News release

16 September 2021

Interim Results Announcement: 26 weeks to 3 July 2021

Co-op invests in its future and its people as it continues to support communities through Covid

'Co-operating for a Fairer World' highlights from H1

Fairer for members and communities

- More than £15m of value given to members through their cards, after buying selected products and services across the group, as well as personalised offers and rewards.
- £3.5m distributed in interim payments to the current round of 4,500 local causes from our Local Community Fund.
- More than £2.8m raised by colleagues, customers and members for our charity partners Mind, SAMH and Inspire, taking total to £5.5m by 3 July.
- Launch of Hubbub partnership with commitment to have a total of 250 community fridges in place by next year, feeding and empowering communities.
- Project launched with the Youth Endowment Fund and the #iwill Fund*, worth £5.2m – 'Peer Action Collective' – giving young people the chance to make their communities fairer, safer places to live.

Fairer for our colleagues

- Co-op Levy Share service launched to create fund for SMEs to take on apprentices they otherwise wouldn't usually have access to. Total reached £3.4m by the end of H1.
- Pregnancy loss policy implemented to support current and future colleagues across the business.

Fairer for our planet

- Ten-point climate plan launched, including commitment to match pricing of own brand plant-based ranges with meat-based equivalents, to support sustainable and more balanced consumption.
- Europe's most extensive in-store recycling scheme at 1,500 Co-op stores prepared in H1 for July rollout; scheme to be extended to 2,300 stores by November, allowing us to reach 100% own brand packaging recyclability.

Key H1 investments

- Capital expenditure of £161m, including 53 store refits and 33 new stores.
- Introduction of Real Living Wage for all colleagues, with an additional investment of £17m in first half of the year to support our colleague population.
- £26m invested in food price.
- £6m invested into reducing prices for funerals and funeral plans, and £600,000 on developing Funeralcare's digital presence.

- £3.2 million invested in developing ecommerce within our Food business.
- £22m invested in Biggleswade depot, a key part of our Food infrastructure, due to open in 2022.

Financial H1 highlights

- Total group revenue up £0.2bn or 4.2% against pre-pandemic levels, with growth across our Food, Legal Services and newly launched Insurance business (H1 2021: £5.6bn, H1 2019: £5.4bn). Down 3.2% from last year (H1 2020: £5.8bn), after unprecedented purchasing behaviour during the start of the pandemic.
- Underlying operating loss before tax of £15m, down £71m (2020: £56m), but generally consistent with 2019 (underlying operating loss of £11m). This is due to planned investment in our colleagues and our business, as well as significant costs, impacts on sales and profit erosion related to product availability issues and the ongoing effects of Covid.
- Net debt up to £712m (2020 year end: £550m) excluding lease liability, reflecting increased investment.

Outlook

Moving forwards, we will continue to progress and evolve our business strategy, driving innovation and further efficiencies across the Group. This will ensure that the Co-op remains well placed to benefit from changing consumer habits and support our members' interests across our Food and Life Services areas.

The unplanned supply chain challenges and ongoing Covid costs will bring greater levels of uncertainty. This will in turn apply pressure on our prior expected level of profitability for year end.

We continue to be led by our Co-op values and vision of 'Co-operating for a Fairer World', for the benefit of our colleagues, communities and the planet. Our vision underpins every part of our business and our work in supporting people and communities has never been more important than it is now. The Co-op will continue to play an important role in helping the nation build back better and different, especially within areas which tackle inequality and unfairness.

Operational H1 highlights

<u>Food</u>

- Food sales exc fuel saw significant 6.5% increase on pre-pandemic levels (H1 2021: £3.6bn**, H1 2019: £3.4bn.) Down 2.8% on H1 2020: an unprecedented year in purchasing behaviour (H1 2020: £3.7bn).
- Online services made available in 1,000 more Food stores in 350 locations, reaching 52% of population.
- By the end of 2021, 1,600 Food stores to have an online offer with 80% of the UK population covered by click and collect and 60% covered by home delivery.
- H1 2021 total online food sales were approximately five times more than those in H1 2020.
- Market share in line with pre-pandemic levels (H1 2019: 6.24%; H1 2021: 6.3%), but down from 6.85% last year, following an unprecedented year last year.
- Wholesale revenue down 14% to £688m as contract with McColl's Retail Group concludes, but Nisa saw an increase of more than 11% on sales, on a two year like-for-like basis.

- Retailer recruitment has seen 316 new stores being serviced by Nisa.
- Honest Value range grown to double the number of products compared to initial 2020 launch.
- Reduced pricing on Gro products to align with meat-based equivalents are part of our new ten point climate plan.

<u>Funeralcare</u>

- Funeralcare business remains strong and market leader in both the at-need and funeral planning space.
- Funeralcare sales down 7% to £142m (H1 2020: £152m) due to a 17% decrease in the number of funerals, as death rate drops below the five year average (excluding 2020) after March.
- Funeral planning business sees an increase in clients considering and purchasing a plan. 24,521 plans sold in the period, a 24% increase on H1 2020.
- New direct cremation funeral plan launched in partnership with market-leading private crematoria operator, Memoria, providing more options for clients.
- Funeral Benefit Options now provided in partnership with the Post Office, offering direct payment to Co-op Funeralcare and discounts on final costs, as part of over 50's life cover policy.

<u>Insurance</u>

- Insurance sales revenue for new business model at £18m, including £7m in underlying profit, following the sale of underwriting business and progress in growing business footprint.
- Pandemic continues to impact sales including Travel policies, with customer interest growing towards the end of the period in line with new Government guidelines.
- Life and Pet insurance both saw very strong performances with 26% and 45% more policies sold than in H1 2020.

<u>Legal</u>

- Total revenue for Legal Services at £20m (H1 2020: £19m).
- On an underlying basis, Legal Services saw a 12% increase in revenue to £19m across its continuing businesses (H1 2020: £16.9m), after exiting the small claims personal injury insurance market as a result of the sale of CISGIL to Markerstudy in December 2020.
- Legal Services total sales up 5% at £20m (H1 2020: £19m).
- Probate case volumes increased 17% year-on-year increasing market share and solidifying UK market-leading position. Wills cases increased 0.4% year-on-year.
- Family law practice continued to perform well seeing a 9% increase in revenue compared to H1 2020. Employment law practice remains stable, with revenue in line with last year.
- Legal Services to focus on making new partners and develop digital services to support growth in H2. Expecting a rise in employment law cases as the furlough scheme ends.

<u>Power</u>

- To continue to grow Co-op Power, as the biggest energy-buying co-operative in the UK. Welcomed Strait Capital Investment Group and McCarthy Stone to the group in H1, as other businesses seeking green, low-cost energy sourced sustainably and ethically.

Steve Murrells, Chief Executive of the Co-op, said:

"As we continue to experience the effects of the Covid-19 crisis, it is clear that things will never be the same again. As a business and as a society, it is crucial that we learn from the last 18 months, particularly as we turn to the momentous task of rebuilding Britain and face into the continuing disruption to our business and our supply chains. I'd like to thank our 62,000 colleagues for everything they've done during this time.

"Despite the challenges that the pandemic has presented to us, we have adapted to become more efficient and agile, which has allowed us to continue to feed and care for the nation throughout the crisis. Whilst our commercial performance has been impacted by Covid-19 and Brexit headwinds, we have responded magnificently to support our colleagues, members, customers and communities throughout.

"Covid has reinforced the fact that our vision, 'Co-operating for a Fairer World,' has never been more relevant, as well as showing us the areas in which we need to move quicker. As we look ahead, we will continue to advocate the power of co-operation so that as we emerge from this crisis, we are able to empower and lift people up with us."

Allan Leighton, Independent Non-Executive Chair of the Co-op, said:

"Everyone at the Co-op has worked incredibly hard since the outset of the pandemic to overcome the significant challenges that we've faced - it has been no small feat to continue to keep our stores and funeral homes running during this period. On top of that, we have still made a difference, supporting our communities and our colleagues.

"This experience has strengthened the business in many ways and has driven home the power of co-operation. Whilst there are undoubtedly challenges ahead, the business is well positioned to continue to grow and play its part in helping the nation build back better."

Ends

* #iwill Fund is a joint investment between The National Lottery Community Fund and the Department for Digital, Culture, Media and Sport

** Group performance figures include fuel sales

Media Enquiries:

The Co-op

Russ Brady
Tel: 07880 784442

Headland Consultancy

Susanna Voyle
Tel: 07980 894557

Chloe Franklin
Tel: 078 3497 4624

About the Co-op:

The Co-op is one of the world's largest consumer co-operatives with interests across food, funerals, insurance and legal services. Owned by millions of UK consumers, the Co-op operates 2,500 food stores, over 800 funeral homes and provides products to over 5,100 other stores, including those run by independent co-operative societies and through its wholesale business, Nisa Retail Limited.

Employing over 62,000 people, the Co-op has an annual turnover of £11.5 billion. As well as having clear financial and operational objectives, the Co-op is a recognised leader for its social goals and community-led programmes. The Co-op exists to meet members' needs and stand up for the things they believe in.

Co-operative Group Limited

Interim Report 2021

Co-operating for a Fairer World

Our Co-op has continued to support our members and their communities through the pandemic, whilst increasing investment into the business

Community and membership: Continuing to deliver for communities and the planet in the first six months of 2021

- More than £15m of value given to members through their cards, after buying selected products and services across the group, as well as personalised offers and rewards
- 200,000 new members joined our Co-op
- New Co-op Levy Share reached £3.4m and more than 140 apprenticeship opportunities confirmed for under-represented groups
- New ten-point climate plan launched, including a target to be the first food retailer producing carbon neutral own brand food and drink within five years
- Since May, more than 12,000 local community groups connected through our free online community centre, Co-operate
- More than £2.8m raised by colleagues, customers and members for our charity partners Mind, SAMH and Inspire, taking total to £5.5m by 3 July
- After doubling support for communities through Co-op membership last year, £4.9m raised by new Community Partnerships Fund
- More than 7,000 students, mostly from Co-op Academies, took part in 80 'Virtual Work Experience' opportunities
- New key community project announced with Hubbub and another with the Youth Endowment Fund and the #iwill Fund*– 'Peer Action Collective'

Commercial: Trading performance in line with expectations after Covid headwinds, as ongoing Covid costs and strategic investments impact short term profitability

- **£5.6bn**
  Group revenue down 3.2% *from £5.8bn in 2020, but 4% higher than in 2019 (£5.4bn.)*

- **£44m**
  Group profit before tax down 38*% from £71m in 2020** (2019: £20m.***)*

- **-£15m**
  Group underlying loss before tax difference (after furlough repayment) of £71m, from £56m profit in 2020. Consistent with £11m loss in 2019.

- **Group net debt up from £550m to £712m**

- **Key business investments:**

  - Introduction of Real Living Wage with additional investment of £17m in the first half of the year.
  - £26m invested in food prices and promotions.
  - £22m invested in Biggleswade depot, a key part of our Food infrastructure, due to open in 2022.
  - £6m invested into reducing prices for funerals and funeral plans.
  - £3.2 m invested in developing ecommerce within our Food business.
  - Capital expenditure of £161m, including across store refits and new stores.

- Co-op Food sales (exc fuel) saw a significant 6.5% increase on pre-pandemic levels (H1 2021: £3.6bn**, H1 2019: £3.4bn.) Down 2.8% on H1 2020: an unprecedented year in purchasing behaviour (H1 2020: £3.7bn)

  As well as investment in price, colleague pay and infrastructure, significant business development was made in key areas:
  - H1 2021 total online food sales were approximately five times more than those in H1 2020.
  - Online services were made available in 1,000 more Food stores across 350 locations, reaching 52% of population.
  - 316 new stores serviced by Nisa.
  - Honest Value range doubled since launch.
  - 33 more stores opened, 53 refitted and eight extended. 14 more franchise stores were opened, including first ever service station store in Cornwall.

- Co-op Funeralcare saw a 7% decrease in revenues year on year (H1 2021: £142m; H1 2020: £152m), although an increase was seen in funeral planning sales, up 24% on same period last year:
  - 98.4% of clients reported they were satisfied with their overall experience.
  - Gradual return to full funeral services as Government restrictions eased.
  - 'In Loving Memory' brand campaign achieved 'Best Topical Campaign' at the Newsworks Planning Awards and a Campaign Media Award.

- Co-op Insurance saw an income of £18m in H1 2021 as new distribution and marketing business evolves:
  - Covid continued to impact business, including travel policy sales.
  - Life insurance and Pet insurance sales were up 26% and 45% respectively on H1 2020, as pandemic influences customer priorities.

- Co-op Legal Services achieved a 12% increase in revenue across continuing business and a 3% rise in case volumes:
  - Total revenue for Legal Services at £20m (H1 2020: £19m).
  - New digital lasting power of attorney service and digital probate administration service launched.
  - New partnerships established with Elder, the Openwork Partnership, Owl Financial and others.

- Co-op Power now at more than 70 members and providing energy to 20,000 sites
  - Aiming to save business customers 1,000 tonnes of carbon a day with targeted growth of 30% for 2021 full year.

** #iwill Fund is a joint investment between The National Lottery Community Fund and the Department for Digital, Culture, Media and Sport ** PBT figures includes £9m cost (2020: £40m income) of net finance costs / income on funeral plans following the change in accounting noted in our 2020 Annual Report. Includes one-off gain in 2021 of £99m following early settlement of Group Relief payable owed to Co-operative Bank PLC. ***2019 figure as reported in our 2020 interims being unadjusted for the change in way we account for funeral plans.*

Outlook: As we start to look forwards with more optimism, our Co-op is well positioned to play its role in helping the nation build back better and different. Whilst a number of uncertainties remain, our underlying business model is strong, but also our Vision and Purpose are both clear and distinctive. We will continue to remain vigilant and take action where needed to ensure we deliver clear value for our members, their communities and for the planet.

CHAIR'S INTRODUCTION

It is now 18 months since Covid-19 changed our lives and those of billions of people across the planet.

Before reflecting on the past six months' performance, I want again to extend my sincerest thanks, and those of the Co-op Group Board, to our incredible 62,000 colleagues for their combined efforts during the pandemic and to all our customers for their loyalty. As one of the world's largest consumer co-ops, with business interests spanning across the food, funeral, insurance, legal and power sectors, we've uniquely supported millions of members and thousands of communities over the past 18 months, in a way that's been distinctly Co-op and indeed co-operative in nature.

With the vaccination programme in the UK and other developed countries continuing at pace, we are now in a position to look forward with a greater sense of confidence. It is vital, however, that the hand of co-operation extends further to support the developing nations on the planet in many different ways, so they can equally protect their populations and also enjoy the improved social and economic benefits, which in turn should follow. To that end, our continued and demonstrable support for Fairtrade producers, as part of our Global Wellbeing Charter, will take onboard extra importance in the months and years ahead.

It is testimony to all those connected with our Co-op that we've been able to achieve and deliver so much, at a time of great national and, indeed, international need.

Our Co-op is a powerful force for good in our country, owned by those who buy from us and other co-operatives who share our values. We are capable of creating sustainable value for our members and the communities in which we operate, where it matters the most.

As Steve will outline in his introduction, we cannot and will not take our success for granted and must continue to compete and win in our chosen markets, albeit by winning in The Co-op Way. That means continuing to invest our members' funds wisely, whether that's in relation to our large physical estate or by growing our online digital capabilities further. It will mean continuing to keep a firm grip on our costs, so that we can continue to invest in price, proposition and innovation across our extensive product range. And it must mean that we hold dear the distinctive value of Co-op membership, as the true means of ensuring that our Co-op continues to thrive and not just survive in a post pandemic world.

We are fortunate in that we have a clear Vision – *'Co-operating for a Fairer World'* – which was developed with our elected Members' Council prior to the pandemic. It feels even more relevant and powerful, given the world we are facing into. Visions, of course, need to be brought to life and I am very proud of the work we have done so far this year to make things fairer for our colleagues, our members and their communities and, of course, the planet. This matters because Covid has clearly exposed and heightened inequalities - if we genuinely want to build back better and different, then we must find ways to bridge these inequalities in a meaningful and co-operative way.

Our Co-op Purpose of 'championing a better way of doing business' also significantly influences our decision making process and throughout this year we've maintained all aspects of our democratic governance, taking our regular Board and Council meetings online.

For the second time in our history we regrettably had to ask our members not to attend our AGM, moving it to a largely online event. That didn't, however, prevent us from attracting excellent engagement, through both live and playback viewings, and it is clear that we must continue to use the technology at our disposal to reach and engage our members more and more in the years ahead. And not necessarily just through the AGM; we continue to look to create new channels for members and we routinely welcome feedback through our Member Pioneers and Join In opportunities, as just two examples.

I'd like to thank the Board, Council and members for their continued flexibility and adaptability as we've all trialled, learned and evolved during these unprecedented times – our Co-op is stronger, more agile and more fit for purpose as a result.

At this point, I'd like to welcome Kate Allum, our new Member Nominated Director who brings her passion for working with our members, diversity and sustainability to our Board. She's an amazing addition, with leadership experience across food supply chains and agriculture, and as former Chief Executive of First Milk: the British farmer-owner dairy co-operative. We also welcome the new President of our Members Council, Denise Scott-McDonald, who joins us after succeeding Nick Crofts this summer and has a long established focus on fairness, justice and the wider world. Denise is a councillor and deputy leader of Greenwich Council – a Co-operative Council, which really brought communities together during the pandemic and does amazing things. I'd like to say a final thank you and farewell to Matt Atkinson too, our Chief Customer and Membership Officer, who has made a tremendous contribution to our Co-op over the last four years.

And at Co-operatives UK, our movement's apex body, we're delighted to see Rose Marley in her new role as Chief Executive. Rose is clearly a strategic thinker with huge drive to create change for the better, through a strong focus on engaging younger people, technology and motivating a broader audience of co-operators to play their part. The time has never been riper for a modern and inclusive movement and we are very much looking forward to a new era for co-operation with our friends and partners from across the sector.

In looking forward, we remain confident that our Co-op can continue to succeed and deliver against our business objectives. We know this will not be easy by any means, given the markets in which we operate. We are, however, clear in terms of our Vision and Purpose and the strategy needed to bring this to life. With a hugely talented Executive team, 62,000 engaged colleagues and a truly distinctive co-operative approach, I believe we are set to succeed further during the rest of 2021 and beyond.

Allan Leighton

Chair, Co-op Group

CHIEF EXECUTIVE'S REPORT

As we start to emerge from one of the most traumatic periods in recent history, I can reflect with pride on the contribution made by our Co-op in supporting the nation and look forward to us helping the nation build back better and different.

During the first half of 2021, with the country having to contend with ongoing lockdown restrictions, we continued to help feed and care for our members and their communities in true Co-op fashion. Throughout the pandemic, our large physical presence has provided so much more for our members than delivering on the basics. In being able to keep open over 3,400 community based Food stores and funeral homes, we have been able to provide a smile, a conversation and a familiar face to millions of our members and customers, whose physical and mental wellbeing have been so severely tested over the past 18 months. Our 62,000 colleagues have been and continue to be local heroes and I am immensely proud and grateful for their contributions. Also, we continue to applaud the teams who have kept our Co-op Academies running throughout the pandemic so valiantly, finding ways to safeguard students' education and wellbeing.

Running alongside everything we've done to provide key services during these unprecedented times, our Co-op has continued to find ways to support the futures of young people and their communities, and we remain on our way to achieving greater diversity and inclusion, and tackling social injustice. We are determined to play our part and have done this successfully throughout the first half of 2021. We continue to find new ways to work with others – whether that's individuals, grassroots groups or national organisations - on what we can do across our business or with our members to support those who may be overlooked and discriminated against; to be truly anti-racist and drive opportunities for young people.

Underpinning all of our efforts over the last six months has been our *'Co-operating for a Fairer World'* Vision, which drives forwards and connects all our priorities. In focusing on creating a fairer world for our colleagues, communities and the planet we have been able, as this report will highlight, to make good progress across all of these areas.

At the same time, and with the vaccine and easing of Government restrictions starting to provide more ground for optimism, we have continued to invest more into our business, to ensure that our Co-op is both fit for the future and capable of meeting the changing needs of millions of Co-op customers and members.

This planned investment has seen us sharpening prices and promotions across all our business areas, whilst investing £43m into Food store refits and a further £31m into new store openings. With a determination to develop our retail, wholesale and ecommerce operations, we've also focused on our logistics infrastructure, making a £22 million investment in our Food business' new Biggleswade depot, which opens next year and has contributed to a reduced cash position as planned, and consequent increase in net debt from year end of £162m.

