

Co-operative Legal Services Limited

Strategic report, Directors' report and financial statements

Registered number 05671209

Period ended 1 January 2022



**Corporate Information****Directors**

Caoilionn Hurley

James Edward Morris

Steven Richard Martin

Susan Claire Tunmore

Dominic Kendal-Ward

**Secretary**

Claire Louise Dalton

**Auditors**

Ernst & Young LLP

**Bankers**

Co-operative Bank

Barclays Bank

**Registered Office**

1 Angel Square

Manchester

M60 0AG

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## Strategic report

The Directors present their annual Strategic report and the audited financial statements for the 52 week period ended 1 January 2022. The comparative is for the 52 week period ended 2 January 2021 ('2021').

### Principal activities

The principal activities of Co-operative Legal Services Limited ('the Company') during the period related to legal services.

### 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 £34.004m (2021: £33.187m) with profit before taxation of £1.270m (2021: £3.297m). The Company did not pay any dividends during the period (2021: £nil).

At the period end, the Company had total net assets of £34.844m (2021: £34.187m) including cash and cash equivalents of £26.843m (2021: £18.131m).

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 value for money.

The Company continues to grow strongly. The year on year increase in revenue of £817k to £34.004m and a rise in operating profit of £989k to £3.825m was driven by strong growth in probate case openings, partially offset by the run-off of the personal injury road traffic accident book and legal expenses insurance work.

During 2021, an exercise took place to simplify the legal entity structure of the Co-operative Legal Services group of companies, including the identification of dormant subsidiaries which could be removed from the Group structure. In order to simplify the balance sheets of some of these subsidiaries and enable them to be struck off, the Company received dividends in specie from Chorus Law Group Limited, Collective Legal Solutions Group Limited and Care Estate Planning Limited totalling £4.928m, and impaired its investments in Collective Legal Solutions Group Limited by £3.438m and in Chorus Law Limited by £955k. The investment value as at 1 January 2022 increased by £784k to £4.222m (2021: £3.438m).

Following an assessment of the recoverability of intercompany loans, the Company has recognised a write off provision of £2.953m against an intercompany receivable from a fellow Group undertaking, as the counterparty has been dissolved via a voluntary strike-off.

### 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.

These duties include Section 172(1), the duty to promote the success of the Company for the benefit of its shareholders. As a Board we are conscious of the impacts that our business decisions may have on our direct stakeholders as well as our impact in the community. A number of Board processes and corporate governance practices are applied 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;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the Company's reputation for high standards of business conduct;
- the 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

We are committed to staying true to our vision and our values, being there for our customers and improving their overall customer experience is a priority for the Board.

By understanding our customers' needs, we are continually able to offer products and services to fit their circumstances and by providing a positive customer experience, we aim to build relationships so we continue to be relevant to our customers.

Customer satisfaction surveys are sent to all customers who have used our products and services to be periodically monitored. 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 more than four million active members (individual members and other Co-op's).

The Co-op Board receives a monthly executive report on how CLS is performing and 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.

### 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 contracts, 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 applicable legislation.

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/reports](http://www.co-operative.coop/investors/reports).

**Strategic report (continued)**

**Future development and performance of the business**

The Company continues to invest in developing digital propositions blended with our in-house expertise 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**

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 limits are set for customers and trigger points with 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 probate, the Company's largest practice area, cases opened were 6,167 (2021: 5,123), an increase of 20% year on year. Estate planning cases opened were 18,596 (2021: 19,457) a decrease of 4% year on year as demand returned to more normal levels following the Covid-19 pandemic.

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 Hurley  
Director

Registered Office:  
1 Angel Square  
Manchester  
M60 0AG

Date 30 June 2022

## Directors' report

The Directors present their report and the audited financial statements for the 52 week period ended 1 January 2022 ('2022'). The comparative is for the 52 week period ended 2 January 2021 ('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 (2021: Nil).

The profit for the period retained in the Company after taxation and dividends was £0.7m (2021: £2.9m).

### Directors

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

Caoilinn Hurley

James Edward Morris

Steven Richard Martin

Charlotte Lock (appointed 15 March 2021 and resigned on 28 January 2022)

Susan Claire Tunmore (appointed 22 March 2021)

Dominic Kendal-Ward (appointed 23 May 2022)

Stuart Anthony Roberts (resigned on 15 February 2021)

Helen Grantham (resigned on 23 May 2022)

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 complex financial instrument transactions.

