

The Fairways Partnership Limited

Financial statements

Registered number 03461590

1 January 2011

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Directors' report

The Directors present their report and financial statements for the period ended 1 January 2011

Principal activities

The principal activities of the Company are those associated with funeral directors, embalmers and morticians

Business review

The results for the period are set out on page 5 of the financial statements. During the period, the Company made a profit before taxation of £876,000 (period ended 2 January 2010 profit of £1 273 000)

Parent Key Performance Indicators

In addition to monitoring revenue and profitability of the Company the Directors also monitor a number of key performance indicators of the Co-operative Group ("the group"). These include financial performance, growth in and engagement of members of the Group, growing customer loyalty and corporate reputation of the group. Further details on these key measures can be found on pages 40-41 of the group's annual report.

Principal risks and uncertainties

The Company's business activities, financial condition and results of operations could be affected by a number of risks and uncertainties. The key risks and mitigating factors are set out below:

Declining death rate

The single most significant risk and uncertainty faced by the Company remains a declining death rate. However, good cost management should ensure that the Company is able to mitigate the impact of the risk to revenue.

Increasing Consolidation in Key Markets

Increased consolidation within the key markets in which the Company operates results in increased price competition and also increased risks to the Company's supply chain.

The Company is continually looking for measures to reduce its operating costs and drive business efficiencies and for opportunities to develop the business through organic growth.

Cost Inflation

Inflation in certain cost areas, particularly energy costs, has been significantly higher than price inflation. As highlighted previously, the Company is continually looking for measures to reduce its costs and has introduced initiatives to ensure that costs are controlled and to obtain the best possible terms from its suppliers.

Regulatory and Political Environment

The Company is subject to the rules and regulations of a number of authorities and regulatory bodies. The Company considers these uncertainties in the external environment and when developing its external strategy and reviewing performance as part of our day-to-day operations we engage with relevant organisations to ensure that we continue to trade under the current guidelines and to ensure that the views of our customers and employees are represented and try to contribute to important changes in policy.

Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 42-45 of the group's annual report which does not form part of this report.

Key Performance Indicators

	2011	2010	Variance %
Funerals completed	3,215	3,368	(4.54%)
Revenue (£000)	7,992	7,809	2.34%
Operating profit (£000)	971	1,462	(33.58%)
Operating profit margin %	12.15%	18.72%	6.75%

All KPIs relate to continuing operations.

Dividend

The Directors do not recommend the payment of a dividend (2010: £nil).

Directors

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

S P D Kershaw
D B Hendry
G M Trinning
N J Walker
P Moynihan

Directors' Report (continued)

Employees

Employees are provided with business specific communication and these are supported by two corporate publications Magma magazine and Us magazine. All managers are kept informed about the group's performance through annual, interim and social accountability reports, management bulletins and Newsline, 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.

Creditor payment terms

The group's Code on Business Conduct sets out the Society's and its subsidiaries' relationships with its suppliers and its undertaking to pay its suppliers on time and according to agreed terms of trade.

Corporate responsibility and the environment

The Company closely follows the group's corporate responsibility and environmental policies. The group provides a sustainable development section in its annual report. This can be found on pages 32-35. In addition, the group's Sustainability Report, which will be published towards the latter half of 2011, describes how the group manages its social, ethical and environmental impact.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period (2010: £nil).

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in net current assets, as an assurance has been received from the ultimate parent undertaking that financial support will continue to be made available for the foreseeable future.

Disclosure of information to auditors

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board


C J Sellers
Secretary

28/6/11

Registered Office
New Century House
Corporation Street
Manchester
M60 4ES

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

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

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

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

In preparing these financial statements, the Directors are required to

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

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



KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of The Fairways Partnership Limited

We have audited the financial statements of The Fairways Partnership Limited for the period ended 1 January 2011 set out on pages 6 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 1 January 2011 and of its profit for the period then ended
- have been properly prepared in accordance with IFRSs as adopted by the EU and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches 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.

