The Manx Co-operative Society Limited

Annual Report and Financial Statements

Registered number IM 25

31 December 2022

Corporate Information

Directors
The Directors who held office during the period and to date are as follows:

S Etherington (Chair) (appointed 16 May 2022)
H Thomas (appointed 17 March 2022, resigned 16 May 2022)
J McNeill
W Tomlinson
D Aram

Officers
C Sellers (Secretary)
A Corrie (Operations Manager)

Auditors
Ernst & Young LLC
Rose House
51 - 59 Circular Road
Douglas
Isle of Man
IM1 1AZ

Registered Office
4 Myrtle Street
Douglas
IM1 1ED

Contents

Directors’ Report

The Directors are pleased to present their annual report and financial statements for the 52 week period ended 31 December 2022.

Principal activities

The principal activity of The Manx Co-operative Society Limited (the 'Society') is the operation of convenience stores.

Business review

During a year largely unhindered by COVID measures and with the summer seasonal return to more normal tourism, including the TT races and the Manx Grand Prix, both sales and profit improved significantly on the previous year with sales revenues growing by almost £4 million to £39,582,000 and operating profit almost tripling from £562,000 to £1,469,000.

Strong sales growth has been achieved with customer numbers up by 15.6% (2021: 1.0% down) and despite average basket spend down 3.8% (2021: 4.0% down). Overall profitability has increased with operating profit of 3.7% of sales (2021: 1.6%).

Payroll costs decreased despite the rise in sales and a significant increase to pay rates for most colleagues as more efficient working practices were reinstated in the post covid world and colleague absence levels returned to pre-pandemic levels. The new Co-op Store in Crosby achieved sales of over £3.7million during its first full calendar year of trade almost triple the expectation. The home delivery services at Ramsey and Crosby continued growing at pace and there are now 4 vans on the island to provide the service. Once again local causes benefitted by over £100,000 from the Co-op Local Community Fund and the Co-op Community Donations Fund. In addition we supported the First Community fridge partnership on the Isle of Man in Willaston in conjunction with Living Hope Church with plans for additional Fridges in Port St Mary and Ramsey in the pipeline.

While 2022 saw a welcome return to a more normal situation for the island and more normal trading environment for the Manx Co-op, 2023 is already proving to be challenging. The war in Ukraine, soaring energy costs and high inflation are creating a cost of living crisis which is making for a difficult trading environment. However, the Manx Co-op continues to be well placed to serve the needs of our colleagues and customers on the Isle of Man and has made a strong start in 2023.

Dividend

The Directors do not recommend the payment of a dividend (2021: £nil). However, the membership structure is set up in such a way that, members of the Society who are also members of the Society's parent organisation, Co-operative Group Limited (the ‘Parent Organisation’), are eligible for any recommended dividends paid by the Parent Organisation, based on their trade with the Society on the Isle of Man. The structure is the result of a long standing decision agreed by the Board of the Society in relation to the membership structure and payment of dividends.

Directors

The Directors who held office during the period and to date are as follows:

S Etherington (Chair) (appointed 16 May 2022)
H Thomas (appointed 17 March 2022, resigned 16 May 2022)
J McNeill
W Tomlinson
D Aram

Officers

C Sellers (Secretary)
A Corrie (Operations Manager)

Employees

The Board would like to pay thanks to its employees who have contributed to the success of the Society during the period.

By order of the Board

C Sellers
Secretary
Date 11 August 2023

Registered Office:
4 Myrtle Street
Douglas
Isle of Man
IM1 1ED

Statement of Directors' Responsibilities in respect of the Financial Statements

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

Industrial and Building Societies Act 1892 to 1986 requires the Directors to prepare financial statements for each financial period, which meet requirements of Isle of Man Law. In addition, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under that law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period.

In preparing these financial statements the Directors are required to:

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

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the Society financial statements comply with the Industrial and Building Societies Acts 1892 to 1986. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of The Manx Co-operative Society Limited

Qualified Opinion

We have audited the financial statements of the Manx Co-operative Society Limited for the year ended 31 December 2022 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects on the corresponding figures of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the Society's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Industrial and Building Societies Act 1892 to 1986.