### Employees

The main communication with employees is with weekly communications via Colleague Comms emails which includes business updates and access to various Co-op resources including blogs and videos. All managers are kept informed about the Group's performance through annual, interim and social accountability reports, and a Leaders Weekly Update which is circulated by email.

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](http://www.co-operative.coop/investors/reports) and in the Co-operate Report, which can be found at [www.co-operative.coop/ethics/sustainability-reporting](http://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 June 2023.

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 working capital cycle. 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 June 2023 (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.

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 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.

### 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



Caoilinn Hurley

Director

Registered Office:  
1 Angel Square  
Manchester  
M60 0AG

Date 30 June 2022

#### Statement of Directors' responsibilities

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 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 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, 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 LEGAL SERVICES LIMITED

### Opinion

We have audited the financial statements of Co-operative Legal Services Limited for the 52 weeks period ended 1 January 2022 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 21, 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 1 January 2022 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 June 2023.

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**

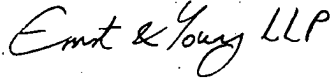
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not 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.

- 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, 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, reviewing board minutes, performing tests of details such as checking for unusual legal or penalty expenses if any, 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.



**James Golder (Senior statutory auditor)**

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

**Bristol**

**30 June 2022**

**Profit and loss account**  
**for the period ended 1 January 2022**

	Notes	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Revenue	2	34,004	33,187
Cost of sales		(3,157)	(4,024)
<b>Gross profit</b>		<b>30,847</b>	<b>29,163</b>
Operating expenses		(27,022)	(26,327)
<b>Operating profit</b>	3	<b>3,825</b>	<b>2,836</b>
Finance and other income	6	4,928	599
Finance costs	7	(137)	(138)
Other financial items	8	(7,346)	
<b>Profit on ordinary activities before taxation</b>		<b>1,270</b>	<b>3,297</b>
Taxation	9	(613)	(417)
<b>Profit for the period</b>		<b>657</b>	<b>2,880</b>

All amounts relate to continuing activities.

**Statement of comprehensive income**  
**for the period ended 1 January 2022**

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 20 form an integral part of these financial statements.

**Balance sheet**

as at 1 January 2022

	Notes	As at 1 January 2022 £'000	As at 1 January 2022 £'000	As at 2 January 2021 £'000	As at 2 January 2021 £'000
<b>Non-current assets</b>					
Property and equipment	10	769		921	
Right-of-use assets	11	3,057		1,494	
Intangible assets	12	4,293		4,301	
Investments	13	4,222		3,438	
Trade and other receivables	14	2,812		2,565	
Deferred tax asset	17	234		179	
<b>Total non-current assets</b>			<b>15,387</b>		<b>12,898</b>
<b>Current assets</b>					
Trade and other receivables	14	17,909		20,552	
Cash and cash equivalents		26,843		18,131	
<b>Total current assets</b>			<b>44,752</b>		<b>38,683</b>
<b>Total assets</b>			<b>60,139</b>		<b>51,581</b>
<b>Non-current liabilities</b>					
Lease liabilities	11	2,741		1,299	
Provisions	16	230			
<b>Total non-current liabilities</b>			<b>2,971</b>		<b>1,299</b>
<b>Current liabilities</b>					
Lease liabilities	11	434		300	
Trade and other payables	15	21,890		15,565	
Provisions	16			230	
<b>Total current liabilities</b>			<b>22,324</b>		<b>16,095</b>
<b>Total liabilities</b>			<b>25,295</b>		<b>17,394</b>
<b>Equity</b>					
Called up share capital	18	27,020		27,020	
Retained earnings		7,824		7,167	
<b>Total equity</b>			<b>34,844</b>		<b>34,187</b>
<b>Total equity and liabilities</b>			<b>60,139</b>		<b>51,581</b>

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

These financial statements were approved by the Board of Directors on 30 June 2022

and were signed on its behalf by:



Caoilinn Hurley  
Director

**Statement of changes in equity**  
**for the period ended 1 January 2022**

	Notes	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 4 January 2020		8,000	4,287	12,287
Profit for the period		-	2,880	2,880
Share capital issued		19,020	-	19,020
<b>Balance at 2 January 2021</b>		<b>27,020</b>	<b>7,167</b>	<b>34,187</b>
Profit for the period		-	657	657
<b>Balance at 1 January 2022</b>		<b>27,020</b>	<b>7,824</b>	<b>34,844</b>

The notes on pages 10 to 20 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 1 January 2022. The comparative is for the 52 week period 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'.