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

Income statement
for the period ended 1 January 2011

	Notes	For period ended 1 January 2011 £'000	For period ended 2 January 2010 £'000
Revenue		7,992	7 809
Cost of sales	1	(1,196)	(1,119)
Gross profit		6,796	6,690
Administrative expenses		(5,785)	(5,227)
Profit / (loss) on disposal of property plant and equipment	2	7	(1)
Impairment of property plant and equipment	9	(47)	-
Operating profit		971	1 462
Financial income	5	40	62
Financial expenses	6	(135)	(251)
Profit before taxation	2	876	1,273
Taxation	7	453	(519)
Profit after taxation		1,329	754
Profit on sale of discontinuing operations, net of tax	8	346	383
Profit for the period		1,675	1,137

Other than *Profit on sale of discontinuing operations, net of tax*, all amounts relate to continuing activities

The prior year income statement has been restated to classify commissions received within revenue rather than administrative expenses. The restatement has not changed the prior year profit for the period but has increased revenue and increased administrative expenses equally by £252,000

Statement of comprehensive income
for the period ended 1 January 2011

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

**Balance Sheet
at 1 January 2011**

	Notes	For period ended 1 January 2011 £'000	For period ended 1 January 2011 £'000	For period ended 2 January 2010 £'000	For period ended 2 January 2010 £'000
Non-current assets					
Property, plant and equipment	9	2,592		2,484	
Intangible assets	10	4,800		4,800	
Total non-current assets			7,392		7 284
Current assets					
Inventories	11	116		147	
Trade and other receivables	12	7,629		1,297	
Income tax receivable	7	519		-	
Cash and cash equivalents		3,048		11 144	
Total current assets			11,312		12,588
Total assets			18,704		19,872
Non-current liabilities					
Deferred tax liabilities	14	(347)		(363)	
Total non-current liabilities			(347)		(363)
Current liabilities					
Trade and other payables	13	(11,384)		(13,713)	
Income tax payable	7	-		(498)	
Total current liabilities			(11,384)		(14 211)
Total liabilities			(11,731)		(14,574)
Net assets			6,973		5 298
Equity					
Called up share capital	15	54		54	
Share premium account		5,346		5 346	
Retained earnings		1,573		(102)	
Total equity			6,973		5,298

These financial statements were approved by the Board of Directors on 28 June 2011
signed on its behalf by

and were



N J Walker
Director

**Statement of changes in equity
for the period ended 1 January 2011**

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 2 January 2010	54	5 346	(102)	5 298
Profit for the period	-	-	1,675	1,675
Balance at 1 January 2011	54	5,346	1,573	6,973
Balance at 10 January 2009	54	5,346	(1 239)	4 161
Profit for the period	-	-	1 137	1,137
Balance at 2 January 2010	54	5,346	(102)	5,298

All items are shown net of tax

Statement of cash flows
for the period ended 1 January 2011

	Notes	For period ended 2 January 2011 £'000	For period ended 2 January 2010 £ 000
Operating profit		971	1 462
Adjustments for non-cash items and changes in working capital	16	(7,959)	(919)
Cash generated from operations		(6,988)	543
Taxation		(497)	(373)
Net Cash from operating activities		(7,485)	170
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(756)	(444)
Proceeds from sale of property plant and equipment	9	21	30
Interest received	5	40	62
Intra-group transfer of property, plant and equipment	9	79	(306)
Disposal of business	8	163	299
Net cash from investing activities		(453)	(359)
Cash flows from financing activities			
Interest paid on borrowings	6	(135)	(251)
Capital element of finance lease rental payments		(23)	(121)
Net cash from financing activities		(158)	(372)
Net increase/(decrease) in cash and cash equivalents		(8,096)	(561)
Cash and cash equivalents at 2 January 2010		11,145	11 706
Cash and cash equivalents at 1 January 2011		3,049	11,145

Notes
(forming part of the financial statements)

1 Accounting policies

Reporting entity

The Fairways Partnership Limited is a Company domiciled in England and Wales. The address of the Company's registered office is New Century House Manchester M60 4ES.

