Co-operative Brands Limited

Financial Statements

Registered number 5279000

Period ended 2 January 2021

Corporate Information

Directors	G M Dewin J Church (resigned 31 July 2020) S M Reay (appointed 12 January 2021)
Secretary	C J Sellers
Auditors	Ernst & Young LLP, 24 Marina Court, Hull, HU1 1TJ
Registered Office	1 Angel Square, Manchester, M60 0AG

Contents

Directors' report

The Directors present their report and financial statements for the 52 week period ended 2 January 2021.

This Directors' report has been prepared in accordance with the provisions applicable to companies eligible for the small companies exemption.

Dividends
The Company made a dividend payment in the year of £nil (2019: £nil).

Directors
The Directors who held office during the period were as follows:
G M Dewin
J Church (resigned 31 July 2020)
S M Reay (appointed 12 January 2021)

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Going concern
The Company is reliant on the support of Co-operative Group Limited ("the Group") in order to meet its day to day working capital requirements because the Group operates a central treasury function. The Company meets these requirements through cash generated from its operations and participation in facility arrangements provided by external lenders to the Group and certain of its subsidiaries, including the Company ("the Group facilities"). A letter of support has been obtained from the Group as evidence of its intention to give continued financial support. The Group has confirmed that it has the ability to provide such financial support and has committed to providing such support until at least 30 September 2022.

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

In making their assessment the Group Directors have noted that the consolidated group accounts show a net current liability position, as a result of the current debtors cycle being significantly shorter than the working capital cycle for current liabilities. The Group meets its working capital requirements through a number of separate funding arrangements, certain of which are provided subject to continued compliance with certain covenants. Profitability and cash flow forecasts for the Group, prepared for the period to 30 September 2022 (the forecast period), and adjusted for sensitivities considered by the Group Board to be reasonably possible in relation to both trading performance and cash flow requirements, indicate that the Group will have sufficient resources available within its current funding arrangements to meet its working capital needs, and to meet its obligations as they fall due. Sensitivities have been applied to the market conditions of each of the Group's trading businesses, as well as applying sensitivities to our key strategic activities and in respect to the ongoing impact of Covid-19.

More detail in regard to the going concern assessment is provided in note 2 of these financial statements.

After conducting the financial projections exercise set out in note 2 and making all appropriate enquiries, the Group Directors have a reasonable expectation that the Company and the Group have access to adequate resources to enable them to continue in operational existence for the foreseeable future. The Company Directors have considered the exercise performed by the Group Directors and have made appropriate enquiries where necessary. The Company Directors have also reviewed internal forecast documentation, management accounts and publicly available information relating to the Group's performance and are satisfied that the Group has access to sufficient funds to honour its commitments set out in the letter of support obtained from the Group. For this reason, the Company Directors continue to adopt the going concern basis in preparing the Company's financial statements.

Directors' report *(continued)*

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board

SM Reay

S M Reay
Director

Date 09 September 2021

Registered Office:
1 Angel Square
Manchester
M60 0AG

Statement of Directors' responsibilities in respect of the Directors' report and the financial

The Directors are responsible for preparing the 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 the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements, 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. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of Co-operative Brands Limited for the 52-week period ended 2 January 2021 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 2 January 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the assessment period to 30 September 2022. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Independent auditor's report (continued)

Opinions on other matters 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 directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 not visited by us; or
- 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small company exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report (continued)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are direct laws and regulations relating to tax legislation, and the financial reporting framework i.e. FRS 101 "Reduced Disclosure Framework and Companies Act 2006. Our considerations of other laws and regulations that may have a material effect on the financial statements include Money Laundering Regulations 2019.

- We understood how Co-operative Brands Limited is complying with those frameworks by making enquiries with management, internal audit, and those responsible for legal and compliance matters.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that might otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement including complex transactions, performance targets, economic or external pressures and the impact that these have on the control environment. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals by corroborating the entries made to underlying documentation.

Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved; making enquiries with those charged with governance and senior management for their awareness of non-compliance with laws and regulations, inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with regulatory authorities.

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

Use of our report

This report is made solely to the 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.

Ernst & Young LLP

Matthew Fox (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Hull
Date September 9, 2021

Profit and loss account
for the period ended 2 January 2021

	Notes	**For period ended 2 January 2021 £'000**	For period ended 4 January 2020 £'000
Revenue		**-**	-
Cost of sales		**(282)**	(292)
Gross loss		**(282)**	(292)
Operating expenses		**(183)**	(636)
Operating loss	3	**(465)**	(928)
Finance income	6	**125**	178
Finance costs	7	**(451)**	(635)
Loss on ordinary activities before taxation		**(791)**	(1,385)
Taxation	8	**147**	267
Loss for the period after tax		**(644)**	(1,118)

All amounts relate to continuing activities.

