

Co-operative Legal Services Limited

Strategic report, Directors' report and financial statements

Registered number 05671209

Period ended 2 January 2021



Corporate Information

Directors

Caoilinn Hurley.
James Edward Morris
Helen Grantham.
Steven Richard Martin
Charlotte Lock
Susan Claire Tunmore

Secretary

Claire Louise Dalton

Auditors

Ernst & Young LLP

Bankers

Co-operative Bank
Barclays Bank

Registered Office

1 Angel Square
Manchester
M60 0AG

Contents

Strategic report	1
Directors' report	3
Statement of Directors' responsibilities in respect of the Directors' report and the financial statements	4
Independent auditor's report to the members of Co-operative Legal Services Limited	5
Profit and loss account	7
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Strategic report

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

Principal activities

The principal activities of the Company during the period related to legal services and insurance claims handling.

Business review

The profits of the Company for the period are set out in the Profit and loss account on page 7. Revenue for the period was £33.2m (2020: £35.3m) with profit before taxation of £3.3m (2020: £4.9m). The Company did not pay any dividends during the period (2020: £nil).

At the period end, the Company had total net assets of £34.2m (2020: £12.3m) including cash and cash equivalents of £18.1m (2020: £15.3m).

Co-operative Legal Services Limited operates within the legal services market in the United Kingdom with its primary focus being the sale of consumer law products including probate, estate planning, family law and personal injury services. Our aim is to help our members when they are most at need while offering a professional service at great value for money.

The year on year fall in revenue of £2.1m to £33.2m and fall in profit of £1.2m to £2.9m was driven by the Covid-19 pandemic impacts, including longer probate case durations due to slower third party processing times and delayed property sales, and fewer personal injury case openings due to lockdowns reducing levels of road traffic.

Directors Duties and s.172 statement

The Directors of Co-operative Legal Services Limited ("CLS") are required to act in a manner compliant with their duties as set out in the UK Companies Act 2006.

This includes a duty to promote the success of the Company for the benefit of its shareholders. Board processes are designed to support the Directors in discharging this duty, particularly in relation to decision making processes. Here, we set out our engagement activities with our key stakeholders. In order to fulfil this duty, Directors must consider the following:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- Company's reputation for high standards of business conduct;
- need to act fairly between members of the Company.

The following is an overview of how the Board has performed its duties during the year.

Customers

Being there for our customers and improving their overall customer experience is a priority of the Board.

Through understanding our customers' needs, we are able to offer products and services to fit their circumstances and by providing a positive customer experience, we aim to build relationships so they will continue to do business with us in the future.

The business sends out customer satisfaction surveys to all customers who have used our products and services. The Board receives information on complaint levels at every Board meeting as part of its Risk Report and keeps this under review. The business has also undertaken specific work on dealing with vulnerable clients and has reported to the Board on this.

Shareholders

Co-operative Legal Services Limited is a wholly owned subsidiary of Co-operative Group Limited ("the Co-op"), the UK's largest consumer co-operative with 4.6 million active members.

The Co-op Board receives a monthly report on how the business is performing on all aspects including client and commercial aspects as well as strategy and colleague engagement.

Employees

CLS employs a number of colleagues in order to provide services to customers.

The Directors recognise the importance of colleagues, ensuring their views are considered and any impact on them when making decisions and supporting their wellbeing.

The Board receives regular reports on matters relating to employees including scores from colleague surveys where employees have the opportunity to have their say on a number of matters and give feedback to management. CLS also has a People Strategy comprising six key pillars with the aim of CLS becoming the Employer of Choice. The business is working through rolling out this strategy.

Partnerships

CLS has established a number of partnerships with third party organisations in order to offer our services to their clients.

CLS works closely with these organisations, providing supporting information and tools to ensure a good client journey.