Basis of preparation

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as endorsed by the EU (IFRS) for the period ended 1 January 2011 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.

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

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

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

Accounting date

The financial statements for the Company are made up for the 52 weeks to 1 January 2011. This financial period's figures below are headed 2011 and the corresponding figures for the previous year (51 weeks ended 2 January 2010) are headed 2010 below. Therefore, the comparative amounts are not entirely comparable as they are based on a longer period.

Going concern

The financial statements have been prepared on a going concern basis as the Directors, having reviewed forecast trading for the forthcoming twelve months and current funding arrangements, believe this to be appropriate.

Standards and interpretations issued but not yet effective

The Company has not early adopted the following standards and statements which have been endorsed by the EU, but are not yet effective. The adoption of these standards is not expected to have a material impact on the Company's accounts when adopted, except where stated.

In August 2009, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments was issued. This interpretation deals with the accounting involved when renegotiating debt instruments into equity instruments. The interpretation is effective for annual periods beginning on or after 1 July 2010 and it is expected that this will not have a significant impact on the Company's financial statements.

In November 2009, the IASB issued amendments to IAS 24 Related Parties Disclosures. These amendments changed the definition of related parties. The standard is effective from 1 January 2011 and it is expected that these amendments will not have a significant impact on the Company's financial statements.

In November 2009, the IASB issued Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). Without the amendments, in some circumstances entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendments are effective for annual periods beginning 1 January 2011 and must be applied retrospectively. These amendments will not have a significant impact on the group's financial statements.

In May 2010, the IASB issued Improvements to IFRSs 2010, which comprises amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective for the group from 1 January 2011. The amendments are unlikely to have a material impact on the Company's financial statements.

In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. IFRS 9 has not yet been endorsed by the European Union, but if endorsed, the standard will be effective for periods beginning on or after 1 January 2013 and will have a significant effect on the group's financial statements. The group does not plan to judge the extent of this impact until after IFRS 9's endorsement.

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 for the purpose of the cash flow statement.

Cash flow statement

In the cash flow statement the reconciliation to cash has been performed from operating profit in note 16 in order that the cash flows of the entity can be compared consistently with those of the group accounts.

Property, plant and equipment and depreciation

(i) Owned assets

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Freehold buildings	- 2.0% per annum
Plant and machinery	- 7.5 - 33.0% per annum
Fixtures and fittings	- 12.5% per annum

In the case of motor vehicles depreciation is on a reducing balance method of between 20% and 35% depending on the type of the vehicle.

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

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

No depreciation is provided on freehold land.

(ii) Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

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.

Impairment

The carrying amount of the Company's assets, other than biological assets, investment property, inventories and 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 operates a Company personal pension plan. The pension cost charge represents contributions payable by the Company to the Company personal pension plan.

Inventories

Inventories and work in progress are stated at the lower of cost, including attributable overheads, and net realisable value.

Interest-bearing borrowings

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

Operating segments

The Company's chief operating decision makers are the Board of Directors. The Company does not have any different components of its business which would need to be disclosed separately under IFRS 8 *Operating Segments*.

Taxation

(i) Income tax

Income tax on the profit or loss for the year 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 represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

All revenue is derived from the Company's principal activity of funeral directors and associated services in the United Kingdom.

Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Notes (continued)

2 Profit before taxation

	2011 £'000	2010 £'000
<i>Profit before taxation is stated after charging / (crediting)</i>		
Depreciation of owned property, plant and equipment	508	490
Depreciation of property, plant and equipment held under finance lease	-	52
(Gain) / loss on sale of property, plant and equipment	(7)	1
Impairment of property plant and equipment	47	-
Operating lease rental charges	479	478
Staff costs (see note 3)	3,294	2,843

The auditor's remuneration of £510 (2010 £500) 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.