This, combined with the significant investment being made within our Life Services businesses (those being our Funeralcare, Legal Services and Insurance businesses) will ensure that we are well placed to maintain our momentum going forwards, despite the many challenges facing the retail sector.

Fundamental to our ongoing success as the UK's largest co-op, will be the role played by our 62,000 colleagues. The additional £17m investment we have made this year to align pay for 33,000 frontline colleagues to the Real Living Wage, as colleagues where pay wasn't already at that level, is a clear acknowledgment of this. This takes our total investment in colleague pay to £68m in just the past two years alone.

Financial overview

Overall, our Co-op's revenue was down 3.2% to £5.6 billion, a decrease of £0.2 billion on the same time last year.

This is mostly driven by the impact of the pandemic on our customers' shopping habits during the first half of 2020, amid peak lockdown restrictions. It makes a meaningful year on year comparison quite difficult, so comparing our most recent results to those from the first half of 2019 can help here. On that basis, total Group revenue is up by £0.2bn or 4.2% with growth across our Food, Legal Services and our newly launched Insurance business. The two year comparative growth of our Food business, at 6.5%(exc fuel sales) and wholesale at 11% are strong.

We made a group underlying loss before tax of £15m (which includes £16m of furlough repayments) and represents a decrease of £71 million against last year, which was impacted by Covid-19. This is consistent with the loss of £11m that we made in the first half of 2019. Also, our underlying profitability is generally back end loaded to the second half of the year, in our main retail businesses.

Planned investment in our Food business in the first half of 2021 has impacted underlying profitability. This has been offset by increases in profitability, when compared to 2019, in Wholesale, Funeralcare and our new Insurance business, along with cost savings achieved in our central supporting functions.

Our profit before tax of £44 million is down £27 million from £71 million last half year, but up from 2019 (£20m). A tax charge of £7 million meant we recorded an overall profit of £37m from continuing operations in 2021 (2020: £20m and 2019: £47m).

There are some other significant items within our figures this year that also make a simple year on year comparison more complicated, including a one-off gain of £99m on the early settlement of a liability agreed at £48m against a historic liability of £147m, owed to Co-operative Bank PLC. Further details on this and more insight on our financial performance can be found in the 'Our Financial Performance' section of this RNS.

Co-operating for a Fairer World

Co-operation is part of our DNA, and our Vision – *'Co-operating for a Fairer World'* – ensures we bring it to everything we do. We have to walk the talk as a co-operative and come together with others and within our business, as members, to address the inequalities and unfairness that existed long before the pandemic, but have really come to the fore over the last 18 months.

It drives us to take action, whether that's finding new routes to skills & employment for young people; creating better diversity and inclusion within our business; continuing to support mental wellbeing or in ensuring access to food for all.

Our Vision is based on three key pillars: **'Fairer for our members and communities'; 'Fairer for our colleagues'** and **'Fairer for our planet.'**

- ### Fairer for our members and communities

Membership is at the heart of our Co-op, it's what makes us different and allows us to bring our Vision to life in the heart of communities right across the UK.

Following the membership re-launch in September 2020, our members now earn 2p for every pound they spend on selected Co-op branded products and services, with the same amount going to local communities via the Local Community Fund and the Community Partnerships Fund.

Already this year our new Community Partnerships Fund is making a difference, and we've announced a number of projects with like-minded organisations to help make things a little fairer for local communities.

The Peer Action Collective is a £5.2 million programme, which aims to give young people the chance to make their communities safer, fairer places to live. It is funded by the Youth Endowment Fund, the #iwill Fund (a joint investment between The National Lottery Community Fund and the Department for Digital, Culture, Media and Sport) and our Co-op through the Community Partnerships Fund.

This will build a ground breaking network of peer researchers aged 16–25, who'll find out about young people's experiences, take what they learn and turn it into action. From campaigning to improving local mental health services, setting up a youth centre or supporting young people into employment – together, we'll create more opportunities for young people to make change.

And in May this year we announced another important new partnership, this time with environmental charity Hubbub, to fast track the expansion of its community fridge network across the UK. Community fridges are spaces where everyone can share surplus food, including donations from local food business, producers, households and gardens. Hubbub co-ordinates the world's largest community fridge network, with more than 150 operating in the UK – we have pledged to help them grow this to more than 250 fridges by next year. This will enable people in communities to help themselves and not rely on foodbanks.

And of course we continue our charity partnerships with Mind, SAMH and Inspire. Thanks to our members choosing Co-op, we've donated £1.5m to our partnership with Mind, SAMH and Inspire through our Community Partnerships Fund. And our astounding colleagues, in collaboration with customers, members and communities, have now raised over £5.5 million for these amazing organisations. The funds raised by our members also mean that we can keep supporting local causes and, through our Local Community Fund, we distributed £3.5m in interim payments to the current round of 4,500 local causes in April, with final payments to follow in November. It's part of our *'Co-operating for a Fairer World'* Vision, helping local communities create stronger, more resilient and adaptable communities, by offering access to food, mental wellbeing support and education & employment for young people.

For the first time, when causes applied to the Local Community Fund this year, they also benefited from Co-operate: our free online community centre. Over 12,000 groups are now connecting with people across the UK; it's helping to empower more people to *'Co-operate for a Fairer World'* and make good things happen where they live. This is an exciting development which shows the power of co-operation beyond funding. Everyone can get involved at coop.co.uk/co-operate.

And the Community Wellbeing Index, our data insight tool championed by our Members' Council, helps us understand what communities need and the areas where we can have the greatest impact.

To continue this momentum, we need people across the UK to join us as members and be part of our Co-op. We know that during the last 12-18 months, a large proportion of our members haven't used us for their lunch or 'meal for tonight' as they normally would. Their shopping habits have had to change due to Covid lockdowns and different ways of living and working.

While we think we'll see some of them again, we are also seeking to actively recruit new members again this year, and we have a range of member recruitment activities planned throughout the year. This includes a focus on encouraging new young members to join our Co-op.

By joining our Co-op, members not only help us to do great things in communities. They also unlock greater value for themselves with exclusive member deals and personalised offers for the things they buy most in our Food stores, as well as discounts across our family of businesses.

So far, in the first half of 2021, we've had over 200,000 new members join us. We ran a recruitment campaign across May and June, where we also thanked our existing members by doubling the member discount on our personalised digital offers for two weeks at the same time. We saw a record breaking 539,064 offers selected in the second week of the promotion.

Being a Co-op member isn't just about communities and discounts, though. Our members are at the heart of our business and can also get involved and have their say on the products and services we sell, the way we're run, the issues we champion, the causes we highlight, the injustices we tackle and where we use our voice to help make a difference.

In the first half of 2021 we have seen a significant increase in the number of members participating in their Co-op, including their involvement in a series of opportunities to bring new member-inspired food products to our stores. The new initiative will see us launch a range of new member-designed products across stores over the rest of the year and into 2022.

Our June 'Join In' email to members generated a record breaking 100,000 engagements in a little over 24 hours, with the development of a new flavour to add to our range of Co-op ice cream tubs becoming our most successful engagement opportunity to date.

Also, with our members, when it comes to making donations to causes, through our Local Community Fund, Community Partnerships Fund and charity partners, we have a solid foundation to build from. However, we know this isn't enough when it comes to making the difference they need. So we continue to actively partner with other organisations, our academies, and our own Member Pioneers, to create longer term, sustainable impact.

Our Co-op Young Members Group has continued delivering projects with its network of young people, most recently working with the Communities team to explore the needs of young people in communities and how members and our Co-op can work together to support them.

Also, working with Mind, SAMH and Inspire through our Community Partnerships Fund, is seeing great things happen. It is helping to fund pilot services like 'No Gimmicks, Straight Lyrics' with Lambeth and Southwark Mind, which uses lyric writing to help young black men express themselves and develop greater mental wellbeing.

And during a time when some have stopped offering opportunities for young people to learn and develop new skills, we continued to commit to creating apprenticeship opportunities in our businesses. We recruited our first cohort of Co-op Legal Services Solicitor Apprentices, creating fairer access to a career in law by allowing five young people to become qualified solicitors without the cost of university education.

We launched the Co-op Young Business Leaders programme, a first of its kind, which gives 20 BTEC Business Studies students from Co-op Connell College the opportunity of paid work experience at our Manchester support centre during their final year of college. It's providing young people with valuable income and increased employability through building their skills and confidence in a real working environment.

We’ve offered a number of roles to Co-op Academy students too, ready to start in September this year, including a Connell student from the Co-op Young Business Leaders programme into our CBS Sales & Service Apprenticeship, and a Head Girl of Co-op Academy Manchester into an apprenticeship in Co-op Property.

Plus, we’ve been offering Co-op Academy students the chance to participate in virtual work experience. Our Virtual Work Experience programme engaged more than 7,000 students, including those from Co-op Academies, during a five week period. 80 live sessions were available from 18 different sectors of the Co-op, as well as 11 supplier sessions led by Kellogg's, Microsoft, ITV, Marsh, and Mitie.

All of these are fantastic examples of our commitment to providing opportunities for young people who we know have been one of the hardest hit groups in our communities during the Covid pandemic.

- ## Fairer for our colleagues

As we moved into 2021, our colleagues continued to work through the extraordinary circumstances of the pandemic, and we maintained the support, care and information they needed.

Safer Colleagues, Safer Communities

We’ve continued to run our ‘Safer Colleagues, Safer Communities’ programme in 2021 to tackle violence against shopworkers. Since its inception in 2018, we’ve invested in stores with intelligent CCTV, body cameras, product security, training for all colleagues and much more. We’ve also been working with MPs, unions and other retailers to get new legislation that increases the penalty given for violence towards a retail worker.

In January, the Scottish Parliament voted in favour of the Protection for Workers (Retail and Age-restricted Goods and Services) Bill which creates a new statutory offence of assaulting, threatening or abusing a retail worker and offers further protection when the worker is carrying out their statutory duties, such as age-restricted sales.

We want the same protection in place for all of our retail colleagues and have been continuing our campaign in the first half of 2021. In June, colleagues, members, customers and suppliers sent over 25,000 letters and emails asking the Government to support a similar amendment to the Police, Crime, Sentencing and Courts Bill.

Colleague wellbeing

The scale and longevity of the pandemic has meant that supporting the wellbeing of our colleagues has been more important than ever. We’ve continued to share our ‘Co-op Care’ newsletter, introduced at the start of the pandemic, to give colleagues the information they need to help them cope with the physical, mental and financial issues we know many of them will have been facing. We even organised ‘Uplift Festival’: a virtual festival of wellbeing for all colleagues.

Our businesses innovated too. Our Funeralcare team, for example, introduced additional support through a dedicated colleague wellbeing programme, including mental health first aiders and colleague wellbeing packs and hampers, in recognition of the unprecedented demands the pandemic has placed on our frontline colleagues.

Through 2021 so far, our approach to developing new colleague wellbeing initiatives has continued to be based on insight and data directly from our colleagues. New initiatives this year include: Headsmart - mental health awareness training for managers; Smart Health - providing all colleagues and their families with access to a virtual GP and support in areas such as mental health, complex medical cases, nutrition and fitness; and the introduction of a pay advance product, Wagestream.

Our wellbeing platform, provided by LifeWorks, has continued to grow in popularity, giving colleagues access to a range of self-help wellbeing resources. We're also continuing to partner with Stepchange, Neyber, Co-operative Credit Union and Keep Credit Union to bring quality financial wellbeing guidance to colleagues. And we've created a wellbeing hub to help our leaders easily access all wellbeing content from one place to support their teams.

This year we're also focusing on updating our policies, so they're completely in line with who we are and what we stand for as a business. Our new pregnancy loss policy is an example of this. Developed in collaboration with The Miscarriage Association, the policy practically supports parents who experience pregnancy loss at any stage of pregnancy, including but not limited to miscarriage, stillbirth, embryo transfer loss, molar pregnancy and termination of pregnancy (for any reason). This policy – as part of our drive to create a truly inclusive workplace - supports both parents who have been affected, whether it happens directly to them, their partner or their baby's surrogate mother, regardless of the nature of their loss, stage of the pregnancy and whatever their length of service or contracted hours.

Diversity and inclusion

Our diversity and inclusion strategy has seen increased focus this year as we've begun to deliver on the commitments to racial inequality we launched in September 2020. These are a holistic set of commitments across colleagues, customers, membership and communities, which go beyond our focus on colleagues to put inclusion at the heart of everything we do. We've made good progress on these commitments and we'll be reporting on them at the end of the annual report in October.

Our colleague-focused diversity and inclusion strategy remains focused on creating an inclusive culture where everyone has a sense of belonging and has a fair and equal chance to fulfil their potential. We've made significant progress in a number of areas including inclusive leadership; attracting, retaining and advancing diverse talent and improving our diversity data and measures. We've also identified four enablers that we'll focus on to consciously create a diverse, and inclusive organisation:

1. Creating an equitable colleague experience by designing processes that help us to eliminate or reduce barriers in our People process to enable colleagues to fulfil their potential, no matter their identity.
2. Actively ensuring our recruitment and talent pipeline is more diverse to represent the communities we serve.
3. Building capability and awareness to enable our leaders to lead diverse teams and create the environment for diversity to thrive.
4. Consciously creating an inclusive culture, where we actively understand and celebrate difference as well as tackle non-inclusive behaviours such as bullying, harassment and discrimination.

Additionally, we have a full calendar of inclusion events in place that recognises and celebrates events with our colleagues and are actively led by our colleague networks. So far this year we've celebrated International Women's Day; LGBTQ+ Pride; Ramadan and Eid; Zero Discrimination Day and Chinese New Year among others.

This year we've launched our network for colleagues with disabilities, Represent. This new network joins our existing networks of: Aspire (women), Respect (LGBTQ+), Strive (young colleagues aged 18-30) and Rise (ethnic diversity), who represent our diverse colleague base and help us to champion best practice.

Fair pay and meaningful work

As part of our commitment to providing our colleagues with fair pay, and in recognition of the vital role played by our frontline store colleagues, we aligned our minimum hourly rates of pay to the Real Living Wage with effect from 1 April. This significant investment – a 5.6% increase - has received positive feedback from our Customer Team Members. The essential role our Team Leaders play in running our stores has also been reflected in their 7.1% pay increase.

The introduction of Work Levels as part of our Grading Evolution activity is enabling us to create simpler and flatter structures, where empowered colleagues are trusted to get on and get things done, and where our leaders have the space to lead and inspire.

We're also continuing to expand our reach into new communities to create opportunities through the apprenticeship levy share and our own apprenticeship programmes, and will focus on developing new partnership relationships to tackle youth unemployment.

In May we launched a levy share service to promote apprenticeship opportunities for individuals from under-represented groups. We pledged to share £500,000 from our apprenticeship levy that would otherwise expire and be returned to the Treasury.

We have called on other employers through our networks and supply chain to step in, visit www.cooplevyshare.co.uk and bring together funding of £15 million – the fund had reached £3.4m as the first half of the year ended. This will create thousands of new opportunities for those who may be overlooked or experience prejudice, within external organisations that need support to offer apprenticeships.

This is in addition to the commitment we made last year to support 150 young people from the Department of Work and Pension's Kickstart scheme. We have since looked to create opportunities where they're really needed – sourcing locations based on data from our innovative Community Wellbeing Index – to ensure they're offered to those communities where they will make the biggest possible impact. In May we began recruitment of our first cohort into Logistics and Funeralcare.

Transforming our Leadership

To help us deliver our Vision of *'Co-operating for a Fairer World,'* we need leaders who:

- Are motivated by our Purpose, connected to our Vision and really understand what co-operation means.
- Lead with humility and vulnerability, creating safety and trust for those they lead.
- Are committed to their personal growth.
- Are courageous to ask for help, co-create and innovate to positively disrupt.

We're supporting our leaders through our Leadershift leadership development journey, which provides timely and relevant development opportunities to all leaders, putting our leadership behaviours at the heart of all we do.

We know Covid-19 has challenged our leaders in new ways so it has been very encouraging that our insight is telling us that 'adaptability' is a top five theme, where leaders and colleagues thought the Co-op was ‘doing well’. And in a poll of 216 leaders, 96% agreed that content on Leading Well for Everyone was relevant right now to their leadership and 98% of leaders had a positive experience to date of the learning events and interventions.

- **Fairer for our planet**

The world has been on pause during the Covid-19 crisis and as the global economy starts to reopen, it’s down to us all to reset in the right way and with our future world in mind.

2021 is a hugely significant year for climate change and the world will be watching as the UK Government hosts the largest climate change conference ever: COP-26.

Tackling climate change has long been one of our priorities but now, more than ever, new ways of thinking and unprecedented co-operation will be needed. That’s why I announced earlier this year that I’ll be chairing the British Retail Consortium (BRC) Climate Action Roadmap steering group. Alongside other retail executives, we will support the industry and supply chains reach net zero carbon emissions by 2040 and play a part in making things fairer for our planet.

Aligned to the BRC Roadmap, in May we launched our ten-point climate change plan which follows three key principles; follow the science, leave no one behind and bring about systematic change through partnering. We have laid out how we will get to net zero by 2040 across all our business areas, by:

- Offsetting the greenhouse gas emissions of our Co-op’s products and services, including food and drink, to achieve carbon neutral status by 2025.
- An industry first move: price matching Co-op branded plant-based foods to meat-based equivalents.
- Offsetting the greenhouse gas emissions from running our Co-op’s operations (stores, buildings and logistics) – a feat achieved in the first half of 2021.
- Investing millions of pounds of proceeds from the carrier bag levy to support UK natural restoration projects and creating an innovation fund for carbon reduction research and development initiatives.
- Expanding our Co-op Power wind and solar energy buying group to offer services to Co-op’s suppliers and more UK businesses and organisations.
- Calling on the Government to take some immediate steps including mandating all businesses report on greenhouse gas emissions, reaffirm its target of 0.7% of national income to international aid and greater transparency and penalties to prevent further deforestation.

On plastics, we took action to reduce our contribution to plastic pollution in the first half of the year. Back in 2007, we were the first retailer to launch certified compostable carrier bags and in April, we rolled them out to all of our Food stores – removing all ‘bags for life’ in the process.

To support this, we launched our Bags to Rights report that calls for all single-use carrier bags to be compostable, the price of reusable bags to increase (to encourage more than one use) and for it to be mandatory for all retailers to report on the sales of all plastic bags.

We also put operations in place to launch a new soft plastics recycling scheme at the very beginning of H2, available in at least one store in every community in the UK initially before a wider roll out to more stores. Our work on soft plastics recycling allows us to reach 100% own brand packaging recyclability; makes it as easy as possible for customers to recycle all packaging and demonstrates to Government that film recycling is possible and can be made financially viable.

Behind every ingredient in Co-op products lie essential ecosystems and trade that supports people, livelihoods, families and communities. Unfairly, our global producers who provide us with our essential food and drink are some of the most vulnerable to the shocks of extreme weather and disease outbreaks, and are without the capital or resource to protect themselves and their livelihoods. For example, it's expected that the total area of land suitable for coffee growing alone will have halved by 2050. We already have leading Fairtrade commitments and we'll grow our support with them even further as well as setting targets around deforestation, soy in our supply chains and palm oil.

Our Life Services businesses also remain focused on what they can do for our environment. Co-op Insurance celebrated 15 years since it brought the first UK car insurance policy with carbon offsetting to the market in H1. Every customer who purchases vehicle cover directly through Co-op Insurance sees ten percent of their motor carbon emissions offset through carbon mitigation schemes across the world for the first year of their policy, at no extra cost. This includes rainforest protection projects in Sierra Leone, provision of safe drinking water in Kenya and stoves that use less fuel in India, Ghana and Kenya.

This year also marks ten years of carbon neutrality for Co-op Funeralcare, across its operations. We only use wood certified by the Forest Stewardship Council in our coffins and have developed a strong set of natural and eco funeral services and options. In Funeralcare, we've also committed to install electric vehicle charging points as standard across new and refitted care centres opening this year and beyond.

Our focus for the second half

We're determined to maintain our focus on how we can continue to best feed the nation and grow our Food business, overcoming some of the challenges that continue to be presented by Brexit and the pandemic as only our Co-op can. This will include continuing on our Retail Business Transformation journey - something I'm very proud of.

All our businesses will continue to develop their online offerings, building on the great strides they've made recently, to provide true convenience and ease for our members, and drawing upon the new digital skills many developed during lockdowns.