Basis for qualified opinion

Given the impact of Covid-19 we were unable to observe the counting of physical inventories at the end of the year ended 2 January 2021. We were unable to satisfy ourselves by alternative means concerning the inventory quantities of £780k held at 2 January 2021 by using other audit procedures. Consequently, we were unable to determine whether there was any consequential effect on the cost of sales for the year ended 2 January 2021. Our audit opinion on the financial statements for the period ended 2 January 2021 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period to 31 December 2024.

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

Other information

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

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

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £780k held at 2 January 2021. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Society and determined that the most significant are the direct laws and regulations relating to elements of society law and tax legislation, and the financial reporting framework i.e. the Industrial and Building Societies Act 1892 to 1986 and FRS 101.
- We understood how the Manx Co-operative Society Limited is complying with those frameworks by making enquiries with management, internal audit, and those responsible for legal and compliance matters. We reviewed the minutes of board meetings and made enquiries of management and those charged with governance to identify any matters which could have a material impact on the Society.

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

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. In relation to revenue recognition, we performed procedures to address the cut-off of revenue around the period end, and a data analytic tools with a focus on manual journals being posted to revenue using a lower threshold. We also performed audit procedures around supplier income which included testing management's controls in this area, as well as focusing procedures on areas where management apply judgement, where the processing is either manual or more complex and where the value of agreements is high. Our procedures also involved making enquiries with those charged with governance and senior management for their awareness of non-compliance with laws and regulations, inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees and by inquiring about the Society's methods of enforcing and monitoring compliance with such policies.

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

Use of our report

This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Ernst & Young LLC

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Ernst & Young LC
Chartered Accountants
Isle of Man

15 August 2023

Income Statement
for the 52 week period ended 31 December 2022

	Notes	**For period ended 31 December 2022**	For period ended 1 January 2022 (*restated)
		£'000	£'000
Revenue		**39,582**	35,791
Cost of sales		**(26,357)**	(23,990)
Gross profit		**13,225**	11,801
Administrative expenses		**(7,808)**	(7,648)
Distribution costs		**(3,948)**	(3,591)
Operating profit	3	**1,469**	562
Finance expense		**(138)**	(150)
Profit before taxation		**1,331**	412
Taxation	6	**(171)**	(83)
Profit for the period		**1,160**	329

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

Statement of Comprehensive Income
for the 52 week period ended 31 December 2022

The Society has no recognised income or expenses in the current or prior period other than those included in the income statement shown above, therefore a separate Statement of comprehensive income has not been presented. The total comprehensive profit for the period ended 31 December 2022 was £1,160k (2021: £329k).

The notes on pages 11 to 22 form an integral part of these financial statements.

Balance Sheet
As at 31 December 2022

	Notes	**As at 31 December 2022 £'000**	As at 1 January 2022 (*restated) £'000	As at 3 January 2021 (*restated) £'000
Non-current assets				
Property, plant and equipment	7	**2,276**	2,886	2,735
Right-of-use assets	8	**1,795**	1,944	1,213
Intangible assets	9	**2,323**	2,323	2,323
Other investments	10	**35**	35	35
Trade and other receivables	11	**7,987**	6,302	6,333
Total non-current assets		**14,416**	13,490	12,639
Current assets				
Inventories	12	**930**	809	780
Cash and cash equivalents	13	**250**	233	180
Total current assets		**1,180**	1,042	960
Total assets		**15,596**	14,532	13,599
Non-current liabilities				
Deferred tax	14	**(83)**	(127)	(118)
Lease liabilities	8	**(2,162)**	(2,298)	(1,633)
Total non-current liabilities		**(2,245)**	(2,425)	(1,751)
Current liabilities				
Lease liabilities	8	**(277)**	(288)	(205)
Corporate income tax	6	**(162)**	(67)	(220)
Total current liabilities		**(439)**	(355)	(425)
Total liabilities		**(2,684)**	(2,780)	(2,176)
Net assets		**12,912**	11,752	11,423
Equity				
Called up share capital	15	**209**	209	209
Retained earnings		**12,703**	11,543	11,214
Total equity		**12,912**	11,752	11,423

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

The notes on pages 11 to 22 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 11 August 2023 and were signed on its behalf by:

