3 April 2025

Full Year Results Announcement: 52 weeks to 04 January 2025

Co-op achieves profit and membership growth against external headwinds

- Group revenue maintained, with significant increase in group profit and further reductions in group net debt.
- Over £200m of new headwind and investment costs, with active choices to support members, colleagues, and communities with cost-of-living challenges.
- Membership growth up 22% to 6.2 million (2023: 5.1 million) - on track to reach target of 8 million by 2030.

Financial Highlights

Performance Measures [1]				
	2024	**2023[2]**	**Variance (£)**	**Var (%/pt)**
Revenue	£11.3bn	£11.3bn	£0.0bn	0.2%
Revenue excl Week 53	£11.3bn	£11.2bn	£0.1bn	1.5%
Underlying operating profit	£131m	£97m	£34m	35%
Underlying profit / (loss) before tax (PBT)	£45m	(£2m)	£47m	n/a
Net debt (excluding leases)	(£55m)	(£82m)	£27m	33%
ROCE	4.7%	3.4%	n/a	1.3%pt
Statutory Measures				
	2024	**2023**	**Variance (£)**	
Operating profit	£151m	£66m	£85m	
Profit before tax (PBT)	£161m	£28m	£133m	
Net debt	(£1,248m)	(£1,315m)	£67m	

(1) A full glossary of Alternative Performance Measures (APMs) and their definitions is included in our financial statements
(2) Comparative figures in 2023 reflect a 53-week period

- Revenue maintained at £11.3 billion as we continued to right size the business and reflecting an additional 53rd week in the comparative year.
- Underlying operating profit up by £34 million to £131 million (2023: £97 million)
- Profit before tax up by £133 million to £161 million (2023: £28 million), driven by increased operating profits and improved Funeralcare plan investment returns.
- Strong balance sheet maintained, with total liquidity of £820m, and net debt (excluding leases) down £27 million to £55 million – 94% reduction in the last 3 years.
- £400m sustainability linked Revolving Credit Facility signed until 2029.
- Long-term credit rating upgraded by Standard & Poors.
- Improvement in Return On Capital Employed (ROCE) to 4.7% (2023: 3.4%), due to improved profit and disciplined capital management.

Debbie White, Chair of the Co-op, added:

"These results show that our strategy on delivering for our member owners whilst also delivering long term financial and operational progress is working. I'm particularly delighted we have increased our active membership by 22%.

"I'd also like to extend a thank you to each colleague for their focus and hard work in delivering these results on behalf of our members.

"We continue to focus on long term profitable growth, creating more value for all our member owners and the communities they live in."

Commenting on the results, Shirine Khoury-Haq, Chief Executive of the Co-op, said:

"Our solid business performance alongside the progress we have made in right sizing the business and delivering against our new strategy, is enabling us to create more value for our member-owners every day.

"While broader economic challenges remain, our businesses are delivering strongly against the market and I'm proud that we continue to provide support to our colleagues, members, and their communities through the continued cost of living challenges they face.

"We look to the future with confidence, supported by a strong balance sheet and a clear and compelling business strategy and remain on track to reach our goal of 8 million Co-op member owners by 2030 with a focus on growing our Co-op for the future."

Key Highlights - Owned by you, right by you – delivering for our members

Growing our membership

- Strong momentum growing active membership base by 22%, reaching 6.2 million-member owners (2023: 5.1million).
- 66% increase in new members joining aged 25 and under, with average age of a member down by 2 years.
- Naming rights sponsorship of new Co-op Live venue in Manchester, which opened in May 2024, directly resulting in 108,000 new member-owners joining.

Giving back to our members and communities

- £92 million investment in member prices across food, insurance and legal.
- £96 million invested into colleague pay to support with cost of living, maintaining Real Living Wage commitment.
- 1.5 million members participated in our Winner Shares It All prize draw, supporting grass roots causes across the UK.
- Our Academies Trust supported over 20,000 children across 38 schools across the North.
- Raised £4 million with Barnardo's to support young people across the UK.
- Launched an International Co-operative Development Fund, supporting global communities rebuilding after war and fostering peace.
- Launched our Future Farming Fund to help British farmers adopt sustainable farming practices, driving innovation and promoting productivity.
- Continued growth in our Co-op Levy Share Scheme with over £9.5 million pledged this year, taking total to over £32 million, supporting over 2,500 apprentices.

Our members own our Co-op

- Increased member engagement – with member participation up 60%, AGM member voting up 38%, and delivery of over 100 pop-up member engagement events.
- Campaigned on issues our members asked us to champion, including effecting positive legislative changes on retail crime.

Outlook

- Continued wider external pressures and volatility, with broader geopolitical issues, introduction of both extended producer responsibility (EPR) charges and higher National Insurance contributions, and cost inflation.
- Whilst not immune from these pressures, our focus is on medium to long term profitability and our strong balance sheet enables us to face directly into these external headwinds, compete effectively in challenging markets, and pursue growth.
- On track to grow our membership to 8 million by 2030 and create even more value for our member-owners.
- Continue to drive growth across our businesses, remaining on track to open over 120 new stores across retail and franchise by the end of 2025.

Business unit Performance and Highlights

Food Retail

	2024	2023	Variance (£)
Revenue	£7.4bn	£7.3bn	£0.1bn
Underlying Operating Profit	£201m	£173m	£28m

- Food revenue up 1.9% at £7.4 billion - with strong multichannel sales across stores and online.
- Food underlying operating profit increased by £28m to £201 million (2023: £173 million).
- Market share up at 13.7% (2023: 13.1% - source Circana) – with growth ahead of the wider convenience market at 4.9% (up 3.3%, against wider market decline of 1.6%)*
- Online sales up 46% at £460 million (2023: £315million).
- Tripled number of new own brand products launched.
- Invested £88 million in lowering food prices for members, £82 million in our estate and £35 million in technology innovation.
- Total of 1300 member prices and offers available over the year.
- Member penetration in our Food stores up at 38% (2023: 33%).
- Launched UK's first retail media network in the convenience sector.

Business to Business (B2B)

	2024	2023	Variance (£)
Revenue	£3.5bn	£3.6bn	(£0.1bn)
Underlying Operating (Loss) / Profit	(£1m)	£14m	(£15m)

Wholesale
- Wholesale revenue down 5.5% at £1.4 billion (2023: £1.5 billion).
- Wholesale loss of (£1) million, (2023: £14 million profit) – due to continued wider challenging market conditions and our proactive support for Partners with a significant price investment across hundreds of products.
- Held NISA market share at 11.9%, against a broader sector decline in volumes*.
- Continue to see high levels of partners buying own brand at 92% (2023: 91%).

Franchise
- Franchise revenue increased 31% to £74 million (2023: £56 million).
- 20 new franchises opened including our first NHS and MoD sites as well as 7 new stores with EG On The Move.
- Growth plans to double the number of new Franchise stores in 2025, with strong pipeline of launches due including further university and NHS sites.

FRTS (Federal Retail Trading Services)
- Federal services revenue down 3.1% at £2.08 billion (2023: £2.14 billion).

Life Services

	2024	2023	Variance (£)
Revenue	£401m	£378m	£23m
Underlying Operating Profit	£41m	£24m	£17m

Profit before tax for Funeralcare has been included as an additional metric below due to as explained in Note 1(g) of the financial statements released today.

Funeralcare

- Revenue up 2.8% to £289 million (2023: £281 million), strong increase in pre-need plan sales with at need volumes down against backdrop of reduction in UK death rate of 2.8%.
- Profit before tax rose to £103 million (2023: £13 million), resulting from an increase in funeral plan investment returns.
- Underlying operating loss of £1 million (2023: £11 million loss).
- Increase in at-need market share to 14.7% (2023: 14.6%).
- Launch of new Direct Cremation Funeral plans, as well as improving technology capability to support sales and administration.
- Client satisfaction scores further increased to 98.1% (2023: 97.0%).

Legal

- Revenue up 23.5% to £84 million (2023: £68 million) and increased underlying operating profit at £27 million (2023: £21 million).
- Significant increases in the number of case openings in estate planning (up 29%). Probate cases up 2.2%*, despite decrease in death rate of 2.8%.
- Introduced new technology, with successful investment in AI in probate, enabling clients' cases to be resolved more quickly.
- Maintained excellent Trustpilot scores, reflecting commitment to customer excellence.

Insurance

- Revenue down 3.4% at £28 million (2023: £29 million), and profitability up at £15 million (2023: £14million).
- Decreased sales across motor (down 23%) and home (down 13%), with continued challenges and consumer switching in these markets.
- Increases in policy sales with travel up 118%, life up 37%, and pet up 5%.
- Broadened product range with the addition of renters insurance product.
- Introduced member prices on all our core insurance products, and new way of joining as a member-owner when buying travel insurance online.
- Awarded gold at the UK Customer Experience Awards.

** On a 52-week basis.*

ENDS

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Chief Executive's overview

In January 2024, we announced our new vision, which is to co-operate to build more value for our member-owners every day.

What makes our Co-op different is that we're owned by and run for our members. The more members choose our products and services, the more value we create for our member-owners and their communities.

We created this vision and the strategy to deliver it in partnership with member-owners and our National Members' Council. In the summer, we launched our Owned by You, Right by You campaign to not only bring the value of our Co-op's membership alive for the public but to show our nation the power of co-operation as a unique and powerful business model.

By the end of 2024, we'd increased our active member base to 6.2 million. This means we have 22% more active members than at the end of 2023, and we're comfortably on track to our target of eight million active members by 2030.

A simpler structure and a solid performance

With our new vision and Group strategy in mind, in 2024, we focused our operations into three business areas: Food, Life Services and Business-to-business. These are areas where we can meet customer and member needs today, and develop our Co-op difference in the years to come.

In each of these areas, we faced challenging markets in 2024 as people continued to feel financially squeezed. Our Food business grew both revenue and market share – a testament to the way we're meeting changing customer behaviour head-on by focusing on Member Prices and 'quick commerce' options, such as UberEats, Just Eat and Deliveroo; we continue to be the number one grocer on each of these platforms. Life Services grew as a whole, powered by a 24% uplift for Legal Services. It was a hard year for the wholesale market; our Business-to-business area saw a reduction in revenue, but we supported our partners and we're confident we've now sown the seeds for future growth.

Our Managing Directors for each area will tell their stories for the year shortly. But from a Group perspective, we have performed well for our member-owners on our long-term journey to sustainable, profitable growth. As Rachel, our Chief Financial Officer, will explain in her update, we held our 2023 revenue into 2024 as we continued to rightsize our business and focus on member value. Simultaneously, we built on the financial discipline established in the previous years; our underlying operating profit grew by over a third to £131m, and we lowered our net debt excluding leases a further 33% to £55m.

Doing right by members, colleagues and communities

Our business performance matters because it powers the positive impact we can have for member-owners, their communities and society. To highlight a few achievements in this area, in 2024 we invested £92m in lower prices for members across our Group, and £20m supporting causes and communities.

We also invested £96m in colleague pay, including a 10.1% pay rise for frontline colleagues in line with the Real Living Wage. And we continued our 30% colleague discount with a gross investment of £36m.

Absorption of these significant, and important, investments in an already difficult business environment should make us all additionally proud of the significant increase in profit and reduction in debt we were able to achieve in the year.

It's vital that we continue to do right by our people in ways like these because it's primarily our colleagues, the vast majority of whom are members themselves, who are turning our vision into reality. Together, we're building a different kind of workplace, where everyone is proud to play their equal part.

For example, we focused on social mobility, belonging and inclusion in 2024. In July, we became the first retailer to publish a socio-economic pay gap report. We also continued to campaign on retail crime;

we've been calling for Safer Colleagues and Safer Communities since 2018, and in April, the Government pledged to make assaulting a retail worker a standalone criminal offence.

Looking back to move forwards

In 2024, we celebrated 180 years of co-operation while readying ourselves for the next 180.

Co-op Live opened in May; initial teething troubles turned into sell-out shows through the year, with exclusive offers and benefits for Co-op members. We launched new propositions, like our new Co-op Media Network, while working to increase engagement among our members. 38% more members voted on AGM motions as we made voting through the Co-op app possible for the first time (2023: 31,130; 2024: 43,061), and we hope this number will grow as we continue to encourage participation.

These are just a few examples of how our strategy helps us to be fully fit for the future, while reminding us of where we've come from.

Thank you to our 54,000 colleagues for embracing change – for all we've already achieved together, and all we will achieve in the years ahead. Thank you to our Board and our Council for championing co-operation so wholeheartedly and for supporting me and our leaders as we delivered for our member-owners in another challenging year. Most of all, thank you to our members for joining us on this journey and for helping us as we made choices along the way.

As Denise has mentioned, 2025 is the United Nations Year of Co-operatives. Similarly, the Government has pledged to double the size of this sector in the UK. I am proud of what we achieved in 2024 while holding our co-operative business model and values close, and I am excited about what more we can achieve as we look forward.

Shirine Khoury-Haq

Chief Executive Officer, The Co-op Group

Group financial overview

Key performance indicators (KPIs)

We use the following indicators to manage the performance of our Co-op. Being a profitable business with financial stability is essential in helping our Co-op to meet its strategic objectives and be there for our member-owners for generations to come. These measures help us assess and understand this stability.

These KPIs include both the statutory measures we're required to share under International Financial Reporting Standards (IFRS) and Alternative Performance Measures or APMs. The APMs are not meant to replace statutory measures under IFRS.

These APMs are consistent with how we measure our Co-op's performance internally, and they help our members understand the underlying performance of our businesses, too.

	2024*	2023*	Var (£m)
Total group revenue	£11.3bn	£11.3bn	£0.0bn
Underlying EBITDA**	£481m	£468m	£13m
Underlying operating profit**	£131m	£97m	£34m
Underlying profit / (loss) before tax (PBT)**	£45m	(£2m)	£47m
Operating Profit	£151m	£66m	£85m
Profit before tax (PBT)	£161m	£28m	£133m
Group net debt	£1,248m	£1,315m	£67m
Group net debt (excluding leases)**	£55m	£82m	£27m
Return on capital employed (ROCE)	4.7%	3.4%	1.3%pt

** The 2024 figures represent the 52-week period ended 4 January 2025 with the 2023 comparatives representing 53 weeks to 6 January 2024.*
*** A full glossary of Alternative Performance Measures (APMs) and their definitions is included in our financial statements.*

Our Chief Financial Officer's overview

I'm pleased to share our Co-op's financial results for 2024 and walk you through the numbers. This was a year where we made clear progress on our journey to sustainable profitable growth, returning 'back into the black' and improving key financial metrics.

This was delivered with a backdrop of continued market volatility, which brought challenges for our members, customers and for our Co-op.

As we entered the year, markets were expected to grow. It was believed that inflationary pressure would ease, but that there may be upward pressure on pay. In reality, consumer demand stayed fragile through 2024, and that upward pressure on pay was joined by wider continuing higher interest rates and wider cost inflation by the end of the year.

We listened to our members and recognised value for money was a primary concern. More than ever we needed to provide economic value to them. To do this and find the balance with improving our profitability for the long term, in 2024, we focused on being both cost and capital effective.

Revenue

Group sales were flat year on year, which reflects a combination of factors, including fragile consumer demand and the fact that there was one more week in the comparative year. Our Managing Directors walk through the performance of our business areas later in this report, but I've summarised the revenue data in the table below.

Revenue	2024	2023	Var	Var %	Var % ex wk53
Food	£7.4bn	£7.3bn	£0.1bn	1.9%	3.7%
FRTS	£2.08bn	£2.14bn	(£0.1bn)	(3.1%)	(3.1%)
*Wholesale**	£1.4bn	£1.5bn	(£0.1bn)	(5.5%)	(4.2%)
B2B	£3.5bn	£3.6bn	(£0.1bn)	(4.1%)	(3.6%)
Funeralcare	£289m	£281m	£8m	2.8%	4.3%
Legal	£84m	£68m	£16m	23.5%	25.4%
Insurance	£28m	£29m	(£1m)	(3.4%)	(3.4%)
Life Services	£401m	£378m	£23m	6.1%	7.5%
Group	£11.3bn	£11.3bn	£0.0bn	0.2%	1.5%

** Wholesale revenue includes sales from our Franchise business.*

It's particularly pleasing to see the majority of our businesses maintaining or improving market share in challenging conditions. Progress in active membership and areas such as quick commerce and Legal Services have enabled us to 'beat the market' in key areas.

Challenging conditions continued in the wholesale and small independent convenience market, as well as Insurance.

Our result in Food reflects volumes returning to growth with pricing kept low, which we achieved with a broadly flat store estate. We continued to carefully manage and right size our Food space to get the most from every store, creating a profitable base to grow from.

Co-op fascia store estate as at year end	Food		Franchise	
	2024	2023	2024	2023
Opening estate	2,349	2,377	37	42
Closures	(28)	(31)	(1)	(9)
Openings *	27	3	20	4
Net change to estate	*(1)*	*(28)*	*19*	*(5)*
Closing estate	**2,348**	**2,349**	**56**	**37**
Percentage change	*(0%)*	*(1%)*	*51%*	*(12%)*
*Revenue per Store ***	*£3.2m*	*£3.1m*		

** Openings include six sites where we have contracted with Shell to operate grocery operations*
*** Only available for Food for reported revenue*

Underlying operating profit

Underlying operating profit increased £34m to £131m. All our colleagues worked hard to achieve this, offsetting significant headwinds and supporting our material investments.

Our headwinds in the year exceeded £200m for the second year running, reflecting price reductions for our members and customers of £92m, colleague pay increases of £96m, and cost inflation of £38m, partially offset by energy costs coming down.

We also continued our investments in the things that matter to our members, including £36m in the 30% colleague discount and £20m in our community work, as well as wider investments in social value, sustainability and food quality.

In this context, the £34m improvement in underlying operating profit was a solid step forward improving our margin by 30 basis points to 1.2% of group sales.

Statutory operating profit improved £85m to £151m, driven by the underlying improvement and a reduction in non-underlying items, such as asset impairments and a handful of favourable asset disposals.

Underlying profit before tax (PBT)
This combines our underlying operating profit with the interest on our financing, lease debt, and cash balances. We returned 'back into the black' here, the first time since 2020, with an underlying PBT of £45m compared to the loss of £2m in 2023; a £47m improvement. This was the improvement in underlying operating profit and a £13m improvement in net underlying interest costs benefitting from our much-improved net debt position.

Our statutory PBT improved further, up £133m to £161m, driven by the underlying profit improvement, plus non-cash improvements in our Funeralcare investment asset returns (£17m to £102m). This year returns were strong; around £50m better than the long-term norm.

Net debt and cash
The above improvements in earnings were achieved while maintaining a strong balance sheet. As a team, we're clear we need to deliver both – continuing our multi-year progress to sustainable profitability, while making sure we maintain a healthy balance sheet to deliver long-term value. This doesn't mean not investing; it means investing carefully and at pace on what matters most, and balancing investment 'out' with cash 'in' from operations.

Cash generated from operations was in line with our expectations at £456m. This was lower than the prior year (2023: £602m), as in 2023 we implemented tighter working capital controls resulting in higher cash generation for that year.

Our capital investment in the year was £273m; a carefully managed increase of £68m against our 2023 spend of £205m. This included investment in the Food estate across new stores, refits, relocations and freehold purchases of £82m (2023: £40m).

Cash generation	**2024**	**2023**	**Var**	**Var %**
Net cash inflow from operating activities	£456m	£602m	(£146m)	(24.3%)
Capex	(£273m)	(£205m)	(£68m)	33.2%
Disposal proceeds	£34m	£37m	(£3m)	(8.1%)
Net cash inflow from funeral plan investments	£20m	£40m	(£20m)	(50.0%)
Lease payments - principal and interest	(£183m)	(£191m)	£8m	(4.2%)
Net bank and loans interest	(£25m)	(£39m)	£14m	(35.9%)
Other	(£2m)	(£4m)	£2m	(50.0%)
Net cash generation	£27m	£240m	(£213m)	(88.8%)

This careful management enabled us to further reduce our net debt excluding leases by the £27m generated from £82m to £55m. Including lease debt our net debt is £1,248m, down £67m year-on-year.

Financing

As a direct result of the financial discipline I've outlined, our credit rating was upgraded by Standard & Poors in 2024. This means our Co-op has better access to both rates and lenders. At the end of the year, we successfully renewed our £400m sustainability-linked credit facility to 2029, which is currently undrawn and used for liquidity risk management.

In the first half of the year, we used cash to repay our maturing bond of £204m. This leaves £475m of borrowings still to repay, with £114m falling due within a year, and the remainder within two years. I'm confident that our improving financial health will let us optimise how, when, and how much we raise as new finance to set our Co-op up for the years to come. In the meantime, our cash and short-term investments at year-end stand at £420m. Combined with the undrawn £400m credit facility, we have sufficient headroom for these volatile times.

Return on capital employed

In our KPIs, we have also included Return On Capital Employed (ROCE), which helps us track our earnings relative to the capital deployed. It's pleasing to see this improve with a combination of improved profit and disciplined capital management.

In summary

This is a financial performance to be proud of. We improved profitability while maintaining a healthy balance sheet, investing for our future and reducing our net debt; a strong performance when you consider the wider picture of slowing markets and cost inflation.

Building a sustainable, profitable business takes time. Three years ago, our debt and costs were too high for a business of our size. Today, we're prudently managing our members' money and generating an underlying profit before tax for the first time in four years. We can't stop here; in the short term, we'll manage the headwinds in front of us. In the medium term, we'll look to further improve our financials and return our Co-op to sustainable levels of profitability.

As a close, I wanted to say thank you for the 2024 results to all of our amazing colleagues – my own team included. Thank you for your work getting us to these results, and for the work on the future profitability of our Co-op.

Rachel Izzard

Chief Financial Officer, The Co-op Group

Business unit update: Food

In 2024, our Food business performed strongly. We found new ways to deliver convenience without compromise, and focused on Member Prices. In doing so, we grew revenue, market share and most of all, momentum.

	2024	2023	Var £/%
Revenue	£7.4bn	£7.3bn	1.9%
Underlying operating profit**	£201m	£173m	£28m
Market share*	13.7%	13.1%**	0.6%

**Source: Circana Market Convenience Data - 52 weeks to 4 Jan 2025 vs. 52 weeks to 6 Jan 2024. Market share at 6 July 2024 was 13.6% against the reported 14.1% in our 2024 interim report, representing an amendment in Circana convenience market data subsequent to the issuance of our report.*

***2023 includes the representation of community reward from Food to costs from supporting functions*

This was the second year of our pure convenience strategy, focusing on value, range and price. This saw our Food business grow underlying profit by £28m, outperform the convenience market and increase market share.

As personal finances continued to be stretched through 2024, we kept reducing the prices of the products we know members already buy and rewarding members with exclusive offers and promotions.

While rightsizing our operations and managing our store estate carefully, we continued to expand our routes to market, developing our online convenience shopping (or 'quick commerce') service. We also invested in future-facing technology to make our stores and wider business more efficient.

Despite the encouraging numbers, it was a challenging market and we can never be complacent about our results. Our focus has already shifted to growth in 2025 and beyond. We'll keep focusing on value in a total sense – price, promotions and value for our member-owners – while also considering the wider environment and the topics that matter most to members, such as British farming and climate change.

Performance

We continued to grow our market share. According to Circana, this stood at 13.7% which is higher than where we closed 2023 with a share of 13.1%. We also grew ahead of the wider convenience market.

We carefully managed our store estate with 62 refits and six relocations, while complementing our physical presence with online options. Demand for our delivery options on shop.coop.co.uk, UberEats, Just Eat and Deliveroo grew by 48% (2024: 22m orders; 2023: 15m). This shows that our members and customers value the convenience of quick commerce, and we celebrated this in our Christmas TV ad: "we deliver party food in as little as 20 minutes".

We innovated in other ways, too. We launched our first Co-op Flow store in our Castlewood Depot: a new frictionless shopping experience where customers don't need to scan products at a till to checkout. And we nearly tripled the number of new products launched compared to the year before (2024: 362, 2023: 136). For example, we expanded our Co-op Irresistible pizza range with hot honey and Kashmiri-style butter chicken.

Keeping our colleagues and members safe in our stores remained a key priority. In 2024 we invested £29m into our stores and communities to create safer environments for our colleagues, member-owners and customers.

This year, we invested £66m into Food store colleague pay. For example, we continued to align to the real Living Wage by increasing our pay for customer team members and Post Office counter assistants from £10.90 to £12 an hour (+10.1%). We also invested £35m into colleague discounts.

We continued to work co-operatively with suppliers and producers. For example, we came first out of 14 retailers ranked by the Grocery Code Adjudicator for overall compliance with the Groceries Supply Code of Practice.

Matt Hood

Managing Director, Food

Business unit update: Life Services

In 2024, we grew our Life Services business by continuing to put our member-owners and clients first; helping you navigate life's challenges with clarity, simplicity and certainty.

	2024	2023	Var £/%
Revenue	£401m	£378m	6.1%
Funeralcare	£289m	£281m	2.8%
Legal	£84m	£68m	23.5%
Insurance	£28m	£29m	(3.4%)
Underlying Operating Profit	£41m	£24m	£17m
Funeralcare	(£1m)	(£11m)	£10m
Legal	£27m	£21m	£6m
Insurance	£15m	£14m	£1m
Market Share Funeralcare**	14.7%	14.6%	0.1%

**Source: Office for National Statistics & National Records of Scotland Market Data - Dec Year to Date (12 Month rolling)*
*** Timecare Adjusted | Source File: National Marketshare Summary 2024 Year End (Timecare Adj). Whole market share data isn't available for Legal and Insurance businesses*

Our Life Services business helps clients plan for – and transition through – life's most important moments. We provide legal services, insurance, funerals and funeral plans.

