2	1.5
Interest on intra-group loans	90.1	87.7
	93.3	89.2

11 Taxation

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
UK corporation tax		
Group relief receivable / (payable)	**17.3**	(33.3)
Current tax credit / (charge) - adjustments in respect of prior years	**12.7**	18.8
Total current tax credit / (charge)	**30.0**	(14.5)
Deferred tax (see note 19)		
Deferred tax (charge) / credit - adjustments in respect of current year	**(13.7)**	2.3
Deferred tax (charge) / credit - adjustments in respect of prior years	**(14.1)**	(22.4)
Effect of rate change on closing balance	**-**	(0.4)
Total deferred tax charge	**(27.8)**	(20.5)
Tax credit / (charge) on profit before taxation	**2.2**	(35.0)

The tax on the net profit before tax differs from the theoretical amount that would arise using the standard applicable blended rate of corporation tax of 25% (2023: 23.5%) as follows:

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Current tax reconciliation		
Profit before tax	**159.6**	132.1
Current tax charge at 25% (2023: 23.5%)	**(39.9)**	(31.0)
Effects of:		
Non-deductible expenditure	**-**	(1.8)
Non-taxable income	**1.1**	-
Deductible dividend paid	**39.9**	-
Transfer pricing adjustment	**2.9**	2.2
Non-qualifying depreciation	**0.2**	(0.9)
Profit on disposal	**(0.4)**	0.4
Current tax prior year adjustment	**12.7**	18.8
Deferred tax prior year adjustment	**(14.1)**	(22.3)
Deferred tax rate change	**-**	(0.4)
Tax charge on continuing business	**2.2**	(35.0)

Income tax on items in the statement of comprehensive income

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Taxation for the period	**2.2**	(35.0)
Other comprehensive income:		
Defined benefit plan actuarial (losses)/ gains	**-**	(8.6)
Income tax on items taken to statement of comprehensive income	**2.2**	(43.6)

Based on previously enacted legislation, the rate of corporation tax increased to 25% with effect from 1 April 2023. The rate of tax applicable to the whole year is therefore 25%.

The rate of tax applied to deferred tax movements in the year is also 25% on the basis that this was the enacted rate at the balance sheet date. This applies to deferred tax movements in the year and post balance sheet values.

The Group has the flexibility to claim capital allowances across a number of its subsidiaries which effect the amount of current tax and deferred tax charges booked to these companies. On final submission of the tax computations for these subsidiaries, a change in the split of which company claims capital allowances was made. This has resulted in the bulk of the prior year adjustment noted within current tax and deferred tax.

Notes to the financial statements (continued)

12 Dividends paid

	For period ended 4 January 2025 pence per share	For period ended 6 January 2024 pence per share	**For period ended 4 January 2025 £m**	For period ended 6 January 2024 £m
Co-operative Group Food Limited	**32.3**	-	**159.0**	-
	32.3	-	**159.0**	-

The dividend was approved by the Board on 29 November 2024 and paid on 10 December 2024 in order to redistribute the Society's reserves up to the shareholding entities.

13 Property, plant and equipment

At 4 January 2025	**Land and buildings £m**	**Plant and machinery £m**	**Total £m**
Cost			
At 6 January 2024	623.9	505.7	1,129.6
Additions	4.3	13.5	17.8
Transfers to Investment properties	(0.2)	0.1	(0.1)
Transfers from other group undertakings	0.3	-	0.3
Disposals	(263.3)	(3.8)	(267.1)
At 4 January 2025	**365.0**	**515.5**	**880.5**
Depreciation			
At 6 January 2024	498.9	447.6	946.5
Charge for the period	3.6	14.2	17.8
Impairment	2.3	0.8	3.1
Transfers from other group undertakings	0.7	(0.7)	-
Disposals	(263.3)	(3.5)	(266.8)
At 4 January 2025	**242.2**	**458.4**	**700.6**
Net book value			
At 4 January 2025	**122.8**	**57.1**	**179.9**
At 6 January 2024	125.0	58.1	183.1

Assets with a book value of £0.3m (2023: £0.4m) were disposed during the period. The profit on disposal of £3.8m (2023: £1.3m loss) arising from the disposal of these assets has been recognised within operating profit.