Maintaining the real momentum we've achieved so far, with our member engagement, is key. It's vital to us that they have opportunities to feedback and shape what we do and who we are. We'll also look to make good on some of the exciting new partnerships we've developed, as part of our drive to support our communities through this pandemic and beyond.

Steve Murrells

CEO, Co-op Group

COMMERCIAL UPDATES

Food

During the first half of 2021, our Food business continued to work with the challenges brought by Covid-19. Our colleagues across our store estate, throughout our logistics network, and at our support centre in Manchester continued to play a vital role in feeding the nation.

We traded strongly against our forecast across our three routes to market; retail, wholesale and online. In the same period last year, we were experiencing the peak trading from the first lockdown in March where members and customers flowed to convenience before the market shifted slightly to online in the autumn, meaning our total sales are £4.55bn this half year, where they were at £4.72bn in H1 2020, across our Food and Wholesale segments. However, our two-year growth remains strong and we continue to see growth each month in a challenging market. We have also continued to invest significantly in colleague pay, value and our infrastructure to enable our future growth.

It's been well reported that the UK supply chain is dealing with many challenges including driver shortages, sourcing raw materials for production, new ways of working post Brexit and the long tail of Covid as we all work to return to normality. Our trading position has been strengthened by the hard work we've put in with our suppliers. We are striving to be the best customer to our suppliers and were recognised in this year's Grocery Code Adjudicator report as being the second best in the industry and the most improved a second year in a row.

In the first half of the year, we have continued to invest in our infrastructure to support future growth through a stronger supply chain. We continued to roll out our new SAP software solutions to all ambient product categories to improve ranging, stock holding, availability and forecasting over our IT systems. Despite delivering our biggest transformation programme ever whilst working remotely, we're adapting to new ways of working well and are now focused on delivering our remaining fresh categories in the remainder of the year. We also remain on track to open our newest depot in Biggleswade. By January 2022 we'll have transformed the 660,000 sqft space into our largest regional distribution centre, handling over two million cases of frozen, ambient and fresh products a week. This supports our existing logistics network as well as unlocking the potential for further growth in London, the South and South East.

That's meant we've enjoyed a fantastic start to the summer, maximising the opportunities that came with a calendar full of sporting events and many customers enjoying staycations instead of travelling abroad.

In April, we aligned pay for 33,000 frontline colleagues with the Real Living Wage, where it wasn't already, and in July we moved our stores to a three-tier management structure as part of our Fit for Future programme. These changes have freed up our store colleagues to give our customers great service from efficient and well-run shops. We have created new roles to retain talent, given colleagues protected terms and were able to offer alternative positions to all colleagues affected.

Our focus in the first half remained on strengthening our routes to market and expanding our reach.

In retail, we opened up 33 more stores, refitted 53 and extended eight. We also opened 14 franchise stores including our first ever service station store in Cornwall, getting into more local communities where we don't currently have a presence and improving the shopping experience where we do.

Trading in Co-op Wholesale has been strong and in line with our Retail business. In the first half of 2021 retailer recruitment has seen 316 new stores being serviced by Nisa. This is off the back of great trade and new account wins during 2020. Like-for-like sales for the first half of 2020 versus the first six months of 2021 reflect the end of a supply agreement with McColl's Retail Group (MRG) and new Brexit regulations adversely impacted sales to retailers in the Republic of Ireland.

In our online business, we've continued to expand at pace and we're investing to match the capabilities of our competitors. Whilst volumes may dip as restrictions ease, our national coverage and focus on quick deliveries and range means we're brilliantly placed to leverage new opportunities in a uniquely Co-op way. We now have more than 4,000 products available, delivered to door or collected within an hour plus our usual membership benefits, Co-op prices and promotions. Online services made available in 1,000 more Food stores across 350 locations in the first half of the year, reaching 52% of UK population.

Continuing to innovate for our customers is critical to our growth. Over H1, we introduced a series of new products to our everyday low price 'Honest Value' range. It now has around twice as many products as it did when we launched in 2020.

Showcasing our Co-op values through our products and services is still our point of difference.

As part of the launch of our ten-point climate plan we announced that we'll be the world's first food retailer to produce carbon neutral own brand food and drink within five years and the first to match our plant-based GRO range against equivalent meat products.

We also took action to reduce our contribution to plastic pollution. We were the first retailer to launch certified compostable carrier bags almost 15 years ago, and this spring they were rolled out to all of our stores and bags for life removed.

We also established operations before the end of the half year for our new soft plastics recycling scheme, to be available in every community in the UK in H2. This is part of our efforts to reach 100% own brand packaging recyclability and create a recycling process that is easy and accessible for our customers.

Funeralcare

Whilst the UK experienced a further peak of Covid in Q1 2021, overall the first half of this year has seen notably fewer deaths than the first half of 2020, with the death rate beyond March consistently below the five-year average (excluding 2020). This reflects the pattern of the pandemic and the success of the vaccination programme.

Unsurprisingly, our Funeralcare business also saw a decrease in the number of funerals arranged, carrying out 48,988 funerals, which is 9,916 fewer funerals than the first half of 2020 - a decrease of 16.8%.

The efforts of our Funeralcare colleagues have continued to be truly exceptional throughout this time, as they cared for the nation's bereaved and deceased. This is reflected in our customer satisfaction scores: 98.4% of clients reported that they were satisfied with their overall experience.

With the majority of funeral restrictions having been lifted by the Government over the last three months, we have seen a gradual return to full service funerals, where we have been able to offer more unique personalisation, enabling our clients to fully celebrate the life of a deceased loved one.

We are also proud of our direct cremation offering, and making this key, simple and affordable service widely available to clients and members during the pandemic, when Government restrictions put real limits on how loved ones could say goodbye. Overall, the proportion of our clients opting for a direct cremation funeral in H1 2021 has remained broadly flat, and on average just under 8% of our clients chose a direct cremation.

Our funeral planning business remains strong and, as the pandemic has slowed, we have seen an increase in the number of clients considering and purchasing a plan, with 24,521 sales in the first half of the year. This is an increase of 4,814 compared to the same period last year. In the last six months, we have successfully launched a new direct cremation funeral plan in partnership with Memoria, a market-leading private crematoria operator, as well as providing Funeral Benefit Options in partnership with the Post Office. Also, our 'In Loving Memory' brand campaign achieved 'Best Topical Campaign' at the Newsworks Planning Awards and a Campaign Media Award.

We continue to make good progress in our strategic transformation programme, and have created positive shifts in our client experience across all channels, developing a more modern and diverse brand and improving our proposition to offer greater personalisation for clients at more affordable prices.

These changes included:

- New options and services for our clients to provide even greater personalisation; including a new floral range, new colour options across our coffin range, new hearse options and even more choice of memorial and remembrance options. We have also focused on adding more options to our eco and natural ranges. All client literature and website collateral has been improved to help guide clients through the choices available.
- Products and services that better represent the communities we support, with the development of personalisation choices reflecting African-Caribbean heritage in key locations across London and the South East.
- More online services, including the launch of a funeral planning tool on our website. These services enable clients to see our full range of products and services, with full price transparency; start to plan a funeral online; participate in a live chat and pay their final invoice online.
- The introduction of a standardised arrangement framework - 'Best Arrangement' - across all our funeral homes, to give clients a consistently excellent and caring experience wherever they need our support.
- Updating the technology our colleagues use in our funeral homes to help make their lives easier and enable them to provide more seamless service and care to our clients. We have also introduced new time and attendance technology across the operation.

We engaged fully with the Competition and Markets Authority (CMA) as they developed sector-wide remedies across 2021. We are proud to have made a series of reductions to the price of our funeral services since 2019. We are also proud to have increased transparency and choice, and importantly, led the way with our high standards of service and care of the bereaved and the deceased who rest with us. We are fully committed and on track to meet all requirements set out by the CMA in their order by September.

Separately, the Financial Conduct Authority (FCA) has recently released its final rules on how they intend to regulate the pre-paid funeral planning sector. As the leading provider of funeral plans in the UK, we are proud to help thousands of clients every year plan ahead with full confidence in our Co-op brand and values. We are confident that regulation will raise standards across the sector and improve consumer confidence when purchasing a funeral plan. We continue to work closely with the FCA through this next phase and any further consultations, to ensure that our business is prepared and ready for the introduction of regulation in July 2022.

Insurance

We have over 150 years of experience in developing and providing high quality insurance products for members, and our new go-forward model with Markerstudy Group will allow us to continue this in a more capital light, customer focused and effective manner.

During the first six months of 2021, we have started to see the exciting opportunities our motor and home partnership with Markerstudy can provide. The sheer size and complexity of the transition cannot be underestimated – we appreciated our customers' patience as it took time and effort to develop new processes and train colleagues in new ways of working. We look forward now, with optimism, to growing our market presence in the years ahead, although understand there may still be some challenges to navigate. Together with the other partnerships we have in place for Life, Travel, Pet and Business, we have the means to drive more commercial value, whilst bringing better quality Co-op Insurance products to the attention of our members more quickly.

Our new distribution agreement with Markerstudy and our determination to grow the business' footprint have been the driving force behind £18m in sales this half year.

Covid-19 has continued to have an impact on the mix of business generated, with travel policy sales in the early part of the year being very quiet, although changes to Government guidance towards the end of June have stimulated some recent interest in the product. All our Travel products were given a 'Superior' Covid-19 rating by Which? towards the end of the half year.

Contrary to this, Life insurance and Pet insurance sales have had an excellent H1, with 26% and 45% more policies sold than in the same period last year respectively. We see that Covid is clearly influencing people's thinking in terms of ensuring that they have the right levels of cover and protection in place to support those closest to them.

Legal Services

Overall, Legal Services has had a strong start to the year, with an increase in revenue of 12% to £19m across our continuing business (H1 2020: £16.9m). Case volumes have also risen on this basis by 3%.

As part of the sale of our insurance underwriting business last year, we have exited the small claims personal injury insurance market, and this is now a discontinued area of the business.

As the UK's market leader in probate, we have continued to gain market share and have seen an increase in case volumes of 17% versus the prior year. We won 'Best Estate Administration & Probate Services Provider' at the CFI.co awards and 'Best Probate Law Firm: South England' in The UK Probate Research Awards.

Due to the impact of the pandemic furlough scheme, we have also seen a short term trend towards clients opting for DIY probate due in part to an increase in people with additional time available to them.

We have also continued to see growth in our wills business, with new wills cases up by 0.4% in H1 2021, compared to H1 2020. This is against a backdrop of a smaller overall market this year, due to the pandemic accelerating demand in the prior year.

Our family law practice has continued to perform well in the first half of 2021, with an increase in revenue of 9% year on year. Our employment law practice is stable, with revenue largely in line with H1 2020.

To drive overall growth in the business, we have continued to invest in our digital capabilities and have launched new products and services including a lasting power of attorney digital service and a digital probate administration service.

Plus, we've increased the number of new business relationships we have in place and have added over ten new partnerships across charities and commercial businesses in the first half of 2021. These include:

- A new partnership with Elder, a leading provider of live-in care services, which enables customers to take charge of their later life finances and care arrangements through a virtual hub, to provide legal guidance on a range of estate planning issues such as wills, lasting power of attorney and inheritance tax along with support on live-in care options.
- A new partnership with The Openwork Partnership, one of the UK's largest and longest established financial advice and investment networks, which will enable The Openwork Partnership to offer a range of legal support services, including wills, probate, family law and employment law to advisers and their clients.
- A new partnership with financial advisers Owl Financial and 2plan Wealth Management, offering their diverse client bases access to legal services and information.

We have continued to build relationships within the charity sector, supporting charities through free will offers to their supporters as part of their drive for legacy donations. So far in 2021, we have developed five new partnerships with RNLI, Alzheimer's Research, The Royal Marsden, Amnesty International and Dementia UK.

We're also finding new ways to work with existing partners. We have two new agreements with Legal & General, to provide services to the customers of L&G Financial Advisers and L&G Care.

Power

Co-op Power is the biggest energy buying co-operative in the UK. We use collective buying power to save members money and source purely green, low-cost energy in an ethical and sustainable way.

In H1, we welcomed McCarthy Stone - the UK's leading developer and manager of retirement communities - and Strait Capital Investment Group to our group, putting us at over 70 members and providing energy to 20,000 sites, saving an estimated 303,000 tonnes of carbon each year on average across all Co-op Power's members.

Carbon emissions from our operations is where we have the greatest responsibility and can make the greatest difference. We surveyed our Co-op Food supply chain to understand how businesses feel towards their own climate commitments. We found that 60% did not feel like they have the resources to hit their net zero targets and 35% told us they don't have trust in the energy market.

Co-operation is in our DNA and we are keen to share our expertise with others and to work with our supply chain partners and other businesses to reduce their costs and carbon emissions.

We're looking to:

- Expand the amount of green energy services provided to a rapidly growing number of UK businesses, including suppliers as part of Co-op's ten-point climate plan to achieve net zero carbon emission by 2040; ten years ahead of the Government's own ambition.
- Double the amount of Power Purchase Agreement's (PPA's) to help boost renewable capacity and reduce carbon intensity of electricity. PPA's are long-term commitments to take a supply of energy from a particular renewable generator or source. This will not only guarantee a source of green energy but also guarantee providence of power, whilst helping to fund future green projects.
- Develop a co-operative PPA proposition where multiple customers join together with Co-op Power to commit to a PPA difference, helping those who might not be the size or have the capabilities to do this in house.

By working together, we can help each other to save money, save on emissions and save the planet.

LOOKING AHEAD

Being Responsive For Our Members

The pandemic has accelerated trends we were already witnessing in terms of buying habits and behaviours. We must continue to ensure, therefore, that the products and services provided across our Food and Life Services businesses reflect the omni-channel society we live in. The choices we continue to make in support of our ‘bricks and clicks’ business model, based on physical sites and ecommerce, will always be in support of our Vision and Purpose, but must also ensure we create sustainable member value for the medium and longer term.

Adapting and innovating in Food

Our Food business is seeing continued challenges to its performance from external forces that will follow into H2, including the HGV driver shortage, inflation, rising Covid-19 cases and the ongoing aftermath of Brexit. Convenience is still key to us feeding the nation; creating ease for our members aligns with extending our reach through wholesale and growing online.

We will continue to draw upon our ‘Closer’ strategy of getting closer to where customers are, what they need and what they care about, focusing on expanding reach through our three routes to market of retail, wholesale and online.

We will roll out our new SAP stock and ordering system to the remaining product categories as part of our Retail Business Transformation programme, and will open our biggest depot yet in Biggleswade next year.

We will also launch new sustainable diet commitments, re-launch our water commitments and launch new Fairtrade commitments whilst continuing to deliver on our ten-point climate plan. Our soft plastics recycling scheme will have a place in every community in the UK with a fuller roll out well underway before the year is out.

Investing in technology

We will continue to invest in technology, to remain competitive but also in acknowledgement of the increasing number of members choosing to shop online, as a result of the pandemic.

By the end of 2021, 1,600 of our Food stores will have an online offer with 80% of the UK covered by click and collect and 60% covered by home delivery. We’re expecting sales to be around £200m by the end of the year, up from £70m in 2020. We’ll be concentrating on range, experience and service; creating convenient product bundles as well as picking, packing and dispatching accurately and on time.

As well as focusing on meeting the requirements set out by the CMA and FCA, Funeralcare will also seek to offer its clients greater ease and flexibility online and over the phone, providing even greater transparency as part of their journey. It will remain focused on providing exceptional client service and care and developing its proposition to become more affordable and even more personalised.

It is clear that the prior investment we made into our bespoke customer relationship management system for our insurance business is improving our ability to reach both existing and prospective new customers with tailored communications, delivered through the right channels. This will be the cornerstone upon which we will strengthen our existing relationships but also create new ones into H2, with partners who want to support our distinctive Insurance business.

Our Legal Services business will also continue to invest and develop its digital capabilities and offering, as a client focused digital first business, to maintain its position as a leader in the probate market but also accommodate growth into other practice areas. In particular, with the anticipated end of the furlough scheme, we are expecting a rise in employment cases in the second half of the year.

Safer Colleagues, Safer Communities

In July, the House of Commons voted against the amendment to the Police, Crime, Sentencing and Courts Bill, but committed to reviewing the legislation at the next stage of the Bill in the House of Lords – taking us one step closer to getting protection for all our retail workers.

We'll continue to follow the latest developments and do everything we can to ensure the safety of our colleagues.

Engaging our members

We're excited to build on the momentum we've established in H1, in terms of member participation and engagement in our Co-op.

As well as holding the Board to account on its strategy and commercial performance, our Members' Council plays an important role in representing the views of our members. Our colleagues and Executive have regular informal dialogue with different groups of Council members to ensure that there is member input into our approach to ethics, sustainability and community. Council has recently elected Denise Scott-McDonald as its new President and we look forward to working closely with Denise and her Council colleagues during the second half of 2021.

We were pleased to see an increase in the number of members voting in our AGM and National Members' Council and Member Nominated Director elections, and we continue to work with Council to explore how we can use new technology to evolve democratic participation and our AGM to reach a wider audience.

We know members want to get involved with our Co-op in lots of different ways, so we'll continue to drive further engagement with our members through our 'Join In' programme of activity. These informal, online opportunities enable members to shape our approach across different areas of our Co-op including policy and product development, campaigning and our community strategy. We've recently begun to learn more about the diversity of members who participate in these opportunities and in H2 we'll continue to work with a group of members who will help to deliver our commitments to anti-racism and better representation.

In September, a new member incentive programme will go ahead, with a view to helping us recruit additional new active members by the end of 2021.

Also, we're planning to launch a range of new member-designed products during the second half of the year and through 2022; a testament to the fundamental role our members play in what we do, as a co-operative.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Board and Risk and Audit Committee regularly review the principal risks to our business, our position against our risk appetite, and monitor progress to manage risks within that risk appetite. Consideration is given to emerging risks and to any changes in the internal or external environment that could impact our strategy and how we operate. We regularly update our risks and responses where required. The Board and Risk and Audit Committee have reviewed the principal risks and uncertainties faced by our Co-op.

The risks set out in the 2020 Annual Report and Financial Statements remain relevant for the first half of 2021.

The pandemic and managing its impact

The pandemic and the management of its impacts on our colleagues, communities and customers remain a priority. During the first half of the year we continued to see impacts across our strategic plans, operations, colleagues and communities. It is clear we will need to adjust to the situation as it evolves across the UK, as well as globally, to ensure we operate safely and effectively.

Category	Impacts
Strategy & Business	• Competitor responses in a recessionary climate and changing consumer habits as they seek value and convenience through digital channels • We are adapting our business strategies and how we operate to meet this demand
Finance & Treasury	• 2020 saw increased levels of trade in our food and other businesses, which will not be repeated to the same degree in the current year • Deterioration in our Funeral Plan Investment Portfolio resulting from market volatility
Operational & Customer	• Continuously adapting our processes and procedures to reflect Government advice, minimising impacts on our colleagues, customers, operations and suppliers, wherever possible • Adapting to colleagues' changing working patterns and the adoption of a hybrid working model in our support centres, while ensuring that we maintain our Co-op culture and productivity • Supply chain impacted by the shortage of heavy goods vehicle drivers, potentially leading to reductions in product availability in our stores. Along with other retailers and members of the logistics sector, we are engaging with Defra
Regulatory & Compliance	▪ Maintaining the safety of our colleagues, members and customers as restrictions are lifted
Brand & Reputation	▪ Altered colleague and member expectations of how we serve and help protect our communities

Trading relationship with the European Union and Northern Ireland

The signing of the EU-UK Trade and Co-operation Agreement in December 2020 has, to some extent, clarified our trading relationship with the European Union. Shortages of products did not materialise as much as initially feared, with disruption at borders mainly confined to the effects of the pandemic restrictions on drivers. There has been some impact on wholesale sales to retailers in the Republic of Ireland. We continue to focus on reducing the impact of the significant challenges related to the movement of products between Great Britain and Northern Ireland, in line with new regulatory requirements, some of which have not yet been implemented or even clearly defined.

We are yet to fully understand the broader economic impact on the UK, and our businesses, of leaving the European Union.

Principal Risks

The principal risks summarised below have the potential to impact the delivery of our business strategy and our commitment to creating value for our members and communities.

