

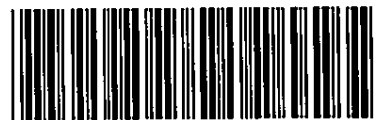
The Fairways Partnership Limited

Financial statements

Registered number 03461590

5 January 2013

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Directors' report

The Directors present their report and financial statements for the 53 week period ended 5 January 2013

Principal activities

The principal activities of the Company are those associated with funeral directors, embalmers and morticians. The company primarily uses retail branches to interact with its customers

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 £1,371,000 (period ended 31 December 2011: profit of £1,415,000).

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 10-11 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 28-29 of the group's annual report, which does not form part of this report.

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 24-25. In addition, the group's Sustainability Report, which will be published towards the latter half of 2013, describes how the group manages its social, ethical and environmental impact.

All KPIs relate to continuing operations.

Dividend

The Directors do not recommend the payment of a dividend (period ended 31 December 2011: £nil).

Directors

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

S P D Kershaw
P Moynihan
A Oldale (appointed 1 January 2012)
G M Tunning

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 Newslane, the electronic weekly news service.

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

Creditor payment terms

The Fairways Partnership Ltd does impose standard payment terms on its suppliers but agrees terms separately with each of them. Every effort is made to pay suppliers in accordance with the terms that have been agreed. At 5 January 2013, trade payables expressed as number of days outstanding was 45 days.

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 24-25. In addition, the group's Sustainability Report, which will be published towards the latter half of 2013, 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 (period ended 31 December 2011: £nil).

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.

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

Date

16 July 2013

Registered Office
1 Angel Square
Manchester
M60 0AG

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

The Directors are responsible for preparing 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 5 January 2013 set out on pages 5 to 25. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 5 January 2013 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.

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

22 July 2013

Income statement
for the period ended 5 January 2013

	Notes	For period ended 5 January 2013	For period ended 31 December 2011
		£'000	£ 000
Revenue		10,656	10 691
Cost of sales	1	(3,616)	(3 669)
Gross profit		7,040	7 022
Administrative expenses		(5,671)	(5 615)
Profit on disposal of property plant and equipment	2	2	8
Operating profit		1,371	1 415
Profit before taxation	2	1,371	1 415
Taxation	7	71	234
Profit after taxation		1,442	1,649
Profit for the period		1,442	1 649

All amounts relate to continuing activities

Statement of comprehensive Income
for the period ended 5 January 2013

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 5 January 2013

	Notes	For period ended 5 January 2013 £'000	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000	For period ended 31 December 2011 £'000
Non-current assets					
Property, plant and equipment	9	2,544		2,499	
Intangible assets	10	4,800		4,800	
Total non-current assets			7,344		7,299
Current assets					
Inventories	11	220		140	
Trade and other receivables	12	11,707		4,714	
Income tax receivable	7	-		-	
Cash and cash equivalents		2,020		7,837	
Total current assets			13,947		12,691
Total assets			21,291		19,990
Non-current liabilities					
Deferred tax liabilities	14	(42)		(113)	
Total non-current liabilities			(42)		(113)
Current liabilities					
Trade and other payables	13	(11,165)		(11,255)	
Provisions	8	(20)		-	
Total current liabilities			(11,185)		(11,255)
Total liabilities			(11,227)		(11,368)
Net assets			10,064		8,622
Equity					
Called up share capital	15	54		54	
Share premium account		5,346		5,346	
Retained earnings		4,664		3,222	
Total equity			10,064		8,622

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

16 July 2013

and were



A Oldale
Director



G Tinning
Director

**Statement of changes in equity
for the period ended 5 January 2013**

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2011	54	5 346	3,222	8 622
Profit for the period	-	-	1,442	1 442
Balance at 5 January 2013	<u>54</u>	<u>5,346</u>	<u>4,664</u>	<u>10,064</u>
Balance at 1 January 2011	54	5 346	1 573	8 973
Profit for the period	-	-	1,649	1 649
Balance at 31 December 2011	<u>54</u>	<u>5,346</u>	<u>3,222</u>	<u>8,622</u>

