

Co-operative Brands Limited

Strategic Report, Directors' Report and financial statements

Registered number 5279000

Period ended 31 December 2016



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Strategic report

The directors present their annual strategic report and the audited financial statements for the period ended 31 December 2016.

Principal activities

The principal activity of the Company was holding certain intangible assets for licence to other companies owned by the Co-operative Group Limited ("the Group").

Business review

The results of the company for the period are set out in the income statement on page 6. The loss before taxation is £4,079,000 (2015: loss of £3,732,000).

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to trends in consumer spending and damage to our reputation or brand. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 36-39 of the group's annual report (which does not form part of this report).

Key performance indicators

In addition to monitoring revenue and profitability of the Company, the Directors also monitor a number of key performance indicators of the Group. These include financial performance, growth in and engagement of members of the Group, growing customer loyalty and corporate reputation of the group. Further details on these key measures can be found on page 35 of the Group's annual report.

Future development

The Co-operative Group is considering its position on its future Brand agreements within the Group. This will affect the Company's activity in the future.

By order of the Board



Caroline Sellers
Secretary

Registered Office:
1 Angel Square
Manchester
M60 0AG

Directors' report

The Directors present their report and financial statements for the 52 weeks ended 31 December 2016.

Directors

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

A Crossland
A Lang

Employees

The main communication with employees is via the Co-operative intranet site. All managers are kept informed about the group's performance through annual, interim and social accountability reports, management bulletins and Newsline, the electronic weekly news service.

The Company's policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employees are also consulted on a regular basis so that the views of the employees can be taken into account in making decisions which are likely to affect their interests.

Corporate responsibility and the environment

The Company closely follows the group's corporate responsibility and environmental policies. The group provides a sustainable development section in its annual report. This can be found on page 32-34.

Financial instruments

The Company does not undertake financial instrument transactions. For further information regarding the financial risk management of the Company, refer to note 16.

Disclosure of information to auditors

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

Auditors

A resolution to appoint Ernst & Young LLP as auditors of the society and its subsidiaries was approved at Co-operative Group Limited's AGM on 21 May 2016. This resolution has been considered and approved by the Company's Board and therefore Ernst & Young LLP will be formally approved as external auditors for the Company at the subsequent Board meeting.

By order of the Board


C J Sellers
Secretary

Registered Office:
1 Angel Square
Manchester
M60 0AG

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Co-operative Brands Limited

We have audited the financial statements of Co-operative Brands Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flow, the Statements of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Co-operative Group annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Independent auditor's report to the members of Co-operative Brands Limited (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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



Alistair Denton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date:

14/1/17.

Income statement
for the period ended 31 December 2016

	Notes	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
Revenue		-	-
Cost of sales		(1,698)	(1,739)
Gross loss		<u>(1,698)</u>	<u>(1,739)</u>
Administrative expenses		(2,026)	(1,619)
Operating loss		<u>(3,724)</u>	<u>(3,358)</u>
Financial income	5	138	145
Financial expenses	6	(493)	(519)
Loss before taxation	2	<u>(4,079)</u>	<u>(3,732)</u>
Taxation	7	(3)	8
Loss for the period		<u><u>(4,082)</u></u>	<u><u>(3,724)</u></u>

All amounts relate to continuing activities.

The notes on pages 10 to 19 form part of these financial statements.

Statement of comprehensive income
for the period ended 31 December 2016

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

Balance Sheet
at 31 December 2016

	Notes	As at 31 December 2016 £'000	As at 31 December 2016 £'000	As at 2 January 2016 £'000	As at 2 January 2016 £'000
Non-current assets					
Deferred tax asset	8	18		21	
Intangible assets	9	-		-	
Total non-current assets			18		21
Current assets					
Trade and other receivables	10	59,939		59,100	
Total current assets			59,939		59,100
Total assets			59,957		59,121
Current liabilities					
Trade and other payables	11	120,343		115,425	
Total current liabilities			120,343		115,425
Total liabilities			120,343		115,425
Equity					
Called up share capital	12	-		-	
Retained deficit		(60,386)		(56,304)	
Total equity			(60,386)		(56,304)
Total equity and liabilities			59,957		59,121

The notes on pages 10 to 19 form part of these financial statements.