Suppliers

CLS has a range of suppliers, who provide goods and services to support the legal services business and operation. The terms of those supplies, and the day to day relationships, are negotiated and managed by the Legal Heads of Practice where they directly support the provision of legal services, and by the Co-op Group Procurement team for business support supplies such as IT and facilities.

Regulation

CLS is authorised and regulated by the Solicitors Regulation Authority ("SRA") and must therefore meet obligations imposed by the regulator in addition to complying with other legislation applicable to the firm.

The SRA Principles require CLS, among other things, to uphold the rule of law and administration of justice; uphold public trust and confidence in the solicitors' profession; act with independence, honesty and integrity; and act in the best interests of each client.

CLS maintains compliant business systems and processes to achieve those Principles and maintain a reputation for high standards of business conduct. CLS reports to the SRA annually to confirm the firm is meeting regulatory obligations.

Community

Through our ultimate parent entity, the Co-op Group, our vision is Co-operating for a Fairer World.

The Co-op Group has also produced a section 172 (1) statement which details how the Society has engaged with stakeholders and can be found within its Annual Report & Accounts at www.co-operative.coop/investors/annual-results.

Future development and performance of the business

The Company continues to invest in developing propositions to drive future growth with a particular focus on sourcing increased work through third party relationships, particularly in the areas of probate, will writing and estate planning.

Principal risks and uncertainties

There is financial risk to the business in that the assessment of liability for personal injury claims is a key activity and the standard of the assessments needs to be consistent. Failing to manage this risk effectively can result in resource being allocated to non-revenue generating work. In order to ensure this doesn't happen, regular training is performed and is backed up by a team infrastructure which provides guidance, tuition and review.

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, and arises principally from the Company's receivables from customers. Credit risk is managed in the following ways: aged analysis is performed on trade receivable balances and reviewed on a monthly basis; credit ratings are obtained on any new customers and the credit ratings of existing customers are monitored on an on-going basis; credit limits are set for customers and trigger points and escalation procedures are clearly defined.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The policy on overall liquidity is to ensure that the Company has sufficient funds to facilitate all on-going operations. As part of the annual budgeting and long term planning process, the Company's cash flow forecast is reviewed and approved by the Board. The cash flow forecast is amended for any material changes identified during the period such as material acquisitions and disposals.

Other key risks identified and managed accordingly by the Company include COVID-19, operational, regulatory and strategic risk. Discussion of risks and uncertainties, in the context of the Group as a whole, is provided within the Group's annual report which does not form part of this report.

Key performance indicators

In addition to revenue and profit before taxation, the key performance indicator for the Company is case openings which is an indication of current and short-term revenue potential. In 2020 the Company opened 9% more cases than in 2019 driven by growth in the probate, estate planning and employment practice areas.

The Group Directors also monitor a number of key performance indicators of the Co-operative Group Limited ("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 within the Group's annual report.

