

**FUNERAL PARTNERS TOPCO LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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**FUNERAL PARTNERS TOPCO LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	P L R Greenfield S P D Kershaw S W Duncan
<b>Company secretary</b>	A H Fraser
<b>Registered number</b>	09622057
<b>Registered office</b>	80 Mount Street Nottingham NG1 6HH
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT
<b>Bankers</b>	HSBC Bank PLC Midland Corporate Banking Centre 4th Floor 120 Edmund Street Birmingham B3 2QZ
<b>Solicitors</b>	Freeths LLP Cumberland Court 80 Mount Street Nottingham NG1 6HH

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# **FUNERAL PARTNERS TOPCO LIMITED**

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**FUNERAL PARTNERS TOPCO LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The directors present their strategic report on the group for the year ended 30 September 2016.

**Principal activities**

The principal activity of the group is the provision of funeral services and related activities, including the marketing and sale of pre-paid funeral plans under the "Choice" brand. The directors are not aware, at the date of this report, of any likely major changes in the group's activities in the next year.

Following the purchase of its entire issue share capital by FP Bidco Limited on 10 May 2016, the principal activity of the company is that of an intermediate holding company.

**Business review**

The trading results for the year and the company and group's financial position at 30 September 2016 are shown in the attached financial statements.

The company was incorporated on 3 June 2015 to act as the ultimate holding company for investments in the funeral sector. On 10 May 2016 funds managed by Montagu Private Equity LLP acquired a controlling stake in the company through a newly incorporated company, FP Bidco Limited.

This represents a strategic investment in the group by Montagu Private Equity LLP with a view to significant growth.

The group continually invests in the business through its people and its service to maintain and improve its reputation in the markets in which it operates. These investments in the business generate exceptional items which are disclosed separately within the financial statements. During the year exceptional items included legal and professional costs arising from detailed reviews of the group's business model and operations in light of the investment by Montagu Private Equity LLP. The total cost of exceptional items in the year ended 30 September 2016 was £2,700,000.

**Key Performance Indicator**

The directors consider the performance measurement of EBITDA to be the most appropriate. Group EBITDA for the year was £10,320,000 (2015: £621,000).

The local and national death rate trends are the most significant external factor that affects the group's performance. The directors are satisfied with trading and in the rapid progress in building a high quality independent funeral business, and anticipate making further acquisitions in the year ended 30 September 2017.

**Principal risks and uncertainties**

**Operational risk management**

**Death rate**

There is a risk that the number of deaths significantly reduces in the areas where the group operates. This would have a direct result on the financial performance of the group. However, the national profile of deaths has historically followed a similar profile, giving the group the ability to plan its business accordingly, having regard also to known local factors.

**Adverse publicity**

Adverse publicity could result in a significant reduction in the number of funerals, having a direct result on the financial performance of the group. However, this risk is addressed by ensuring appropriate policies, procedures and on going training are in place. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.

**FUNERAL PARTNERS TOPCO LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**Significant reduction in market share**

Other external factors, such as new or newly aggressive competitors, could result in a significant reduction in market share in the areas where the group operates. This would have a direct result on the financial performance of the group. The group believes that this risk is mitigated by the group's collection of strong local brands and local reputation, and recommendation being a key driver to the choice of funeral director being used.

**Financial risk management**

The group finances its operations by a mixture of equity, bank loans and loan notes. This approach gives efficient leveraging of the group's balance sheet, which is made possible by the stable and predictably cash generative nature of the business.

It is not the group's policy to trade actively in derivatives.

**Currency risk**

The group trades solely in the United Kingdom and all of its financial assets and liabilities are denominated in Sterling, therefore the group faces no direct currency risk.

**Interest rate risk**

The group has two main sources of finance; 1) shareholder loan notes, which are at fixed interest rates, resulting in a predetermined interest cost and 2) bank loans, whose finance cost is linked to LIBOR. The group has entered into contracts to cap the interest rate on a majority of these loans. Consequently, the group carries limited risk to increases in LIBOR.

**Credit risk**

Trade Debtors are the main source of credit risk to the group. This risk is minimised through credit control procedures, notably including requests for customers to pay for disbursement costs and a proportion of professional fees in advance of the funeral. The group is not exposed to individual debts of a material size.

**Liquidity risk**

The group manages its liquidity risk by maintaining a committed overdraft facility and weekly monitoring of cash balances and immediate payments due.

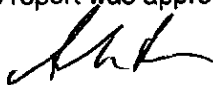
The group manages the operational and financial risks described through a combination of monthly Board meetings and regular management information that is reviewed by directors and senior managers

**Acquisitions**

In line with its strategy, during the year the group acquired the entire share capital of five companies and the trade and assets of another business, all engaged in the provision of funeral services and related activities.