At 6 January 2024	**Land and buildings £m**	**Plant and machinery £m**	**Total £m**
Cost			
At 31 December 2022	620.7	506.3	1,127.0
Additions	2.7	3.8	6.5
Disposals	(0.1)	(4.4)	(4.5)
Transfers (to) / from other group companies	0.6	-	0.6
At 6 January 2024	**623.9**	**505.7**	**1,129.6**
Depreciation			
At 31 December 2022	493.5	435.3	928.8
Charge for the period	3.5	15.6	19.1
Disposals	-	(4.1)	(4.1)
Impairment	1.9	0.8	2.7
Transfers to other group companies	-	-	-
At 6 January 2024	**498.9**	**447.6**	**946.5**
Net book value			
At 6 January 2024	**125.0**	**58.1**	**183.1**
At 31 December 2022	127.2	71.0	198.2

Notes to the financial statements (continued)

13 Property, plant and equipment (continued)

Impairment

The recoverable amount for cash generating units (CGUs) is the greater of the fair value of the CGU (less costs to sell) and the value in use (VIU) of the CGU. The value in use for CGUs has been determined using discounted cash flow calculations where there are indicators of impairment.

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

Assumption	Detail
Structure of a CGU	Each individual food store is deemed to be an individual CGU. New stores in their first two years of operations are considered to be on a maturity curve and therefore excluded from our impairment assessment. Similarly, impairment reversals are considered after a store has completed a two year recovery period.
Cash flow years / assumptions	Future cash flows for FY25 and FY26 are derived from Board approved four-year plan cash flow assumptions. These forecasts are based on the approved forecasts for FY25 - FY26 and then subject to a long term growth rate of 0% for the remainder of the lease period. Growth rate of 1.9% (2023: 1.9%) is applied into perpetuity (adjusted for rent expense given the impact of IFRS 16 leases), after the lease period, reflecting the UK's long-term growth rate. Where we have known lease exit dates then the remaining lease terms have been used. For freehold stores, the assumed time frame aligns with the average store refit cycle of 10 years, with cash flows taken to perpetuity at 1.9% growth (2023: 1.9%) where stores are expected to be operated beyond the average store refit cycle. Cash flows include estimated periodic store capital maintenance costs based on the square footage of the store. The Group is working through the potential impact of the climate related risks and opportunities as identified and disclosed in our Climate-Related Financial Disclosures (CRFD) report. Our risk assessment and scenario analysis identified that the most material climate related risks are on technology and consumer sentiment. We have considered these risks in our assessment of whether any indicators of impairment existed at the balance sheet date, however it was concluded that the expected climate related risks did not have a material impact on the Group's impairment considerations at the reporting date. The board approved plan underpinning our impairment assessment takes into consideration any incremental costs of climate related actions to mitigate these risks where these are expected to crystallise within the timeframe of the plan. This represents a developing area with inherent uncertainty which is constantly evolving.
Discount rate	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 10.3% (2023: 9.6%). The post tax discount rate has been calculated using the capital asset pricing model. 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. Sensitivity analysis has been performed against the key assumptions used in our store impairment testing as follows: a) a 1% increase or decrease to the discount rate and b) a 1% increase or decrease in the long term growth rate. The sensitivities have not resulted in a material movement in the impairment calculated. The sensitivity analysis performed considers reasonably possible changes in the discount rate and growth rate assumptions.

14 Leases

As a lessee

Right-of-use assets	**Property £m**	**Plant and equipment £m**	**Total £m**
Balance at 6 January 2024	78.4	0.2	**78.6**
Depreciation charge for the period	(10.4)	(0.1)	**(10.5)**
Additions	6.7	-	**6.7**
Disposals	(1.0)	-	**(1.0)**
Impairment	(1.2)	-	**(1.2)**
Balance at 4 January 2025	**72.5**	**0.1**	**72.6**
Balance at 31 December 2022	92.6	0.1	**92.7**
Depreciation charge for the period	(11.3)	(0.1)	**(11.4)**
Additions	2.0	0.2	**2.2**
Disposals	(3.4)	-	**(3.4)**
Impairment	(1.5)	-	**(1.5)**
Balance at 6 January 2024	**78.4**	**0.2**	**78.6**

The Society leases many assets, principally it leases properties for its food retail stores as well as some vehicles and other equipment. The leases of retail stores are typically between 1 and 30 years in length. Vehicle and equipment leases are typically between 1- 4 years in length and in some cases the Society has options to purchase the assets at the end of the contract term.