The Company is a wholly owned subsidiary of Co-operative Group Limited (the 'Group'), a Registered Society under the Co-operative and Community Benefit Societies Act 2014 registered in England and Wales. The Company faces the same risks and challenges in relation to climate change as its ultimate parent undertaking (the Group) and manages these risks in-line with the Groups' approach to climate change. The Group's overall approach to climate change (including our 10-point plan) is outlined in the Group's 2021 Annual Report and Accounts (ARA) - 'Fairer for our planet' section on page 28. Climate related risks are also explained within the risk management section on page 46 of the ARA and Principal Risks and Uncertainties (Environment and Sustainability) on page 52 of the ARA. The Group's assessment of the potential impact on the long term viability of the Group is also set out on page 108.

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 52, 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 Registered 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.

The Company has restated the balance sheet at 2 January 2021 due to the retrospective correction of an error. There is no impact on opening retained earnings.

Following an assessment of the Group's intercompany loan balances it was identified that the Company had incorrectly offset amounts receivable from Group undertakings and amounts payable from Group undertakings for an amount of £2.953m. Accordingly, these amounts have been restated.

These errors, which have no impact on retained earnings, affected financial statement line items as follows:

	As at 2 January 2021	As at 2 January 2021 (restated)
	£'000	£'000
Amounts owed by Group undertakings	-	2,953
Amounts owed to Group undertakings	(1,738)	(4,691)

**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 3 January 2021 and concluded that they are either not relevant to the Company or do not have a significant impact on the financial statements:

- Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16;
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16; and
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4).

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

**Standards, amendments and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 1 January 2022 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:

- 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; \*
- Amendments to IAS 8 - Definition of Accounting Estimates; \*\*
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies; \*\*
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction; \*\*
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associates or Joint Venture; \*\*
- IFRS 17 Insurance Contracts; \*\* 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.\*

\* Effective for annual periods beginning on or after 1 January 2022 and \*\* 1 January 2023.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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) Expected credit loss provisions

Details of the judgement elements made and the movement in allowances for expected credit loss are shown in note 14.

#### Critical accounting estimates and judgements (continued)

#### (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.

#### (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 £657k in the period (2021: £2,880m) and at the balance sheet dates holds net assets of £34,844m (2021: £34,187m).

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 June 2023.

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.

Our Co-op borrows money from banks and others, and as part of this process we have checked that we can comply with the terms of those agreements, for example, banking covenants and facility levels. Accounting standards require that the foreseeable future covers a period of at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. The assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period, to 30 June 2023. Although our Co-op has a robust planning process, the current economic uncertainty (driven by factors including ongoing Covid 19 impact, inflation and rising energy costs) means that additional sensitivities and analysis have been applied to test the going concern basis under a range of downside test scenarios. The following steps have been undertaken to allow the Directors to conclude on the appropriateness of the going concern assumption:

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

In making their assessment the Directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability; cash flow and covenant compliance; and available capital resources.

The potential scenarios which could lead to our Co-op not being a going concern are:

a. Not having enough cash to meet our liabilities as they fall due. Throughout the going concern period the facility limit within which we need to operate is £1,179m, which includes £779m non-bank facilities and £400m bank syndicate facilities; and/or

b. A breach of the financial covenants implicit in our bank facility agreement.

• Net Debt Leverage: Consolidated net debt as a multiple of bank-defined EBITDA must not exceed 3.00:1.00 at each six-monthly covenant test date.

• Adjusted Interest Cover: The bank-defined EBITDA (further adjusted by a fixed rental figure) as a multiple of the consolidated net finance charges, must not fall below 1.75:1.00 measured at each six-monthly covenant test date.

We note at the year end date, of the total £1,179m of facilities available to us, we were £972m drawn-down. Post the balance sheet date, there have been positive changes to the liquidity position.