The acquisition method of accounting has been adopted to include Funeral Partners MidCo Limited and its subsidiary undertakings in the consolidated financial statements of the group.

This report was approved by order of the Board on 28 February 2017 and signed by its order.



**A H Fraser**  
**Company Secretary**  
Date: 3/3/2017

**FUNERAL PARTNERS TOPCO LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The directors present their report and the audited financial statements of the group and company for the year ended 30 September 2016.

Certain entities within the group have this year taken the audit exemption under section 479A of the Companies Act 2006, and as such do not require a signed statutory audit opinion. One of the criteria required to enable these exemptions to be taken is that the parent company must provide a statutory guarantee for all outstanding liabilities to which those entities are subject to at 30 September 2016. This guarantee is provided by the company and is disclosed as a contingent liability.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Employees**

The group is committed to employment policies which follow best practice, based on equal opportunities for all employees irrespective of their sex, race, colour, disability and marital status.

The group gives full and fair consideration to applications for employment from disabled people, having regard to their particular aptitudes and abilities.

Appropriate arrangements are made for the continued employment and the continued training, career development and promotion of disabled employees.

If employees become disabled the group attempts to continue employment, either in the same or an alternative position, arranging retraining when necessary.

The group systematically provides employees with information on matters of concern to them and affecting the performance and viability of the group. They are consulting regularly so their views can be taken into account when making decisions which are likely to affect them. Employee involvement is specifically encouraged through circulation of a group newsletter and regular visits by managers to branches.

**FUNERAL PARTNERS TOPCO LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**Results**

The loss for the financial year amounted to £9,558,000 (2015: £2,878,000). The directors have not recommended a dividend (2015: not recommended).

**Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate. They have considered the prospects of the Funeral Partners Topco Limited group and company and have prepared a cash flow forecast for period of not less than one year from the date of the approval of these financial statements. This included a review and consideration of a number of factors including inter alia their evaluation of prevailing market conditions, competition, anticipated sales and operating margins, working capital requirements, financing facilities expected to be available and covenant compliance. Based on this review the directors continue to adopt the going concern basis in preparing the financial statements.

**Directors**

The directors who served during the year and up to the date of signing the financial statements were:

P M Rattle (resigned 10 May 2016)  
A N Hassan (resigned 10 May 2016)  
C Dube (resigned 10 May 2016)  
P L R Greenfield  
J C Whigham (resigned 1 September 2016)  
R J Marshall (resigned 7 December 2016)  
S W Duncan  
S P D Kershaw (appointed 27 September 2016)

The company maintains cover under a qualifying third party indemnity for all directors and officers against liabilities which may be incurred by them whilst acting as directors or officers. This was in place as at the authorisation date of the financial statements and throughout the financial year.

**Financial Risk Management**

Please see the strategic report, where these risks have been discussed.

**Future Developments**

No significant changes in the company's principal activity are planned, and the directors plan to extend the marketing of the pre-need product beyond the group's branches during the coming year.

**Disclosure of information to auditors**

In accordance with section 418 of the Companies Act 2006, each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**FUNERAL PARTNERS TOPCO LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**Post balance sheet events**

After the year-end the group completed the acquisition of the entire share capital of High Street Funeral Directors Limited for a total preliminary consideration (including fees) of £0.1 million.

This report was approved by order of the Board on 28 February 2017 and signed by its order.



**A H Fraser**  
**Company Secretary**

Date: 3/3/2017



## ***Independent auditors' report to the members of Funeral Partners TopCo Limited***

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Funeral Partners Topco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2016 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 30 September 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## ***Independent auditors' report to the members of Funeral Partners TopCo Limited (continued)***

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

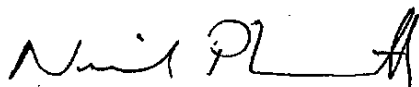
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Neil Philpott (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

3 March 2017

**FUNERAL PARTNERS TOPCO LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

		<b>2016</b>	<b>2015</b>
	Note	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	5	33,637	6,026
Cost of sales		<u>(12,815)</u>	<u>(2,704)</u>
<b>Gross profit</b>		<b>20,822</b>	<b>3,322</b>
Administrative expenses		(17,690)	(3,805)
Exceptional Costs		(2,700)	-
<hr/>			
Adjusted earnings before interest, depreciation and amortisation (EBITDA)		10,320	621
Exceptional Costs		(2,700)	-
Depreciation and amortisation charge	6	(7,188)	(1,104)
<hr/>			
<b>Operating profit/(loss)</b>	6	<b><u>432</u></b>	<b><u>(483)</u></b>
Interest receivable and similar income		85	3
Interest payable and similar charges	8	<u>(12,305)</u>	<u>(2,449)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(11,788)</b>	<b>(2,929)</b>
Tax on loss on ordinary activities	9	<u>2,230</u>	<u>51</u>
<b>Loss and total comprehensive expense for the financial year</b>		<b><u>(9,558)</u></b>	<b><u>(2,878)</u></b>

All operations are continuing.

