

CFS Management Services Limited

Financial Statements

Registered number 5564787

Year ended 31 December 2022



Corporate Information

Directors

The Directors who held office during the year and thereafter were as follows:

SM Reay	Resigned 20th December 2022
SK Nuttall	
D Kendal-Ward	Appointed 20th December 2022

Secretary

C Sellers

Auditors

Ernst & Young LLP, Statutory Auditor
2 St Peter's Square
Manchester
M2 3EY

Registered Office

1 Angel Square
Manchester
M60 0AG
United Kingdom

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Strategic report

The Directors present their annual strategic report and the audited financial statements for the year ended 31 December 2022.

Principal activities

Historically, the principal activity of the Company was the provision of contract management services to the Co-operative Group Limited ("Group"). The Company would incur a number of central costs for the Co-operative Group Limited, the Company's ultimate parent. These costs were then fully recharged to other group entities. The Company ceased trading on 31 December 2021.

Business review

The results of the Company for the year are set out in the profit and loss account on page 10. Turnover for the year was £nil (2021: £4,121k), with profit before taxation of £268k (2021: £342k). During the year the Company paid out dividends amounting to £nil (2021: £nil). The Company ceased trading on 31 December 2021. This followed the sale of the Co-operative Group's insurance underwriting business (CISGIL) in December 2020 and the subsequent ending of the service agreement to provide support services to that entity which ended in the second half of 2021. The long-term intention is to convert the Company to a Registered Society and then transfer its engagements to the Co-operative Group Ltd (the ultimate parent undertaking) and to subsequently dissolve / liquidate the entity.

Principal risks and uncertainties

The Company faces the same principal risks and uncertainties as its ultimate parent, Co-operative Group Limited. Further discussion of these risks and uncertainties and how these risks are being managed, in the context of the Group as a whole, is provided on pages 64-67 of the Group's annual report which does not form part of this report.

Key performance indicators

As the Company has ceased trading it no longer produces its own monthly financial management and operational information however the Board continue to monitor intra-group interest received, net assets and the Company's cash balances.

The Directors also monitor a number of key performance indicators of the Co-operative Group ("the Group"). These include financial performance KPIs, colleague engagement KPIs and Membership and Community KPIs. Further details on these key measures can be found on page 58 of the Group's annual report.

By order of the Board



C Sellers
Secretary

Date 09 June 2023

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

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2022.

In accordance with the provisions of s414c(1), we have included sections within the Strategic Report as we feel they are of strategic importance to the Company, although Companies Act 2006 would otherwise prescribe them to be included within the Directors' report.

Proposed dividend and transfer to reserves

The Company made a dividend payment in the year of £nil (2021: £nil).

The profit after tax for the year retained in the Company is £217k (2021: £278k).

Directors

The Directors who held office during the year were as follows:

SM Reay (Resigned 20th December 2022)
SK Nuttall
D Kendal-Ward (Appointed 20th December 2022)

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Going concern

The Company ceased to trade during 2021. There are no plans for future trade and it is managements intention that the company is wound up in the next two years although the timeline is not yet confirmed. Accordingly the financial statements have been prepared on a basis other than going concern.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The Company's auditors are Ernst & Young LLP. In accordance with s.487 of the Companies Act 2006, the Auditors will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

By order of the Board



C Sellers
Secretary

Date 09 June 2023

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

Statement of Directors' Responsibilities in respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- in respect of the financial statements, state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Independent auditor's report to the members of CFS Management Services Limited

Opinion

We have audited the financial statements of CFS Management Services Limited for the year ended 31 December 2022 which comprise the Profit and loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year 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 Companies Act 2006.

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 company 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.