#### 2) Board review and challenge the base case forecast

We have conducted a detailed forward planning exercise as part of our strategic plan. The Co-op's base case forecast includes prudence due to the uncertainty in the market due to geo-political factors, inflation and rising energy costs. The Board have reviewed and approved these plans.

The key assumptions in the plan are:

1. Year on year modest sales growth driven by inflation. Such inflation will be driven by various cost inflationary pressures, primarily in the cost of goods.

2. Cost optimisation program to drive higher operational efficiencies.

3. A capital light store growth program to drive higher cash generation and reduce indebtedness.

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

3) Consider downside sensitivities across the base case forecast

In undertaking our going concern assessment, we have included assumptions related to the impact of the pandemic and uncertain economic environment, and modelled further severe but plausible downside sensitivities of internal and external factors on the financial projections including (but not limited to):

- A reduction in the sales in our Food Retail business, with a prudent 1% reduction to sales volume. Reducing the Net sales from the base case
- A reduction in the demand of our Funeralcare business, with a prudent 1% reduction in sales.
- An increase in cost price inflation of 0.5% incremental to what has been used within our base model. It is also assumed that none of that is passed through to the sales price inflation.
- An increase in energy cost for unhedged volumes priced at prevailing market rate adding a further 15% premium for 2022 and 7.5% premium for 2023.
- Assuming 75% of our cost saving initiative across 2022 and 2023, is not achieved.

During the preparation of these various downside scenarios, we have also reviewed the impact of the Russia – Ukraine conflict and continue to monitor the scenario through the involvement of the senior members of the organisation with various industry bodies. We note that our sourcing of products from Russia and Ukraine is limited. We note that the direct impact of the conflict to Co-op is proportionately lower, driven by the British sourcing strategy and lesser exposure to National Brands with broader supply chains given tighter range offer.

The sensitivities identified above do not risk the validity of our Co-op as a going concern even before applying the mitigating actions set out below. Also, we have considered a plausible combination of the sensitivities happening concurrently where the validity remains protected. Only in the highly implausible scenario of all the sensitivities happening simultaneously will we need mitigating actions to be taken.

4) Examine what mitigating actions would be taken in the event of these scenarios

Whilst out of line with our strategic ambition, there are several options within the business's control we could exercise, if the above risks materialised. Options include:

- Our Co-op's ability to control the level and timing of its capital expenditure programme
- Apply cost control measures across both variable and overhead budgets, as well as flexibility to the level of pass through of energy and cost inflation to the end customer.

5) Perform a reverse stress tests and assess any further mitigating actions

Whilst our initial going concern approach assesses likely risks to our 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, we have modelled a significant downturn in the grocery market driven by cost of living inflation and geo-political uncertainty of a further -4% retraction in Retail sales and a further reduction in funeral volume of -5%. In addition, we have modelled the impact of a higher than expected Food cost inflation and further energy price rises.

We note, however, that we could mitigate the reverse stress test scenario through a further reduction or delay in capital expenditure and a change in the timing of our investment into operational improvements. There is also the option to apply further cost control measures and flexibility to pass a higher level of energy and cost inflation onto the end customer. Whilst all remain undesirable strategically there is also the option to apply further stringent cost control measures.

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.

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

(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.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Notes (continued)

2 Revenue

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Revenue comprises the following:		
Probate fees	27,256	24,842
Personal injury claims	2,592	3,287
Will writing services	2,563	2,126
Family law services	1,290	1,305
Claims handling	155	1,427
Employment law services	148	200
	<u>34,004</u>	<u>33,187</u>

3 Operating profit

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Operating profit is stated after charging:		
Depreciation of property and equipment	260	232
Depreciation of right-of-use assets	325	384
Amortisation of intangibles	8	29
	<u>8</u>	<u>29</u>

The auditor's remuneration of £28k (2021: £26k) 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 £17.8m (2021: £18m).

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

	Number of employees For period ended 1 January 2022	Number of employees For period ended 2 January 2021
Full-time	<u>461</u>	<u>455</u>

The aggregate payroll costs of these persons were as follows:

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Wages and salaries	14,663	14,894
Social security costs	1,441	1,456
Other pension costs (see note 5)	1,675	1,600
	<u>17,779</u>	<u>17,950</u>

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Directors' remuneration		
Directors' emoluments	401	524
Company contributions to money purchase pension plans	13	12
	<u>414</u>	<u>536</u>

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 £247k (2021: £374k) and Company pension contributions of £nil (2021: £nil)

Retirement benefits are accruing to one Director under a money purchase scheme (2021: one).