In 2024, we grew revenue overall (2024: £401m; 2023: £378m), powered by a 24% sales uplift for Legal Services. We increased market share in our more established areas of Legal Services and Funeralcare, alongside cost control. This increased our underlying operating profit to £41m (2023: £24m).

These are all achievements to be proud of, particularly given the declining death rate seen in the UK this year. We focused on offering the best value for money to members and clients, and created more choice with new products, including Direct Cremation funeral plans and renters insurance, while also improving our existing range, systems and processes.

Our colleagues remained central to our success so a big thank you to them all. By upholding the highest standards of service and care, we also continued to see high customer satisfaction scores across our businesses, and external recognition from bodies such as Trustpilot and the UK Institute for Customer Service.

Co-op Legal Services

We're here to help our member-owners and clients to not only understand the law, but make the most of it.

We achieved year-on-year revenue growth of 24% to £84m (2023: £68m), which was driven by our practice areas of Probate and Estate Planning.

This resulted in a 30% increase in operating profit compared to last year (2024: £27m, 2023: £21m).

Our focus on technology continued in 2024. We started replacing some of the systems we use to manage cases, which will improve our processes and help our colleagues work more efficiently.

We also invested in AI to speed up Probate administration tasks, giving our colleagues more time to resolve clients' cases quickly; we'll be expanding its use across our other practice areas in the coming years.

This focus on our clients helped us achieve 'excellent' scores on Trustpilot: 4.9 out of 5 for Co-op Estate Planning and 4.6 out of 5 for Co-op Legal Services.

Co-op Funeralcare

In 2024, we helped more than 90,000 families say their best goodbye.

We generated £289m in revenue in 2024 (2023: £281m). This 2.8% growth was supported by higher revenue from our funeral plans, but our performance was impacted by a decline in demand; the death rate was 2.8% lower than in 2023.

Meanwhile, our at-need market share reached 14.7% (2023: 14.6%), and we launched new Direct Cremation funeral plans in response to member and client feedback – helping us to double our funeral plan sales year-on-year.

We also continued to offer our members the best value for money. We doubled our members' usual discount on funeral plans from October to December, and we invited members to refer a friend to get even more value back. We also successfully implemented Consumer Duty requirements for all our closed products while maintaining high client satisfaction scores for our funeral services (2024: 98%; 2023: 97%).

Co-op Insurance

We're here to support our members and our customers by offering the right cover at the right price. We offer home, life, motor, travel and pet insurance, and as of 2024, renters home insurance and loans.

Overall in 2024, we saw a small reduction in revenue (2024: £28m; 2023: £29m) – it was a challenging year for the insurance industry. Market prices were volatile, which meant many people looking for car and home insurance 'shopped around' for the best price. This led to a 19% reduction in these policy sales in 2024 (2024: 119.7k; 2023: 147.8k). Even so, our policy sales increased overall in 2024 (2024: 279.6k; 2023: 260.4k) with increased demand for both travel and pet cover.

We're committed to making sure our members get the best possible price, so we made exclusive Member Prices available on our core insurance policies.

Our members told us you wanted greater access to finance, particularly loans, so in November we partnered with Aro Finance to help members compare loan offers from a panel of lenders. Members were then given exclusive loan rates from certain lenders, depending on eligibility.

In May, we launched renters home insurance, which protects all the things you own that you'd take with you if you moved. With policies starting at £5 a month and with no cancellation fee, it provides the flexibility our members and customers told us they were looking for.

Finally, we were delighted to win gold at the UK Customer Experience Awards and to be ranked third in the insurance industry by the UK Institute of Customer Service.

Caoilionn Hurley

Managing Director, Life Services

Business unit update: Business-to-business

It was a challenging year for the wholesale market overall. Despite this, we were able to support our partners by significantly lowering prices for them, while also reaching new markets. I'm confident that we've now laid the groundwork that will power growth – for our business unit and our Co-op as a whole – for many years to come.

	2024	2023	Var £/%
Revenue	£3.5bn	£3.6bn	(4.1%)
FRTS	£2.1bn	£2.1bn	(3.1%)
Wholesale***	£1.4bn	£1.5bn	(5.5%)
Underlying Operating Profit	(£1m)	£14m	(£15m)
FRTS	nil	nil	nil
Wholesale***	(£1m)	£14m	(£15m)
Market Share NISA Only*	11.9%	11.9%	0.0%

**Source: Nisa market share of Circana Symbols & Independents - 52 weeks to 4 Jan 2025 vs. 52 weeks to 6 Jan 2024. Market share at 6 July 2024 was 11.9% against the reported 12.9% in our 2024 Interims Report, representing an amendment in Circana convenience market data subsequent to the issuance of our report.*
***Wholesale revenue includes sales from our Franchise business*

Our B2B business brings the best of our Co-op to trusted partners, while giving our members more opportunities to shop with Co-op.

Within this area, we have Co-op Franchise: independent businesses that use our Co-op systems, and often look and feel like our owned stores. Our wholesale business supplies products to independent shops including many under the Nisa brand; these stores stock Co-op products alongside products bought elsewhere. And our Federal Retail Trading Services (FRTS) business sources products and provides logistics services for independent co-operative societies. So we offer a wide range of options to our B2B customers.

In 2024, our revenue was £3.5bn, which represents a 4.1% reduction (2023: £3.6bn). Our operating loss for 2024 was £1 million (underlying operating profit 2023: £14m). This performance reflects the wider challenges faced by the wholesale market, where sales have reduced year-on-year as the cost of living crisis has continued. Franchise stores and independent businesses fall under the 'symbols and independent' market, which saw a volume decline of 6.7% through 2024, according to data from Circana.

To break our performance down, our FRTS business contracted by 3.1%, reflecting the market. While we typically look at our wholesale and franchise business performance together – as in the table – this year, it's useful to separate them. In wholesale, revenues were down by 5.5% (2024: £1.4bn; 2023: £1.5bn), but we still leaned in to support our independent customers who faced more challenges than larger retailers – we significantly lowered our prices to help them through a challenging year along with the rest of the convenience market.

Meanwhile, our franchise business grew by more than 30% (revenue 2023: £56m; 2024: £74m); this figure is included along with our wholesale revenue in the table above. We ended 2024 with 56 franchise stores in various locations including petrol forecourts, hospitals and universities – a 51% increase on 2023 (37 stores).

This area might only make up a small part of our revenue today, but it shows what's possible for B2B in the future. Overall in 2024, we laid the foundations that will power growth opportunities ahead for B2B, while continuing to make a difference for our communities. I'd like to thank my colleagues for all the work they've done in 2024 to help our business succeed in years to come.

Wholesale

Our wholesale business serves independent stores including many under the Nisa brand. 2024 was a hard year for many independent retailers as shifts in consumer demand and changes to legislation impacted trading. As mentioned, through the year, we saw volumes decline by 6.7% across the symbols and independent market, according to data from Circana.

With that context in mind, in 2024 we focused on leaning in to support our partners, enhancing our proposition to help them remain competitive. As well as supporting them on price, we continued to supply our partners with our own-brand products. These items act as a differentiator for independent retailers, helping them meet demand for quality products while staying competitive on price. The Co-op own-brand range we offer through our wholesale business remained popular in 2024, with 92% of retail partners buying into the range. And while our overall sales volumes declined, our own-brand sales remained the same; this range is as loved and as looked-for as ever.

We also supported partners through our logistics network which has operated at 97.3% availability (2023: 95.8%), and by building relationships. While supporting our existing partners, we onboarded new ones.

By achieving these things despite the challenges mentioned, we can clearly see the strength of our wholesale business in a highly competitive market. Even as volumes declined across the sector, we held our market share at 11.9%.

Franchise

In our franchise business, we provide our partners with a full Co-op operating model; they receive our brand, range, space and technology.

2024 saw substantial revenue growth for our franchise business. This was powered by store openings, including new university stores at the University of Surrey and two in Loughborough, including a completely cashless service for the campus demographic. We now serve nearly 150,000 students through our campus sites.

We also launched seven new petrol forecourt stores in partnership with EG On The Move across the UK, and in partnership with Compass Group, we've entered two completely new markets for Co-op. We opened our Co-op's first ever store on the UK defence estate in Portsmouth and entered the NHS market at Nottingham Queen's Medical Centre.

Accessing new locations and new audiences is an example of where our franchise business creates member value for our Co-op, and a transformed retail proposition to the communities we serve. In term time, the university franchise sites are the busiest Food to Go stores in the whole Co-op, and there's a lot we can learn as a Group here about a demographic who may shop with Co-op for life.

FRTS

The Federal Retail Trading Services buying group is made up of 13 independent co-operative societies and our Co-op. We buy the vast majority of our food goods for re-sale together to maximise our buying scale and use members' money efficiently. Overall, it represents about a quarter of our volume in Food.

In 2024, we renewed our shared Buying Services Agreement. Leicester Depot was closed and this work was integrated into our Co-op Group's logistics network. For the first time in our history, all co-operative retail societies that are members of FRTS are serviced through one network, moving around 493m cases per year to nearly 3,750 stores.

We continue to explore where our common co-operative heritage can amplify our positive impacts, such as working together on campaigning for shop worker's rights, more action on retail crime and promoting the benefits of Fairtrade.

Jerome Saint-Marc

Managing Director, Business-to-business

Financial statements

Section 435

This preliminary consolidated financial information is published in line with section 435 of the Companies Act 2006 and does not constitute statutory consolidated financial statements for the 52 weeks ended 4 January 2025. The Annual Report and Group financial statements for the 52 weeks ended 4 January 2025 were approved by the Board of Directors on 2 April 2025. The report of the auditor on those Group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The Annual Report and Group financial statements for 2025 will be filed with the Registrar in due course. The Annual Report and Group financial statements for the 53 weeks ended 6 January 2024 were approved by the Board of Directors on 02 April 2024. The report of the auditor on those Group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

Consolidated income statement

for the 52 week period ended 4 January 2025

Continuing Operations	Notes	2024 £m	2023 £m
Revenue (excluding funeral plans)	2	**11,188**	11,176
Insurance revenue (funeral plans)	2, 20	**91**	86
Total Revenue	2	**11,279**	11,262
Operating expenses (excluding funeral plans)*	3	**(11,108)**	(11,139)
Insurance service expenses (funeral plans)	20	**(81)**	(80)
Other income*	5	**61**	23
Operating profit	1	**151**	66
Finance income	6	**154**	126
Finance costs (excluding funeral plans)	7	**(126)**	(148)
Insurance finance expenses (funeral plans)	7, 20	**(18)**	(16)
Profit before tax	1	**161**	28
Taxation	8	**(63)**	(27)
Profit from continuing operations		**98**	1
Profit on discontinued operation (after tax)		**-**	2
Profit for the period		**98**	3

The comparative figures in 2023 represent the 53 week period ended 6th January 2024.

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

* The prior period has been represented to show gain on property disposals and revaluations as other income for consistency with the current period where the amount is material.

Reconciliation to Underlying performance measures (APMs*)

for the 52 week period ended 4 January 2025

Continuing Operations	Notes	**2024 £m**	2023 £m
Operating profit - as above	1	**151**	66
Add back / (deduct):			
- Property disposals and closures	1	**(19)**	(9)
- Impairment of non-current assets	1	**18**	32
- Change in value of investment properties	23	**(14)**	(4)
- Other non-underlying items	1	**(5)**	12
Underlying operating profit*	1	**131**	97
Less underlying net interest on loans and deposits	6, 7	**(22)**	(31)
Less underlying net interest expense on leases	6, 7	**(64)**	(68)
Underlying profit / (loss) before tax*		**45**	(2)

The comparative figures in 2023 represent the 53 week period ended 6th January 2024.

*Refer to Note 1 for a definition of Underlying operating profit and Underlying profit / (loss) before tax. Further detail on the Group's alternative performance measures (APMs) is given in the Glossary section.

Consolidated statement of comprehensive income / (loss)

for the 52 week period ended 4 January 2025

	Notes	**2024 £m**	2023 £m
Profit for the period		**98**	3
Items that will never be reclassified to the income statement:			
Remeasurement gains / (losses) on employee pension schemes	24	**8**	(1,310)
Related tax on items above	8	**(2)**	328
		6	(982)
Items that are or may be reclassified to the income statement:			
Revaluation gain on properties prior to transfer to Investment properties	23	**3**	3
Insurance finance income / (expense) on funeral plans	20	**94**	(37)
Tax on funeral plan liabilities (insurance contracts)	8	**(24)**	9
		73	(25)
Other comprehensive income / (loss) for the period net of tax		**79**	(1,007)
Total comprehensive income / (loss) for the period		**177**	(1,004)

The comparative figures in 2023 represent the 53 week period ended 6th January 2024.

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

Consolidated balance sheet
as at 4 January 2025

	Notes	**2024 £m**	2023 £m
Property, plant and equipment	10	**1,556**	1,543
Right-of-use assets	11	**805**	827
Goodwill and intangible assets	12	**924**	917
Investment properties	23	**51**	40
Investments in associates and joint ventures		**5**	5
Funeral plan investments	13	**1,414**	1,346
Pension assets (net pension assets for schemes in surplus)	24	**328**	359
Trade and other receivables	16	**6**	7
Finance lease receivables	11	**20**	21
Deferred tax assets	14	**-**	52
Total non-current assets		**5,109**	5,117
Inventories	15	**457**	440
Trade and other receivables	16	**602**	595
Finance lease receivables	11	**6**	8
Short-term investments	17	**100**	200
Cash and cash equivalents	17	**320**	395
Total current assets		**1,485**	1,638
Total assets		**6,594**	6,755
Interest-bearing loans and borrowings	18	**358**	470
Lease liabilities	11	**1,020**	1,054
Trade and other payables	19	**9**	18
Insurance and re-insurance contract liabilities (funeral plans)	20	**932**	1,017
Derivatives	26	**6**	10
Provisions	21	**47**	55
Pension liabilities (net pension liabilities for schemes in deficit)	24	**3**	3
Deferred tax liabilities	14	**38**	-
Total non-current liabilities		**2,413**	2,627
Interest-bearing loans and borrowings	18	**126**	218
Lease liabilities	11	**173**	179
Trade and other payables	19	**1,555**	1,564
Insurance and re-insurance contract liabilities (funeral plans)	20	**77**	89
Derivatives	26	**3**	3
Provisions	21	**49**	55
Total current liabilities		**1,983**	2,108
Total liabilities		**4,396**	4,735
Members' share capital	22	**77**	76
Retained earnings	22	**2,109**	1,935
Other reserves	22	**12**	9
Total equity		**2,198**	2,020
Total equity and liabilities		**6,594**	6,755

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

Consolidated statement of changes in equity

for the 52 week period ended 4 January 2025

For the 52 weeks ended 4 January 2025	Notes	**Members' share capital £m**	**Retained earnings £m**	**Other reserves £m**	**Total equity £m**
Balance at 6 January 2024		**76**	**1,935**	**9**	**2,020**
Profit for the period		**-**	**98**	**-**	**98**
Other comprehensive income / (loss):					
Remeasurement gain on employee pension schemes	24	**-**	**8**	**-**	**8**
Tax on remeasurement losses (pension schemes)	8	**-**	**(2)**	**-**	**(2)**
Insurance finance income (funeral plans)	20	**-**	**94**	**-**	**94**
Tax on funeral plan liabilities (insurance contracts)	8	**-**	**(24)**	**-**	**(24)**
Revaluation gain on properties prior to transfer to Investment properties	23	**-**	**-**	**3**	**3**
Total other comprehensive income		**-**	**76**	**3**	**79**
Shares issued less shares withdrawn	22	**1**	**-**	**-**	**1**
Total of items taken directly to retained earnings		**1**	**-**	**-**	**1**
Balance at 4 January 2025	22	**77**	**2,109**	**12**	**2,198**

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

For the 53 weeks ended 6 January 2024	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 31 December 2022		75	2,942	6	3,023
Profit for the period		-	3	-	3
Other comprehensive income / (loss):					
Remeasurement loss on employee pension schemes	24	-	(1,310)	-	(1,310)
Tax on items taken directly to other comprehensive income	8	-	328	-	328
Insurance finance income (funeral plans)	20		(37)		(37)
Tax on funeral plan liabilities (insurance contracts)	8	-	9	-	9
Revaluation gain on properties prior to transfer to Investment properties	23	-	-	3	3
Total other comprehensive loss		-	(1,010)	3	(1,007)
Shares issued less shares withdrawn	22	1	-	-	1
Total of items taken directly to retained earnings		1	-	-	1
Balance at 6 January 2024	22	76	1,935	9	2,020

Consolidated cash flow statement

for the 52 week period ended 4 January 2025

Group cash flow	Notes	**2024 £m**	2023 £m
Net cash from operating activities	9	**456**	602
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(248)**	(182)
Proceeds from sale of property, plant and equipment		**24**	23
Purchase of intangible assets		**(25)**	(23)
Disposal of businesses		**5**	10
Disposal of petrol forecourts		**5**	4
Purchase of investments for pre-paid funeral plan sales	13	**(90)**	(73)
Receipts from funds for pre-paid funeral plans performed or cancelled	13	**110**	113
Purchase of short-term investments	17	**(100)**	(200)
Proceeds from sale of short-term investments	17	**200**	-
Dividends received from investments		**1**	-
Interest received on subleases		**2**	2
Rent received on subleases *		**8**	10
Interest received on deposits		**28**	18
Net cash used in investing activities		**(80)**	(298)
Cash flows from financing activities:			
Interest paid on borrowings		**(53)**	(57)
Interest paid on lease liabilities	11	**(67)**	(70)
Repayment of borrowings	18	**(204)**	(101)
Increase in other borrowings	18	**-**	1
Payment of lease liabilities *	11	**(126)**	(133)
Derivative settlements		**(2)**	3
Share capital	22	**1**	1
Net cash used in financing activities		**(451)**	(356)
Net decrease in cash and cash equivalents		**(75)**	(52)
Cash and cash equivalents at beginning of period		**395**	447
Cash and cash equivalents at end of period (per balance sheet)	17	**320**	395

*The comparative figures have been represented to show rent received on subleases gross (and in a new separate line in the table above) whereas previously they netted off within payment of lease liabilities.

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

Group net debt (APM)	Notes	**2024 £m**	2023 £m
Interest-bearing loans and borrowings	18	**(484)**	(688)
Lease liabilities	18	**(1,193)**	(1,233)
Total debt		**(1,677)**	(1,921)
- Group cash	17	**320**	395
- Short-term investments	17	**100**	200
Group net debt		**(1,257)**	(1,326)
Add back: accrued interest on amortised debt		**9**	11
Group net debt (excluding accrued interest on amortised debt)	18	**(1,248)**	(1,315)
Group net debt (excluding lease liabilities and accrued interest on amortised debt)	18	**(55)**	(82)

Notes to the financial statements

1 Operating segments

The Group identifies its operating segments based on its divisions, which are organised according to the different products and services it offers its customers. The operating segments (and the captions) reported below are based on the periodic results reported into the Chief Operating Decision Maker which is the Board and where the respective division's results meet the minimum reporting thresholds set out in IFRS 8 (Operating Segments). Our other holding and support companies are included within costs from supporting functions.

2024	**Food**	**Federal (e)**	**Wholesale**	**Funeral**	**Legal**	**Insurance**	**Support functions**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue from external customers	**7,403**	**2,076**	**1,399**	**289**	**84**	**28**	**-**	**11,279**
Cost of goods and services (j)	**(5,056)**	**(2,076)**	**(1,220)**	**(35)**	**(8)**	**-**	**-**	**(8,395)**
Employee benefits expense (j)	**(1,181)**	**-**	**(18)**	**(106)**	**(35)**	**(5)**	**(174)**	**(1,519)**
Distribution and other costs and income (j)	**(965)**	**-**	**(162)**	**(149)**	**(14)**	**(8)**	**64**	**(1,234)**
Underlying operating profit / (loss) (c)	**201**	**-**	**(1)**	**(1)**	**27**	**15**	**(110)**	**131**
Property disposals and closures (c) (i)	**7**	**-**	**1**	**-**	**-**	**-**	**11**	**19**
Impairment of non-current assets (c) (ii)	**(17)**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(18)**
Change in value of investment properties	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**14**
Other non-underlying items (c) (iii)	**19**	**-**	**(1)**	**(8)**	**-**	**-**	**(5)**	**5**
Operating profit / (loss) (a)	**210**	**-**	**(2)**	**(9)**	**27**	**15**	**(90)**	**151**
Profit before tax (Funerals only) (g)				**103**				
Depreciation and amortisation	**293**	**-**	**6**	**29**	**1**	**-**	**21**	**350**
EBITDA (f)	**503**	**-**	**4**	**20**	**28**	**15**	**(69)**	**501**
Underlying EBITDA (f)	**494**	**-**	**5**	**28**	**28**	**15**	**(89)**	**481**
Additions to non-current assets (d)	**194**	**-**	**6**	**31**	**-**	**-**	**42**	**273**

Funeral revenue comprises £91m (2023: £86m) in relation to our pre-need funeral plan business and £198m (2023: £195m) for at-need funerals.

Food provides a wholesale service to other independent co-operative societies on a cost recovery basis. The cost of this service amounting to £158m (2023: £134m) is shown in Cost of goods and services in the Federal segment, with the corresponding income in Food presented in Distribution and other costs and income line. In addition, group central cost recharges to other business segments amounting to £208m (2023: £208m) are included within the Distribution and other costs and income line.

2023	**Food (h)**	**Federal (e)**	**Wholesale**	**Funeral**	**Legal**	**Insurance**	**Support functions (h)**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue from external customers	7,262	2,142	1,480	281	68	29	-	11,262
Cost of goods and services (j)	(5,000)	(2,142)	(1,290)	(32)	(7)	-	-	(8,471)
Employee benefits expense (j)	(1,116)	-	(17)	(106)	(30)	(4)	(159)	(1,432)
Distribution and other costs and income (j)	(973)	-	(159)	(154)	(10)	(11)	45	(1,262)
Underlying operating profit / (loss) (c)	173	-	14	(11)	21	14	(114)	97
Property disposals and closures (c) (i)	9	-	(1)	-	-	-	1	9
Impairment of non-current assets (c) (ii)	(20)	-	(1)	-	-	-	(11)	(32)
Change in value of investment properties	-	-	-	-	-	-	4	4
Other non-underlying items (c) (iii)	9	-	-	-	-	-	(21)	(12)
Operating profit / (loss) (a)	171	-	12	(11)	21	14	(141)	66
Profit before tax (Funerals only) (g)				13				
Depreciation and amortisation	314	-	8	27	1	-	21	371
EBITDA (f)	485	-	20	16	22	14	(120)	437
Underlying EBITDA (f)	487	-	22	16	22	14	(93)	468
Additions to non-current assets (d)	151	-	5	19	-	-	30	205

The 2024 figures represent the 52 week period ended 4th January 2025 with the comparative figures in 2023 representing the 53 week period ended 6th January 2024. See explanatory footnotes (a) - (j) including (h) detailing the re-presentation of Community reward in 2023 from the Food segment to Costs from supporting functions and (j) detailing the introduction of additional cost lines in-line with recent IFRIC guidance (July 2024) .

a) Each segment earns its revenue and profits from the sale of goods and provision of services, mainly from retail activities. Transactions between operating segments excluded in the analysis are £125m (2023: £272m) of sales of goods by Food to Wholesale net of supplier income and £136m (2023: £149m) of pass through recharges (e.g. payroll and transport costs) made by Food to Wholesale.

b) The Group's external revenue and non-current assets arise primarily within the United Kingdom. The Group does not have any major customers who account for 10% or more of revenue. In-line with how information is presented to the Board then underlying segment operating profit includes an appropriate allocation of central support centre costs which are re-charged to the operating segments.

c) Underlying operating profit / (loss) is a non-GAAP measure. The difference between underlying operating profit / (loss) and operating profit / (loss) includes the following items:

(i) Gains from property and business disposals of £19m (2023: £9m) comprise of a £7m gain (2023: £9m gain) on Food stores and £1m gain (2023: £1m gain) in Wholesale disposals, and a £11m gain (2023: £1m loss) on non-trading properties sold during the year.

(ii)Net impairment charges of £18m (2023: £32m) relate to £17m of Food stores net impairment charge (2023: £20m) and £1m for Wholesale (2023: £1m), with £nil impairment relating to supporting functions (2023: £11m). The impairment charge relates to £8m (2023: £11m) in respect of Property, plant and equipment and £10m (2023: £21m) of Right-of-use assets (refer to notes 10 and 11).

(iii) Other non-underlying items totalling a £5m gain (2023: £12m charge) comprising; a £17m gain relating to a one off adjustment to eliminate an historic fair value adjustment to certain Property, plant and equipment assets, a £5m charge in relation to legal costs incurred in respect of ongoing legal claims and a £7m charge in relation to the recognition of funeral plan liabilities for plans waiting redemption (omitted on adoption of IFRS 17).

d) Additions to non-current assets are shown on a cash flow basis (and exclude funeral plan investments).

e) 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. In the current period revenue in the Federal segment includes £2m (2023: £207m) of sales at nil margin for goods supplied to AFS (Arthur Foodstores Limited - the entity that was sold to Asda as part of the disposal of our petrol forecourt estate in October 2022).

f) Details of the Group's APMs (alternative performance measures) including EBITDA can be found in the Glossary.