Emphasis of Matter – financial statements prepared on other than going concern basis

We draw attention to note 2 to the financial statements which explains that the company ceased to trade in December 2021, there are no plans for future trade and directors intend to wind up the company in next two years, therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 2. Our opinion is not modified in this respect of this matter.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of CFS Management Services Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors 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 directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are direct laws and regulations relating to tax legislation, and the financial reporting framework i.e. FRS 101 "Reduced Disclosure Framework and Companies Act 2006. Our considerations of other laws and regulations that may have a material effect on the financial statements include Money Laundering Regulations 2019.
- We understood how CFS Management Services Limited is complying with those frameworks by making enquiries with management, internal audit, and those responsible for legal and compliance matters.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that might otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement including complex transactions, performance targets, economic or external pressures and the impact that these have on the control environment. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals by corroborating the entries made to underlying documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved; making enquiries with those charged with governance and senior management for their awareness of non-compliance with laws and regulations, inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with regulatory authorities.

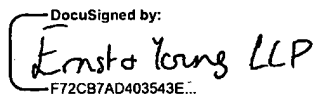
Independent auditor's report to the members of CFS Management Services Limited (continued)

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

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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
 09 June 2023
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Hayley Carrington (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
9 June 2023

Profit and loss account
for the year ended 31 December 2022

	Notes	For year ended 31 December 2022 £'000	For year ended 31 December 2021 £'000
Revenue	3	-	4,121
Operating expenses		-	(3,779)
Other income		16	-
Operating profit	4	16	342
Interest receivable	7	252	-
Profit before taxation		268	342
Taxation	8	(51)	(64)
Profit for the year		217	278

All transactions in the year ended 31 December 2022 relate to discontinued operations.

The Company ceased trading on 31 December 2021. See the Strategic Report 'Business Review' section on page 4 for further details.

Statement of comprehensive income
for the year ended 31 December 2022

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

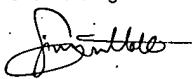
The notes on pages 13 to 21 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2022

	Notes	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Current assets			
Trade and other receivables	9	23,991	23,890
Cash and cash equivalents		24,488	24,524
Total current assets		48,479	48,414
Total assets		48,479	48,414
Current liabilities			
Trade and other payables	10	55	207
Total current liabilities		55	207
Total liabilities		55	207
Net assets		48,424	48,207
Equity			
Called up share capital	12	40,000	40,000
Retained earnings		8,424	8,207
Total equity		48,424	48,207

The notes on pages 13 to 21 form an integral part of these financial statements.

These financial statements were approved and authorised by the Board of Directors on 09 June 2023 and were signed on its behalf by:


S Nuttall
Director

Statement of changes in equity
for the year ended 31 December 2022

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022	40,000	8,207	48,207
Profit for the year	-	217	217
Balance at 31 December 2022	40,000	8,424	48,424
Balance at 1 January 2021	40,000	7,929	47,929
Profit for the year	-	278	278
Balance at 31 December 2021	40,000	8,207	48,207

All items are shown net of tax.

The notes on pages 13 to 21 form an integral part of these financial statements.

Notes to the financial statements

1 General Information

CFS Management Services Limited is a private limited company and is registered and domiciled in England and Wales. The address of the Company's registered office is 1 Angel Square, Manchester, M60 0AG.

The principal accounting policies adopted by the Company are set out in Note 2.

2 Accounting policies

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

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' for the year ended 31 December 2022. The comparative period was for the year ended 31 December 2021.

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 Group's overall approach to climate change is outlined in the Group's 2022 Annual Report and Accounts (ARA) - as part of our 'Vision update: Co-operating for a Fairer World' in the 'Recognising our efforts for the planet' section on pages 42 - 45. The Society faces limited risks and challenges in relation to climate change, which are not considered material and manages any risks that do arise in-line with the Groups' approach to climate change.

The Group's assessment of the potential impact on the long term viability of the Group is also set out on page 122.