All items are shown net of tax

Statement of cash flows
for the period ended 5 January 2013

	Notes	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000
Operating profit		1,371	1,415
Adjustments for non-cash items and changes in working capital	16	(6,692)	3 231
Cash flows from operating activities		(5,321)	4 846
Taxation		-	519
Net Cash from operating activities		(5,321)	5 185
Cash flows from investing activities			
Acquisition of property plant and equipment	9	(501)	(522)
Proceeds from sale of property plant and equipment	9	11	146
Intra-group transfer of property plant and equipment	9	(6)	-
Net cash from investing activities		(496)	(376)
Cash flows from financing activities			
Net cash from financing activities		-	(23)
Net increase/(decrease) in cash and cash equivalents		(5,817)	4 766
Cash and cash equivalents at 31 December 2011		7,837	3 071
Cash and cash equivalents at 5 January 2013		2,020	7 837

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 1 Angel Square, Manchester, M60 0AG.

Basis of preparation

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as endorsed by the EU (IFRS) for the period ended 5 January 2013 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 53 weeks to 5 January 2013. This financial period's figures below are headed period ended 5 January 2013 and the corresponding figures for the previous year (52 weeks ended 31 December 2011) are headed period ended 31 December 2011 below. Therefore the comparative amounts are not entirely comparable as they are based on a longer period.

Going concern

The Company meets its day to day working capital requirements through cash generated from operations and participation in facility arrangements provided by external lenders to the Co-operative Group and certain of its subsidiaries ("the Group").

The Co-operative Group's and the Co-operative Bank's ("the Bank's") joint statement of 17 June explained that it had developed a comprehensive plan ("the plan") which will meet the short and long term capital needs of the Bank, which is a subsidiary of the Group. As explained in that announcement, the Group sees the Bank as core to its operations and intends to provide extra capital to the Bank as part of that plan. The Group and the Bank are currently working on the details of the plan which has been and continues to be discussed in full with the Prudential Regulation Authority. To proceed with the plan, the Bank will require approval of the relevant Regulators and sufficient participation of its bondholders in the proposed exchange offer and the Group will require the consent of its existing lenders as the terms of the existing group facilities will require amendment to enable the plan to be implemented. The plan can only proceed if such approvals are received.

As part of their planning, the directors of the Group have prepared sensitised forecasts for a period in excess of 12 months from the date of authorisation of these financial statements. Those forecasts make assumptions as to the future performance of the Group, including the amount and timing of proceeds from the planned disposals of certain businesses. The sensitised forecasts indicate that the Group and this Society can continue to operate within the revised terms expected to be agreed if the Group's plan for increasing the capital of the Bank proceeds.

In the statement of 17 June the Group and the Bank noted that implementation of the plan will prevent more severe adverse consequences for all stakeholders that might otherwise occur. Whilst the Directors of the Group believe that it is unlikely that the plan will not proceed in that event the Directors of the Group do not believe that, aside from any impact on the Bank, there would be a material adverse impact on the financial position of the rest of the Group and this Company, and the sensitised forecasts indicate that they would continue to operate within the terms of the existing facilities.

Having considered the impact of the above on the Company's intra group balances and on the ability of the Company to meet its day to day working capital and funding requirements, the Directors of this Society consider that it is appropriate to prepare the financial statements of the Society on a going concern basis.

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.

IFRS 13 Fair value measurement (2011)

Amended IAS 1 Presentation of items of other comprehensive income (2010)

Amended IAS 12 Income taxes: Deferred Tax – Recovery of underlying assets (2010)

Revised IAS 19 Employee Benefits (2011)

• IFRS 9 Financial Instruments: Classification and Measurement (2010)

Amendments to IFRS 7 Disclosures: Offsetting Financial Assets and Liabilities

Amendments to IAS 32 Offsetting financial assets and financial liabilities

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 Society's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For tangible assets such as land and buildings and motor vehicles, the estimate is based on reference to market valuations where available. In the case of goodwill, the recoverable amount is determined by calculation of the net present value of expected future cashflows. Notes 10 & 22 contain more detail on the goodwill impairment review.