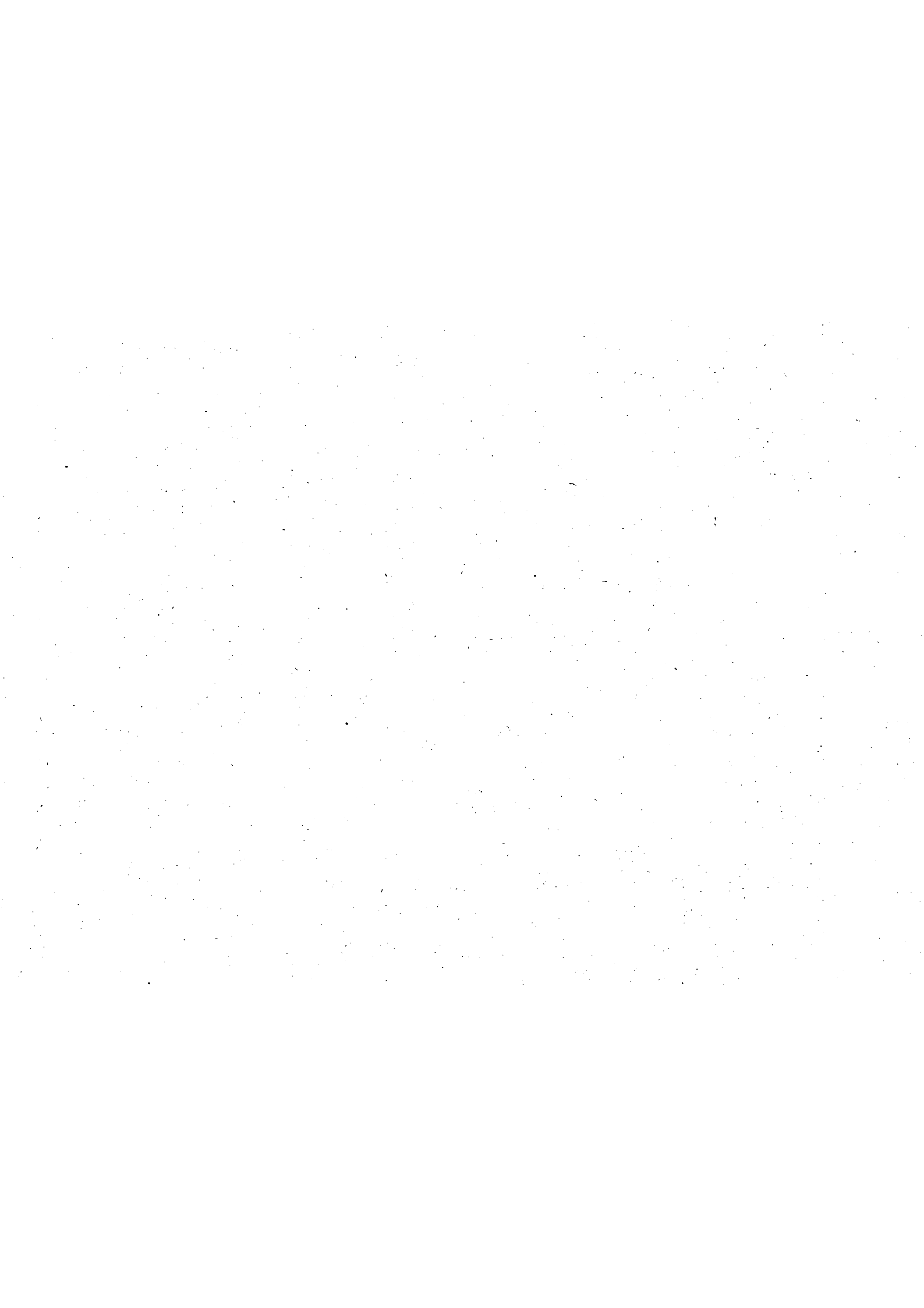
By order of the Board



Caoilinn Hurlley
Director

Registered Office:
1 Angel Square
Manchester
M60 0AG

Date 19 July 2021



Directors' report

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

In accordance with the provisions of S414c(11), we have included sections within the Strategic report relating to future development and performance of the business and principal uncertainties and risks as we feel this is more beneficial to the users although Companies Act 2006 would otherwise prescribe them to be included within the Directors' report.

Dividends and transfer to reserves

The Directors do not recommend the payment of a dividend (2020: Nil).

The profit for the period retained in the Company after taxation and dividends was £2.9m (2020: £4.1m).

Directors

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

Caolionn Hurley

James Edward Morris

Helen Grantham

Stuart Anthony Roberts (appointed 14 January 2020 and resigned on 15 February 2021)

Steven Richard Martin (appointed 29 April 2020)

Charlotte Lock (appointed 15 March 2021)

Susan Claire Tunmore (appointed 22 March 2021)

Jane Elisabeth Bates (resigned on 18 December 2020)

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

Financial instruments

The Company does not undertake financial instrument transactions.