Notes to the financial statements (continued)

14 Leases (continued)

Lease liabilities	**As at 4 January 2025 £m**	As at 6 January 2024 £m
Current	(17.2)	(19.8)
Non-current	(106.2)	(114.5)
Lease liabilities included in the balance sheet at 1 January 2022	**(123.4)**	(134.3)

	As at 4 January 2025 £m	As at 6 January 2024 £m
Lease liabilities - undiscounted maturity analysis		
Less than 6 months	(9.4)	(10.2)
6 - 12 months	(9.2)	(10.2)
1 - 2 years	(17.9)	(18.4)
2 - 5 years	(48.2)	(48.8)
5 - 10 years	(48.9)	(56.6)
10 - 15 years	(11.5)	(19.4)
More than 15 years	(20.6)	(21.5)
Total lease liabilities	**(165.7)**	(185.1)

	As at 4 January 2025 £m	As at 6 January 2024 £m
Opening lease liabilities	(134.3)	(148.2)
Additions	(6.6)	(2.3)
Disposals	4.0	2.7
Interest expense	(7.1)	(7.9)
Payments	20.6	21.4
Closing lease liabilities	**(123.4)**	(134.3)

Extension and termination options

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

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

As at 4 January 2025, potential future cash outflows of £nil (2023: £1.3m) (discounted) have not been included in the lease liability because it is not reasonably certain that the Society will exercise the extension option. Included within the lease liability are future cash outflows of £11.0m (2023: £10.3m) (discounted) where the Society holds termination options but it is not reasonably certain to execute those termination options.

15 Investment properties

	For period ended 4 January 2025 £m	For period ended 6 January 2024 £m
Valuation at beginning of period	1.2	1.2
Transfers from property, plant and equipment	0.1	-
Valuation at end of period	**1.3**	1.2

16 Inventories

	As at 4 January 2025 £m	As at 6 January 2024 £m
Goods for resale	**26.5**	**25.1**

Notes to the financial statements (continued)

17 Trade and other receivables

	As at 4 January 2025 £m	As at 6 January 2024 £m
Non-current assets		
Amounts due from other group undertakings	**812.7**	**723.1**

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

18 Cash and cash equivalents

	As at 4 January 2025 £m	As at 6 January 2024 £m
Cash at bank	**70.3**	133.4
Cash in hand	**5.5**	8.3
	75.8	**141.6**

Through its primary banking provider, the Co-operative Group operates a joint account arrangement for its subsidiary entities. Under this arrangement, the Group manages all funds through a joint MASS (Memorandum account statement system) account on behalf of all participating entities, whilst the individual entities have Memorandum accounts which are reflected in the header MASS account. All memorandum balances are grouped together in the MASS account for the purposes of applying interest from a Group perspective, but each entity records its own memorandum balance in its individual financial statements.

Each subsidiary presents the net aggregate balance of their Memorandum accounts as cash and cash equivalents as each participant is able to access their accounts as if it was a real individual bank account and is responsible for its own indebtedness as per the MASS agreement.

The Society participates in the Co-operative Group's joint account arrangement and as such provides a cross-guarantee for all participants in relation to all indebtedness owed to the bank. While the joint MASS account has an overall positive balance, certain individual group entities do have overdraft positions, for the which the Society is jointly and severally liable with the rest of the Group in the event of a default. As at 4 January 2025, the Society has recognised liabilities of £nil in respect of the cross guarantees for other MASS account participants.

19 Provisions

	As at 4 January 2025 £m	As at 6 January 2024 £m
Non-current	**1.3**	**1.7**
Current	**-**	**-**
	1.3	1.7

	Property provisions £m	**Other £m**	**Total £m**
At 6 January 2024	0.4	1.3	**1.7**
Charge to income statement on creation of new provision	0.3	-	**0.3**
Credit to income statement on release of unutilised provision	(0.6)	(0.1)	**(0.7)**
At 4 January 2025	**0.1**	**1.2**	**1.3**
At 31 December 2022	0.2	1.9	**2.1**
Charge to income statement on creation of new provision	0.5	-	**0.5**
Credit to income statement on release of unutilised provision	(0.3)	(0.6)	**(0.9)**
At 6 January 2024	**0.4**	**1.3**	**1.7**

Other provisions represent amounts provided on acquisition of former Somerfield leasehold stores in respect of dilapidation and asbestos related costs in the estate. Upon disposal of a store, any unutilised balance held is written-off to income statement.