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 Society'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.

used to determine the recoverable amount. Reversal of impairment losses are recognised in the income statement in the same category as the original impairment charge.

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 Society's principal activity of funeral directors and associated services in the United Kingdom.

The provision of a funeral is principally a service-based supply with a relatively small element of goods. Revenue for a funeral is recognised at the point the funeral is carried out. In the supply of monumental masonry, revenue is recognised at the point the masonry is fitted into place.

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

	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000
<i>Profit before taxation is stated after charging / (crediting)</i>		
Depreciation of owned property, plant and equipment	453	477
Gain on sale of property plant and equipment	(2)	(8)
Impairment of property plant and equipment	-	-
Operating lease rental charges	487	484
Staff costs (see note 3)	3,409	3,354

The auditor's remuneration of £541 (period ended December 31 2011 £520) is borne by the ultimate parent undertaking. The Society is exempt by virtue of s494 of the Companies Act 2006 from further disclosures in relation to auditors' remuneration as it is a wholly owned subsidiary of Co-operative Group Limited for which consolidated financial statements are prepared disclosing non-audit fee information on a group wide basis.

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 For period ended 5 January 2013	Number of employees For period ended 31 December 2011
Full-time	77	63
Part-time	99	121
	176	184

The aggregate payroll costs of these persons were as follows

	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000
Wages and salaries	3,014	3,000
Social security costs	232	242
Other pension costs (see note 4)	163	112
	3,409	3,354

Directors' remuneration in respect of services provided to the Company were £nil (for the year ended 1 January 2011 £nil)

Notes (continued)

4 Pension Scheme

The Co-operative Group Pension (Average Career Earnings) Scheme (PACE)

The Group is a wholly owned subsidiary of Co-operative Group Limited which operates a defined benefit pension scheme (the PACE Scheme), the assets of which are held in a separate trust fund

The pension costs are assessed in accordance with actuarial advice using the projected unit method

The most recent valuation of the Scheme carried out by a qualified actuary was 5 April 2011. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice

The actuarial valuations of the PACE Scheme have been updated to 31 December 2011 in accordance with IAS 19

	For year ended 5 January 2013	For year ended 31 December 2011
The principal assumptions used to determine the liabilities of the Group's pension schemes were		
Discount rate	4.60%	5.20%
Rate of increase in salaries	4.80%	5.20%
Future pension increases where capped at 5.0% pa	3.30%	3.70%
Future pension increases where capped at 2.5% pa	2.50%	2.50%

The average life expectancy (in years) for mortality tables used to determine scheme liabilities for the schemes at 31 December 2011 are as follows

	Member currently aged 65 (current life expectancy)		Member currently aged 40 (life expectancy at age 65)	
	Male	Female	Male	Female
	22.4	24.0	24.2	25.9

The fair value of the PACE Scheme's assets which are intended to be realised in the future, may be subject to significant change before they are realised

	For year ended 5 January 2013 £m	For year ended 31 December 2011 £m
The amounts recognised in the balance sheet are as follows		
Present value of funded obligations	(6,532)	(8,243)
Present value of unfunded liabilities	(4)	(4)
Fair value of plan assets	6,919	8,611
Net retirement benefit asset	383	364

	For year ended 5 January 2013 £m	For year ended 31 December 2011 £m
Changes in the present value of the scheme liabilities are as follows		
Opening defined benefit liabilities	6,247	5,798
Current service cost	68	59
Interest on liabilities	284	298
Contributions by members	22	21
Actuarial losses recognised in equity	140	278
Past service costs	-	-
Benefits paid	(225)	(205)
Gains on settlements and curtailments	-	(2)
Closing defined benefit liabilities	6,536	6,247

Notes (continued)