Employees

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

Environment

The Company's environmental policy is set at Group level. The Co-operative Group Limited ("Co-op") is committed to managing its environmental impact. Further details can be found in the Co-op's annual report at www.co-operative.coop/investors/reports and in the Co-operate Report, which can be found at www.co-operative.coop/ethics/sustainability-reporting.

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 details in regard to the going concern assessment are provided in note 1 of these financial statements.

After conducting the financial projections exercise set out in note 1 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.

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. 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 S487 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



Caolionn Hurley

Director

Registered Office:
1 Angel Square
Manchester
M60 0AG

Date 19 July 2021

Statement of Directors' responsibilities in respect of 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 101 'Reduced Disclosure Framework').

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 applicable UK Accounting standards 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. 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 LEGAL SERVICES LIMITED

Opinion

We have audited the financial statements of Co-operative Legal Services Limited for the 52 weeks 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 19, 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 profit for the 52 weeks 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 conduct 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 period up 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.

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 strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 strategic report or 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OPERATIVE LEGAL SERVICES LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

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

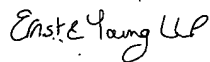
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006, Solicitors Regulatory Authority regulations and Income Tax Act 2007.
- We understood how the company is complying with those frameworks by performing inquiries with management and those charged with governance for legal and compliance matters.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiring with management and performing a walkthrough of the financial statement close process. We consider revenue recognition to be a fraud risk due to management override of controls, therefore we tested manual journal entries posted to revenue and also performed period end cut off procedures. Further, we performed overall analytical procedures to ensure that the overall financial performance and the position as at and for the period ended are free of material misstatements. We have also performed journal entry testing to identify unusual transactions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquires with the management, performing tests of details such as checking for unusual legal or penalty expenses, and performing journal entry testing to identify unusual transactions.

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.



Kate Jarman (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

Date: 21 July 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	2	33,187	35,327
Cost of sales		(4,024)	(3,825)
Gross profit		29,163	31,502
Operating expenses		(26,327)	(26,462)
Operating profit	3	2,836	5,040
Investment income	6	585	
Finance costs	7	(124)	(98)
Profit on ordinary activities before taxation		3,297	4,942
Taxation	8	(417)	(802)
Profit for the period		2,880	4,140

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 Profit and loss account shown above.

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

Balance sheet

as at 2 January 2021

	Notes	As at 2 January 2021 £'000	As at 2 January 2021 £'000	As at 4 January 2020 £'000	As at 4 January 2020 £'000
Non-current assets					
Property and equipment	9	921		1,048	
Right-of-use assets	10	1,494		2,095	
Intangible assets	11	4,301		4,330	
Investments	12	3,438		3,438	
Trade and other receivables	13	2,565		2,304	
Deferred tax asset	16	179		213	
Total non-current assets			12,898		13,428
Current assets					
Trade and other receivables	13	17,599		17,825	
Cash and cash equivalents		18,131		15,342	
Total current assets			35,730		33,167
Total assets			48,628		46,595
Non-current liabilities					
Lease liabilities	10	1,299		1,745	
Total non-current liabilities			1,299		1,745
Current liabilities					
Lease liabilities	10	300		487	
Trade and other payables	14	12,612		32,076	
Provisions	15	230			
Total current liabilities			13,142		32,563
Total liabilities			14,441		34,308
Equity					
Called up share capital	17	27,020		8,000	
Retained earnings		7,167		4,287	
Total equity			34,187		12,287
Total equity and liabilities			48,628		46,595

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

These financial statements were approved by the Board of Directors on 19 July 2021 and were signed on its behalf by:



Caoilinn Hurley
Director

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

	Notes	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 5 January 2019		8,000	147	8,147
Profit for the period			4,140	4,140
Balance at 4 January 2020		8,000	4,287	12,287
Profit for the period			2,880	2,880
Transactions with owners in their capacity as owners:				
Share capital issued	17	19,020		19,020
Balance at 2 January 2021		27,020	7,167	34,187

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

Notes

(forming part of the financial statements)

1 Accounting policies

Reporting entity

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

Accounting date

The financial statements for the 52 week period are prepared to 2 January 2021.

