Interim Report 2020

Co-operating for a fairer world

It's what we do

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Co-op delivers strong commercial growth and innovative community support during lockdown

Commercial: Co-op feeds the nation and supports the bereaved during the Covid emergency

£5.8bn
Group revenue up 7.6%

£27m
Group profit before tax up 35%

£52m
Group underlying profit before tax up £63m from 2019

- Group loss after tax and discontinued items of **£26m** driven by tax charge of £43m
- **Food sales up 5.2%** as nation went into lockdown
- **Funerals taken increased by 22%** directly related to the pandemic
- **Debt down £140m to £555m**
- Completion of the sale of our insurance underwriting business expected during Q4
- **£13m awarded** as Covid-19 'thank you' to front-line colleagues
- **7,000 temporary posts filled** which ensured we could feed the nation and properly care for the bereaved during the national crisis

Community: £15m given to support the most vulnerable at home and abroad during the crisis

£4.5m
from membership scheme **donated to 4,000 local causes**

£950,000
fund created for global communities, channelled to Fairtrade suppliers and One Water sustainable water projects

£1m raised
in charity partnership with Mind, Scottish Association for Mental Health and Inspire

£2.6m
free school meal vouchers provided for 6,000 Co-op Academy pupils

£3.4m
worth of advertising spend donated to FareShare, **encouraging audiences to support food banks**

£1.5m
worth of goods donated to food banks supported by food charity FareShare; **£650k raised for FareShare via text donation campaign**

£400,000
raised by Co-op Members for Covid-19 fund, shared across community-based causes, FareShare and a funeral hardship fund

Outlook: Second half expected to be impacted by the recession and on-going additional costs related to Covid-19

Co-operating for a fairer world

We're a consumer owned co-operative running an ethically responsible business. Our vision is to use **the power of co-operation to create a fairer world.**

Every day we **champion a better way of doing business for you and your community** by offering a range of products and services which create value in its broadest sense for our Co-op members.

When you spend at the Co-op it does good for you, your local community, and communities across the country and around the world.

It's what we do.

The Co-op Group is the UK's largest consumer co-operative, with 4.6 million active members and a presence in every postal district in the country.

We're a major food retailer and wholesaler; we're the largest funerals provider in the UK; the largest probate provider; and we provide life planning services and sell insurance products. In 2019, we launched a new business – Co-op Health.

Our businesses are all UK-based and our main support centre is in Manchester.

Since 1844 the co-operative movement has promoted organisations with a clear social purpose and our Co-op continues that tradition. We're here to create value for our members and the communities in which we trade and can only do this by running a successful business.

How we run our business is important to us. We set ourselves high standards for responsible retailing and service. We have a responsibility to be a campaigning business, speaking out on the issues that matter to our members.

By offering great products and services we grow our customers and our membership.

For more information on our sustainability progress in 2019 please see our report:

Co-operate: It's what we do
our Sustainability Report 2019

Chair's introduction

> We stepped up to meet extraordinary challenges during the first half of this year and we'll continue to do everything needed to support our members, colleagues and customers through the pandemic.

Our nation is experiencing a year like no other. I think it's safe to say that things will never be quite the same again. The pandemic has led to a health and economic crisis, but it's also highlighted deep seated unfairness and inequalities across the world and surfaced a growing public intolerance for injustice. How we 'build back better' to create a fairer and kinder world has become central to public debate. As the UK's biggest co-operatively owned business we intend to be central to that conversation, showing how commerce and community wellbeing must develop in harmony for the good of us all.

As a business providing essential services, we stepped up to meet extraordinary challenges during the first half of this year and we'll continue to do everything needed to support our members, colleagues and customers through the pandemic. The coming months remain uncertain, with the possibility of further localised lockdowns and the ongoing disruption to previous patterns of business and commerce. We're already seeing job losses hitting key sectors of the economy and we expect the economic downturn to last well into 2021. We know our own Co-op will not be immune to pressures on family budgets and we plan to do all we can to make things easier for our members and their communities.

Like many others, we've been learning to do things differently this year and have found new ways to maintain accountability to our members and respond to their concerns and priorities.

Our AGM was held in early June, a few weeks later than originally planned. We used technology to create a socially distanced, interactive event which saw more than 800 members joining us via a live broadcast, more than we would normally have had at our traditional physical venue. Many thousands watched a recording of the meeting during the following days.

We passed important AGM motions including a renewed commitment to ethical retailing with an emphasis on the climate impact of our food products, the importance of animal welfare and healthy eating. The meeting committed us to take the necessary actions to reduce or eliminate our greenhouse gas (GHG) emissions to achieve net-zero and bring forward our 2050 target as soon as practically possible. We also rededicated ourselves to building and sustaining the wider co-operative movement. Our ambition is to work with others to energise the movement in a way which builds on the successes of previous generations of co-operators who established such firm foundations, whilst also learning from more recent movements whose impact and relevance, especially amongst the young, provides lessons for us all.

Our National Members Council has also moved its work online, continuing its vital role in our democracy. Regular meetings have been maintained, with members of our Executive team able to update Council as we've responded to this exceptional year and Council being able to question and hold the Board to account.

As we indicated in April when we announced our full year results for 2019, we are reviewing our plans for this year and beyond, to reflect changed priorities because of Covid-19. This has meant speeding up the implementation of some work while slowing down other areas.

While Covid-19 is continuing to dominate our business thinking, we also know that the arrangements for Brexit are still unclear, which is regrettable. However, we are, once again, prepared for all scenarios.

Let me finish by thanking our incredible colleagues for their immense hard work during the first half of the year. I've been continually moved by their resilience and commitment.

Allan Leighton
Chair, Co-op Group

Chief Executive's report

> For the communities we serve, we increased our support to help the most vulnerable and directed financial help to food banks and local causes dealing directly with the consequences of the emergency.

In the last few months we've seen how our co-operative approach to business and our co-operative support for local communities have come together in our response to Covid-19. In my opinion, businesses will be judged by how they reacted to the pandemic and how well they focussed on doing the right things for their colleagues and the communities they serve. It's in that context that our work in the first half of the year should be seen.

The vision we adopted at the end of last year, 'Co-operating for a fairer world' has taken on even greater resonance during this exceptional time, with the pandemic surfacing many existing inequalities and injustices.

We're a Co-op with a social purpose at our heart, owned by our millions of members, working for their interests and accountable to them. In this extraordinary year, we've shown what it is to be a better way of doing business.

As a food retailer, we played our part in keeping the nation fed through the lockdown. Through our Nisa wholesale business, we supported thousands more independent retailers to meet the needs of the public.

As a funeral provider, we supported tens of thousands of families in circumstances which made their grief far harder to bear. As a provider of insurance, health and legal services, we've made it easier to access this support in a time of lockdown and social distancing.

For the communities we serve, we increased our support to help the most vulnerable and directed financial help to food banks and local causes dealing directly with the consequences of the emergency.

In late April this year, when we published our annual results for 2019, we summarised how we were responding to the pandemic across our business operations and our community work. Here, I want to give our members a further update on that work and report on the progress of the wide-ranging initiatives we began in those early weeks of the crisis.

Financial overview

Overall, our Co-op's revenue was up 7.6% to £5.8 billion, an increase of £0.4 billion on the same time last year. Our underlying profit before tax, which excludes the impact of non-trading items, was up to £52 million, an increase of £63 million. Our profit before tax of £27 million was up £7 million from £20 million last half year. A tax charge of £43 million meant we recorded a loss of £26 million after tax and discontinued items. The tax charge was particularly high in the context of our profits and is explained in our financial performance section on page 36.

The increases in revenue and underlying profit were driven overwhelmingly by the surge in sales for our Food business. We saw safety concerns leading consumers to shop closer to home, welcoming the ease and convenience of our Co-op stores and their extensive range. Our online offer has also expanded significantly during the first half of the year, with more than 500 Co-op stores now providing food to homes via our delivery partners and other low carbon methods.

The Co-op's food retail market share was 7.2% by July - the highest it's been for almost two decades, although this is now dropping back as shopping behaviour changes once again with the easing of lockdown conditions. The independent retailers supplied by our Nisa wholesale business also grew ahead of the market.

Our Funerals business saw a dramatic increase in the funerals we arranged, with an increase of 22%, sadly reflecting the deaths caused by Covid-19, and a related rise in non-Covid-19 deaths. However, Government restrictions on how funerals could be conducted meant that for many families only the most basic of arrangements were possible or appropriate. Underlying profit before tax in Funerals was up 70% to £17 million, an increase of £7 million.

Our new online Health business, which launched in May 2019 with a focus on repeat prescriptions, benefited from increased demand for home delivered medicines during lockdown. We saw an increase of more than 400% in new registrations for the service between mid-March and July.

However, our Insurance business saw much reduced sales during the spring and early summer, particularly for motor and travel policies, in line with the rest of the sector. Our Legal services business experienced an early increase in Will writing work at the start of the pandemic, and then above average inquiries about divorce as the strains on family relationships created by lockdown began to show themselves.

Although our Food business has performed exceptionally well through the crisis, our costs across all parts of the Co-op Group have also increased. The additional costs during the first six months of the year, directly related to Covid-19, have been around £54 million. These costs included additional recruitment, the purchasing of personal protective equipment (PPE), and increased colleague sickness and absence linked to the virus. In contrast, our support from the Government's emergency economic measures to sustain the economy during the pandemic amounted to £33 million during the first half – covering the business rates 'holiday' for our Food stores and Funeral homes (which was universally applied to all Highstreet businesses by the Chancellor) and furlough payments to our colleagues. We estimate that the full year direct costs of Covid-19 will be £97 million.

Wherever possible, when colleagues could no longer carry out their work because of lockdown conditions, we moved them into other roles to help those teams where the workload had dramatically increased. However, there was around 5% of our workforce where that wasn't possible and we made use of the Government's furlough scheme. In almost all cases, we 'topped up' the Government's 80% support to 100% of their salaries. When we bring our colleagues back from furlough, we will not being applying for the bonus payments to businesses offered by the Chancellor for retaining their employees.

As we look to the rest of this year and in to 2021, we expect there to be on-going costs related to Covid-19 but on a lesser scale than in the first half. Meanwhile, we'll be investing some of the extra income from the start of the year into food price reductions in the second half as our members and customers start to feel the impact of the recession.

Emergency support for communities

The generosity of our members during this time has been outstanding. Through a variety of channels our members and customers donated £900,000 to FareShare which distributes to food banks across the UK. This money was in addition to the £1.5 million worth of food we donated to the charity in March.

We also gave our members the opportunity to donate their unspent 5% Co-op member rewards to a new Co-op Members Fund, which included support for FareShare. By the end of June, FareShare had been able to distribute five million meals thanks to the Co-op's support.
Our Co-op fund has also enabled us to give emergency donations of £500 each to 150 local causes who've been addressing immediate need in their communities created by the pandemic, as well as families struggling to afford funeral costs.

In July we launched a new multi-million-pound fund to support food charities across the UK, as part of a campaign to highlight the plight of the three million children in poverty and the estimated eight million adults experiencing food insecurity since the coronavirus lockdown.

The campaign draws attention to the growing number of UK families where having a meal in the evening is not a given and children and adults alike go hungry. It raised £2 million for the National Emergency Trust (NET) helping to fund local food charities up and down the UK.

As the nation's streets became deserted, we began selling copies of the Big Issue in our stores providing 2,600 outlets for sales of the magazine which supports the homeless to lift themselves out of poverty.

To help our most in need pupils attending our Co-op Academy schools, we provided £2.6 million worth of Co-op food vouchers.

We are acutely mindful of the ongoing and longer-term needs of our communities as the health and economic consequences of the virus continue to play themselves out. We've reviewing our community and campaigning priorities to make sure our work is aligned to the changes we're seeing and to emerging needs.
There are further details of our community support later in this report.

International response

During the Covid-19 crisis, our immediate priority was to support our colleagues, members and customers in the UK. However, we're a business which is globally connected through our world-wide supply chain and our responsibilities do not stop at our borders.

At the start of the summer we introduced our Wellbeing Charter, specifically designed around the principle of our Future of Food commitment to treat people fairly. The charter lays out our actions to support our producers in the developing world tackle the impact of coronavirus on their livelihoods, now and in the future.

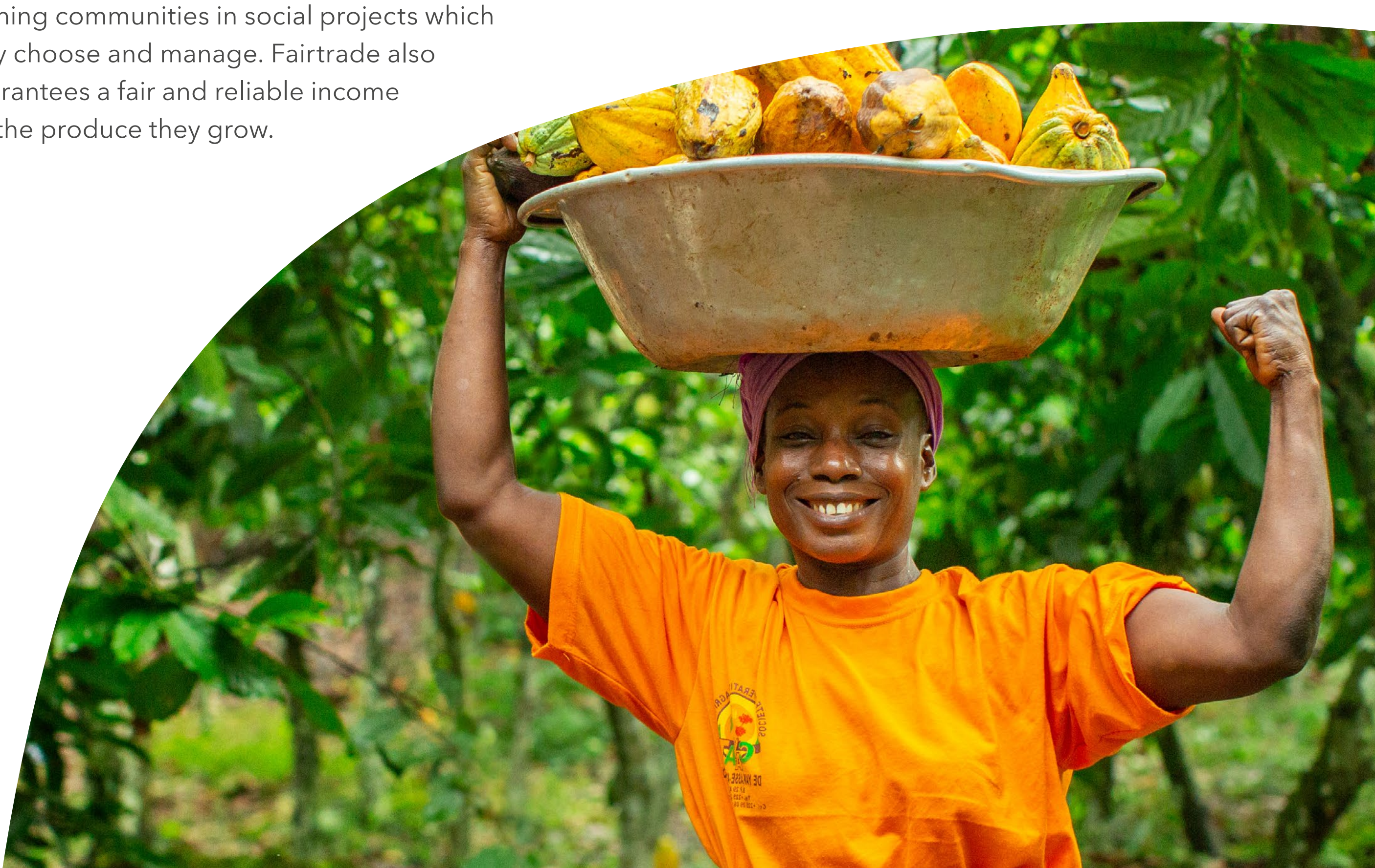
We're building on solid foundations, like our leadership and commitment to Fairtrade, our robust Ethical Trade programme, our campaigning against modern slavery and our on-going investment in clean water projects around the world.

We're repurposing £310,000 to support Fairtrade producers through the coronavirus emergency. We're also increasing the visibility of Fairtrade products in our stores to promote stronger sales. The more sales, the more Fairtrade premium can be invested by our Fairtrade farming communities in social projects which they choose and manage. Fairtrade also guarantees a fair and reliable income for the produce they grow.

With our partners at The One Foundation, we're directing the £647,000 generated from Co-op water sales in the first half of the year to clean water and sanitation projects, which will help to tackle the spread of Covid-19 through better access to good hygiene.

The Covid crisis has presented new concerns around the welfare of workers across our international supply chain. Due to travel restrictions, there's been a halt of essential audits and inspections. So, we're working collaboratively to provide support to our suppliers in understanding and addressing the impact of Covid-19.

We've taken a leadership role in building a coalition of supermarkets to deliver supplier-facing webinars providing support and guidance to protect workers during this period of unprecedented change.



It's vital that as we repair and rebuild our economies we take the opportunity to tackle climate change. The producers we've supported are now feeling crisis upon a crisis with the pandemic layering new uncertainty to livelihoods which are already directly affected by climate related disruption.

In 2019, we were the first UK retailer to sign up to the United Nations' 'Our Only Future' campaign, committing to play our part in capping global temperature increases to 1.5°C above pre-industrial levels. We've also joined the United Nations' 'Recover Better' campaign to support the call for Governments across the world to prioritise a recovery from Covid-19 that's consistent with a sustainable world for future generations.

We've set science-based targets to rapidly decarbonise our business and the products we sell, and we've pledged to further reduce our direct greenhouse gas emissions by 50% by 2025 as well as to reduce the emissions from our products and services by 11% by 2025.

Co-op Power

A further commitment to tackling climate change comes with our re-launch of Co-op Power, a business to business venture, which enables organisations to join a collective buying group for green energy.

Our Property team has also developed a way to convert our food waste from our distribution centres into biogas energy which can be used in high efficiency CHP engines.

Addressing racism

In the days following the horrific killing of George Floyd in the United States, I felt compelled to speak out about the issue of racial injustice which must also be central to the fairer and more co-operative world we want to build as we recover from this global pandemic.

I know that we have Co-op colleagues and members who experience judgement and discrimination every single day because of the colour of their skin. We can't go on like this.

As part of the global co-operative movement, we have a long heritage of solidarity with the most disadvantaged and a commitment to building equity and equality within and across communities. Addressing institutional and cultural racism must be central to that work.