4 Pension Scheme (continued)

	For year ended 5 January 2013 £m	For year ended 31 December 2011 £m
Changes in the fair value of the scheme assets are as follows		
Opening fair value of scheme assets	6,611	6 071
Expected return on scheme assets	334	373
Actuarial gains recognised in equity	96	279
Contributions by the employer	81	72
Contributions by members	22	22
Benefits paid	(225)	(206)
Closing fair value of scheme assets	6,919	6 611

	For year ended 5 January 2013 £m	For year ended 31 December 2011 £m
The weighted-average asset allocations at the year end were as follows		
Equities	31%	29%
Liability-driven instruments	30%	32%
Alternative growth	14%	14%
Property	4%	5%
Bonds	19%	19%
Other	2%	1%

	For year ended 5 January 2013 £m	For year ended 31 December 2011 £m
The amounts recognised in the income statement are as follows		
Current service cost	68	59
Interest on liabilities	284	298
Expected return on scheme assets	(334)	(373)
Gains on settlement and curtailments		(2)
	18	(18)
Actual return on scheme assets	431	652

To develop the expected long term rate of return on assets assumption the Group considered the current level of expected returns on risk-free investments (primarily government bonds) the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.1% assumption for the year ended 5 January 2013.

Notes (continued)

4 Pension Scheme (continued)

	For year ended 5 January 2013 £m	For year ended 31 December 2011 £m	For year ended 1 January 2011 £m	For year ended 2 January 2010 £m	For year ended 11 January 2009 £m
Amounts recognised in the balance sheet					
Defined benefit liabilities	(6,536)	(6,247)	(5,798)	(5,513)	(4,803)
Scheme assets	6,919	8,611	6,071	5,515	5,204
Surplus	383	364	273	2	401
History of experience gains and losses					
Experience adjustment on scheme liabilities	-	-	-	(377)	-
% of scheme liabilities	0%	0%	0%	-7%	0%
Experience adjustment on scheme assets	(97)	(279)	(279)	(334)	107
% of scheme assets	-1%	-4%	-4%	-6%	2%

The Group expects to contribute £41.1m to the Pace scheme and £4.5m to the new defined contribution section in 2013.

There is no contractual 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 The Fairways Partnership Limited, in its individual financial statements, cannot recognise the net defined cost so charged. The net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is Co-operative Group Limited.

Notes (continued)

7 Taxation

	For period ended 5 January 2013 £'000	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000	For period ended 31 December 2011 £'000
<i>Analysis of credit in period</i>				
<i>UK corporation tax</i>				
Current tax on income for the period	-	-	-	-
Adjustments in respect of prior periods	-	-	-	-
Total current tax		-		-
<i>Deferred tax (see note 14)</i>				
Deferred tax - current period items		(80)		(16)
Adjustments in respect of prior periods		9		(218)
Tax on profit before taxation		(71)		(234)

The 2012 Autumn Statement on 5 December 2012 announced that the UK corporation tax rate will reduce to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011 and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Company's future current tax charge accordingly. The deferred tax [asset/liability] at 5 January 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction although this will further reduce the company's future current tax charge and reduce the Company's deferred tax assets and liabilities.

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2011 lower) than the standard rate of corporation tax in the UK 24.5% (2011 26.5%). The differences are explained below.

	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000
<i>Current tax reconciliation</i>		
Profit before tax	1,371	1,415
Current tax at 24.5% (2011 26.5%)	336	358
<i>Effects of</i>		
Expenses not deductible for tax purposes	(9)	6
Change in tax rate to 25%	(3)	(26)
Non deductible impairment	32	45
Adjustments to tax charge in respect of previous periods	9	(218)
Group relief not paid for	(436)	(418)
Total income tax (credit) / charge (see above)	(71)	(253)

Notes (continued)