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

Funerals segment (£m)	**2024**	**2023**
Operating loss	**(9)**	(11)
Finance income (funeral plans)	**102**	17
Finance cost (funeral plans)	**(18)**	(16)
Finance income (other)	**30**	25
Finance costs (other)	**(2)**	(2)
Profit before tax	**103**	13
Net cash from operating activities	**20**	36

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

j) The tables above include three new lines in both the current and prior periods for individually material operating expense line items. This is In-line with the recent IFRIC guidance (July 2024) issued in relation to IFRS 8 (Operating Segments). There are no individual cost or income categories within the 'Distribution and other costs and income' aggregated balance that are assessed as being material for individual disclosure.

k) A reconciliation between Underlying operating profit, Underlying profit / (loss) before tax and Profit before tax (continuing operations) is provided below:

Continuing Operations	Notes	2024 £m	2023 £m
Underlying operating profit		**131**	97
Underlying net interest on loans and deposits	6, 7	**(22)**	(31)
Underlying net interest expense on leases	6, 7	**(64)**	(68)
Underlying profit / (loss) before tax		**45**	(2)
Property disposals and closures	1	**19**	9
Impairment of non-current assets	1	**(18)**	(32)
Change in value of investment properties	23	**14**	4
Other non-underlying items	1	**5**	(12)
Finance income (net pension income)	6	**17**	77
Fair value movement on foreign exchange contracts and commodity derivatives (net)	7	**(1)**	(6)
Fair value movement on interest rate swaps	6	**3**	4
Fair value movement on quoted Group debt	7	**(3)**	(10)
Finance income (funeral plans)	6	**102**	17
Finance costs (funeral plans)	7	**(18)**	(16)
Other non-underlying finance income	6	**5**	1
Other non-underlying finance interest	7	**(9)**	(6)
Profit before tax (continuing operations)		**161**	28

2 Revenue

	2024 £m	2023 £m
Retail sales	**7,398**	7,284
Member reward on sale of goods	**5**	(22)
Provision of services	**312**	295
Insurance revenue (funeral plans)	**91**	86
Member reward on provision of services	**(2)**	(3)
Wholesale sales	**1,399**	1,480
Federal sales	**2,076**	2,142
Total Revenue	**11,279**	11,262

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

Historically, member rewards were earned at 2% of member spend on selected Co-op products and services. Member rewards earned were recognised as a reduction in sales at the point they were earned. Following a change to our membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024 with any unused reward being recognised within revenue in the income statement based on an assessment of future redemption rates. Please also refer to Note 30 (Membership and community reward).

Accounting policies

Unless stated otherwise, 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. As noted below; Revenue on funeral plans (our pre-need business) is recognised in line with IFRS 17 (Insurance Contracts).

Sale of goods
The Group recognises revenue when it transfers control over a product to a customer. For goods sold in store, revenue is recognised at the point of sale. For online or wholesale sales of goods, revenue is recognised on collection by, or delivery to, the customer. Any rebates, VAT and other sales tax or duty items are deducted from revenue. Included within the Wholesale segment are sales to our franchise stores (where franchisees operate a food store using the Co-op brand and Co-op supplied products). Co-op act as principal in the arrangement and recognise income gross in respect of goods supplied by Co-op to the franchisees as well as a franchise fee based on turnover for provision of the Co-op brand and additional support services.

Provision of services
Provision of services relates to activities in our Funerals (at-need business only), Legal services and Insurance businesses. Revenue is recognised when separate performance obligations are delivered to the customer.

i) Funerals (at-need); the only separable performance obligation is the funeral itself and therefore revenue is only recognised when the funeral is performed (or the funeral plan is redeemed and the funeral is performed). Revenue comprises the amount recoverable from clients for the provision of funerals and income from crematoria and other services, once those services have been performed or the goods supplied. Co-op pays certain disbursements (such as burial plots, cremation fees, doctors' fees or ministers' fees) on behalf of its customers, which are recovered as part of the invoicing process. The charges are passed through to customers at cost with Co-op acting as an agent in the transaction (as we do not control the goods or services) and therefore no revenue is recognised. Income from memorial sales is recognised at the point of sale, to the extent that the goods have been supplied. In the supply of monumental masonry, revenue is recognised at the point the masonry is fitted into place.

ii) Legal Services; revenue within personal injury and probate is recognised using a fixed milestone methodology which represents the progression and fulfilment of a case. Milestones have been derived by using the output method, which means consideration on performance and value transfer to the client. This approach and timing of milestones is reviewed on a regular basis to ensure revenue is recognised within the appropriate accounting period. Revenue includes income generated on assets (client monies) under management in respect of the delivery of regulated services.

iii) Insurance; revenue relates to brokerage commission receivable for products not underwritten by Co-op and the recognition of income received in advance of services performed under a distribution agreement. Revenue is recognised when performance obligations are met being the later of the policy inception date and the date on which policy placement is complete, net of expected commission claw back. Co-op receives commission for the brokerage service it provides on products underwritten by third party insurer partners. Performance obligations are satisfied at the date on which policy placement is complete and the policy is incepted. The transaction price recognised as revenue is calculated based on the contracted commission rates payable by the third party insurer which underwrites each policy and the policy premium.

Funerals (pre-need) Insurance revenue (funeral plans)
The Group adopted IFRS 17 (Insurance Contracts) from 1 January 2023 which specifically applies to the Group's pre-need funeral plans (including the re-insurance of the payment waiver risk where Group waives the remaining payments if a customer dies during the payment term subject to conditions). Under IFRS 17 the Group recognises revenue over the contract coverage period (being the duration of the funeral plan). Further detail as to the accounting policies used to record revenue, recognise profit and value the insurance contract liability are given in Note 20.

Member rewards
In the comparative periods Member and Community rewards were earned at 2% of member spend on selected Co-op products and services. Following a change to our membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024. Members have been able to redeem their rewards throughout 2024 with any unused reward recognised within revenue in the income statement based on an assessment of future redemption rates. Member rewards earned as part of our membership offer were recognised as a reduction in sales at the point they were earned with a corresponding liability being held on the balance sheet. The liability was then reduced when the rewards were redeemed. The Community reward on member's spend was recognised as an operating expense in the income statement when it was earned. Member pricing deals are treated as a reduction in the transaction price of the product and hence a reduction in revenue.

Federal sales - principal versus agent presentation
The Group operates a joint buying 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. The Group controls the goods prior to the transfer to the independent co-operatives, and in accordance with IFRS 15, the Group is acting as the principal in these transactions (as opposed to an agent) and records revenue on that basis.

3 Operating expenses

Operating profit is stated after (charging) / crediting the following:

	2024 **£m**	2023 £m
Cost of goods and services recognised as an expense	**(8,395)**	(8,471)
Employee benefits expense (see below)*	**(1,519)**	(1,432)
Impairment of plant, property and equipment and goodwill	**(8)**	(11)
Impairment of right-of-use assets	**(10)**	(21)
Depreciation of plant, property and equipment	**(208)**	(225)
Depreciation of right-of-use assets	**(110)**	(106)
Amortisation of intangible assets	**(32)**	(40)
Charge on allowance for expected credit losses on trade receivables	**(8)**	(10)
Credit on allowance for expected credit losses on trade receivables	**9**	9
Subscriptions and donations	**(9)**	(7)
Community reward earned**	**(1)**	(20)

** As part of our response to the recent IFRIC guidance (July 2024) issued in relation to IFRS 8 (Operating Segments); certain costs in these line items have been represented in the prior year between categories to better reflect their nature for segmental reporting. See also Note 1 footnote (j). Furthermore, certain income categories have been represented within Other Income (Note 5) rather than Operating expenses.*

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

Employee benefits expense

	2024 **£m**	2023 £m
Wages and salaries*	**(1,355)**	(1,280)
Social security costs	**(97)**	(87)
Pension costs - defined benefit schemes	**(6)**	(6)
Pension costs - defined contribution schemes	**(61)**	(59)
Total employee benefits expense	**(1,519)**	(1,432)

* As part of our response to the recent IFRIC guidance (July 2024) issued in relation to IFRS 8 (Operating Segments); certain costs in these line items have been represented in the prior year between categories to better reflect their nature for segmental reporting. See also Note 1 footnote (j).

Employee benefits expense includes executive directors.

Employee numbers

The average number of people employed by the Group in the UK (including executive directors) during the year 52 week period ended 4th January 2025 (2023: 53 week period ended 6th January 2024) was:

	2024 **Number**	2023 Number
Full-time	**17,373**	17,899
Part-time	**37,482**	39,205
Total average employees	**54,855**	57,104

As at the balance sheet date (4th January 2025) there were 54,030 employees; comprising 17,195 (full-time) and 36,835 (part-time).

Auditor remuneration	2024 £m	2023 £m
Audit of these financial statements	**3.0**	4.2
Audit of financial statements of subsidiaries	**0.8**	0.8
Non-audit services	**0.1**	0.1
Total fees	**3.9**	5.1

Accounting policies

Operating expenses are analysed by nature, as defined by IAS 1 (Presentation of Financial Statements). Payments to charitable organisations or colleague members are treated as charges in the income statement.

4 Supplier income

Supplier income	2024 £m	2023 £m
Food - Long-term agreements	**166**	162
Food - Bonus income	**130**	74
Food - Promotional income	**258**	260
Total Food supplier income	**554**	496
Wholesale - Long-term agreements	**26**	32
Wholesale - Bonus income	**10**	12
Wholesale - Promotional income	**69**	72
Wholesale supplier income	**105**	116
Total supplier income	**659**	612

Food - Long-term agreements	**3.0%**	3.0%
Food - Bonus income	**2.4%**	1.4%
Food - Promotional income	**4.7%**	4.8%
Total Food supplier income percentage	**10.1%**	9.2%
Wholesale - Long-term agreements	**2.1%**	2.4%
Wholesale - Bonus income	**0.8%**	0.9%
Wholesale - Promotional income	**5.5%**	5.3%
Total Wholesale supplier income percentage	**8.4%**	8.6%

All figures exclude any income or purchases made as part of the Federal joint buying group (as supplier income is passed on to Federal (FRTS) members in the same proportion as the ratio to their cost of sales).

Accounting policies

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

The Group has a mixture of contractual terms with its suppliers. Where our trading terms state that the supplier income is netted against amounts owing to that supplier and it is our intention to settle the balances on a net basis then any outstanding invoiced supplier income at the reporting date is included within trade payables (Note 19). Any amounts received in advance of income being recognised are included in accruals and deferred income (Note 19). When we do not have the right of offset (or we do not intend to settle on a net basis) then the Group classifies outstanding supplier income within trade receivables (Note 15). Where the supplier income is earned but not yet invoiced to the supplier at the reporting date, this is classified within accrued income (Note 15).

There are three main types of income:

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

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

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

The inventory balance is stated net of any supplier income value on goods not sold at year-end.

5 Other income

	2024	2023
	£m	£m
Rental income from non-investment properties	**7**	6
Rental income from investment properties	**2**	3
Gain on property, business disposals and closures (before impairments) *	**19**	9
Change in value of investment properties *	**14**	4
Net gain on other plant and equipment disposals *	**2**	1
Gain on one-off fair value adjustment **	**17**	-
Total other income	**61**	23

* We have assessed the presentation of certain classes of similar items, and represented these amounts into the Other income category (previously they were presented in Operating expenses (Note 3)).

** Relates to a one-off adjustment to eliminate an historic fair value adjustment to certain Property, plant and equipment assets.

Accounting policies

Rental income from investment and non-investment properties
Rental income arising from operating leases on both investment and non-investment properties is accounted for on a straight-line basis over the lease term. Rental income arising on these non-trading properties is shown as Other Income (rather than as Revenue) as the income does not form an integral part of our core business strategy and operating model. For accounting policies relating to investment properties, refer to Note 23.

6 Finance income

	2024 £m	2023 £m
Underlying finance income:		
Interest income from finance lease receivables	**2**	2
Interest receivable on deposits	**25**	25
Total underlying finance income	**27**	27
Non-underlying finance income:		
Net pension finance income	**17**	77
Fair value movement on interest rate swaps	**3**	4
Unrealised fair value movement on funeral plan investments	**102**	17
Other non-underlying finance income *	**5**	1
Total non-underlying finance income	**127**	99
Total finance income	**154**	126

* Following adoption of IFRS 17 in the previous year; we have further refined our actuarial model during the year resulting in a one-off adjustment to plan liabilities of £19m (see Note 20). Furthermore, £14m of investments relating to fixed monthly payment plans (FMPs) have been de-recognised during the year (see Note 13).

7 Finance costs

	2024 £m	2023 £m
Underlying finance costs:		
Interest on loans (all repayable within five years)	**(47)**	(56)
Interest expense on lease liabilities	**(66)**	(70)
Total underlying finance cost	**(113)**	(126)
Non-underlying finance costs:		
Fair value movement on foreign exchange contracts and commodity derivatives	**(1)**	(6)
Fair value movement on quoted Group debt	**(3)**	(10)
Other non-underlying finance interest	**(9)**	(6)
Insurance finance expenses (funeral plans)	**(18)**	(16)
Total non-underlying finance cost	**(31)**	(38)
Total finance costs	**(144)**	(164)

Total interest expense on financial liabilities (including lease liabilities) that are not at fair value through the income statement was £104m (2023: £117m).

8 Taxation

	Footnote	2024 £m	2023 £m
Current tax credit - current period	(i)	**-**	1
Current tax credit - adjustment in respect of prior periods		**-**	-
Net current tax credit - in respect of continuing operations		**-**	1
Net current tax charge - in respect of discontinued operations		**-**	(1)
Total current tax charge		**-**	-
Deferred tax charge - current period	(ii)	**(74)**	(29)
Deferred tax credit - adjustments in respect of prior periods	(iii)	**11**	3
Deferred tax charge - impact of rate change (see note below)	(ii)	**-**	(2)
Total deferred tax charge		**(63)**	(28)
Total tax charge reported in the income statement		**(63)**	(27)
Total tax charge attributable to a discontinued operation		**-**	(1)
Total tax charge		**(63)**	(28)

The tax on the Group's net profit before tax differs from the theoretical amount that would arise using the standard applicable rate of corporation tax of 25.0% (2023: 23.5%) as follows:

	Footnote	2024 £m	2023 £m
Profit before tax from continuing operations		**161**	28
Profit before tax from discontinued operation		**-**	3
Total profit before tax		**161**	31
Tax charge at 25.0% (2023: 23.5%)		**(40)**	(7)
Current tax reconciliation:			
Expenses not deductible for tax (including one-off costs)	(iv)	**(20)**	(9)
Depreciation and amortisation on non-qualifying assets	(v)	**(12)**	(10)
Capital gains arising on property disposals	(vi)	**(2)**	(1)
Adjustments in respect of prior periods	(iii)	**-**	-
Impact on current tax for movement in temporary tax differences (see below)		**74**	27
Total current tax charge		**-**	-
Deferred tax reconciliation: *(Utilisation) / increase of temporary tax differences - see Note 14 footnote (vii)*			
Utilisation of capital allowances in excess of depreciation on qualifying assets		**(78)**	(10)
Utilisation of brought forward tax losses		**(1)**	(1)
Pension timing differences		**10**	(20)
Unwind of restatement adjustment on adoption of IFRS 16		**(5)**	(4)
IFRS 17 Funeral plan liabilities		**-**	5
Unrealised gains on investment properties, rolled-over gains and historic business combinations		**-**	1
Subtotal of deferred tax reconciling items		**(74)**	(29)
Other deferred tax items:			
Adjustment in respect of previous periods		**11**	3
Impact of restatement of deferred tax to enacted rate	(vii)	**-**	(2)
Total deferred tax charge		**(63)**	(28)
Total tax charge		**(63)**	(28)

Tax expense on items taken directly to consolidated statement of comprehensive income:

	2024 **£m**	2023 £m
Actuarial gains and losses on employee pension scheme	**(2)**	328
IFRS 17 Funeral plan liabilities	**(24)**	9
Tax on items taken directly to consolidated statement of comprehensive income	**(26)**	337

Of the £26m tax taken directly to the consolidated statement of comprehensive income, £2m debit (2023: £308m credit) arises on the actuarial movement on employee pension schemes with the main movement through OCI being the £24m debit in relation to IFRS 17. There was no movement this year directly to the consolidated statement of comprehensive income in respect of investment properties revaluations.

Based on legislation previously passed, the corporation tax rate increased from 19% to 25% with effect from 1 April 2023. To the extent the above deferred tax assets and liabilities are expected to crystalise after this date they should be valued using 25%. The bulk of the deferred tax assets and liabilities, as shown in Note 14, are expected to crystalise over a much longer time frame, being mainly the retirement benefit obligations, capital allowances on fixed assets and unrealised gains on investment properties, rolled-over gains and historic business combinations. As the rate of corporation tax will be 25% for all periods after the period end, it is appropriate to recognise deferred tax at that rate.

Tax policy

We publish our tax policy on our website (https://www.co-operative.coop/ethics/tax-policy) and have complied with the commitments set out in that policy.

Pillar 2

The OECD has promoted Pillar 2 reform and this has now been introduced into the UK tax system. The new rules are designed to promote the international actions put forward by the OECD to impose a minimum tax rate of 15%. The Co-op have considered the new rules and concluded that its prevailing Effective Tax Rate is above 15% and that therefore the Pillar 2 rules have no application in terms of affecting the Group's tax cost. This is mainly due to prevailing and integral permanent differences in the Group's tax calculations which will have the impact of increasing the accounting Profit Before Tax for the foreseeable future.

Footnotes to Taxation note 8:

i) The Group is not tax-paying in the UK in respect of 2024 due to the fact it has offset its current year profits by utilising some of its brought forward tax attributes. The tax attributes used have mainly been brought forward capital allowances (£373m gross claimed in 2024) and tax losses (£5m gross utilised in 2024) that offset its taxable profits for the period. These allowances and losses are explained in more detail in Note 14. The current tax charge nets to £nil.

Outside of the UK, our Isle of Man resident subsidiary, Manx Co-operative Society, a convenience retailing business in the Isle of Man showed a small profit in 2024, giving rise to a small current tax liability of £0.2m (2023: £0.1m). This is the Group's only non-UK resident entity for tax purposes, which employs 89 part-time and 147 full-time colleagues out of our total Group headcount figure. All other income in the consolidated income statement is generated by UK activities and all other colleagues are employed in the UK.

The 2024 revenue of Manx Co-operative Society is £42m and all other revenue reflected in the consolidated income statement is generated by UK trading activities. The net assets of Manx Co-operative Society at 4 January 2025 were £16m, compared to net assets of the consolidated Group of £2,198m. The Manx assets represent the only overseas trading assets within the Group. A full copy of the most recent accounts is available here https://www.co-operative.coop/investors/rules. The presence of this Isle of Man resident subsidiary has not resulted in any additional tax charge in 2024 over and above that payable to the Isle of Man authorities stated above. If these activities had been carried out in the UK, these profits would have been included within the Group's taxable profit prior to the availability of capital allowances and tax losses.

ii) Deferred tax is an accounting concept that reflects how some income and expenses can affect the tax charge in different periods to when they are reflected for accounting purposes. These differences are a result of tax legislation which require us to make these adjustments in our annual tax returns. The £73m deferred tax charge mainly relates to the net use of temporary differences in respect of the movements on pension assets and capital allowances not yet claimed. Note 14 gives further detail on how each deferred tax balance has moved in the year.

iii) The deferred tax adjustments in respect of prior years is a common adjustment. It reflects the difference between what is known at the time and reflected in the notes to these accounts and when the final tax returns are submitted to HMRC. In this year, we have made an £11m credit adjustment in respect of prior years.

iv) Some expenses incurred by the Group may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction against taxable income when calculating the Group's tax liability. Examples of this include some repairs, entertaining costs and certain legal costs.

v) During the year the Group incurred expenditure on depreciating fixed assets which do not qualify for capital allowances. As this expenditure will never attract tax relief, this has led to an adjusting difference on the reconciliation.

vi) During the year a number of properties were sold, where the net taxable profit was more than the accounting profit.

vii) It is a requirement to measure deferred tax balances at the substantively enacted corporation tax rate at which they are expected to unwind. As the enacted deferred tax rate is the same as the current tax rate of 25%, there has been no difference to record this year.

Accounting policies

Income tax on the profit or loss for the period is made up of current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in other comprehensive income. 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 years.

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

	2024 £m	2023 £m
Operating profit	**151**	66
Depreciation and amortisation charges	**350**	371
Non-current asset impairments	**25**	37
Non-current asset impairment reversals	**(7)**	(5)
Profit on closure and disposal of businesses and non-current assets	**(19)**	(10)
Change in value of investment properties	**(14)**	(4)
Other non-underlying items *	**(17)**	-
Retirement benefit obligations	**56**	(9)
Increase in inventories	**(17)**	(7)
(Increase) / Decrease in receivables	**(12)**	13
Increase / (Decrease) in expected credit losses on trade receivables	**(3)**	1
Increase in insurance contract liabilities (funeral plans)	**(2)**	(28)
(Decrease) / Increase in payables and provisions	**(35)**	174
Net cash flow from operating activities before net cash flow from discontinued operations	**456**	599
Net cash flow from operating activities relating to discontinued operations	**-**	3
Net cash flow from operating activities	**456**	602

* Other non-underlying items reflect a £17m non-cash gain relating to a one off adjustment to eliminate an historic fair value adjustment to certain Property, plant and equipment assets which had not been amortised. This gain has been treated as a non-underlying item in the Income statement. See also Note 1 c) (iii).

Accounting policies

Refer to note 17 for details of the accounting policy for Cash and cash equivalents.

10 Property, plant and equipment

For the period ended 4 January 2025	Property £m	Plant and equipment £m	Total £m
Cost or valuation:			
At 6 January 2024	**1,362**	**2,719**	**4,081**
Additions	**49**	**188**	**237**
Disposals *	**(81)**	**(125)**	**(206)**
Transfer to Investment properties (Note 23)	**(4)**	**-**	**(4)**
At 4 January 2025	**1,326**	**2,782**	**4,108**
Depreciation:			
At 6 January 2024	**634**	**1,904**	**2,538**
Charge for the period	**27**	**181**	**208**
Impairment	**6**	**2**	**8**
Disposals *	**(74)**	**(128)**	**(202)**
At 4 January 2025	**593**	**1,959**	**2,552**
Net book value:			
At 4 January 2025	**733**	**823**	**1,556**
At 6 January 2024	**728**	**815**	**1,543**
Capital work in progress included above	**-**	**23**	**23**

* The disposal values for both Cost and Accumulated depreciation noted in the table above include £135m of fully written down assets that are no longer in use (these were identified as part of a cleanse of the fixed asset register with a nil impact on net book value). Furthermore, the disposal of accumulated depreciation line includes a £17m gain relating to a one off adjustment to eliminate a historic fair value adjustment to certain Property, plant and equipment assets. This gain has been treated as a non-underlying item in the Income statement. See also Note 1 c) (iii).

The net impairment charge of £8m (2023: £11m) primarily reflects fluctuation in the performance of our Food stores, also impacted by an increase in the pre-tax discount rate (see also Critical accounting estimates and judgements section of this note).

For the period ended 6 January 2024	Property £m	Plant and equipment £m	Total £m
Cost or valuation:			
At 31 December 2022	1,359	2,619	3,978
Additions	19	143	162
Disposals	(11)	(43)	(54)
Transfer to Investment properties (Note 23)	(5)	-	(5)
At 6 January 2024	1,362	2,719	4,081
Depreciation:			
At 31 December 2022	609	1,738	2,347
Charge for the period	26	199	225
Impairment	5	6	11
Disposals	(6)	(39)	(45)
At 6 January 2024	634	1,904	2,538
Net book value:			
At 6 January 2024	728	815	1,543
At 31 December 2022	750	881	1,631
Capital work in progress included above	-	26	26

Critical accounting estimates and judgements
Impairment
The carrying amount of property, plant and equipment is reviewed at each balance sheet date and if there is any indication of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any associated goodwill allocated to cash-generating units, and then to reduce the carrying value of other fixed assets.