Basis of preparation

The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, fair value measurements, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

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; and
- The requirements of paragraph 82, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and in accordance with applicable accounting standards 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 Company is exempt by virtue of S400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it is a wholly owned subsidiary of Co-operative Group Limited, a Society incorporated in England and Wales. These financial statements present information about the Company as an individual undertaking only. The accounting policies set out below, have been applied consistently to all periods presented in these financial statements.

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); and
- Covid-19 Related Rent Concessions (Amendments to IFRS 16).

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; and
- 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.

Critical accounting estimates and judgements

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

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

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. Judgements and estimates made by management in the application of FRS 101 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

(i) Revenue and milestones

Revenue within personal injury and probate is recognised using a fixed milestone methodology which represents the progression and fulfilment of a case. Milestones have been derived by using the output method, which measures consideration based on performance obligations and value transfer to the client. This approach and timing of milestones is reviewed on a regular basis to ensure revenue consideration is recognised within the appropriate accounting period.

(ii) Disbursement provisions

Details of the judgement elements made and the movement in allowances for expected credit loss are shown in note 13.

(iii) Tax provisions

The Company's tax charge is made up of current and deferred tax. 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.

Notes (continued)

Critical accounting estimates and judgements (continued)

(iv) Leases

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

Going concern

The Company generated a profit of £2.9m in the period (2020: £4.1m) and at the balance sheet dates holds net assets of £34.2m (2020: £12.3m).

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.

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

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)

1 Accounting policies (continued)

Cash and cash equivalents

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

Property, equipment and depreciation

Owned assets

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Office equipment	5 - 8 years
Fixtures and fittings	5 - 8 years
Computer software	2 - 5 years

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

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

No depreciation is provided on freehold land.

IFRS 16 Leases

(i) Right-of-use assets

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

(ii) Lease liabilities

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

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

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

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

Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates, and joint ventures. In respect of business acquisitions that have occurred since 11 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

(ii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is tested annually for impairment and is not subject to amortisation. Where there is indication of impairment an impairment review will be performed.

The licences and software have a useful economic life of 2 - 5 years and are amortised on a straight line basis over those years.

(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, other than deferred tax 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.

Notes (continued)

1 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 is a defined benefit 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 Legal Services Limited, in its individual financial statements, cannot recognise the net defined cost 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.

Taxation

(i) Income tax

Income tax on the profit 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.

Revenue

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

Provision of services is revenue recognised as a distinct performance obligation delivered to the client. All revenue is derived from the Company's principal activity of providing legal services within the United Kingdom. The following criteria must be met before revenue is recognised:

(i) Personal injury claims: Revenue on injury claims processed by the in-house solicitor is accrued over the life of the case as certain case milestones are achieved. No revenue is booked beyond the extent of recoverable costs until the admission of liability is received from the third party insurer. Revenue on injury claims referred to the Company's external panel of solicitors is booked when the Company has a right to consideration in accordance with the arrangement with the panel solicitor.

(ii) Claims handling: Revenue for claims handling represents the right to consideration earned in respect of claims handling services performed during the period through performance of contractual obligations, net of any sales tax.

(iii) Probate fees: Revenue on probate administration processed by the Company is accrued over the life of the case as certain milestones are achieved. Revenue on probate cases referred to the Company's external panel of solicitors is booked when the Company has a right to consideration in accordance with the arrangement with the panel solicitors.

(iv) Family law services: Revenue on private family law work is recognised at interim and final billing points in line with completion of work.

(v) Will writing services: Revenue on will writing services processed by the Company is booked when the payment is received from the customer. The payment of the agreed fee happens in line with the completion of the customer's will.