Risk	Risk Description
Change	If our plans are not delivered in an effective way, we may not achieve the planned benefits of our change programmes.
Competitiveness and external environment	The competitive and economic landscape in which we operate means that we need to monitor our growth targets, market share and competitor behaviour to remain viable and innovative.
Brand and reputation	We set ourselves high standards for responsible retailing and service, as well as speaking out on the issues that matter to our members. If we don't meet those standards, or fail to demonstrate our difference from our competitors, there is a potential risk to our reputation.
Pension obligations	The measurement of our Defined Benefit liability is sensitive to changes in several factors. Adverse movements could result in lower pension surplus and may need our Co-op to pay additional contributions.
IT and cyber threats	We hold data on our colleagues, customers, members and partners. We are reliant on technology to deliver our business operations so theft of data or a cyber attack could significantly disrupt our operations.
People	Our ability to attract and retain colleagues with relevant skills and experience is important to achieving a strong, competitive Co-op. If we do not continue to recruit talent and to invest in our colleagues, then it may impact our operations and our ability to deliver on our strategic plans.
Misuse and/or loss of data	We hold personally identifiable data on our colleagues, customers and members. We need to make sure we protect and manage this data.
Health and safety, and security	Faced with a rise in violent and abusive crime, and busy retail environments, we need processes in place to protect our colleagues, members, customers and visitors to our premises.
Operational resilience	If we are unable to prevent, adapt or respond to a major failure or external event to a key part of our business, it could significantly affect the availability of products and services delivered to our colleagues, customers, partners and members.
Regulatory compliance	Our Co-op is subject to laws and regulations across its businesses. Failure to respond to changes in regulations, or stay compliant, could affect profitability and our reputation through fines and sanctions from our regulators and affect our licence to operate.
Pre-Paid Funeral Plan obligations	The measurement of our Pre-Paid Funeral Plan obligations is sensitive to changes in several factors. Adverse movements could result in lower than expected funds being available and the business receiving a lower amount per funeral or may result in individual contracts becoming onerous.
Environment and sustainability	The way we choose to run our business operations and the products and services we provide has both social and environmental impacts and affects the future of our planet. Failure to run our operations in a more sustainable manner and ready our Co-op to transition to a greener economy could contribute to more damage to our environment and increased financial cost and missed opportunities.

Emerging risks

As is expected in a business of our size and diversity, we need to respond to changes in regulations that affect our businesses. We welcome such changes and the benefits they provide, although the required changes are uncertain as yet. We’re monitoring and preparing for changes related to:

- The Government’s Health Strategy: we have actively reduced the fat, sugar and salt content in our own brand products, and we are monitoring the proposals on legislation in relation to the pricing of products categorised as having a high fat, sugar and salt content.
- Climate-related financial disclosures: The outcome of the Government’s consultation to mandate Taskforce on Climate Related Disclosures aligned climate-related disclosure for large organisations by 2022, requiring them to provide better information to measure and manage climate financial risk.
- The Financial Reporting Council’s response is based on recommendations coming out of independent reviews by Sir Donald Brydon, the Competition and Markets Authority and into audit sector reform. This may bring regulation seeking to strengthen the UK’s corporate governance framework for major companies and the way they are audited and this may have consequences for our Co-op.

More information on how we manage risk can be found on pages 45-53 of the 2020 Annual Report.

OUR FINANCIAL PERFORMANCE

Summary of financial performance	2021 £m	2020 (*restated) £m
Revenue	**5,616**	5,801
Underlying operating profit:		
Food	**68**	175
Wholesale	**2**	(2)
Funerals	**17**	21
Legal	**2**	2
Insurance	**7**	-
Costs of supporting functions	**(44)**	(67)
Other	**(1)**	(4)
Total underlying operating profit (a)	**51**	**125**
Property revaluations, disposals and one off items	**(43)**	(40)
Operating profit	**8**	**85**
Underlying interest (b)	**(29)**	(32)
Net underlying lease interest (c)	**(37)**	(37)
Net finance (cost) / income on funeral plans	**(9)**	40
Other non-underlying net interest	**12**	15
One-off gain on settlement of Group Relief Creditor**	**99**	-
Profit before tax	**44**	**71**
Tax	**(7)**	(51)
Discontinued operations	**10**	(10)
Profit for the year	**47**	10
Underlying (loss) / profit before tax (a)-(b)-(c)	**(15)**	56

* When we announced our full year 2020 results in April of this year we explained that we had restated our full year 2019 comparative figures following a change to the way that we account for funeral plans and the Reclaim Fund. In line with this approach then we have also restated the half year comparative figures in these Interim financial statements (as they were published before we revised our accounting policies) to ensure that all our numbers are now shown on the same basis under the new accounting treatment. Throughout these financial statements we refer to the comparative period (being the 26 weeks to 4 July 2020) as being "restated" and you can find further details on the restatement in Note 14 (Prior period restatement) in the full Interim Report 2021.

** The one-off gain of £99m relates to the settlement of the Group Relief Creditor owed to the Co-operative Bank PLC when a settlement of £48m was agreed in February 2021 against a liability of £147m. This was disclosed as a post balance sheet event in Note 34 of the 2020 Annual Report and Accounts.

Our headline performance

Our half year results are significantly impacted by the global Covid-19 pandemic. This means it is hard to make meaningful comparisons between the results for this half year and those for last half year, given the varying stages of lockdown restrictions that were in place between the two periods. The contrast is most significant in our Food business and because of this we have included some additional financial measures in the business performance commentary below that compares our most recent results in Food to those in the equivalent period in 2019, which was not impacted by the pandemic. We've done this to try to provide our members with extra information that gets beyond the complicated comparative picture and assesses the underlying performance of their Co-op against more appropriate comparatives, designed to supplement rather than replace our standard statutory reporting.

In the first half of last year, we saw unprecedented levels of sales in our Food and Wholesale businesses as customers looked to shop closer to home at their local convenience store. Fuel sales were significantly down on the previous half year as we were all encouraged to stay at home and so didn't use our vehicles. In the first half of this year, grocery sales have since fallen back from the unusual levels that were seen when the first national lockdown came into force. Fuel sales on the other hand are up significantly in comparison following the easing of travel restrictions. Funeral sales have also reduced in the first half of 2021 in comparison to those experienced at the height of the pandemic, although there are now fewer restrictions on the type of service we can offer, whereas last year our offering had to be limited.

Total Group revenue fell by £0.2 billion (3.2%) compared to the same period last year. We anticipated a reduction in both Food and Wholesale sales, as we annualised the unusual customer behaviour at the start of the pandemic, with the year-on-year change in line with these expectations. Sales (excluding fuel) in our Food business are down by 2.8% and those in Wholesale down by 14.2%. This decrease in revenue flowed through to our underlying operating profit which is down £74 million to £51 million. This is mainly driven by the annualisation of pandemic customer behaviour, after an unprecedented year last year, and our strategic investments in our Food business. It is in part offset by the new income stream from our recently launched Insurance (marketing and distribution) business and reduced costs from support functions. After charging underlying interest on our bank borrowings and leases we made an underlying loss of £15 million compared to a profit of £56 million in the first half of 2020.

Our Operating Profit of £8 million is down £77 million on the prior period figure of £85m and reflects the comparative decrease in underlying profitability driven by the impact of Covid-19 in the first half of 2020 and comparatively higher investment in H1 2021.

Profit before tax (PBT) of £44 million is £27 million lower than last year and includes a £49 million relative adverse net interest charge on funeral plans (the charge in the current period is £9 million, whereas it was a gain of £40 million in the comparative period). The comparative swing reflects lower investment returns on funeral plan investments and follows the significant change in how we account for funeral plans that we adopted in 2020. Our PBT also includes a significant benefit of £82 million of net gains from one-off items which we explain in more detail below (comprising a £17 million charge within Operating profit and a £99 million gain in Finance income). One-off items do not form part of our underlying profit but are included in our profit before tax figures. We show how we adjust profit before tax to get to our underlying profit before tax in Note 1 of our interim financial statements.

Profit after tax from continuing operations is up by £17 million at £37 million driven by a particularly high relative tax charge in the comparative period.

Our profits are shown after deducting the amount our members have earned for themselves and their communities which totalled £21 million in the first half of the year (2020: £33 million) and our Operating profit also includes £20 million of Government assistance (H1 2020: £33 million) which we benefitted from in the first three months of the year through business rates relief.

As noted in our 2020 Annual Report, our Board agreed to repay the £16m of furlough payments that we received in 2020. These repayments have been made in 2021 and charged to Operating profit in the current period results and we have not received any further furlough support in 2021.

How our businesses have performed

Overall Food sales totalled £3.9 billion reflecting a fall of £60 million in comparison to 2020. Sales of fuel within that total increased by 18% (an increase of £33 million). As noted above these figures compare against the particularly strong food sales in the period from April to June last year at the start of the pandemic as our customers shopped more and closer to home in their local Co-op Food store and fuel sales fell away as we all stayed at home. The first half of 2021 saw food sales adjust following the unprecedented circumstances throughout 2020, whilst fuel sales have also begun to climb. Throughout the first half we have traded favourably to our forecasts - our like-for-like sales are 3.1% down on the comparative period, but our two year like-for-like sales growth is 5.2%. This compares the first half of 2021 against the first half of 2019 on a like-for-like basis.

We have continued to invest significantly in our business as planned, and this has contributed to a 62% reduction in underlying profits down to £68 million from £175 million. This includes continued investment in price, customer proposition and range, as well as considerable expenditure on our business processes and infrastructure to ensure our operations are optimised for the future. We have also invested in our colleagues through our commitments on the Real Living Wage and we have continued to incur ongoing costs to keep our customers and colleagues safe throughout the pandemic. As noted above, our first half results also include the repayment of the £16 million of furlough assistance we received in 2020.

Our Wholesale business generated sales of £0.7 billion, a 14% decrease on 2020. As with our Food business in the prior year, we saw customers move to local Nisa stores and transfer trade from pubs and restaurants with like-for-like sales growth of 18%. The decrease in the first half of this year follows the unprecedented circumstances of last year and our like-for-like sales versus the first half of 2020 are down 7%. However, this still reflects a solid performance in light of some considerable headwinds, including the loss of MRG as a customer as well as the impact of Brexit on our customer base in the Republic of Ireland. Recruitment of new members remains strong. Nisa saw an increase of more than 11% on sales on a two year like-for-like basis. We recorded a profit in the first half of 2021 of £2 million which is £9 million better than 2019 and £4 million better than 2020. This is driven by the underlying sales growth and new partner recruitment and we continue to drive efficiency in our model through the wider Co-op Group buying benefits and other means.

Our Funeralcare business experienced a 17% decrease in volumes in comparison to last year following notably fewer deaths in the first half of 2021. However, the number of funerals conducted is up by 1% on 2019 levels. Underlying profits decreased by 19% to £17 million from £21 million in 2020 with strong cost control reducing the impact of lower sales. Sales of funeral plans remained strong in the first half increasing by 24% on the comparative period.

Our Legal Services business continues to perform well with sales up by £1 million to £20 million and profits consistent at £2 million. Our newly launched Insurance business (marketing and distribution) also performed strongly with income of £18 million and profit of £7 million following the completion of the sale of our insurance underwriting business in December 2020.

Costs for our Central Supporting functions decreased by £23 million to £44 million. This mainly reflects the relative savings generated by our target operating model programme and the associated costs to achieve that transition in the comparative period.

The final run-off of costs and income from the sale of our insurance underwriting business (which completed in December 2020) are shown in Discontinued Operations and as part of the sale agreement our Co-op has continued to supply the insurance underwriting business with certain agreed services in the first half of 2021 under a service agreement. The recorded profit of £10 million in Discontinued Operations mainly reflects payments received in respect of a legal claim.

Disposals, property valuation gains and one-off items

The table below shows the one-off items, disposals and property valuation gains in the first half of the year (losses are shown in brackets):

	2021 £m	2020 £m
Property and business disposals and closures	**(26)**	(39)
Change in value of investment properties	**-**	-
One off items	**(17)**	(1)
Total	**(43)**	(40)

The loss on disposal of £26 million in the current period mainly relates to the disposal or closure of individual Food stores and non-trading properties and includes £14 million of impairment charges (2020: £21 million). The comparative figure included a loss of £16 million relating to the sale of 100 funerals branches and associated write down of assets and closure provisions.

At the half year, we have reviewed our trading sites in Food and Funeralcare for potential impairment and booked £4 million (2020: £11 million) of asset impairment write downs on loss making or partially profitable sites where forecast trading is not expected to support the asset values. Careful judgement has been applied in relation to the future trading expectations of those stores that have been particularly affected by the impact of Covid-19 on our customers' shopping habits (particularly city centre locations) and we'll keep these under close review as lockdown restrictions continue to ease. We have also reviewed the 2021 investment property portfolio and are confident their value is supported which remains in line with the prior year.

We've recorded a significant one-off charge of £17 million reflecting the costs of some organisational changes we are making to colleague structures in our Food stores (under the Fit for Future programme) to ensure we are set up in the best way to efficiently serve our customers.

Financing and debt

Our financing costs are shown in the table below (costs are shown in brackets):

	2021 £m	2020 £m
Underlying bank and loan interest payable	**(29)**	(32)
Net underlying lease interest	**(37)**	(37)
Total underlying interest	**(66)**	(69)
Net pension finance income	**14**	19

Net finance (costs) / income on funeral plans	**(9)**	40
Fair value movement on foreign exchange contracts	**3**	-
Fair value movement on quoted debt and swaps	**(3)**	(2)
Non-underlying finance interest	**(2)**	(2)
One-off gain on settlement of Group Relief Creditor	**99**	-
Non-underlying interest income / (costs)	**102**	55

Our financing costs from our borrowings and lease commitments were broadly consistent with the prior period with lower underlying interest reflecting lower debt across the period as we repaid the remaining £176 million balance of the 6.875% 2020 Eurobonds on 8 July 2020. Net pension income at £14 million is down from £19 million due to the comparative reduction in the discount rate at the start of the year.

Following the change in accounting treatment for revenue, we now see a net interest income or charge on funeral plans on the face of our income statement. In the first half of 2021 the returns on funeral plan investments were outweighed by the interest we accrued, so we show a net finance expense of £9 million. In the prior period first half, investment gains outweighed the interest we accrued so we showed a gain in finance income.

We've also recorded a significant one-off gain of £99 million following the settlement of the Group Relief Creditor owed to the Co-operative Bank PLC when a settlement of £48 million was agreed in February 2021 against a liability of £147 million. This was disclosed as a post balance sheet event in Note 34 of our 2020 Annual Report and Accounts and is shown as a finance income in our Income statement.

Our total net debt of £2.2 billion at the end of the period, including the IFRS 16 lease liability of £1.5 billion, was up £199 million from the start of the year. Excluding the lease liability, net debt was £712 million, an increase of £162 million from year end. This is primarily driven by a reduced cash position (down from £269 million to £130 million). This reflects the trading results for the first half, ongoing investment in our businesses and includes the £48 million settlement of the Group Relief Creditor and repayment of £16 million furlough assistance received in 2020 but repaid in 2021.

Our loans and borrowings are consistent with the year-end position and overall indebtedness remains below the ceiling we set ourselves.

Tax

The half year tax charge of £7 million represents an effective tax rate of 16% on a profit before tax of £44m. The tax charge for the half year reflects the expected effective tax rate based on our full year forecast and includes the impact of the change in the corporation tax rate (from 19% to 25%) that was announced in the budget in March. The rate change has a significant impact on our deferred tax assets and liabilities with a £35 million increase to deferred tax liabilities on our pension fund surplus being reflected in other comprehensive income.

We do not have a current year corporation tax charge or liability because of available tax reliefs and losses that offset taxable profits.

The £51 million tax charge in the prior period was largely due to specific deferred tax items including a £16 million impact due to the change in corporation tax rate from 17% to 19% introduced in the March 2020 Budget.

Our balance sheet

Net assets have decreased by £0.2 billion from the start of the year. The main movements include a reduction in the net pension surplus of £0.1 billion, a reduced cash position as noted above, offset by the reduction in non-current payables following the early settlement of the Group Relief Creditor due to the Co-operative Bank PLC. As outlined above our net deferred tax liability has also increased significantly following the Chancellor's announcement to change the tax rate.

The actuarial surplus on our largest pensions scheme, PACE, decreased by £0.1 billion with asset values falling by £0.5 billion whilst liabilities decreased by only £0.4 billion. Asset values have fallen as investment returns have underperformed against the discount rate which has been partially offset by an increase in the discount rate which reduces the present value of the scheme obligations.

Following the completion of the sale of our Insurance underwriting business in December 2020, the assets and liabilities of that business are no longer shown on our balance sheet (previously they were included within Held for Sale items). Furthermore, we no longer consolidate the Reclaim Fund Limited ('RFL') following a change in accounting treatment (as outlined in Note 14) and the sale of RFL to HM Treasury on 30 March 2021.

Looking ahead

The financial results for the first half of 2021 represent a complicated picture when compared to the first half of 2020, due to the unprecedented circumstances that have played out through both periods from the impact of the global Covid-19 pandemic.

However, it is clear that our customer offering and investments are more relevant than ever and our dedicated colleagues have helped us deliver a solid set of results despite the very challenging operational and economic conditions we faced.

The fact that we have been able to cope with such large scale challenges demonstrates that we have both a robust strategy and resilient business model and as the world continues to adapt to the new normal, we are confident we can continue to succeed and deliver against our business objectives and face into any economic and market uncertainties.

Condensed Consolidated Income Statement

for the 26 weeks ended 3 July 2021

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

Continuing Operations	Notes	**26 weeks ended 3 July 2021 (unaudited) £m**	26 weeks ended 4 July 2020 (unaudited & restated*) £m	52 weeks ended 2 January 2021 (audited) £m
Revenue	1	**5,616**	5,801	11,472
Operating expenses		**(5,613)**	(5,723)	(11,277)
Other income		**5**	7	12
Operating profit	1	**8**	85	207
Net finance income / (costs) excluding funeral plans	3, 4	**45**	(54)	(108)
Net finance (costs) / income on funeral plans	3, 4	**(9)**	40	28
Profit before tax		**44**	71	127
Taxation	5	**(7)**	(51)	(55)
Profit from continuing operations		**37**	20	72
Discontinued Operation				
Profit / (loss) on discontinued operation, net of tax	6	**10**	(10)	5
Profit for the period (all attributable to members of the Society)		**47**	10	77

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

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

Continuing Operations	Notes	**26 weeks ended 3 July 2021 (unaudited) £m**	26 weeks ended 4 July 2020 (unaudited & restated*) £m	52 weeks ended 2 January 2021 (audited) £m
Operating profit (as above)		**8**	85	207
Add back / (deduct):				
One-off items	1	**17**	1	(12)
Property, business disposals and closures	1	**26**	39	41

Change in value of investment properties		**-**	-	(1)
Underlying operating profit		**51**	125	235
Less underlying loan interest payable	4	**(29)**	(32)	(63)
Less underlying net interest expense on lease liabilities	3, 4	**(37)**	(37)	(72)
Underlying (loss) / profit before tax		**(15)**	56	100

The accompanying notes form an integral part of these financial statements.

* In-line with our full year 2020 financial statements we have restated our comparative results for the 26 weeks ended 4 July 2020 as we have changed the way that we account for revenue on funeral plans. See Note 14 for details of the restatement.

** Refer to note 1 for a definition of underlying profit / (loss) before tax. Further details on the Group's alternative performance measures (APMs) is given in the Jargon Buster section.

Condensed Consolidated Statement of Comprehensive Income
for the 26 weeks ended 3 July 2021

What does this show? Our statement of comprehensive income includes other income and costs that are not included in the consolidated income statement. These are usually revaluations of property, pension schemes and some of our financial investments.

	Notes	**26 weeks ended 3 July 2021 (unaudited) £m**	26 weeks ended 4 July 2020 (unaudited & restated*) £m	52 weeks ended 2 January 2021 (audited) £m
Profit for the period		**47**	10	77
Items that will never be reclassified to the income statement:				
Remeasurement (losses) / gains on employee pension schemes	7	**(95)**	133	(83)
Related tax on items above	5	**(17)**	(40)	-
		(112)	93	(83)
Items that are or may be reclassified to the income statement:				
Gains less losses on fair value of insurance assets**		**-**	4	6
Fair value losses on insurance assets transferred to the income statement**		**-**	-	(2)
Fair value losses on insurance assets transferred to the income statement on disposal of subsidiary**		**-**	-	(18)
Related tax on items above	5	**-**	(1)	3
		-	3	(11)
Other comprehensive (loss) / income for the period net of tax		**(112)**	96	(94)
Total comprehensive (loss) / income for the period (all attributable to members of the Society)		**(65)**	106	(17)

The accompanying notes form an integral part of these financial statements.