8 Provisions

	Refund Provision £'000	Deferred Provision £'000	Dilapidations Provision £'000	For period ended 5 January 2013 Total £'000	For period ended 31 December 2011 Total £'000
At the beginning of the period	-	-	-	-	-
Additional provisions made in the period	-	-	20	20	-
Amounts used during the period	-	-	-	-	-
Unused amounts reversed during the period	-	-	-	-	-
Charge for unwinding of discount	-	-	-	-	-
Payments	-	-	-	-	-
At the end of the period	-	-	20	20	-
Non-current				-	-
Current				20	-
				20	-

The dilapidation provision was created in the period ended 5 January 2013 as a result of the closure of several trading sites where significant remedial repair work was identified

Notes (continued)

9 Property, plant and equipment

For the year ended 5 January 2013

	Freehold land and buildings	Leasehold improvements	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 December 2011	296	332	1 361	2 021	4 010
Additions	-	17	409	75	501
Disposals	-	-	-	(38)	(38)
At 5 January 2013	296	349	1,770	2,058	4,473
Depreciation					
At 31 December 2011	43	21	445	1,002	1,511
Charge for the period	11	8	191	243	453
Disposals	-	-	-	(29)	(29)
Impairment	-	-	-	-	-
Intra-group statutory transfer	-	-	-	(8)	(8)
At 5 January 2013	54	29	636	1,210	1 929
Net book value					
At 5 January 2013	242	320	1,134	848	2,544
At 31 December 2011	253	311	916	1,019	2,489

Assets with a book value of £7 000 were disposed of during the period. The profit on disposal of £2 000 arising from the sale of these assets has been recognised within operating profit.

9 Property, plant and equipment (continued)

For the year ended 31 December 2011

	Freehold land and buildings	Leasehold improvements	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2011	296	321	974	2 184	3 775
Additions	-	11	408	103	522
Disposals	-	-	(21)	(266)	(287)
At 31 December 2011	296	332	1 361	2 021	4 010
Depreciation					
At 1 January 2011	31	14	298	840	1 183
Charge for the period	12	7	154	304	477
Disposals	-	-	(7)	(142)	(149)
At 31 December 2011	43	21	445	1,002	1,511
Net book value					
At 31 December 2011	253	311	916	1,019	2,489
At 1 January 2011	265	307	676	1 344	2,592

Notes (continued)

10 Intangible Assets

For the year ended 5 January 2013

	Goodwill £'000
Cost	
At 31 December 2011	4 800
At 5 January 2013	<u>4,800</u>
Amortisation	
At 31 December 2011	-
At 5 January 2013	<u>-</u>
Net book value	
At 5 January 2013	4,800
At 31 December 2011	<u>4 800</u>

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. 2013-2015 forecasts are based on the board approved three year plan with cash flows beyond this period are extrapolated at the 2015 cash flows to reflect the risk of declining death rate in the United Kingdom offset by improved cost management in the business. Expected capital spend for refurbishments is also included assuming an 8 year refit cycle costing £25 000 per branch. These calculations are then discounted back to present value using the pre-tax discount rate of 8%. 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 £6.9m.

For the year ended 31 December 2011

	Goodwill £'000
Cost	
At 1 January 2011	4,800
At 31 December 2011	<u>4,800</u>
Amortisation	
At 1 January 2011	-
At 31 December 2011	<u>-</u>
Net book value	
At 1 January 2011	4,800
At 31 December 2011	<u>4 800</u>

Notes (continued)

11 Inventories

	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000
Finished goods	220	140

12 Trade and other receivables

	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000
<i>Current assets</i>		
Trade receivables	713	687
Amounts owed by group undertakings	10,870	3,907
Prepayments and accrued income	124	120
	<u>11,707</u>	<u>4,714</u>

All of the above financial assets are classified as loans and receivables. Trade receivables are stated net of a bad debt provision of £73,502 (year ended 31 December 2011: £80,535). 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 £229,000 (year ended 31 December 2011: £235,000) which are overdue but not considered to be impaired, age analysed as follows:

	For period ended 31 December 2011 £'000	For period ended 1 January 2011 £'000
Amounts overdue		
Less than 3 months	117	83
3 to 6 months	28	55
More than 6 months	84	97
	<u>229</u>	<u>235</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