3 Staff numbers and costs

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

	Number of employees 2011	Number of employees 2010
Full-time	61	64
Part-time	142	132
	<u>203</u>	<u>196</u>

The aggregate payroll costs of these persons were as follows

	2011 £'000	2010 £'000
Wages and salaries	2,993	2,582
Social security costs	265	222
Other pension costs (see note 4)	36	39
	<u>3,294</u>	<u>2,843</u>

Directors' remuneration in respect of services provided to the Company were £nil (for the year ended 2 January 2010 £nil)

4 Pension Scheme

The Company operates a Company personal pension plan. The pension cost charge represents contributions payable by the Company to the Company personal pension plan and amounted to £36,000 (2010 £38,000). At 2 January 2010 no contributions were outstanding (2010 £nil).

5 Financial income

	2011 £'000	2010 £'000
Interest income on bank deposits	40	62
Financial income	<u>40</u>	<u>62</u>

Notes (continued)

6 Financial expenses

	2011 £'000	2010 £'000
Interest expense on financial liabilities measured at amortised cost	135	246
Finance leases	-	5
Financial expenses	135	251

Interest expense on financial liabilities measured at amortised cost in the period relates to a loan from the ultimate parent company. Interest was charged at a rate of 1.5% (2010: 1.6%) until the loan was paid off in full, which occurred during the current period.

7 Taxation

Analysis of credit in period	2011 £'000	2010 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	-	512
Adjustments in respect of prior periods	(519)	(15)
Total current tax	(519)	497
<i>Deferred tax (see note 14)</i>		
Origination/reversal of timing differences	-	(20)
Deferred tax - current period items	10	-
Adjustments in respect of prior periods	58	42
Tax on profit before taxation	(453)	519

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The subsequent budget on 23 March 2011 announced that the first reduction in the UK corporation tax rate would be from 28% to 26% with the rate reducing to 23% in 2014. The reduction in the rate to 26% was substantively enacted on 29 March 2011 and is effective from 1 April 2011. This will reduce the Company's future current tax charge accordingly. The tax disclosures for the period reflect the deferred tax at the 27% substantively enacted rate. It has not yet been possible to quantify the full anticipated effect of the further 4% rate reduction, although this will further reduce the Company's future tax charge and reduce the Company's deferred tax liabilities accordingly.

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2010: lower) than the standard rate of corporation tax in the UK (28%, 2010: 28%). The differences are explained below.

	2011 £'000	2010 £'000
<i>Current tax reconciliation</i>		
Profit before tax	876	1,273
Current tax at 28% (2010: 28%)	245	356
<i>Effects of</i>		
Expenses not deductible for tax purposes	3	-
Tax on discontinued activities (see note 8)	-	84
Permanent timing differences	-	52
Non deductible impairment	49	-
Adjustments to tax charge in respect of previous periods	(464)	27
Group relief not paid for	(286)	-
Total income tax charge / (credit) (see above)	(453)	519

Notes (continued)

8 Gains/Loss on sale of discontinuing operations, net of tax

	2011 £'000	2010 £'000
Net assets at date of sale or termination		
Net assets / (liabilities)		
Net provisions released	100	100
Net cash consideration	163	199
Profit/(loss) on sale or termination	263	299
Taxation Deferred	83	84
Total loss on sale or termination	346	383

Net cash consideration was satisfied entirely in cash.

During the period ended 1 January 2011 the Company received £163,000 in respect of deferred consideration on disposals from prior periods which had been fully provided against at the date of disposal. In addition the company released £100,000 from a disposal fees provision.