These financial statements were approved by the Board of Directors on
signed on its behalf by:

11 July 2017

and were



A Crossland
Director

Statement of changes in equity
for the period ended 31 December 2016

	Called up share capital £'000	Retained deficit £'000	Total equity £'000
Balance at 2 January 2016	-	(56,304)	(56,304)
Loss for the period	-	(4,082)	(4,082)
Balance at 31 December 2016	-	(60,386)	(60,386)
Balance at 3 January 2015	-	(52,580)	(52,580)
Loss for the period	-	(3,724)	(3,724)
Balance at 2 January 2016	-	(56,304)	(56,304)

All items are shown net of tax.

The notes on pages 10 to 19 form part of these financial statements.

Statement of cash flows
for the period ended 31 December 2016

	Notes	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
Cashflows from operating activities	13	355	374
Cashflows from financing activities			
Interest income		138	145
Interest expense		(493)	(519)
Net cash used in financing activities		(355)	(374)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at start of period		-	-
Cash and cash equivalents at end of period		-	-

The notes on pages 10 to 20 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Reporting entity

Co-operative Brands Limited is a Company domiciled in England and Wales. The address of the Company's registered office is 1 Angel Square, Manchester, M60 0AG.

Basis of preparation

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as endorsed by the EU (IFRS) for the period ended 31 December 2016 and are prepared on the historical cost basis. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Accounting date

The financial statements for the period are prepared for the 52 weeks to 31 December 2016.

Going concern

The Company meets its day to day working capital requirements through cash generated from operations and participation in facility arrangements provided by external lenders to the Co-operative Group Limited and certain of its subsidiaries, including the Society ("the Group facilities"), and in respect of which the Society has provided a cross guarantee.

The Directors of the Company have discussed with the Directors of the Group the continued availability of the Group facilities, based on the most recent forecasts of the Group's ability to continue to operate within the terms of those facilities and an update on other matters discussed in the basis of preparation section of the financial statements of The Co-operative Group Limited (authorised for issue on 5 April 2017) under the going concern heading.

The Society has obtained assurance from Co-operative Group Limited's directors that Co-operative Group Limited will provide financial support to the Society to pay its debts as they fall due.

Based on those discussions and after making all appropriate enquiries, the Directors have a reasonable expectation that the Company has access to adequate resources to enable it to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Society's financial statements.

Notes (continued)

1 Accounting policies (continued)

Intangible assets

(i) Intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense incurred. Amounts paid in respect of acquiring licences are capitalised and stated at cost less accumulated amortisation and impairment losses.

(ii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Where there is indication of impairment an impairment review will be performed.

(iii) Subsequent expenditure

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

Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Company's assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of these assets, an impairment loss is reversed if there has been a change in the estimates based on an event subsequent to the initial impairment used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Pensions and other post-retirement benefits

The Company's employees were members of a Group wide pensions scheme, the Co-operative Group Pension (Average Career Earnings) Scheme (the Pace Complete Scheme) (this should be tailored for United / Somerfield referring to the relevant pension schemes). This Pace Complete Scheme is a defined benefit scheme. The Company / Society contributed to the Pace Complete Scheme in respect of its employees who were members of the Scheme up until the end of October 2015 when it was closed to future accrual. However, the Company / Society is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme up until the end of October were accounted for as if it were a defined contribution scheme. There is no contracted agreement or stated Group policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual Group entities, therefore Co-operative Brands Limited, in its individual financial statements, cannot recognise the net defined cost so charged. Refer to disclosure of information relevant to the scheme on note 4.

A defined contribution scheme is a pension plan under which the Company / Society pays contributions into a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Notes (continued)

1 Accounting policies (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. All borrowing costs are expensed when occurred except when they are directly attributable to the acquisition, construction or production of a qualifying asset. If this is the case, they are included in the cost of the asset.