(vi) Commissions: Commissions are received on the referral of conveyancing work to an external solicitor. Revenue represents the gross amount of commissions earned and is recognised on completion of the conveyance.

(vii) Later life planning products: Revenue on Later life planning products processed by the Company is recognised at two distinct points - the first 50% when the initial instructions have been recorded and received by the legal team and the second 50% when the documentation has been created and sent to the customer for signing.

Provisions

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

2 Revenue

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Revenue comprises the following:		
Probate fees	24,842	25,988
Personal injury claims	3,287	4,369
Will writing services	2,126	2,241
Claims handling	1,427	1,437
Family law services	1,305	1,281
Employment law services	200	11
	<u>33,187</u>	<u>35,327</u>

Notes (continued)

3 Operating profit

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Operating profit is stated after charging:		
Depreciation of property and equipment	232	239
Depreciation of right-of-use assets	384	441
Amortisation of intangibles	29	38

The auditor's remuneration of £26k (2020: £25k) 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 £18.0m (2020: £17.8m).

The average number of persons employed by the Company (including Directors) during the period was as follows:

	Number of employees For period ended 2 January 2021	Number of employees For period ended 4 January 2020
Full-time	455	488

The aggregate payroll costs of these persons were as follows:

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Wages and salaries	14,894	14,796
Social security costs	1,456	1,432
Other pension costs (see note 5)	1,600	1,542
	17,950	17,770
	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Directors' remuneration		
Directors' emoluments	524	467
Company contributions to money purchase pension plans	12	12
	536	479

The above were recharged to the Company by the ultimate parent undertaking, Co-operative Group Limited, who paid for these on the Company's behalf.

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £374k (2020: £327k) and Company pension contributions of £nil (2020: £nil)

Retirement benefits are accruing to one Director under a money purchase scheme (2020: two).

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 the 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 ended 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. 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 £1.6m (2020: £1.5m). This is included in the staff costs as disclosed in note 4.

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.

Notes (continued)

6 Investment income

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Dividend received from Collective Legal Solutions Group Limited	585	

7 Finance costs

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Interest payable		
Underlying interest expense on lease liabilities	(138)	(104)
Total interest payable and similar costs	(138)	(104)
Interest receivable		
Interest receivable on short term deposits	14	6
Total interest receivable and similar income	14	6
Net finance costs	(124)	(98)

8 Taxation

Analysis of charge in period

	For period ended 2 January 2021 £'000	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000	For period ended 4 January 2020 £'000
UK corporation tax				
Group relief payable	(450)		(828)	
Adjustments in respect of prior periods	67		41	
Total current tax	67	(383)	41	(787)
Deferred tax				
Current period items	(8)		(17)	
Adjustments in respect of prior periods	(46)		2	
Effect of rate change on closing balance	20			
		(34)		(15)
Total tax charge		(417)		(802)

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 19% (2020: 19%) as follows:

	For period ended 2 January 2021 £'000	For period ended 4 January 2020 £'000
Current tax reconciliation		
Profit before tax	3,297	4,942
Current tax charge at 19% (2020: 19%)	(626)	(939)
Effects of:		
Non-deductible expenditure	(1)	103
Non-taxable income	111	
Transfer pricing adjustment	63	
Non-qualifying depreciation	(5)	(10)
Current tax prior year adjustment	67	41
Deferred tax prior year adjustment	(46)	2
Deferred tax rate change adjustment	20	1
Tax charge on continuing business	(417)	(802)

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, (2020: 17.0%). This has contributed a £20k credit to the total deferred tax charge in the current year.

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 affect how the deferred tax balance has been measured as at 2 January 2021.

However, once the above rate change has been enacted later this year, 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 go through the income statement is a £56k credit.