* In-line with our full year 2020 financial statements we have restated our comparative results for the 26 weeks ended 4 July 2020 as we have changed the way that we account for revenue on funeral plans. See Note 14 for details of the restatement.

** The sale of our Insurance underwriting business completed on 3 December 2020.

Condensed Consolidated Balance Sheet

as at 3 July 2021

What does this show? Our balance sheet is a snapshot of our financial position as at 3 July 2021. It shows the assets we have and the amounts we owe.

	Notes	As at 3 July 2021 (unaudited) £m	As at 4 July 2020 (unaudited & restated*) £m	As at 2 January 2021 (audited) £m
Non-current assets				
Property, plant and equipment		**1,956**	1,941	1,955
Right-of-use assets		**1,063**	1,012	1,031
Goodwill and intangible assets		**1,093**	1,104	1,105
Investment properties		**14**	16	17
Investments in associates and joint ventures		**4**	3	3
Funeral plan investments	12	**1,344**	1,309	1,331
Derivatives		**2**	-	3
Pension assets	7	**1,799**	2,127	1,931
Trade and other receivables		**224**	143	203
Finance lease receivables		**30**	36	34
Contract assets (funeral plans)		**62**	55	60
Total non-current assets		**7,591**	7,746	7,673
Current assets				
Inventories		**454**	456	460
Trade and other receivables		**556**	463	546
Finance lease receivables		**11**	10	11
Derivatives		**3**	-	-
Contract assets (funeral plans)		**6**	5	6
Cash and cash equivalents		**130**	464	269
Assets held for sale	8	**2**	982	21
Total current assets		**1,162**	2,380	1,313
Total assets		**8,753**	10,126	8,986
Non-current liabilities				
Interest-bearing loans and borrowings	9	**803**	802	803
Lease liabilities	9	**1,265**	1,253	1,234
Trade and other payables		**55**	163	214
Contract liabilities (funeral plans)		**1,606**	1,506	1,570
Provisions		**96**	91	85
Derivatives		**1**	3	1
Pension liabilities	7	**13**	88	77
Deferred tax liabilities	5	**185**	200	161
Total non-current liabilities		**4,024**	4,106	4,145
Current liabilities				
Interest-bearing loans and borrowings	9	**39**	217	16
Lease liabilities	9	**197**	182	191
Trade and other payables		**1,669**	1,703	1,747
Contract liabilities (funeral plans)		**176**	163	167
Derivatives		**2**	-	-
Provisions		**42**	64	46
Liabilities held for sale	8	**-**	900	5
Total current liabilities		**2,125**	3,229	2,172
Total liabilities		**6,149**	7,335	6,317
Equity				

Members' share capital	**74**	73	74
Retained earnings	**2,529**	2,700	2,594
Other reserves	**1**	18	1
Total equity	**2,604**	2,791	2,669
Total equity and liabilities	**8,753**	10,126	8,986

The accompanying notes form an integral part of these financial statements.

* Refer to Note 14 for details of the restatement.

Condensed Consolidated Statement of Changes in Equity

for the 26 weeks ended 3 July 2021

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

For the 26 weeks ended 3 July 2021 (unaudited)	Notes	**Members' Share capital £m**	**Retained earnings £m**	**Other reserves £m**	**Total equity £m**
Balance at 2 January 2021		**74**	**2,594**	**1**	**2,669**
Profit for the period		**-**	**47**	**-**	**47**
Other comprehensive income / (losses):					
Remeasurement gains on employee pension schemes	7	**-**	**(95)**	**-**	**(95)**
Tax on items taken directly to other comprehensive income	5	**-**	**(17)**	**-**	**(17)**
Total other comprehensive loss		**-**	**(112)**	**-**	**(112)**
Balance at 3 July 2021		**74**	**2,529**	**1**	**2,604**

For the 26 weeks ended 4 July 2020 (unaudited & restated*)	Notes				
Balance at 4 January 2020		73	2,597	15	2,685
Profit for the period		-	10	-	10
Other comprehensive income / (losses):					
Remeasurement gains on employee pension schemes	7	-	133	-	133
Gains less losses on fair value of insurance assets		-	-	4	4
Tax on items taken directly to other comprehensive income		-	(40)	(1)	(41)
Total other comprehensive income:		-	93	3	96
Balance at 4 July 2020		73	2,700	18	2,791

* In-line with our full year 2020 financial statements we have restated our comparative results for the 26 weeks ended 4 July 2020 as we have changed the way that we account for revenue on funeral plans. See Note 14 for details of the restatement.

For the 52 weeks ended 2 January 2021 (audited)	Notes				
Balance at 4 January 2020		73	2,597	15	2,685
Profit for the period		-	77	-	77
Other comprehensive income / (losses):					
Remeasurement losses on employee pension schemes	7	-	(83)	-	(83)
Gains less losses on fair value of insurance assets		-	-	6	6
Fair value losses on insurance assets transferred to the income statement		-	-	(2)	(2)

Fair value losses on insurance assets transferred to the income statement on disposal of a subsidiary	-	-	(18)	(18)
Tax on items taken directly to other comprehensive income	-	3	-	3
Total other comprehensive losses:	-	(80)	(14)	(94)
Contributions by and distributions to members:				
Shares issued less shares withdrawn	1	-	-	1
Balance at 2 January 2021	74	2,594	1	2,669

The accompanying notes on form an integral part of these financial statements.

Condensed Consolidated Statement of Cash Flows

for the 26 weeks ended 3 July 2021

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

	Notes	**As at 3 July 2021 (unaudited) £m**	As at 4 July 2020 (unaudited & restated*) £m	As at 2 January 2021 (audited) £m
Net cash from operating activities	10	**162**	448	672
Cash flows from investing activities				
Purchase of property, plant and equipment		**(150)**	(102)	(253)
Purchase of intangible assets		**(11)**	(28)	(60)
Proceeds from sale of property, plant and equipment		**19**	10	35
Acquisition of businesses, net of cash acquired		**(26)**	(27)	(31)
Disposal of business		**6**	-	104
Payments to funds for pre-paid funeral plans		**(42)**	(38)	(86)
Receipts from funds for pre-paid funeral plans performed and cancelled		**54**	63	107
Net cash used in investing activities		**(150)**	(122)	(184)
Cash flows from financing activities				
Interest paid on borrowings		**(10)**	(16)	(79)
Interest paid on lease liabilities		**(39)**	(36)	(77)
Payments and interest received on subleases		**5**	3	3
Interest received on deposits		**-**	1	1
Settlement of Group Relief Creditor owed to The Co-operative Bank Plc		**(48)**	-	-
Issue / (repayment) of corporate investor shares	9	**6**	6	(1)
Repayment of borrowings	9	**-**	(70)	(246)
Payment of lease liabilities		**(65)**	(54)	(128)
Net cash used in financing activities		**(151)**	(166)	(527)
Net increase / (decrease) in cash and cash equivalents		**(139)**	160	(39)
Net cash and overdraft balances transferred to held for sale		**-**	(4)	-
Cash and cash equivalents at beginning of period		**269**	308	308
Cash and cash equivalents at end of period		**130**	464	269
Analysis of cash and cash equivalents				
Cash and cash equivalents per balance sheet		**130**	464	269

The accompanying notes on form an integral part of these financial statements. The balances above include cashflows from Discontinued operations.

* In-line with our full year 2020 financial statements we have restated our comparative results for the 26 weeks ended 4 July 2020 as we have changed the way that we account for revenue on funeral plans. See Note 14 for details of the restatement.

Group Net Debt	Notes	**As at 3 July 2021 (unaudited)**	As at 4 July 2020 (unaudited & restated*)	As at 2 January 2021 (audited)
Interest-bearing loans and borrowings:				
- current		**(39)**	(217)	(16)
- non-current		**(803)**	(802)	(803)
Total Interest-bearing loans and borrowings		**(842)**	(1,019)	(819)
Lease liabilities:				
- current		**(197)**	(182)	(191)
- non-current		**(1,265)**	(1,253)	(1,234)
Total lease liabilities		**(1,462)**	(1,435)	(1,425)
Total Debt		**(2,304)**	(2,454)	(2,244)
- Group cash		**130**	464	269
Group Net Debt		**(2,174)**	(1,990)	(1,975)
Add back fair value / amortised cost adjustment	9	**34**	30	34
Group Net Debt (pre fair value / amortised cost adjustment)	9	**(2,140)**	(1,960)	(1,941)
Group Net Debt (interest bearing loans and borrowings only)		**(712)**	(555)	(550)
Add back fair value / amortised cost adjustment	9	**34**	30	34
Group Net Debt (interest bearing loans and borrowings only and pre fair value / amortised cost adjustment)	9	**(678)**	(525)	(516)

Notes to the interim financial statements

1 Operating segments

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

26 weeks ended 3 July 2021 (unaudited)	**Revenue from external customers**	**Underlying segment operating profit / (loss) (b)**	**One-off Items (b) (i)**	**Property and business disposals (b) (ii)**	**Change in value of investment properties**	**Operating profit / (loss)**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Food	**3,860**	**68**	**(17)**	**(26)**	**-**	**25**
Wholesale	**688**	**2**	**-**	**-**	**-**	**2**
Funerals	**142**	**17**	**-**	**(1)**	**-**	**16**
Legal	**20**	**2**	**-**	**-**	**-**	**2**
Insurance (a)	**18**	**7**	**-**	**-**	**-**	**7**
Other businesses (d)	**1**	**(1)**	**-**	**(1)**	**-**	**(2)**
Federal (e)	**887**	**-**	**-**	**-**	**-**	**-**
Costs from supporting functions	**-**	**(44)**	**-**	**2**	**-**	**(42)**
Total	**5,616**	**51**	**(17)**	**(26)**	**-**	**8**

26 weeks ended 4 July 2020 (unaudited and restated - see (a) below)	Revenue from external customers	Underlying segment operating profit / (loss) (b)	One-off Items (b) (i)	Property and business disposals (b) (ii)	Change in value of investment properties	Operating profit / (loss)
	£m	£m	£m	£m	£m	£m
Food	3,920	175	-	(12)	-	163
Wholesale	801	(2)	-	-	-	(2)
Funerals	152	21	-	(18)	-	3
Legal	19	2	-	-	-	2
Insurance (a)	-	-	-	-	-	-
Other businesses (d)	2	(4)	-	-	-	(4)
Federal (e)	907	-	-	-	-	-
Costs from supporting functions	-	(67)	(1)	(9)	-	(77)
Total	5,801	125	(1)	(39)	-	85

* Refer to Note 14 for details of the restatement.

52 weeks ended 2 January 2021 (audited)	Revenue from external customers	Underlying segment operating profit / (loss) (b)	One-off Items (b) (i)	Property and business disposals (b) (ii)	Change in value of investment properties	Operating profit / (loss)
	£m	£m	£m	£m	£m	£m
Food	7,765	350	15	(49)	-	316
Wholesale	1,577	6	-	-	-	6
Funerals	272	16	-	(18)	-	(2)
Legal	37	4	-	-	-	4
Insurance (a)	6	(2)	-	-	-	(2)
Other businesses (d)	2	(9)	-	(1)	-	(10)
Federal (e)	1,813	-	-	-	-	-
Costs from supporting functions	-	(130)	(3)	27	1	(105)
Total	11,472	235	12	(41)	1	207

a) In line with our 2020 year-end accounts the comparative results for the 26 weeks ended 4 July 2020 have been restated following a change in the way that we account for funeral plans. See Note 14 for further details of the restatement. Furthermore, the results of our Insurance business (marketing and distribution) are now reported as a separate operating segment in the tables above in both the current period and the comparative periods being the 52 weeks ended 2 January 2021 and 26 weeks ended 4 July 2020 (previously the results were reported within Other businesses). This is in-line with the way that information is now reported to our Board and follows the sale of our insurance underwriting business in December 2020 (the results of which had been reported in Discontinued Operations from 2018 and so were not shown in the segmental tables thereafter).

b) Underlying segment operating profit / (loss) is a non-GAAP measure of segment operating profit / (loss) before the impact of property and business disposals (including impairment of non current assets within our businesses), the change in the value of investment properties and one-off items. The difference between underlying segment operating profit / (loss) and operating profit / (loss) includes:

i) One-off items comprises a charge of £17m (2020: £nil) relating to organisational changes to colleague structures within our food store teams (under the Fit for Future programme).

ii) Losses from property and business disposals of £26m (2020: £39m loss) - see table below for details.

c) Operating profit for the 26 weeks ended 3 July 2021 includes £20m of government assistance received through business rates relief in the first quarter of 2021 and no employee furlough payments have been received in 2021 (for the 52 weeks ended 2 January 2021 equivalent figures were £16m of employee furlough payments and £66m of business rates relief). These amounts have been netted against relevant cost lines in operating profit. As noted in our 2020 financial statements, Co-op has repaid the £16m it received in furlough payments in 2020 during the first half of 2021.

d) The 'Other businesses' segment includes activities which are not reportable per IFRS 8. In the current and comparative period then this mainly comprises the results of Co-op Health which was sold on 6 April 2021. As noted in a) the results of our Insurance business (marketing and distribution services excluding our underwriting business CISGIL) had previously been reported within Other businesses but are now shown in their own segment having reached appropriate maturity following the sale of CISGIL in December 2020.

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

f) A reconciliation between underlying segment operating profit and profit before tax is provided below:

	Notes	**26 weeks ended 3 July 2021 (unaudited) £m**	26 weeks ended 4 July 2020 (unaudited & restated*) £m	52 weeks ended 2 January 2021 (audited) £m
Underlying operating profit		**51**	125	235
Underlying loan interest payable	4	**(29)**	(32)	(63)
Underlying net interest expense on lease liabilities	3, 4	**(37)**	(37)	(72)
Underlying (loss) / profit before tax		**(15)**	56	100
One-off items	1	**(17)**	(1)	12
Loss on property, business disposals and closures (see below)	1	**(26)**	(39)	(41)
Change in value of investment properties		**-**	-	1
Finance income (excluding any lease interest or fair value movement on funeral plans)	3	**17**	19	41
One-off gain on settlement of Group Relief Creditor owed to The Co-operative Bank Plc**	3	**99**	-	-
Unrealised fair value movement of funeral plan investments	3	**25**	63	81
Discounting on funeral plan debtors	4	**(5)**	7	7
Interest accruing on funeral plan liabilities	4	**(29)**	(30)	(60)
Other non-cash finance costs	4	**(5)**	(4)	(14)
Profit before tax		**44**	71	127

* Refer to Note 14 for details of the restatement.

** The one-off gain of £99m relates to the settlement of the Group Relief Creditor owed to the Co-operative Bank Plc when a settlement of £48m was agreed in February 2021 against a liability of £147m. This was disclosed as a post balance sheet event in Note 34 of the 2020 Annual Report and Accounts. The gain is shown in Finance Income (see Note 3).

Losses from property and business disposals and closures and impairment on non-current assets		**26 weeks ended 3 July 2021 (unaudited)**		26 weeks ended 4 July 2020 (unaudited & restated*)		52 weeks ended 2 January 2021 (audited)
	£m	**£m**	£m	£m	£m	£m
Disposals, closures and onerous contracts						
- proceeds	**25**		10		35	
- less net book value written off	**(31)**		(2)		(23)	
- provisions recognised	**(6)**		(26)		(17)	
		(12)		(18)		(5)
Impairment of property, plant and equipment, right-of-use assets and goodwill		**(14)**		(21)		(36)
Total		**(26)**		(39)		(41)

Impairment

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

This review is performed annually or in the event where indicators of impairment are present. At 2 January 2021, the Group considered whether the COVID-19 pandemic and the accompanying economic uncertainty had the potential to represent a significant impairment indicator. It was felt that despite additional associated costs of responding to the pandemic, which were expected to be temporary, the Group's main business areas had proven resilient and the performance of the Group's cash-generating units remained strong. Therefore, management concluded that the impact of COVID-19 on the longer term outlook for these cash-generating units did not constitute an indicator of significant impairment and hence a full impairment test across all CGUs was not required. This judgement is unchanged as at 3 July 2021.

The Group has performed impairment testing at 3 July 2021 for CGUs where there are other indicators of impairment. In general this relates to when the CGU either has been loss making in the previous 12 months or is forecasted to be loss making in the next 12 months.

The methodology for our impairment reviews is consistent with the methodology disclosed in the 2020 annual report. This methodology is summarised in the table below:

Assumption	**Food Segment**	**Funeral Segment**

Structure of a CGU	Each individual food store is deemed to be an individual CGU.	A CGU is deemed to be a local network of interdependent branches, known as a Funeralcare Hub.
Cash flow years / assumptions	Future cash flows derived using historical store performance adjusted for expected growth in sales and/or costs. These forecasts are extrapolated over a period of 4 years and then subject to a long term growth rate of 0% (2020: 0%). Where lease terms are shorter than this, the remaining lease terms have been used. Perpetuities are included in cash flows where stores are expected to be operated beyond their current lease term. Cash flows include estimated store capital maintenance costs based on the square footage of the store.	Derived from Board approved four-year plan cash flow projections. These cash flows are extrapolated over the remaining lease term for leasehold properties or into perpetuity for freehold properties. Perpetuities included in cash flows where the Hub is expected to be operational beyond its current lease terms. A growth rate of 0% (2020: 0%) is applied beyond Board approved four-year plan horizon.
Covid considerations	Store cash flows observed over the last 12 months have been heavily impacted by Covid-19 trading conditions. This has resulted in a number of stores seeing their profitability levels fall significantly due to Covid-19 enforced lockdown restrictions, particularly city centre locations. Significant judgement has been applied in determining whether the impact of Covid-19 will be temporary or permanent, and if temporary, at what point the store will return to its pre-Covid trading levels. A number of previously impaired stores have seen their profitability levels improve as a result of increased trading from Covid-19 enforced lockdown restrictions. However impairment has not been reversed in these cases as the impact of Covid-19 is only expected to be temporary for these stores.	The impact of Covid-19, specifically the impact on future average selling price movements, funeral volume assumptions and payroll costs assumptions are embedded within the Funeralcare four-year plan approved by the Board.
Discount rate	Post tax discount rate representing the Food segment's weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 8.2% (2020: 8.2%). Post tax WACC 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. This estimation uncertainty level is not deemed to be material.	Post tax discount rate representing the Funeralcare segment's weighted average cost of capital (WACC), subsequently grossed up to a pre-tax rate of 9.5% (2020: 8.2%). Post tax WACC 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. This estimation uncertainty level is not deemed to be material.

2 Supplier income

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

Supplier Income	**26 weeks ended 3 July 2021 (unaudited)**	26 weeks ended 4 July 2020 (unaudited)	52 weeks ended 2 January 2021 (audited)
	£m	£m	£m
Food - Long-term agreements	**77**	68	140
Food - Bonus income	**24**	40	130
Food - Promotional income	**176**	174	355

Total Food supplier income	**277**	282	625
Wholesale - Long-term agreements	**12**	16	28
Wholesale - Bonus income	**8**	6	21
Wholesale - Promotional income	**48**	55	114
Total Wholesale Supplier income	**68**	77	163
Total Supplier income	**345**	359	788
Percentage of Cost of Sales before deducting Supplier Income	**%**	%	%
Food - Long-term agreements	**2.7%**	2.3%	2.3%
Food - Bonus income	**0.8%**	1.3%	2.2%
Food - Promotional income	**6.2%**	6.0%	5.9%
Total Food supplier income %	**9.7%**	9.6%	10.4%
Wholesale - Long-term agreements	**1.8%**	2.0%	1.8%
Wholesale - Bonus income	**1.1%**	0.8%	1.3%
Wholesale - Promotional income	**7.1%**	6.9%	7.2%
Total Wholesale supplier income %	**10.0%**	9.7%	10.3%

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

3 Finance income

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

	26 weeks ended 3 July 2021 (unaudited)	26 weeks ended 4 July 2020 (unaudited)	52 weeks ended 2 January 2021 (audited)
	£m	£m	£m
Net pension finance income	**14**	19	37
Underlying interest income from finance lease receivables	**1**	2	3
Fair value movement on interest rate swaps	**-**	-	4
Fair value movement on foreign exchange contracts and commodity derivatives	**3**	-	-
Unrealised fair value movement on funeral plan investments	**25**	63	81
Discount unwind on funeral plan debtors	**-**	7	7
One-off gain on settlement of Group Relief Creditor owed to The Co-operative Bank Plc**	**99**	-	-
Total finance income	**142**	91	132

* In-line with our full year 2020 financial statements we have restated our comparative results for the 26 weeks ended 4 July 2020 as we have changed the way that we account for revenue on funeral plans. See Note 14 for details of the restatement.