Taxation

(i) Income tax

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

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

(ii) Deferred taxation

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

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

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

2 Loss before taxation

	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
Loss before taxation is stated after charging:		
Staff costs (see note 3)	1,698	1,739

The auditor's remuneration of £555 (period ended 2 January 2016: £555) was borne by the ultimate parent undertaking. The Company is exempt by virtue of s494 of the Companies Act 2006 from further disclosures in relation to auditors' remuneration as it is a wholly owned subsidiary of Co-operative Group Limited for which consolidated financial statements are prepared disclosing non-audit fee information on a group wide basis.

Notes (continued)

3 Staff costs

The staff were actually employed by the parent undertaking and associated costs incurred and recharged amounted to £1,698,000 (for the period ended 2 January 2016: £1,739,000).

Directors' remuneration in respect of services provided to the Company were £nil (for the period ended 2 January 2016: £nil).

4 Pension Scheme

The Company is a wholly owned subsidiary of Co-operative Group Ltd which operates a defined benefit scheme (the Pace scheme), the assets of which are held in a separately administered trust. Prior to the re-capitalisation of Co-operative Bank plc in December 2013, Pace was deemed to be a Group plan, as all participating entities were under the common control of the Co-operative Group Limited (the sponsoring employer). As a Group plan, Pace exposed the participating employers to actuarial risks associated with the current and former employees of other Group companies. Full details of the Pace plan for the period ended 31 December 2016 are disclosed in the Co-operative Group's consolidated financial statements for that period.

This company is neither the sponsoring entity nor legally defined as a participating employer of the Pace Complete scheme. However, as the company either currently employs or has historically employed members of the Pace scheme, the charge made to the Company up until the end of October 2015 by the ultimate parent society for employment costs includes a charge in respect of the Pace scheme at an agreed percentage of the pensionable wage. The agreed percentage of pensionable wage is determined by an independent qualified actuary. The amount recognised as an expense in respect of the Pace scheme for this Company was £41 (2015: £41). This is included in the staff costs as disclosed in note 3.

As the Pace Complete Scheme was closed to future accrual at the end of October 2015, the Pace DC scheme was expanded. The employer contributions made by the Company have been charged to the income statement when incurred.

5 Financial income

	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
Interest income on loans and receivables	138	145
	<hr/> 138 <hr/>	<hr/> 145 <hr/>

Notes (continued)

6 Financial expenses

	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
Interest expense on loans and receivables	493	519
	<u>493</u>	<u>519</u>

7 Taxation

	For period ended 31 December 2016 £'000	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000	For period ended 2 January 2016 £'000
<i>Analysis of charge in period</i>				
<i>UK corporation tax</i>				
Current tax on income for the period	-	-	-	-
Adjustments in respect of prior periods	-	-	-	-
Total current tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred tax (see note 8)</i>				
Deferred tax - current period items		3		6
Deferred tax - adjustments in respect of previous periods		(5)		4
Effect of rate change on closing balance		(1)		(2)
Total corporate tax (charge)/credit		<u>(3)</u>		<u>8</u>

The Finance Act 2015 will reduce the main rate of corporation tax to 19% from 1 April 2017 and the Finance Act 2016 will further reduce the main rate of corporation tax to 17% from 1 April 2020. This will reduce the company's future current tax charge accordingly. Each deferred tax balance has been measured individually based on the tax rate at which it is expected to unwind (either 18% or 19%). This results in a blended deferred tax rate of 17.33% at the balance sheet date.

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The tax on the net profit before tax differs from the theoretical amount that would arise using the standard applicable blended rate of corporation tax of 20% (2015: 20.25%) as follows:

	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
<i>Current tax reconciliation</i>		
Loss before tax	(4,079)	(3,732)
Current tax at 20.25% (2015: 20.25%)	816	756
<i>Effects of:</i>		
Adjustments to tax charge in respect of previous periods	(5)	4
Restatement of deferred tax to 18% (2015: 18%)	(1)	(2)
Group relief not paid for	(813)	(750)
Total corporate tax (charge)/credit	(3)	8

8 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a blended effective tax rate of 18% (2015: 18%).