S Etherington	**J McNeill**	**C Sellers**
Director	Director	Secretary

Statement of Changes in Equity
for the 52 week period ended 31 December 2022

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 2 January 2021	209	11,214	**11,423**
Profit for the period (* restated)	-	329	**329**
Share withdrawn	-	-	**-**
Balance at 1 January 2022 (* restated)	**209**	**11,543**	**11,752**
Profit for the period	-	1,160	**1,160**
Share withdrawn	-	-	**-**
Balance at 31 December 2022	**209**	**12,703**	**12,912**

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

The notes on pages 11 to 22 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 General information

The Manx Co-operative Society Limited is a Society domiciled in the Isle of Man. The address of the Society's registered office is 4 Myrtle Street, Douglas, IM1 1ED.

The principal activity of the Society is food retail, operating convenience stores in the Isle of Man.

2 Accounting policies

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

Basis of preparation

The Society meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' and the Industrial and Building Societies Acts 1892 to 1986 for the 52 week period ended 31 December 2022. The comparative period was for the 52 week period ended 1 January 2022.

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

The Society is a subsidary of Co-operative Group Limited (the 'Group'), a Registered Society under the Co-operative and Community Benefit Societies Act 2014 registered in England and Wales. The Society faces the same risks and challenges in relation to climate change as its ultimate parent undertaking (the Group) and manages these risks in-line with the Group's approach to climate change. The Group's overall approach to climate change is outlined in the Group's 2022 Annual Report and Accounts (ARA) - 'Task Force on Climate-Related Financial Disclosures' section on page 44. Climate related risks are also explained within the risk management section on page 62 of the ARA and Principal Risks and Uncertainties (Environment and Sustainability) on page 67 of the ARA.

The Group's assessment of the potential impact of climate change on the long term viability of the Group is also set out on page 122 of the Group's Annual Report and Accounts. This includes an assessment of the potential impact of, and associated responses to, climate change and how that could impact our expectations of future trading conditions. This assessment did not identify any material risks arising from climate change and accordingly there has been no material impact on the valuation of the Group's cashflow forecasts used to assess the going concern basis and the viability statement. Furthermore, the Group's forecasts do not include any material spend in relation to climate change. The Group will keep this assessment under review and continue to monitor developments in the future.

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

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

Notes to the financial statements (continued)

2 Accounting policies (continued)

Restatement

The comparative figures presented within these financial statements for the financial year ended 1 January 2022 are consistent with the 2021 financial statements with the exception of restatements of the prior year as follows:

Intercompany receivables to non-current assets - Following a review of the Society's historic practice and future plans not to call on all intercompany receivables in the short-term, £6,351k of current intercompany receivables as at 1 January 2022 and £6,333k at 3 January 2021 have been reclassified to non-current in line with IAS 1. These balances remain repayable on demand, and can be called upon at the sole discretion of the Company if required. This reclassification has no impact on net assets, result for the year or cash flows.

Prior year adjustment arising from a mismapping of the Crosby store - The opening balances have been restated to reflect the impact of prior year internal mismapping of the new Crosby Co-op store opened in September 2021, whereby the respective balances were not included in the Society's statutory accounts for the year ended 1 January 2022 and were instead incorrectly included in the statutory accounts of Co-operative Group Food Limited. The balance sheet restatements relate to correcting the prior year balance of Property, plant and equipment which was understated by £627k, right-of-use assets understated by £673k, inventories understated by £74k, cash understated by £20k and lease liabilities understated by £708k. The income statement restatements relate to correcting prior year revenue which was understated by £985k, cost of sales understated by £612k, administrative expenses understated by £275k, distribution costs understated by £56k and finance expense understated by £46k.