As a business, we set out to value the talent, energy, passion and commitment of all our colleagues regardless of their upbringing, skin colour, sexuality or religion.

In September we announced new targets and commitments to address institutional barriers to the recruitment of more Black, Asian and ethnic minority colleagues to all parts of the business, with the goal of increasing the number of senior managers from ethnic minority groups from 3% to 6% by the end of 2022 and to 10% by 2025.

In addition, our leaders across the business will attend a new inclusive leadership training programme. Through the lens of racial discrimination, we're reviewing our products and services, our work in local communities and schools, and our network of suppliers and partners. It's also vital for us to look at how we represent the diversity of our wider Co-op membership within our democratic structures.

I want to thank again our colleagues for their work during this extraordinary time. At the beginning of the lockdown our colleagues had to implement rapid changes in our operations. In April we gave a 'thank you' to our front-line colleagues working in Food and Funerals in recognition of their extra effort and immense commitment during this time. Colleagues were given £100 cash, £50 worth of Co-op Food, plus an additional day's annual leave, totalling more than £13 million.

Meanwhile, thousands of colleagues in our other businesses, and in our support centre functions, have had to work from home for months, many managing childcare and schooling responsibilities too.

I thank all our colleagues in every part of the business for their adaptability, resilience and continued hard work. They have done their Co-op proud.

A very different second half

We know the commercial environment in the second half of the year is going to be very different to the first half. We're not expecting anything approaching the sales peaks in Food we saw during the spring and early summer, unless a second national lockdown is required. The situation for our Funerals business remains unpredictable until control of the virus and further advances in hospital treatment are achieved. We expect competition across all our markets to become increasingly tough as price becomes the dominant consumer consideration in response to a deep recession.

When it comes to Brexit, it's no secret that many businesses, particularly those in food retail, have called for a close ongoing relationship with the EU to allow our well-established supply chains to continue to operate smoothly come the end of the Transition Period. That's not just for our commercial benefit – today, our members and customers across the UK benefit from an unprecedented choice of high-quality food thanks to our suppliers across the globe.

The Government has set out its clear intent to secure a deal and we hope both sides will work quickly and co-operatively so that we have the clarity we need to prepare for the start of January 2021. However, we are a dynamic business and will be prepared for all possible scenarios so that we can continue to serve our members and customers well into the future, come what may.

Steve Murrells
Chief Executive

Commercial update

Commercial update

Food

At the start of January our food business was set up for another successful year. We were continuing to implement our 'Closer' strategy: closer to our members and customers, physically and virtually; closer to addressing their product needs; and closer in responding to their ethical and environmental priorities.

At the beginning of the year we launched our new GRO range of plant-based food recognising the need to help the public adopt more sustainable diets to address climate change. In January and February, we were trading well across all categories and expanding our online ordering services and our new routes to home delivery.

Then Covid-19 struck and we had to respond, at rapid speed, to a set of unprecedented trading conditions. Our colleagues stepped up to the new challenges across our store estate, throughout our logistics network, and at our support centre in Manchester.

Overnight we adopted new ways of working as we implemented Government guidance. For our stores we set out new cleaning regimes, one-way systems, social distancing, priority shopping times, staffing at entrances to regulate customer numbers, and new store layouts. We also temporarily adjusted our trading hours, so we could replenish shelves and carry out additional cleaning. To help our customers understand the changes, we put in place strong and clear point of sale messaging and used in-store radio to guide people and thank them for their co-operation. Importantly, we empowered our store managers to make the right decisions locally to keep their colleagues and our customers and members safe.

In the early days of the emergency we lobbied the Government for our store colleagues to be given 'key worker' status along with funeral colleagues. Throughout this time, the safety of our colleagues was our top priority and our procurement teams rose to the challenge of securing sufficient PPE. We swiftly put in place plastic screens at our tills and between self-service check-outs. We continue to innovate to keep customers safe by trialling a traffic light queuing system at a number of stores to make it easier for customers to observe social distancing when shopping.

With pubs, restaurants and cafes closed and many office workers moving entirely to home based working, many extra meals were being prepared and eaten in the home. As a direct consequence, we saw double digit sales growth across many of our categories. To cope with the extraordinary demand for food and other household products, we recruited 5,000 additional colleagues, many of them within a single week in late March/ early April. We targeted our recruitment to the hospitality sector where we knew thousands were losing their jobs.

Delivery

We also accelerated our online and home delivery plans to address the new needs and demand. Our online same-day delivery service is now available across almost 100 towns and cities. The rollout includes services from our own dedicated online shop, known as shop.coop.co.uk, which uses low emissions transport including eco-friendly bikes. It also includes our Deliveroo service which now covers more than 1,000 store catchments.

We also teamed up with Buymie, a new mobile app, to offer same-day home grocery deliveries to over 200,000 households across Bristol. The move is the first partnership in the UK for Ireland-based Buymie whose mobile app allows customers to book personalised online home grocery deliveries.

Our colleagues have done a fantastic job in adapting throughout the crisis and have remained focused on our customers and members. It's through their commitment and dedication that we've seen them receive the highest ever satisfaction scores.

We've seen significant sales growth for our Nisa partners, who've benefited from the broader range of products we're able to supply them, particularly within the fresh categories. Nisa trading has been strong with sales up 14% to £801 million.

In the first six months of the year, Nisa signed up 304 new stores including forecourt retailer Ascona Group. This builds on record 2019 figures, marking a 40% like-for-like leap in store number recruitment. Nisa continues to support its partners with advice on social distancing, provision of PPE and ensuring continuation of stock deliveries.

We had to pause our programme of new store openings at the start of the crisis, but this got back on track in early July with the opening of a new store in Pilton, the home of the world-famous Glastonbury festival. Michael Eavis, the festival's founder, was a huge champion of us coming to the village and helped us to celebrate the store's opening. Over the last five years, we've opened around 500 new shops across the country, more than any other UK retailer. During the rest of the year, we'll be opening more new stores and refitting others.

With economic hardships created by the recession, it's important that our support for food banks and other forms of emergency help for communities continues. Our ambition is that no good food goes to waste, so when we have extra food at one of our depots, we'll share it with those in need through our partnership with FareShare. But, for food at our stores, we'll partner directly with local food charities and community groups to share good food that would otherwise have gone to waste.

In support of our campaign to highlight food poverty among families, we launched a promotion for our 3 for 2 summer picnic food range through which we donated 20p from each purchase to the National Emergencies Trust (NET) to help those in need because of Covid-19. By the end of the summer we'd raised £2 million.

As we began the second half of the year, we saw the exceptional growth levels start to slow but remain well ahead of the market. Shoppers are now venturing further from their homes and workers are returning to offices. In the coming months we expect to see our online sales continue to grow, reflecting the market as a whole.

Funeralcare

At the start of the year we were focused on the implementation of our turnaround strategy with its priorities of achieving high standards of care; introducing innovative ways of keeping in touch with our clients at every stage of the journey; increasing choice and personalisation of funeral services; and addressing funeral affordability. We were making strong progress in each of these areas when the pandemic took hold, requiring us to re-prioritise our plans and divert our full efforts to deal with the emergency.

By the end of June, we had carried out 59,000 funerals in 2020. That's a 22% increase on the same period last year.

The scale of the pandemic, the clinical guidance introduced for the care of the deceased, the colleague safety measures and the restrictions on funeral services, have together had a profound effect on how we have been running our business.

Every part of our operation pulled together to meet the challenges and ensure we could continue to support families at this critical time. Our procurement team sourced extra PPE from around the world; our property team secured additional mortuary space; our coffin factory in Glasgow worked six days a week; our HR resourcing team led a massive recruitment programme delivered at rapid speed; and we introduced a suite of additional health and safety measures to ensure we could continue to support our clients whilst protecting our colleagues.

Throughout these months we advised Government at a national and local level and lobbied for consistent practice across all local authorities across the UK.

As the restrictions became clear, we quickly introduced new propositions and services to support bereaved families, such as arranging a cortege to pass and pause outside a family's home and arranging live streaming of services.

During the pandemic, many families lost their loved ones suddenly which has resulted in unexpected financial pressure at a time where many were experiencing reduced wages or financial uncertainty. Thanks to the generosity of our Co-op members, we set up a new hardship fund to help families pay for funerals of key workers. We've now widened this to anyone in hardship because of Covid-19.

Bereavement

We've also been concerned about the longer-term emotional impact that the pandemic has created.

A report we published over the summer showed that in the weeks following the start of the UK's lockdown, 47% of bereaved adults in the UK had been denied their final farewell to a loved one because of Government and local authority restrictions. This has led to longer term issues of grieving and emotional recovery. We've presented the key findings of the report to the Government and are working with them, bereavement charities, and other key organisations, to help support families through their grief.

We've also introduced a new proposition to help families to have a 'delayed celebration of life' for their loved one as restrictions begin to lift.

Overall, during the first half of the year, the type of funerals we were able to offer were simpler and pared back and we therefore experienced a significantly lower average selling price, whilst at the same time our operational costs were higher. So, despite the much higher numbers of funerals we've not seen the uplift in profits we would normally see on the back of the increased volumes. We expect to see the demand for simpler funerals to continue into the second half, as a result of the economic downturn. Funeral volumes are now impossible to predict and will be dependent on the success of controlling Covid infections and of reducing the mortality rates. We expect our operational costs to remain higher due to ongoing restrictions and safety measures.

Whilst volumes for at need funerals were very high in the first half of the year, we did see a marked reduction in funeral plan sales which were down 33% versus the same period last year. This was a consequence of our in-branch colleagues focusing on at need funerals and being open for appointments only. As restrictions lifted, we saw performance recover and we expect sales to return to expected levels in the second half of the year.

In terms of regulation, in March we welcomed confirmation in the Chancellor's budget that the Government is to legislate to bring the pre-paid funeral planning market within the remit of the Financial Conduct Authority (FCA) and provide protection to consumers. Over the last two years we've been outspoken in calling for greater direct regulation of this market. We've worked closely with HM Treasury to share our expertise as a reputable provider and outline why the best model for funeral plans is under the remit of the FCA.

Over the summer, the Competition and Markets Authority (CMA) published its provisional decision report into the funeral industry, something we've been working on closely with them for the last couple of years. We have, from the outset, welcomed the Government's work on behalf of consumers and fully support a statutory regulator for the funerals sector covering quality and transparency with inspection and enforcement powers.

In its provisional decisions, the CMA has outlined some steps that, if implemented in their final report, (due March 2021) will need to be taken by funeral directors and crematoria to make sure that bereaved families are given the best possible support at a difficult time in their lives. We've sent our detailed written response to the provisional decisions and will continue to engage with the inquiry.

We're proud of the work we've done to support families over the last few months and the CMA has acknowledged Covid-19 has had a significant impact on our market and will be likely to change the way funeral businesses operate in the future.

We've been leading the way in price transparency, as we know that bereaved families are looking for clarity on what's included in their funeral arrangements. We've also worked hard over the last few years to bring prices down and offer value for money in what is, for many, one of the biggest purchases they will make in their lifetime, ensuring there are more affordable options

We know that every funeral is truly unique and personal to the family or individual - this isn't a 'one size fits all' service so the cost of a funeral can vary from family to family, depending on their choices.

It's important to note that the CMA report has been backward looking in its assessment of pricing and the market has changed considerably in recent years. Our Co-op has led the way in expanding the affordable options we offer to families.

We aim to be the best in the market when it comes to offering our clients full choice and we must continue to do this on every occasion. Our new proposition trials are taking this to the next level, offering a truly bespoke service at competitive prices, with our existing high levels of quality maintained.

We'll continue to work closely with the CMA to support their work and the implementation of the findings.

In the second half of the year we expect to see continued demand for our simpler funeral offerings as the recession impacts family budgets and financial concerns. Meanwhile, we'll continue to deliver our turnaround plans for the business. We've learnt much about our ability to introduce rapid change during the last few months and some of the initiatives we introduced to respond to situation will become part of our standard offering.

Insurance

As the pandemic took hold in the UK we took measures to reflect in our insurance policies the restrictions which were introduced by the Government as well as the efforts people were making to support their local communities.

For anyone that needed to work from home or were self-isolating, their home insurance cover was not affected and there was no need to contact us. And this remains the case today. If our customers ha d to drive to work instead of getting public transport because of the impact of Covid-19, their car insurance policies also remained valid. And if customers were using their car for voluntary purposes in any capacity to support others who are impacted by Covid-19, their cover was not affected. Additionally, key workers needing to use their own car to drive to different places of work because of the impact of Covid-19 were not affected. We have kept all of these changes in place for the time being.

During the lockdown we saw a sharp drop in sales of car, travel and new home insurance reflecting the Government restrictions on work and movement. There were also far fewer claims being made. Sales are now picking up as the economy opens up again, and motor claims went up by 35% in the weeks following travel restrictions being lifted.

In February we launched our new life insurance cover for over 50s, the latest in our growing portfolio of insurance products. We recognised a gap in the market, so we worked with our members across the Co-op to create a product which is flexible and realistic for customers. In partnership with Royal London, the new life insurance plan enables people to leave their loved ones a lump sum of up to £10,000 when they pass away, even when faced with periods of financial difficulty.

The product offers several unique features including allowing policyholders to take a payment holiday from their monthly payments for up to six months, twice throughout the lifetime of the policy, if they need to.

In September we began a campaign to raise awareness of the pressures facing new young drivers from other motorists.

We insure 24,000 young drivers (aged 17-25) who use our telematics technology to reduce their premiums by encouraging responsible driving behaviour. Our research shows that 53% of our young drivers have felt pressured by another motorist and 24% have felt physically unsafe while driving because of harassment from other road users. We've launched a T-plate sticker which young drivers can affix to their vehicles to indicate they're using telematics technology and are therefore obeying speed restrictions. Our aim is to create safer drivers, safer roads and safer communities.

Before the end of the year we're expecting to complete the deal to sell our insurance underwriting business for £185 million. From the outset we've been clear of our intention to significantly grow our insurance footprint and the completion of this deal will unlock a 13-year distribution agreement for Co-operative Insurance Services Limited (CISL) with Markerstudy Group, enabling us to deliver upon our ambitious expansion plans.

Legal Services

Continuing its good progress in 2019, our Legal business has been innovating with technology to make access to legal help more convenient. Having developed digital legal advice technologies for estate planning which makes sorting out your Will easier and more effective, in 2020 we've been developing a suite of digital legal advice services that cover probate, personal injury, employment and family law. Our customers are making the most of the free legal advice and guidance offered by our new range of services.

At the start of the lockdown we saw an increase in demand for Will writing services, while since lockdown has lifted we've seen a 300% increase in divorce related enquiries reflecting the tremendous stress many relationships have suffered during this time.

Online consultations with our legal advisors were already growing before Covid-19 but the experience of the pandemic is likely to increase that trend.

As Covid death rates began to soar, we introduced a Bereavement Notification and Advice Service to help people deal with a late loved one's affairs. The new service gives bereaved families help informing financial institutions, stopping junk mail and closing social media accounts. Typically, bereaved families are left to deal with an average of twelve organisations, ranging from the Government's Tell us Once service, to pension providers, insurers and utility providers and corresponding with the Coroner. This new service enables us to help bereaved families by providing a single point of contact.

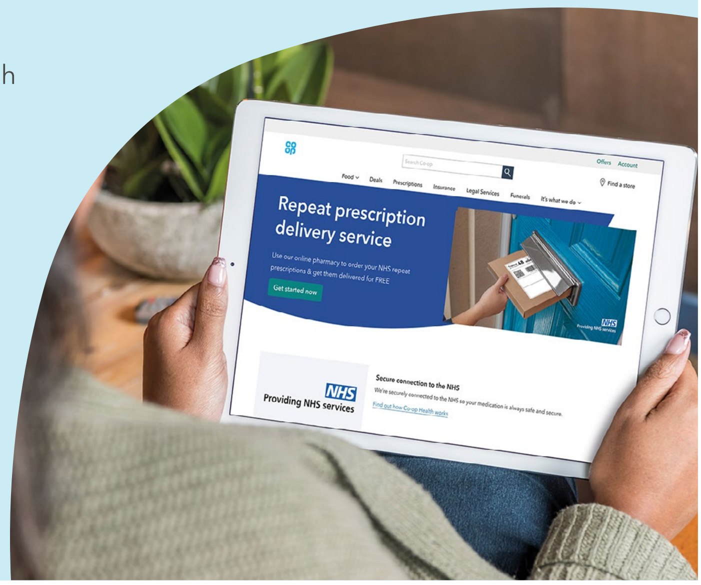
Health

The newest part of the Co-op, Co-op Health marked its first birthday in May. It's entirely built on a digital platform and is designed to offer a modern, convenient, solution to health needs.

The initial focus of the business has been to provide online ordering of repeat prescriptions. These are delivered either direct to the customer's home or to their local Co-op at no extra cost to the customer, or the NHS. The fulfilment and distribution operation is based in Lea Green in Warrington alongside one of our Food distribution depots. Our Co-op Health App, which can be downloaded to a phone or tablet, is integrated with NHS and GP data which makes it safe and stops inappropriate ordering. Central to our Health offering is that we're the only online prescription provider to have links into all GP systems.

New customer registrations grew by over 400% during the spring and early summer reflecting the lockdown and shielding instructions to vulnerable individuals. By the end of July, we were delivering more than 20,000 prescription items each month with our customers rating the service 4.8/5.

We've been listening to our customers and have now enhanced our service to allow them to manage prescriptions on behalf of someone else and we've introduced a way to place orders online via our website in addition to the App, designed for those who don't have smartphones. Whichever route they choose to register, they'll be connected securely to one of over 10,000 GP surgeries in England to view and select their medication in real time, with prescriptions continuing to be fulfilled by our pharmacy in Lea Green.



Colleagues

Our colleagues right across the business have been outstanding in how they've responded to the challenges of 2020. As the scale of the emergency became clear, and new patterns of working were put in place, we implemented a new approach to colleague communications making sure that all of colleagues had the latest health guidance and operational information they need each day.

Throughout lockdown, and beyond, we issued a weekly Co-op Care email to all colleagues focused specifically on mental and physical wellbeing. We covered many issues we knew were highly relevant at this time, including: coping with fear and anxiety; bereavement; personal resilience; and staying fit and motivated when working from home.

We knew it was important for there to be more frequent communications to our colleagues during this time, and for our most senior leadership to be visible. Our CEO, Steve Murrells, recorded short, weekly video updates messages from the end of March through to the end of July reinforcing our daily messaging, highlighting significant changes and thanking colleagues for their work.

To monitor and track how our colleagues were doing throughout this time, we carried out two special Talkback surveys which measured individual wellbeing including levels of personal anxiety and concern for family members.