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 Company 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 Company

The Company has considered the following standards and amendments that are effective for the Company for the year commencing 1 January 2022 and concluded that they are either not relevant to the Company or do not have a significant impact on the financial statements:

- Onerous contracts - Costs of Fulfilling a Contract - Amendments to IAS 37
- Reference to the Conceptual Framework - Amendments to IAS 3
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture - Taxation in fair value measurements

Notes to the financial statements (continued)

2 Accounting policies (continued)

Standards, amendments and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and the Company has not early adopted the following standards and statements. The adoption of these standards is not expected to have a material impact on the Company's accounts:

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

* Effective for annual periods beginning on or after 1 January 2023.

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 estimates and assumptions:

The key estimates and assumptions and areas of uncertainty around key estimates and assumptions at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of intercompany receivables - expected credit losses: An impairment analysis is performed at the reporting date for amounts owed by group undertakings using the expected credit loss model in IFRS 9. Where there is deemed to be either no probability of default or there is no expected loss from default, no impairment is recognised.

Going Concern

The company ceased to trade during 2021. There are no plans for future trade and it is managements intention that the company is wound up in the next two years although the timeline is not yet confirmed. Accordingly the financial statements have been prepared on a basis other than going concern. Notwithstanding the cessation of trading, the Company has sufficient resources to meet all reasonably foreseeable future liabilities by way of support from its parent company, Co-op Group Limited.

The Company 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 Company 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 Company ("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 2024.

The Group 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 2024. Although the Group has a robust planning process, the current economic uncertainty (driven by factors including inflation and rising energy costs) means that additional sensitivities and analysis have been applied to test the going concern basis under a range of downside test scenarios. The following steps have been undertaken to allow the directors to conclude on the appropriateness of the going concern assumption:

Notes to the financial statements (continued)

2 Accounting policies (continued)

Going Concern (continued)

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

In making their assessment the directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability; cash flow and covenant compliance; and available capital resources.

The potential scenarios which could lead to the Group not being a going concern are:

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

We note at the year-end date, of the total £1,079m of facilities available to us, we were £780m drawn-down. Note 28 to the Group Financial Statements sets out more information on the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit and liquidity risk.

2) Board review and challenge the base case forecast

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

The key assumptions in the plan are:

1. Sales growth continues to be supported by market wide inflation, primarily due to the impact of cost headwinds (energy and wage inflation) increasing the cost of goods. This growth is tempered with volume reduction from cost of living pressures.
2. Cost headwinds continue due to energy and wage inflation.
3. Capital investment remains tightly controlled, supported by a capital light store growth programme.
4. The bond due for maturity in 2024, and those maturing thereafter, are repaid in full out of existing cash balances.

3) Consider downside sensitivities across the base case forecast

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

- A reduction in the sales in our Food retail business, with a 2% reduction to sales volume in FY23 and 1% thereafter.
- A reduction in the demand of our Funeralcare business, with a 1% reduction in volume of funerals delivered, a reduction in average sales price and a move to customer preferences towards lower cost funerals.
- An increase in energy costs across each year of the plan of £20m in each year, reflecting a reversion to the peak energy costs of 2022.
- Assuming a slower salary inflation reversion to normal levels in FY25, representing £40m cost each year (the base plan assumes that salary inflation normalises over the life of the plan).

The sensitivities identified above do not risk the validity of our Co-op as a going concern even before applying the mitigating actions set out below. Also, we have considered a plausible combination of the sensitivities happening concurrently where the validity remains protected. Even in the implausible scenario of all the sensitivities happening simultaneously we still have liquidity and covenant headroom.

4) Examine what mitigating actions would be taken in the event of these scenarios

Whilst out of line with our strategic ambition, there are several options within the business's control we could exercise, if the above risks materialised. Options include:

- Our Co-op's ability to control the level and timing of its capital expenditure programme, saving a minimum of 10% of the total capital outlay.
- Apply cost control measures across both variable and overhead budgets of at least £20m, as well as flexibility to the level of pass-through of energy and cost inflation to the end customer.