The tables below show the impact on those line items affected by the restatements:

Balance sheet at 1 January 2022	**Originally Reported £000s**	**Intercompany Receivables to Non-Current £000s**	**Adjustments from mismapping of Crosby Store £000s**	**Restated £000s**
Non-current assets				
Property, plant and equipment	2,259	-	627	2,886
Right-of-use assets	1,271	-	673	1,944
Trade and other receivables	-	6,992	(690)	6,302
Total non-current assets	**3,530**	**6,992**	**610**	**11,132**
Current assets				
Inventories	735	-	74	809
Trade and other receivables	6,992	(6,992)	-	-
Cash and cash equivalents	213	-	20	233
Total current assets	**7,940**	**(6,992)**	**93**	**1,042**
Non-current liabilities				
Deferred tax	(77)	-	(50)	(127)
Lease liabilities	(1,672)	-	(626)	(2,298)
Total non-current liabilities	**(1,749)**	**-**	**(676)**	**(2,425)**
Current liabilities				
Lease liabilities	(206)	-	(82)	(288)
Corporate income tax	(116)		49	(67)
Total current liabilities	**(322)**	**-**	**(33)**	**(355)**
Equity - retained earnings				
Balance at 2 January 2021	(11,214)	-	-	(11,214)
Profit and total comprehensive income for the period	(334)	-	5	(329)
Balance at 1 January 2022	**(11,548)**	**-**	**5**	**(11,543)**

Income statement for the period ended 1 January 2022

	Originally Reported £000s	**Intercompany Receivables to Non-Current £000s**	**Adjustments from mismapping of Crosby Store £000s**	**Restated £000s**
Revenue	34,806	-	985	35,791
Cost of sales	(23,378)	-	(612)	(23,990)
Gross profit	**11,428**	**-**	**373**	**11,801**
Administrative expenses	(7,373)	-	(275)	(7,648)
Distribution costs	(3,535)	-	(56)	(3,591)
Operating profit	**520**	**-**	**42**	**562**
Finance expense	(104)	-	(46)	(150)
Profit before taxation	**416**	**-**	**(4)**	**412**
Taxation	(82)	-	(1)	(83)
Profit for the period	**334**	**-**	**(5)**	**329**

Notes to the financial statements (continued)

2 Accounting policies (continued)

New and amended standards adopted by the Society

The Society has considered the following standards and amendments that are effective for the Society for the period commencing 2 January 2022 and concluded that they are either not relevant to the Society or do not have a significant impact on the financial statements:

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

Standards, amendments and interpretations issued but not yet effective

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

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

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

Critical accounting estimates and judgements

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

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

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

<u>Key judgements:</u>

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

- Leases (note 8) - The Society determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Society has the option, under some of its leases to lease the assets for additional terms of 5 to 10 years. The Society applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Society reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

<u>Key estimates and assumptions:</u>

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

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

- Impairment of non-financial assets (notes 7 - 9) - the carrying amount of non-financial assets (such as property, plant and equipment, right-of-use assets or goodwill and intangibles) is reviewed at each balance sheet date and if there is any indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the greater of the fair value of the asset (less costs to sell) and the value in use of the asset. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount. For property assets the fair value less costs to sell are measured using internal valuations based on the rental yield of the property.

The Society estimates the value in use of an asset by projecting future cash flows into perpetuity and discounting the cash flows (DCF) associated with that asset at a pre-tax rate of 10.1% (2021: 7.3%).

The Society is currently working to identify the physical risk to our business and supply chains from the changing climate, along with the potential impact of policy, technology and market changes as we transition to a lower carbon future. This is a developing area with inherent uncertainty which is constantly evolving. The work being undertaken will help inform our overall response to the risks and opportunities that are identified. Our assessment of the impact of climate-related risk and related expenditure is reflected in the financial models and plans and will continue to be monitored in future periods.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Going concern

The Society generated a profit of £1,160k in the period (2021: £329k) and at the balance sheet dates holds net assets of £12,912k (2021: £11,752k).

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

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

The Group borrows money from banks and others, and as part of this process it has checked that it can comply with the terms of those agreements, for example, banking covenants and facility levels. Accounting standards require that the foreseeable future covers a period of at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. The assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period, to 31 December 2024. Although the Group has a robust planning process, the current economic uncertainty (driven by factors including inflation and rising energy costs) means that additional sensitivities and analysis have been applied to test the going concern basis under a range of downside test scenarios. The following steps have been undertaken to allow the directors to conclude on the appropriateness of the going concern assumption:

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

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

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

a. Not having enough cash to meet its liabilities as they fall due; and/or

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

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

2) Board review and challenge the base case forecast

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

The key assumptions in the plan are:

a) Sales growth continues to be supported by market wide inflation, primarily due to the impact of cost headwinds (energy and wage inflation) increasing the cost of goods. This growth is tempered with volume reduction from cost of living pressures.

b) Cost headwinds continue due to energy and wage inflation.

c) Capital investment remains tightly controlled, supported by a capital light store growth programme.

d) The bond due for maturity in 2024, and those maturing thereafter, are repaid in full out of existing cash balances.