Colleague recognition

During this time, we also developed new ways to recognise and thank the efforts of our colleagues. For colleagues working from home we introduced digital thank you cards **'You're Incredible'** and **'Not all Heroes wear Capes'** to celebrate their achievements. We added a new way to recognise exceptional colleague work during the pandemic by giving our Co-op members and colleagues the opportunity to nominate an individual for a Local Hero award. More than 1,000 nominations have been received so far and winners will be announced in the second half of the year. We shared stories about the work of our colleagues on our external social media platforms during May, June and July to publicly celebrate their work.

Our Covid related acts of thanks and recognition were in addition to our annual **Being Co-op** awards which received a thousand nominations across thirteen categories.

In April we launched our new career celebration scheme to mark and reward colleague milestones on their first anniversary of employment with us and then at five-year intervals. The new scheme means we'll be celebrating 9,000 colleagues a year, ten times more than our previous career recognition scheme.

Diversity and Inclusion

During 2020 we've continued our focus on strengthening our diversity and inclusion across all parts of the business.

For International Women's Day in March, we ran an event at our Manchester support centre led by our Chief Financial Officer, Shirine Khoury-Haq and our Group Secretary & General Counsel, Helen Grantham who discussed their careers.

To mark Ramadan in April/May, we ran several virtual sessions on understanding the importance of the festival and ran a sponsored fast in which our CEO Steve Murrells, and our Chief People Officer, Helen Webb, took part in along with other business leaders.

During June, July and August we once again showed our commitment to the LGBT plus community through Pride events both internally and externally. This year, with social distancing restrictions, we did this through virtual educational sessions, social media campaigns, and Pride flags in store. We've also recently changed the Pride flag to use the progress chevron flag.

During our annual season of in-house training and development Leadfest, we incorporated sessions such as 'what is systemic racism?' 'what is white privilege?' and 'how to talk about race'.

In September we launched new commitments, targets and ways of working to address racial inequalities within our workplace and with our other key stakeholder relationships, including our wider membership, the communities we support, our suppliers and other partnerships.

Among the changes we're making we're going to:

- Double the representation of Black, Asian, and minority ethnic leaders and managers by the end of 2022, moving from 3% to 6%, and then to 10% by 2025.
- Require diverse shortlists for all leadership roles.
- Publish annually our ethnicity pay gap from 2021 and call on the government to make this mandatory for all businesses.
- Maximise the use of our apprenticeship levy and seek partnerships and opportunities which focus on benefitting Black, Asian and ethnic minority candidates.
- Work with our Co-op Academies Trust to develop a new curriculum on anti-racism so that the next generation knows what it means to be anti-racist. We'll then lobby the government to roll this out as part of the national school curriculum across the UK.
- Ensure stronger representation of Black, Asian and ethnic groups across all our marketing platforms.
- Increase the number of local causes whose projects include Black, Asian, and ethnic minority beneficiaries to 25% through the Local Community Fund.

Community

Our ability during the pandemic to support the local communities in which we trade was helped enormously by the fact that we already had established relationships, good understanding of local needs, and a network of colleagues dedicated to creating stronger communities.

Co-operate platform and Member Pioneers

We've long been committed to expanding local, grassroots, co-operative action to meet local needs and as the lockdown began we increased our efforts. Last year we began testing a new online platform called 'Co-operate' which can link local projects to local resources.

Our trials around Greater Manchester and parts of London were already proving successful and in April we scaled up the platform to make it available across the country. It's enabled volunteering to help the vulnerable with their shopping and also connected people, so they could share interests and new learning together during a time of physical isolation.

Since April, more than 103,500 visits have been made to the Co-operate platform to access services including:

- a matching service connecting volunteers with people or organisations that need help
- signposting to online events to help bring people together in virtual communities
- 'how to' guides and digital content to support people in connecting with one another through lockdown

So far – 2,400 community groups have registered with the Co-operate platform and 5,300 people have registered to offer volunteer support.

The online Co-operate platform complements our physical network of Member Pioneers. By September this year, we had 1,000 Member Pioneers in place. During the lockdown our Pioneer colleagues concentrated their efforts on supporting vulnerable people, keeping people connected, finding volunteers and securing funding for urgent projects. They played a key role in community response to the pandemic by either establishing local support groups themselves, signposting others to existing groups or individually supporting food and medicine deliveries and face-mask production. Through these efforts Member Pioneers supported an estimated 20,200 vulnerable people per month through lockdown.

We're recruiting additional Pioneer colleagues with the aim of reaching 1,100 by the end of 2020, which will mean we have a Member Pioneer covering all parts of the United Kingdom.

Financial help

Recognising that local fundraising would become very difficult during social distancing restrictions, we chose to bring forward the distribution of funds for more than 4,000 local causes currently being supported by our Co-op members. This would normally have taken place in November, but we released £4.5 million during the spring to help make sure immediate needs were met.

The themes we had identified in 2019, through local research and the national data we consolidate to create our Community Wellbeing Index, led us to focus our community support on three interconnected areas: public spaces, mental wellbeing and skills. We've seen how these have taken on even greater relevance over the past few months.

How we use public spaces – indoors, outdoors, and online – and how that relates to our individual and collective wellbeing has become much better appreciated during lockdown; mental health for many people has been damaged through an intense period of isolation and restricted movement; and the hit to the economy will make skills training, especially for a younger generation, a matter of urgency.

Free school meals for Co-op Academy pupils

In March, as schools began to close because of the virus, we knew that the 6,000 students who have free school meals across our 25 Co-op Academy Schools would need our help. The Co-op Academy Trust has chosen to work in areas of high deprivation in the north of England which means the number of children eligible for free meals is on average around 32% in our schools, compared to the national average of 13%. In one of Co-op Academy schools it reaches 67% of students.

Before the Government had responded to this issue, we organised a scheme to give eligible Academy Trust pupils a weekly £20 Co-op food voucher card – £5 higher than the normal value of free school meals. We also extended this to children identified as being from financially vulnerable families and to refugee children who were not yet eligible for Government support. When the Government commissioned its own national scheme to cover free meals during lockdown, we chose to keep to our own more generous arrangements, knowing that there was no guarantee of Government reimbursement at a cost of over £900,000. Several hundred other schools chose to make use of our Co-op voucher cards to support their own pupils rather than use the Government provider.

We committed to providing our Co-op support during term time and school holidays, including through the summer months, before the Government made its U-turn on this following Marcus Rashford's campaigning, which we'd supported.

To help with home study during the lockdown, the Academies Trust provided 1,000 laptops to students who needed them.

The cost to the business of supporting our Academy children with free school meals through to the end of the summer holidays was £2.6 million. The Government's policy means that only a small proportion of this can be recovered which limits our ability to invest further in tackling food poverty in our Co-op Academy schools.

Campaigning

Throughout the emergency, we've worked closely with relevant Government departments and with our national trade bodies giving advice on those areas of the economy where we have specialist knowledge and understanding.

As the scale of the emergency began to emerge, we lobbied for 'key worker' status to be given to our Food and Funeral colleagues. We also offered guidance on safety measures for caring for the deceased and on the social distancing measures for funeral services. Where we saw inconsistencies of practice over burial arrangements, we also lobbied local authorities.

In early July the Government finally published its response to its call for evidence from shop workers who've been the victims of verbal and physical abuse in the workplace. We welcomed the response and there are positive measures in it, but overall, we believe more should be done to protect our colleagues and reset expectations of what is acceptable in society – we do not believe it should be part of the job to be abused and attacked.

As part of our Safer Colleagues, Safer Communities campaign, in Summer 2019 we'd encouraged our colleagues in making 600 submissions to the call for evidence.

We also sent the Government our own 70-page report with ten recommendations for action. Meanwhile, we've been backing Alex Norris MP's private member's bill which puts forward stronger legislation to tackle crime against store workers.

In January we asked colleagues to write to their MPs asking for the Government to respond to the submissions we'd made. Within a few weeks, 5,000 letters had been posted. We continue to believe that a new offence should be created to protect shopworkers and we were disappointed that Government did not propose new legislation.

We will continue to work with other retailers to back Alex Norris' Private Members Bill to afford shopworkers the additional protection they need and deserve.

Looking ahead

Looking ahead

We're now deep into recession and need to do all we can to support our members and customers through some difficult months ahead. Until a vaccine for Covid-19 is found and a global immunisation programme is underway, we will not be free of the health and social consequences of the virus. The economic consequences could last even longer.

As we began the second half of the year we could see the market environment for food retail changing rapidly with shopping patterns altering again and competition becoming intense.

The spike in convenience food store shopping peaked in April and May and the exceptional sales increases seen during those months have returned to more normal levels. We've made a commitment to invest £130 million in opening 50 stores, giving 15 stores significant extensions, and giving 100 further outlets major makeovers, creating 1,000 jobs. We'll also extend the reach of our home delivery channels at greater speed.

Meanwhile, funeral volumes remain unpredictable but will clearly be linked to the nation's success in controlling further waves of Covid-19 infections. However, the recession is likely to continue demand for simpler funerals which will reduce the profitability of the business in the second half.

In line with our turnaround plans for Funeralcare, we'll focus on improved online communications for our clients throughout the bereavement journey.

The insurance market will remain highly unpredictable, with travel restrictions changing regularly and government regulation around housing causing market spikes. However, we expect to strengthen our insurance presence from Q4, following completion of the sale of our underwriting business and increased focus and investment into our product and distribution business.

Across our Co-op we'll continue improving our operational effectiveness and reducing our running costs, so we can invest further in our price and service offerings and deliver additional exclusive value and benefits for our members and customers.

New debt at year end is expected to be between £600 million and £650 million.

As a response to the hardships created by Covid-19 and the many inequalities in society exposed by the pandemic, in the autumn we'll be relaunching our Co-op membership scheme, doubling the amount given to support the wellbeing of the nation through local and national initiatives. In addition, improvements to our Co-op app, launched in September 2019, will enable us to tailor more offers to our members, giving them financial benefits where it matters most in their week to week shop. The improved app will also create an easier route to becoming a member and provide more ways to join in and get involved with Co-op activities from designing new products and services to volunteering.

The new membership proposition will also double (from 10% to 20%) the everyday discount given to our colleague members on our own-brand food products. Alongside this, we're investing a further £1 million to our colleague wellbeing projects.

We've always valued the work of our colleagues on the front line and Covid-19 has demonstrated just how important their role is in feeding the nation, caring for the deceased and bereaved, and delivering our vision to create a fairer world. Pay levels for our front-line colleagues have increased considerably over the last five years, but now we want to go further. So, we're going to work with our trade union partners, USDAW, to create a plan to improve our hourly pay rates in the coming year so that they align to the Real Living Wage.

In the community we'll give a further pay-out to more than 4,000 causes in November and begin our next round of nominations for 2021. We'll continue our support for food banks while at the same campaigning to address the root causes of food poverty.

Our expansion plans for our Co-op Academies Trust will continue with a further two schools expected to join the trust by the end of the year.

Principal risks and uncertainties

Principal risks and uncertainties

The Directors have reviewed the principal risks and uncertainties faced by Co-op and the risks set out in the 2019 Annual Report and Financial Statements remain relevant for the second half of 2020.

The Directors use our Co-op enterprise risk management framework to continuously monitor and re-assess our actions in relation to a changing business environment. Consideration is given to emerging risks and to any change in internal and external influences that could impact our business model and how we operate.

Coronavirus Pandemic

The Coronavirus pandemic and the management of its impacts on our colleagues, communities, customers and suppliers remains a priority for 2020. We continue to operate in a period of uncertainty and failure to effectively manage our response may lead to a sustained reduction in performance across our businesses. Our primary focus is to ensure we adopt social distancing, sanitisation and Personal Protective Equipment measures in our stores, branches, depots and support centres. These measures are essential to comply with government guidelines (that we continue to follow) and to keep our customers and colleagues safe. Most of our support centre colleagues continue to work from home, where it is possible for them to do so. We have also considered if any new mitigations are required, should there be a second wave of the virus in the coming months. Our conclusion is that most measures are already in place and our businesses are well-positioned to manage a resurgence of the virus.

As the pandemic has evolved our Incident Management responses have been adjusted to ensure appropriate action is taken to revise our operations and mitigate the ongoing risks to our business. In addition to our Incident Management processes we continue to monitor and manage changes to our risk profile by considering the impacts on our high-level risk categories and established principal risks.

Category	Impacts
Strategy & Business	• Redirection of resources to support our crisis response and review of our strategic prioritisation and choices during 2020 and possibly beyond • Longer term impact of Lockdown and recovery on macro-economic conditions and competitiveness (increasing unemployment, household debt, inflation, recession)
Finance & Treasury	• Some deterioration in funding levels of Defined Benefit schemes and Funeral Plan Investment Portfolio resulting from market volatility. • Risk to the valuation of both trading and non-trading properties, potentially resulting in increased levels of asset impairment or higher onerous lease provisions
Operational & Customer	• Risk to the health and wellbeing of our frontline colleagues. Impact of new ways of working on colleague wellbeing • Increased stress on our supply chain and challenge to viability of some 3rd Party Service Providers
Regulatory & Compliance	• Adapting to changes to regulation including but not limited to: some exceptions to competition law, GCA guidance, statutory sick pay, legal duty of care to colleagues and customers amid risk of infection, and funeral attendance and procedures
Brand & Reputation	• Altered member, community and colleague expectations in a time of crisis

Brexit and transition from the European Union

The 2019 General Election results, and the sizeable majority achieved by the UK Government have changed the Brexit outlook for 2020. Following our exit from the EU on 31 January, negotiations continue, but at present it does not seem likely that a post-transition period agreement will be achieved between the EU and UK.

A 'No Deal Brexit' remains a distinct possibility, given the Government's commitment to leave the Customs Union and Single Market on 31 December 2020.

Our planning and preparation work has continued throughout the transition period to ensure we are best positioned to adapt once the roadmap and precise regulatory requirements are defined, but always on the assumption that no agreement will be reached before the deadline of 31 December 2020.

The principal risks below have the potential to impact the delivery of our business strategy and our commitment to create value for our members and communities. These are summarised as follows:

Risk	Risk Description
Change	Our five-year plan needs us to make changes in the way we operate. If our plans are not delivered in an effective way, we will not be able to see the benefits of our change programmes.
Brexit and other market conditions	Brexit and its potential impact on the UK economy poses a major threat, in particular to our Food business.
Competitiveness	The competitive landscape in which we operate means that we need to monitor our growth targets, market share and competitor behaviour to remain viable and innovative.
Brand and Reputation	We set ourselves high standards for responsible retailing and service, as well as speaking out on the issues that matter to our members. If we don't meet those standards, or fail to demonstrate our difference from our competitors, there's a potential risk to our reputation.
Pension obligations	The measurement of our Defined Benefit liability is sensitive to changes in several factors. Although we have taken steps to significantly minimise our exposure, adverse market movements could result in a lower pension surplus and may need our Co-op to pay additional contributions in future.
IT and cyber threats	We hold data on our colleagues, customers, members and partners. We are reliant on technology to deliver our business operations so theft of data or a cyber-attack could significantly disrupt our operations.
People	Our ability to attract and retain colleagues with relevant skills and experience is important to achieving a strong, competitive Co-op. If we do not continue to recruit talent and to invest in our colleagues, then it may impact our operations and our ability to deliver on our strategic plans.
Misuse and/ or loss of data	We hold personally identifiable data on our colleagues, customers, and members. We need to make sure we protect and manage this data.
Health & safety, and security	Faced with a rise in violent and abusive crime, and busy retail environments, we need processes in place to protect our colleagues, members, customers and visitors to our premises.
Operational resilience	Failure to create the network capacity needed for future growth or an extended supply disruption event could significantly affect the availability of products and services in our stores resulting in loss of sales.

Risk	Risk Description
Regulatory compliance	Our Co-op is subject to laws and regulations across its businesses. Failure to respond to changes in regulations or stay compliant could affect profitability and our reputation through fines and sanctions from our regulators and affect our licence to operate.
Pre-Need Funeral Plan obligations	The measurement of our Pre-Paid Funeral Plan obligations is sensitive to changes in several factors. Adverse movements could result in lower than expected funds being available and the business receiving a lower amount per funeral or may result in individual contracts becoming onerous. A Co-op funeral plan provides a funeral in line with the funeral plan specification and terms and conditions, regardless of the funds available.
Environment and Sustainability	The way we choose to run our business operations and the products and services we provide impacts our environment and the future of our planet. Failure to run our operations in more sustainable manner and ready our Co-op to transition to a greener economy could contribute to more damage to our environment and increased financial cost and missed opportunities.

Emerging Risks

The main emerging risks being monitored relate to changing regulations:

- **Funeral Market Regulation:** The outcome of the Competition Market Authority's review into the funeral industry and HM Treasury's proposals for the regulation of funeral plans is expected to lead to changes in the funeral and funeral plan markets. The funeral plans market will fall under the Financial Conduct Authority's regulation. Secondary legislation is expected to go through parliament this year. Accompanying this will be an 18-month transition period to ready our business prior to direct regulation.
- **Pensions Regulation:** The UK government is considering increasing the scope and powers held by the UK Pensions Regulator. Such changes may limit our freedom to implement aspects of corporate activity without obtaining the consent of the pension trustees and/or the Pensions Regulator.

More information on the principal risks and how Co-op mitigates those risks can be found on pages 55-62 of the 2019 Annual Report.

Our financial performance

Our financial performance

Our half year results, as for most businesses worldwide are dominated by the impact of Covid. In the early stages of lockdown our Food business saw unprecedented demand that our logistics network responded to exceptionally. Similarly, our funerals business had to respond to operational challenges with increased funeral numbers but also rearranging funerals in light of the Covid restrictions. We incurred significant additional costs in ensuring our customers and colleagues could operate safely and in rewarding and supporting colleagues for their exceptional commitment in extremely challenging circumstances.

Our revenue and profits increased strongly largely driven by the exceptional demand in our food stores particularly in the early stages of lockdown. Whilst our first half results are strong we see difficult trading conditions ahead as we respond to the needs of customers and members facing recession and employment uncertainty. Additionally, we continue to experience cost pressures as we prioritise safety across our estate whilst the exceptional sales growth in the middle of the first half starts to slow down.

Revenue grew by 7.6% to £5.8 billion largely driven by Food and Wholesale and this translated into an increase of £63 million in underlying profit before tax to £52 million from a loss of £11 million as shown below. Reported profit before tax increased by 35% to £27 million. Our profits are shown after deducting the amount our members have earned through the 5% and 1% member rewards which totalled £33 million in the first half of the year (2019: £35 million), the reduction reflecting reluctance to present membership cards during Covid.