5) Perform a reverse stress test and assess any further mitigating actions

Whilst our initial going concern approach assesses likely risks to our base case forecasts through severe but plausible downside scenarios and options to mitigate them, the reverse stress test represents a scenario at which point the model breaks. Whilst unlikely, to demonstrate the above, we have modelled that a negative cash impacting event of £569m could occur before we would be at risk of breaching our liquidity headroom, and £679m before we would risk breaching our covenant headroom.

We note that whilst all remain undesirable strategically, we could mitigate the reverse stress test scenario through a further reduction or delay in capital expenditure and a change in the timing of our investment into operational improvements. There is also the option to apply further cost control measures and flexibility to pass a higher level of energy and cost inflation onto the end customer.

The Company Directors have considered the exercise performed by the Group Directors and have made appropriate enquiries where necessary. The Company Directors have also reviewed internal forecast documentation, management accounts and publicly available information relating to the Group's performance and are satisfied that the Group has access to sufficient funds to honour its commitments set out in the letter of support obtained from the Group.

2 Accounting policies (continued)

Cash and cash equivalents

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

Pensions and other post-retirement benefits

The Company's employees were members of a Group wide pensions scheme, the Co-operative Group Pension (Average Career Earnings) Scheme (the Pace Complete Scheme). This Pace Complete Scheme is a defined benefit scheme. The Company contributed to the Pace Complete Scheme in respect of its employees who were members of the Scheme up until the end of October 2015 when it was closed to future accrual. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme up until the end of October 2015 were accounted for as if it 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 the Company, in its individual financial statements, cannot recognise the net defined cost so charged. Refer to disclosure of information relevant to the scheme in Note 6.

A defined contribution scheme is a pension plan under which the Company 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.

Taxation

(i) Income tax

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

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

(ii) Deferred taxation

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

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

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.

In the prior year, revenue consists of recharges of expenses incurred on behalf of its customers and is recognised in the income statement when the associated services are provided. The company ceased trading on 31st December 2021 and no further revenue has been earned or recognised in 2022.

All revenue is derived from the Company's principal activity in the United Kingdom.

Notes to the financial statements (continued)

3 Revenue

	For year ended 31 December 2022 £'000	For year ended 31 December 2021 £'000
Revenue comprises the following:		
Management fees		4,121
		4,121

The company ceased trading on 31 December 2021.

4 Operating profit

	For year ended 31 December 2022 £'000	For year ended 31 December 2021 £'000
Operating profit is stated after charging:		
Employee benefits expense (note 5)		1,213

The auditor's remuneration of £18,124 (2021: £28,537) is borne by the ultimate parent undertaking.

Although the company ceased trading on 31 December 2021; a £16k (net) credit note was received from a supplier during 2022 and has been recognised as other income (within Operating profit) in the year. The amount recoverable from the supplier was held as a receivable at the closing balance sheet date and subsequently recovered by the Co-op Group in 2023.

5 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year was as follows :

	Number of employees for year ended 31 December 2022	Number of employees for year ended 31 December 2021
Average for year	2	3

The aggregate payroll costs of these persons were as follows:

	For year ended 31 December 2022 £'000	For year ended 31 December 2021 £'000
Wages and salaries	-	1,064
Social security costs	-	112
Other pension costs	-	34
Other staff costs	-	3
		1,213

The average number of employees noted of 2 (2021: 3) relate entirely to Directors of the Company. As outlined below no payroll costs in the current year in relation to these 2 directors were borne by the Company.

Notes to the financial statements (continued)

5 Staff numbers and costs (continued)

Staff costs not directly relating to payroll expenses are included within other staff costs.

	For year ended 31 December 2022 £'000	For year ended 31 December 2021 £'000
Directors' remuneration		
Directors emoluments	-	122
Company contributions to money purchase pension plans	-	8
Benefits on termination of service	-	489
	<u>-</u>	<u>619</u>

For the prior period then the emoluments in the table consist of basic pay, benefits in kind and performance related pay. They related to the services of those Directors of the Company whose remuneration is paid by the Company. Benefits on termination of service relate to any contractual pay in lieu of notice and termination payments.