3) Consider downside sensitivities across the base case forecast

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

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

Notes to the financial statements (continued)

2 Accounting policies (continued)

Going concern - *continued*

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

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

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

• The Group’s ability to control the level and timing of its capital expenditure programme, saving a minimum of 10% of the total capital outlay.

• Apply cost control measures across both variable and overhead budgets of at least £20m, as well as flexibility to the level of pass-through of energy and cost inflation to the end customer.

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Society’s cash management are included as a component of cash and cash equivalents.

Property, plant and equipment and depreciation

PPE is measured initially at historical cost and includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Freehold buildings	50 years
Plant, equipment, fixtures, fittings and vehicles	3 - 12 years

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

No depreciation is provided on freehold land.

Notes to the financial statements (continued)

2 Accounting policies (continued)

IFRS 16 Leases

i) Right-of-use assets

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

ii) Lease liabilities

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

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

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

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

Impairment

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

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

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

Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit, or group of cash-generating units, to which the goodwill relates.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Assets and liabilities accepted under a transfer of engagements are restated at fair value, including any adjustments necessary to comply with the accounting policies of the Society.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying value of goodwill is included in the carrying amount of the investment in the associate. Where impairment is required the amount is recognised in the income statement and cannot be written back.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Acquisition costs are expensed to the income statement when incurred.

Pensions and other post-retirement benefits

The Society operates a defined contribution scheme. The assets of the scheme are held separately from those of the Society. The Society's contributions are charged to the income statement as they become payable, in accordance with the rules of the scheme.

Inventories

Inventories and work in progress are stated at the lower of cost, including attributable overheads, and net realisable value. All inventories are finished goods.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Taxation

(i) Income tax

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

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

(ii) Deferred taxation

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

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

Revenue

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

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

All revenue is derived from the Society's principal activity of operating convenience stores in the Isle of Man.

Member rewards

The member rewards earned as part of the membership offer are recognised as a reduction in sales at the point they are earned with a corresponding liability being held on the balance sheet. The liability is reduced when the rewards are redeemed. From October 2020 onwards then member rewards are earned at 2% of sales value (prior to that at 5%). The Community reward is recognised as an operating expense in the income statement when it is earned (from October 2020 at 2% of sales value (prior to that at 1%)).

Supplier income

Supplier income is recognised as a deduction from cost of sales on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued incentives, rebates and discounts receivable at period end are included within trade and other receivables. Where amounts received are in the expectation of future business, these are recognised in the income statement in line with that future business. There are three main types of income:

1. Long term agreements: These relate largely to volumetric rebates based on agreements with suppliers. They include overriders, advertising allowances and targeted income. The income accrued is based on the joint buying group's latest forecast volumes and the latest contract agreed with the supplier. Income is not recognised until confirmation of the agreement has been received from the supplier.

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

3. Promotional income: Volumetric rebates relating to promotional activity agreed with the supplier. These are retrospective rebates based on sales volumes or purchased volumes.

Share capital

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

Investments

Investments are stated at fair value.

Notes to the financial statements (continued)

3 Operating profit

	For period ended 31 December 2022 £'000	For period ended 1 January 2022 (*restated) £'000
Operating profit has been stated after charging:		
Depreciation of PPE	**686**	642
Depreciation of right-of-use assets	**154**	156
Inventory recognised as an expense	**26,357**	23,990
Intercompany recharge	**1,092**	1,086
	28,289	25,874

The auditor's remuneration of £11,372 (2021: £10,245) is borne by the ultimate parent undertaking.