9 Property, plant and equipment

For the year ended 1 January 2011

	Freehold land and buildings	Leasehold improvements	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 2 January 2010	485	566	1,159	3,274	5,484
Additions	-	61	342	353	756
Disposals	(189)	(307)	(527)	(1,323)	(2,346)
Intra-group statutory transfer	-	-	-	(121)	(121)
At 1 January 2011	296	320	974	2 183	3,773
Depreciation					
At 2 January 2010	118	404	680	1,800	3,002
Charge for the period	12	7	145	344	508
Disposals	(99)	(397)	(527)	(1 309)	(2,332)
Impairment	-	-	-	47	47
Intra-group statutory transfer	-	-	-	(42)	(42)
At 1 January 2011	31	14	298	840	1,183
Net book value					
At 1 January 2011	265	306	676	1,343	2,590
At 2 January 2010	367	162	479	1 474	2 482

Impairments relate to individual vehicles where the carrying value exceeded the fair value less costs to sell and the value in use. The losses were identified by review of the carrying value of older vehicles within the fleet. The older vehicles had been subjected to changes in depreciation policies and the trigger was a review of losses upon disposal in previous periods. For the vehicles affected their carrying value is now at fair value less costs to sell.

An impairment loss of £47,000 relating to vehicles was included in *impairment of property, plant and equipment* within the income statement.

Within other disposals an adjustment of equal magnitude has been made to both the cost and depreciation lines to reflect historical movements in cost and accumulated depreciation from disposals and transfers.

Notes (continued)

9 Property, plant and equipment (continued)

Assets with a book value of £14 000 were disposed of during the period. The profit on disposal of £7,000 arising from the sale of these assets has been recognised within operating profit.

For the year ended 2 January 2010

	Freehold land and buildings £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 10 January 2009	526	718	697	2,832	4,773
Additions	-	109	98	237	444
Disposals	-	-	-	(38)	(38)
Intra-group statutory transfer	(41)	(261)	364	243	305
At 2 January 2010	485	566	1 159	3 274	5 484
Depreciation					
At 10 January 2009	104	399	561	1 402	2,466
Charge for the period	14	5	119	405	543
Disposals	-	-	-	(7)	(7)
At 2 January 2010	118	404	680	1,800	3,002
Net book value					
At 2 January 2010	367	162	479	1,474	2,482
At 10 January 2009	422	319	136	1 430	2 307

Leased assets

The net book value of tangible fixed assets includes the following amounts in respect of assets held under finance lease and hire purchase contracts

	2011 £'000	2010 £'000
Motor Vehicles	-	191

Notes (continued)

10 Intangible Assets

For the year ended 1 January 2011

	Goodwill £'000
Cost	
At 2 January 2010	4,800
At 1 January 2011	4,800
Amortisation	
At 2 January 2010	-
At 1 January 2011	-
Net book value	
At 1 January 2011	4,800
At 2 January 2010	4,800

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired

The recoverable amounts of the goodwill and intangible assets allocated CGUs are determined by value in use calculations. To prepare value in use calculations, the Company uses cash flow projections for a 10 year period then into perpetuity from year 11. 2011-2013 forecasts are based on the board approved three year plan with cash flows beyond this period are extrapolated at the 2013 cash flows to reflect the risk of declining death rate in the United Kingdom offset by improved cost management in the business. These calculations are then discounted back to present value, using the pre-tax discount rate of 7.5%. The pre-tax discount rate has been adjusted for Company and market specific risks which the Directors consider to be appropriate.

The key assumptions for these forecasts are those regarding revenue growth and gross margin which management estimates based on past experience adjusted for current market trends and expectations of future changes in the market. Based on the calculations on a value in use basis the calculated headroom on the net book value of goodwill is £17.9m.

For the year ended 2 January 2010

	Goodwill £'000
Cost	
At 10 January 2009	4,800
At 2 January 2010	4,800
Amortisation	
At 10 January 2009	-
At 2 January 2010	-
Net book value	
At 2 January 2010	4,800
At 10 January 2009	4,800

Notes (continued)

11 Inventories

	2011 £'000	2010 £'000
Finished goods	116	147

12 Trade and other receivables

	2011 £'000	2010 £'000
<i>Current assets</i>		
Trade receivables	783	853
Amounts owed by group undertakings	6,725	-
Amounts recoverable on contracts	-	354
Prepayments and accrued income	121	90
	<u>7,629</u>	<u>1 297</u>

All of the above financial assets are classified as loans and receivables. Trade receivables are stated net of a bad debt provision of £62 481 (year ended 2 January 2010 £75,886). The provision is calculated based on a detailed customer-by-customer review of potential risk of default. Adjustment to the level of provision is recognised within the income statement in operating profit.