We show how we adjust profit before tax to get to our underlying profit before tax in note 1 of our interim financial statements. We also include a jargon buster on page 69 to explain the accounting terms we have to use.

	2020 £m	2019 (restated) £m
Revenue	5,797	5,389
Underlying operating profit		
Food	175	120
Wholesale	(2)	(7)
Funerals	17	10
Legal	2	3
Costs of supporting functions	(67)	(61)
Other	(4)	(6)
Total underlying profit (a)	**121**	**59**
Property revaluations, disposals and one-off items	(40)	14
Operating profit	**81**	**73**
Underlying interest (b)	(32)	(33)
Net underlying lease interest (c)	(37)	(37)
Non underlying interest	15	17
Profit before tax	**27**	**20**
Tax	(43)	27
Discontinued operations	(10)	(6)
(Loss) / profit for the year	(26)	41
Underlying profit / (loss) before tax (a)-(b)-(c)	52	(11)

How our businesses have performed

Food sales rose by £0.2 billion to £3.9 billion from 2019, with shop sales up £0.3 billion reflecting a like for like sales increase of 8.8%. Fuel sales, impacted by the pandemic, were down 40% (£0.1 billion). Shop sales were particularly strong in the period from April to June as our customers shopped more and closer to home in their local Co-op convenience store. We saw trade diverted from restaurants and pubs as customers enjoyed our extensive range. Co-op's food retail market share was 7.2% by July - the highest it's been for almost two decades, although this is now dropping back as lockdown eases.

This strong sales growth saw underlying profit in our Food business increase by 46% to £175 million. We incurred significant additional costs in excess of £40 million as a result of Covid-19 including protective equipment, colleague reward and absence as well as making our stores safe for customer and colleagues through many measures such as implementing one-way systems, additional cleaning, protective screens and hand sanitising. Margin rate was impacted by a customer shift leading to higher mix of lower margin items such as beers, wines and spirits and a reduction in higher margin food to go. Despite these pressures, strong cost control and increased productivity in stores and logistics meant the sales growth converted into strong profitability.

Our Funerals business experienced a 22% increase in volumes, tragically as a result of Covid-19 deaths and a related rise in non-Covid-19 deaths. However, the funerals we could offer our customers were restricted by Government Covid-19 measures leading to only the most basic funerals being possible. Overall revenue in funerals was £148 million, up 3.5%. Underlying profits increased 70% to £17 million from £10m in 2019 with strong cost control adding to the benefit of higher revenue, despite incurring an additional £6 million of Covid-19 related costs to support and protect colleagues and customers.

Our Wholesale business generated sales of £0.8 billion, a 14% increase on 2019. As with our Food business we have seen customers move to local Nisa stores and transfer trade from pubs and restaurants. Nisa stores also benefited from the wider range Co-op has been able to provide, especially fresh. Nisa recorded a small loss in the first half but £5 million better than last year. We continue to see profit improvement and anticipate a profit for the business in the full year.

Our Legal business performed well despite the impacts of lockdown reducing property sales, personal injury claims and bringing operational challenges such as arranging probate by telephone rather than face to face. The business has responded well and mitigated many of these impacts such that profits were only marginally lower at £2 million.

Supporting functions costs increased by £6 million largely reflecting a number of one-off benefits in 2019 from provision releases such as litigation and self-insurance. Costs excluding these are broadly flat with savings initiatives offsetting inflation.

Before the end of the year we're expecting to complete the deal to sell our insurance underwriting business, CISGIL, for £185 million. We treat the results of this business as discontinued and so it is carried in our accounts at the price agreed in the deal less costs to sell. The £10 million loss in discontinued operations shown above therefore largely represents deal costs and a small charge to reduce CISGIL's net assets down to the value of the business in the agreed deal.

Disposals, property valuation gains and one-off items

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

	2020 £m	2019 £m
Property and business disposals	(39)	(4)
Change in value of investment properties	-	11
One off items	(1)	7
Total	**(40)**	**14**

Property and business disposals include a loss of £16 million relating to the planned sale of 106 of our funerals branches and includes the write down of assets and closure provisions.

Disposals also includes a charge of £19 million relating to the increase in our onerous lease provision. We are seeing the economic impact of Covid-19 on certain parts of our property portfolio, most notably where we have sublets on non-trading properties included within our onerous lease portfolio. We have changed our view on our ability to sublet a small number of retail sites and this has increased our onerous lease provision by almost £15 million. Additionally we have changed the discount rate on our onerous lease provision to reflect lower gilt rates and this has increased the provision by a further £4 million.

We have reviewed our trading sites in Food and funerals for potential impairment and booked £9 million of write downs on loss making or partially profitable sites where forecast trading is not expected to support the asset values. As part of this exercise we considered a number of city centre locations, particularly in central London, which were profitable but where trade has been impacted by lower footfall as a result of Covid-19. We have taken the decision not to impair those sites as we expect the impact to be temporary. We give more detail on this in the financial statements on page 42.

The losses on funeral closures, impairment and onerous lease totalling £44 million are partially offset by profits on the sale of a small number of food stores and lease surrenders.

The £11 million gain on our investment property portfolio in 2019 principally relates to planning permission gains on one particular site. We have reviewed the 2020 investment portfolio and are confident their value is supported. This includes sites where values remain strong and not impacted by Covid-19.

One-off items in 2019 included a £7 million credit relating to a reduction in the amounts we are required to pay for the acquisition of Nisa which is payable over a number of years depending on the trade passing through Nisa from its partners. This year the required payments have risen by £1 million reflecting the increase in trading volumes experienced this year.

Financing and debt

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

	2020 £m	2019 £m
Underlying interest payable	(32)	(33)
Net underlying lease interest	(37)	(37)
Net pension finance income	19	27
Fair value movement on quoted debt and swaps	(2)	(2)
Non-underlying finance interest	(2)	(8)
Net financing costs	**(54)**	**(53)**

Financing costs were flat overall year on year with lower underlying interest reflecting lower debt across the period. Net pension income fell as a result of a significant drop in the discount rate that is applied to the net pension surplus.

Our total net debt of £2 billion at the end of the period, including the IFRS 16 lease liability of £1.4 billion, was down £175 million from the start of the year. Excluding the lease liability, net debt was £0.6 billion, a reduction of £140 million from year end and £266 million lower than the 2019 half year. This principally reflects strong trading cashflows backed up by good management of working capital. Capital expenditure was also lower as Covid-19 restricted our ability to carry out refit activity.

Shortly after the half year end, on 8 July 2020 we fully repaid the remaining £176 million balance of the 6.875% 2020 Eurobond. This will reduce our cost of debt going forward.

Tax

The half year tax charge of £43 million all relates to deferred tax and represents an effective tax rate of 163% on profit before tax compared to an expected charge of £5 million were the 19% prevailing corporation tax rate applied to pre-tax profits. The tax charge causes us to record a loss after tax and discontinued items. Our tax rate is higher principally because of deferred tax on two items. A £15 million impact due to the high proportion of depreciation in our income statement that does not qualify for tax relief and a £16 million impact due to the change in the corporation tax rate from 17% to 19% introduced in the March 2020 Budget that increases our deferred tax liability.

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

The prior period £27 million tax credit was largely due to a one-off credit caused by a change to our method of calculating the deferred tax arising on fixed assets additions.

Our balance sheet

Net assets increased by £70 million from the start of the year largely representing a £175 million increase in the net surplus across our pension schemes. This was offset by an increase in deferred tax liabilities of £70 million representing deferred tax on the pension surplus increase and other deferred tax increases noted above.

The actuarial surplus on our largest pensions scheme, PACE, increased by £0.2 billion with assets increasing by £0.4 billion whilst liabilities increased by £0.2 billion. The increase in assets may seem surprising in the current environment but PACE holds very little in equities and has significant gilts and credit assets that increased in value. Falling AA corporate bond yields increased the value of the liabilities.

The assets and liabilities of CISGIL are classified as held for sale because of the planned sale of the business to Markerstudy. We continue to consolidate the Reclaim Fund Limited ('RFL') as it is a 100% owned subsidiary of the Group. However, RFL is a not-for-profit organisation whose surplus is held entirely for the benefit of Big Lottery Fund and as a result the Group gains no financial benefit from RFL. If the Group were to cease consolidating RFL, this would result in a one-off charge to the income statement of £74 million.

In our 2019 annual report we noted that management had identified a number of balance sheet items which contained historical errors within Nisa largely as a result of an ineffective balance sheet reconciliation process and poor controls. Because the errors had a material impact on the prior period figures, we have restated some prior period balances relating to Nisa as detailed in our accounting policies note. We set out a detailed remediation plan to address the control environment within Nisa and have already made good progress in strengthening the finance team and integrating the finance team and processes into our centralised financial control structure.

Our accounting policies note also sets out a key judgement we have made in relation to how the Group accounts for funeral plans with reference to IFRS 15 (Revenue from contracts with customers) noting the report of the auditors in the 2019 annual report was qualified in relation to this accounting treatment. The note includes details of the impact on the current half year results had we adopted the alternative treatment requested by our auditors.

Looking ahead

The results for first half of 2020 represented a particularly strong performance in very challenging operational and economic circumstances. Revenue and profits grew strongly and our debt reduced on the back of strong cashflow. This puts us in a good position to cope with what we expect to be difficult times ahead. With many in the UK impacted by unemployment, job uncertainty and recession we see increasing pressure on price in Food retail whilst the continued presence of Covid-19 brings particular uncertainty to our funerals business. Covid-19 will also continue to bring increased costs as we keep colleagues and customers safe. Additionally, Brexit causes us to face further uncertainty.

However, we have demonstrated more than ever this year that we are an adaptable and agile business able to cope with such challenges and we remain confident about the future.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year

By order of the board of Co-operative Group Limited

Allan Leighton - Group Chair
16 September 2020

Condensed Consolidated Income Statement

for the 26 weeks ended 4 July 2020

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

Continuing Operations	Notes	**26 weeks ended 4 July 2020 (unaudited) £m**	26 weeks ended 6 July 2019 (unaudited & restated*) £m	52 weeks ended 4 January 2020 (audited) £m
Revenue	1	**5,797**	5,389	10,860
Operating expenses		**(5,723)**	(5,320)	(10,700)
Other income		**7**	4	9
Operating profit	1	**81**	73	169
Finance income	3	**21**	29	61
Finance costs	4	**(75)**	(82)	(163)
Profit before tax		**27**	20	67
Taxation	5	**(43)**	27	18
(Loss) / profit from continuing operations		**(16)**	47	85
Discontinued Operation				
Loss on discontinued operation, net of tax	6	**(10)**	(6)	(16)
(Loss) / profit for the period (all attributable to members of the Society)		**(26)**	41	69

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

What does this show? The table below adjusts the operating profit figure shown in the consolidated income statement above by taking out items that are not generated by our day-to-day trading. This makes it easier to see how our business is performing.

Continuing Operations	Notes	**26 weeks ended 4 July 2020 (unaudited) £m**	26 weeks ended 6 July 2019 (unaudited & restated*) £m	52 weeks ended 4 January 2020 (audited) £m
Operating profit (as above)		**81**	73	169
Add back / (deduct):				
One-off items	1	**1**	(7)	5
Property, business disposals and closures	1	**39**	4	22
Change in value of investment properties		**-**	(11)	(27)
Underlying segment operating profit		**121**	59	169
Less underlying loan interest payable	4	**(32)**	(33)	(64)
Less underlying net interest expense on lease liabilities	3, 4	**(37)**	(37)	(74)
Underlying profit / (loss) before tax		**52**	(11)	31

* For more details on the restatement, refer to the general accounting policies section on page 65.

** Refer to note 1 for a definition of underlying profit / (loss) before tax.

Condensed Consolidated Statement of Comprehensive Income

for the 26 weeks ended 4 July 2020

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

	Notes	**26 weeks ended 4 July 2020 (unaudited)** £m	26 weeks ended 6 July 2019 (unaudited & restated*) £m	52 weeks ended 4 January 2020 (audited) £m
(Loss) / profit for the period		**(26)**	41	69
Items that will never be reclassified to the income statement:				
Remeasurement gains / (losses) on employee pension schemes	7	**133**	(266)	(99)
Related tax on items above	5	**(40)**	45	17
		93	(221)	(82)
Items that are or may be reclassified to the income statement:				
Gains less losses on fair value of insurance assets**		**4**	8	8
Fair value losses on insurance assets transferred to the income statement**		**-**	-	(2)
Related tax on items above	5	**(1)**	(2)	(1)
		3	6	5
Other comprehensive income / (losses) for the period net of tax		**96**	(215)	(77)
Total comprehensive income / (losses) for the period (all attributable to members of the Society)		**70**	(174)	(8)

* For more details on the restatement, refer to the general accounting policies section on page 65.

** Our Insurance underwriting business has been classified as a discontinued operation in the Consolidated income statement with assets and liabilities transferred to held for sale in the Consolidated balance sheet.

Condensed Consolidated Balance Sheet

as at 4 July 2020

What does this show? Our balance sheet is a snapshot of our financial position as at 4 July 2020. It shows the assets we have and the amounts we owe.

	Notes	As at 4 July 2020 (unaudited) £m	As at 6 July 2019 (unaudited & restated*) £m	As at 4 January 2020 (audited) £m
Non-current assets				
Property, plant and equipment		1,941	2,005	2,001
Right-of-use assets		1,012	1,047	1,045
Goodwill and intangible assets		1,104	1,115	1,087
Investment properties		16	49	16
Investments in associates and joint ventures		3	3	3
Funeral plan investments	12	1,309	1,244	1,271
Pension assets	7	2,127	1,747	1,973
Trade and other receivables		143	101	111
Finance lease receivables		36	41	40
Contract assets (funeral plans)		55	51	54
Reclaim Fund assets		150	202	206
Total non-current assets		**7,896**	7,605	7,807
Current assets				
Inventories		456	446	454
Trade and other receivables		463	572	445
Finance lease receivables		10	14	11
Contract assets (funeral plans)		5	4	4
Cash and cash equivalents		464	203	308
Assets held for sale	8	982	1,125	1,090
Reclaim Fund assets		474	446	478
Total current assets		**2,854**	2,810	2,790
Total assets		**10,750**	10,415	10,597
Non-current liabilities				
Interest-bearing loans and borrowings	9	802	982	803
Lease liabilities	9	1,253	1,270	1,277
Trade and other payables		163	176	183
Contract liabilities (funeral plans)		1,483	1,390	1,435
Provisions		91	126	95
Derivatives		3	1	1
Pension liabilities	7	88	103	109
Deferred tax liabilities	5	204	101	134
Reclaim Fund liabilities		459	502	540
Total non-current liabilities		**4,546**	4,651	4,577
Current liabilities				
Interest-bearing loans and borrowings	9	217	42	200
Lease liabilities	9	182	183	193
Income tax payable		-	8	7
Trade and other payables		1,703	1,553	1,520
Contract liabilities (funeral plans)		161	139	137
Provisions		64	70	62
Liabilities held for sale	8	900	1,046	1,015
Reclaim Fund liabilities		91	73	70
Total current liabilities		**3,318**	3,114	3,204
Total liabilities		**7,864**	7,765	7,781
Equity				
Members' share capital		73	73	73
Retained earnings		2,721	2,485	2,654
Other reserves		92	92	89
Total equity		**2,886**	2,650	2,816
Total equity and liabilities		**10,750**	10,415	10,597

* For more details on the restatement, refer to the general accounting policies section on page 65.

Condensed Consolidated Statement of Changes in Equity
for the 26 weeks ended 4 July 2020

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

For the 26 weeks ended 4 July 2020 (unaudited)	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 4 January 2020		73	2,654	**89**	2,816
Loss for the period		-	**(26)**	-	**(26)**
Other comprehensive income / (losses):					
Remeasurement gains on employee pension schemes	7	-	**133**	-	**133**
Gains less losses on fair value of insurance assets		-	-	**4**	**4**
Tax on items taken directly to other comprehensive income	5	-	**(40)**	**(1)**	**(41)**
Total other comprehensive income		-	**93**	**3**	**96**
Balance at 4 July 2020		73	**2,721**	**92**	**2,886**

For the 26 weeks ended 6 July 2019 (unaudited & restated*)	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 6 January 2019		73	2,665	86	2,824
Profit for the period		-	41	-	41
Other comprehensive income / (losses):					
Remeasurement losses on employee pension schemes	7	-	(266)	-	(266)
Gains less losses on fair value of insurance assets		-	-	8	8
Tax on items taken directly to other comprehensive income		-	45	(2)	43
Total other comprehensive (losses) / income:		-	(221)	6	(215)
Balance at 6 July 2019		73	2,485	92	2,650

For the 52 weeks ended 4 January 2020 (audited)	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 6 January 2019		73	2,665	86	2,824
Profit for the period		-	69	-	69
Other comprehensive income / (losses):					
Remeasurement losses on employee pension schemes	7	-	(99)	-	(99)
Gains less losses on fair value of insurance assets		-	-	8	8
Fair value losses on insurance assets transferred to the income statement		-	-	(2)	(2)
Tax on items taken directly to other comprehensive income		-	17	(1)	16
Total other comprehensive (losses) / income:		-	(82)	5	(77)
Revaluation reserve recycled to retained earnings		-	2	(2)	-
Contributions by and distributions to members:		-	-	-	-
Balance at 4 January 2020		73	2,654	89	2,816

* For more details on the restatement, refer to the general accounting policies section on page 65.

Condensed Consolidated Statement of Cash Flows

for the 26 weeks ended 4 July 2020

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

	Notes	**As at 4 July 2020 (unaudited) £m**	As at 6 July 2019 (unaudited & restated*) £m	As at 4 January 2020 (audited) £m
Net cash from operating activities	10	**473**	251	626
Cash flows from investing activities				
Purchase of property, plant and equipment		**(102)**	(154)	(352)
Purchase of intangible assets		**(28)**	(35)	(55)
Proceeds from sale of property, plant and equipment		**10**	13	123
Acquisition of businesses, net of cash acquired		**(27)**	(30)	(32)
Disposal of business		**-**	-	15
Net cash used in investing activities		**(147)**	(206)	(301)
Cash flows from financing activities				
Interest paid on borrowings		**(16)**	(36)	(86)
Interest paid on lease liabilities		**(36)**	(39)	(78)
Interest received on subleases		**3**	2	4
Interest received on deposits		**1**	-	1
Issue / (repayment) of corporate investor shares	6	**6**	5	(2)
Repayment of borrowings	6, 9	**(70)**	(328)	(343)
Proceeds from new borrowings	6	**-**	300	299
Settlement of interest rate swaps		**-**	27	27
Payment of lease liabilities		**(54)**	(53)	(115)
Net cash used in financing activities		**(166)**	(122)	(293)
Net increase / (decrease) in cash and cash equivalents		**160**	(77)	32
Net cash and overdraft balances transferred to held for sale		**(4)**	2	(2)
Cash and cash equivalents at beginning of period		**308**	278	278
Cash and cash equivalents at end of period		**464**	203	308
Analysis of cash and cash equivalents				
Cash and cash equivalents per balance sheet		**464**	203	308

* For more details on the restatement, refer to the general accounting policies section on page 65.