Statement of comprehensive income
for the period ended 2 January 2021

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

The notes on pages 13 to 22 form an integral part of these financial statements.

Balance Sheet
as at 2 January 2021

	Notes	As at 2 January 2021 £'000	As at 4 January 2020 £'000
Non-current assets			
Deferred tax assets	9	**9**	11
Total non-current assets		**9**	11
Current assets			
Trade and other receivables	10	**-**	60,674
Total current assets		**-**	60,674
Total assets		**9**	60,685
Current liabilities			
Trade and other payables	11	**(68,148)**	(128,180)
Total liabilities		**(68,148)**	(128,180)
Net liabilities		**(68,139)**	(67,495)
Equity			
Called up share capital	12	**-**	-
Retained deficit		**(68,139)**	(67,495)
Total equity		**(68,139)**	(67,495)

The notes on pages 13 to 22 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 09 September 2021 and were signed on its behalf by:

SM Reay

S M Reay
Director

Statement of changes in equity
for the period ended 2 January 2021

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 5 January 2020	**-**	**(67,495)**	**(67,495)**
Loss for the period	**-**	**(644)**	**(644)**
Balance at 2 January 2021	**-**	**(68,139)**	**(68,139)**
Balance at 6 January 2019	-	(66,377)	(66,377)
Loss for the period	-	(1,118)	(1,118)
Balance at 4 January 2020	-	(67,495)	(67,495)

Notes
(forming part of the financial statements)

1 General Information

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

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. Loss before tax for the period was £791,000 (2019: £1,385,000).

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

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

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

New and amended standards adopted by the Company

The Company has considered the following standards and amendments that are effective for the Company for the period commencing 5 January 2020 and concluded that they are either not relevant to the Company 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)
- Covid-19 Related Rent Concessions (Amendments to IFRS 16)

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Notes *(continued)*

2 Accounting policies *(continued)*

Standards, amendments and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 2 January 2021 reporting periods and the Company has not early adopted the following standards and statements. The adoption of these standards is not expected to have a material impact on the Company's accounts:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16)
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture
- IFRS 17 Insurance Contracts

Critical Accounting estimates and judgements

The preparation of financial statements 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.

There are no critical accounting estimates or judgements for the period.

Going concern

The Company generated a loss of £644k in the period (2019: £1,118k) and at the balance sheet dates holds net liabilities of £68,139k (2019: £67,495k). The Company also has net current liabilities of £68,144k (2019: £67,495k) as at the balance sheet date.

The Company is reliant on the support of Co-operative Group Limited ("the Group") in order to meet its day to day working capital requirements because the Group operates a central treasury function. The Company meets these requirements through cash generated from its operations and participation in facility arrangements provided by external lenders to the Group and certain of its subsidiaries, including the Company ("the Group facilities"). A letter of support has been obtained from the Group as evidence of its intention to give continued financial support. The Group has confirmed that it has the ability to provide such financial support and has committed to providing such support until at least 30 September 2022.

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

Notes *(continued)*

2 Accounting policies *(continued)*

Going concern *(continued)*

This assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period, to 30 September 2022. Although the Group has a robust planning process, the current economic uncertainty caused by the ongoing Covid-19 pandemic and UK recession means that additional sensitivities and analysis have been applied to test the going concern under a range of downside test scenarios. The following steps have been undertaken to allow the Group Directors to conclude on the appropriateness of the going concern assumption:

- Understand what could cause the Group not to be a going concern

In making their assessment the Group Directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability; cash flow and covenant compliance; and available capital resources. The potential scenarios which could lead to the Group not being a going concern are:

a) Not having enough cash to meet the Group's liabilities as they fall due. Throughout the going concern period the facility limit within which the Group needs to operate is £1,169m, which includes £769m non-bank facilities and £400m bank syndicate facilities; and/or
b) A breach of the financial covenants implicit in the Group's bank facility agreement.

- Board review and challenge of the base case forecast produced by management including key investment choices

The Group Directors conducted a highly detailed forward planning exercise as part of the strategic plan. The Group's base case forecast includes prudence due to the uncertainty in the market and impact from recession. The Group have also planned for ongoing pandemic-related costs and provide contingency for risks materialising through the year. The Group Board have reviewed, challenged and approved these plans.