Notes (continued)

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 1 January 2022 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 £1.7m (2021: £1.6m). 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.

6 Finance and other income

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Dividend received from Chorus Law Group Limited	2,725	585
Dividend received from Collective Legal Solutions Group Limited	2,202	-
Dividend received from Care Estate Planning Limited	1	-
Interest receivable on short term deposits	-	14
<b>Total finance and other income</b>	<b>4,928</b>	<b>599</b>

7 Finance costs

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Interest expense on financial liabilities measured at amortised cost	(58)	-
Interest expense on lease liabilities	(79)	(138)
<b>Total finance costs</b>	<b>(137)</b>	<b>(138)</b>

8 Other financial items

	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000
Impairment loss of investment - note 13	(4,393)	-
Write off of loan from Group undertakings - note 14	(2,953)	-
	<b>(7,346)</b>	<b>-</b>

9 Taxation

Analysis of charge in period

	For period ended 1 January 2022 £'000	For period ended 1 January 2022 £'000	For period ended 2 January 2021 £'000	For period ended 2 January 2021 £'000
<b>UK corporation tax</b>				
Group relief payable	(678)	-	(450)	-
Adjustments in respect of prior periods	10	-	67	-
<b>Total current tax charge</b>		<b>(668)</b>		<b>(383)</b>
<b>Deferred tax</b>				
Current period	2	-	(8)	-
Adjustments in respect of prior periods	(3)	-	(46)	-
Effect of rate change on closing balance	56	-	20	-
<b>Total deferred tax credit / (charge)</b>		<b>55</b>		<b>(34)</b>
<b>Total tax charge</b>		<b>(613)</b>		<b>(417)</b>

Notes (continued)

9 Taxation (continued)

Factors affecting the tax charge for the current period

The tax on the net profit before tax differs from the theoretical amount that would arise using the standard applicable blended rate of corporation tax of 19% (2021: 19%) as follows:

	For period ended 1 January 2022 £'000	For period, ended 2 January 2021 £'000
<b>Current tax reconciliation</b>		
Profit before tax	1,270	3,297
Current tax charge at 19% (2021: 19%)	<u>(241)</u>	<u>(626)</u>
<b>Effects of:</b>		
Non-deductible expenditure	(591)	(1)
Non-taxable income	937	111
Transfer pricing adjustment	63	63
Non-qualifying depreciation	(9)	(5)
Fixed asset impairments - not deductible	(835)	-
Current tax prior year adjustment	10	67
Deferred tax prior year adjustment	(3)	(46)
Deferred tax rate change adjustment	56	20
<b>Tax charge on continuing business</b>	<u><u>(613)</u></u>	<u><u>(417)</u></u>

Following the Budget on 3 March 2021, the Chancellor announced that the main rate of Corporation Tax will increase from 19% to 25%, with effect from the 1 April 2023.

Under IFRS (IAS 12) it is the rate enacted at the balance sheet date that determines the amount of deferred tax to be recognised. As the 25% rate has been enacted at the balance sheet date, to the extent the deferred tax assets and liabilities are expected to crystallise after 1 April 2023, they should be valued using 25% instead of the current corporation tax rate of 19%. While a minority of assets and liabilities are forecast to unwind between the balance sheet date and 1 April 2023, it is expected that this is immaterial to the overall deferred tax balance and therefore a flat rate of 25% has been applied.

The impact of recognising the net deferred tax assets at 25% is an increase in the assets of £56k.