Trade debtors include amounts totalling £252,000 (year ended 2 January 2010 £325 000) which are overdue but not considered to be impaired. Age analysed as follows:

	2011 £'000	2010 £'000
Amounts overdue		
Less than 3 months	130	159
3 to 6 months	38	42
More than 6 months	84	124
	<u>252</u>	<u>325</u>

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 repayable on demand.

13 Trade and other payables

	2011 £'000	2010 £'000
<i>Current liabilities</i>		
Trade creditors	624	384
Amounts owed to group undertakings	-	2,045
Other creditors including taxation and social security	81	113
Accruals and deferred income	1,904	2,373
Obligations under finance leases and hire purchase contracts	-	23
Amounts due to parent company	8,775	8,775
	<u>11,384</u>	<u>13 713</u>

Amounts owed to group undertakings and to the parent company are repayable on demand.

	2011 £'000	2010 £'000
<i>Obligations under finance leases fall due as follows</i>		
In less than one year	-	23

Notes (continued)

14 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 27% (2010 28%)

	£'000
<i>Deferred taxation asset / (liability)</i>	
At 2 January 2010	363
Income statement charge / credit in the period	67
Items charged to discontinued activities	(83)
At 1 January 2011	347
Comprising	
Short term timing differences	235
Accelerated tax depreciation	112
Tax losses	-
At 1 January 2011	347

15 Called up share capital

	2011 £'000	2010 £'000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
54 002 ordinary shares of £1 each	54	54

IFRIC 2 determines the features, which allow shares to be classified as equity capital

16 Cash flows from operating activities

	2011 £'000	2010 £'000
Cash flows from operating activities		
Operating profit	971	1,462
<i>Adjustments for</i>		
Depreciation	508	543
Impairment losses	47	-
(Profit) / Loss on disposal of property, plant and equipment	(7)	1
Operating profit before changes in working capital and provisions	1,519	2,006
decrease / (Increase) in inventories	31	(69)
decrease / (Increase) in inventories	(6,332)	2,318
(Decrease) in trade and other payables	(2,206)	(3,712)
Cash generated from the operations	(6,988)	543

Notes (continued)

17 Commitments and contingent liabilities

(i) There are no capital commitments at the end of the current period and preceding financial year

(ii) The future minimum lease payments under non-cancellable operating leases are as follows

	2011 Land and buildings £'000	2010 Land and buildings £'000
Within one year	340	25
In the second to fifth years inclusive	651	434
Over five years	2,633	2 740
	3,624	3 199

18 Group Entities

Control of the group

The Company is a subsidiary undertaking of Fairways Funeral Partnership Limited a Company incorporated in the UK and registered in England and Wales

The largest and smallest group in which the results of the Company are consolidated is that headed by Co-operative Group Limited, an Industrial and Provident Society registered in England and Wales. The consolidated financial statements of this Company may be obtained from the Secretary Co-operative Group Limited, New Century House, Corporation Street Manchester M60 4ES

19 Related parties

Transactions with other Trading Group subsidiaries

Company	2011			2010		
	Purchases	Sales	Period-end balance	Purchases	Sales	Period-end balance
Fairways Funeral Partnership Limited	-	-	8,775	-	-	8,775
Funeral Services Limited	447	-	-	-	-	-

At 1 January 2011, The Company owed an amount of £8,775 000 to its immediate parent Fairways Funeral Partnership Limited

The Company is involved in a Group set-off scheme whereby the bank accounts within the Trading Group are netted off against each other and any interest payable or receivable is settled or received by the ultimate parent Company Co-operative Group Limited