Included in the above are cashflows from discontinued operations. An analysis of these can be found in note 6. CISGIL repaid the £70m 12% Tier Two Notes due 2025 on 11 May 2020.

Group Net Debt	Notes	**As at 4 July 2020 (unaudited) £m**	As at 6 July 2019 (unaudited & restated*) £m	As at 4 January 2020 (audited) £m
Interest-bearing loans and borrowings:				
- current		**(217)**	(42)	(200)
- non-current		**(802)**	(982)	(803)
Total Interest-bearing loans and borrowings		**(1,019)**	(1,024)	(1,003)
Lease liabilities:				
- current		**(182)**	(183)	(193)
- non-current		**(1,253)**	(1,270)	(1,277)
Total lease liabilities		**(1,435)**	(1,453)	(1,470)
Total Debt		**(2,454)**	(2,477)	(2,473)
- Group cash		**464**	203	308
Group Net Debt		**(1,990)**	(2,274)	(2,165)
Add back fair value / amortised cost adjustment	9	**30**	33	33
Group Net Debt (pre fair value / amortised cost adjustment)	9	**(1,960)**	(2,241)	(2,132)
Group Net Debt (interest bearing loans and borrowings only)		**(555)**	(821)	(695)
Add back fair value / amortised cost adjustment	9	**30**	33	33
Group Net Debt (interest bearing loans and borrowings only and pre fair value / amortised cost adjustment)	9	**(525)**	(788)	(662)

* For more details on the restatement, refer to the general accounting policies section on page 65.

Notes to the interim financial statements

1 Operating segments

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

26 weeks ended 4 July 2020 (unaudited)	Revenue from external customers	Underlying segment operating profit / (loss) (b)	One-off items (b) (i)	Property and business disposals (b) (ii)	Change in value of investment properties	Operating profit / (loss)
	£m	£m	£m	£m	£m	£m
Food	**3,920**	**175**	**-**	**(12)**	**-**	**163**
Wholesale	**801**	**(2)**	**-**	**-**	**-**	**(2)**
Funerals	**148**	**17**	**-**	**(18)**	**-**	**(1)**
Legal	**19**	**2**	**-**	**-**	**-**	**2**
Other businesses (e)	**2**	**(4)**	**-**	**-**	**-**	**(4)**
Federal (f)	**907**	**-**	**-**	**-**	**-**	**-**
Costs from supporting functions	**-**	**(67)**	**(1)**	**(9)**	**-**	**(77)**
Total	**5,797**	**121**	**(1)**	**(39)**	**-**	**81**

26 weeks ended 6 July 2019 (unaudited and restated* - see also (a) below)	Revenue from external customers	Underlying segment operating profit / (loss) (b)	One-off items (b) (i)	Property and business disposals (b) (ii)	Change in value of investment properties	Operating profit / (loss)
	£m	£m	£m	£m	£m	£m
Food	3,726	120	-	(6)	-	114
Wholesale	703	(7)	-	-	-	(7)
Funerals	143	10	-	(1)	-	9
Legal	19	3	-	-	-	3
Other businesses (e)	12	(6)	-	(1)	-	(7)
Federal (f)	786	-	-	-	-	-
Costs from supporting functions	-	(61)	7	4	11	(39)
Total	5,389	59	7	(4)	11	73

* For more details on the restatement, refer to the general accounting policies section on page 65.

52 weeks ended 4 January 2020 (audited and restated - see (a) below)	Revenue from external customers	Underlying segment operating profit / (loss) (b)	One-off items (b) (i)	Property and business disposals (b) (ii)	Change in value of investment properties	Operating profit / (loss)
	£m	£m	£m	£m	£m	£m
Food	7,505	283	-	(9)	-	274
Wholesale	1,423	(10)	(29)	-	-	(39)
Funerals	268	8	-	(9)	-	(1)
Legal	39	6	-	-	-	6
Other businesses (e)	12	(8)	-	(1)	-	(9)
Federal (f)	1,613	-	-	-	-	-
Costs from supporting functions	-	(110)	24	(3)	27	(62)
Total	10,860	169	(5)	(22)	27	169

a) In line with our 2019 year-end accounts the results of our Insurance underwriting business have been classified as discontinued operations as the proposed sale of CISGIL was highly probable at the year-end and half-year dates. As such the results of our Insurance underwriting business are no longer shown in the tables above and instead are shown in the Discontinued Operations line at the bottom of the Consolidated income statement. The assets and liabilities have also been remeasured at fair value less costs to sell and are shown separately in the balance sheet in Held for sale. See note 6 (Loss on discontinued operations, net of tax) for further details. The results of our Legal services business are now shown as a separate segment (for the 52 weeks ended 4 January 2020 and 26 weeks ended 6 July 2019, Legal was aggregated with our Funerals business within a segment called Funeral and Life Planning). This follows a change in the way the information is reported to our Board.

b) Underlying segment operating profit / (loss) is a non-GAAP measure of segment operating profit / (loss) before the impact of property and business disposals (including individual store impairments), the change in the value of investment properties and one-off costs. The difference between underlying segment operating profit / (loss) and operating profit / (loss) includes:

i) One-off items representing a £1m loss relates to an increase in the contingent consideration payable that was originally recognised as part of the Nisa acquisition in 2018 (2019: £7m gain reflecting a reduction in contingent consideration payable).

ii) Losses from property and business disposals of £39m (2019: £4m loss) - see table on the following page for further details.

Notes to the interim financial statements continued

1 Operating segments continued

c) Operating profit for the 26 weeks ended 4 July 2020 includes £22m of employee furlough payments received under the UK Government's Coronavirus Job Retention Scheme and £11m of assistance through business rates relief. These amounts have been netted against relevant cost lines in operating profit.

d) Transactions between operating segments excluded from the above analysis are £nil (2019: £nil).

e) The 'Other Businesses' segment includes activities which are not reportable per IFRS 8. In the current period this mainly comprises the results of Co-op Health and Co-op Insurance Services (marketing and distribution services excluding CISGIL). Co-op Health and Co-op Insurance Services are currently immature businesses and will be shown in their own separate segments once they reach an appropriate level of maturity. In the comparative period other businesses mainly comprised the results of Co-op Electrical which ceased trading in the second quarter of 2019.

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

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

	Notes	**26 weeks ended 4 July 2020 (unaudited) £m**	26 weeks ended 6 July 2019 (unaudited & restated*) £m	52 weeks ended 4 January 2020 (audited) £m
Underlying segment operating profit		**121**	59	169
Underlying interest payable	4	**(32)**	(33)	(64)
Underlying net interest expense on lease liabilities	3, 4	**(37)**	(37)	(74)
Underlying profit / (loss) before tax		**52**	(11)	31
One-off items		**(1)**	7	(5)
Loss on property, business disposals and closures (see below)		**(39)**	(4)	(22)
Change in value of investment properties		**-**	11	27
Finance income (excluding any lease interest shown net above)	3	**19**	27	57
Other non-cash finance costs	4	**(4)**	(10)	(21)
Profit before tax		**27**	20	67

* For more details on the restatement, refer to the general accounting policies section on page 65.

Losses on property, business disposals and closures	**26 weeks ended 4 July 2020 (unaudited) £m**	**£m**	26 weeks ended 6 July 2019 (unaudited) £m	£m	52 weeks ended 4 January 2020 (audited) £m	£m
Disposals, closures and onerous contracts						
- proceeds	10		12		123	
- less net book value written off	(2)		(15)		(94)	
- provisions recognised	(26)		(1)		(7)	
		(18)		(4)		22
Impairment of property, plant and equipment, right-of-use assets and goodwill		(21)		-		(44)
Loss on disposal		(39)		(4)		(22)

Impairment

The Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. This review is performed annually or in the event where indicators of impairment are present. The uncertainty that the Covid-19 pandemic has brought and its impact on the UK economy is an indicator of impairment, and impairment reviews have been performed on the Group's cash generating units (CGUs).

Food

For our food business, the CGU is deemed to be each trading store. An impairment charge of £7m has been made against non-current assets within certain poorly-performing food stores. This charge is driven by two main factors:
- A reduction in the assessed future profitability of certain stores as a result of the increased uncertainty in the UK economy as a result of the impact of Covid-19; and
- The underlying future performance of some stores, ignoring the impact of Covid-19, has deteriorated such that their trading performance is insufficient to cover their asset values.

Within our estate, there are eight food stores which have performed poorly during the Covid-19 pandemic but have not been impaired because it is anticipated that their performance will recover sufficiently such that their assets are not impaired. The carrying value of non-current assets within these eight food stores is £7m. These stores formed part of our sensitivity and stress testing of our impairment model. Reasonable downside sensitivities, including these stores not returning to pre-pandemic trading levels, does not result in a material risk of further impairment. In particular adjusting the growth rates and discount rates within our models by +/- 1% does not change our impairment calculations materially.

Notes to the interim financial statements continued

1 Operating segments continued

Impairment continued

Funerals

For Funeralcare, the CGU is deemed to be a local network of interdependent branches, known as a 'hub'.

A £14m impairment charge has been recorded for the Funerals business. £12m of this impairment relates to Funeral branches which have been approved for closure. The remaining £2m impairment charge relates to funeral hubs where future trading performance is not sufficient to cover its assets. Again, sensitivity and stress testing performed on these impairment models, with reasonable downside sensitivities such as sensitising short term volumes, does not result in any further material impairment. In addition, adjusting the long term growth rates and discount rates within our models by +/- 1% does not change our impairment calculations materially.

The Group has recorded a total of £21m of impairment in the period. This is split by £8m of Property Plant and Equipment, £12m of Right-of-use assets and £1m of Goodwill.

2 Supplier income

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

	26 weeks ended 4 July 2020 (unaudited)	26 weeks ended 6 July 2019 (unaudited)	52 weeks ended 4 January 2020 (audited)
	£m	£m	£m
Food - Long-term agreements	**68**	64	139
Food - Bonus income	**40**	55	148
Food - Promotional income	**174**	155	330
Total Food supplier income	**282**	274	617
Wholesale - supplier income	**77**	31	130
Total Supplier income	**359**	305	747
Percentage of Cost of Sales before deducting Supplier Income	**%**	%	%
Food - Long-term agreements	**2.3%**	2.2%	2.4%
Food - Bonus income	**1.3%**	1.9%	2.5%
Food - Promotional income	**6.0%**	5.5%	5.8%
Total Food supplier income %	**9.6%**	9.6%	10.7%
Total Wholesale supplier income %	**9.7%**	4.6%	10.3%

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

3 Finance income

What does this show? Finance income arises from the interest earned on our pension scheme and interest from finance lease receivables which have been discounted. We also include the movement in the fair value of some elements of our debt and our interest rate swap positions (which are used to manage risks from interest rate movements) if these are gains. If they are losses, they are included in Finance costs (see note 4).

	26 weeks ended 4 July 2020 (unaudited)	26 weeks ended 6 July 2019 (unaudited)	52 weeks ended 4 January 2020 (audited)
	£m	£m	£m
Net pension finance income	**19**	27	57
Underlying interest income from finance lease receivables	**2**	2	4
Fair value gains on funeral plan investments*	**-**	-	-
Total finance income	**21**	29	61

* Fair value gains of £63m (2019: £nil) received in the period on funeral plan investments are treated as deferred income and reflected in the consolidated balance sheet as an increase in contract liabilities until the funeral is performed at which point the revenue is recognised. See note 12 and our accounting policies on page 65 for further details on how we account for funeral plans.

Notes to the interim financial statements continued

4 Finance costs

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

	26 weeks ended 4 July 2020 (unaudited) £m	26 weeks ended 6 July 2019 (unaudited) £m	52 weeks ended 4 January 2020 (audited) £m
Loans repayable within five years	**(13)**	(15)	(30)
Loans repayable wholly or in part after five years	**(19)**	(18)	(34)
Underlying loan interest payable	**(32)**	(33)	(64)
Underlying interest expense on lease liabilities	**(39)**	(39)	(78)
Total underlying interest expense	**(71)**	(72)	(142)
Fair value movement on quoted debt	**-**	(1)	(7)
Fair value movement on interest rate swaps	**(2)**	(1)	(1)
Non-underlying finance interest	**(2)**	(8)	(13)
Other finance costs	**(4)**	(10)	(21)
Total finance costs	**(75)**	(82)	(163)

5 Taxation

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

The tax charge in respect of continuing operations of £43m (26 weeks ended 6 July 2019 restated*: credit of £27m; and 52 weeks ended 4 January 2020: credit of £18m) and effective tax rate of 163% (26 weeks ended 6 July 2019 restated*: 136%; and 52 weeks ended 4 January 2020: 27%) relates to:

1. A review of the effective tax rate for the full year has been applied to the underlying trading results (excluding recurring net pension credits taken to the income statement) - this results in a tax charge of £27m.
2. A review of material transactions reflected in the year gave rise to a net tax charge of £nil. The tax impact of these material transactions mainly relate to losses on property disposals (tax credit of £3m) off-set by pension credits taken through the income statement (tax charge of £4m).
3. HMRC have not raised any further enquiries in the first half of the year, as such the uncertain tax risk provision for existing enquiries remains unchanged from as at 4 January 2020.
4. The Finance Act 2019 being brought into legislation meant the Corporation Tax rate, which was due to reduce to 17% on 1 April 2020, was no longer to be implemented. This has meant that the Corporation Tax rate has remained at the rate of 19%. This means that certain assets and liabilities of the Group need to be restated to the prevailing 19% tax rate in the half-year results. The impact of this is:
   - a £1m net tax charge in relation to the restatement of deferred tax assets and liabilities
   - a £15m tax charge in relation to the restatement of the group relief payable to The Co-operative Bank.

The restatement of these assets and liabilities is the main driver for the effective tax rate.

A charge of £25m has been posted to other comprehensive income in respect of the actuarial movement arising on the Group's pension schemes. In addition, a charge of £15m has been posted to other comprehensive income in respect of the restatement of the deferred tax liability related to the Group's pension schemes. The net deferred tax liability of the Group at half year is £209m (as at 6 July 2019 restated* £108m; and 4 January 2020: £138m) and the corporation tax creditor for continuing operations is £nil.

The Group does not expect to be tax-paying in respect of its full year results due to the availability of losses arising in the current year for discontinued operations and brought forward tax losses and allowances. Deferred taxes in respect of brought forward tax losses and allowances are fully recognised and offset against deferred tax liabilities. A reconciliation of the opening deferred tax balance to the closing balance is set out below:

Movements in deferred tax in period to 4 July 2020	**26 weeks ended 4 July 2020 (unaudited) £m**
At beginning of the year (net liability)**	**138**
Charged to the Income Statement:	
Current period movement	**29**
Impact of change to deferred tax rate	**1**
Charged to equity:	
Employee pension schemes	**25**
Insurance assets	**1**
Impact of change to deferred tax rate	**15**
At end of period (net liability)**	**209**

* For more details on the restatement, refer to the general accounting policies section on page 65.

** Of the total net liability £5m (as at 6 July 2019: £7m; and 4 January 2019: £4m) is classed as held for sale (see notes 8 and note 6).

Notes to the interim financial statements continued

6 Loss on discontinued operation, net of tax

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

Discontinued operation - Insurance (underwriting business)

Co-op Insurance (underwriting business) has been classified as a discontinued operation in both 2019 and 2020 as the sale of the business was highly probable at each reporting date. The assets and liabilities have been remeasured at fair value less costs to sell and are shown separately in the balance sheet. The result for Co-op Insurance (underwriting business) is shown in a separate line at the bottom of the consolidated income statement under Discontinued Operation and includes the charge resulting from remeasuring the assets and liabilities of the business to fair value less costs to sell.

On 18 January 2019, the Co-op announced it had exchanged contracts for the sale of CISGIL to Markerstudy. The deal involved a 13 year distribution agreement with Markerstudy to distribute motor and home insurance products. On 16 June 2020, the Co-op signed revised legal agreements for a sale of CISGIL to Soteria Finance Holdings Ltd which, subject to regulatory approval, is expected to complete in 2020. After the sale the Group will be focussed on marketing and distributing insurance products instead of underwriting them and the performance will be reported as a separate operating segment in 2020. The revised transaction structure has not changed the substance of the transaction or the disposal accounting. Of the £185m of income expected from a deal, £101m will be allocated against assets and liabilities of the disposal group and included in arriving at the remeasurement charge of £181m. The remaining £84m will be included as deferred income because the Co-op group will be being remunerated for future services. Post sale the Co-op group will provide marketing and distribution services to Markerstudy.

The calculation of assets held for sale includes incremental costs to sell and the estimate of the migration and other costs that may be incurred in a transitional period after selling the business (providing regulatory approval is obtained).

Results of discontinued operation - Insurance (underwriting business)	**26 weeks ended 4 July 2020 (unaudited)**	26 weeks ended 6 July 2019 (unaudited)	52 weeks ended 4 January 2020 (audited)
	£m	£m	£m
Revenue	**157**	162	315
Operating expenses	**(187)**	(205)	(423)
Other income	**38**	32	68
Remeasurement adjustments recognised in arriving at fair value less costs to sell	**(11)**	6	26
Loss from discontinued operation	**(3)**	(5)	(14)
Finance costs	**(5)**	(4)	(9)
Loss before tax from results of discontinued operation	**(8)**	(9)	(23)
Tax - relating to the pre-tax (loss) / profit on discontinued operation	**(2)**	3	7
Loss for the period from discontinued operation	**(10)**	(6)	(16)

Segmental analysis - Insurance (underwriting business)	**26 weeks ended 4 July 2020 (unaudited)**	26 weeks ended 6 July 2019 (unaudited)	52 weeks ended 4 January 2020 (audited)
	£m	£m	£m
Revenue from external customers	**157**	162	315
Underlying segment operating profit / (loss)	**13**	(3)	(10)
Operating loss	**(3)**	(5)	(14)

Notes to the interim financial statements continued

6 Loss on discontinued operation, net of tax continued

Co-op Insurance (underwriting business) has been classified as a disposal group that is held for sale at the balance sheet date. The assets and liabilities of Insurance are recorded at fair value less costs to sell. Any remeasurements that have been identified have been attributed to relevant assets and liabilities in accordance with IFRS 5.