10 Property and equipment

as at 1 January 2022

	Freehold land and buildings £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 2 January 2021	267	1,190	920	2,377
Additions	-	108	-	108
At 1 January 2022	<u>267</u>	<u>1,298</u>	<u>920</u>	<u>2,485</u>
<b>Depreciation</b>				
At 2 January 2021	267	832	357	1,456
Charge for the period	-	144	116	260
At 1 January 2022	<u>267</u>	<u>976</u>	<u>473</u>	<u>1,716</u>
<b>Net book value</b>				
At 1 January 2022	<u>-</u>	<u>322</u>	<u>447</u>	<u>769</u>
At 2 January 2021	<u>-</u>	<u>358</u>	<u>563</u>	<u>921</u>

11 Leases

Right-of-use assets

	Property £'000	Equipment £'000	Total £'000
Balance at 2 January 2021	1,201	293	1,494
Additions	1,852	89	1,941
Disposals	(51)	(2)	(53)
Depreciation charge for the period	(172)	(153)	(325)
Balance at 1 January 2022	<u>2,830</u>	<u>227</u>	<u>3,057</u>

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 1 January 2022 £'000	As at 2 January 2021 £'000
Current	434	300
Non-current	<u>2,741</u>	<u>1,299</u>
Lease liabilities included in the balance sheet as at 1 January 2022	<u><u>3,175</u></u>	<u><u>1,599</u></u>

Notes (continued)

11 Leases (continued)

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
<b>Lease liabilities - maturity analysis of undiscounted cash flows</b>		
Less than 6 months	246	191
6 -12 months	229	172
1 - 2 years	535	291
2 - 5 years	1,453	716
5 - 10 years	1,024	566
	<u>3,487</u>	<u>1,936</u>
	As at 1 January 2022 £'000	As at 2 January 2021 £'000
<b>Opening lease liabilities</b>	1,599	2,232
Additions	1,941	168
Disposals	(50)	(358)
Interest expense	79	138
Payments	(394)	(481)
Transfer to Group undertakings	-	(100)
<b>Closing lease liabilities</b>	<u>3,175</u>	<u>1,589</u>

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 1 January 2022, potential future cash outflows of £nil (2021: £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 £832k (2021: £895k) (discounted) where the Company holds termination options but it is not reasonably certain to execute those termination options.

12 Intangible assets

as at 1 January 2022

	Goodwill £'000	Computer software £'000	Total £'000
<b>Cost</b>			
At 2 January 2021	6,538	264	6,802
At 1 January 2022	<u>6,538</u>	<u>264</u>	<u>6,802</u>
<b>Amortisation</b>			
At 2 January 2021	2,250	251	2,501
Charge for the period	-	8	8
At 1 January 2022	<u>2,250</u>	<u>259</u>	<u>2,509</u>
<b>Net book value</b>			
At 1 January 2022	<u>4,288</u>	<u>5</u>	<u>4,293</u>
At 2 January 2021	<u>4,288</u>	<u>13</u>	<u>4,301</u>

Amortisation charges of £8k (2021: £29k) 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.

Notes (continued)

13 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 held an investment of £3.438m 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 were the sale of basic and complex end of life planning products. Following an exercise in 2021 to simplify the legal structure of the Co-operative Legal Services group of companies, Collective Legal Solutions Group Limited was dissolved and the full investment value of £3.438m was impaired following the disposal of its investments in Care Estates Planning Limited and Collective Legal Solutions Limited.

On March 29, 2018 Co-operative Legal Services Limited acquired 100% of the ordinary share capital of Chorus Law Group Limited and its subsidiaries, a company registered in England and Wales. The principal activities of the business were the provision of legal services and advice to personal representatives of deceased estates. Following an exercise in 2021 to simplify the legal structure of the Co-operative Legal Services group of companies, Chorus Law Group Limited was dissolved and the investment value of £2.726m impaired by £955k to £1.771m being the net asset value of Chorus Law Limited following the transfer of its entire shareholdings in Chorus Law Limited, Simplify Channel Ltd and Independent Trust Corporation Limited to Co-operative Legal Services Limited.

As a result of the exercise in 2021 to simplify the legal structure of the Co-operative Legal Services group of companies; the total impairment to investments was £4.393m.