Impairment

An impairment review as at 4 January 2025 has been performed over our Food and Funeralcare estate with a total net impairment charge amounting to £18m (2023: £32m), relating to £8m for Property, plant and equipment (2023: £11m) and £10m for Right of use assets (2023: £21m). Gross impairment recognised in respect of Property, plant and equipment amounted to £12m (2023: £14m), offset by impairment reversals of £3m (2023: £3m), whilst the gross impairment relating to right of use assets was £13m (2023: £23m) offset by impairment reversals of £4m (2023: £2m). The key assumptions in the value in use calculations are:

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 assumptions	Future cash flows for FY25 and FY26 are derived from Board approved four-year plan cash flow assumptions. These forecasts are based on the approved forecasts for FY25 - FY26 and then subject to a long term growth rate of 0% for the remainder of the lease period. Growth rate of 1.9% (2023: 1.9%) is applied into perpetuity (adjusted for rent expense given the impact of IFRS 16 leases), after the lease period, reflecting the UK's long-term growth rate. Where we have known lease exit dates then the remaining lease terms have been used. For freehold stores, the assumed time frame aligns with the average store refit cycle of 10 years, with cash flows taken to perpetuity at 1.9% growth (2023: 1.9%) where stores are expected to be operated beyond the average store refit cycle. Cash flows include estimated periodic store capital maintenance costs based on the square footage of the store. New stores in their first two years of operations are considered to be on a maturity curve and therefore excluded from our impairment assessment. Similarly, impairment reversals are considered after a store has completed a two year recovery period.	Future cash flows for FY25 and FY26 are derived from Board approved four-year plan cash flow projections. These forecasts are based on budget for FY25, four-year plan for FY26 and then subject to a long term growth rate of 1.07% (2023: 1.9%) reflecting the UK's long-term death rate (2023: reflecting the UK's long-term growth rate) for the period of the lease and into perpetuity. Where we have known lease exit dates then the remaining lease terms have been used. For freehold branches, the assumed time frame aligns with the average branch refit cycle. Perpetuities are included in cash flows with 1.07% growth (2023: 1.9%) where branches are expected to be operational beyond their current lease terms (adjusted for rent expense given the impact of IFRS 16 leases), or for freeholds, beyond the average branch refit cycle. Cash flows include an appropriate estimate of periodic capital maintenance costs.
	The Group is working through the potential impact of the climate related risks and opportunities as identified and disclosed in our Climate-Related Financial Disclosures (CRFD) report. Our risk assessment and scenario analysis identified that the most material climate related risks are on technology and consumer sentiment. We have considered these risks in our assessment of whether any indicators of impairment existed at the balance sheet date, however it was concluded that the expected climate related risks did not have a material impact on the Group's impairment considerations at the reporting date. The board approved four year plan underpinning our goodwill impairment assessment, takes into consideration any incremental costs of climate related actions to mitigate these risks where these are expected to crystallise within the timeframe of the plan. This represents a developing area with inherent uncertainty which is constantly evolving.	
Discount rate and Sensitivity analysis	A post tax discount rate has been calculated for impairment purposes, with the Food segment's weighted average cost of capital (WACC) deemed to be an appropriate rate, subsequently grossed up to a pre-tax rate of 10.3% (2023: 9.6%). The post tax discount rate has been calculated using the capital asset pricing model. Certain inputs into the capital asset pricing model are not readily available for non-listed entities. As such, certain inputs have been obtained from industry benchmarks which carries a measure of estimation uncertainty. Sensitivity analysis has been performed against the key assumptions used in our store impairment testing as follows: a) a 1% increase or decrease to the discount rate and b) a 1% increase or decrease in the long term growth rate. The sensitivities have not resulted in a material movement in the impairment calculated. The sensitivity analysis performed considers reasonably possible changes in the discount rate and growth rate assumptions. Sensitivity analysis has also been performed on our goodwill impairment testing, see note 12.	A post tax discount rate has been calculated for impairment purposes, with the Funeralcare segment's weighted average cost of capital (WACC) deemed to be an appropriate rate, subsequently grossed up to a pre-tax rate of 9.7% (2023: 11.6%). The post tax discount rate has been calculated using the capital asset pricing model. Certain inputs into the capital asset pricing model are not readily available for non-listed entities. As such, certain inputs have been obtained from industry benchmarks which carries a measure of estimation uncertainty. Sensitivity analysis has been performed against the key assumptions used in our Funeralcare Hub impairment testing as follows: a) a 1% increase or decrease to the discount rate and b) a 1% increase or decrease in the long term growth rate. The sensitivities have not resulted in a material movement in the impairment calculated. The sensitivity analysis performed considers reasonably possible changes in the discount rate and growth rate assumptions. Sensitivity analysis has also been performed on our goodwill impairment testing, see note 12.

Accounting policies

Where parts of an item of property, plant and equipment have materially different useful economic lives, they are accounted for as separate items of property, plant and equipment. Cost includes purchase price plus any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided on the cost or valuation less estimated residual value (excluding freehold land) on a straight-line basis over the anticipated working lives of the assets. The estimated useful lives are as follows and where appropriate would also include our assessment of the expected impact on asset lives of our plan to move to net zero by 2040:

Property
Freehold buildings - 50 years
All properties are measured at cost less accumulated depreciation and impairment losses.
Land is not depreciated

Plant & equipment
Plant and machinery - 3 to 13 years
Vehicles - 3 to 9 years

We no longer include property, plant and equipment in our balance sheet when the Group loses the right to the future economic benefits associated with the asset. For property, this usually happens when we have exchanged contracts on an unconditional basis to sell it.

Impairment
For the Food segment, the Group treats each store as a separate cash-generating unit for impairment testing of property, plant and equipment and right-of-use assets. The Group allocates goodwill to groups of cash-generating units, where appropriate. Whilst the individual food stores represent the cash generating units, the lowest level at which internal management monitor the performance of the business is at a total Food segment level. To meet the requirements of IAS 36 CGUs are grouped together for goodwill impairment testing as described in note 12.

For the Funerals segment, the Group treats a local network of interdependent branches, known as a Funeralcare Hub, as a separate cash-generating unit for impairment testing of property, plant and equipment, right-of-use assets and goodwill. Where an individual branch within a local network is to be closed, the individual branch is defined as the CGU, rather than being included with the network of interdependent branches. This is because the branch is no longer expected to contribute to the business through cash generated through its operating activities but instead through any proceeds on disposal.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment 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, is estimated in order to determine the extent of the impairment loss. The recoverable amount for Food and Funeral cash generating units (CGUs) is the greater of the fair value of the CGU (less costs to sell) and the value in use (VIU) of the CGU. For freehold stores the fair value of the CGUs (less costs to sell) is estimated using internal valuations based on rateable values or recent market values where known. Where the VIU estimates are higher than the fair value estimates the VIU estimates have been used in the impairment assessments. The VIU for Food and Funeral CGUs has been determined using discounted cash flow calculations. Impairment losses are recognised in the income statement.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. 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.

11 Leases

A. As a lessee

Right-of-use assets	Property	Plant and equipment	Total
	£m	£m	£m
Balance at 6th January 2024	**774**	**53**	**827**
Depreciation charge for the year	**(89)**	**(21)**	**(110)**
Additions	**87**	**33**	**120**
Disposals	**(20)**	**-**	**(20)**
Transfer to Investment Properties (Note 23)	**(2)**	**-**	**(2)**
Impairment	**(10)**	**-**	**(10)**
Balance at 4th January 2025	**740**	**65**	**805**
Balance at 1st January 2023	821	61	882
Depreciation charge for the year	(93)	(13)	(106)
Additions	79	5	84
Disposals	(12)	-	(12)
Impairment	(21)	-	(21)
Balance at 6th January 2024	774	53	827

The Group leases many assets, principally it leases properties for its food retail stores and funeral branches as well as some vehicles and other equipment. The leases of retail stores are typically between 1 and 20 years in length (2023: 1 and 20 years), and leases of funeral branches are typically between 1 and 10 years in length (2023: 1 and 10 years). Vehicle and equipment leases are typically between 1 and 4 years in length (2023: 1 and 4 years) and in some cases the Group has options to purchase the assets at the end of the contract term. Additions to right-of-use assets may vary to the lease liability additions figure noted in the table below due to the accounting treatment of lease incentives and dilapidation provisions under IFRS 16.

In the context of potential impairment, the critical accounting estimates and judgments set out in Note 10 (Property, plant and equipment) are also applicable for right-of-use assets. Impairment of £10m (2023: £21m) comprises £10m (2023: £11m) against food stores where future cashflow forecasts do not support the carrying value of the right-of-use assets. The prior year includes a £10m charge in the Corporate centre primarily against the value of the right-of-use asset held for our Support Centre at Angel Square.

Lease liabilities	2024 £m	2023 £m
Current	**(173)**	(179)
Non-current	**(1,020)**	(1,054)
Lease liabilities included in the Consolidated balance sheet	**(1,193)**	(1,233)

Lease liabilities	2024 £m	2023 £m
At the start of the period	**(1,233)**	(1,306)
Additions	**(121)**	(90)
Disposals	**35**	30
Interest expense	**(67)**	(70)
Payments	**193**	203
Total lease liabilities	**(1,193)**	(1,233)

Extension and termination options

Some leases of retail stores contain extension or termination options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group 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 Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension or termination options. The Group reassesses whether it is reasonably certain to exercise the options if there is a material event or material change in circumstances within its control. As at 4 January 2025, potential discounted future cash outflows of £179m (2023: £165m) have not been included in the lease liability because it is not reasonably certain that the Group will exercise the extension option. Included within the lease liability are discounted future cash outflows of £102m (2023: £96m) where the group holds termination options but it is not reasonably certain to execute those termination options. In addition, an estimated £56m of potential discounted future cash outflows is not included in the lease liability relating to contracts currently under review for renewal.

Short term leases
The Group recognised rent expense from short-term leases of £2m (2023: £2m).

B. As a lessor

Lease income from lease contracts in which the Group acts as a lessor is as below:

	2024 £m	2023 £m
Operating lease (i)		
Lease income	**8**	9
Finance lease (ii)		
Finance income on the net investment in the lease	**2**	2

i. Operating lease

The Group leases out its investment properties. The Group classifies these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2024 £m	2023 £m
Less than one year	**5**	5
One to two years	**4**	4
Two to three years	**4**	4
Three to four years	**4**	3
Four to five years	**4**	2
More than five years	**26**	31
Total undiscounted lease payments receivable	**47**	49

ii. Finance lease

The Group also subleases some of its non-occupied leased properties. The Group classifies the sublease as a finance lease, where the period of the sublease is for substantially the remaining term of the head lease. The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2024 £m	2023 £m
Less than one year	**6**	8
One to two years	**6**	8
Two to three years	**6**	7
Three to four years	**5**	6
Four to five years	**4**	5
More than five years	**22**	22
Total undiscounted lease payments receivable	**49**	56
Less: Unearned finance income	**(11)**	(14)
Present value of minimum lease payments receivable	**38**	42
Impairment loss allowance	**(12)**	(13)
Finance lease receivable (net of impairment allowance)	**26**	29

	2024 £m	2023 £m
Current	**6**	8
Non-current	**20**	21
Total finance lease receivable	**26**	29

The average term of finance leases entered into is 10 years (2023: 9 years).

Impairment of finance lease receivables

The Group estimates the loss allowance on finance lease receivables at an amount equal to lifetime expected credit losses. The lifetime expected credit losses are estimated based upon historical defaults on subleases, the credit quality of current tenants and forward-looking factors.

Accounting policies

Right-of-use assets
The Group 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 Group 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.

Lease liabilities
At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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.

12 Goodwill and intangible assets

For period ended 4 January 2025	Goodwill	Computer software	Other intangibles	Total
	£m	£m	£m	£m
Cost:				
At 6 January 2024	1,126	387	43	1,556
Additions	-	40	-	40
Disposals	(3)	(40)	-	(43)
At 4 January 2025	1,123	387	43	1,553
Accumulated amortisation and impairment:				
At 6 January 2024	385	215	39	639
Charge for the period	-	31	1	32
Disposals	(2)	(40)	-	(42)
At 4 January 2025	383	206	40	629
Net book value:				
At 4 January 2025	740	181	3	924

Computer software includes £25m (2023: £18m) of intangible work in progress. Disposals (both Cost and Accumulated depreciation) in Computer software includes £40m of fully written down asset value disposed in relation to certain legacy group entities which were wound down during the year.

For period ended 6 January 2024	Goodwill	Computer software	Other intangibles	Total
	£m	£m	£m	£m
Cost:				
At 31 December 2022	1,131	361	43	1,535
Additions	-	26	-	26
Disposals	(5)	-	-	(5)
At 6 January 2024	1,126	387	43	1,556
Accumulated amortisation and impairment:				
At 31 December 2022	387	176	38	601
Charge for the period	-	39	1	40
Impairment	(2)	-	-	(2)
At 6 January 2024	385	215	39	639
Net book value:				
At 6 January 2024	741	172	4	917

Goodwill

The components of goodwill are as follows:

	2024	2023
	£m	£m
Food	**720**	721
Other businesses	**20**	20
Total goodwill	**740**	741

The goodwill within other businesses principally relates to the goodwill recognised in the Funeral and Legal Services businesses.

Critical accounting estimates and judgements

Goodwill impairment and sensitivity testing

For the Food goodwill impairment review, the Food segment's future cash flow projections have been taken from the Board-approved plan, taken into perpetuity and discounted to present value at a pre-tax rate of 10.3% (2023: 9.6%). A long-term growth rate of 1.9% has been applied beyond the board-approved plan period FY25 - FY28 (2023: 1.9%). Sensitivity analysis has been performed on these assumptions, testing for a 1% increase in discount rate and a 1% decrease in long term growth rate, with resulting cash flows remaining well in excess of the current carrying value.

For the Funerals goodwill impairment review, average selling price increases, wage and cost inflation have been applied in line with the assumptions in the Board-approved plan. Although inherently uncertain this also includes our best estimate of future death rates. Cash flows have been projected based on the Board-approved plan and into perpetuity from year four and discounted back to present value using a pre-tax discount rate of 9.7% (2023: 11.6%). A long term growth rate of 1.07% has been applied beyond the board-approved period, reflecting the UK's long term death rate (2023: 1.9%). Sensitivity analysis has been performed with the discount rate increased by 1% and a 1% decrease in long term growth rate, with resulting cash flows remaining well in excess of the current carrying value.

The Group is working through the potential impact of the climate related risks and opportunities as identified and disclosed in our Climate-Related Financial Disclosures (CRFD) report. Our risk assessment and scenario analysis identified that the most material climate related risks are on technology and consumer sentiment. We have considered these risks in our assessment of whether any indicators of impairment existed at the balance sheet date, however it was concluded that the expected climate related risks did not have a material impact on the Group's impairment considerations at the reporting date. The Board-approved plan underpinning our goodwill impairment assessment, takes into consideration incremental costs of climate related actions to mitigate these risks where these are expected to crystallise within the timeframe of the plan. This represents a developing area with inherent uncertainty which is constantly evolving.

Accounting policies

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 Group.

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.

Computer software
Computer software is stated at cost less accumulated amortisation and impairment. Costs directly attributable to the development of computer software for internal use are capitalised and classified as intangible assets where they are not an integral part of the related hardware and amortised over their useful life up to a maximum of ten years. We have considered the impact of guidance issued in March 2021 by the IFRS Interpretations Committee, which clarified IAS 38 guidance around what costs should and should not be capitalised specifically in relation to Software as a Service ('SaaS') contracts, and concluded that our policy continues to be compliant with the standard.

Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is charged to the income statement as incurred.

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill with an indefinite useful life is tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:
- Software development costs: 3 – 10 years
- Other intangible assets: 1 - 10 years

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

Food:
In the Food business, the CGUs to which goodwill has been allocated and the level at which it is monitored is deemed to be the Food segment as a whole as goodwill arising on acquisitions reflects synergies (principally buying benefits) that benefit the whole business. Accordingly, impairment testing for all store goodwill balances is carried out using all the food stores as the group of CGUs.

Other businesses:
The majority of goodwill within other businesses is allocated to the Funerals business.

In the Funerals business, a CGU to which goodwill has been allocated is determined as a local network of interdependent branches, known as a Funeralcare Hub.

Where an individual branch within a local network is to be closed, the CGU attributable to that branch is redefined as being solely that individual branch on the basis that the branch is no longer expected to contribute to the business through cash generated through its operating activities but instead through any proceeds on disposal.

13 Funeral plan investments

Funeral plan investments as per the balance sheet:	**2024**	2023
	£m	£m
Non-current assets	**1,414**	1,346
Total Funeral plan investments	**1,414**	1,346

Funeral plan investments held by the Group are as follows:	**2024**	2023
	£m	£m
Fair value through the income statement:		
Funeral plan investments	**1,414**	1,346
Total Funeral plan investments	**1,414**	1,346

At start of period	**1,346**	1,369
Net plan investments (including ongoing instalments)	**90**	73
Plans redeemed	**(96)**	(95)
Plans cancelled	**(14)**	(18)
De-recognition of fixed monthly payment plans (FMPs)*	**(14)**	-
Unrealised fair value movement on funeral plan investments (Note 6)	**102**	17
At end of period	**1,414**	1,346

* £14m of investments relating to fixed monthly payment plans (FMPs), previously included in the funeral plan investment value, have been de-recognised during the year. In refining the IFRS 17 Insurance Contract cashflows the sum assured for these contracts has been incorporated in the calculation of the Reinsurance Liability cashflows so these balances are now recognised within the Reinsurance Contract Liabilities. See also note 20.

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

See Note 26 for further detail on the accounting policy for funeral plans.

14 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25.0% (2023: 25.0%). Temporary differences arise because sometimes accounting and tax requirements mean that transactions are treated as happening at a different time for accounting purposes than they are for tax purposes.

Net deferred tax in the balance sheet:		**2024** **£m**	2023 £m
Deferred tax asset - continuing operations		**324**	395
Deferred tax liability - continuing operations		**(362)**	(343)
Net deferred tax (liability) / asset		**(38)**	52
Comprised of:	Footnote:		
Other temporary differences	(i)	**(3)**	(5)
Retirement benefit obligations	(ii)	**(81)**	(89)
Capital allowances on fixed assets	(iii)	**250**	315
Unrealised gains on investment properties, rolled-over gains and historic business combinations	(iv)	**(148)**	(145)
Tax losses	(v)	**19**	21
IFRS 16 adjustment	(vi)	**38**	43
IFRS 17 Funeral plan liabilities	(vii)	**(113)**	(88)
Net deferred tax (liability) / asset		**(38)**	52

The movements in the net deferred tax (liability) / asset during the period are set out below:

Movement in deferred tax:		**2024** **£m**	2023 £m
At beginning of the period		**52**	(258)
Income statement charge (see Note 8)		**(63)**	(28)
Additions / disposals		**(1)**	1
Reported in other comprehensive income:			
Retirement benefit obligations (see Note 8)	(ii)	**(2)**	328
Items taken directly to Retained earnings:			
IFRS 17 Funeral plan liabilities	(vii)	**(24)**	9
At end of the period		**(38)**	52

Finance Act 2021 enacted an increase in the main rate of corporation tax to 25% to take affect from 1 April 2023. As the temporary differences which would give rise to a corporation tax charge at the point they unwind, will fall after the increase in rate to 25%, the appropriate rate at which to charge deferred tax, is also 25%. Due to the Group's improved performance during the year, the Group has utilised deferred tax assets to the extent that the net deferred tax balance is now a net deferred tax liability of £38m (2023 net deferred tax asset was £52m).

Footnotes:

i) This amount includes deferred tax liabilities that arose on the acquisition of Nisa Retail Limited in 2018 and the adoption of IFRS 9, also in 2018. These are partially offset by a deferred tax asset in respect of provisions. Expenses that have not yet been incurred are able to be recorded in the accounts as provisions. However, of these certain expenses don't receive tax relief until they have been paid for and so the related tax relief is delayed to a future period. During 2024 the amount of expense provisions deferred for tax purposes increased leading to a slightly smaller net liability being shown.

ii) During the period, the Group's pension scheme surplus decreased by £32m resulting in a decrease in the corresponding deferred tax liability of £8m. This amount represents the theoretical future tax cost to the Group in respect of the current pension scheme surplus.

iii) A deferred tax asset arises on capital allowances where the tax value of assets is higher than the accounts value of the same fixed assets. The reason the Group has a higher tax value for these fixed assets is due to the fact the Group has not made a claim to its maximum entitlement to capital allowances since 2013 due to reduced levels of trading profits in the intervening years. However, impairment, disposals and depreciation have continued to reduce the accounts value for our assets. The Group expects to use these allowances to reduce future trading profits.

iv) This amount represents the theoretical amount of tax that would be payable by the Group on (a) the sale of all investment properties, (b) the sale of properties that have been restated at their fair value on historic mergers and transfers of engagements and (c) the sale of any property that has had an historic capital gain 'rolled into' its base cost (which is an election available by statute designed to encourage businesses to reinvest proceeds from the sale of trading properties into new trading properties and ventures). The £4m increase in the liability over the year is mainly due to disposal of properties under class (c) above.

v) The Group has incurred trading losses and interest losses that were in excess of taxable profits in the past. These losses can be used to reduce future trading profits and capital gains which are included in future tax forecasts for the Group. The restriction on the amount of losses that can be used in any one year post 1 April 2017, being £5m plus 50% of any surplus taxable profits above this amount, is not expected to limit the use of these losses other than extend the time over which they will be claimed.

The decrease in asset of £1m is in respect of amounts offset against taxable profits this year.

vi) Deferred tax that arose on the adoption of IFRS 16 in 2019 will unwind over a number of years and reduce taxable profits in those future years. The decrease in asset of £5m is mainly in respect of the unwind during the year.

(vii) These movements relate to the application of IFRS 17 which require us to recognise gains and losses through our Profit Before Tax as well as through our Other Comprehensive Income. Both of these amounts are treated as taxable and have led to an £24m deferred tax charge in Other Comprehensive Income.

Accounting policies

Deferred tax is provided for, with no discounting, using the balance sheet liability method, providing for temporary differences 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 to use the asset against. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

15 Inventories

Inventories include the following:	2024 £m	2023 £m
Raw materials, consumables and work in progress	**4**	4
Finished goods and goods for resale	**453**	436
Total inventory	**457**	440

The period end inventory provision is £26m (2023: £27m) and a net credit of £1m (2023: net charge of £17m) has been made within operating expenses in the income statement. There was no inventory pledged as security for liabilities in the current or prior period.

Accounting policies

Inventories are stated at the lower of cost, including attributable overheads, and net realisable value. The inventory balance is stated net of any supplier income value on goods not sold at year-end.

16 Trade and other receivables

	2024 £m	2023 £m
Non-current	**6**	7
Current	**602**	595
Total trade and other receivables	**608**	602

	2024 £m	2023 £m
Trade receivables	**344**	351
Prepayments	**42**	43
Accrued income	**152**	118
Other receivables	**79**	102
	617	614
Allowance for expected credit losses	**(9)**	(12)
Total trade and other receivables	**608**	602

Trade receivables are non-interest bearing and the Group's standard payment terms are between 7 and 60 days.

Within trade receivables is £48m (2023: £84m) of supplier income that is due from Food and Wholesale suppliers. Accrued income includes £131m (2023: £96m) in relation to supplier income that has been recognised but not yet billed. As at 1st March 2025 (reflecting the close of Period 2 for the Group), £44m (2023: £77m) of the trade receivables balance had been invoiced and settled and £108m (2023: £87m) of the accrued income balance has been invoiced and settled.

The table below shows the movement in the allowance for expected credit losses for trade and other receivables:

	2024 £m	2023 £m
Opening allowance for expected credit losses	**12**	11
Charge to the income statement	**8**	10
Payments	**(2)**	(1)
Credit to the income statement	**(9)**	(8)
Closing allowance for expected credit losses	**9**	12

The Group has applied the expected losses model as defined under IFRS 9 (Financial Instruments) which focuses on the risk that a trade receivable (including receivables relating to supplier income) will default rather than whether a loss has been incurred. The Group has applied a simplified approach as allowed under IFRS 9 to use a provision matrix for calculating expected losses for trade receivables. More information on credit risk and the use of a provision matrix is provided in Note 25 which outlines our approach to financial risk management.

Accounting policies

Refer to Note 26 Financial Instruments for the accounting policies relating to trade receivables and allowances for expected credit losses.

17 Cash and cash equivalents and short-term investments

Cash and cash equivalents	2024 £m	2023 £m
Cash in hand	**47**	53
Cash at banks	**273**	342
Cash and cash equivalents	**320**	395

The Group has a right of set-off across our bank accounts as part of a pooling arrangement with our principal bank. The Cash at banks figures include amounts receivable from customers or banks for debit or credit card payment transactions made by customers of £36m (2023: £37m) in the two days before year-end which don't clear the bank (and show on our bank statement) until the first working day of the new year.

Short-term investments	2024 £m	2023 £m
Cash deposits with banks (> 3 months)	**100**	200
Total Short-term investments	**100**	200

Accounting policies

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

In the statement of consolidated cash flows, cash and cash equivalents includes bank overdrafts as they are repayable on demand and deemed to form an integral part of the Group's cash management.

Amounts held in trustee-administered bank accounts of the Group of £9m (2023: £8m), which can only be utilised to meet liabilities in respect of funeral plans, are classed as Funeral plan investments (see Note 13) and not Cash and cash equivalents.

Short-term investments; represent surplus cash placed on deposit with banks or other financial institutions for periods of less than twelve months but more than three months. Balances are held at amortised cost and are included within our net debt calculation as short term investments.

18 Interest-bearing loans and borrowings

Non-current liabilities:	2024 £m	2023 £m
£109m 11% Final repayment subordinated notes due 2025**	**-**	109
£20m 11% Instalment repayment notes (final payment 2025)**	**-**	3
£105m 7.5% Bond Notes due 2026 (fair value)	**108**	105
£245m 7.5% Bond Notes due 2026 (amortised cost)	**250**	253
Total (excluding lease liabilities)	**358**	470
Lease liabilities	**1,020**	1,054
Total Group interest-bearing loans and borrowings	**1,378**	1,524

Current liabilities:	**2024** **£m**	2023 £m
£200m 5.125% Sustainability Bond due 2024 (amortised cost) *	**-**	202
£109m 11% Final repayment subordinated notes due 2025**	**109**	-
£20m 11% Instalment repayment notes (final payment 2025)**	**3**	2
£245m 7.5% Bond Notes due 2026 (amortised cost) ***	**9**	9
Other borrowings	**2**	2
Corporate investor shares	**3**	3
Total (excluding lease liabilities)	**126**	218
Lease liabilities	**173**	179
Total Group interest-bearing loans and borrowings	**299**	397

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

** The £109m 11% Final repayment subordinated notes and the £20m 11% Instalment notes are both due in December 2025 and as such any remaining principal or interest has been classified within current liabilities in 2024 in the tables above (whereas in 2023 the majority of the liabilities were classified within non-current liabilities with only any interest or capital repayments due <1 year classified within current liabilities). Interest on the £109m (11% Final repayment subordinated notes 2025) is settled annually in December such that any interest accrual as at the current and comparative balance sheet dates is not material for disclosure in the table above. The £2m balance noted in the prior year represents the repayment of capital instalment due < 1 year on the £20m 11% Instalment repayment notes.

*** The amortised cost balances in current liabilities includes £9m on the 2026 bonds of accruals for interest payments that will be made within 1 year of the balance sheet date. These balances are excluded from our net debt metric.

See Note 25 for more information about the Group’s exposure to interest rate and foreign currency risk, and Note 26 for a breakdown of the Group's borrowings by the three-level fair value hierarchy (which reflects different valuation techniques) as defined within IFRS 13 (Fair Value Measurement).