The cost of remuneration paid to other Directors, who are employed and paid by the Co-operative Group Limited but not recharged to the Company, cannot be meaningfully apportioned to the Company. Those Directors consider that the level of their qualifying services in relation to the Company are incidental and negligible compared to their main role. No emoluments are paid directly to them by the Company. Directors' remuneration in respect of services provided to the Company were borne by the ultimate parent undertaking in both the year ended 31 December 2022 and the year ended 31 December 2021.

The aggregate amount of emoluments and amounts receivable under long term incentive schemes of the highest paid Director of the Company was £nil (2021: £nil) and £nil company pension contributions were made on that Directors' behalf (2021: £3,000).

6 Pension Scheme

The Company has been involved in two different types of pension schemes:

1) Pace Complete Scheme

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

2) Pace DC Section

In October 2015, the Pace DB scheme closed to future service accrual, therefore going forward the Company will only incur charges relating to the Pace DC scheme.

Notes to the financial statements (continued)

7 Interest receivable

	For year ended 31 December 2022 £'000	For year ended 31 December 2021 £'000
Interest income on bank deposits	252	-
	<u>252</u>	<u>-</u>

8 Taxation

Analysis of charge in year

	For year ended 31 December 2022 £'000	For year ended 31 December 2021 £'000
<i>UK corporation tax</i>		
Group relief (payable) / receivable	(51)	19,539
Adjustments in respect of prior year	-	(1)
Total current tax	<u>(51)</u>	<u>19,538</u>
<i>Deferred tax (see note 11)</i>		
Current year items	-	(19,604)
Adjustments in respect of prior years	-	2
Total deferred tax	<u>-</u>	<u>(19,602)</u>
Tax charge on profit before taxation	<u>(51)</u>	<u>(64)</u>

Factors affecting the tax charge for the current year

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 19% (2021: 19%) as follows:

	For year ended 31 December 2022 £'000	For year ended 31 December 2021 £'000
<i>Current tax reconciliation</i>		
Profit before tax	268	342
Current tax charge at 19% (2021: 19%)	<u>(51)</u>	<u>(65)</u>
<i>Effects of:</i>		
Current tax prior year adjustment	-	(1)
Deferred tax prior year adjustment	-	2
Total income tax charge (see above)	<u>(51)</u>	<u>(64)</u>

Notes to the financial statements (continued)

8 Taxation (continued)

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

Under IFRS (IAS 12) it is the rates enacted at the balance sheet date that determines the amount of deferred tax to be recognised. As the company has no deferred tax assets or liabilities at as at 31 Decemeber 2022 the enacted rate change has no impact.

9 Trade and other receivables

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
<i>Current assets:</i>		
Amounts due from group undertakings	23,974	23,807
Other debtors	17	48
Prepayments and accrued income	-	35
	<u>23,991</u>	<u>23,890</u>

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

Other debtors in the current period represents a credit note received from a supplier during 2022. This has been recovered and settled via Co-op Group in 2023.

10 Trade and other payables

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
<i>Current liabilities:</i>		
Amounts owed to group undertakings	51	22
Other payables including taxation and social security	4	170
Accruals and deferred income	-	15
	<u>55</u>	<u>207</u>

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

Notes to the financial statements (continued)

11 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 19% (2020: 19%).

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
<i>Deferred taxation asset</i>		
At beginning of the year	-	19,602
Income statement charge	-	(19,602)
At end of the year	<u>-</u>	<u>-</u>

Following the cessation of trade on 31 December 2021 the deferred tax asset was reduced to £nil in the prior year with a corresponding charge to the income statement. This was off-set in the income statement through Group relief received.

12 Called up share capital

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
<i>Allotted, called up and fully paid</i>		
40,000,000 Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>

There is a single class of share capital.

All shares rank pari passu in all respects.

13 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Co-operative Group Limited, a Registered Society under the Co-operative and Community Benefit Societies Act 2014 registered in England and Wales. This is the smallest and largest group of which the Company 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.