** The one-off gain of £99m relates to the settlement of the Group Relief Creditor owed to the Co-operative Bank Plc when a settlement of £48m was agreed in February 2021 against a liability of £147m. This was disclosed as a post balance sheet event in Note 34 of the 2020 Annual Report and Accounts.

4 Finance costs

What does this show? Our main finance costs are the interest that we've paid during the year on our bank borrowings (that help fund the business) and the interest payments we incur on our lease liabilities. We also include the movement in the fair value of some elements of our debt and our interest rate swap positions (which are used to manage risks from interest rate movements) if these are losses. If they are gains, they are included in Finance income (see note 3). We also include the interest that accrues on the funeral plans we hold and any impact of discounting on funeral plan instalment debtors if it is a charge. Other finance costs also include the non-cash charge we incur each year on long-term provisions as the payout moves one year closer (the discount unwind).

	26 weeks ended 3 July 2021 (unaudited)	26 weeks ended 4 July 2020 (unaudited)	52 weeks ended 2 January 2021 (audited)
	£m	£m	£m
Loans repayable within five years	**(15)**	(13)	(26)
Loans repayable wholly or in part after five years	**(14)**	(19)	(37)
Underlying loan interest payable	**(29)**	(32)	(63)
Underlying interest expense on lease liabilities	**(38)**	(39)	(75)
Total underlying interest expense	**(67)**	(71)	(138)
Fair value movement on quoted debt	**-**	-	(10)
Fair value movement on interest rate swaps	**(3)**	(2)	-
Interest accruing on funeral plan liabilities	**(29)**	(30)	(60)
Discounting on funeral plan debtors	**(5)**	-	-
Non-underlying finance interest	**(2)**	(2)	(4)
Other finance costs	**(39)**	(34)	(74)
Total finance costs	**(106)**	(105)	(212)

* In-line with our full year 2020 financial statements we have restated our comparative results for the 26 weeks ended 4 July 2020 as we have changed the way that we account for revenue on funeral plans. See Note 14 for details of the restatement.

5 Taxation

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

The Group does not expect to be tax-paying in respect of its half year results due to the availability of brought forward tax losses and allowances.

The tax charge in respect of continuing operations of £7m (26 weeks ended 4 July 2020 restated*: charge of £51m; and 52 weeks ended 2 January 2021: charge of £55m) and effective tax rate of 16% (26 weeks ended 4 July 2020 restated*: 72%; and 52 weeks ended 2 January 2021: 43%) relates to:

1. A review of the effective tax rate for the full year has been applied to the underlying trading results (excluding recurring net pension credits taken to the income statement) - this results in a tax charge of £3m.

2. A review of material transactions reflected in the year gave rise to a net tax credit of £5m. The tax impact of these material transactions mainly relate to losses on property disposals (tax credit of £2m) and the impact of one-off transactions (tax credit of £3m).

3. HMRC have not raised any further enquiries in the first half of the year, as such the uncertain tax risk provision for existing enquiries remains unchanged from as at 2 January 2021.

4. The Finance Act 2021 being brought into legislation means the Corporation Tax rate will rise from 19% to 25% on 1 April 2023. Following the substantial enactment of this rate change, the deferred tax assets and liabilities of the Group need to be restated to the prevailing 25% tax rate in the half-year results, where these are materially expected to unwind after 1 April 2023. The impact of this is an £9m net tax charge in relation to the restatement of these deferred tax assets and liabilities.

A credit of £18m has been posted to other comprehensive income in respect of the actuarial movement arising on the Group's pension schemes. In addition, a charge of £35m has been posted to other comprehensive income in respect of the restatement of the deferred tax liability related to the Group's pension schemes.

The net deferred tax liability of the Group at half year is £185m (as at 4 July 2020 restated* £201m; and 2 January 2021: £161m) and the corporation tax creditor for continuing operations is £nil.

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

Movements in deferred tax in period to 3 July 2021	26 weeks ended 3 July 2021 (unaudited) £m
At beginning of the year (net liability)	**(161)**
Charged to the Income Statement:	
Current period movement	**2**
Impact of change to deferred tax rate	**(9)**
Charged to equity:	
Employee pension schemes	**18**
Impact of change to deferred tax rate	**(35)**
At end of period (net liability)	**(185)**

* Refer to Note 14 for details of the restatement.

6 Profit / (loss) on discontinued operation, net of tax

What does this show? We classify any of our business segments as discontinued operations if they have been disposed of during the year or if they are held for sale at the balance sheet date (which means they are most likely to be sold within a year). This note shows the operating result for these segments as well as the profit or loss on disposal.

Discontinued operation - Insurance (underwriting business)

The sale of our insurance underwriting business (CISGIL) completed on 3 December 2020. The results of that business had been classified as a discontinued operation in both 2019 and 2020 and shown in a separate line at the bottom of the consolidated income statement under Discontinued Operations. As part of the sale agreement Co-op have continued to supply CISGIL with certain agreed services in the first half of 2021 under a service agreement (TSA). The costs and recoveries associated with that agreement are included in the table below within operating expenses and other income respectively and are shown within Discontinued operations in the Consolidated Income statement. Other income also includes a gain of £12m following the settlement of a historic legal claim.

Results of discontinued operation - Insurance (underwriting business)	26 weeks ended 3 July 2021 (unaudited) £m	26 weeks ended 4 July 2020 (unaudited) £m	52 weeks ended 2 January 2021 (audited) £m
Revenue	**14**	157	273
Operating expenses	**(16)**	(187)	(352)
Other income	**12**	38	85
Remeasurement adjustments recognised in arriving at fair value less costs to sell	**-**	(11)	10
Profit / (loss) from discontinued operation	**10**	(3)	16
Finance costs	**-**	(5)	(5)
Profit / (loss) profit before tax from results of discontinued operation	**10**	(8)	11
Tax - relating to the pre-tax profit / (loss) on discontinued operation	**-**	(2)	(6)
Profit / (loss) for the period from discontinued operation	**10**	(10)	5

Segmental analysis - Insurance (underwriting business)	26 weeks ended	26 weeks ended	52 weeks Ended

	3 July 2021 (unaudited) £m	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
Revenue	**14**	157	273
Underlying segment operating (loss) / profit	**(2)**	13	19
Operating profit / (loss)	**10**	(3)	16

The table below shows a summary of the cash flows of discontinued operations:

Cash flows used in discontinued operations:	**26 weeks ended 3 July 2021 (unaudited) £m**	26 weeks ended 4 July 2020 (unaudited) £m	52 weeks Ended 2 January 2021 (audited) £m
Net cash from operating activities	**10**	50	30
Net cash used in financing activities	**-**	(73)	(5)
Net cash from / (used in) discontinued operations	**10**	(23)	25

Cash flows from investing activities were not significant in any period.

7 Pensions

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

Net retirement benefit asset (per balance sheet)	**3 July 2021 (unaudited) £m**	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
Pension schemes in surplus	**1,799**	2,127	1,931
Pension schemes in deficit	**(13)**	(88)	(77)
Closing net retirement benefit	**1,786**	2,039	1,854

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

The main DB pension scheme for the Group is the Pace scheme which closed to future service accrual on 28 October 2015. The actuarial valuations for the Pace scheme have been updated to 3 July 2021 in accordance with IAS 19. The Plymouth and Yorkshire schemes merged into Pace in March 2020, they have also been updated for the 2021 interim financial statements and included in the Pace scheme numbers. Valuations for the Somerfield and United schemes have also been updated for the 2021 interim financial statements.

Assumptions	**3 July 2021 (unaudited)**	4 July 2020 (unaudited)	2 January 2021 (audited)
The principal assumptions used to determine the liabilities of the Pace pension scheme were:			
Discount rate	**1.90%**	1.66%	1.47%
RPI Inflation rate	**3.38%**	3.08%	3.10%
Pension increases in payment (RPI capped at 5.0% p.a.)	**3.29%**	3.02%	3.04%
Future salary increases	**3.63%**	3.33%	3.35%

Net Retirement benefit asset	**3 July 2021 (unaudited) £m**	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
Opening net retirement benefit attributable to Group	**1,854**	1,864	1,864

Admin expenses paid from plan assets	**(2)**	(2)	(5)
Net finance income	**14**	19	37
Employer contributions	**15**	25	44
Past service costs	**-**	-	(3)
Remeasurement (losses) / gains	**(95)**	133	(83)
Closing net retirement benefit asset	**1,786**	2,039	1,854

Amounts recognised in the balance sheet:	**3 July 2021 (unaudited) £m**	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
Fair value of plan assets:			
- Pace	**9,189**	9,408	9,407
- Somerfield Scheme	**1,173**	1,115	1,187
- Other schemes	**818**	1,001	1,114
Total assets	**11,180**	11,524	11,708
Present value of liabilities:			
- Pace	**(7,461)**	(7,389)	(7,553)
- Somerfield Scheme	**(1,102)**	(1,009)	(1,116)
- Other schemes	**(831)**	(1,087)	(1,185)
Total liabilities	**(9,394)**	(9,485)	(9,854)
Net retirement benefit asset per balance sheet:			
Pace	**1,728**	2,019	1,854
Somerfield scheme	**71**	106	71
Total assets	**1,799**	2,125	1,925
Other schemes *	**(13)**	(86)	(71)
Total Liabilities	**(13)**	(86)	(71)
Net Assets	**1,786**	2,039	1,854

*The only other scheme is now the United fund. In March 2021 the Yorkshire and Plymouth funds merged both their assets and liabilities into Pace.

The present value of unfunded liabilities recognised in the balance sheet is £5m (£5m as at 4 July 2020 and 2 January 2021).

During first quarter of 2021 the Plymouth and Yorkshire funds merged into the Pace scheme, effectively meaning these two Schemes had all their assets and liabilities transferred into Pace and the two transferring schemes are in the process of being wound up. As a consequence the Co-op is no longer required to pay deficit contributions, as set out in their former schedule of contributions, in respect of the Plymouth and Yorkshire schemes, totalling £10m per annum.

8 Assets and liabilities held for sale

What does this show? This shows the value of any assets or liabilities that we hold for sale at the year end (these generally relate to properties or businesses that we plan to sell soon). When this is the case, our balance sheet shows those assets and liabilities separately as held for sale.

Assets held for sale	**3 July 2021 (unaudited) £m**	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
(a) Discontinued operation - Insurance underwriting business (see note 6)	**-**	980	-
(b) Other assets held for sale (see below)	**2**	2	21
Total	**2**	982	21

Liabilities held for sale			
(a) Discontinued operation - Insurance underwriting business (see note 6)	**-**	900	-
(b) Other liabilities held for sale (see below)	**-**	-	5
Total	**-**	900	5

(a) Discontinued operation - Insurance (underwriting business)

The sale of our insurance underwriting business completed on 3 December 2020. The results of that business had been classified as a discontinued operation in both 2019 and 2020 as well as in the current period (26 weeks ended 3 July 2021) and shown in a separate line at the bottom of the consolidated income statement under Discontinued operations. The assets and liabilities were remeasured at fair value less costs to sell and were shown separately in the balance sheet. Further detail is given in Note 6 (Loss on discontinued operations, net of tax).

(b) Other assets and liabilities classified as held for sale are below:

Other assets and liabilities classified as held for sale	**3 July 2021 (unaudited) £m**	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
Goodwill and intangible assets	**-**	-	10
Right-of-use assets (leases)	**-**	-	2
Property, plant and equipment	**2**	2	9
Total assets	**2**	2	21
Lease liabilities	**-**	-	5
Total liabilities	**-**	-	5

9 Interest-bearing loans and borrowings

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

See Note 12 for a breakdown of the IFRS 13 level hierarchies (which reflect different valuation techniques) in relation to these borrowings.

Non-current liabilities:	**As at 3 July 2021 (unaudited) £m**	As at 4 July 2020 (unaudited) £m	As at 2 January 2021 (audited) £m
£105m 7.5% Eurobond Notes due 2026 (fair value)	**128**	121	128
£245m 7.5% Eurobond Notes due 2026 (amortised cost)	**258**	260	259
£300m 5.125% Sustainability Bond due 2024 (amortised cost)	**299**	299	298
£109m 11% final repayment subordinated Notes due 2025	**109**	109	109
£20m 11% Instalment repayment Notes (final payment 2025)	**9**	13	9
Total (excluding lease liabilities)	**803**	802	803
Lease liabilities	**1,265**	1,253	1,234
Total Group non-current interest-bearing loans and borrowings	**2,068**	2,055	2,037

Current liabilities:	**As at 3 July 2021 (unaudited)**	As at 4 July 2020 (unaudited)	As at 2 January 2021 (audited)

	£m	£m	£m
£11m 6.875% Eurobond Notes due 2020 (fair value)	**-**	11	-
£165m 6.875% Eurobond Notes due 2020 (amortised cost)	**-**	165	-
£165m 6.875% Eurobond Notes due 2020 (amortised cost) - interest accrued	**-**	11	-
£245m 7.5% Eurobond Notes due 2026 (amortised cost) - interest accrued	**19**	17	9
£300m 5.125% Sustainability Bond due 2024 (amortised cost) - interest accrued	**2**	2	2
£20m 11% Instalment repayment Notes (final payment 2025)	**3**	1	2
£109m 11% final repayment subordinated Notes due 2025 - interest accrued	**6**	-	-
Corporate investor shares	**9**	10	3
Total (excluding lease liabilities)	**39**	217	16
Lease liabilities	**197**	182	191
Total Group current interest-bearing loans and borrowings	**236**	399	207

Reconciliation of movement in net debt

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

For 26 weeks ended 3 July 2021 (unaudited)		**Non cash movements**		**Cash flow**	
	Start of period	**New leases**	**Other**		**End of period**
	£m	**£m**	**£m**	**£m**	**£m**
Interest-bearing loans and borrowings:					
- current	**(16)**	**-**	**(25)**	**2**	**(39)**
- non-current	**(803)**	**-**	**-**	**-**	**(803)**
Lease liabilities					
- current	**(191)**	**(15)**	**(95)**	**104**	**(197)**
- non-current	**(1,234)**	**(97)**	**66**	**-**	**(1,265)**
Total Debt	**(2,244)**	**(112)**	**(54)**	**106**	**(2,304)**
Group cash:					
- cash & overdrafts	**269**	**-**	**-**	**(139)**	**130**
Group Net Debt	**(1,975)**	**(112)**	**(54)**	**(33)**	**(2,174)**
Less fair value / amortised cost adjustment	**34**	**-**	**-**	**-**	**34**
Group Net Debt before fair value / amortised cost adjustment	**(1,941)**	**(112)**	**(54)**	**(33)**	**(2,140)**

For 26 weeks ended 4 July 2020 (unaudited)		**Non cash movements**		**Cash flow**	
	Start of period	**New leases**	**Other**		**End of period**
	£m	**£m**	**£m**	**£m**	**£m**
Interest-bearing loans and borrowings:					
- current	(200)	-	(11)	(6)	(217)
- non-current	(803)	-	2	(1)	(802)
Lease liabilities					
- current	(193)	(4)	(39)	54	(182)
- non-current	(1,277)	(26)	50	-	(1,253)
Total Debt	(2,473)	(30)	2	47	(2,454)
Group cash:					
- cash and overdrafts	308	-	-	156	464
Group Net Debt	(2,165)	(30)	2	203	(1,990)
Less fair value / amortised cost adjustment	33	-	(3)	-	30
Group Net Debt before fair value / amortised cost adjustment	(2,132)	(30)	(1)	203	(1,960)

For 52 weeks ended 2 January 2021 (audited)	Start of period	Non cash movements New leases	 Other	Cash flow	End of period
	£m	£m	£m	£m	£m
Interest-bearing loans and borrowings:					
- current	(200)	-	(54)	238	(16)
- non-current	(803)	-	-	-	(803)
Lease liabilities					
- current	(193)	(15)	(188)	205	(191)
- non-current	(1,277)	(99)	142	-	(1,234)
Total Debt	(2,473)	(114)	(100)	443	(2,244)
Group cash:					
- cash & overdraft	308	-	-	(39)	269
Group Net Debt	(2,165)	(114)	(100)	404	(1,975)
Less fair value adjustment	33	-	1	-	34
Group Net debt before fair value / amortised cost adjustment	(2,132)	(114)	(99)	404	(1,941)

The tables above do not include balances in relation to CISGIL which was classified as Held for sale throughout 2019 and 2020 and subsequently disposed of on 3 December 2020.

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

What does this show? This note shows how our operating profit figure, as reported in the income statement, is reconciled to the net cash from operating activities as shown as the starting position in the cash flow statement. Non-cash items are added back to or deducted from the operating profit figure to show how much cash is generated from our operating activities.

	26 weeks ended 3 July 2021 (unaudited)	26 weeks ended 4 July 2020 (unaudited & restated*)	52 weeks ended 2 January 2021 (audited)
	£m	£m	£m
Operating profit from continuing operations (Note 1)	**8**	85	207
Depreciation and amortisation charges	**197**	189	380
Non-current asset impairments	**14**	21	36
Loss on closure or disposal of businesses and non-current assets	**12**	18	3
Change in fair value of investment properties	**-**	-	(1)
Retirement benefit obligations	**(14)**	(23)	(35)
Decrease / (increase) in inventories	**6**	(2)	(6)
Increase in receivables	**(46)**	(86)	(248)
Increase in contract assets (funeral plans)	**(2)**	(2)	(8)
Increase in contract liabilities (funeral plans)	**24**	40	99
(Decrease) / increase in payables and provisions	**(47)**	158	215
Net cash flow from operating activities (continuing operations)	**152**	398	642
Net cash flow from operating activities (discontinued operations)	**10**	50	30
Net cash flow from operating activities	**162**	448	672

* Refer to Note 14 for details of the restatement.

11 Commitments and contingent liabilities

What does this show? This note shows the value of capital expenditure that we're committed to spending at the balance sheet date and provides an update on the contingent liabilities included in our 2020 annual report.

Capital expenditure which the Group is committed to at 3 July 2021 (but which has not been accrued for at that date as it has not yet been incurred) was £14m (4 July 2020: £19m). There are no significant contingent liabilities to report as at 3 July 2021.

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

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

Funeral plan investments as per the balance sheet:	**3 July 2021 (unaudited) £m**	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
Current	**-**	-	-
Non-current	**1,344**	1,309	1,331
Funeral plan investments	**1,344**	1,309	1,331

Fair value through the income statement:	**3 July 2021 (unaudited) £m**	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
Funeral plan investments	**1,344**	1,309	1,331
Total Funeral plan investments	**1,344**	1,309	1,331

Fair values recognised in the balance sheet

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

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

12 Funeral plan instruments and fair values of financial assets and financial liabilities continued

Fair values recognised in the balance sheet continued

3 July 2021 (unaudited)	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Financial assets at fair value through income or expense				
- Derivatives	**-**	**5**	**-**	**5**
- Funeral plan investments	**-**	**-**	**1,344**	**1,344**
Total financial assets held at fair value	**-**	**5**	**1,344**	**1,349**

Liabilities				
Financial liabilities at fair value through income or expense				
- Fixed-rate sterling Eurobond	**-**	**128**	**-**	**128**
- Derivative financial instruments	**-**	**3**	**-**	**3**
Total financial liabilities held at fair value	**-**	**131**	**-**	**131**

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

The table above (and the comparative tables below) only show those funeral plan assets that are "financial assets". They don't include funeral plan assets in respect of instalment plans that are shown within debtors. The coverage of our funeral plan assets over plan liabilities as at the last actuarial valuation is shown in the table at the end of this note and indicates we have headroom of over 3% on a wholesale basis.