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 the cash that we have, any short-term deposits and any short-term investments that we hold. Some of our bond borrowings are held as financial liabilities at fair value through the income statement. The fair value movement on these liabilities is shown under non-cash movements in the tables below.

For period ended 4 January 2025	**Start of period**	**Non cash movements**		**Cash flow**	**End of period**
		New leases	**Other**		
	£m	**£m**	**£m**	**£m**	**£m**
Interest-bearing loans and borrowings:					
- current	**(218)**	**-**	**(112)**	**204**	**(126)**
- non-current	**(470)**	**-**	**112**	**-**	**(358)**
Lease liabilities:					
- current	**(179)**	**(18)**	**(169)**	**193**	**(173)**
- non-current	**(1,054)**	**(103)**	**137**	**-**	**(1,020)**
Total debt	**(1,921)**	**(121)**	**(32)**	**397**	**(1,677)**
Group cash and short term investments:					
- cash	**395**	**-**	**-**	**(75)**	**320**
- short-term investments	**200**	**-**	**-**	**(100)**	**100**
Group net debt	**(1,326)**	**(121)**	**(32)**	**222**	**(1,257)**
Less: interest accrued on amortised debt	**11**	**-**	**34**	**(36)**	**9**
Group net debt (excluding accrued interest)	**(1,315)**	**(121)**	**2**	**186**	**(1,248)**

The £9m of interest accruals will be paid within 1 year (and is shown in the Current liabilities table).

The main movements in Other non cash movements include: (i) Loans and borrowings; reclassification from non-current to current for instruments falling due <1 year and non-cash fair value and amortised cost movements (ii) Leases; the annual accrual of interest and reclassification from non-current to current for that portion of the lease liability falling due <1 year as the leases unwind / mature.

For period ended 6 January 2024	Start of period	Non cash movements		Cash flow	End of period
		New leases	Other		
	£m	£m	£m	£m	£m
Interest-bearing loans and borrowings:					
- current	(17)	-	(203)	2	(218)
- non-current	(763)	-	194	99	(470)
Lease liabilities:					
- current	(182)	(12)	(178)	193	(179)
- non-current	(1,124)	(68)	138	-	(1,054)
Total debt	(2,086)	(80)	(49)	294	(1,921)
Group cash:					
- cash	447	-	-	(52)	395
- short-term investments	-	-	-	200	200
Group net debt	(1,639)	(80)	(49)	442	(1,326)
Less: interest accrued on amortised debt	11	-	43	(43)	11
Group net debt (excluding accrued interest)	(1,628)	(80)	(6)	399	(1,315)

Details of the Group's bank facilities are shown in Note 26.

The Group has a £350m Bond issued in May 2011, repayable in May 2026. This bond currently has an interest rate of 7.5%.

The Group also has two subordinated debt instruments in issue: £109m 11% final repayments notes due December 2025 and £20m 11% instalment repayment notes, with final repayment in December 2025. The value of the remaining instalments outstanding on the £20m 11% instalment repayment notes was £3m as at 4 January 2025.

On the 29 November 2024, the Group concluded an amendment and extension exercise on its Revolving Credit Facility, with a facility size of £400m and a 5 year term maturing in November 2029. The facility was undrawn as at 4 January 2025.

We have two key covenants under the amended RCF facility as follows:

Interest cover covenant – the ratio tests Co-op's ability to cover its financing costs from its earnings, and represents the ratio of adjusted EBITDA over adjusted net underlying finance costs.

Leverage covenant – the ratio compares our borrowings to our earnings, and represents the ratio of Group Net Debt, excluding lease liabilities, over adjusted EBITDA.

Both covenants had sufficient headroom at 2024 year end.

Further details of the Group's remaining banking facilities are given in Note 25.

Corporate investor shares

Corporate investor shares represent borrowings the Group has with other co-operative societies. The borrowings are split into Variable Corporate Investor Shares (VCIS) and Fixed Corporate Investor Shares (FCIS). The VCIS are repayable on demand and the FCIS are fixed term borrowings. As at 4 January 2025, Corporate Investor Shares borrowings were £3m (2023: £3m).

Accounting policies

The Group measures its interest-bearing loans and borrowings in two main ways:

1) Fair value through the income statement. Debt is restated as its fair value each period with the fair value movement going through the income statement. The hedged portion of the quoted Bond debt is accounted for in this way. This is because the Group has used interest rate swaps to hedge the impact of movements in the interest rate and the movement in the fair value of the quoted debt is partially offset by the fair value movement in the interest rate swaps (notes 6, 7 and 26). The unhedged portion of the quoted Bond debt is accounted for at amortised cost in accordance with IFRS 9. This approach applies to those borrowings taken out prior to the adoption of IFRS 9 in 2018. Any subsequent borrowings are measured at amortised cost as noted below.

2) Amortised cost. Borrowings are recognised initially at fair value, which equates to issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. The effective interest rate is calculated when borrowings are first taken out and is the rate that exactly discounts the estimated future cash payments associated with the borrowings to the value when they are initially recognised.

For more general information on accounting policies on financial instruments, refer to Note 26.

19 Trade and other payables

	2024	2023
	£m	£m
Current	**1,555**	1,564
Non-current	**9**	18
Total trade and other payables	**1,564**	1,582

	2024	2023
	£m	£m
Trade payables	**1,083**	1,050
Value Added Tax, PAYE and social security	**12**	33
Accruals	**364**	360
Deferred income	**29**	36
Other payables	**76**	103
Total trade and other payables	**1,564**	1,582

Further details on the maturity profile of trade and other payables can be found in Note 25.

Deferred income includes £15m (2023: £27m) in relation to the marketing and distribution arrangement entered into with Markerstudy Insurance Services Ltd (remaining term of 2 years and 4 months) following the sale of our Insurance underwriting business (CISGIL). Accruals includes capital expenditure accruals of £30m (2023: £36m), payroll accruals of £149m (2023: £142m) as well as standard cost accruals of £185m (2023: £182m).

Where our trading terms state that the supplier income is netted against amounts owing to that supplier and it is our intention to settle the balances on a net basis then any outstanding invoiced supplier income at the reporting date is included within trade payables. Trade payables includes £33m (2023: £29m) of supplier income receivable that has been offset against amounts owed to those suppliers.

The Group operates a supplier financing arrangement with Prime Revenue, under which suppliers can obtain accelerated settlement on invoices from the finance providers signed up to the programme. The Group settles these amounts in accordance with each supplier's agreed payment terms (which typically range between 30 to 60 days) and the payment terms of the suppliers participating in the scheme are similar to those that are not participating. At the balance sheet date; the Group's trade creditors balance includes £53m (2023: £56m) relating to payments due to Co-op suppliers under these arrangements and the suppliers have already taken payments of £42m (2023: £44m) in respect of those balances from the third-party finance provider. During the year ended 4 January 2025, the maximum facility was £108m (2023: £108m).

Access to the supplier finance scheme is by mutual agreement between the bank and supplier, where the supplier wishes to be paid faster than standard Group payment terms. The Group is not party to this contract. The scheme has no cost to the Group as the fees are paid by the supplier directly to the bank. The bank has no special seniority of claim to the Group upon liquidation and would be treated the same as any other trade payable. As the scheme does not change the characteristics of the trade payable, and the Group's obligation is not legally extinguished until the bank is repaid, the Group continues to recognise these liabilities within trade payables and all cash flows associated with the arrangements are included within operating cash flow as they continue to be part of the normal operating cycle of the Group.

Accounting policies

Refer to Note 26 Financial instruments for the accounting policies relating to trade payables.

20 Insurance and re-insurance contracts (funeral plan liabilities)

Insurance contract liabilities (by nature) 2024	Liabilities for remaining coverage Excluding loss component	 Loss component	Liabilities for claims incurred	Total
	£m	£m	£m	£m
Insurance contract liability as at 6 January 2024	**1,097**	**1**	**-**	**1,098**
Insurance revenue	**(91)**	**-**	**-**	**(91)**
Insurance service expenses:				
Incurred claims and other expenses*	**(13)**	**-**	**89**	**76**
Amortisation of insurance acquisition cashflows	**3**	**-**	**-**	**3**
Losses on onerous contracts and reversals of those losses	**-**	**2**	**-**	**2**
Insurance service result	**(101)**	**2**	**89**	**(10)**
Insurance finance expenses (Income statement)	**18**	**-**	**-**	**18**
Insurance finance income (Other comprehensive income)	**(95)**	**-**	**-**	**(95)**
Total changes in Statement of comprehensive income	**(178)**	**2**	**89**	**(87)**
Cashflows:				
Premiums received less premiums refunded	**91**	**-**	**-**	**91**
Claims and other expenses paid	**-**	**-**	**(85)**	**(85)**
Insurance acquisition flows	**(9)**	**-**	**-**	**(9)**
Total cashflows	**82**	**-**	**(85)**	**(3)**
Insurance contract liability as at 4 January 2025	**1,001**	**3**	**4**	**1,008**

* Following adoption of IFRS 17 in the previous year we have further refined our actuarial model during the year resulting in a one-off adjustment to plan liabilities. The corresponding gain has been recognised in Finance Income (Note 6).

Insurance contract liabilities (by nature) 2023	Liabilities for remaining coverage Excluding loss component	 Loss component	Liabilities for claims incurred	Total
	£m	£m	£m	£m
Insurance contract liability as at 31 December 2022	1,073	-	-	1,073
Insurance revenue	(86)	-	-	(86)
Insurance service expenses:				
Incurred claims and other expenses	-	-	77	77
Amortisation of insurance acquisition cashflows	2	-	-	2
Losses on onerous contracts and reversals of those losses	-	1	-	1
Insurance service result	(84)	1	77	(6)
Insurance finance expenses (Income statement)	16	-	-	16
Insurance finance expense (Other comprehensive income)	36	-	-	36
Total changes in Statement of comprehensive income	(32)	1	77	46
Cashflows:				
Premiums received less premiums refunded	63	-	-	63
Claims and other expenses paid	-	-	(77)	(77)
Insurance acquisition flows	(7)	-	-	(7)
Total cashflows	56	-	(77)	(21)
Insurance contract liability as at 6 January 2024	1,097	1	-	1,098

Insurance contract liabilities (by component) 2024	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin (CSM) £m	Total £m
Insurance contract liability as at 6 January 2024	**934**	**55**	**109**	**1,098**
Changes that relate to current services:				
CSM recognised for service provided	**-**	**-**	**(3)**	**(3)**
Risk adjustment for the risk expired	**-**	**(4)**	**-**	**(4)**
Experience adjustments	**8**	**-**	**-**	**8**
Changes that relate to future services:				
Contracts initially recognised in the period	**(9)**	**1**	**8**	**-**
Changes in estimates that adjust the CSM	**37**	**13**	**(65)**	**(15)**
Changes in estimates that do not adjust the CSM	**2**	**-**	**-**	**2**
Insurance service result	**38**	**10**	**(60)**	**(12)**
Insurance finance expenses (Income statement)	**15**	**1**	**2**	**18**
Insurance finance income (Other comprehensive income)	**(73)**	**(21)**	**-**	**(94)**
Total changes in Statement of comprehensive income	**(20)**	**(10)**	**(58)**	**(88)**
Cashflows:				
Premiums received less premiums refunded	**91**	**-**	**-**	**91**
Claims and other expenses paid	**(85)**	**-**	**-**	**(85)**
Insurance acquisition flows	**(8)**	**-**	**-**	**(8)**
Total cashflows	**(2)**	**-**	**-**	**(2)**
Insurance contract liability as at 4 January 2025	**912**	**45**	**51**	**1,008**

Insurance contract liabilities (by component) 2023	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin (CSM) £m	Total £m
Insurance contract liability as at 31 December 2022	896	55	122	1,073
Changes that relate to current services:				
CSM recognised for service provided	-	-	(6)	(6)
Risk adjustment for the risk expired	-	(4)	-	(4)
Experience adjustments	3	-	-	3
Changes that relate to future services:				
Contracts initially recognised in the period	(12)	1	11	-
Changes in estimates that adjust the CSM	21	(1)	(20)	-
Changes in estimates that do not adjust the CSM	1	-	-	1
Insurance service result	13	(4)	(15)	(6)
Insurance finance expenses (Income statement)	13	1	2	16
Insurance finance expense (Other comprehensive income)	33	3	-	36
Total changes in Statement of comprehensive income	59	-	(13)	46
Cashflows:				
Premiums received less premiums refunded	63	-	-	63
Claims and other expenses paid	(77)	-	-	(77)
Insurance acquisition flows	(7)	-	-	(7)
Total cashflows	(21)	-	-	(21)
Insurance contract liability as at 6 January 2024	934	55	109	1,098

Re-insurance contract liabilities (by nature) **2024**	**Assets for remaining coverage** **Excluding loss recovery component** **£m**	 **Loss recovery component** **£m**	**Amounts recoverable on insured claims** **£m**	**Total** **£m**
Net re-insurance contract liability as at 6 January 2024	**8**	**-**	**-**	**8**
An allocation of re-insurance premium	**2**	-	-	**2**
<u>*Amounts recoverable from re-insurers for incurred claims:*</u>				
Amounts recoverable for incurred claims and other expenses*	**(6)**	**-**	**(2)**	**(8)**
Net income from re-insurance contract held	**(4)**	**-**	**(2)**	**(6)**
Re-insurance finance income (Income statement)	**-**	**-**	-	**-**
Re-insurance finance income (Other comprehensive income)	**1**	**-**	-	**1**
Total changes in Statement of comprehensive income	**(3)**	**-**	**(2)**	**(5)**
<u>*Cashflows:*</u>				
Premiums paid (net of commission)	**(4)**	-	-	**(4)**
Amounts received	-	-	**2**	**2**
Total cashflows	**(4)**	**-**	**2**	**(2)**
Net re-insurance contract liability as at 4 January 2025	**1**	**-**	**-**	**1**

* Following adoption of IFRS 17 in the previous year we have further refined our actuarial model during the year resulting in a one-off adjustment to plan liabilities. The corresponding gain has been recognised in Finance Income (Note 6).

LCIPs can be paid for by instalments over between 2 and 25 years or they can be paid off in full at any time during this period without any penalties. If the plan holder dies before the instalments have been made in full (and provided that the plan has been in place for at least 12 months or the cause of death was as a result of an accident) then the funeral will still be provided by the Group and the customer will not have to settle the outstanding balance on any instalments and the balance of any monies owed will be waived. Any outstanding amounts owed to the Group (the difference between the full value of the plan and the amount paid up to death by the customer) are covered by an assured benefit from a third party insurer. The assured benefit is between the Group and the third party insurer and has nothing to do with the customer. The Society continues to apply instalment monies received against customers' individual funeral plans until such time as a plan is redeemed and or cancelled. The assured benefit between the Group and the 3rd party is judged to represent an insurance contract and as such falls under the scope of IFRS 17 (Insurance Contracts).

Re-insurance contract liabilities (by nature) **2023**	**Liabilities for remaining coverage** **Excluding loss recovery component** **£m**	 **Loss recovery component** **£m**	**Amounts recoverable on insured claims** **£m**	**Total** **£m**
Net re-insurance contract liability as at 31 December 2022	8	-	-	8
An allocation of re-insurance premium	1	-	-	1
<u>*Amounts recoverable from re-insurers for incurred claims:*</u>				-
Amounts recoverable for incurred claims and other expenses	-	-	(1)	(1)
Net income from re-insurance contract held	1	-	(1)	-
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance income (Other comprehensive income)	1	-	-	1
Total changes in Statement of comprehensive income	2	-	(1)	1
<u>*Cashflows:*</u>				
Premiums paid (net of commission)	(2)	-	-	(2)
Amounts received		-	1	1
Total cashflows	(2)	-	1	(1)
Net re-insurance contract liability as at 6 January 2024	8	-	-	8

Re-insurance contract liabilities (by component) **2024**	**Estimates of present value of future cashflows** **£m**	**Risk adjustment** **£m**	**Contractual service margin** **£m**	**Total** **£m**
Net re-insurance contract liability as at 6 January 2024	**7**	**-**	**1**	**8**
Changes that relate to current services:				
Contractual service margin recognised for service provided	**-**	**-**	**-**	**-**
Risk adjustment for the risk expired	**-**	**-**	**-**	**-**
Experience adjustments	**-**	**-**	**-**	**-**
Changes that relate to future services:				
Contracts initially recognised in the period	**-**	**-**	**-**	**-**
Changes in estimates that adjust the contractual service margin*	**(4)**	**(1)**	**(1)**	**(6)**
Re-insurance service result	**(4)**	**(1)**	**(1)**	**(6)**
Re-insurance finance income (Income statement)	**-**	**-**	**-**	**-**
Re-insurance finance expense (other comprehensive income)	**-**	**1**	**-**	**1**
Total changes in Statement of comprehensive Income	**(4)**	**-**	**(1)**	**(5)**
Cashflows:				
Premiums and similar expenses paid	**(4)**	**-**	**-**	**(4)**
Amounts received	**2**	**-**	**-**	**2**
Total cashflows	**(2)**	**-**	**-**	**(2)**
Net re-insurance contract liability as at 4 January 2025	**1**	**-**	**-**	**1**

Re-insurance contract liabilities (by component) **2023**	**Estimates of present value of future cashflows** **£m**	**Risk adjustment** **£m**	**Contractual service margin** **£m**	**Total** **£m**
Net re-insurance contract liability as at 31 December 2022	8	-	-	8
Changes that relate to current services:				
Contractual service margin recognised for service provided	-	-	-	-
Risk adjustment for the risk expired	-	-	-	-
Experience adjustments	-	-	-	-
Changes that relate to future services:				
Contracts initially recognised in the period	-	-	-	-
Changes in estimates that adjust the contractual service margin	(1)	-	1	-
Re-insurance service result	(1)	-	1	-
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance expense (other comprehensive income)	1	-	-	1
Total changes in Statement of comprehensive Income	-	-	1	1
Cashflows:				
Premiums and similar expenses paid	(2)	-	-	(2)
Amounts received	1	-	-	1
Total cashflows	(1)	-	-	(1)
Net re-insurance contract liability as at 6 January 2024	7	-	1	8

Contractual service margin (2024)	**Contracts using the fair value approach £m**	**All other contracts £m**	**Total £m**
Contractual service margin as at 6 January 2024	**85**	**24**	**109**
Changes that relate to current services:			
Contractual service margin recognised for service provided	**(2)**	**(1)**	**(3)**
Changes that relate to future services:			
Contracts initially recognised in the period	**-**	**8**	**8**
Changes in estimates that adjust the contractual service margin	**(49)**	**(16)**	**(65)**
Sub-total	**(51)**	**(9)**	**(60)**
Insurance finance expenses	**1**	**1**	**2**
Contractual service margin as at 4 January 2025	**35**	**16**	**51**

Plans sold prior to 2020 were fair valued at transition.

Contractual service margin (2023)	**Contracts using the fair value approach £m**	**All other contracts £m**	**Total £m**
Contractual service margin as at 31 December 2022	105	17	122
Changes that relate to current services:			
Contractual service margin recognised for service provided	(5)	(1)	(6)
Changes that relate to future services:			
Contracts initially recognised in the period	-	11	11
Changes in estimates that adjust the contractual service margin	(16)	(4)	(20)
Sub-total	(21)	6	(15)
Insurance finance expenses	1	1	2
Contractual service margin as at 6 January 2024	85	24	109

New business (2024)	**Profitable contracts issued £m**	**Onerous contracts issued £m**	**Total £m**
Insurance contracts:			
Estimate of present value of future cashflows, excluding insurance acquisition costs	**65**	-	**65**
Estimate of insurance acquisition cashflows	**9**	-	**9**
Estimate of present value of future cash outflows	**74**	-	**74**
Estimate of present value of future cash inflows	**(84)**	-	**(84)**
Risk adjustment	**1**	-	**1**
Contractual service margin	**9**	-	**9**
Profit / (loss) on contracts at initial recognition	**-**	**-**	**-**

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

Insurance revenue	**2024 £m**	2023 **£m**
Amounts relating to changes in liabilities for remaining coverage:		
Contractual service margin recognised for services provided	**3**	6
Change in risk adjustment for non financial risk for risk expired	**4**	4
Expected incurred claims and other insurance service	**81**	73
Recovery of insurance acquisition cash flows	**3**	3
Total insurance revenue	**91**	86

Insurance revenue	**2024 £m**	2023 **£m**
Contracts using the fair value approach	**80**	74
All other contracts	**11**	12
Total insurance revenue	**91**	86

Plans sold prior to 2020 were fair valued at transition.

Contractual service margin maturity	**2024 £m**	2023 **£m**
- Less than 1 year	**3**	6
- 1 to 2 years	**3**	5
- 2 to 3 years	**3**	5
- 3 to 4 years	**3**	5
- more than 4 years	**39**	88
Total	**51**	109

Fulfilment cashflows	**2024 £m**	2023 **£m**
- Less than 1 year	**64**	59
- 1 to 2 years	**67**	61
- 2 to 3 years	**67**	62
- 3 to 4 years	**67**	62
- 4 to 5 years	**67**	61
- more than 5 years	**1,454**	1,402
Total	**1,786**	1,707

The figures in the table above are undiscounted and exclude cashflows relating to re-insurance as these are not material.

Critical accounting estimates

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

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

Discount rates - the Group applies a bottom-up approach to derive the discount rate such that our insurance contract liabilities (funeral plans) are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium (credit spread). The risk free rate has been derived by reference to market yields on sterling-denominated high quality corporate bonds of appropriate duration consistent with the funeral plans at that date (UK Gilt curve at the valuation date converted from continuous to annual rates). The illiquidity premium is determined by reference to observable market rates (assessed as 20% of the average credit spread on 10-15 year A rated and 10-15 year AA rated bonds at the valuation date (allowing for the part of the credit spread that relates to default risk and that the liabilities are not perfectly illiquid).

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

Financial assumptions			**2024**	**2023**
Discount rate	Risk free rate - UK Gilt curve	Year 1	**4.14%**	3.55%
		Year 2	**4.21%**	3.02%
		Year 3	**4.25%**	2.99%
		Year 4	**4.37%**	3.10%
		Year 5	**4.54%**	3.29%
		Year 10	**5.65%**	4.76%
		Year 15	**5.97%**	5.04%
	Illiquidity premium (credit spread)		**0.13%**	0.16%
Inflation rate	Bank of England curve less 25 bps plus management view	Year 1	**4.46%**	3.22%
		Year 2	**3.42%**	3.33%
		Year 3	**3.23%**	3.30%
		Year 4	**3.12%**	3.18%
		Year 5	**3.08%**	3.09%
		Year 10	**3.17%**	3.25%
		Year 15	**3.16%**	3.20%

Further details of the Group's approach to financial risk management are noted in Note 25 (Financial risk management) covering: credit risk, interest rate risk, foreign currency risk and liquidity risk.

Sensitivities

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

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

The discount rate sensitivity noted below covers the risk free rate plus the illiquidity premium (see discount rate derivation noted overleaf).

Change in Insurance contract liability - £m	**2024**	**2023**
Discount rate - decrease of 1.0%	**105**	126
Inflation rate - increase of 1.0%	**109**	130
Fulfilment costs - increase of 5%	**51**	55
Mortality stress +20%	**24**	16

Change in Profit before tax - £m	2024	2023
Discount rate - decrease of 1.0%	-	-
Inflation rate - increase of 1.0%	**(58)**	(6)
Fulfilment costs - increase of 5%	**(3)**	(3)
Mortality stress +20%	**(1)**	(1)

Discount rate - the impact of a change in discount rate flows through other comprehensive income (OCI) rather than the Income statement and so doesn't impact Profit before tax (PBT) in either 2024 or 2023.

Inflation - changes to our inflation assumptions are deemed to be non-financial, as the ultimate inflationary cost risk does not relate to financial market indices, and to the extent that they can be covered are first charged to the contractual service margin (CSM) buffer rather than direct to the Income statement. As the modelled sensitivity increase in insurance liability of £109m is larger than the CSM of £51m, the CSM would initially be extinguished and the remaining £58m would be taken as an onerous charge to the Income statement. Our assessment is that this is likely to be only a 1 in 20 year likelihood event.

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

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

Accounting Policies

Summary of material accounting policies:
In applying the insurance standard and the requirements of IFRS 17 the Group has adopted a variety of accounting policies in relation to the accounting for funeral plans and the waiver insurance on instalment plans. The Group has elected to use the General Measurement Model (GMM) under IFRS 17 to measure the liability for remaining coverage. A summary of the material accounting policies is noted below:

Initial recognition - an insurance contract is defined as a contract under which the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. The new standard applies to all of the Group's funeral plans and also covers the re-insurance of the payment waiver risk on instalment plans.

Level of aggregation and onerous contracts - the aggregation of insurance contracts determines the 'unit of account' to be used when applying IFRS 17 which affects the allocation of the contractual service margin (CSM) to insurance revenue and the level at which onerous contracts are identified. IFRS 17 specifically requires that portfolios of re-insurance contracts are separately held from portfolios of insurance contracts issued. The aggregation requirements of IFRS 17 arrange insurance and re-insurance contract cash flows into buckets based on two stages or levels:

- **Portfolio level:** (1) by primary risk type and (2) whether contracts are managed together.
- **Group level:** (1) by time of issuance (one-year issuing period); and (2) by degree of expected profitability at initial recognition.

Application by Co-op:

Portfolio level:
The following IFRS 17 portfolios were identified for the Group's consolidated financial statements:
· Pre-need funeral plans - (insurance contracts issued)
· Premium waiver on underlying Instalment plans – (re-insurance contracts held)

Group level: Time of issuance - Cohort year. IFRS 17 requires a portfolio of contracts to be divided into annual 'cohorts' or shorter time buckets. A group of contracts may not include contracts issued more than one year apart. Co-op allocates cohorts by annual periods based on the financial year of issue.