Notes (continued)

9 Property and equipment

as at 2 January 2021

	Freehold land and buildings £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 4 January 2020	267	1,103	902	2,272
Additions		87	18	105
At 2 January 2021	267	1,190	920	2,377
Depreciation				
At 4 January 2020	267	718	239	1,224
Charge for the period		114	118	232
At 2 January 2021	267	832	357	1,456
Net book value				
At 2 January 2021		358	563	921
At 4 January 2020		385	663	1,048

10 Leases

Right-of-use assets

	Property £'000	Equipment £'000	Total £'000
Balance at 4 January 2020	1,804	291	2,095
Additions		170	170
Disposals	(427)	(7)	(434)
Depreciation charge for the period	(176)	(208)	(384)
Transfers from Group undertakings		47	47
Balance at 2 January 2021	1,201	293	1,494

The Company leases many assets, principally it leases properties for its administrative functions and some vehicles. The leases of properties are typically around 10 years in length. Vehicle and equipment leases are typically between 1 and 4 years in length and in some cases the Company has options to purchase the assets at the end of the contract term.

	As at 2 January 2021 £'000	As at 4 January 2020 £'000
Current	300	487
Non-current	1,299	1,745
Lease liabilities included in the balance sheet as at 2 January 2021	1,599	2,232
Lease liabilities - maturity analysis		
Less than 6 months	191	232
6 - 12 months	172	217
1 - 2 years	291	357
2 - 5 years	716	859
5 - 10 years	566	1,035
	1,936	2,700
Opening lease liabilities	2,232	2,607
Additions	168	11
Disposals	(358)	
Interest expense	138	123
Payments	(481)	(509)
Transfer to Group undertakings	(100)	
Closing lease liabilities	1,599	2,232

Notes (continued)

Leases (continued)

Extension and termination options

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

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

As at 2 January 2021, potential future cash outflows of £nil (2020: £nil) (discounted) have not been included in the lease liability because it is not reasonably certain that the Company will exercise the extension option. Included within the lease liability are future cash outflows of £895k (2020: £752k) (discounted) where the Company holds termination options but it is not reasonably certain to execute those termination options.

11. Intangible assets

as at 2 January 2021

	Goodwill £'000	Computer software £'000	Total £'000
Cost			
At 4 January 2020	6,538	264	6,802
At 2 January 2021	6,538	264	6,802
Amortisation			
At 4 January 2020	2,250	222	2,472
Charge for the period	-	29	29
At 2 January 2021	2,250	251	2,501
Net book value			
At 2 January 2021	4,288	13	4,301
At 4 January 2020	4,288	42	4,330

Amortisation charges of £29k (2020: £38k) are recognised in operating expenses within the income statement.

The licences and software have a useful economic life of 2 - 5 years and are amortised on a straight line basis over those years.

12. Investments

The Company holds an investment representing 100% of the ordinary share capital of The Co-operative Trust Corporation Limited, a legal services company registered in England and Wales. Following the grant of an alternative business structure licence to the Company in 2012 the entire business, assets and liabilities of The Co-operative Trust Corporation Limited were transferred to the Company at carrying value. As a result of this transfer, the value of the investment was written off in 2012, and The Co-operative Trust Corporation Limited is now dormant.

The Company holds an investment of £3,438,000 representing 100% of the share capital of Collective Legal Solutions Group Limited and its subsidiaries, an estate planning company registered in England and Wales. The principal activities of the business are the sale of basic and complex end of life planning products. The registered office is 1 Angel Square, Manchester M60 0AG.

On March 29, 2018 Co-operative Legal Services Limited acquired 100% of the ordinary share capital of Chorus Law Group Limited.