20 Accounting estimates and judgements

Critical accounting judgements in applying the Group's accounting policies

Goodwill

For the purposes of impairment testing of goodwill the Company has several cash-generating units. Components of goodwill range from individual cash generating units where branches were acquired individually, to groups of cash generating units where groups of branches were acquired as part of one transaction. Impairment testing is carried out at the level at which management monitor these components of goodwill. Discount rates are based on the parent Society cost of capital which is 7.5% (2010 7.5%)

Notes (continued)

21 Financial instruments and financial risk management

(a) Financial risk management

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

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

(b) Determination of fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

(c) Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount	Fair Value	Carrying amount	Fair Value
	2011	2011	2010	2010
	£'000	£'000	£'000	£'000
Trade and other receivables	7,629	7,629	1,297	1,297
Cash and cash equivalents	3,048	3,048	11,144	11,144
Total financial assets	10,677	10,677	12,441	12,441
Trade and other payables	11,384	11,384	13,690	13,690
Finance lease liabilities	-	-	23	23
Total financial liabilities	11,384	11,384	13,713	13,713

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

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.

Trade Receivables

The Company is exposed to trade receivable credit risk through normal on-going business trade to a wide range of customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk and the industry and country in which customers operate, has less of an influence on credit risk.

Geographically, there is no concentration of credit risk.

Credit risk is managed as follows:

- 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;
- deposit or full prepayment is taken in advance of service;
- trigger points and escalation procedures are clearly defined.

A table showing the ageing profile totals of trade receivables and the provision for doubtful debts for each ageing band is disclosed below:

Notes (continued)

21 Financial instruments and financial risk management (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore the maximum exposure to credit risk at the balance sheet date was £252 000 (2010 £325 000)

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date (net of impairment provision) was

	Gross 2011 £'000	Impairment 2011 £'000	Net 2011 £'000	Gross 2010 £'000	Impairment 2010 £'000	Net 2010 £'000
Not past due	531	-	531	528	-	528
Past due 0-90 days	130	-	130	159	-	159
Past due 91-180 days	38	-	38	42	-	42
Past due 181-360 days	31	-	31	37	-	37
More than 360 days	53	-	53	87	-	87
	783	-	783	853	-	853

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. This allowance is calculated based on a detailed customer-by-customer review of potential risk of default. Adjustment to the level of allowance is recognised within the income statement in operating profit.

The Company does not hold any collateral against the above debtors (2010 £nil)

(d) Liquidity risk

Financial risk management

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 e.g. material acquisitions and disposals.

Where funding requirements are identified from the cash flow forecast, appropriate measures are taken to ensure these requirements can be satisfied.

Cash held at 1 January 2011 amounted to £3,048,000 (2010 £11 144 000)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount £'000	Contractual cash flows £'000	2011			
			1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5years and over £'000
Non-derivative financial liabilities						
Trade and other payables	11,384	2,609	2,609	-	-	-
			2010			
			1 year or less £'000	1 to <2years £'000	2 to <5years £'000	5years and over £'000
Non-derivative financial liabilities						
Finance lease liabilities	23	23	23	-	-	-
Trade and other payables	13 690	2,870	2 870	-	-	-
Income tax Payable	498	498	498	-	-	-

Notes (continued)

21 Financial instruments and financial risk management (continued)

(e) Market Risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return

(i) Currency risk

The Company is not exposed to currency risk as all revenue is derived from the United Kingdom and all expenditure incurred is from entities within the United Kingdom

22 Capital Management

The Company's objectives when managing capital are

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

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

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

The Company sets the amount of capital in proportion to the risk. The Company manages the capital structures and makes adjustment to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In assessing the level of capital, all components of equity are taken into account. Management of capital however focuses around the ability to generate cash from its operations.

In order to maintain or adjust the capital structure, the Company adjusts the amount of dividends paid to shareholders or sells assets to raise funds. The Company believes it is meeting its objectives for managing capital as funds are available for reinvestment where necessary.

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