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

4 Staff costs

The average number of persons employed by the Society during the period, analysed by category, was as follows:

	For period ended 31 December 2022	For period ended 1 January 2022
Full-time	**149**	142
Part-time	**113**	104
	262	246

	For period ended 31 December 2022 £'000	For period ended 1 January 2022 (*restated) £'000
Wages and salaries	**4,269**	4,194
Social security costs	**324**	316
Pension costs	**95**	88
	4,688	4,598

Directors' remuneration in respect of services provided to the Society were £6,000 (2021: £6,000)

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

5 Supplier income

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

	For period ended 31 December 2022 £'000	For period ended 1 January 2022 (*restated) £'000
Long term agreements	**912**	570
Bonus income	**386**	296
Promotional income	**1,643**	1,231
	2,941	2,097
Percentage of cost of sales before deducting supplier income		
Long term agreements	**3.5%**	2.4%
Bonus income	**1.5%**	1.2%
Promotional income	**6.2%**	5.1%
	11.1%	8.7%

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

Notes to the financial statements (continued)

6 Taxation

	For period ended 31 December 2022 £'000	For period ended 1 January 2022 (*restated) £'000
Current tax (charge) - current period	(215)	(114)
Current tax (charge) - adjustments in respect of prior periods	-	(9)
Restated Income tax (charge) / credit	-	49
Total current tax	(215)	(74)
Deferred tax credit / (charge) - current period items	45	39
Deferred tax credit / (charge) - adjustments in respect of prior periods	(1)	2
Restated deferred tax (charge) / credit	-	(50)
Total deferred tax	44	(9)
Total tax (charge)	(171)	(83)

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

The tax on the net profit before tax is applied using the Isle of Man applicable rates of corporation tax of 10%/20% (2021: 10%/20%) as follows:

	For period ended 31 December 2022 £'000	For period ended 1 January 2022 £'000
Profit before tax	1,331	412
Current tax charge at 10%/20% (2021: 10%/20%)	(153)	(61)
Effects of:		
Non qualifying depreciation	(17)	(15)
Current tax prior year adjustment	-	(9)
Deferred tax prior year adjustment	(1)	2
Total income tax charge on continuing business	(171)	(83)

The 2020 Budget Measures announced on 18 February 2020 maintained the 10% tax rates on profits from a retail trade and maintained the rate of income tax on profits from land and property at 20%.

7 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2022 (* restated)	894	6,885	7,779
Additions	19	57	76
At 31 December 2022	913	6,942	7,855
Depreciation			
At 1 January 2022 (* restated)	694	4,199	4,893
Charge for the period	50	636	686
At 31 December 2022	744	4,835	5,579
Net book value			
At 31 December 2022	169	2,107	2,276
At 1 January 2022 (* restated)	200	2,686	2,886

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

Notes to the financial statements (continued)

8 Leases

As a lessee

Right-of-use assets

	Property £'000	Total £'000
Balance at 1 January 2022 (* restated)	1,944	**1,944**
Additions	5	**5**
Depreciation charge for the period	(154)	**(154)**
Balance at 31 December 2022	1,795	**1,795**

The Society leases many assets, principally it leases properties for its food retail stores. The leases of retail stores are typically between 20 and 50 years in length and in some cases the Society has options to purchase the assets at the end of the contract term.

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

Lease liabilities

	As at 31 December 2022 £'000	As at 1 January 2022 (*restated) £'000
Current	277	288
Non-Current	2,162	2,298
Lease liabilities included in the balance sheet at 1 January 2022	2,439	2,586

	As at 31 December 2022 £'000	As at 1 January 2022 (*restated) £'000
Lease liabilities - undiscounted maturity analysis		
Less than 6 months	**135**	145
6 - 12 months	**135**	145
1 - 2 years	**270**	290
2 - 5 years	**811**	814
5 - 10 years	**1,352**	1,352
10 - 15 years	**491**	761
More than 15 years	**-**	-
Total undiscounted lease liabilities	**3,196**	3,507

	As at 31 December 2022 £'000	As at 1 January 2022 (*restated) £'000
Opening lease liabilities	**2,586**	1,838
Additions	**39**	853
Interest expense	**138**	150
Payments	**(290)**	(290)
Closing lease liabilities	**2,473**	2,551

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

Extension options

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

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

As at 31 December 2022, included within the lease liability are future cash outflows of £544k (2021: £514k) (discounted) where the Society holds termination options but it is not reasonably certain to execute those termination options.