Group level: Degree of profitability at initial recognition. IFRS 17 requires portfolios of contracts issued in a given cohort year to be assessed by 'sets' for the purpose of determining whether contracts are onerous or have no significant possibility of becoming onerous. The Group determines the sets based on assessed similarities in pricing and margin and expected sensitivity to future changes in financial and non-financial assumptions over the coverage period. Losses on onerous contracts are taken to the Income statement as incurred.

Fulfilment Cashflows:

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value. Fulfilment cashflows cover:
(A) best estimates of future cashflows;
(B) an adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows; and
(C) a risk adjustment for non-financial risk.

(A) Best estimate of future cashflows - IFRS 17 requires an explicit, unbiased and probability weighted estimate (i.e. expected value) of the present value of the future cash outflows less the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.

For the Group these cashflows mainly comprise; premiums received from customers for pre-paid plans and LCIPs, premiums paid or repayable to re-insurers, internal and external direct fulfilment costs of delivering funerals on behalf of the policy holder, amounts recoverable from re-insurers and insurance acquisition cash flows attributable to the portfolio of contracts.

(B) An adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows; - a key component of IFRS 17 is the need to reflect the time value of money when estimating insurance cash flows, and the financial risks related to those cash flows. The Group applies a bottom-up approach to derive the discount rate based on a risk free rate plus an illiquidity premium. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities (UK Gilts). The illiquidity premium is determined by reference to observable market rates. The discount rate used to determine the finance costs relating to funeral plans, uses the discount rate at initial recognition of the funeral plan cohort.

(C) A risk adjustment (RA) for non-financial risk - this reflects the compensation Co-op requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Group fulfils insurance contracts. The risk adjustment reflects an amount that Co-op would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. IFRS 17 does not prescribe any methodologies for calculating the RA but instead outlines principles that the technique used to quantify the RA will need to adhere to. The RA is important because it is a component of the fulfilment cash flows and therefore impacts the profitability classification of funeral plans. The release of the RA over time is a key component of revenue, along with the contractual service margin. Co-op estimate the RA using a confidence level (probability of sufficiency) approach at 70%.

Insurance acquisition cashflows - IFRS 17 requires expenses that are "directly attributable" to issuing and fulfilling insurance contracts to be included in the measurement of insurance contracts. This includes insurance acquisition cash flows, which are defined as cash flows arising from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The classification and reporting of expenses under IFRS 17 involves the following 3 steps:

1) Classification of all expenses into one of the following categories:
· Directly attributable acquisition (direct costs of acquiring new funeral plans such as internal salaries or external commission paid);
· Directly attributable maintenance (direct costs of servicing already acquired funeral plans such as costs of handling claims or policy changes);
· Non-directly attributable expenses.

2) Allocation of directly attributable expenses into IFRS 17 Portfolios and then to current and future cohort groups of contracts.

3) Amortisation of each group of directly attributable acquisition costs in a manner consistent with the revenue earning pattern of the related contracts in the group. Directly attributable maintenance and non-directly attributable expenses are fully expensed when incurred.

When estimating fulfilment cash flows, the Group allocates fixed and variable overheads directly attributable to the fulfilment of insurance contracts. This requires management judgement and is undertaken in-line with our normal internal processes for allocating central overheads to cost centres. We also make an assessment as to the amount of maintenance costs such as claims handling, policy administration and associated overheads.

Contractual Service Margin (CSM) and Coverage units - the CSM for a group of insurance contracts at the end of each reporting period represents the unearned profit relating to future service to be provided under the contracts in the group and is calculated using a roll-forward approach. The five items that are included in the CSM roll forward are:

· the effect of new contracts added to the group;
· interest accretion on the carrying amount of the CSM;
· the change in fulfilment cash flows relating to future service (limited by the amount of CSM);
· the effect of any currency exchange differences on the CSM; and
· the amounts recognized as insurance revenue because of the transfer of services in the period ("amortization of CSM").

The concept of "coverage units" was introduced in IFRS 17 as a means of reflecting the pattern of services provided under a group of contracts and recognizing revenue from CSM (effectively "amortization" of CSM) according to that pattern. The number of coverage units in a group is based on the quantity of service provided by the contracts in the group. For each group of contracts, we are required to consider the quantity of service and its expected coverage period.

Co-op have determined that it is appropriate to measure coverage units based on the maximum expected funeral benefit per period of all the contracts in the IFRS 17 group. The maximum expected pay-out represents the total funeral benefit per period of all contracts expected to be in force in the group for that period. For portfolios of Premium waiver reinsurance contracts, the coverage units will be based on the maximum expected recoverable per period.

Experience adjustments:
Experience variances represents the expected expenses, claims and amortisation of acquisition cash flows which are reported as part of the insurance service revenue. This is offset with the actual expenses and claims incurred in the period and recovery of acquisition cash flows.

Low Cost Investment Plans (LCIPs):
'LCIPs can be paid for by instalments over between 2 and 25 years or they can be paid off in full at any time during this period without any penalties. If the plan holder dies before the instalments have been made in full (and provided that the plan has been in place for at least 12 months or the cause of death was as a result of an accident) then the funeral will still be provided by the Group and the customer will not have to settle the outstanding balance on any instalments and the balance of any monies owed will be waived. Any shortfall (the difference between the full value of the plan and the amount paid up to death by the customer) are covered by an assured benefit from a third party insurer. The assured benefit is between the Group and the third party insurer and has nothing to do with the customer. The Society continues to apply instalment monies received against customers' individual funeral plans until such time as a plan is redeemed and or cancelled.

The assured benefit between the Group and the 3rd party is judged to represent an insurance contract and as such falls under the scope of IFRS 17 (Insurance Contracts).

Presentation and Disclosures:
The Group has elected to apply certain disclosure policies as permitted under IFRS 17:

1) The change in the risk adjustment (RA) for non-financial risk is disaggregated between insurance service result and insurance finance expense in the Income statement;

2) Income and expenses from a group of reinsurance contracts is presented as a single amount;

3) The Group has elected to disaggregate that element of finance income / expense that arise due to changes in the discount rate and record the impact of those changes in other comprehensive income (OCI) rather than in the Income statement. The discount rate used to determine the finance costs relating to funeral plans, uses the discount rate at initial recognition of the funeral plan cohort.

4) Changes to our inflation assumptions are deemed to be non-financial, as the ultimate inflationary cost risk does not relate to a financial market indices, and to the extent that they can be covered are first charged to the CSM buffer rather than direct to the Income statement.

The table below summarises where the financial impact of a change in the assumptions used in the actuarial calculations would be reflected in our financial statements:

Assumption	**Financial Statement Impact**
Discount rate	Consolidated statement of comprehensive income
Fulfilment costs	Consolidated income statement
Inflation rate	Consolidated income statement
Risk adjustment	Consolidated income statement
Maintenance costs	Consolidated income statement
Mortality rates	Consolidated income statement
Cancellation rates	Consolidated income statement

21 Provisions

	2024	2023
	£m	£m
Non-current	**47**	55
Current	**49**	55
Total provisions	**96**	110

2024	**Uninsured claims**	**Property provisions**	**Regulatory & Legal**	**Total**
	£m	**£m**	**£m**	**£m**
At beginning of the period	**38**	**29**	**43**	**110**
Credit to income statement	**(3)**	**(11)**	**-**	**(14)**
Charge to income statement	**17**	**6**	**-**	**23**
Payments	**(17)**	**(5)**	**(1)**	**(23)**
At end of the period	**35**	**19**	**42**	**96**

2023	**Uninsured claims**	**Property provisions**	**Regulatory & Legal**	**Total**
	£m	**£m**	**£m**	**£m**
At beginning of the period	38	41	14	93
Credit to income statement	(1)	(6)	(1)	(8)
Charge to income statement	18	4	33	55
Payments	(17)	(10)	(3)	(30)
At end of the period	38	29	43	110

Uninsured claims
This provision relates to potential liabilities arising from past events which are not covered by insurance. It includes a wide variety of known claims and potential claims from accidents in our depots and stores. The provision includes an assessment, based on historical experience, of claims incurred but not reported at the period end. The claims are expected to be settled substantially over the next three years.

Property provisions
Property provisions are held for onerous contractual obligations for leasehold properties that are vacant or not planned to be used for ongoing operations. The provisions represent the least net cost of exiting from the contracts. Provisions include an assessment of dilapidation and return of lease obligations, and other service costs that are explicitly excluded from the measurement of lease liabilities in accordance with IFRS 16. The Group considers that where it has entitlement to possession of a property, even if vacant, it retains a statutory obligation to pay the related business rates that have been determined to be levies as defined in IFRIC 21. Accordingly, the estimate of the least net costs of exiting from the contracts excludes future business rates which instead under IFRIC 21 are recognised when the event that triggers the payment of the levy arises (as a periodic cost).

Property provisions are expected to be utilised over the remaining periods of the leases which range from 1 to 97 years. In each of the current and comparative years, sensitivity analysis has been performed in relation to the provision, testing for a 2% increase in inflation related to costs expected to be incurred; this sensitivity does not lead to a material additional provision being calculated. The sensitivity analysis performed considers reasonably possible changes in the inflation assumption.

Critical accounting estimate and judgement

Regulatory & Legal
These provisions relate to costs from a number of past events that are expected to be incurred within the next one to five years. Typically, these cover potential or on-going legal or regulatory claims and represent management's best estimate of expected future cashflows.

The likely outcome in a legal or regulatory claim may be uncertain and difficult to predict based on the evidence and circumstances involved. This means there may be considerable inherent uncertainty with an assessment as to whether a present obligation as a result of a past event has arisen at the balance sheet date. No separate disclosure is made of the detail of such claims, the assumptions used to calculate the amount provided or the uncertainties relating to the range of possible outcomes considered, because in management's view, to do so could seriously prejudice our position.

Accounting policies

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

Note: *The Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024, passed into law on 11 December 2024, which may affect UK organisations that supply or import packaging. The Regulations require certain "producers" to pay disposal and administration fees (pEPR fees) to cover a proportion of the cost of recovery and recycling of their packaging. The clarification issued by the Department for Environment, Food and Rural Affairs (DEFRA) confirms that an obligation for pEPR fees does not arise until an entity has been a producer in the year beginning 1 April 2025. Therefore, no obligation arises before this date. Our preliminary interpretation of the Regulations is that Co-op meets the definition of 'producer' in the context of the regulations. Thus, the full liability for the assessment year ending 31 March 2026 would be recognised as of 1 April 2025, as the obligation would be met at that point in time.*

22 Members' share capital and reserves

	2024 **£m**	2023 £m
Individual shares of £1 each	**69**	67
Corporate shares of £5 each	**8**	9
Share capital	**77**	76
Other reserves	**12**	9
Retained earnings	**2,109**	1,935
Total Retained earnings and Other reserves	**2,121**	1,944
Total Capital resources	**2,198**	2,020

Members' share capital (Issued and paid-up value)

Members' share capital is made up of corporate and individual shares. The rights attached to shares are set out in the Society's rules. Shares held by Independent Society Members (corporate shares) are not withdrawable and are transferable only between Independent Society Members with the consent of the Society's Board. Shares held by individual members (individual shares) are withdrawable on such period of notice as the Society's Board may from time to time specify. IFRIC 2 (Members' Shares in Co-operative Entities and Similar Instruments) determines the features that allow shares to be classified as equity capital. As the Board has an unconditional right to refuse redemption of both classes of shares, both corporate and individual shares are treated as equity shares.

Both classes of share maintain a fixed nominal value with corporate shares attracting a limited rate of interest. Under the Society's current rules, voting for Independent Society Members is in proportion to trade with the Society, with Independent Society Members totalling 21.9% (2023: 21.9%) of the vote at the Annual General Meeting. Each individual member has one vote with individual members totalling 78.1% (2023: 78.1%) of the vote at the Annual General Meeting.

For individual shares, new members are required to contribute a minimum of £1 when they join the Society. Each member has 1 individual share although contributions of up to £100,000 per member are allowed. No interest is earned on member capital. Members can withdraw money from their share account upon request (to a minimum of £1) or they can withdraw their £1 when they leave the Society. Individual member share capital increased by £1.6m in the period being the net of new member contributions of £1.6m and withdrawals of £nil. We have 6.2m (2023: 5.0m) active members (see also Note 30 Membership and community reward).

Other reserves (2024)	**Revaluation Reserve £m**	**Total £m**
Balance at 6 January 2024	**9**	**9**
Balance at 4 January 2025	**12**	**12**

Revaluation reserve - property, plant and equipment

This reserve relates to the surplus created following the revaluation of certain assets in previous periods. Any surplus relating to a revalued asset is transferred to retained earnings at the point the asset is disposed of.

Distribution of reserves in the event of a winding-up

The Society's rules state that any surplus in the event of a winding-up shall be transferred to one or more societies registered under the Co-operative and Communities Benefit Act 2014. Such societies must be a member of Co-operatives UK Limited and have the same or similar rule provisions in relation to surplus distribution on a dissolution or winding-up as we have. If not transferred to another society in this way, the surplus shall be paid or transferred to Co-operatives UK Limited to be used and applied in accordance with co-operative principles.

Capital management

The Group defines capital as its share capital and reserves. The Group's policy is to maintain a strong base and to be more prudent than industry 'normal' levels as it is not able to raise equity externally. The Group still recognises the need to maintain a balance between the potential higher returns that might be achieved with greater borrowing levels and the advantages and security coming from a sound capital position.

The Group manages capital to make sure we have the right balance between investing in the future growth of the Group and making member and community payments. The Group has invested in future growth through cash capital expenditure additions of £273m (2023: £205m) and still kept within its net debt limits. Total member funds increased during the period by £179m (2023: decreased £1,003m). The decrease in the prior year primarily related to the accounting impact of the buy-in transaction undertaken by the pension Trustee with Rothesay Life Plc, a specialist UK Insurer, to insure scheme benefits through a bulk annuity insurance policy helping to insure the Group against the primary investment and longevity risks it is exposed to.

23 Investment properties

	2024	2023
	£m	£m
Valuation at beginning of period	**40**	40
Disposals	**(12)**	(12)
Transfer from Property, plant and equipment (Note 10)	**4**	5
Transfer from Right of use assets (Note 11)	**2**	-
Revaluation gain recognised in the Consolidated income statement	**14**	4
Revaluation gain recognised in the Consolidated statement of other comprehensive income	**3**	3
Valuation at end of period	**51**	40

Accounting policies

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

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

24 Pensions

	2024	**2023**
	£m	**£m**
Pension schemes in surplus	**328**	359
Pension schemes in deficit	**(3)**	(3)
Closing net retirement benefit surplus	**325**	356

Defined benefit (DB) plans

The Group operates three funded DB pension schemes all of which are closed to future accrual. This means that colleagues can no longer join or earn future benefits from these schemes. The assets of these schemes are held in separate trustee-administered funds to meet future benefit payments.

The Group's largest pension scheme is the Co-operative Group Pension Scheme ('Pace') which accounts for approximately 81% of the Group's pension assets. The DB section of Pace ('Pace Complete') closed to future service accrual on 28 October 2015. As of November 2023, the vast majority of PACE's liabilities are covered by insurance policies. Further information is provided below.

Defined contribution (DC) plans

Since the closure of the DB schemes, the Group provides all colleagues with DC pension benefits through the DC section of Pace. Colleagues are able to select the level of contributions that they wish to pay. The contribution paid by the Group varies between 1% and 10% of pensionable salary depending on the contribution tier that the scheme member has selected. Contributions are based on the scheme member's basic pay plus any earnings in respect of overtime, commission and shift allowance.

The Pace DC section provides benefits based on the value of the individual colleague's fund built up through contributions and investment returns. The Group has no legal or constructive obligation to pay contributions beyond those set out above. There is therefore no balance sheet items for DC pension benefits except for any accrued contributions.

Balance sheet position for DB plans

The table below summarises the net surplus in the balance sheet by scheme. Following an insurance "buy-in" transaction in Pace in the prior year the vast majority of Pace's liabilities are now covered by insurance policies.

Buy-in transactions

In November 2023, the Pace Trustee completed a "buy-in" transaction with Rothesay Life Plc, a specialist UK insurer, to insure scheme benefits through a bulk annuity insurance policy. Through this transaction, and in conjunction with pre-existing partial "buy-ins" with Aviva (completed in January 2020 and May 2020), and Pension Insurance Corporation (PIC, completed in February 2020), this means that the Group Section of Pace, and by extension the Group as Principal Employer, is insured against the primary investment and longevity risks it is exposed to. As a result of these four separate insurance transactions, the Pace scheme will receive regular payments from Rothesay, Aviva and PIC to fund all future pension payments. The insurance contracts are assets of the Pace scheme, and the Pace scheme has retained all responsibility to meet future pension payments to pensioners. The salary increase link that remains, as applied to pre 2006 benefits since April 2022, is excluded from the Insurance transactions, as are some costs related to GMP equalisation. This ongoing exposure means that the buy-ins don't cover all the Pace liabilities, but the Group's remaining exposure is very small and, at the year-end, there is a surplus remaining in Pace of £229m (2023: £283m). The size of the ongoing liability exposure from the salary link and the uninsured GMP equalisation costs is small relative to this surplus.

	2024 **£m**	2023 £m
Schemes in surplus:		
The Co-operative Group Pension Scheme (Pace)	**229**	283
Somerfield Pension Scheme	**71**	68
United Norwest Co-operatives Employees' Pension Fund	**28**	8
Total schemes in surplus	**328**	359
Schemes in deficit:		
Other unfunded obligations	**(3)**	(3)
Total schemes in deficit	**(3)**	(3)
Total schemes (net)	**325**	356

Non-Pace schemes

The United and Somerfield schemes use segregated liability driven investment (LDI) mandates which hold government and corporate bonds, along with derivatives. These investments increase (decrease) in value when yields on government bonds fall (rise), and are designed to have similar interest rate and inflation sensitivities to the schemes' liabilities so that the funding position is protected against movements in interest rate and inflation expectations. The schemes' liabilities are in aggregate broadly fully hedged against movements in yields on government bonds. Against a backdrop of market uncertainty, AA corporate bonds, used to discount the liabilities increased over the year, whilst inflation expectations also increased but by a lesser extent.

Recognition of accounting surplus

Any net pension asset disclosed represents the maximum economic benefit available to the Group in respect of its pension obligations. The Group has carried out a review of the provisions for the recovery of surplus in its pension schemes. This review concluded that the Group can recoup the benefits of the surplus via a right to refunds and this is reflected in the balance sheet position.

Pace - nature of scheme

As Pace represents around 81% of the Group's pension assets, further information has been included on Pace below. Benefits accrued in Pace between 6 April 2006 and 28 October 2015 are calculated based on an individual's average career salary. Benefits accrued prior to 6 April 2006 are linked to final salary until scheme members end their pensionable service. The Somerfield and United schemes are exposed to additional risks from Pace, predominantly investment, inflation and longevity. More detail is set out below.

Pace - multi-employer provisions following sectionalisation

Pace is a multi-employer scheme but following sectionalisation of the scheme in 2018, the Group accounts only for the Co-op section of Pace. CFSMS, a subsidiary of the Group, participates in the Group's section with a material share of accrued DB obligations. There are other participating employers in the Group section which include Group subsidiaries, non-associated and associated entities, but these do not have a material share. Non-associated entities account for pension contributions in respect of the scheme on a DC basis.

Legislative framework for DB schemes - pension scheme governance

As required by UK legislation, the Group's three DB schemes are run by Trustee boards which operate independently from the Group. The Trustees are responsible for the development and implementation of appropriate policies for the investment of the scheme assets and for negotiating scheme funding with the Group. The Trustees consult with the Group in developing investment strategy and delegates the responsibility for implementing and monitoring the strategy to Investment Committees.

Each trustee board has professional independent trustee representation, and some boards require pension scheme member representation. The Pace trustee board comprises Independent Trustee Services Limited (part of Independent Governance Group, a professional trustee firm) and the chair of Independent Trustee Services Limited (appointed as an individual), with this appointment having been agreed by the Co-op and Co-operative Bank. The other two trustee boards each comprise independent, professional trustee directors via representatives from Independent Trustee Services Limited, as well as Co-op appointed trustee directors, and member-nominated trustee directors. The chair of each board is appointed by the trustee directors.

Legislative framework for DB schemes - scheme funding regime

Under the scheme specific funding regime established by the Pensions Act 2004, trustees of DB pension schemes have to undertake a full actuarial valuation at least every three years. The purpose of the valuation is to determine if the scheme has sufficient assets to pay the benefits when these fall due. The valuation targets full funding (scheme assets equal to the value of pension liabilities) against a basis that prudently reflects the scheme's risk exposure. The basis on which DB pension liabilities are valued for funding purposes differs to the basis required under IAS19. The Group may therefore be required to pay contributions to eliminate a funding shortfall even when a surplus is reported in the IAS19 disclosure. Any shortfall in the assets directly held by the Group's DB schemes, relative to their funding target, is financed over a period that ensures the contributions are reasonably affordable to the Group.

Contributions of £1.5m were paid over in the 2024 financial year in respect of the United Norwest scheme expenses (total 2023 contributions: £15m). Deficit contributions to all schemes have now ceased due to the fact that recent actuarial funding valuations showed all the schemes were in surplus at the relevant valuation date. All scheme funding valuations target a more prudent level of funding than the target stipulated under IAS19 which is included in these financial statements. Therefore the funding levels are not comparable and it is possible to have a surplus under IAS19 and yet still be required to pay deficit contributions. We also cannot use a surplus in one scheme to offset the requirement to pay cash contributions to fund a deficit in another scheme under a different trust. The contribution risk has also fallen following the buy-in transaction.

The average duration of the liabilities at 4 Jan 2025 on an IAS19 basis is approximately 14 years. The benefits expected to be paid from the schemes take the form of a cash lump sum paid at retirement followed by a stream of pension payments.

The effective date of the last full valuations of the schemes are shown below:	
The Co-operative Pension Scheme ('Pace')	5 April 2022
Somerfield Pension Scheme ('Somerfield Scheme')	31 March 2022
United Norwest Co-operatives Employees' Pension Fund ('United Fund')	31 January 2023

Legislative framework for DB schemes - scheme funding regime continued

On 16 June 2023, the High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited. Whilst this case could have application to other schemes, based on our current understanding the decision reached was based on specific circumstances and related to an amendment which was worsening benefits and so it is unclear as to its wider application in many instances for our schemes. There was a Court of Appeal hearing that took place in the Summer of 2024 and the appeal was overturned. This area of law is subject to a high degree of uncertainty and the Virgin Media case only addressed the specific question and circumstances that were put to the Court. Further legal cases are to be heard in 2025 and we note the possibility of amending legislation to clarify matters.

In the meantime, with support from our legal advisors, the Co-op Group have carried out a high-level desktop review of deeds across our 3 legacy DB Pension Schemes; Pace, United & Somerfield, to consider potential exposure from the Virgin Media case. Our legal advisors have considered 54 separate deeds between 1997 and 2016 and from this identified 2 deeds where a change was made where they expect actuarial confirmation (or similar assurance) would have been required but was not appended to the deed or immediately obvious from the content of the deed that it had been obtained. However, given there was no single prescribed format, appropriate assurance may well have been obtained. This could give rise to some further analysis but, given the ongoing uncertainty regarding the application of the Virgin Media case, no further work has been undertaken at this time. As such, the Co-op acknowledges that some potential uncertainties remain, and future developments will be kept under review by the Co-op. While uncertainties remain, management's analysis supports the view that the possible exposure would not be material.

Our pension scheme Trustee Boards & the Co-op have always had in place comprehensive procedures and practices to ensure compliance with all legal and regulatory requirements, including taking appropriate external advice whenever any changes have been made.

Risks associated with DB pension schemes

The liability associated with the pension schemes is material to the Group. Following the buy-in transaction the cash funding risk is now considered to be relatively low. The Group and Trustees work together to address the associated pension risk - in particular, steps have been taken to materially reduce the investment risk in the schemes. The Group has removed its exposure to these risk in the Pace Scheme via the four separate insurance buy-in contracts. The key risks in relation to the DB schemes are set out below, alongside a summary of the steps taken to mitigate the risk:

Risk description	Mitigation
Risk of changes in contribution requirements - When setting the contributions that are paid to a scheme, the Group and Trustee are required to consider the funding level at a specified valuation date. The funding level at future valuation dates is uncertain and this leads to uncertainty in future cash requirements for the Group.	The closure of the DB schemes has reduced the exposure of the Group to changes in future contributions, as did the subsequent Pace Insurance buy-in contracts. In addition, the Group and Trustee have taken steps to reduce the volatility of the funding level (as set out below). The Group monitors the funding level of the schemes in order to understand the likely outcome of valuations and the Trustee is required to obtain agreement from the Group to funding assumptions and deficit recovery contributions.
Interest rate risk - Pension liabilities are measured with reference to yields on bonds, with lower yields increasing the liabilities. The schemes are therefore exposed to the risk of falls in interest rates.	Through its insurance buy-in contracts Pace has minimal further exposure. The Somerfield and United schemes invest in liability-driven investment (LDI) products which increase (decrease) in value when yields on government bonds fall (rise), providing protection against interest rate risk. Across all schemes, approximately 98% of the liability is currently protected from movements in yields on government bonds. LDI involves investing in assets which are expected to generate cashflows that broadly mirror expected benefit payments from the scheme.
Risk associated with volatility in asset value - The market value of the assets held by the pension schemes, particularly the assets held in return-seeking assets such as equity, can be volatile (and, for example, may be affected by environmental, social or corporate governance ("ESG") failures at investee companies and/or sovereign states - including the physical and transition risks of climate change). This creates a risk of short-term fluctuations in funding level.	Given Pace's liabilities are almost fully insured, assets are expected to move in line with liabilities meaning Pace has minimal further exposure. For the Somerfield and United schemes this risk has been mitigated by reducing the exposure of the pension schemes to those asset classes which have the most volatile market values. In particular, the schemes have limited allocation to return-seeking assets such as equity. In addition, the Trustees of the Co-op's pension schemes have responsible investment policies in place, and aligned with those policies exclude specific investments (where appropriate and viable). Management of ESG risks is considered when appointing investment managers and in their ongoing monitoring, and the schemes' equity assets are explicitly managed with a consideration of such risks, including climate change.
Inflation risk - Many of the benefits paid by the schemes are linked to inflation. Therefore, the pension liabilities reflect expectations of future inflation with higher inflation leading to higher liabilities.	Through its insurance buy-in contracts Pace has minimal further exposure. The Somerfield and United schemes invest in liability driven investment products which increase (decrease) in value when expectations of future inflation rates increase (fall), thus providing protection against inflation risk. Across all schemes, approximately 97% of the liability is currently protected from movements in inflation.
Risk associated with changes in life expectancy - Pensions paid by the schemes are guaranteed for life, and therefore if members are expected to live longer, the liabilities increase.	Through its insurance buy-in contracts Pace has minimal further exposure, and risk has substantially passed to the buy-in insurance providers. The remaining risk is now in respect of the credit risk associated with those buy-in insurance providers (with the mitigation that the buy-in insurance providers have strong credit ratings). The Somerfield and United schemes' funding targets incorporate a margin for prudence to reflect uncertainty in future life expectancy.