Disposal group at fair value less costs to sell	As at 4 July 2020 (unaudited) £m	As at 6 July 2019 (unaudited) £m	As at 4 January 2020 (audited) £m
Non-current assets			
Other investments (Insurance assets)	**510**	478	438
Reinsurance assets	**27**	39	36
Current assets			
Trade and other receivables	**181**	220	207
Other investments (Insurance assets)	**228**	327	374
Reinsurance assets	**34**	28	25
Current tax assets	**-**	8	7
Total Insurance assets classified as held for sale	**980**	1,100	1,087
Non-current liabilities			
Interest-bearing loans and borrowings	**-**	68	69
Lease liabilities	**1**	-	1
Insurance contract liabilities	**278**	307	281
Deferred tax liabilities	**5**	5	4
Current liabilities			
Insurance contract liabilities	**416**	424	458
Other payables and provisions	**192**	230	196
Overdrafts	**8**	10	6
Total Insurance liabilities classified as held for sale	**900**	1,044	1,015
Net assets of disposal group classified as held for sale	**80**	56	72

IFRS 5 exempts certain assets and liabilities from the requirement for re-measurement and this includes the Insurance assets noted in the table above in Other investments. The intangible assets in scope of IFRS 5 have been remeasured to fair value and IFRS 9 expected losses provisioning has been applied to trade receivables. The remaining re-measurement adjustment of £160m that is required to write down the disposal group to its overall fair value less costs to sell has been reflected as a provision in the other payables and provisions line. The closing carrying value of the net assets of the disposal group is therefore recorded at fair value less costs to sell of £80m in the above table. This £80m fair value is comprised of £117m of expected sales proceeds from the sale of Co-op Insurance (underwriting business) less remaining costs to sell of £35m and the impact on discounting deferred consideration of £2m. The remaining costs to sell of £35m include legal and professional costs and necessary IT migration costs. There has also been £13m of costs incurred during 2020, the majority of which are IT migration and transition costs.

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

	26 weeks ended 4 July 2020 (unaudited) £m	26 weeks ended 6 July 2019 (unaudited) £m	52 weeks ended 4 January 2020 (audited) £m
Cash flows used in discontinued operations:			
Net cash from / (used in) operating activities	**50**	(8)	(26)
Net cash used in financing activities	**(73)**	(4)	(8)
Net cash used in discontinued operations	**(23)**	(12)	(34)

Net cash used in financing activities includes the repayment of £70m 12% Tier Two Notes due 2025 on the 11 of May 2020.

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

Notes to the interim financial statements continued

7 Pensions

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

	4 July 2020 (unaudited) £m	6 July 2019 (unaudited) £m	4 January 2020 (audited) £m
Pension schemes in surplus	**2,127**	1,747	1,973
Pension schemes in deficit	**(88)**	(103)	(109)
Closing net retirement benefit	**2,039**	1,644	1,864

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

The main DB pension scheme for the Group is the Pace scheme which closed to future service accrual on 28 October 2015. The actuarial valuations for the Pace scheme have been updated to 4 July 2020 in accordance with IAS 19. Valuations for the Somerfield, United, Plymouth and Yorkshire schemes have also been updated for the 2020 interim financial statements.

	4 July 2020 (unaudited)	6 July 2019 (unaudited)	4 January 2020 (audited)
The principal assumptions used to determine the liabilities of the Pace pension scheme were:			
Discount rate	**1.66%**	2.22%	1.97%
RPI Inflation rate	**3.08%**	3.38%	3.18%
Pension increases in payment (RPI capped at 5.0% p.a.)	**3.02%**	3.29%	3.11%
Future salary increases	**3.33%**	3.63%	3.43%

	4 July 2020 (unaudited) £m	6 July 2019 (unaudited) £m	4 January 2020 (audited) £m
Opening net retirement benefit attributable to Group	**1,864**	1,859	1,859
Admin expenses paid from plan assets	**(2)**	(2)	(3)
Net finance income	**19**	27	57
Employer contributions	**25**	26	50
Remeasurement gains / (losses)	**133**	(266)	(99)
Closing net retirement benefit	**2,039**	1,644	1,864

Notes to the interim financial statements continued

7 Pensions continued

Amounts recognised in the balance sheet:	**4 July 2020 (unaudited) £m**	6 July 2019 (unaudited) £m	4 January 2020 (audited) £m
Fair value of plan assets:			
- Pace	**9,408**	9,092	9,057
- Somerfield Scheme	**1,115**	1,006	1,124
- Other schemes	**1,001**	865	987
Total assets	**11,524**	10,963	11,168
Present value of liabilities:			
- Pace	**(7,389)**	(7,456)	(7,188)
- Somerfield Scheme	**(1,009)**	(895)	(1,020)
- Other schemes	**(1,087)**	(968)	(1,096)
Total liabilities	**(9,485)**	(9,319)	(9,304)
Net retirement benefit asset per balance sheet:			
- Pace	**2,019**	1,636	1,869
- Somerfield scheme	**106**	111	104
- Yorkshire scheme	**2**	-	-
Total assets	**2,127**	1,747	1,973
Other schemes (excluding Yorkshire scheme above)	**(88)**	(103)	(109)
Total Liabilities	**(88)**	(103)	(109)
Net Asset	**2,039**	1,644	1,864

Other schemes comprise the United Fund, the Plymouth Fund and the Yorkshire scheme.

The present value of unfunded liabilities recognised in the balance sheet is £5m (as at 6 July 2019 and 4 January 2020: £6m).

The Trustees of the Co-operative Group Pension Scheme (Pace) entered into pension insurance buy-in contracts with Aviva, in January 2020, and Pension Insurance Corporation (PIC), in February 2020, each worth c£1,000m. A further pension buy-in contract with Aviva was entered into in April 2020, worth c£350m. As a result of these transactions, the scheme will receive regular payments from Aviva and PIC to fund all future pension payments for c16,500 current pensioners. The methodology used to value this transaction resulted in a decrease in the value of the surplus in the Pace Scheme of c£400m. As the insurance contracts are assets of the scheme and the scheme has retained all responsibility to meet future pension payments to pensioners, this is not recognised as a settlement and consequently the decrease in value is recognised as a charge through Other Comprehensive Income.

In January 2019, the Trustee of the Somerfield Pension Scheme entered into a pension insurance buy-in contract with Pensions Insurance Corporation (PIC). As a result of the transaction, the scheme will receive regular payments from PIC to fund pension payments into the future. The methodology to value this insurance asset resulted in a £55m decrease in the surplus of the Somerfield scheme in the prior year.

Notes to the interim financial statements continued

8 Assets and liabilities held for sale

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

Assets held for sale	**4 July 2020 (unaudited) £m**	6 July 2019 (unaudited) £m	4 January 2020 (audited) £m
(a) Discontinued operation - Insurance (see note 6)	**980**	1,100	1,087
(b) Other assets held for sale (see below)	**2**	25	3
Total	**982**	1,125	1,090
Liabilities held for sale			
(a) Discontinued operation - Insurance (see note 6)	**900**	1,044	1,015
(b) Other liabilities held for sale (see below)	**-**	2	-
Total	**900**	1,046	1,015

(a) Discontinued operation - Insurance (underwriting business)

Co-op Insurance (underwriting business) has been classified as a discontinued operation in both 2019 and 2020 as the sale of the business was highly probable at each reporting date. The assets and liabilities have been remeasured at fair value less costs to sell and are shown separately in the balance sheet. Further detail is given in note 6 (Loss on discontinued operations, net of tax) including a line-by-line balance sheet detailing the impact of the remeasurement adjustments to fair value less costs to sell and the carrying value of all insurance assets and liabilities held for sale.

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

Assets held for sale	**4 July 2020 (unaudited) £m**	6 July 2019 (unaudited) £m	4 January 2020 (audited) £m
Property, plant and equipment	**2**	10	3
Investment properties	**-**	12	-
Goodwill	**-**	3	-
Total assets	**2**	25	3
Deferred tax liabilities	**-**	2	-
Total liabilities	**-**	2	-

Notes to the interim financial statements continued

9 Interest-bearing loans and borrowings

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

For a breakdown of IFRS 13 level hierarchies (which reflect different valuation techniques) in relation to these borrowings, see note 12.

	As at 4 July 2020 (unaudited)	As at 6 July 2019 (unaudited)	As at 4 January 2020 (audited)
	£m	£m	£m
Non-current liabilities:			
£11m 6.875% Eurobond Notes due 2020 (fair value)	**-**	12	-
£165m 6.875% Eurobond Notes due 2020 (amortised cost)	**-**	168	-
£105m 7.5% Eurobond Notes due 2026 (fair value)	**121**	117	121
£245m 7.5% Eurobond Notes due 2026 (amortised cost)	**260**	263	261
£300m 5.125% Sustainability Bond due 2024 (amortised cost)	**299**	299	299
£109m 11% final repayment subordinated notes due 2025	**109**	109	109
£20m Instalment repayment notes (final payment 2025)	**13**	14	13
Total (excluding lease liabilities)	**802**	982	803
Lease liabilities	**1,253**	1,270	1,277
Total Group non-current interest-bearing loans and borrowings	**2,055**	2,252	2,080

Debt relating to CISGIL has been transferred to held for sale (see note 6) as at 4 July 2020, 6 July 2019 and 4 January 2020.

	As at 4 July 2020 (unaudited)	As at 6 July 2019 (unaudited)	As at 4 January 2020 (audited)
	£m	£m	£m
Current liabilities:			
£11m 6.875% Eurobond Notes due 2020 (fair value)	**11**	-	11
£165m 6.875% Eurobond Notes due 2020 (amortised cost)	**165**	-	167
£165m 6.875% Eurobond Notes due 2020 (amortised cost) - interest accrued	**11**	11	5
£245m 7.5% Eurobond Notes due 2026 (amortised cost) - interest accrued	**17**	17	9
£300m 5.125% Sustainability Bond due 2024 (amortised cost) - interest accrued	**2**	2	2
£20m Instalment repayment notes (final payment 2025)	**1**	1	1
£400m Sustainable revolving credit facility	**-**	-	1
Corporate investor shares	**10**	11	4
Total (excluding lease liabilities)	**217**	42	200
Lease liabilities	**182**	183	193
Total Group current interest-bearing loans and borrowings	**399**	225	393

Notes to the interim financial statements continued

9 Interest-bearing loans and borrowings continued

Reconciliation of movement in net debt

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

For the 26 weeks ended 4 July 2020 (unaudited)	Start of period £m	Non cash movements £m	Cash flow £m	End of period £m
Interest-bearing loans and borrowings:				
- current	(200)	(11)	(6)	(217)
- non-current	(803)	2	(1)	(802)
Lease liabilities				
- current	(193)	(43)	54	(182)
- non-current	(1,277)	24	-	(1,253)
Total Debt	(2,473)	(28)	47	(2,454)
Group cash:				
- cash & overdrafts	308	-	156	464
Group Net Debt	(2,165)	(28)	203	(1,990)
Less fair value / amortised cost adjustment	33	(3)	-	30
Group Net Debt before fair value / amortised cost adjustment	(2,132)	(31)	203	(1,960)

For the 26 weeks ended 6 July 2019 (unaudited & restated*)	Start of period £m	Impact on adoption of IFRS 16 £m	Non cash movements £m	Cash flow £m	End of period £m
Interest-bearing loans and borrowings:					
- current	(66)	-	(19)	43	(42)
- non-current	(976)	-	9	(15)	(982)
Lease liabilities					
- current	(4)	(177)	(55)	53	(183)
- non-current	(28)	(1,273)	31	-	(1,270)
Total Debt	(1,074)	(1,450)	(34)	81	(2,477)
Group cash:					
- cash & overdrafts	278	-	2	(77)	203
Group Net Debt	(796)	(1,450)	(32)	4	(2,274)
Less fair value / amortised cost adjustment	46	-	(13)	-	33
Group Net Debt before fair value / amortised cost adjustment	(750)	(1,450)	(45)	4	(2,241)

* For more details on the restatement, refer to the general accounting policies section on page 65.

Notes to the interim financial statements continued

9 Interest-bearing loans and borrowings continued

For the 52 weeks ended 4 January 2020 (audited)	Start of period	Impact on adoption of IFRS 16	Non cash movements	Cash flow	End of period
	£m	£m	£m	£m	£m
Interest-bearing loans and borrowings:					
- current	(66)	-	(182)	48	(200)
- non-current	(976)	-	176	(3)	(803)
Lease liabilities					
- current	(4)	(177)	(127)	115	(193)
- non-current	(28)	(1,273)	24	-	(1,277)
Total Debt	(1,074)	(1,450)	(109)	160	(2,473)
Group cash:					
- cash & overdrafts	278	-	-	30	308
Group Net Debt	(796)	(1,450)	(109)	190	(2,165)
Less fair value / amortised cost adjustment	46	-	1	(14)	33
Group Net Debt before fair value / amortised cost adjustment	(750)	(1,450)	(108)	176	(2,132)

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

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

Continuing Operations:	**26 weeks ended 4 July 2020 (unaudited)**	26 weeks ended 6 July 2019 (unaudited & restated*)	52 weeks ended 4 January 2020 (audited)
	£m	£m	£m
Operating profit from continuing operations	**81**	73	169
Depreciation and amortisation charges (excluding deferred acquisition costs)	**189**	189	379
Non-current asset impairments	**21**	-	73
Loss / (gain) on closure or disposal of businesses and non-current assets	**18**	4	(22)
Change in fair value of investment properties	**-**	(11)	(27)
Retirement benefit obligations	**(23)**	(23)	(46)
(Increase) / decrease in inventories	**(2)**	11	(7)
Increase in receivables	**(89)**	(28)	(14)
Increase in contract assets (funeral plans)	**(2)**	(5)	(7)
Increase in contract liabilities (funeral plans)	**72**	44	87
Increase in payables and provisions	**158**	5	67
Net cash flow from operating activities (continuing operations)	**423**	259	652
Discontinued Operations:			
Operating loss from discontinued operations	**(3)**	(5)	(14)
Impairment of assets held for sale	**11**	(6)	(26)
Fair value through income statement	**31**	26	(1)
Fair value through other comprehensive income movement	**53**	8	23
Movement in deferred acquisition costs	**8**	(1)	2
Reinsurance assets	**1**	(13)	(9)
Decrease / (increase) in insurance and other receivables	**23**	(13)	3
(Decrease) / increase in insurance and participation contract provisions	**(47)**	2	5
Decrease in insurance and other payables	**(27)**	(6)	(9)
Net cash flow from operating activities (discontinued operations)	**50**	(8)	(26)
Net cash flow from operating activities	**473**	251	626

* See general accounting policies section on page 65 for details of the restatement.

Notes to the interim financial statements continued

11 Commitments and contingent liabilities

What does this show? This note shows how the value of capital expenditure that we're committed to spending at the balance sheet date and provides an update on the contingent liabilities included in our 2019 annual report.

Capital expenditure not accrued for, but committed by the Group at 4 July 2020 was £19m (6 July 2019: £13m).

12 Financial instruments and fair values of financial assets and financial liabilities

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

Funeral plan investments as per the balance sheet:	4 July 2020 (unaudited) £m	6 July 2019 (unaudited) £m	4 January 2020 (audited) £m
Current	-	-	-
Non-current	1,309	1,244	1,271
Funeral plan investments	**1,309**	**1,244**	**1,271**

Funeral plan investments held by the Group are as follows:	4 July 2020 (unaudited) £m	6 July 2019 (unaudited) £m	4 January 2020 (audited) £m
Fair value through the income statement:			
Funeral plan investments	1,309	1,244	1,271
Total Other Investments	**1,309**	**1,244**	**1,271**

* All insurance investments have been transferred to held for sale as at 4th July 2020, 6th July 2019 and 4th January 2020. See note 6 (Loss on discontinued operations, net of tax) for details.

Fair values of the Trading Group recognised in the balance sheet

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

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

Notes to the interim financial statements continued

12 Financial instruments and fair values of financial assets and financial liabilities continued

Fair values of the Trading Group recognised in the balance sheet continued

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

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

The table above (and the comparative tables below) only show those funeral plan assets that are "financial assets". They don't include funeral plan assets in respect of instalment plans that are shown within debtors. The coverage of our funeral plan assets over plan liabilities as at the last actuarial valuation is shown in the table as at the end of this note and indicates we have headroom of over 7%.

6 July 2019 (unaudited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Financial assets at fair value through income or expense				
- Funeral plan investments	-	-	1,244	1,244
Total financial assets held at fair value	**-**	**-**	**1,244**	**1,244**
Liabilities				
Financial liabilities at fair value through income or expense				
- Fixed-rate sterling Eurobond	-	129	-	129
- Derivative financial instruments	-	1	-	1
Total financial liabilities held at fair value	**-**	**130**	**-**	**130**

4 January 2020 (audited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Financial assets at fair value through income or expense				
- Funeral plan investments	-	-	1,271	1,271
Total financial assets held at fair value	**-**	**-**	**1,271**	**1,271**
Liabilities				
Financial liabilities at fair value through income or expense				
- Fixed-rate sterling Eurobond	-	132	-	132
- Derivative financial instruments	-	1	-	1
Total financial liabilities held at fair value	**-**	**133**	**-**	**133**

* All insurance investments have been transferred to held for sale as at 4 July 2020, 6 July 2019 and 4 January 2020. See note 6 (Loss on discontinued operations, net of tax) for details.

Notes to the interim financial statements continued

12 Financial instruments and fair values of financial assets and financial liabilities continued

Basis of valuation of Level 2 financial assets and liabilities:

Derivatives - forward exchange contracts, such as the Group's interest rate swaps, are either marked to market using listed market prices or valued by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps, broker quotes are used. Those quotes are back-tested using pricing models or discounted cash flow techniques.

Insurance investments (fair value through income or expense) - all insurance investments have been classified as held for sale in both 2018 and 2019. See note 6 (Loss on discontinued operations, net of tax) for further details. The fair value of financial assets designated at fair value through the income statement, being short-term (less than one month) fixed rate deposits, approximates to their nominal amount.

Insurance investments (fair value through other comprehensive income) - all insurance investments have been transferred to held for sale. See note 6 (Loss on discontinued operations, net of tax) for further details. The fair value of listed debt securities is based on clean bid prices at the balance sheet date without any deduction for transaction costs. Assets are regularly reviewed for impairment. Objective evidence of impairment can include default by a borrower or issuer, indications that a borrower or issuer will enter bankruptcy or the disappearance of an active market for that financial asset because of financial difficulties. These reviews give particular consideration to evidence of any significant financial difficulty of the issuer or measurable decrease in the estimated cash flows from the investments.