Subsidiary details are listed below:

		As at 2 January 2021 £'000	As at 4 January 2020 £'000
Investments in subsidiaries		3,438	3,438
At 2 January 2021 and 4 January 2020			
	Trading/ Dormant	Total assets £	Total liabilities £
		Revenue £	Profit / (loss) £
Collective Legal Solutions Group Limited *	Dormant	350,000	(251,001)
The Co-operative Trust Corporation Limited *	Dormant	-	-
Dovedon Limited **	Trading	5,402,000	3,442,000
CLS Probate Limited **	Trading	78,000	46,000
Care Estate Planning Limited **	Dormant	-	(645,425)
Collective Legal Solutions Limited **	Dormant	1,001	-
		5,831,001	2,591,574
		4,602,000	547,235

* directly held

** indirectly held

Notes (continued)

13 Trade and other receivables

	As at 2 January 2021 £'000	As at 4 January 2020 £'000
Non-current assets:		
Amounts recoverable on contracts	2,565	2,304
	<u>2,565</u>	<u>2,304</u>
Current assets:		
Trade receivables	2,981	3,199
Amounts owed by Group undertakings	-	1
Amounts recoverable on contracts	14,188	14,243
Prepayments and accrued income	430	382
	<u>17,599</u>	<u>17,825</u>

Amounts recoverable on contracts represent contract assets under IFRS 15.

All of the above financial assets are classified as loans and receivables. Trade receivables are stated net of expected credit loss of £2.2m (2020: £1.7m).

For personal injury, the provision is driven by high risk cases and cases where liability is either outstanding or denied. Any adjustment to the level of provision is recognised within the income statement in operating profit.

Amounts overdue but not impaired typically comprise high volume / low value balances for which the individual trading businesses do not seek collateral but continue to work with counterparties to secure settlement. No other debtors are overdue.

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

Movements in allowance for expected credit loss

	As at 2 January 2021 £'000	As at 4 January 2020 £'000
Opening provision for expected credit loss	1,746	1,227
Increase in provision during the period	853	1,026
Bad debts written off during the period	(430)	(507)
Closing provision for expected credit loss	<u>2,169</u>	<u>1,746</u>

14 Trade and other payables

	As at 2 January 2021 £'000	As at 4 January 2020 £'000
Current liabilities:		
Trade payables	781	826
Amounts owed to Group undertakings	1,738	20,733
Corporation tax liability	1,495	1,112
Other taxation and social security	1,300	1,507
Accruals and deferred income	7,298	7,898
	<u>12,612</u>	<u>32,076</u>

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

15 Provisions

	As at 2 January 2021 £'000	As at 4 January 2020 £'000
Provision made for dilapidations during the period	230	-
Balance at 2 January 2021	<u>230</u>	<u>-</u>
Current	<u>230</u>	<u>-</u>
	<u>230</u>	<u>-</u>

Notes (continued)

16 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a blended effective rate of 19% (2020: 17%).

	As at 2 January 2021 £'000	As at 4 January 2020 £'000
Deferred taxation asset		
Opening balance	213	214
IFRS 16 restatement		14
Charge in the period	(34)	(15)
Closing balance	<u>179</u>	<u>213</u>
Comprising:		
Tangible fixed assets	158	182
Provisions	17	
IFRS 16 leases	4	14
Other timing differences		17
Closing balance	<u>179</u>	<u>213</u>

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.

However, once the above rate change has been enacted later this year, 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 on the balance sheet would have been to increase the net deferred tax asset by £56k.

17 Called up share capital

	As at 2 January 2021 £'000	As at 4 January 2020 £'000
Authorised		
Ordinary shares of £1 each	<u>27,020</u>	<u>8,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>27,020</u>	<u>8,000</u>

On 16 December 2020, as part of a project initiated by Co-operative Group Limited to capitalise certain amounts owed to Group undertakings, a further 19,020,000 shares of £1 were issued to Co-operative Group Holdings (2011) Limited.

18 Commitments and contingent liabilities

There are no capital commitments at the end of the current period and preceding financial period.

19 Group entities

Ultimate parent company

The Company is a wholly owned subsidiary of Co-operative Group Limited, a Registered Society 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.