Property provisions are held for unavoidable running costs and dilapidations. The running costs exclude rates and rental costs of leasehold properties that are vacant or not planned to be used for ongoing operations. Property provisions are expected to be utilised over the remaining periods of the leases.

Notes to the financial statements (continued)

20 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a blended effective tax rate of 25% (2023: 25%).

	As at 4 January 2025 £m	As at 6 January 2024 £m
Deferred taxation asset		
At start of the period	**60.6**	89.7
Income statement (charge) / credit in the period	**(27.8)**	(20.5)
Other comprehensive income (charge) / credit in the period	**-**	(8.6)
At end of the period	**32.8**	**60.6**
Comprising:		
Tangible fixed assets	**58.9**	85.5
Pensions	**(17.7)**	(17.1)
Rollover relief/ gains	**(13.8)**	(14.0)
IFRS16 Leases	**5.4**	6.0
Losses	**-**	0.2
At end of the period	**32.8**	**60.6**

21 Called up share capital

	As at 4 January 2025 £m	As at 6 January 2024 £m
Authorised, allotted, called up and fully		
493,002,892 ordinary shares of £1 each (2023: 493,002,892 ordinary shares of £1 each)	**493.0**	493.0

There is a single class of share capital.

All shares rank pari passu in all respects.

23 Contingencies

i) The Group has a revolving credit facility ('RCF') for which the Society is a guarantor under the facility. On the 29 November 2024, the Group concluded an amendment and extension exercise on its Revolving Credit Facility, with a facility size of £400m and a 5 year term maturing in November 2029. The facility was undrawn as at 4 January 2025.

As at 4 January 2025, the Society continued to be a guarantor of the Revolving Credit Facility. There is no premium charged with respect to the Society being a guarantor under the facility.

The Society is also a guarantor of the Group's bond and loan notes, comprising a £109m final repayment subordinated notes due December 2025, a £20m instalment repayment notes due December 2025 and a £350m bond due in July 2026. There is no premium charged with respect to the Society being a guarantor of the bond and loan notes.

ii) As noted in the Co-op Group’s 2024 Annual Report and Accounts (Note 27; Commitments and contingencies); the Society is a named entity in a claim by the liquidators of The Food Retailer Operations Limited in connection with transactions which took place in 2015 and 2016 relating to the Somerfield supermarket business acquired by Co-op in 2009. The Society has the benefit of an indemnity from Co-operative Group Limited in respect of all liabilities, costs, expenses, damages and losses and all other professional costs and expenses suffered or incurred by the Society arising out of or in connection with such claims.

24 Ultimate parent undertaking

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

25 Post balance sheet events

Cyber Incident

At the end of April 2025, the Group announced that it had been managing a targeted cyber attack. The incident has been treated as a non-adjusting post-balance sheet event and there has been no impact on the financial results reported for the Society for the year ended 4 January 2025.

The Group proactively managed the incident. The cyber attack and subsequent response resulted in a period of disruption across the Group’s systems and operations, including the systems and operations of the Society. As a result, the Group and Society experienced a loss of sales and income from having restricted or no access to systems, in addition to the additional costs incurred to support the incident.

At this early stage, the Group remains in the recovery phase but operations are recovering and the Society is able to continue trading. The Group do not expect the impact to have an adverse impact on the valuation of assets and liabilities in the upcoming financial year. In response to the events, the Group have engaged external cyber security experts to assist with investigating and managing the incident. The Group have also engaged with the relevant authorities, including reporting the incident to the National Cyber Security Centre (NCSC), the National Crime Agency (NCA) and the Information Commissioners Office (ICO).

New £350m term loan agreement

On the 18 June 2025, the Group signed a new £350m sustainability-linked term loan agreement for a 5 year term committed to June 2030. The Society participates in this agreement as a guarantor. The facility remained undrawn at the time of approval of these accounts.