Eurobonds and debenture - on inception these drawn-down loan commitments were designated as financial liabilities at fair value through the income statement. The Group adopted IFRS 9 from 7 January 2018 and subsequently only £285m of the original par value of £450m 2020 notes and £105m of the original par value of £350m 2026 notes were designated as financial liabilities at fair value through the income statement. Fair values are determined in whole by using quoted market prices. The remaining Eurobonds are held at amortised cost using an effective interest rate. In May 2019, the Co-operative Group Limited completed a tender offer on the 2020 6.875% bond, purchasing £274m of the £285m principal balance from bond holders.

Basis of valuation of Level 3 financial assets and liabilities:

Funeral plans - when a customer takes out a funeral plan the initial plan value is recognised as an investment asset in the balance sheet and at the same time an equal liability is also recorded in the balance sheet representing the deferred income to be realised on performance of the funeral service covered by each of the funeral plans. The consideration receivable from a funeral plan is variable and depends on the amount the plan investment grows by and the timing of the funeral, both of which are outside the Group's control. 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 using valuations provided by the insurance policy provider or reflecting the trust cash balances. The performance obligation to deliver the funeral is treated as a contract liability (deferred income) under IFRS 15. This contract liability accretes each period by the fair value movement on the plan assets and is held on balance sheet as additional deferred income until the delivery of the funeral when it is recognised as revenue along with the original plan value.

Funeral Plan Investments	4 July 2020 (unaudited)	6 July 2019 (unaudited)	4 January 2020 (audited)
	£m	£m	£m
At start of period	1,271	1,223	1,223
New plan investments (including on-going instalments)	38	66	111
Plans redeemed or cancelled	(63)	(45)	(74)
Fair value movement on investments recognised as deferred income	63	-	11
At end of period	1,309	1,244	1,271

The Group holds investments on the balance sheet in respect of funeral plan policies which are invested in either individual whole of life policies, trusts or life assurance products. The investments are subject to an annual actuarial valuation. The most recent valuation was performed as at 30 September 2019 and reported headroom on a wholesale basis of £89m (2018: £120m).

Actuarial Valuation (Unaudited)	30 September 2019	30 September 2018
	£m	£m
Total Assets	1,296	1,156
Liabilities:		
Present value (wholesale basis)	1,207	1,036
Total Liabilities	1,207	1,036
Headroom	89	120
Headroom as a % of liabilities	7%	12%

Notes to the interim financial statements continued

13 Membership and community reward

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

Members	4 July 2020 (unaudited)	6 July 2019 (unaudited)	4 January 2020 (audited)
	m	m	m
Active Members	**4.5**	4.6	4.6
Membership and community rewards (within income statement)	**£m**	£m	£m
Member reward (5%) earned	**28**	29	59
Community reward (1%) earned	**5**	6	11
Total reward	**33**	35	70

14 Prior period restatement

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

1) During 2019 management identified a number of balance sheet items which contained material historical errors within Nisa. A number of these errors were as a result of an ineffective balance sheet reconciliation process. In the 2019 annual report, the 2018 comparatives were restated to reflect these historical errors. These errors also impacted the reported consolidated balance sheet as at 6 July 2019, the consolidated income statement for the 26 weeks ended 6 July 2019, and the cashflow statement for the 26 weeks ending 6 July 2019. As a result, we have restated the prior period numbers as set out below.

2) Finance lease receivable balances were originally recognised in the balance sheet within current and non-current Trade and other receivables as at 4 July 2019 following adoption of IFRS 16 (Leases). These have subsequently been disclosed as a separate line item in the balance sheet. This re-presentation is consistent with that adopted in the balance sheet as at 4 January 2020 and there is no impact on net assets, the consolidated income statement or the consolidated statement of cashflows.

A summary of the impact of the prior period adjustments on the consolidated income statement for the 26 week period ended 6 July 2019, the consolidated balance sheet as at the 6 July 2019 and the consolidated cashflow statement for the 26 week period ended the 6 July 2019 is as follows:

Consolidated income statement for the 26 week period ended 6 July 2019	As previously reported	Nisa Adjustments	Restated
	£m	£m	£m
Revenue	5,389	-	**5,389**
Operating expenses	(5,315)	(5)	**(5,320)**
Other income	4	-	**4**
Operating profit	78	(5)	**73**
Finance income	29	-	**29**
Finance costs	(82)	-	**(82)**
Profit before tax	25	(5)	**20**
Taxation	26	1	**27**
Profit from continuing operations	51	(4)	**47**

Notes to the interim financial statements continued

14 Prior period restatement continued

Consolidated balance sheet as at 6 July 2019	As previously reported £m	Nisa Adjustments £m	Finance lease receivables representation £m	Restated / represented £m
Non-current assets				
Goodwill	1,092	23	-	**1,115**
Trade and other receivables	142	-	(41)	**101**
Finance lease receivables	-	-	41	**41**
Other non-current assets	6,348	-	-	**6,348**
Total non-current assets	7,582	23	-	**7,605**
Current assets				
Inventories	446	-	-	**446**
Trade and other receivables	596	(10)	(14)	**572**
Finance lease receivables	-	-	14	**14**
Cash	207	(4)	-	**203**
Other current assets	1,575	-	-	**1,575**
Total current assets	2,824	(14)	-	**2,810**
Total assets	10,406	9	-	**10,415**
Non-current liabilities				
Deferred tax liabilities	104	(3)	-	**101**
Non-current liabilities	4,550	-	-	**4,550**
Total non-current liabilities	4,654	(3)	-	**4,651**
Current liabilities				
Trade and other payables	1,529	24	-	**1,553**
Other current liabilities	1,561	-	-	**1,561**
Total current liabilities	3,090	24	-	**3,114**
Equity				
Share Capital and Other Reserves	165	-	-	**165**
Retained earnings	2,497	(12)	-	**2,485**
Total equity	2,662	(12)	-	**2,650**
Total equity & liabilities	10,406	9	-	**10,415**

Consolidated income statement for the 26 week period ended 6 July 2019	As previously reported £m	Nisa Adjustments £m	Restated £m
Net cash from operating activities	251	-	**251**
Net cash used in investing activities	(206)	-	**(206)**
Net cash used in financing activities	(122)	-	**(122)**
Net cash and overdraft balances transferred to held for sale	2	-	**2**
Cash and cash equivalents at beginning of the period	282	(4)	**278**
Cash and cash equivalents at end of the period	207	(4)	**203**

Notes to the interim financial statements continued

15 Events after the reporting date

What does this show? This note gives details of any significant events that have happened after the balance sheet date but before the date that the accounts are approved. These are things that are of such significance that it is appropriate to give a reader of the accounts further detail as to the impact of such events on the financial statements or any expected likely impact in future periods.

£176m Eurobond repayment - in line with the contractual expiry terms of the instrument then the Group repaid £176m of the principle balance of the 6.875% 2020 Eurobond on the 8 July 2020.

16 Contingent Assets

What does this show? Sometimes we have a possible asset from a past event but we're not absolutely certain that we will get the benefit of the asset (or to what value that will be) and we'll only be sure following the outcome of a future uncertain event or exercise. Such items are known as contingent assets. Due to the uncertainty then we don't include such assets in our reported figures but instead we give details in the supporting notes.

Refund of Automatic Teller Machines (ATMs) business rates following Supreme Court judgement - within our food stores we have a significant number of externally-facing ATMs. In 2013, the Valuation Office Agency, which is part of HMRC and compiles the business rates list for England and Wales determined that external-facing ATMs should be separately assessed for business rates in addition to store business rates already incurred by retailers, and this was applied with effect from 1st April 2010. Retailers, including the Group, successfully challenged the assessment, culminating in a Supreme Court decision in May 2020, ruling that external-facing ATMs form part of the stores' offering and should not be subject to a separate business rates assessment.

As a result of the ruling, it is expected that the Valuation Office Agency will update the business rates list accordingly via settling the outstanding appeals. Once the rating list is updated the local billing authorities will then start to process these amendments in order for refunds of historic business rates that were paid for external ATMs to be recovered.

It is not yet practicable to estimate the financial effect of the Supreme Court judgement on the Group's results and the Group continues to work through its estimation of monies owed. It is expected that The Co-operative Bank will seek to claim a proportion of any monies which are recovered. This covers the period from 2010, when the business rate amendment was effective, until the bank disposed of the ATMs in 2014.

Accounting policies and basis of preparation

What does this show? This section outlines the overall approach to preparing the financial statements. This section also sets out new accounting standards, amendments and interpretations endorsed by the EU and their impact on the Group's financial statements.

These condensed consolidated interim financial statements of Co-operative Group Limited ('the Society') for the period ended 4 July 2020 ('the interim financial statements') include the Society and its subsidiaries (together referred to as 'the Group') and the Group's investments and joint ventures.

The audited consolidated financial statements ('the 2019 annual report') of the Group for the year ended 4 January 2020 are available upon request from the Society's registered office at 1 Angel Square, Manchester, M60 0AG.

The interim financial statements as at and for the 26 weeks ended 4 July 2020 are unaudited and do not constitute statutory accounts.

Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed and adopted for use in the European Union, and the Disclosure and Transparency Rules (DTR) of the Financial Services Authority. They do not include all the statements required for full annual financial statements and should be read in conjunction with the 2019 annual report.

The comparative figures for the financial year ended 4 January 2020 presented within these financial statements are not the Society's statutory financial statements for that financial year. Those financial statements have been reported on by the Society's auditors. The report of the auditors was qualified in relation to the accounting treatment for funeral plans with reference to IFRS 15 'Revenue from contracts with customers'. Details as to the basis for the qualification are set out in the independent auditors report on page 207 of the 2019 annual report.

These interim financial statements were approved by the Board of Directors on 16 September 2020.

Accounting estimates and judgements

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

In preparing these interim financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied in the 2019 annual report except where stated within the notes to these accounts.

As outlined in the General Accounting Policies section of the 2019 annual report (page 197) then a significant judgement has been made in relation to how the Group accounts for funeral plans with reference to IFRS 15 (Revenue from contracts with customers) and as noted above the report of the auditors was qualified in relation to this accounting treatment.

In line with the 2019 annual report then the table below shows the impact on our reported figures for the 26 week period ended 4 July 2020 under the alternative treatment (applying a financing component to the funeral plan transactions):

£m - Continuing operations	Unaudited 26 weeks ended 4 July 2020		
	As Reported	Adjustment	Applying financing
Revenue	5,797	2	5,799
Operating expenses	(5,723)	-	(5,723)
Other income	7	-	7
Operating Profit	**81**	**2**	**83**
Finance income	21	63	84
Finance costs	(75)	(32)	(107)
Profit before tax	**27**	**33**	**60**
Taxation	(43)	(6)	(49)
(Loss) / profit from continuing operations	**(16)**	**27**	**11**

New standards and accounting policies adopted by the Group

Except as described below, the accounting policies applied in preparing these interim financial statements are consistent with those described in the 2019 annual report.

(A) New standards:

The Group has considered the following standards and amendments that are effective for the Group for the period commencing 5 January 2020 and concluded that they are either not relevant to the Group or do not have a significant impact on the financial statements :

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 37 and IFRS 7)
- Definition of a Business (Amendments to IFRS 3)

Standards, amendments and interpretations issued but not yet effective

Details of those standards that may impact the Group's accounts in future periods are given in the 2019 annual report. The adoption of the following standards will or may have a material impact when adopted. Management has undertaken an initial assessment of the expected impact of applying the new standards on the Group's financial statements and details are shown in the 2019 annual report.

- IFRS 17 Insurance Contracts.*

* Effective 1 January 2023.

(B) Other changes:

The results of our Legal Services business are now shown as a separate operating segment (note 1). For the 52 weeks ended 4 January 2020 and 26 weeks ended 6 July 2019 they were included in Funeral and Life Planning. This follows a change in the way the information is reported to our Board.

The comparative figures presented within these financial statements for the interim period ended 6 July 2019 are consistent with the 2019 interim report except for the re-statemets noted below.

Wholesale - during 2019 management identified a number of balance sheet items which contained historical errors within Nisa. A number of these errors were as a result of an ineffective balance sheet reconciliation process. Because the errors had a material impact on the prior period figures, a prior year restatement has been carried out of the consolidated balance sheet as at 6 July 2019, the 2019 consolidated income statement for the 26 weeks ended 6 July 2019, and the 2019 cashflow statement for the 26 weeks ending 6 July 2019. The errors identified also impact the acquisition accounting and the full year 2019 figures. Those figures were restated in our 2019 financial statements. Details of the restatement and the impact on these Interim 2020 financial statements are outlined in Note 14 (Restatements). The summary impact is noted below.

Finance lease receivables - balances that were originally recognised in the balance sheet within current and non-current Trade and other receivables as at 4 July 2019 following adoption of IFRS 16 (Leases) have subsequently been disclosed as a separate line item in the balance sheet. This re-presentation is consistent with that adopted in the balance sheet as at 4 January 2020 and there is no impact on net assets, the consolidated income statement or the consolidated statement of cashflows.

Half year comparatives:

Consolidated Balance sheet as at 6 July 2019

£m	Originally Reported	Wholesale	Finance lease receivables	Restated
Goodwill	1,092	23		1,115
Trade and other receivables	142	-	(41)	101
Finance lease receivables	-	-	41	41
Other non-current assets	6,348	-	-	6,348
Total non-current assets	**7,582**	**23**	**-**	**7,605**
Inventories	446	-	-	446
Trade and other receivables	596	(10)	(14)	572
Finance lease receivables	-	-	14	14
Cash and cash equivalents	207	(4)	-	203
Other current assets	1,575	-	-	1,575
Total current assets	**2,824**	**(14)**	**-**	**2,810**
Total assets	**10,406**	**9**	**-**	**10,415**
Deferred tax liabilities	104	(3)	-	101
Other non-current liabilities	4,550	-	-	4,550
Total Non-current liabilities	**4,654**	**(3)**	**-**	**4,651**
Trade and other payables	1,529	24	-	1,553
Other current liabilities	1,561	-	-	1,561
Total Current liabilities	**3,090**	**24**	**-**	**3,114**
Total liabilities	**7,744**	**21**	**-**	**7,765**
Share capital and other reserves	165	-	-	165
Retained Earnings	2,497	(12)	-	2,485
Total Equity	**2,662**	**(12)**	**-**	**2,650**
Total Equity and liabilities	**10,406**	**9**	**-**	**10,415**

Consolidated Income Statement for period ending 6 July 2019

£m - Continuing operations	Originally Reported	Wholesale	Restated
Revenue	5,389	-	5,389
Operating expenses	(5,315)	(5)	(5,320)
Other income	4	-	4
Operating Profit	**78**	**(5)**	**73**
Finance income	29	-	29
Finance costs	(82)	-	(82)
Profit before tax	**25**	**(5)**	**20**
Taxation	26	1	27
Profit from continuing operations	**51**	**(4)**	**47**

Consolidated Statement of Cashflows for period ended 6 July 2019

£m	Originally Reported	Wholesale	Restated
Net cash from operating activities	251	-	251
Net cash used in investing activities	(206)	-	(206)
Net cash used in financing activities	(122)	-	(122)
Net cash and overdraft balances transferred to held for sale	2	-	2
Cash and cash equivalents at the beginning of the period	**282**	**(4)**	**278**
Cash and cash equivalents at the end of the period	**207**	**(4)**	**203**

Impact of Covid-19 on interim financial statements

Management has considered the impact that Covid-19 has had on the Group's accounting policies, judgements and estimates. Impairment reviews have been carried out in the period to reflect the current economic environment and to reflect the increased uncertainty within the UK economy. The results of these impairment reviews have been detailed in note 1. Judgements within the Group's provisions have also been refreshed in light of Covid-19, in particular vacant property provisions where the ability to sublet vacant properties have reduced due to the impact of Covid-19 on the retail sector. The increase in provisions in the period can be seen within note 1 to the accounts.

Going concern

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

In assessing the appropriateness of the going concern basis of preparation, the directors have considered the going concern position and outlook of the Group. In particular the Group has included in its assessment that, following the repayment by CISGIL of £70m of sub-debt to external investors earlier in the year, the Group is supporting a £70m Ancillary Own Funds ("AOF") instrument in favour of CISGIL which is being proposed to ensure CISGIL continues to meet its solvency capital requirement should it be required in the future. In making their assessment the directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability, cash flow and covenant compliance, and available capital resources.

As we report on going concern, COVID-19 is having a material impact on the operations of our businesses and we are incurring significant additional costs, particularly in payroll as we recruit additional colleagues to meet demand and cover the work of those colleagues who are absent and being paid.

In undertaking our assessment we included assumptions on the key impacts of Covid-19 on the financial projections including (but not limited to) impacts on:

- Food store and funeral branch payroll
- Logistics payroll
- Investment in protective equipment
- Increased cleansing and sanitation costs within store costs
- Front line colleague reward
- Type and size of funeral in response to restrictions on number of attendees (placed by government guidelines and in some cases even stricter restrictions by some crematoria) and people not being able to attend due to self-isolation
- The impact on demand in our Food business, taking into account a prudent but realistic view of the experience of the last few weeks
- The impact of government support for businesses – particularly business rates
- The Group's ability to control the level and timing of its capital expenditure programme (c£600m over the going concern timeframe)

In summary, the business rates support provided by government combined with the increased sales demand assumed within our Food business goes some way to limiting the significant incremental costs highlighted above.

As it is impossible to predict with a high degree of certainty, we have applied prudent sensitivities across all of our businesses alongside some overarching pan-group sensitivities including sensitivities relating to Brexit. This allows the directors to have a reasonable expectation that the Group has access to adequate resources, under a severe but plausible stress test, to enable it to continue in operational existence for the foreseeable future.

For the purposes of going concern, prior to the Covid-19 pandemic, we assumed that no new facilities from re-financing were required or needed. We do not anticipate any change in this assumption, but this will be kept under review.

In addition, the Group has an accordion option with the banking syndicate to obtain £100m of additional revolving credit facilities. Whilst available to the Group, this has prudently not been included in our assessment.

Jargon buster (unaudited)

There are lots of technical words in our accounts which we have to use for legal and accounting reasons. We've set out some definitions below to help you understand some of the difficult phrases accountants like to use. There is also a "What does this show?" introduction to every note to the accounts describing in simple terms what the note is trying to show. When a word is in bold in the table below that means you can also find the definition of that word in this table.