Critical accounting estimates

For IAS 19 disclosure purposes, DB obligations are determined following actuarial advice and are calculated using the projected unit method. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice. For the insurance buy-ins under Pace, we apply the assumptions to derive the liability and then set the asset value to match this liability, with separate calculations to derive the salary link and GMP equalisation liabilities.

Financial assumptions	**2024**	2023
Discount rate	**5.54%**	4.76%
RPI inflation rate	**3.39%**	3.32%
Pension increases in payment (RPI capped at 5% p.a.)	**3.17%**	3.12%
Future salary increases	**3.64%**	3.57%

The discount rate has been derived by reference to market yields on sterling-denominated high quality corporate bonds of appropriate duration consistent with the schemes at that date.

Demographic assumptions

The Group has used best estimate base mortality tables which reflect the membership of each scheme. Allowance has been made for future improvements in line with the Continuous Mortality Investigation (CMI) 2022 projections and a long-term future improvement rate of 1.25% p.a. (2022: CMI 1.25% p.a.).

For illustration, the average life expectancy (in years) for mortality tables used to determine scheme liabilities for Pace is as follows. These are broadly similar to the life expectancies used for other schemes.

Life expectancy from age 65	2024	2023
Male currently aged 65 years	**20.5**	20.7
Female currently aged 65 years	**22.3**	22.5
Male currently aged 45 years	**21.3**	21.8
Female currently aged 45 years	**23.4**	23.8

Sensitivities

The measurement of the Group's DB liability is particularly sensitive to changes in certain key assumptions, which are described below. The methods used to carry out the sensitivity analysis presented below for the material assumptions are the same as those the Group has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remained the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will also increase. However, it enables the reader to isolate one effect from another. It should also be noted that because of the interest rate and inflation hedges, changes in the liability arising from a change in the discount rate or price inflation would be expected to be largely mitigated by a change in assets. It's impossible to predict future discount rates or inflation with any real certainty and so the sensitivities shown are for illustration purposes only and in reality more material movements could be experienced.

Sensitivities	2024 £m	2023 £m
Change in liability from a 0.5% decrease in discount rate	**366**	428
Change in liability from a 0.5% increase in RPI inflation	**227**	264
Change in liability from a 0.25% increase in long-term rate of longevity improvements	**34**	42

Changes in the present value of the defined benefit obligation (DBO)	2024 £m	2023 £m
Opening defined benefit obligation	**5,857**	5,543
Interest expense on DBO	**270**	261
Remeasurements:		
a. Effect of changes in demographic assumptions	**(37)**	(95)
b. Effect of changes in financial assumptions	**(558)**	(51)
c. Effect of experience adjustments	**(11)**	491
Benefit payments from plan	**(298)**	(292)
Closing defined benefit obligation	**5,223**	5,857

Changes in the fair value of the plan assets	2024 £m	2023 £m
Opening fair value of plan assets	**6,213**	7,124
Interest income	**287**	338
Return on plan assets (excluding interest income)	**(598)**	(966)
Administrative expenses paid from plan assets	**(6)**	(6)
Employer contributions	**2**	15
Pace DC contributions*	**(52)**	-
Benefit payments from plan	**(298)**	(292)
Closing fair value of plan assets	**5,548**	6,213

* From March 2024, following the completion of the final Insurance transaction in 2023, the Trustee of the Pace DB Scheme have agreed to use part of the surplus to partially fund employer contributions to the Pace DC Scheme. This is made possible because the Pace DB and DC Schemes form the same Trust. These payments do not affect the obligations made in respect of defined benefit payments.

The fair value of the plan assets at the period end were as follows. The assets have been split to show those which have a quoted market price in an active market and those which are unquoted.

Fair value of plan assets	**2024 Quoted £m**	**2024 Unquoted £m**	**2024 Total £m**	2023 Quoted £m	2023 Unquoted £m	2023 Total £m
Equity instruments	**25**	**-**	**25**	40	-	40
Liability driven investments	**370**	**-**	**370**	434	-	434
Investment grade credit assets	**345**	**-**	**345**	329	-	329
Illiquid / other credit assets	**-**	**89**	**89**	-	95	95
Cash and cash equivalents	**266**	**-**	**266**	310	-	310
Insurance buy-in contracts	**-**	**4,453**	**4,453**	-	5,005	5,005
Fair value of plan assets	**1,006**	**4,542**	**5,548**	1,113	5,100	6,213

Amounts recognised in the balance sheet	**2024 £m**	2023 £m
Present value of funded obligations	**(5,220)**	(5,854)
Present value of unfunded liabilities	**(3)**	(3)
Fair value of plan assets	**5,548**	6,213
Net retirement benefit asset	**325**	356

Amounts recognised in the income statement and other comprehensive income	**2024 £m**	2023 £m
Interest expense on defined benefit obligations	**(270)**	(261)
Interest income on plan assets	**287**	338
Administrative expenses and taxes	**(6)**	(6)
Total recognised in the income statement	**11**	71
Remeasurement gains / (losses) on employee pension schemes	**8**	(1,310)
Total recognised in other comprehensive income	**8**	(1,310)
Total	**19**	(1,239)

Accounting policies

The Group operates various defined contribution and defined benefit pension schemes for its colleagues as stated above. A defined contribution scheme is a pension plan under which the Group pays pre-specified contributions into a separate entity and has no legal or constructive obligation to pay any further contributions. A defined benefit scheme is a pension plan that defines an amount of pension benefit that a colleague will receive on retirement. In respect of the defined benefit pension scheme, the pension scheme surplus or deficit recognised in the balance sheet represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. The calculation of the defined benefit obligations is performed annually by qualified actuaries (and half-yearly for Pace) using the projected unit credit method. Plan assets are recorded at fair value. When the calculation results in a potential asset for the Group, the recognised asset reflects the present value of the economic benefits that will arise from the surplus in the form of any future refunds from the plan or reductions in future contributions to the plan. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Remeasurements of the surplus / liability of each scheme (which comprise actuarial gains and losses and asset returns excluding interest income) are included within other comprehensive income. Net interest expense and other items of expense relating to the defined benefit plans are recognised in the income statement. Administrative costs of the plans are recognised in operating profit. Net interest expense is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined asset / liability at that point in time taking into account contributions within the period.

The Insurance transactions entered into by the Co-op, in respect of its pension arrangements, are assets of the Co-op pension schemes and the schemes have retained all responsibility to meet future pension payments to pensioners. Insurance annuities are recorded at the same value as the liabilities to which they relate and movements in liabilities will be offset by an equivalent movement in the insurance annuity asset. These movements are recorded through items in other comprehensive income.

The premium cost of the Rothesay transaction (in the prior period) was greater than the value of the liabilities secured. As with previous insurance contracts entered into, this was a buy-in transaction where the scheme retains the responsibility for paying pensions and therefore the loss was recorded through other comprehensive income.

25 Financial risk management

The main financial risks facing the Group are set out below. Overall Group risks and the strategy used to manage these risks are discussed in the Principal Risks and Uncertainties section.

Credit risk

Credit risk arises from the possibility of customers and counterparties failing to meet their obligations. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group does not require security in respect of financial assets. The majority of businesses in the Group have cash-based rather than credit-based sales and so customer credit risk is relatively small.

The Group will ensure that it earns an appropriate return on its invested cash, whilst ensuring that there is minimal risk over the security of that cash. Investments are only allowed with the Group's syndicate banks or counterparties that have a credit rating of Investment Grade. Transactions involving derivative financial instruments are with counterparties with whom the Group has signed an ISDA agreement (a standard contract used to govern all over-the-counter derivatives transactions). Management has no current reason to expect that any counterparty the Group has invested with will fail to meet its obligations.

Funeral Plan funds are invested in whole-of-life insurance policies which pay out a lump sum when the insured person dies. Any provider of these policies to the Group must be authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. There are also some funds relating to plans taken out prior to 2002 that are held in interest-bearing trustee-administered bank accounts which can only be utilised to meet liabilities in respect of funeral plans.

At the balance sheet date there were no material concentrations of credit risk. Information regarding the age profile of trade receivables is shown in Note 16. The carrying value of all balances that attract a credit risk, which represents the maximum exposure, is set out below:

	Carrying amount 2024 £m	Carrying amount 2023 £m
Trade and other receivables (excluding prepayments and accrued income)	**414**	434
Interest rate swaps	**(6)**	(9)
Foreign exchange contracts and commodity swaps (net)	**(3)**	(4)
Funeral plan investments	**1,414**	1,346
Finance lease receivables	**26**	29
Cash	**320**	395
Short-term investments	**100**	200

Interest rate risk and hedging

Interest rate risk arises from movements in interest rates that impact the fair value of assets and liabilities and related finance flows. The Group adopts a policy of ensuring that 50-100% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The fixed proportion as at 4 January 2025 was 77% (at 6 January 2024: 84%). Interest rate swaps, denominated exclusively in Sterling, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group’s policy. At 4 January 2025, the Group had interest rate swaps with a notional contract amount of £105m (at 6 January 2024: £105m).

The Group does not designate interest rate swaps, forward foreign exchange contracts, and commodity swaps as hedging instruments. Derivative financial instruments that are not hedging instruments are classified as held for trading by default and so fall into the category of financial assets at fair value through the income statement. Derivatives are subsequently stated at fair value, with any gains and losses being recognised in the income statement. See Note 26.

The net fair value of swaps at 4 January 2025 was a net liability of £6m (2023: net liability of £9m) comprising assets of £nil (2023: £nil) and liabilities of £6m (2023: £9m). These amounts are recognised as fair value derivatives on the face of the Consolidated balance sheet.

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than sterling. The key currencies giving rise to this risk are Euros and US Dollars.

The Group manages the impact of market fluctuations on its currency exposures and future cash flows by undertaking rolling foreign exchange hedges. These are executed on a monthly basis in a layered approach based on forecast requirements.

At 4 January 2025, the Group had forward currency transactions in Euros and US Dollars with a notional contract amount of £73m (2023: £64m).

Liquidity risk

This is the risk that the Group will not have sufficient monies to fund its future operations and meet its borrowing obligations. The Group has diverse sources of financing through its cash, short-term investments, credit facilities and bonds. These are managed to ensure appropriate flexibility and headroom over the short, medium and long term.

As at 4 January 2025, the Group had available cash and cash equivalents and short-term investments of £420m (2023: £595m) together with committed borrowing facilities totalling £862m (2023: £1,107m). These are detailed below:

	2024			2023		
Bank facilities as at 4 January 2025	**Expiry**	**Facility £m**	**Undrawn £m**	Expiry	Facility £m	Undrawn £m
Cash and cash equivalents			**320**			395
Short-term investments			**100**			200
Cash and cash equivalents and short-term investments			**420**			595
Revolving Credit Facility *	**Nov 2029**	**400**	**400**	Mar 2026	443	443
£300m 5.125% Sustainability Bond **	**May 2024**	-	-	May 2024	200	
£109m 11% Final repayment subordinated notes	**Dec 2025**	**109**	-	Dec 2025	109	
£20m Instalment repayment notes	**Dec 2025**	**3**	-	Dec 2025	5	
£350m 7.5% Bond notes	**July 2026**	**350**	-	July 2026	350	
Total debt facilities		**862**	**400**		1,107	443
Total cash and cash equivalents, short-term investments and debt liquidity			**820**			1,038

*On the 29 November 2024, the Group concluded an amendment and extension exercise on its Revolving Credit Facility. The facility size is £400m and matures on 29 November 2029. The facility was undrawn as at 4 January 2025.

** The remaining £200m principal on the Sustainability bond matured on 17 May 2024 and was repaid in full from the Group's surplus cash.

The following are the maturities of financial liabilities as at 4 January 2025. The contractual cashflows noted include payments of interest and principal:

2024	**Carrying amount**	**Contractual cash flows**	**<1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Non-derivative financial liabilities						
£109m 11% Final repayment subordinated notes 2025	**(109)**	**(121)**	**(121)**	**-**	**-**	**-**
£20m Instalment repayment notes (final payment 2025)	**(3)**	**(3)**	**(3)**	**-**	**-**	**-**
£105m 7.5% Bond 2026 (fair value)	**(108)**	**(121)**	**(8)**	**(113)**	**-**	**-**
£245m 7.5% Bond 2026 (amortised cost)	**(259)**	**(281)**	**(18)**	**(263)**	**-**	**-**
Lease liabilities	**(1,193)**	**(1,509)**	**(194)**	**(179)**	**(438)**	**(698)**
Trade and other payables	**(1,564)**	**(1,564)**	**(1,532)**	**(21)**	**(7)**	**(4)**

The following are the maturities of financial liabilities as at 6 January 2024. The contractual cashflows noted include payments of interest and principal:

Non-derivative financial liabilities						
£300m Sustainability Bond 2024 (amortised cost)*	(202)	(205)	(205)	-	-	-
£109m 11% Final repayment subordinated notes 2025	(109)	(133)	(12)	(121)	-	-
£20m Instalment repayment notes (final payment 2025)	(5)	(6)	(3)	(3)	-	-
£105m 7.5% Bond 2026 (fair value)	(105)	(129)	(8)	(8)	(113)	-
£245m 7.5% Bond 2026 (amortised cost)	(262)	(299)	(18)	(18)	(263)	-
Lease liabilities	(1,233)	(1,666)	(192)	(180)	(437)	(857)
Trade and other payables	(1,582)	(1,582)	(1,544)	(20)	(14)	(4)

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

Sensitivity analysis

Interest rate risk
The valuations of the Group's quoted debt and interest rate swaps have been determined by discounting expected future cash flows associated with these instruments at the market interest rate yields as at the Group's year end. This is then adjusted by a +1% increase to the interest rate yield curve and a 1% reduction in the interest rate yield curve to show the impact of changes in interest rates on the value of our debt and swaps. At 4 January 2025 and 6th January 2024, if Sterling (GBP) market interest rates had been 1% higher / lower with all other variables held constant, there would have been no material impact to post-tax profit. Profit is generally less sensitive to movements in GBP interest rates due to the level of borrowings held at fixed rates as described in the Interest rate risk and hedging section.

Foreign exchange risk
At 4 January 2025 and 6 January 2024, if both the Euro and US dollar had strengthened or weakened by 10% against sterling (GBP) with all variables held constant, there would have been no material impact to post-tax profit.

Guarantees

In the course of conducting its operations, the Group is required to issue bank guarantees and bonds in favour of various counterparties. These facilities are provided by the Group's banking syndicate and as at 4 January 2025 the total amount of guarantees / bonds outstanding was £24m (2023: £17m).

26 Financial instruments, derivatives and valuation of financial assets and liabilities

Derivatives

Derivatives held for non-trading purposes for which hedge accounting has not been applied are as follows:

	2024			2023		
	Contractual / notional amount	**Fair value assets**	**Fair value liabilities**	Contractual/ notional amount	Fair value assets	Fair value liabilities
	£m	**£m**	**£m**	£m	£m	£m
Interest rate swaps	**105**	**-**	**(6)**	105	-	(9)
Foreign exchange contracts	**73**	**-**	**(2)**	64	-	(2)
Commodity swaps (diesel)	**20**	**-**	**(1)**	20	-	(2)
Total recognised derivative liabilities)	**198**	**-**	**(9)**	189	-	(13)

The interest rate swaps mature in 2026 and as such are held in non-current liabilities. The majority of the foreign exchange contracts and diesel swaps mature within 1 year so are shown in current liabilities.

The following summarises the major methods and assumptions used in estimating the value of financial instruments reflected in the annual report and accounts:

a) Financial instruments at fair value through the income statement

Investments in funeral plans

Where there is no active market or the investments are unlisted, the fair values are based on commonly used valuation techniques (refer to accounting policy (section iv) of this note for further details.

Derivatives

Forward exchange contracts, such as the Group's interest rate swaps have been determined by discounting expected future cash flows associated with these instruments at the market interest rate yields as at the Group's year end. The Group's derivatives are not formally designated as hedging instruments but under IFRS 9 (Financial Instruments) they are used to match against a proportion of the 2026 Bond liabilities carried at fair value through the income statement, showing as a gain of £3m in 2024 (2023: £4m gain) see Note 6.

The Group enters into forward contracts for the purchase of energy from third party suppliers for use by the Group. Energy contracts for own use are not required to be accounted for as derivatives. We adopt a layered hedging procurement policy for energy contracts over a period of 3 years to a maximum of 80% of Group forecast demand. At the 2024 year end we had 78% electricity (2023: 68%) and 64% gas (2023: 54%) coverage of our forecast demand for 2025.

Fixed rate sterling bonds

The fixed rate sterling bond values are determined in whole by using quoted market prices.

b) Interest-bearing loans and borrowings - amortised cost

These are shown at amortised cost which presently equate to fair value or are determined in whole by using quoted market prices. Fair value measurement is calculated on a discounted cash flow basis using prevailing market interest rates.

c) Receivables and payables

For receivables and payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value, where the effect of discounting is immaterial. For further details see the Accounting Policy section at the end of this note.

The table below shows a comparison of the carrying value and fair values of financial instruments for those liabilities not carried at fair value.

Financial liabilities	**Carrying value 2024**	**Fair value 2024**	Carrying value 2023	Fair value 2023
	£m	**£m**	£m	£m
Interest-bearing loans and borrowings (held at amortised cost)	**376**	**384**	583	581

The table below analyses financial instruments by measurement basis:

2024	**Fair value through income statement**	**Amortised cost**	**Total**
	£m	**£m**	**£m**
Assets			
Other investments (funeral plans)	**1,414**	**-**	**1,414**
Trade and other receivables	**-**	**414**	**414**
Cash and cash equivalents	**-**	**320**	**320**
Short-term investments	**-**	**100**	**100**
Total financial assets	**1,414**	**834**	**2,248**
Liabilities			
Interest-bearing loans and borrowings	**108**	**376**	**484**
Derivative financial instruments	**9**	**-**	**9**
Trade and other payables	**-**	**1,171**	**1,171**
Total financial liabilities	**117**	**1,547**	**1,664**

2023	Fair value through income statement	Amortised cost	Total
	£m	£m	£m
Assets			
Other investments (funeral plans)	1,346	-	1,346
Trade and other receivables	-	434	434
Cash and cash equivalents	-	395	395
Short-term investments	-	200	200
Total financial assets	1,346	1,029	2,375
Liabilities			
Interest-bearing loans and borrowings	105	583	688
Derivative financial instruments	13	-	13
Trade and other payables	-	1,186	1,186
Total financial liabilities	118	1,769	1,887

The following table provides an analysis of financial assets and liabilities that are valued or disclosed at fair value, by the three-level fair value hierarchy as defined within IFRS 13 (Fair Value Measurement):

• 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).

As pricing providers cannot guarantee that the prices they provide are based on actual trades in the market then all of the corporate bonds are classified as Level 2.

Valuation of financial instruments

2024	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Financial assets at fair value through the income statement				
- Funeral plan investments	**-**	**-**	**1,414**	**1,414**
- Derivative financial instruments	**-**	**-**	**-**	**-**
Total financial assets at fair value	**-**	**-**	**1,414**	**1,414**
Liabilities				
Financial liabilities at fair value through the income statement				
- Fixed rate sterling 2026 bond	**-**	**108**	**-**	**108**
- Derivative financial instruments	**-**	**9**	**-**	**9**
Total financial liabilities at fair value	**-**	**117**	**-**	**117**

Funeral plan investments are classified as level 3 under the IFRS 13 hierarchy. Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs). The vast majority of our funeral plan investments are held in Whole of Life (WoL) insurance policies. The plan investments are financial assets which are recorded at fair value each period using valuations provided to Co-op by the policy provider. The plan values reflect the amount the policy provider would pay out on redemption of the policy at the valuation date with the main driver being underlying market and investment performance.

The value of the 2026 bonds carried at amortised cost is disclosed in Note 18. The equivalent fair value for the unhedged proportion of the 2026 bonds that are now carried at amortised cost would be £252m (2023: £245m).

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.

2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Financial assets at fair value through the income statement				
- Funeral plan investments	-	-	1,346	1,346
Total financial assets at fair value	-	-	1,346	1,346
Liabilities				
Financial liabilities at fair value through the income statement				
- Fixed rate sterling 2026 bond	-	105	-	105
- Derivative financial instruments	-	13	-	13
Total financial liabilities at fair value	-	118	-	118

Interest rates used for determining fair value
Third-party valuations are used to fair value the Group's bond and interest rate derivatives. The valuation techniques use inputs such as interest rate yield curves with an adequate credit spread adjustment.

Accounting policies

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group classifies its financial assets and liabilities as either:

• fair value through the income statement; or
• at amortised cost.

A) General Recognition

i) Recognition of financial assets
Financial assets are recognised on the trade date which is the date it commits to purchase the instruments. Loans are recognised when the funds are advanced. All other financial instruments are recognised on the date that they are originated. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value, with the exception of trade receivables that don't contain a material financing component or where the customer will pay for the related goods or services within one year of receiving them. For financial assets which are not held at fair value through the income statement, transaction costs are also added to the initial fair value. Trade receivables that don't contain a material financing component or where the customer will pay for the related goods or services within one year of receiving them are measured at the transaction price determined under IFRS 15 (Revenue from Contracts with Customers). See accounting policies for revenue and IFRS 15 in Note 2.

ii) Recognition of financial liabilities
The Group recognises all of its financial liabilities at amortised cost and all derivative financial liabilities are classified as FVTPL. Financial liabilities costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group's non-derivative financial liabilities comprise:

- Borrowings
- Trade and other payables
- Lease liabilities

ii) Derecognition of financial assets and financial liabilities
Financial assets and liabilities are derecognised (removed from the balance sheet) when:

- the rights to receive cash flows from the assets have ceased; or
- the Group has transferred substantially all the risks and rewards of ownership of the assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement.

B) Financial Assets

i) Loans and receivables (amortised cost)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market which we do not intend to sell immediately or in the near term. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently these are measured at amortised cost. The amortised cost is the initial amount at recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, less impairment provisions for incurred losses.

ii) Funeral plans (fair value through the income statement)

Funeral plans
When a customer takes out a funeral plan the initial plan value is recognised as an investment asset in the balance sheet. 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 by the insurance policy provider or reflecting the trust cash balances.

The obligation to deliver the funeral is treated as an insurance contract liability under accounting standard IFRS 17 (Insurance Contracts) and held separately on our balance sheet. The standard applies to all of the Group's funeral plans (including the re-insurance of the payment waiver on instalment plans) and is effective from 1 January 2023. See Note 20 for details of the Group's Insurance contract and Re-insurance contract liabilities and associated accounting policies.

iii) Funeral benefit options (FBOs) - (amortised cost)
FBOs are attached to Guaranteed Over 50's life insurance plans (GOFs) sold by the Group's third party insurance partners. An FBO is the assignment of the sum-assured proceeds of a GOF policy to Funeralcare for the purposes of undertaking their funeral. In exchange the GOF customer is awarded a discount on the price of the funeral.

No revenue is recognised by the Group at the point of assignment and instead an element of the costs that have been incurred in obtaining the FBO are deferred onto the balance sheet. These are then expensed at the point of redemption when the revenue is recognised. Any plans that are cancelled are written off at the point at which Funeralcare are made aware of the cancellation. A separate provision is also made to cover the expected cancellations of FBOs. No investment or liability is recognised for FBOs as the option does not guarantee a funeral and the liability for which remains with the insurance partner. Any difference between the funeral price and the sum assured at the point of redemption is the liability of the deceased estate or whoever takes responsibility for arranging the funeral.

iv) Trade receivables - (amortised cost)
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (for example, by business division, customer, coverage by letters of credit or other forms of credit insurance).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not insured or subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in trade and other receivables (Note 16).

v) Lease receivables - (amortised cost) - refer to Accounting Policy section of Note 11 (Leases).

vi) Financial Assets - Credit risk, liquidity risk and impairment of financial assets

a) Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by the Group's Treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are monitored regularly based on Board approved Treasury Policy, with changes to the credit limits being reported monthly to the Treasury Committee. The limits are set to minimise the concentration of credit risk. Financial assets held at fair value through the income statement are primarily held in low-risk investments.

b) Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and leases.

c) Impairment of financial assets carried at amortised cost
The amount of the impairment loss on assets carried at amortised cost is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of an allowance account. A write-off is made when all or part of an asset is deemed uncollectable or forgiven after all the possible collection procedures have been completed and the amount of loss has been determined. Write-offs are charged against previously established provisions for impairment or directly to the income statement. Any additional recoveries from borrowers, counterparties or other third parties made in future periods are offset against the write-off charge in the income statement once they are received. Provisions are released at the point when it is deemed that following a subsequent event the risk of loss has reduced to the extent that a provision is no longer required.

C) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

i) Trade and Other Payables - (amortised cost)
Trade and other payables are recognised initially at fair value, are not interest bearing and are subsequently measured at amortised cost.

ii) Fixed rate Sterling bonds (fair value through the Income Statement)
The fixed rate sterling bond values are determined in whole by using quoted market prices.

iii) Interest-bearing loans and borrowings - (amortised cost)
Interest-bearing bank loans and overdrafts are recorded initially at fair value, which is generally the proceeds received, net of direct issue costs. Subsequently, these liabilities are held at amortised cost using the effective interest rate method. Transaction costs are amortised on a straight-line basis over the life of the facility they relate to.

iv) Lease liabilities - (amortised cost) - refer to Accounting Policy section of Note 11 (Leases).

v) Derivatives - (fair value through the income statement)
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 its Treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives entered into include interest rate swaps, foreign exchange contracts, commodity (diesel) swaps and energy contracts. 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.

27 Commitments and contingencies

Commitments:

a) Capital expenditure that the Group is committed to but which has not been accrued for at the period end was £10m (2023: £22m).

Contingent liabilities:

b) i) In common with other retailers, the Group has received Employment Tribunal claims from current and former food store colleagues alleging their work is of equal value to that of distribution centre colleagues and differences in pay and other terms are not objectively justifiable. The claimants are seeking the differential in pay (and other terms) together with equalisation going forward. There are currently circa 5,200 claims (2023: circa 4,700 claims) and it is anticipated that this number will rise, though it is not possible to predict the point to which this may increase or the rate of increase.

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

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

The Group closely monitors the progress of other group claims made by store workers against large grocery and other retailers where the basis of the claims are similar to those made against us.

b) ii) In early February 2023 a claim was issued against Co-operative Group Limited and certain of its subsidiaries (Co-operative Group Food Limited, Co-operative Foodstores Limited and Rochpion Properties (4) LLP) by the liquidators of The Food Retailer Operations Limited in connection with transactions which took place in 2015 and 2016 relating to the Somerfield supermarket business acquired by Co-op in 2009.

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

28 Related party transactions and balances

	Relationship	**2024 £m**	2023 £m
Subscription to Co-operatives UK Limited	(i)	**0.8**	0.7

i) The Group is a member of Co-operatives UK Limited.

The Group's Independent Society Members (ISMs) include consumer co-operative societies which, in aggregate, own the majority of the corporate shares with rights attaching as described in Note 22. The Co-operative Group has a 76% shareholding in Federal Retail and Trading Services Limited which is operated as a joint buying group 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 and the arrangement is run on a cost recovery basis and therefore no profit is derived from its activities. Sales to ISMs, on normal trading terms, were £2,076m (2023: £2,142m) and the amount due from ISMs in respect of such sales was £151m at 4 January 2025 (2023: £142m). No distributions have been made to ISMs based on their trade with the Group in either the current or prior periods.

Transactions with directors and key management personnel

A number of small transactions (such as the purchase of funeral services) are entered into with key management in the normal course of business and are at arm's length. Key management are considered to be members of the Executive and directors of the Group. Key management personnel transactions noted in the year are £nil (2023: £1,000). Other than the compensation set out in the Remuneration Report, there were no other transactions greater than £10,000 with the Group's entities (2023: £nil). Total compensation paid to key management personnel is shown below.

Key management personnel compensation	**2024 £m**	2023 £m
Short-term employee benefits	**4.1**	3.6
Post-employment benefits	**0.2**	0.1
Other long-term benefits	**0.3**	0.3
Total	**4.6**	4.0

29 Principal subsidiary undertakings

All of the principal subsidiary undertakings as at the period end are registered in England and Wales and their principal place of business is the UK. See Accounting Policies and Basis of Preparation for a Group structure diagram.

	Society holding %	**Nature of business**
Co-operative Group Holdings (2011) Ltd	100	Property management
Co-operative Group Food Ltd	100	Food retailing
Co-operative Foodstores Ltd	100	Food retailing
Nisa Retail Ltd	100	Food wholesaling
Co-op Insurance Services Limited	100	Insurance (marketing)
Funeral Services Ltd	100	Funeral directors
Co-op Funeral Plans Ltd	100	Funeral plan services
Co-operative Legal Services Ltd	100	Legal services
Rochpion Properties (4) LLP	100	Holds property

Notes

i) All of the above have been fully consolidated into the Group's accounts. There are no non-controlling interests in any of these entities.

ii) All of the principal subsidiaries are audited by EY LLP.

iii) All transactions between entities are in the usual course of business.

iv) A full list of all Group subsidiary entities can be found at: https://www.co-operative.coop/investors/rules

30 Membership and community reward

Members	**2024 m**	2023 m
Active members (unaudited)	**6.2**	5.0

Membership and community rewards (within the income statement)	**£m**	£m
Member reward earned	**(3)**	25
Community reward earned	**1**	20
Total reward	**(2)**	45

In the comparative period Member and Community rewards were earned at 2% (4% in total) of member spend on selected Co-op products and services. Following a change to our membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024. Members have been able to redeem their rewards throughout 2024 with any unused member reward being recognised within revenue in the income statement based on an assessment of future redemption rates.

Further detail on our membership proposition can be found in the 'Our Vision' section ('Working to make membership irresistible and indispensable') in the front-half of this report. Full details of our overall investment in our communities can be found in our Co-operate Report.

31 Events after the reporting period

There are no material post balance sheet events noted for disclosure in the 2024 Annual Report and Accounts for the 52 week period ended 4 January 2025.

Accounting policies and basis of preparation

This preliminary consolidated financial information is published in line with section 435 of the Companies Act 2006 and does not constitute statutory consolidated financial statements for the 52 weeks ended 4 January 2025. The Annual Report and Group financial statements for the 52 weeks ended 4 January 2025 were approved by the Board of Directors on 2 April 2025. The report of the auditor on those Group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The Annual Report and Group financial statements for 2025 will be filed with the Registrar in due course. The Annual Report and Group financial statements for the 53 weeks ended 6 January 2024 were approved by the Board of Directors on 2 April 2024. The report of the auditor on those Group financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

General information

Co-operative Group Limited ('the Group') is a registered co-operative society (525R) domiciled in England and Wales. The address of the Group's registered office is 1 Angel Square, Manchester, M60 0AG, and the trading locations of all stores and branches can be located on our website https://www.coop.co.uk/store-finder.

Basis of preparation

The Group accounts have been prepared in accordance with UK adopted international accounting standards for the 52 week period ended 4 January 2025 and in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014. As permitted by statute, a separate set of financial statements for the Society are not included.

The accounts are presented in pounds sterling and are principally prepared on the basis of historical cost. Areas where other bases are applied are explained in the relevant accounting policy in the notes. Amounts have been rounded to the nearest million. The accounting policies set out in the notes have been applied consistently to all periods presented in these financial statements, except where stated otherwise. The accounts are prepared on a going concern basis. See later section on '**Going Concern'.**

Climate Change Considerations

In preparing the Group's Consolidated Financial statements management has considered the impact of climate change covering both the financial statements and the disclosures included in the Strategic report. This included an assessment of the potential impact of, and associated responses to, climate change, and how that could impact the non-current assets that we hold as well as our expectations of future trading conditions. This assessment did not identify any requirement to shorten asset lives of the Group's asset base and neither did it identify any material impact on the valuation of the Group's assets or liabilities. Where material the Group has included the impact of climate change within its forecasts, impairment reviews and assessments of going concern and viability. Further detail is given later in this section under 'Material accounting judgements, estimates and assumptions in relation to climate change.' The Group will keep this assessment under review and continue to monitor developments in the future.

Basis of consolidation

The financial statements consolidate Co-operative Group Limited, which is the ultimate parent society, and its subsidiary undertakings. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Details as to the principal subsidiaries of the Group can be found in Note 29 (Principal subsidiary undertakings). A full list of subsidiaries that make up the Group for the purposes of these financial statements can be found at: http://www.co-operative.coop/investors/rules

Accounting dates

The Group and its main trading subsidiaries prepare their accounts to the first Saturday of January unless 31 December is a Saturday. These financial statements are therefore prepared for the 52 weeks ended 4 January 2025. Comparative information is presented for the 53 weeks ended 6 January 2024. Since the financial periods are virtually in line with calendar years, the current period figures are headed 2024 and the comparative figures are headed 2023. The comparative amounts are not entirely comparable with the results of 2024, as they are based on a longer period.

Co-operative Insurances Services Limited and certain small holding companies have prepared accounts for the period ended 31 December 2024. This differs from the Group and the other subsidiaries. For the period ending 4 January 2025, there are no material transactions or events which need to be adjusted for to reflect the difference in reporting dates.

Non-underlying items and non-GAAP (Generally Accepted Accounting Procedures) measures

Non-underlying items include costs relating to activities such as large restructuring programmes and costs or income which would not normally be seen as costs or income relating to the underlying principal activities of the Group.

Two non-GAAP measures of performance are presented to help the reader understand the underlying profitability of the Group: (i) underlying operating profit / (loss) and (ii) underlying profit / (loss) before tax. These are shown in the table at the bottom of the income statement and we show the adjustments between these measures and operating profit. In calculating these non-GAAP measures, property and business disposals (including individual store impairments), the change in value of investment properties and other non-underlying items are adjusted for. Further detail on the Group's Alternative Performance Measures (APMs) can be found in the Glossary.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to do so and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Material accounting judgements, estimates and assumptions

The preparation of financial statements that comply with IFRS 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 associated 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.

In assessing the Group's judgements and sources of estimation uncertainty, consideration has also been given to the impact of climate change risk. Details are shown at the end of this section.

Key judgements:

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

• **Determining the lease term of contracts with extension and termination options**

The Group 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 Group has the option, under some of its leases to lease the assets for additional terms of 5 to 10 years. The Group 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 Group reassesses the lease term if there is a material event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Key accounting estimates and assumptions:

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

• **Insurance contract liabilities (Note 20)**

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

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

• **Insurance contract liabilities (Note 20)** -continued

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

Inflation - the rate of inflation is set based on the Bank of England Forward Inflation Curve at the valuation date converted from continuous to annual. From 2022 onwards a reduction of 25 basis points has been applied to allow for high levels of demand for inflation linked gilts increasing inflation expectations. Years 2024 to 2027 have been adjusted to reflect managements' view based on experience of funeral cost inflation.

• **Pensions (Note 23)** – the Group's defined benefit pension obligations are determined following actuarial advice and are calculated using the projected unit method. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice. The most material assumptions relate to the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, the Group's defined benefit obligation is highly sensitive to changes in these assumptions. Further details of the financial and demographic assumptions that have been used are shown in Note 24 along with associated sensitivities to those assumptions.

• **Impairment of non-financial assets (Notes 10, 11 & 12)** - the carrying amount of non-financial assets (such as property, plant and equipment, right-of-use assets, goodwill and intangibles) are reviewed at each balance sheet date and if there is any indication of impairment, the asset's recoverable amount is estimated.

The recoverable amount is the greater of the fair value of the asset (less costs to sell) and the value in use of the asset. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount. For property assets the fair value less costs to sell are measured using internal valuations based on the rental yield of the property.

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

Despite the difficult trading conditions and associated additional costs of serving our customers the Group's main business areas have proven resilient and the performance of the Group's cash-generating units has remained strong. Therefore, management concluded that the impact of the factors noted on the longer term outlook for these cash generating units did not constitute an indicator of material impairment and hence a full impairment test across all CGUs was not required. This judgement is unchanged from 6 January 2024. An impairment assessment has been performed over our Food and Funeralcare estate where indicators of impairment have been identified as disclosed in Note 10.

The Group 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 between 9-11% (2023: 9-12%) dependent on the business. The key assumptions used to determine the recoverable amount for the different CGUs, and the sensitivity analysis that is undertaken, are disclosed and further explained in Notes 10 and 12.

• **Provisions (Note 21)** – a provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The most material provision for the Group relates to regulatory and legal provisions typically in relation to on-going legal or regulatory claims and material assumptions and estimates are made in relation to the estimation of future cash flows and the discount rate applied. The likely outcome in a legal or regulatory claim may be uncertain and difficult to predict based on the evidence and circumstances involved. This means there may be considerable inherent uncertainty with an assessment as to whether a provision exists at the balance sheet date. No separate disclosure is made of the detail of such claims, the assumptions used to calculate the amount provided or the uncertainties relating to the range of possible outcomes considered, because in management's view, to do so could seriously prejudice our position.

The Group takes into account the potential impact of climate change on its legal and constructive obligations, such as potential changes in regulations related to carbon emissions, environmental liabilities and natural disasters. The Group also considers the potential impact of climate change on the costs of complying with environmental regulations and the costs of natural disasters. The Group has reviewed its provisions and concluded that no adjustments need to be made for climate change risks, nor that any new provisions need to be recognised for climate-related matters.

Material accounting judgements, estimates and assumptions in relation to climate change

In assessing the Group's judgements and sources of estimation uncertainty, consideration has been given to the impact of climate change risk. Aside from areas noted below climate change risks do not have any impacts on the Group's other judgements or sources of estimation uncertainty.

Impairment of non-current assets

As described in notes 10 and 12, our impairment assessment over the Group's property, plan and equipment, right of use assets and goodwill, has taken into consideration of any climate related risks identified through our risk assessment process. Our assessment concluded that the expected climate related risks did not have a material impact on the Group's impairment considerations at the reporting date. The Board-approved plan underpinning our impairment assessments, takes into consideration any incremental costs of climate related actions to mitigate these risks where these are expected to crystallise within the timeframe of the plan. This represents a developing area with inherent uncertainty which is constantly evolving.

Pension assets

Risk associated with volatility in asset value - the market value of the assets held by the pension schemes, particularly the assets held in return-seeking assets such as equity, can be volatile (and, for example, may be affected by environmental, social or corporate governance ("ESG") failures at investee companies and/or sovereign states - including the physical and transition risks of climate change). This creates a risk of short-term fluctuations in funding level. Through its insurance buy-in contracts Pace has minimal further exposure. For the Somerfield and United schemes this risk has been mitigated by reducing the exposure of the pension schemes to those asset classes which have the most volatile market values. In particular, the schemes have limited allocation to return-seeking assets such as equity. In addition, the Trustees of the Co-op's pension schemes have responsible investment policies in place, and aligned with those policies exclude specific investments (where appropriate and viable). Management of ESG risks is considered when appointing investment managers and in their ongoing monitoring, and the schemes' equity assets are explicitly managed with a consideration of such risks, including climate change.

New and amended standards adopted by the Group:

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

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

Standards, amendments and interpretations issued but not yet effective

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

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

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

The Group is currently reviewing the likely impact of IFRS 18 on its statutory reporting as well as any potential impact from the amendments to IFRS 9 and IFRS 7 in relation to credit and debit card payments made by customers which are receivable from banks and clear the bank within three days of the transaction date (as disclosed in Note 17).

Going concern basis of preparation

The financial statements are prepared on a going concern basis as the directors have a reasonable expectation that the Group has sufficient liquidity and adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months post the date of approval of these financial statements.

In assessing the Group's ability to continue as a going concern, the directors have considered the Group's most recent forecasting process and specifically the Group's profitability, cashflows, committed funding and liquidity positions for the period to 31 December 2026. Our Co-op operates with net current liabilities as our working capital cycle means cash receipts from revenues arise in advance of the payments to suppliers for the cost of goods sold. We also borrow money from banks and other funding sources, structuring our borrowings with phased maturities to manage our refinancing risk as well as maintaining sufficient levels of liquidity for our Co-op. As part of the going concern review, we have ensured that our forecasts demonstrate compliance with the terms of these agreements, for example related banking covenants and facility levels, for the period under assessment.

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

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

1. Understand what could cause our Co-op not to be a going concern in relation to facility headroom and covenant compliance:

The Group successfully extended its revolving credit facility ("RCF") in November 2024 at £400m for 5 years to the end of November 2029. In making their assessment, the directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability; cashflow and covenant compliance; and available capital resources. The potential scenarios which could lead to our Co-op not being a going concern are: a. Not having enough liquidity to meet our debt liabilities as they fall due; and/or b. A breach of the financial covenants implicit in our bank revolving credit facility.

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

The Base case has sufficient liquidity and bank covenants headroom over the going concern period, with the tightest point for liquidity headroom at period 9 2026, and tightest point for EBITDA at period 6 2025 to breach covenants.

A definition of our banking covenants is provided in note 18. Further details on capital management, financial instruments, and risk exposures are provided in Note 27 to the financial statements.

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

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

a. Growth in price, volume and profit, whilst keeping net debt steady.
b. This growth is tempered with impact of continued cost headwinds on payroll, goods not for resale inflation, and expected increase in packaging costs, being offset by margin and operating cost efficiencies.
c. Whilst the impact of Chancellor's budget is market-wide, base case has been adjusted to quantify the national insurance and other impacts along with mitigations of these headwinds.
d. Our healthy balance sheet position will allow us to repay the £112m 2025 subordinated notes and for the £350m bond maturing in July 2026, we plan to raise £200m in 2025 from the bond market or other sources, with the remaining £150m covered by existing liquidity, cash, or facilities. The funds will be deposited until repayment is required.

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

3. Assess downside scenarios against the base case:

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

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

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

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

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

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 understand the underlying performance and financial health of our Co-op. The APMs are not meant to replace statutory measures under IFRS.

The table below explains how the APMs are calculated and why we think they are useful measures to our members. Where possible we also call out the nearest equivalent IFRS measure and cross-refer to the section of the financial statements where we reconcile the APM to the respective IFRS measure.

The Group's primary APM is Underlying operating profit / (loss) before tax.

APM	
Underlying operating profit / (loss)	**Definition and Purpose:** Underlying operating profit reflects our operating profit before the impact of property and business disposals, impairment of non-current assets within our businesses, the change in the value of investment properties, any losses on onerous contracts and other non-underlying items. We exclude the impact of these items from our underlying operating profit metric as they are not generated by our day-to-day trading and may also be either non-recurring or inherently volatile in nature and fluctuate year on year. **Closest IFRS equivalent:** Operating Profit. **Where reconciled in the financial statements:** In the 'Underlying profit before tax (APM)' table below the Consolidated Income Statement. A Divisional split is shown in the Segmental tables in Note 1 (Operating segments).
Underlying profit / (loss) before tax (PBT)	**Definition and Purpose:** Our underlying PBT figure is simply our underlying operating profit (as calculated above) less our net underlying interest (being the day-to-day interest we pay or earn 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 and may also be either non-recurring or inherently volatile in nature and fluctuate year on year. Such items are not included in our underlying PBT metric so our members can see how our core underlying businesses are performing. **Closest IFRS equivalent:** Profit before tax. **Where reconciled in the financial statements:** Note 1 (Operating segments) sub-section (k).

EBITDA (Earnings before interest, taxation, depreciation and amortisation)	**Definition and Purpose:** EBITDA is calculated by adding back depreciation and amortisation charges to Operating profit. Operating profit is stated before interest charges and taxation. EBITDA is a non-GAAP measure of performance which helps us and our members to understand the operating profits our business segments are generating before capital investment and interest charges. **Closest IFRS equivalent:** There is no close equivalent to this measure under IFRS. **Where reconciled in the financial statements:** The derivation is noted in the Segmental tables in Note 1 (Operating segments).

Underlying EBITDA	**Definition and Purpose:** Underlying EBITDA is calculated by adding back depreciation and amortisation charges to Underlying operating profit. Underlying operating profit is another one of our APMs and is defined in the table above. It is stated before interest charges and taxation. Underlying EBITDA is a non-GAAP measure of performance which helps us and our members to understand the underlying operating profits our business segments are generating before capital investment and interest charges. **Closest IFRS equivalent:** There is no close equivalent to this measure under IFRS. **Where reconciled in the financial statements:** The derivation is noted in the Segmental tables in Note 1 (Operating segments).
Group Net debt (excluding accrued interest on amortised debt)	**Definition and Purpose:** Net debt is made up of our of bank borrowings and overdrafts off-set by our cash balances, short-term investments and short-term deposits. The figure excludes any interest accruals on those bonds held at amortised cost (which is recorded as debt (<1 year) under IFRSs). The metric provides a useful assessment of the Group's indebtedness which in turn reflects the strength of our balance sheet and 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:** Group net debt table below the Consolidated statement of cashflows.
Group Net debt (excluding lease liabilities and accrued interest on amortised debt)	**Definition and Purpose:** Net debt is made up of our of bank borrowings and overdrafts off-set by our cash balances, short-term investments and short-term deposits. The figure excludes any lease liabilities and interest accruals on those bonds held at amortised cost (which is recorded as debt (<1 year) under IFRSs). The metric provides a useful assessment of the Group's indebtedness before taking into account lease liabilities which in turn reflects the strength of our balance sheet and 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:** Group net debt table below the Consolidated statement of cashflows.

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 opened or closed in the year being removed from the calculation and prior year figures). The calculation includes VAT on sales. For Wholesale; 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.

ROCE (Return on capital employed)	**<u>Definition and Purpose:</u>** Return on capital employed is a performance measure of our Co-op. It's calculated as the ratio of returns achieved to capital employed in achieving those returns. This is based on the underlying operating profit we make in the year divided by the net operating assets we have. Net operating assets are calculated as the total Group net assets shown in the Consolidated Group Balance sheet adjusted for our Pension surplus (net of deferred tax) less net debt (including lease liabilities) less net funeral plan assets and liabilities. The metric provides a useful assessment of how effectively and efficiently our Co-op is employing the assets and capital it has to generate returns for our members. **<u>Closest IFRS equivalent:</u>** There is no close equivalent to this measure under IFRS. **<u>Where reconciled in the financial statements:</u>** Not applicable as there is no close equivalent to this measure under IFRS.

Five year summary (unaudited)

£m	2024	2023	2022	2021	2020
Revenue					
Food	**7,403**	7,262	7,805	7,671	7,765
Federal	**2,076**	2,142	1,895	1,756	1,813
Wholesale	**1,399**	1,480	1,439	1,386	1,577
Funerals	**289**	281	275	264	272
Legal	**84**	68	46	39	37
Insurance (marketing and distribution)	**28**	29	24	34	6
Other businesses & Costs from Support functions	**-**	-	-	1	2
Total Revenue	**11,279**	11,262	11,484	11,151	11,472
Underlying profit / (loss) profit before tax					
Food	**201**	173	139	156	350
Wholesale	**(1)**	14	22	7	6
Funerals	**(1)**	(11)	(1)	12	16
Legal	**27**	21	8	5	4
Insurance (marketing and distribution)	**15**	14	8	15	(2)
Other businesses & Costs from Support functions	**(110)**	(114)	(93)	(95)	(139)
Underlying operating profit	**131**	97	83	100	235
Underlying net interest expense on lease liabilities	**(64)**	(68)	(76)	(76)	(72)
Underlying interest	**(22)**	(31)	(55)	(56)	(63)
Underlying profit / (loss) before tax	**45**	(2)	(48)	(32)	100
EBITDA (i)					
Underlying operating profit (above)	**131**	97	83	100	235
Depreciation (plant, property and equipment)	**208**	225	244	254	250
Depreciation (right-of-use assets)	**110**	106	119	122	113
Amortisation	**32**	40	27	29	17
Underlying EBITDA (i)	**481**	468	473	505	615
Insurance (underwriting business) - (iii)					
Revenue	**-**	-	-	12	273
Underlying PBT	**-**	-	-	(1)	19
Profit on discontinued operation	**-**	2	67	13	5
Other performance items					
Profit after tax - continuing operations	**98**	1	258	32	72
ROCE (i)	**4.7%**	3.4%	2.6%	2.5%	6.5%
Balance sheet items					
Total assets	**6,594**	6,755	7,994	9,180	8,986
Group net debt (excluding leases)	**(55)**	(82)	(322)	(920)	(550)
Group net debt (including leases)	**(1,248)**	(1,315)	(1,628)	(2,436)	(1,975)
Total equity	**2,198**	2,020	3,023	2,939	2,669
Net debt: EBITDA ratio (excluding leases)	**0.11**	0.18	0.68	1.82	0.89
Net debt: EBITDA ratio (including leases)	**2.59**	2.81	3.44	4.82	3.21
Total pension assets	**5,548**	6,213	7,124	11,452	11,708
Total pension liabilities	**(5,223)**	(5,857)	(5,543)	(9,194)	(9,854)
Total net pension surplus	**325**	356	1,581	2,258	1,854

Business-specific measures

Total Food like-for-like sales increase	**3.3%**	4.7%	3.2%	-2.9%	6.9%
Number of Food stores	**2,348**	2,349	2,377	2,584	2,613
Total Food sales area ('000 sq ft) (ii)	**7,592**	7,592	7,685	8,276	8,407
Number of at-need funerals sold	**91,581**	95,924	93,867	90,731	100,943
Number of pre-need funerals sold	**37,710**	17,032	16,774	44,751	42,497
Number of funeral homes	**812**	812	818	830	840

Notes:

(i) See the Glossary for definition. Calculation for 2021 and earlier is not restated for IFRS 17.

(ii) Quoted excluding petrol forecourt area but including in-store space at those sites with a petrol forecourt. We sold our forecourt stores in Oct 2022.

iii) Our Insurance underwriting business was held as a discontinued operation from 2018 and was sold on 3 December 2020.