	For period ended 3 December 2016 £'000	For period ended 2 January 2016 £'000
<i>Deferred taxation asset</i>		
At beginning of the year	21	13
Total income statement (charge) /credit	(3)	8
At end of the year	18	21
Comprising:		
Accelerated tax depreciation	18	21
At end of the year	18	21

Notes (continued)

9 Intangible Assets

For the period ended 31 December 2016

	Licences £'000
Cost	
At 2 January 2016	194,447
At 31 December 2016	194,447
Amortisation	
At 2 January 2016	194,447
Charge for the period	-
Impairment charge	-
At 31 December 2016	194,447
Net book value	
At 31 December 2016	-
At 2 January 2016	-

For the period ended 2 January 2016

	Licences £'000
Cost	
At 3 January 2015	194,447
At 2 January 2016	194,447
Amortisation	
At 3 January 2015	194,447
Charge for the period	-
Impairment charge	-
At 2 January 2016	194,447
Net book value	
At 2 January 2016	-
At 3 January 2015	-

Notes (continued)

10 Trade and other receivables

	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
<i>Current assets:</i>		
Amounts owed by group undertakings	59,939	59,100
	<u>59,939</u>	<u>59,100</u>

All of the above financial assets are classified as loans and receivables.

11 Trade and other payables

	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
<i>Current liabilities:</i>		
Amounts owed to group undertakings	120,343	115,425
	<u>120,343</u>	<u>115,425</u>

12 Called up share capital

	For period ended 31 December 2016 £	For period ended 2 January 2016 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

Notes (continued)

13 Cash flows from operating activities

	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
Cash flows from operating activities		
Loss before tax	(4,079)	(3,732)
<i>Adjustments for:</i>		
Interest income	(138)	(145)
Interest expense	493	519
	<hr/>	<hr/>
Operating loss before changes in working capital and provisions	(3,724)	(3,358)
Increase in trade and other receivables	(839)	(49,421)
Increase in trade and other payables	4,918	53,153
	<hr/>	<hr/>
Cash generated from operations	355	374

14 Related party transactions

	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
<i>Interest receivable</i>		
Co-operative Group Food Limited	138	145
	<hr/>	<hr/>
	138	145
<i>Interest payable</i>		
Co-operative Group Limited	493	519
	<hr/>	<hr/>
	493	519
	<hr/>	<hr/>
	For period ended 31 December 2016 £'000	For period ended 2 January 2016 £'000
<i>Loans to group undertakings</i>		
Co-operative Group Food Limited	59,939	59,100
	<hr/>	<hr/>
<i>Loans from group undertakings</i>		
Co-operative Group Limited	120,343	115,425
	<hr/>	<hr/>

Notes (continued)

14 Related party transactions (continued)

All of the loans payable and receivable disclosed above earn interest at 1% above the Bank of England base rate. No collateral is held for any of these loans. At present, all loan amounts are accruing interest indefinitely with no planned repayment dates on the principal.

15 Group Entities

Control of the group

The Company is a wholly owned subsidiary of Co-operative Group Limited, a Registered Society under the Co-operative and Community Benefit Societies Act 2014, registered in England and Wales. This is the smallest and largest group of which the Society is a member and for which consolidated accounts are prepared. A copy of the group accounts can be obtained from the Secretary, Co-operative Group Limited, 1 Angel Square, Manchester, M60 0AG.

16 Financial instruments and financial risk management

(a) Financial risk management

The principal financial risk of the Company relates to the generation and availability of sufficient funds to meet business needs, including payments to members.

The Board is responsible for approving the Company's strategy, its principal markets and the level of acceptable risks. The Company operates a risk management process that identifies the key risks to the business. Each operation has a risk register that identifies the likelihood and impact of those risks occurring and the actions being taken to manage those risks.

(b) Determination of fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. There is no significant credit risk associated with these balances.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has a non-interest bearing payable balance with its ultimate parent Society. This does not carry any liquidity risk as the Company has continued support of its parent Society to ensure repayments are managed appropriately.

17 Capital Management

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefit for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to the risk. The Company manages the capital structures and makes adjustment to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In assessing the level of capital, all components of equity are taken into account.

There were no changes to the Company's approach to capital management in the period.