4 July 2020 (unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Assets				
Financial assets at fair value through income or expense				
- Funeral plan investments	-	-	1,309	1,309
Total financial assets held at fair value	-	-	1,309	1,309
Liabilities				
Financial liabilities at fair value through income or expense				
- Fixed-rate sterling Eurobond	-	132	-	132
- Derivative financial instruments	-	3	-	3
Total financial liabilities held at fair value	-	135	-	135

2 January 2021 (audited)	**Level 1**	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Assets				
Financial assets at fair value through income or expense				
- Funeral plan investments	-	-	1,331	1,331
- Derivatives	-	3	-	3
Total financial assets held at fair value	-	3	1,331	1,334
Liabilities				
Financial liabilities at fair value through income or expense				
- Fixed-rate sterling Eurobond	-	128	-	128
- Derivative financial instruments	-	1	-	1
Total financial liabilities held at fair value	-	129	-	129

Basis of valuation of Level 2 financial assets and liabilities:

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

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

Basis of valuation of Level 3 financial assets and liabilities:

Funeral plans - when a customer takes out a funeral plan the initial plan value is recognised as an investment asset in the balance sheet and at the same time a liability is also recorded in the balance sheet representing the deferred income to be realised on performance of the funeral service covered by each of the funeral plans. The investments are held in insurance policies or cash-based trusts and attract interest and bonus payments throughout the year dependent upon market conditions. The plan investment is a financial asset, which is recorded at fair value each period through the income statement using valuations provided to Co-op by the insurance policy provider. The plan values represent what the policy provider would pay out on redemption of the policy at the valuation date with the main driver being underlying market and investment performance. The performance obligation to deliver the funeral is treated as a contract liability (deferred income) under IFRS 15. The deferred amount is subject to adjustment to reflect a significant financing component which is charged to the income statement each period. The liability accretes interest in-line with the discount rate applied to the plan on inception. The discount rate applied is based on an estimated borrowing rate between the customer and the Group at the point the contract is entered into. The contract liability is held on the balance sheet as additional deferred income until the delivery of the funeral at which point the revenue is recognised.

Funeral plan investments	**3 July 2021 (unaudited) £m**	4 July 2020 (unaudited) £m	2 January 2021 (audited) £m
At start of period	**1,331**	1,271	1,271
New plan investments (including on-going instalments)	**42**	38	86
Plans redeemed or cancelled	**(54)**	(63)	(107)
Unrealised fair value movement on funeral plan investments	**25**	63	81
At end of period	**1,344**	1,309	1,331

The Group holds investments on the balance sheet in respect of funeral plan policies which are invested in either individual whole of life policies, trusts or life assurance products. The investments are subject to an annual actuarial valuation. The most recent valuation was performed as at 30 September 2020 and reported headroom on a wholesale basis of £40m (2019: £89m).

Actuarial Valuation (Unaudited)	**30 September 2020**	30 September 2019
	£m	£m
Total Assets	**1,287**	1,296
Liabilities:		
Present value (wholesale basis)	**1,247**	1,207
Total Liabilities	**1,247**	1,207
Headroom	**40**	89
Headroom as a % of liabilities	**3%**	7%

13 Membership and community reward

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

Members	**3 July 2021 (unaudited)**	4 July 2020 (unaudited)	2 January 2021 (audited)
	m	m	m
Active Members	**4.2**	4.5	4.3
Membership and community rewards (within the income statement)	**£m**	£m	£m
Member reward earned	**11**	28	45
Community reward earned	**10**	5	13

Total reward	**21**	33	58

From October 2020 Member and Community rewards are earned at 2% (prior to that Member reward was 5% and Community was 1%).

14 Prior period restatement

What does this show? Occasionally we realise that the numbers we published in the accounts last year may not have been quite right due to an error. When this is the case it may be appropriate to revise (restate) the prior year numbers to correct them for the error. In such circumstances then this note explains how the error happened, what we have done to correct it and the impact this has had on the Group's accounts in the prior year.

The restatements noted below relate soley to the half-year comparative figures in these financial statements (covering the 26 week period ending 4 July 2020). The restatements mirror those which were explained in our 2020 Annual Report and Accounts (Note 35, Prior year restatement) which applied to our full year 2019 numbers. We need to show a restatement in these financial statements as this is the first time that the 2020 half-year comparative information has been published since the new accounting treatment has been applied.

Revenue recognition for funeral plans - the Group adopted the new accounting standard for revenue recognition in 2018 and at that time we applied a judgement that the revenue to be recognised for a funeral plan was variable and so changed over time. When a customer takes out a plan, the monies are invested in whole of life insurance policies whose value changes over time until redemption. The key judgement we took was that on redemption of a policy, the monies received from the policy was 'consideration' receivable for the funeral. Therefore, investment gains from the policy were deferred on the balance sheet and only recognised as revenue at the point the funeral was performed. Our auditors disagreed with this judgement and qualified their 2019 audit opinion on that basis, with the view that the fair value investment gains do not represent variable consideration because they are not payments from the customer for the future provision of a funeral. Instead, their view was that investment gains should be reflected in the consolidated income statement as they arise in accordance with IFRS 9. Consequently, because payments are received in advance of the delivery of a funeral then a financing transaction is recognised, such that the payments received from the customer are accreted by a rate which reflects a financing rate between the Group and the customer. We were also subsequently advised by the Financial Reporting Council's (FRC) Corporate Reporting Review team that our 2019 accounts were subject to review including specific reference to our accounting for funeral plans.

During the second half of 2020 and following discussions with the FRC and our auditors we reflected on this matter and we agreed to change the judgement we apply in 2020. Any investment gains and losses from our whole of life insurance policies are now measured at fair value through our income statement in accordance with IFRS 9 rather than being deferred on the balance sheet until the funeral is performed. Previously we considered revenue to be the amounts received on redemption of a whole of life insurance policy, and this was considered to be variable consideration as the value changed over time according to the value of the underlying policy. We now consider revenue to be the amounts we receive from the customer in accordance with IFRS 15 rather than from the redemption of the whole of life insurance policy. Hence there is no variable consideration. Under this policy, payments are received from the customer in advance of a funeral being performed and so we recognise an effective interest charge on the monies received from a customer in each year until the plan is redeemed at which point the revenue is recognised as the total of the monies received from the customer and the interest charged. The gains or losses arising from movements in the fair value of funeral plan investments are now recognised within our finance income or finance costs each year.

This change of judgement was accounted for in accordance with IAS 8 and our 2020 half year numbers (for the 26 week period to 4 July 2020) have been restated to reflect the new accounting treatment as if it had always been the case. The changes impact the Group's half-year 2020 consolidated income statement, half-year 2020 consolidated balance sheet, half-year 2020 consolidated cashflow and half-year 2020 statement of changes in equity. As this restatement is material, then we also presented an additional third balance sheet in our 2020 Annual Report and Accounts, being our balance sheet as at the start of our 2019 financial year as required under IAS 1.

Reclaim Fund de-consolidation - previously Co-op have included the assets and liabilities of the Reclaim Fund Limited (RFL) in our consolidated balance sheet. This was based on a judgement that we controlled RFL and that we were exposed to changes in the financial results of RFL. During 2020, the Group reflected on this judgement especially in the context of the proposed sale of 100% of the share capital of RFL to HM Treasury which completed on 30 March 2021.

Whilst the Group was considering this judgement, it also received notification that the Group's Annual Report and Accounts to 4 January 2020 were subject to review by the Financial Reporting Council's (FRC) Corporate Reporting Review team. In response to this review and as part of the Group's ongoing review of this judgement, it was concluded that the Group does not meet the criteria to consolidate RFL under the criteria set out in IFRS 10 'Consolidated Financial Statements'. In arriving at that conclusion, it was noted that the Group was not exposed to any variable returns from RFL, be they positive or negative and as such consolidation was not permitted under IFRS 10 in such circumstances.

Furthermore, the Group's judgement was that it had insufficient ability to direct the relevant activities of RFL, and as a result RFL should not be treated as an associate within the Group's accounts either. Accordingly, RFL was treated as an investment in the financial statements and held at nil value. Consequently, the deconsolidation of RFL was treated as a prior year restatement.

On 30 March 2021, the entire issued share capital of Reclaim Fund Limited was sold to HM Treasury for nominal consideration. The sale has no material impact on the Group's financial statements since the Reclaim Fund Limited is no longer consolidated within the Group.

Impact on comparative information

A summary of the impact of the prior period adjustments on the consolidated income statement for the 26 week period ended 4 July 2020, the consolidated balance sheet as at the 4 July 2020 and the consolidated cashflow statement for the 26 week period ended the 4 July 2020 is as follows:

Consolidated income statement for the 26 week period ended 4 July 2020	**As previously reported**	**Funeral plans**	**Reclaim Fund**	**Restated**
	£m	**£m**	**£m**	**£m**
Revenue	5,797	4	-	**5,801**
Operating expenses	(5,723)	-	-	**(5,723)**
Other income	7	-	-	**7**
Operating profit	81	4	-	**85**
Finance income	21	-	-	**21**
Finance costs	(75)	-	-	**(75)**
Net finance costs on funeral plans	-	40		**40**
Profit before tax	27	44	-	**71**
Taxation	(43)	(8)	-	**(51)**
(Loss) / profit from continuing operations	(16)	36	-	**20**

Consolidated balance sheet as at 4 July 2020	**As previously reported**	**Funeral Plans**	**Reclaim Fund**	**Restated**
	£m	**£m**	**£m**	**£m**
Non-current assets				
Funeral plan investments	1,309	-	-	**1,309**
Contract assets (funeral plans)	55	-	-	**55**
Reclaim Fund assets	150	-	(150)	**-**
Other non-current assets	6,382	-	-	**6,382**
Total non-current assets	7,896	-	(150)	**7,746**
Current assets				
Contract assets (funeral plans)	5	-	-	**5**
Reclaim Fund assets	474	-	(474)	**-**
Other current assets	2,375	-	-	**2,375**
Total current assets	2,854	-	(474)	**2,380**
Total assets	10,750	-	(624)	**10,126**

Non-current liabilities				
Contract liabilities (funeral plans)	1,483	23	-	**1,506**
Reclaim Fund liabilities	459	-	(459)	**-**
Deferred tax	204	(4)		**200**
Non-current liabilities	2,400	-	-	**2,400**
Total non-current liabilities	4,546	19	(459)	**4,106**
Current liabilities				
Contract liabilities (funeral plans)	161	2	-	**163**
Reclaim Fund liabilities	91	-	(91)	**-**
Other current liabilities	3,066	-	-	**3,066**
Total current liabilities	3,318	2	(91)	**3,229**
Total liabilities	7,864	21	(550)	**7,335**
Equity				
Share Capital	73	-	-	**73**
Other Reserves	92	-	(74)	**18**
Retained earnings	2,721	(21)	-	**2,700**
Total equity	2,886	(21)	(74)	**2,791**
Total equity & liabilities	10,750	-	(624)	**10,126**

Consolidated statement of cashflows for the 26 week period ended 4 July 2020	**As previously reported**	**Funeral Plans**	**Reclaim Fund**	**Restated**
	£m	**£m**	**£m**	**£m**
Net cash from operating activities	473	(25)	-	**448**
Net cash used in investing activities	(147)	25	-	**(122)**
Net cash used in financing activities	(166)	-	-	**(166)**
Net cash and overdraft balances transferred to held for sale	(4)	-	-	**(4)**
Cash and cash equivalents at beginning of the period	308	-	-	**308**
Cash and cash equivalents at end of the period	464	-	-	**464**

Accounting policies and basis of preparation

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

These condensed consolidated interim financial statements of Co-operative Group Limited ('the Society') for the period ended 3 July 2021 ('the interim financial statements') include the Society and its subsidiaries (together referred to as 'the Group').

The audited consolidated financial statements ('the 2020 annual report') of the Group for the year ended 2 January 2021 are available upon request from the Society's registered office at 1 Angel Square, Manchester, M60 0AG.

The interim financial statements as at and for the 26 weeks ended 3 July 2021 are unaudited and do not constitute statutory accounts.

Statement of compliance

These interim financial statements have been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting and the Disclosure and Transparency Rules (DTR) of the Financial Services Authority. They do not include all the statements required for full annual financial statements and should be read in conjunction with the 2020 annual report.

The comparative figures for the financial year ended 2 January 2021 presented within these financial statements are not the Society's statutory financial statements for that financial year. Those financial statements have been reported on by the Society's auditors. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters in which the auditors drew attention by way of emphasis without qualifying their report, and (iii) contained no statement that the Society did not keep appropriate accounting records.

These interim financial statements were approved by the Board of Directors on 15 September 2021.

Accounting estimates and judgements

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

In preparing these interim financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied in the 2020 annual report except where stated within the notes to these accounts.

New standards and accounting policies adopted by the Group

Except as described below, the accounting policies applied in preparing these interim financial statements are consistent with those described in the 2020 annual report.

(A) New standards:

The Group has considered the following standards and amendments that are effective for the Group for the period commencing 3 January 2021 and concluded that they are either not relevant to the Group or do not have a significant impact on the financial statements :

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16)
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

Standards, amendments and interpretations issued but not yet effective

Details of those standards that may impact the Group's accounts in future periods are given in the 2020 annual report. The adoption of the following standards will or may have a material impact when adopted. Management has undertaken an initial assessment of the expected impact of applying the new standards on the Group's financial statements and details are shown in the 2020 annual report.

- IFRS 17 Insurance Contracts.*

** Effective 1 January 2023.*

(B) Other changes:

The results of our Insurance business (marketing and distribution) are now shown as a separate operating segment (note 1). For the 52 weeks ended 2 January 2021 and 26 weeks ended 4 July 2020 they were included in Other Businesses. This follows the sale in December 2020 of our insurance underwriting business (CISGIL) and is in-line with the way that information is now reported to our Board.

The comparative figures presented within these financial statements for the interim period ended 4 July 2020 are consistent with the 2020 interim report except for the re-statements noted below:

- Revenue recognition for funeral plans
- De-consolidation of Reclaim Fund

Further details of these 2 items and full details of the impact of these restatements on the comparative figures is given in Note 14.

Impact of Covid-19 on interim financial statements
Management has considered the impact that Covid-19 has had on the Group's accounting policies, judgements and estimates. Impairment reviews have been carried out in the period to reflect the current economic environment and to reflect the increased uncertainty within the UK economy. The results of these impairment reviews have been detailed in note 1. Following the onset of the pandemic in the first half of 2020 the Group refreshed its judgements in relation to provisions, in particular vacant property provisions where the ability to sublet vacant properties reduced due to the impact of Covid-19 on the retail sector.

Going concern

The financial statements are prepared on a going concern basis as the directors have a reasonable expectation that the Group has enough money to continue in business for the foreseeable future. Our Co-op borrows money from banks and others, and as part of this process we have checked that we can comply with the terms of those agreements, for example, banking covenants and facility levels.

The assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period, to 30 September 2022. Although our Co-op has a robust planning process, the current economic uncertainty caused by the Covid-19 pandemic and UK recession means that additional sensitivities and analysis have been applied to test going concern 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:

1) Understand what could cause our Co-op not to be a going concern.
2) Board review and challenge the base case forecast produced by management including key investment choices.
3) Consider downside sensitivities across the base case forecast as part of going concern.
4) Examine what mitigating actions would be taken in the event of these scenarios.
5) Perform reverse stress tests to assess under what circumstances going concern would become a risk, assess the likelihood of whether they could occur and any further mitigating actions.
6) Conclude upon the going concern assumption.

1) Understand what could cause our Co-op not to be a going concern
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 our Co-op not being a going concern are:

a. ***Not having enough cash to meet our liabilities as they fall due.*** Throughout the going concern period the facility limit within which we need to operate is £1,169m, which includes £769m non-bank facilities and £400m bank syndicate facilities; and/or

b. ***A breach of the financial covenants implicit in our bank facility agreement.***
- Net Debt Leverage: Consolidated net debt as a multiple of bank-defined EBITDA must not exceed 3.00:1.00 at each six-monthly covenant test date.
- Adjusted Interest Cover: The bank-defined EBITDA (further adjusted by a fixed rental figure) as a multiple of the consolidated net finance charges, must not fall below 1.75:1.00 measured at each six-monthly covenant test date.

2) Board review and challenge the base case forecast
We have conducted a highly detailed forward planning exercise as part of our strategic plan. The Co-op's base case forecast includes prudence due to the uncertainty in the market and impact from recession. We have also planned for ongoing pandemic-related costs and provide contingency for risks materialising through the year. 2021 represents a high investment year for our Co-op as we seek to pay our frontline colleague a fair wage and invest in our prices across Retail and Funeralcare. The Board have reviewed and approved these plans.

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 sensitivities of internal and external factors on the financial projections including (but not limited to):

- A reduction in the sales demand in our Retail business, with a prudent 1% LFL reduction to sales calculated versus 2019.

• A reduction in the timely realisation of our transformation and working capital initiative benefits across our businesses.
• A reduction in the demand of our Funeralcare business, with a prudent 2% reduction in LFL sales. We also modelled a lower return on our funeral plan investments.
• Potential repayment of some of the Covid-19 related Government reliefs.
• Additional Covid-19 pandemic risks in high staff absence rates, lower fuel sales volumes and higher PPE safety costs. Covid-19 risks reverse in 2022 as they represent one-off costs that are only necessary during pandemic conditions.

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.

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. 2021 represents a high investment year and does therefore provide short-term options not available in previous years. Options include:
• Our Co-op’s ability to control the level and timing of its capital expenditure programme (circa £550m over the going concern timeframe).
• Apply cost control measures across both variable and overhead budgets.
• Our Co-op's options to slow down and reduce investment into price and membership.

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 worst-case scenario at which point the model breaks.
Whilst unlikely, to demonstrate the above, we have modelled a significant downturn in the grocery market of a further -3% retraction in Retail sales and a further reduction in funeral volume of -4%. In addition, we have modelled the impact of a significant shortfall in our transformation programme benefits delivery.
We note, however, that 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. Whilst all remain undesirable strategically there is also
the option to apply further stringent cost control measures.

6) Conclude upon the going concern assumption
For the purposes of going concern we assume that no new facilities from re-financing are required or needed. We do not anticipate any change in this assumption, but this will be kept under review.
In addition, our Co-op has an accordion option with the banking syndicate to obtain £100m of additional revolving credit facilities. Whilst available to Co-op, this has not been included in our assessment as our base facilities are enough to cover our going concern calculations without any breach of covenants.

Assessment versus previous assumptions
We have reviewed our actual results in the first half of 2021 against those that were used in the going concern forecast and assessment for our 2020 financial statements and conclude that there are no material differences between the actuals and the forecast that was used which would change the going concern assessment and assumption.

Jargon buster (unaudited)

There are lots of technical words in our accounts which we have to use for legal and accounting reasons. We’ve set out some definitions in the jargon buster table below to help you understand some of the difficult phrases accountants like to use. When a word is in bold in the jargon buster table that means you can also find the definition of that word in this table.

There is also a “What does this show?” introduction to every note to the accounts describing in simple terms what the note is trying to show.

Initially though we define and explain some of the Alternative Performance Measures (APMs) that we use throughout the Annual Report and Accounts.

Alternative Performance Measures (APMs)

Our Annual Report and Accounts includes various references to Alternative Performance Measures (APMs). These are financial ratios and metrics that are not defined by International Financial Reporting Standards (IFRS) and as such they may not be comparable with the APMs that are reported by other entities.

We include our APMs in the Annual Report and Accounts as we think they give useful information to our members to help them better understand the underlying performance and financial health of their Co-op. We don't however think the APMs that we provide are better than the statutory measures noted under IFRSs and they are not meant to replace them.

The table below explains in simple terms how the APMs are calculated and why we think they are useful measures to use. Where possible we also call out the nearest equivalent IFRS measure and cross-refer to the section of the financial statements where we reconcile between the APM and that IFRS measure. Our choice of APMs has been consistent year-on-year.