Investments in subsidiaries

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
At 2 January 2021	3,438	3,438
Additions	5,177	
Impairment	(4,393)	
At 1 January 2022	<u>4,222</u>	<u>3,438</u>

As a result of the exercise in 2021 to simplify the legal structure of the Co-operative Legal Services group of companies, the Co-operative Legal Services Limited investment holdings are made up as follows:

	As at 1 January 2022 £'000
Dovedon Limited	2,176
CLS Probate Limited	25
Independent Trust Corporation Limited	250
Chorus Law Limited	1,771
	<u>4,222</u>

Subsidiary details are listed below:

Subsidiary name	Trading/ Dormant	Total assets £'000	Total liabilities £'000s	Revenue £'000	Profit / (loss) £'000
Dovedon Limited *	Trading	3,392	508	4,916	924
CLS Probate Limited *	Trading	26	-	-	(6)
Chorus Law Limited *	Trading	3,072	1,178	44	39
Simplify Channel Ltd *	Trading	81	3,786	-	(31)
Independent Trust Corporation Limited *	Dormant	250	-	-	-
		<u>6,821</u>	<u>5,472</u>	<u>4,960</u>	<u>926</u>

\* directly held

The registered address for all the subsidiaries is 1, Angel Square, Manchester, M60 0AG.

Notes (continued)

14 Trade and other receivables

	As at 1 January 2022 £'000	As at 2 January 2021 (restated) £'000
<b>Non-current assets:</b>		
Amounts recoverable on contracts	2,812	2,565
	<u>2,812</u>	<u>2,565</u>
<b>Current assets:</b>		
Trade receivables	3,161	2,981
Amounts owed by Group undertakings	-	2,953
Amounts recoverable on contracts	14,168	14,188
Prepayments and accrued income	580	430
	<u>17,909</u>	<u>20,552</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 provision of £1.4m (2021: £2.2m).

The estimation policy for determining the provision required for probate debt was changed in 2021. Probate bills and disbursements were assessed based on a historic methodology based on the age of the outstanding debt. The provision for 2021 is now driven on a case by case basis covering every case regardless of whether there is a risk of the debt being unrecoverable. Where a case is identified to be at-risk, a full provision is held covering bills, disbursements and accrued revenue. The new methodology provides a robust and accurate estimation of expected credit loss supported by actual experience.

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.

Following an assessment of the recoverability of intercompany loans, the Company has recognised a credit loss provision of £2.953m against an intercompany receivable from a fellow Group undertaking, as the counterparty has been dissolved via a voluntary strike-off.

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

Movements in allowance for expected credit loss

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
Opening provision for expected credit loss	2,169	1,746
(Decrease) / increase in provision during the period	(230)	853
Bad debts written off during the period	(504)	(430)
Closing provision for expected credit loss	<u>1,435</u>	<u>2,169</u>

15 Trade and other payables

	As at 1 January 2022 £'000	As at 2 January 2021 (restated) £'000
<b>Current liabilities:</b>		
Trade payables	908	781
Amounts owed to Group undertakings	12,765	4,691
Corporation tax liability - group relief	678	1,495
Other taxation and social security	1,454	1,300
Accruals and deferred income	6,085	7,298
	<u>21,890</u>	<u>15,565</u>

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

16 Provisions

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
At beginning of the period	230	-
Provision made for dilapidations during the period	-	230
Balance at 1 January 2022	<u>230</u>	<u>230</u>
Non-current	230	-
Current	-	230
	<u>230</u>	<u>230</u>

The provision relates to dilapidations at the Company's office in Stratford-upon-Avon which was planning to be vacated in December 2021 but has now been extended for a further ten years.

Notes (continued)

17 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a blended effective rate of 25% (2021: 19%).

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
<b>Deferred taxation asset</b>		
Opening balance	179	213
Credit / (charge) in the period	55	(34)
<b>Closing balance</b>	<u>234</u>	<u>179</u>
<b>Comprising:</b>		
Tangible fixed assets	217	158
Provisions	12	17
IFRS 16 leases	5	4
<b>Closing balance</b>	<u>234</u>	<u>179</u>

18 Called up share capital

	As at 1 January 2022 £'000	As at 2 January 2021 £'000
<b>Authorised</b>		
Ordinary shares of £1 each	27,020	27,020
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>27,020</u>	<u>27,020</u>

19 Commitments and contingent liabilities

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

20 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.

21 Post balance sheet events - Conflict in Ukraine

The Group continues to monitor the ongoing tragic conflict in Ukraine and resulting international relationships, to understand how we can respond as a Co-op and potential effects upon our Group. Our immediate direct financial exposure to the fallout from the conflict is limited and we do not expect there to be a material impact on the valuation of the Company's assets or liabilities going forward.