- Consider downside sensitivities across the base case forecast as part of going concern

In undertaking their going concern assessment, the Group Directors have included assumptions related to the impact of the pandemic and sensitivities of internal and external factors on the financial projections including, but not limited to:

a) A reduction in the sales demand in the Retail business, with a prudent 1% LFL reduction to sales calculated versus 2019.
b) A reduction in the timely realisation of the transformation and working capital initiative benefits across the businesses.
c) A reduction in the demand of the Funeralcare business, with a prudent 2% reduction in LFL sales. A lower return on the funeral plan investments was also modelled.
d) Additional Covid-19 pandemic risks in high staff absence rates, lower fuel sales volumes and higher PPE safety costs. Covid-19 risks reverse in 2022 as they represent one-off costs that are only necessary during pandemic conditions.

The sensitivities identified do not risk the validity of the Group as a going concern even before applying the mitigating actions set out below.

- Examine what mitigating actions would be taken in the event of these scenarios.

Notes *(continued)*

2 Accounting policies *(continued)*

Going concern *(continued)*

Whilst out of line with the Group's strategic ambition, there are several options within the Group's control which could be exercised, if certain risks materialised. Options include:

a) The Group's ability to control the level and timing of its capital expenditure programme (circa £550m over the going concern timeframe).
b) Apply cost control measures across both variable and overhead budgets.
c) The Group's options to slow down and reduce investment into price and membership.

- Perform reverse stress tests to assess under what circumstances going concern would become a risk, assess the likelihood of whether they could occur and any further mitigating actions.

Whilst the initial going concern approach assesses likely risks to the Group's base case forecasts through severe but plausible downside scenarios and options to mitigate them, the reverse stress test represents a worst-case scenario at which point the model breaks. Whilst unlikely, to demonstrate the above, the Group Directors have modelled a significant downturn in the grocery market of a further -3% retraction in Retail sales and a further reduction in funeral volume of -4%. In addition, the Group Directors have modelled the impact of a significant shortfall in the Group's transformation programme benefits delivery.

It is noted, however, that the Group could mitigate the reverse stress test scenario through a further reduction or delay *in capital expenditure and a change in the timing of the Group's investment into operational improvements.* There is also the option to apply further cost control measures. Whilst all remain undesirable strategically there is also the option to apply further stringent cost control measures.

- Conclude upon the going concern assumption.

For the purposes of going concern the Group Directors assume that no new facilities from re-financing are required or needed by the Group. 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 not been included in the assessment as the Group's base facilities are enough to cover the Group's going concern calculations without any breach of covenants.

Therefore, after conducting the financial projections exercise set out above and making all appropriate enquiries, the Group Directors have a reasonable expectation that the Company and the Group have access to adequate resources to enable them to continue in operational existence for the foreseeable future. The Company Directors have considered the exercise performed by the Group Directors and have made appropriate enquiries where necessary. The Company Directors have also reviewed internal forecast documentation, management accounts and publicly available information relating to the Group's performance and are satisfied that the Group has access to sufficient funds to honour its commitments set out in the letter of support obtained from the Group. For this reason, the Company Directors continue to adopt the going concern basis in preparing the Company's financial statements.

Notes *(continued)*

2 Accounting policies *(continued)*

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 Pace Complete Scheme was a defined benefit scheme. The Company is neither the sponsoring entity nor legally defined as a participating employer of the Pace Complete scheme. The Company 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 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 2015 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 in note 5.

A defined contribution scheme is a pension plan under which the Company 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.

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.

Notes *(continued)*

3 Operating loss

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Operating loss is stated after charging:		
Staff costs (note 4)	**189**	636

The auditor's remuneration of £879 (2019: £577) is 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 the Co-operative Group Limited for which consolidated financial statements are prepared disclosing non-audit fee information on a group wide basis.

4 Staff numbers and costs

The staff were employed by the ultimate parent undertaking and associated costs incurred and recharged amounted to £189,000 (2019: £636,000). Directors' remuneration in respect of services provided to the Company were £nil (2019: £nil).

5 Pension Scheme

The Company is a wholly owned subsidiary of Co-operative Group Limited which operated a defined benefit scheme (the Pace Complete scheme) up until the end of October 2015 when it was closed to future accrual. The assets are held in a separately administered trust. Until December 2013, the Pace scheme was defined as a Group plan, as all participating entities were under the common control of Co-operative Group Limited (the sponsoring employer). Following the recapitalisation of Co-operative Bank plc in December 2013, the various entities participating in the Pace plan are no longer under common control of Co-operative Group Limited and as a result, the Pace scheme became a multi employer scheme. Full details of the Pace plan for the period ending 2 January 2021 are disclosed in the Co-operative Group Limited 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.