APM	
Like-for-like sales	Definition and Purpose: Like-for-like sales growth relates to growth in sales at those Food stores that have been open for more than one year (with any sales from stores that have closed in the year being removed from the calculation and prior year figures). The calculation includes VAT on sales but excludes fuel sales from our petrol forecourts. For Wholesale then the like-for-like metric relates to those partners (stores) that have been with Co-op for more than one year (with any sales from partners who have left in the year being removed from the calculation). The measure is used widely in the retail sector as a relative indicator of current trading performance versus the prior year. It is also helpful to our members in comparing our underlying performance and growth against the wider market as well as against other retailers (as it removes the impact that opening and closing stores may have on absolute sales levels). Closest IFRS equivalent: There is no close equivalent to this measure under IFRS. Where reconciled in the financial statements: Not applicable as there is no close equivalent to this measure under IFRS.
2 year like-for-like sales	We've introduced a new 2 year like-for-like sales metric in the 2021 Interim financial statements. This is in-line with many other major retailers as we think it helps with the understanding of comparative performance given the impact of CV-19 in the first half of 2020. The metric is calculated in a similar way to the standard like-for-like definition (see above) except that it compares the first half of 2021 to the first half of 2019 (rather than the first half of 2020) and includes those Food stores that have been open for this time period since 2019. This is because the first half of 2020 was so heavily distorted by the impact of the pandemic and we think using 2019 (which was not impacted by CV-19) gives a more helpful comparison

	of underlying performance.
Underlying operating profit before tax	Definition and Purpose: Underlying operating profit reflects our operating profit before the impact of property and business disposals (including individual store and branch impairments), the change in the value of investment properties and one-off items. We exclude these items as they are not generated by our day-to-day trading and by excluding them it is easier for our members to see and understand how our core businesses are performing. Closest IFRS equivalent: Operating Profit. Where reconciled in the financial statements: Income statement – and Note 1 (Operating segments).
Underlying profit before tax (PBT)	Definition and Purpose: Our underlying PBT figure is simply our underlying operating profit (as calculated above) less our underlying interest (being the day-to-day interest we pay on our bank borrowings and lease liabilities). Other interest income or expense such as our net interest income or expense on funeral plans is either not generated by our day-to-day trading or is not considered by management in the day-to-day running of the business as it distorts the underlying trading performance of the Group. Such items are not included in our underlying PBT metric so it is easier for our members to see and understand how our core businesses are performing. Again the measure looks to remove those items that are not generated by our day-to-day trading (as per the definition noted above) but we also include the day-to-day finance costs of running of our businesses. Closest IFRS equivalent: Profit before tax. Where reconciled in the financial statements: Note 1 (Operating segments).
	Definition and Purpose: Net debt is made up of our of bank borrowings and overdrafts off-set by our cash balances.

Net debt (interest bearing loans and borrowings only)	The figure excludes any lease liabilities. The metric provides a useful assessment of the Group's overall indebtedness which in turn reflects the strength of our balance sheet and consequently the financial resources available to us to employ and direct on behalf of our members. Closest IFRS equivalent: Interest bearing borrowings less cash and cash equivalents. Where reconciled in the financial statements: Consolidated statement of cashflows.
Total debt (including lease liabilities)	Definition and Purpose: Total debt is made up of our of bank borrowings and any lease liabilities that we have. It excludes any cash or cash equivalent balances that we may hold. The metric provides a measure of the Group's gross indebtedness. Closest IFRS equivalent: Interest bearing loans and borrowings plus lease liabilities. Where reconciled in the financial statements: Consolidated statement of cashflows.

Jargon Buster (unaudited)

Accounting surplus (pensions)	When a pension scheme has more **assets** than the amount it expects to pay out in the future (the **present value** of its **liabilities**) then it has an accounting surplus.
Accrued income	When we've performed a service but haven't billed the customer yet, we hold the amount due on the balance sheet as accrued income. Once we bill the customer the balance is then moved to **receivables**.

Amortisation	Similar to **depreciation**, but for **intangible assets.**
Amortised cost	We value some of our **debt** based on its amortised cost. This is the **present value** of the expected future cash flows in relation to the debt.
Asset	This is an amount on our **balance sheet** where we expect to get some sort of benefit in the future. It could be a building we use or are planning to sell, some cash or the amount of money a customer owes us.
Assets held for sale	Sometimes we have to sell things. When we've decided to make a large disposal before the year end but the **asset** hasn't been sold yet, we have to show it in this line on the **balance sheet** and reduce its value (**impairment**) if necessary.
Assets in the course of construction	These are **assets** that we're in the middle of building. They're on our **balance sheet** as we've spent money already building them, but they aren't ready for us to use them yet so we're not **depreciating** them.
Associate	When we have significant influence over a company (usually by owning 20-50% of a company's shares and/or having a seat on its Board), we call that company an associate.
Balance sheet	This shows our financial position – what **assets** we have and the amounts we owe (**liabilities**).
Banking Syndicate	We have an agreement in place with a collection of banks (known as our Banking Syndicate) that gives us quick access to borrowings should we need them.
Benefit payments (pensions)	This is the amount our pension funds pays out to pensioners.
Capital expenditure	When we spend money on items that will become **assets** (such as property or IT systems) this is shown as capital expenditure. The costs are not shown in the **income statement** of the year it's spent – instead the costs are spread over the life of the **asset** by **depreciation** or **amortisation**.
Cash flow statement	This shows how much cash has come in or gone out during the year and how we've spent it.
Cash Generating Unit (CGU)	A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For our Food business this is defined as an individual store, and for our Funeral's business this is defined as a regional care centre and the funeral branches which it serves as they are heavily interrelated.
CISGIL	This is the society that operates the Insurance underwriting business – CIS General Insurance Limited. We sold this business on 3 December 2020.
Commitments	Where we've committed to spend money on something (such as building projects) but we're not technically liable to pay for it, we don't put the amount on the **balance sheet** but we disclose the amount in the commitments note.
Comprehensive income	This is our profit for the year plus **other comprehensive income**.
Consolidated	As this report is based on the financial performance and position of many societies and companies around **the Group**, we have to add up all those entities and the total is the consolidated position.
Contingent asset	This is an amount that we might get in the future. Unless it's almost certain that we'll get the amount, we're not allowed to put it on the **balance sheet** but we show the amount in the contingent **assets** and **liabilities** note.
Contingent liability	This is an amount that we might have to pay in the future. If it's only possible, rather than probable, that we'll have to pay the amount, then we won't show the amount on the **balance sheet** but we show the amount in the contingent **assets** and **liabilities** note.
Contract assets	These are costs we've incurred in advance of being entitled to receive payment from a customer under a contract, such as costs incurred in setting up a **funeral plan.** We hold these on the balance sheet until we've

	delivered all the services to our customer and are entitled to receive payment.
Contract liabilities	This is where a customer has paid us in advance of them receiving goods or services under a contract (for example, a **funeral plan**). We have to hold this on the **balance sheet** until the customer receives the service they've paid for.
Corporate investor shares	This is money that other societies invest with us and we pay them interest on it. The societies can get their money back at any time.
Credit	This is an increase in income/reduction in costs on the **income statement** or an increase in a **liability**/reduction in an **asset** on the **balance sheet**.
Current	An **asset** or **liability** that is expected to last for less than a year.
Current tax	This is the amount we expect to pay in tax for the year based on the profits we make.
Debenture	This is a type of loan that we've issued and are paying interest on.
Debit	This is a decrease in income/increase in costs on the **income statement** or a decrease in a **liability**/increase in an **asset** on the **balance sheet**.
Debt	Loans that we've issued and are paying interest on.
Deferred acquisition costs	These are amounts which our Insurance underwriting business pays to secure business. It then holds these costs on the **balance sheet** and **amortises** over the length of the insurance period.
Deferred consideration	This is an amount we'll be paying to a seller for businesses we've bought or an amount we'll be getting from a buyer for businesses that we've sold.
Deferred income	Occasionally we receive monies (or recognise deferred consideration following the sale of a business) in advance of when we will actually perform the service we are being paid for. When this happens we hold a liability on our balance sheet until the point at which we perform the service at which point we extinguish the liability and recognise the income.
Deferred tax	Sometimes our **assets** and **liabilities** are worth more or less on our **balance sheet** than they are for tax purposes. The tax on the difference in value is called deferred tax and can be an **asset** or **liability** depending on whether the value is greater in the **balance sheet** or for tax purposes.
Defined benefit schemes	This is a pension scheme where an amount is paid out to an employee based on the number of years worked and salary earned.
Defined contribution schemes	This is a pension scheme where an amount is paid into the scheme and at retirement the employee draws on the amount that has been invested over the years.
Depreciation	Some **assets** the Co-op will have for a while (such as vehicles). When we buy them the cost goes on our **balance sheet** and then depreciation spreads the cost of the **asset** evenly over the years we expect to use them in the **income statement**.
Derivatives	These are financial products where the value goes up or down based on an underlying **asset** such as currency, a commodity or interest rate.
Discontinued operations	When we sell a large business, we report its results at the bottom of the **income statement** so that it's easier for readers to see the performance of **the Group's** other continuing businesses.
Discount rate	This is the amount that we are **discounting** by. It's a percentage and varies based on what we expect interest rates or inflation to be in the future.
Discount unwind	Every year the amount that we're **discounting** is going to be worth more as we get nearer to paying or receiving it. We have to put that increase in value (the discount unwind) through our **income statement.**
Discounting	When we have to pay or receive cash in the future, accountants like to take off part of the amount if it's a big amount (like on our **onerous leases**). This is because cash we pay or receive in the future is going to be worth less than it is now – mainly because of inflation.
Disposals	When we have sold an **asset.**

EBITDA	This is **operating profit** excluding any **depreciation** or **amortisation**. The letters stand for earnings before interest, tax, depreciation and amortisation.
Effective tax rate (ETR)	This is the average tax rate we pay on our profits. This might be different to the standard corporation tax rate, for example, if we aren't allowed to deduct some of our costs for tax purposes.
Equity	This is the difference between the **assets** we own and the **liabilities** we owe – theoretically, this is how much money would be left for our members once every **asset** is sold and every **liability** is paid.
Eurobond Notes	This is our largest, fixed interest **debt** that we pay interest on to fund our businesses' operations.
Expected credit losses	This is an estimate of the amount of our **receivables** which will not be repaid.
Fair value movement	There are some things on our **balance sheet** which we have to revalue every year. This includes some of our **debt**, **investment properties,** our pension schemes and **funeral plans**. The change in value is called the fair value movement.
Federal	Federal relates to the activities of a joint buying group that is operated by the Group for itself and other independent co-operative societies. The Group acts as a wholesaler to the other independent co-operatives and generates sales from this. This is run on a cost recovery basis and therefore no profit is derived from its activities. This is separate to our **Wholesale** business.
Finance costs	These are usually the interest we pay on our **debt**, but can also be other things such as the **fair value movement** on our debt or the **discount unwind** of **liabilities**.
Finance income	This mainly relates to the interest on our pension assets and the **unrealised gains on funeral plan investments**, but can also be other things such as the **fair value movement** on our **debt** or the **discount unwind** of **receivables**.
Finance lease	A finance lease is a way of providing finance. Effectively a leasing company (the lessor or owner) buys the asset for the user (usually called the hirer or lessee) and rents it to them for an agreed period.
Financial Conduct Authority (FCA)	The FCA regulates the financial services industry in the UK.
Financial instruments	A collective term for **debt** or **derivatives** that we have.
Financial Reporting Council (FRC)	The FRC regulate auditors, accountants and actuaries and they set the UK's Corporate Governance and Stewardship codes.
First Mortgage Debenture Stock	This is a small **debt** we owe that is secured against some properties – a bit like a mortgage.
Fuel	Refers to fuel sales generated from our petrol forecourts.
Funds in use invoice discounting facility	Invoice discounting is an arrangement with a finance company so that we can be paid for amounts we are owed on invoices earlier than the date our customers are due to pay us. 'Funds in use' is just the term for the amount we owe to the finance company.
Funeral plans	Our customers may not want their family to pay a large single sum for a funeral when he or she dies. Therefore, the customer can pay for it gradually or in lump sums over a number of years and **the Group** will invest that money.
Funeral plan investments	When a customer gives us money for their funeral in the future, we invest this money. The balance of these investments is held on the **balance sheet**.
Goodwill	When we buy a business or a group of **assets**, sometimes we pay more for it than what its **assets** less **liabilities** are worth. This additional amount we pay is called goodwill and we put it on our **balance sheet**.
(the) Group	This is Co-operative Group Limited and all companies and societies that it owns.

Hedging	Sometimes we want to protect ourselves in case we have to pay more in the future for something. This could happen if the value of the pound falls so we have to pay more when buying something abroad or if interest rates go up. We take out **derivatives** to protect us from this and this process is known as hedging.
IAS	International Accounting Standards. **The Group** use these as the accounting rules. There are many different IASs that cover various accounting topics (e.g. IAS 38 is for **intangible assets**)
IFRIC	International Financial Reporting Interpretations Committee. These are interpretations of IASs or IFRSs that **the Group** also has to abide by.
IFRS	International Financial Reporting Standards. Similar to IAS, but cover different subjects.
Impairment	Sometimes our **assets** fall in value. If a store, branch, business or investment is not doing as well, we have to revalue it and put the downward change in value as a cost in our **income statement.**
Income statement	This not only shows our income as the name suggests, but also what our costs are and how much profit we've made in the year.
Intangible asset	We have **assets** at the Co-op that we can't see or touch which are shown separately to other **assets**. These include things like computer software and **goodwill**.
Interest rate swaps	We like to know what interest we're going to be paying in the future so we can manage our businesses effectively. We enter into arrangements with banks so that we can do this – for example, if we have **debt** where the interest rate can vary, we can buy an interest rate swap which means that instead we'll pay a fixed rate of interest. The value of these swaps can go up or down depending on how the market expects interest rates to change in the future.
Inventories	This represents the goods (the stock) we're trying to sell. The cost of this is shown on our **balance sheet**.
Inventory provision	If some of our stock isn't selling, we write those costs off to the **income statement** and hold a **provision** against those goods on the **balance sheet**.
Investment properties	Properties that we don't trade from, and which we might rent out or hold onto because the value might go up, are called investment properties.
Invoice discounting facility	Invoice discounting is an arrangement with a finance company so that we can be paid for amounts we are owed on invoices earlier than the date our customers are due to pay us.
Joint ventures	When we own 50% of a company we call it a joint venture. Sometimes **associates** are called joint ventures commercially as they're ventures with other parties, but are called **associates** for accounting purposes. A joint venture is a company where we own exactly 50%.
Lease Liability	This represents the discounted future payments we are due to make to suppliers in exchange for the right to use their equipment or property.
Liability	This is an amount on our **balance sheet** which we'll have to pay out in the future.
Like-for-like sales	The measure of year-on-year sales growth for stores that have been opened for more than one year. This is a comparison of sales between two periods of time (for example, this year to last year), removing the impact of any store openings or closures.
Listed debt securities	People can trade some of our **debt** such as the **Eurobonds fair**. When this is the case, it's a listed debt security.
Member payments	This is an amount we've paid our members in the year and approved at the AGM such as dividends.
Member rewards	These are the benefits that members have earned for themselves during the year as part of the 2% membership offer.
Net assets	Same as **equity.**
Net debt	This is the **debt** we have less any cash that we might have.
Net operating assets	**Net assets** less investments, funeral bonds, **deferred tax**, **pension surplus** and drawn **debt**.

Non-controlling interest	This is the **equity** in a **subsidiary** which is owned by another shareholder. For example, if we only own 60% of a company, the other 40% is the non-controlling interest.
Non-current	An **asset** or **liability** that is expected to last for more than one year.
Non-GAAP measure	GAAP stands for Generally Accepted Accounting Principles. This is the common set of accounting principles, standards and procedures that companies must follow. Sometimes, companies want to provide different measures to help readers understand their accounts (such as underlying profit) where there isn't a standard definition – these measures are called non-GAAP measures.
One-off items	Items that are not regular in size or nature and would otherwise cloud the underlying profitability of **the Group** are stripped out. This could include a large IT project or a large restructuring exercise.
Onerous leases	When we close a store we sometimes still have to pay running costs until the lease runs out (such as rates). When this happens, we make a **provision** for the amount of the running costs we will have to pay in future and hold this on the **balance sheet**. Rental costs are excluded from this provision now we have adopted **IFRS** 16 (Leases) as those costs are included in the **lease liability**.
Operating profit	This is our profit before we have to pay any interest to our lenders or tax to the tax authorities. It is also stated before any net finance income / (costs) from funeral plans.
Operating segments	This is an accounting term for the different businesses we have. When the financial performance of one of our businesses is reviewed separately from the other businesses by our Board, we call that business an operating segment and its sales and profit are disclosed in Note 1.
Other comprehensive income	Sometimes we have big **fair value movements** on long term **assets** and **liabilities**. The **income statement** is meant to show the performance during the year, so to avoid this being distorted by these big changes, they are shown separately as other comprehensive income.
Parent	This is the owner of a **subsidiary**.
Payables	Another name for **liabilities.**
PAYE	Pay As You Earn. A tax which is paid on wages.
Pension interest	This is the interest that we're allowed to show in our **income statement** and is the **discount rate** used to **discount** the pension **liabilities** multiplied by the pension surplus or deficit last year.
Performance obligations	These are promises to provide distinct goods or services to customers.
Prepayment	When we pay in advance for a cost which relates to services that will be received over a future period of time (for example, rent or insurance), we hold that cost on our **balance sheet** as a prepayment and then spread the cost over the period of the service.
Present value	This is the value of a future cost or income in today's money and is arrived at by **discounting**.
Provisions	This is a **liability**, but one where we're unsure what the final amount we have to pay will be and when we'll have to settle it. We use our best estimate of the costs and hold that on the **balance sheet**.
Realised gains	This is when we sell an **asset** for a profit.
Receivables	When someone owes us some money, we hold that amount as a receivable on our **balance sheet**.
Reclaim Fund	This is an entity that helps money in dormant bank accounts to be used for charitable purposes.
Related party	This is a company or person that is closely linked to the Co-op. It's usually a member of our Board or Executive or their close family plus companies such as our **associates** and **joint ventures**.

Remeasurement gains / losses on employee pension schemes	There are lots of assumptions that are used when valuing pensions. If those assumptions change this can have a big effect on the size of the pension **asset** or **liability**. So that we don't distort the **income statement**, this effect is shown in **other comprehensive income**.
Repayment notes	This is a type of loan, which we repay either in instalments or in a lump sum at the end of the loan.
Reserves	This is the amount of **equity** we have, but excluding any **share capital**.
Restated	Sometimes we change the numbers that we showed in last year's accounts. This might be because we have changed where or how we record certain things or it could be that we have corrected an error. There are strict rules around what can be changed and when we make changes we explain why in the accounting policies.
Retained earnings	This is all the profits we've made since the beginning of time for the Co-op that have not yet been paid out to members.
Retirement benefit obligations	Another term for our pension **liabilities.**
Return on plan assets (pensions)	This is the income our pension **assets** have generated in the year.
Revaluation reserve	When we revalue a property upwards, we're not allowed to put this **unrealised gain** through our **income statement** or within **retained earnings** as law dictates that this can't be distributed to members until the property is sold. It's then ring-fenced as a specific **reserve**.
Revolving Credit Facility	This is money that our lenders have agreed we can borrow if we need to. It works a bit like an overdraft.
Right of use asset (ROU)	This is an asset that we don't own legally, but which we lease from another party. The asset represents the value the Co-Op has in being able to use the asset over the length of a lease contract.
ROCE	Return on capital employed. This is based on our underlying profit we make in the year divided by the net operating assets we have.
Sale and leaseback	This is when an asset is sold to a third party and then immediately leased back under a lease agreement. For the Co-op, this usually relates to the sale of a building such as a store.
Sensitivity analysis	When an item on our **balance sheet** varies in value from year to year based on some estimates that we make, we show a sensitivity analysis which shows you how much the **asset** or **liability** would change by if we were to change the estimate.
Share capital	This is the amount of money that our members have paid us to become members less any amounts that we've repaid to them when they cancel their membership.
Society	The Co-operative Group Limited is a registered co-operative society. We sometimes refer to our collective whole as 'the Group' or 'the Society' and the terms are broadly interchangeable.
Subsidiary	This is a company or society that is owned by another company.
Supplier income	Sometimes our agreements with suppliers mean they will give us money back based on the amount of their products we buy and sell. We call this supplier income.
Underlying interest	This is the day-to-day interest we incur on our bank borrowings and **lease liabilities** and is what management consider in the day-to-day running of our Co-op. Non-underlying interest are those items that are not generated by our day-to-day trading or are not considered by management in the day-to-day running of the business (such as the interest on **funeral plan** liabilities or the **fair value movement** on the Group's quoted debt and **interest rate swaps**).
Unrealised gains	An **asset** may have gone up in value, but we've not sold it. If this is the case, the profit from the gain is unrealised as we've not sold the **asset** yet.

Unrealised gains – funeral plans	The **funeral plan investments** which we hold on behalf of our customers attract interest and bonus payments each year (depending upon market conditions). The gains or losses in the **fair value** of the plan investments is recognised within finance income /costs each year.
Wholesale	The Group's **operating segment** (trading Division) that sells direct to other retailers (rather than to individual members of the public). This primarily relates to the business we operate after we bought Nisa but it also includes any franchise stores. Wholesale is separate to our **Federal** segment.