Notes to the financial statements (continued)

9 Intangible assets

	Goodwill £'000
At 1 January 2022	**2,323**
At 31 December 2022	**2,323**

The goodwill balance relates to the Ramsey (£2,200,000) and Laxey (£122,717) stores and represents the difference between the fair value of the assets on the acquisition at these sites and the fair value of the consideration paid at that time.

In line with the Society's accounting policies an annual impairment review has been undertaken to compare the carrying value of the goodwill with the estimated recoverable amount. The recoverable amount of the Society's assets is the greater of their net selling price and value in use. In assessing value in use, current pre-tax cashflows, taken to perpetuity, have been discounted at a rate of 10.1% using growth rates from the 4 year plan. Key assumptions used in assessing value in use are past experience as well as forecast growth in the business.

This has been done on an individual store basis representing each relevant cash generating unit. On this basis, impairment of £nil (2021: £nil) relating to the Laxey store was booked. There is no impairment of the goodwill required at the Ramsey store as the expected value in use for the store exceeds the carrying value of its goodwill.

10 Other Investments

	£'000
Net book value	
At 1 January 2022	35
At 31 December 2022	**35**

The Society holds investments of £35,000 (2021: £35,000) in the following group entity:

		£'000	**Nature of share capital**	**Principal activity**	**% Ownership**
Co-operative Group Limited	1 Angel Square, Manchester, M60 0AG	35	Ordinary	Food Retail	0.05%
		35			

11 Trade and other receivables

	As at 31 December 2022	As at 1 January 2022 (*restated)
	£'000	£'000
Non-current assets:		
Amounts owed by other Group undertakings	**7,987**	6,302

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

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

12 Inventories

	As at 31 December 2022	As at 1 January 2022 (*restated)
	£'000	£'000
Goods for resale	**930**	809

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

13 Cash and cash equivalents

	As at 31 December 2022	As at 1 January 2022 (*restated)
	£'000	£'000
Cash at bank	11	14
Cash in hand	239	219
Cash and cash equivalents	**250**	233

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

Notes to the financial statements (continued)

14 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 10% (2021: 10%).

	£'000
Deferred taxation liability	
At 1 January 2022 (* restated)	(127)
Income statement credit in the period	44
At 31 December 2022	(83)
Comprising:	
Tangible fixed assets	(152)
IFRS16 leases	69
At 31 December 2022	(83)

* For more details on the prior year restatement, refer to the restatement section of the accounting policies note on page 12.

15 Share capital

	For period ended 31 December 2022 £'000	For period ended 1 January 2022 £'000
Authorised		
A class ordinary shares of £1 each	**304**	306
Allotted, called up and fully paid		
A class ordinary shares of £1 each	**209**	209

IFRIC 2 determines the features, which allow shares to be classified as equity capital.

The £209,000 (2021: £209,000) "A" class ordinary shares are voting, non transferable and redeemable at par. The Board took the decision to cease paying interest on share capital with effect from 1 February 2013 (historically interest was accrued annually to the shareholders based upon the prevailing Co-operative Bank base rate). The period on period movement on this balance represents the impact of the purchase and withdrawal of shares in the Society by members.

In addition there are 16 (2021: 16) "B" class ordinary shares which are voting, transferable non-redeemable and are not entitled to any benefits arising out of the results of the Society.

16 Parent and controlling parties

The Society has a subsidiary relationship with Co-operative Group Limited, a Registered Society under the Co-operative and Community Benefit Societies Act 2014, registered in England and Wales. The Society's results are included within the consolidated accounts that are prepared for Co-operative Group Limited. A copy of the Co-operative Group Limited accounts can be obtained from the Secretary, Co-operative Group Limited, 1 Angel Square, Manchester, M60 0AG. Co-operative Group Limited also holds the Class B shares in the Society and retains certain controlling powers within the Rules of the Society, including appointing and removing Directors to and from the Board. Further details on the called up share capital of the Society and the rights attached to the share categories is detailed in Note 15 to these accounts.