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 to the Pace DC scheme made by the Company have been charged to the income statement when incurred. The amount recognised as an expense in respect of the Pace DC scheme for this Company was £nil (2019: £26k). This is included in the staff costs as disclosed in note 3.

Notes *(continued)*

6 Finance income

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Finance income on amounts owed by group undertakings	**125**	178

7 Finance costs

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Finance costs on amounts payable to group undertakings	**451**	635

8 Taxation

Analysis of (charge)/credit in period	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
UK corporation tax		
Group relief receivable	**151**	269
Current tax charge - adjustments in respect of prior years	**(2)**	-
Total current tax	**149**	269
Deferred tax (note 9)		
Deferred tax charge - current year	**-**	(2)
Deferred tax charge - adjustments in respect of prior years	**(2)**	-
Total deferred tax	**(2)**	(2)
Total tax credit	**147**	267

Notes *(continued)*

8 Taxation *(continued)*

The tax on the net before tax differs from the theoretical amount that would arise using the standard applicable blended rate of corporation tax of 19% (2019: 19%) as follows:

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Current tax reconciliation		
Loss before tax	**(791)**	(1,385)
Current tax at 19% *(2019: 19.00%)*	**150**	263
Effects of:		
Non-deductible expenditure	**1**	5
Current tax prior year	**(2)**	-
Deferred tax prior year	**(2)**	-
Adjustments to tax charge in respect of prior period	**-**	(1)
Total income tax credit	**147**	267

Following last year's Budget, on 11 March 2020, the Chancellor revoked the enacted corporation tax rate reduction from 19% to 17%, thereby leaving it at 19%. Accordingly, each deferred tax balance has been re-measured individually based on the 19% enacted tax rate, (2019: 17.0%). The impact on the deferred tax assets was an increase of £1k.

Following the 2021 Budget, on 3 March 2021, the Chancellor has announced that with effect from 1 April 2023 the corporation tax rate will increase by 6% to 25%. Under IFRS it is the rate(s) actually enacted at the balance sheet date that determine the amount of deferred tax to be recognised. Accordingly, this announcement does not effect how the deferred tax balance has been measured as at 2 January 2021.

Due to the enactment of the 2021 Budget in May 2021, for subsequent reporting periods the Company will take account of this increased rate for determining the amount of deferred tax to be recognised. If this 6% rate increase in 2023 had been applied instead of the current enacted rate of 19% the impact that would be expected to increase the deferred tax assets on the balance sheet by £3k.

Notes *(continued)*

9 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a blended effective tax rate of 19% (2019: 17%).

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Deferred taxation asset		
At beginning of period	**11**	13
Income statement charge in the period	**(2)**	(2)
At end of period	**9**	11
Comprising:		
Capital allowances on capital assets	**9**	11
At end of period	**9**	11

Following the 2021 Budget, on 3 March 2021, the Chancellor has announced that with effect from 1 April 2023 the corporation tax rate will increase by 6% to 25%. Under IFRS it is the rate(s) actually enacted at the balance sheet date that determine the amount of deferred tax to be recognised. Accordingly, this announcement does not effect how the deferred tax balance has been measured as at 2 January 2021.

Due to the enactment of the 2021 Budget in May 2021, for subsequent reporting periods the Company will take account of this increased rate for determining the amount of deferred tax to be recognised. If this 6% rate increase in 2023 had been applied instead of the current enacted rate of 19% the impact that would be expected to increase the deferred tax assets on the balance sheet by £3k.

10 Trade and other receivables

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Current assets:		
Amounts owed by group undertakings	**-**	60,674
	-	60,674

The Company has applied the expected credit loss model to trade receivables and amounts owed by group undertakings under IFRS 9 (Financial Instruments) which focusses on whether the receivables are expected to be recoverable rather than whether an impairment loss has occurred. The expected credit loss is £nil (2019: £nil).

Notes *(continued)*

11 Trade and other payables

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Current liabilities:		
Amounts owed to group undertakings	**(68,148)**	(128,180)
	(68,148)	(128,180)

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

12 Called up share capital

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Authorised, issued and fully		
Ordinary shares of £1 each	**-**	-

The total number of ordinary shares is 1 at £1 each.

13 Group Entities

Ultimate parent undertaking

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. 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.