Accounting surplus (pensions)	When a pension scheme has more **assets** than the amount it expects to pay out in the future (the **present value** of its **liabilities**) then it has an accounting surplus.
Accrued income	When we've performed a service but haven't billed the customer yet, we hold the amount due on the **balance sheet** as accrued income. Once we bill the customer the balance is then moved to **receivables**.
Actuarial best estimate	In our Insurance underwriting business we have to recognise **liabilities** for the likely cost of claims. As part of the method for calculating these liabilities we use an actuarial best estimate, which is the weighted average of all future claims and cost scenarios. It's calculated using historical data, actuarial methods and judgement. A best estimate will normally be designed to be neither too optimistic or too pessimistic.
Amortisation	Similar to **depreciation**, but for **intangible assets**.
Amortised cost	We value some of our **debt** based on its amortised cost. This is the **present value** of the expected future cash flows in relation to the debt.
Asset	This is an amount on our **balance sheet** where we expect to get some sort of benefit in the future. It could be a building we use or are planning to sell, some cash or the amount of money a customer owes us.
Assets held for sale	Sometimes we have to sell things. When we've decided to make a large disposal before the year end but the **asset** hasn't been sold yet, we have to show it in this line on the **balance sheet** and reduce its value (**impairment**) if necessary.
Assets in the course of construction	These are **assets** that we're in the middle of building. They're on our **balance sheet** as we've spent money already building them, but they aren't ready for us to use them yet so we're not **depreciating** them.
Associate	When we have significant influence over a company (usually by owning 20-50% of a company's shares and/or having a seat on its Board), we call that company an associate.
Balance sheet	This shows our financial position – what **assets** we have and the amounts we owe (**liabilities**).
Banking Syndicate	We have an agreement in place with a collection of banks (known as our Banking Syndicate) that gives us quick access to borrowings should we need them.
Benefit payments (pensions)	This is the amount our pension funds pays out to pensioners.
Capital expenditure	When we spend money on items that will become **assets** (such as property or IT systems) this is shown as capital expenditure. The costs are not shown in the **income statement** of the year it's spent – instead the costs are spread over the life of the **asset** by **depreciation** or **amortisation**.
Cash flow statement	This shows how much cash has come in or gone out during the year and how we've spent it.
Cash Generating Unit (CGU)	A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For our Food business this is defined as an individual store, and for our Funeral's business this is defined as a regional care centre and the funeral branches which it serves as they are heavily interrelated.
CISGIL	This is the society that operates the Insurance underwriting business – CIS General Insurance Limited.
Claims incurred	This is the amount of insurance claims we've paid in the year plus any change in our estimate of future claims we may have to pay.
Claims paid	This is the amount of insurance claims we've paid out in the year.
Claims reported	This is the amount on our **balance sheet** where we know what the claim is and how much is going to be paid out.
Commitments	Where we've committed to spend money on something (such as building projects) but we're not technically liable to pay for it, we don't put the amount on the **balance sheet** but we disclose the amount in the commitments note.

Comprehensive income	This is our profit for the year plus **other comprehensive income**.
Consolidated	As this report is based on the financial performance and position of many societies and companies around **the Group**, we have to add up all those entities and the total is the consolidated position.
Contingent asset	This is an amount that we might get in the future. Unless it's almost certain that we'll get the amount, we're not allowed to put it on the **balance sheet** but we show the amount in the contingent **assets** and **liabilities** note.
Contingent liability	This is an amount that we might have to pay in the future. If it's only possible, rather than probable, that we'll have to pay the amount, then we won't show the amount on the **balance sheet** but we show the amount in the contingent **assets** and **liabilities** note.
Contract assets	These are costs we've incurred in advance of being entitled to receive payment from a customer under a contract, such as costs incurred in setting up a **funeral plan**. We hold these on the balance sheet until we've delivered all the services to our customer and are entitled to receive payment.
Contract liabilities	This is where a customer has paid us in advance of them receiving goods or services under a contract (for example, a **funeral plan**). We have to hold this on the **balance sheet** until the customer receives the service they've paid for.
Corporate investor shares	This is money that other societies invest with us and we pay them interest on it. The societies can get their money back at any time.
Credit	This is an increase in income/reduction in costs on the **income statement** or an increase in a **liability**/reduction in an **asset** on the **balance sheet**.
Current	An **asset** or **liability** that is expected to last for less than a year.
Current tax	This is the amount we expect to pay in tax for the year based on the profits we make.
Debenture	This is a type of loan that we've issued and are paying interest on.
Debit	This is a decrease in income/increase in costs on the **income statement** or a decrease in a **liability**/increase in an **asset** on the **balance sheet**.
Debt	Loans that we've issued and are paying interest on.
Debt security	This is a type of investment held by our Insurance underwriting business and is a form of loaning money to another organisation.
Deferred acquisition costs	These are amounts which our Insurance underwriting business pays to secure business. It then holds these costs on the **balance sheet** and **amortises** over the length of the insurance period.
Deferred consideration	This is an amount we'll be paying to a seller for businesses we've bought or an amount we'll be getting from a buyer for businesses that we've sold.
Deferred tax	Sometimes our **assets** and **liabilities** are worth more or less on our **balance sheet** than they are for tax purposes. The tax on the difference in value is called deferred tax and can be an **asset** or **liability** depending on whether the value is greater in the **balance sheet** or for tax purposes.
Defined benefit schemes	This is a pension scheme where an amount is paid out to an employee based on the number of years worked and salary earned.
Defined contribution schemes	This is a pension scheme where an amount is paid into the scheme and at retirement the employee draws on the amount that has been invested over the years.
Deposits with credit institutions	When customers pay us premiums, we put the money in high-quality corporate bonds so that if an insurance policy needs to pay out, we have the money there. Deposits with credit institutions are the amounts we've invested in these corporate bonds.
Depreciation	Some **assets** the Co-op will have for a while (such as vehicles). When we buy them the cost goes on our **balance sheet** and then depreciation spreads the cost of the **asset** evenly over the years we expect to use them in the **income statement**.
Derivatives	These are financial products where the value goes up or down based on an underlying **asset** such as currency, a commodity or interest rate.
Discontinued operations	When we sell a large business, we report its results at the bottom of the **income statement** so that it's easier for readers to see the performance of **the Group's** other continuing businesses.
Discount rate	This is the amount that we are **discounting** by. It's a percentage and varies based on what we expect interest rates or inflation to be in the future.

Discount unwind	Every year the amount that we're **discounting** is going to be worth more as we get nearer to paying or receiving it. We have to put that increase in value (the discount unwind) through our **income statement**.
Discounting	When we have to pay or receive cash in the future, accountants like to take off part of the amount if it's a big amount (like on our **onerous leases**). This is because cash we pay or receive in the future is going to be worth less than it is now – mainly because of inflation.
Disposals	When we have sold an **asset**.
EBITDA	This is **operating profit** excluding any **depreciation** or **amortisation**. The letters stand for earnings before interest, tax, depreciation and amortisation.
Effective tax rate	This is the average tax rate we pay on our profits. This might be different to the standard corporation tax rate, for example, if we aren't allowed to deduct some of our costs for tax purposes.
Equity	This is the difference between the **assets** we own and the **liabilities** we owe – theoretically, this is how much money would be left for our members once every **asset** is sold and every **liability** is paid.
Eurobond Notes	This is our largest, fixed interest **debt** that we pay interest on to fund our businesses' operations.
Expected credit losses	This is an estimate of the amount of our **receivables** which will not be repaid.
Fair value movement	There are some things on our **balance sheet** which we have to revalue every year. This includes some of our **debt**, **investment properties** and our pension schemes. The change in value is called the fair value movement.
Fee and commission income	This is income which our Insurance underwriting business receives for distributing products which it doesn't underwrite.
Finance costs	These are usually the interest we pay on our **debt**, but can also be other things such as the **fair value movement** on our debt or the **discount unwind of liabilities**.
Finance income	This is mainly the interest on our pension assets, but can also be other things such as the **fair value movement** on our **debt** or the **discount unwind** of **receivables**.
Finance lease	A finance lease is a way of providing finance. Effectively a leasing company (the lessor or owner) buys the asset for the user (usually called the hirer or lessee) and rents it to them for an agreed period.
Financial instruments	A collective term for **debt** or **derivatives** that we have.
Financial Services	This is a group of companies within **the Group** that provide financial products such as insurance.
First Mortgage Debenture Stock	This is a small **debt** we owe that is secured against some properties – a bit like a mortgage.
Fuel	Refers to fuel sales generated from our petrol forecourts.
Funds in use invoice discounting facility	Invoice discounting is an arrangement with a finance company so that we can be paid for amounts we are owed on invoices earlier than the date our customers are due to pay us. 'Funds in use' is just the term for the amount we owe to the finance company.
Funeral plans	A member may not want his or her family to pay a large single sum for a funeral when he or she dies. Therefore, the member can pay for it gradually or in lump sums over a number of years and **the Group** will invest that money.
Funeral plan investments	When a customer gives us money for their funeral in the future, we invest this money. The balance of these investments is held on the **balance sheet**.
Goodwill	When we buy a business or a group of assets, sometimes we pay more for it than what its assets less liabilities are worth. This additional amount we pay is called goodwill and we put it on our balance sheet.
(the) Group	This is Co-operative Group Limited and all companies and societies that it owns.
Hedging	Sometimes we want to protect ourselves in case we have to pay more in the future for something. This could happen if the value of the pound falls so we have to pay more when buying something abroad or if interest rates go up. We take out **derivatives** to protect us from this and this process is known as hedging.
IAS	International Accounting Standards. **The Group** use these as the accounting rules. There are many different IASs that cover various accounting topics (e.g. IAS 38 is for **intangible assets**)

IFRIC	International Financial Reporting Interpretations Committee. These are interpretations of IASs or IFRSs that **the Group** also has to abide by.
IFRS	International Financial Reporting Standards. Similar to IAS, but cover different subjects.
Impairment	Sometimes our **assets** fall in value. If a store, branch, business or investment is not doing as well, we have to revalue it and put the downward change in value as a cost in our **income statement**.
Income statement	This not only shows our income as the name suggests, but also what our costs are and how much profit we've made in the year.
Intangible asset	We have **assets** at the Co-op that we can't see or touch which are shown separately to other **assets**. These include things like computer software and **goodwill**.
Interest rate swaps	We like to know what interest we're going to be paying in the future so we can manage our businesses effectively. We enter into arrangements with banks so that we can do this – for example, if we have **debt** where the interest rate can vary, we can buy an interest rate swap which means that instead we'll pay a fixed rate of interest. The value of these swaps can go up or down depending on how the market expects interest rates to change in the future.
Inventories	This represents the goods (the stock) we're trying to sell. The cost of this is shown on our **balance sheet**.
Inventory provision	If some of our stock isn't selling, we write those costs off to the **income statement** and hold a **provision** against those goods on the **balance sheet**.
Investment properties	Properties that we don't trade from, and which we might rent out or hold onto because the value might go up, are called investment properties.
Invoice discounting facility	Invoice discounting is an arrangement with a finance company so that we can be paid for amounts we are owed on invoices earlier than the date our customers are due to pay us.
Joint ventures	When we own 50% of a company we call it a joint venture. Sometimes **associates** are called joint ventures commercially as they're ventures with other parties, but are called **associates** for accounting purposes. A joint venture is a company where we own exactly 50%.
Lease Liability	This represents the discounted future payments we are due to make to suppliers in exchange for the right to use their equipment or property.
Liability	This is an amount on our **balance sheet** which we'll have to pay out in the future.
Like-for-like sales	The measure of year-on-year sales growth for stores that have been opened for more than one year. This is a comparison of sales between two periods of time (for example, this year to last year), removing the impact of any store openings or closures.
Listed debt securities	People can trade some of our **debt** such as the **Eurobonds fair**. When this is the case, it's a listed debt security.
Member payments	This is an amount we've paid our members in the year and approved at the AGM such as dividends.
Member rewards	These are the benefits that members have earned for themselves during the year as part of the 5% membership offer.
Net assets	Same as **equity**.
Net debt	This is the **debt** we have less any cash that we might have.
Net operating assets	**Net assets** less investments, funeral bonds, **deferred tax**, **pension surplus** and drawn **debt**.
Non-controlling interest	This is the **equity** in a **subsidiary** which is owned by another shareholder. For example, if we only own 60% of a company, the other 40% is the non-controlling interest.
Non-current	An **asset** or **liability** that is expected to last for more than one year.
Non-GAAP measure	GAAP stands for Generally Accepted Accounting Principles. This is the common set of accounting principles, standards and procedures that companies must follow. Sometimes, companies want to provide different measures to help readers understand their accounts (such as underlying profit) where there isn't a standard definition – these measures are called non-GAAP measures.
One-off items	Items that are not regular in size or nature and would otherwise cloud the underlying profitability of **the Group** are stripped out. This could include a large IT project or a large restructuring exercise.

Onerous leases	When we close a store we sometimes still have to pay running costs until the lease runs out (such as rates). When this happens, we make a **provision** for the amount of the running costs we will have to pay in future and hold this on the **balance sheet**. Rental costs are excluded from this provision now we have adopted **IFRS** 16 (Leases) as those costs are included in the **lease liability**.
Operating profit	This is our profit before we have to pay any interest to our lenders or tax to the tax authorities.
Operating segments	This is an accounting term for the different businesses we have. When the financial performance of one of our businesses is reviewed separately from the other businesses by our Board, we call that business an operating segment and its sales and profit are disclosed in note 1.
Other comprehensive income	Sometimes we have big **fair value movements** on long term **assets** and **liabilities**. The **income statement** is meant to show the performance during the year, so to avoid this being distorted by these big changes, they are shown separately as other comprehensive income.
Parent	This is the owner of a **subsidiary**.
Payables	Another name for **liabilities**.
PAYE	Pay As You Earn. A tax which is paid on wages.
Pension interest	This is the interest that we're allowed to show in our **income statement** and is the **discount rate** used to **discount** the pension **liabilities** multiplied by the pension surplus or deficit last year.
Performance obligations	These are promises to provide distinct goods or services to customers.
Prepayment	When we pay in advance for a cost which relates to services that will be received over a future period of time (for example, rent or insurance), we hold that cost on our **balance sheet** as a prepayment and then spread the cost over the period of the service.
Present value	This is the value of a future cost or income in today's money and is arrived at by **discounting**.
Provision for unearned premiums	When we sell an insurance policy, some of the premium we receive may not relate to the current financial year if the insurance cover goes beyond the end of the year. We have to put any amounts which relate to later years on the **balance sheet** as a **liability**.
Provisions	This is a **liability**, but one where we're unsure what the final amount we have to pay will be and when we'll have to settle it. We use our best estimate of the costs and hold that on the **balance sheet**.
Quota share	Quota share is a type of **reinsurance contract** where we share premiums and losses with a reinsurer based on a fixed percentage and is a way of reducing our risk.
Realised gains	This is when we sell an **asset** for a profit.
Receivables	When someone owes us some money, we hold that amount as a receivable on our **balance sheet**.
Reclaim Fund	This is an entity we own that helps money in dormant bank accounts to be used for charitable purposes.
Reinsurance contracts	When we sell an insurance policy, we might want to resell that policy to another insurance company so that we can manage the level of risk we face in case a major claim comes in. When we're owed money from the other insurer then this is shown as an **asset** and if we have reinsured for another insurer we would show a **liability**.
Related party	This is a company or person that is closely linked to the Co-op. It's usually a member of our Board or Executive or their close family plus companies such as our **associates** and **joint ventures**.
Remeasurement gains / losses on employee pension schemes	There are lots of assumptions that are used when valuing pensions. If those assumptions change this can have a big effect on the size of the pension **asset** or **liability**. So that we don't distort the **income statement**, this effect is shown in **other comprehensive income**.
Repayment notes	This is a type of loan, which we repay either in instalments or in a lump sum at the end of the loan.
Repo agreements	This is a type of short-term investment used by our Insurance underwriting business.
Reserves	This is the amount of **equity** we have, but excluding any **share capital**.

Restated	Sometimes we change the numbers that we showed in last year's accounts. This might be because we have changed where or how we record certain things or it could be that we have corrected an error. There are strict rules around what can be changed and when we make changes we explain why in the accounting policies.
Retained earnings	This is all the profits we've made since the beginning of time for the Co-op that have not yet been paid out to members.
Retirement benefit obligations	Another term for our pension **liabilities**.
Return on plan assets (pensions)	This is the income our pension **assets** have generated in the year.
Revaluation reserve	When we revalue a property upwards, we're not allowed to put this **unrealised gain** through our **income statement** or within **retained earnings** as law dictates that this can't be distributed to members until the property is sold. It's then ring-fenced as a specific **reserve**.
Revolving Credit Facility	This is money that our lenders have agreed we can borrow if we need to. It works a bit like an overdraft.
Right of use asset (ROU)	This is an asset that we don't own legally, but which we lease from another party. The asset represents the value the Co-Op has in being able to use the asset over the length of a lease contract.
ROCE	Return on capital employed. This is based on our underlying profit we make in the year less any pension interest earned divided by the net operating assets we have.
Sale and leaseback	This is when an asset is sold to a third party and then immediately leased back under a lease agreement. For the Co-op, this usually relates to the sale of a building such as a store.
Sensitivity analysis	When an item on our **balance sheet** varies in value from year to year based on some estimates that we make, we show a sensitivity analysis which shows you how much the **asset** or **liability** would change by if we were to change the estimate.
Share capital	This is the amount of money that our members have paid us to become members less any amounts that we've repaid to them when they cancel their membership.
Society	The Co-operative Group Limited is a registered co-operative society. We sometimes refer to our collective whole as 'the Group' or 'the Society' and the terms are broadly interchangeable.
Subrogation	This is an insurer's right to recover the amount it has paid for a loss from the party that caused the loss.
Subsidiary	This is a company or society that is owned by another company.
Supplier income	Sometimes our agreements with suppliers mean they will give us money back based on the amount of their products we buy and sell. We call this supplier income.
Trading Group	This is **the Group** less any **Financial Services** companies.
Underlying profit	This is an alternative measure of the trading performance of the Group which excludes **one-off items** or large gains or losses we might have made on selling **assets**.
Unrealised gains	An **asset** may have gone up in value, but we've not sold it. If this is the case, the profit from the gain is unrealised as we've not sold the **asset** yet.

Co-operative Group Limited

Registered society, registered in England and Wales under the Co-operative and Community Benefit Societies Act

Registered office: 1 Angel Square, Manchester M60 0AG

Registered number: 525R

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It's what we do

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