	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000
<i>Current liabilities</i>		
Trade creditors	590	892
Other creditors including taxation and social security	9	15
Accruals and deferred income	1,791	1,773
Amounts due to parent company	8,775	8,775
	<u>11,165</u>	<u>11,255</u>

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

Notes (continued)

14 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 25% (period ended 1 January 2011 27%)

	£'000
<i>Deferred taxation liability</i>	
At 31 December 2011	(113)
Income statement credit in the period	71
At 5 January 2013	(42)
Comprising	
Short term timing differences	(21)
Accelerated tax depreciation	(21)
At 5 January 2013	(42)

A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011 and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Group's future current tax charge accordingly. The deferred tax [asset/liability] at 5 January 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date. The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets and liabilities.

15 Called up share capital

	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'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

	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000
Cash flows from operating activities		
Operating profit	1,371	1,415
<i>Adjustments for</i>		
Depreciation	453	477
(Profit) on disposal of property, plant and equipment	(2)	(8)
Operating profit before changes in working capital and provisions	1,822	1,884
Increase in inventories	(80)	(24)
(Increase) / decrease in trade and other receivables	(8,993)	2,915
Decrease in trade and other payables	(90)	(129)
Increase in provisions and employee benefits	20	-
Cash generated from the operations	(5,321)	4,646

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

	For period ended 5 January 2013 Land and buildings £'000	For period ended 31 December 2011 Land and buildings £'000
Within one year	233	224
In the second to fifth years inclusive	702	681
Over five years	4,451	2,507
	<u>5,386</u>	<u>3,392</u>

18 Group Entities

Ultimate parent company

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 1 Angel Square Manchester M60 0AG

19 Related parties

Transactions with other Trading Group subsidiaries

Company	For period ended 5 January 2013			For period ended 31 December 2011		
	Purchases	Sales	Period-end balance	Purchases	Sales	Period-end balance
Fairways Funeral Partnership Limited	-	-	(8,775)	-	-	(8,775)
Funeral Services Limited	359	-	-	394	-	-
Co-operative Group Limited	-	-	10,870	-	-	3,907

At 5 January 2013, the Company owed an amount of £8 775 000 (period ended 31 December 2011 £8 775 000) to its immediate parent Fairways Funeral Partnership Limited and was owed £10,870,000 (period ended 31 December 2011 £3 907,000) by the ultimate parent Co-operative Group 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% (period ended 31 December 2011 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
	For period ended 5 January 2013 £'000	For period ended 5 January 2013 £'000	For period ended 31 December 2011 £'000	For period ended 31 December 2011 £'000
Trade and other receivables	11,707	11,707	4,714	4,714
Cash and cash equivalents	2,020	2,020	7,837	7,837
Total financial assets	13,727	13,727	12,551	12,551
Trade and other payables	11,165	11,165	11,255	11,255
Total financial liabilities	11,165	11,165	11,255	11,255

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 £577,000 (period ended 31 December 2011: £687,000).

Credit quality of financial assets and impairment losses

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

	Gross	Impairment	Net	Gross	Impairment	Net
	For period	For period	For period	For period	For period	For period
	ended 5	ended 5	ended 5	ended 31	ended 31	ended 31
	January	January	January	December	December	December
	2013	2013	2013	2011	2011	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Not past due	422	-	422	533	-	533
Past due 0-90 days	117	-	117	83	-	83
Past due 91-180 days	28	-	28	55	-	55
Past due 181-360 days	19	(15)	4	33	(17)	16
More than 360 days	65	(58)	7	84	(64)	-
	651	(74)	577	768	(81)	687

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 (period ended 31 December 2011: 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 5 January 2013 amounted to £2,020,000 (period ended 31 December 2011: £7,837,000).

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

	For period ended 5 January 2013					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities						
Trade and other payables	11,165	11,185	11,165	-	-	-
	For period ended 31 December 2011					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivative financial liabilities						
Trade and other payables	11,255	11,255	11,255	-	-	-

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

(f) 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