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own statement of comprehensive income. The loss for the company for the year was £60,000 (2015: £15,000).

# FUNERAL PARTNERS TOPCO LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
<b>Fixed assets</b>					
Intangible assets	10		106,007		88,918
Tangible assets	11		5,702		6,983
Investments	12		<u>6,590</u>		<u>2,867</u>
			118,299		98,768
<b>Current assets</b>					
Inventories	13	301		288	
Debtors	14	5,658		4,974	
Cash at bank and in hand		<u>2,984</u>		<u>4,202</u>	
		8,943		9,464	
Creditors: amounts falling due within one year	15	<u>(12,774)</u>		<u>(10,466)</u>	
<b>Net current liabilities</b>			<u>(3,831)</u>		<u>(1,002)</u>
<b>Total assets less current liabilities</b>			<u>114,468</u>		<u>97,766</u>
Creditors: amounts falling due after more than one year	16		116,752		100,229
Provision for other liabilities	18		9,737		-
Called up share capital	19	1		1	
Share premium account	20	414		414	
Accumulated losses		<u>(12,436)</u>		<u>(2,878)</u>	
<b>Total equity</b>			<u>(12,021)</u>		<u>(2,463)</u>
			<u>114,468</u>		<u>97,766</u>

The deficit of capital and reserves at the year-end amounted to £12,021,000 (2015: £2,463,000).

The financial statements on pages 8 to 35 were approved and authorised for issue by the Board on 28 February 2017 and were signed on its behalf.

P L R Greenfield  
Director

Date: 3/3/2017

The notes on pages 13 to 35 form an integral part of these financial statements.

# FUNERAL PARTNERS TOPCO LIMITED

## COMPANY BALANCE SHEET AS AT 30 SEPTEMBER 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
<b>Fixed assets</b>					
Investments	12		4,080		-
<b>Current assets</b>					
Debtors	14	929		929	
Creditors: amounts falling due within one year	15	<u>(4,080)</u>		-	
<b>Net current (liabilities)/assets</b>			<u>(3,151)</u>		<u>929</u>
Total assets less current liabilities			<u>929</u>		<u>929</u>
Creditors: amounts falling due after more than one year	16		<u>(589)</u>		<u>(529)</u>
<b>Net assets</b>			<u>340</u>		<u>400</u>
<b>Capital and reserves</b>					
Called up share capital	19	1		1	
Share premium account	20	414		414	
Accumulated losses		<u>(75)</u>		<u>(15)</u>	
<b>Total equity</b>			<u>340</u>		<u>400</u>

The financial statements on pages 8 to 35 were approved and authorised for issue by the Board on 28 February 2017 and were signed on its behalf.

  
P L R Greenfield  
Director

Date: 3/3/2017

The notes on pages 13 to 35 form an integral part of these financial statements.

# **FUNERAL PARTNERS TOPCO LIMITED**

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 3 June 2015	-	-	-	-
Issue of share capital	1	414	-	415
Loss and total comprehensive expense for the financial period	-	-	(2,878)	(2,878)
At 30 September 2015	<u>1</u>	<u>414</u>	<u>(2,878)</u>	<u>(2,463)</u>
At 1 October 2015	1	414	(2,878)	(2,463)
Loss and total comprehensive expense for the financial year	-	-	(9,558)	(9,558)
At 30 September 2016	<u>1</u>	<u>414</u>	<u>(12,436)</u>	<u>(12,021)</u>

## **COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 3 June 2015	-	-	-	-
Issue of share capital	1	414	-	415
Loss and total comprehensive expense for the financial period	-	-	(15)	(15)
At 30 September 2015	<u>1</u>	<u>414</u>	<u>(15)</u>	<u>(400)</u>
At 1 October 2015	1	414	(15)	400
Loss and total comprehensive expense for the financial year	-	-	(60)	(60)
At 30 September 2016	<u>1</u>	<u>414</u>	<u>(75)</u>	<u>340</u>

**FUNERAL PARTNERS TOPCO LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	<b>Note</b>	<b>2016 £000</b>	<b>2015 £000</b>
<b>Net cash flow from operating activities</b>	<b>22</b>	<b>14,304</b>	<b>1,651</b>
Taxation (paid)/received		<u>(575)</u>	<u>82</u>
<b>Net cash generated from operating activities</b>		<u><b>13,729</b></u>	<u><b>1,733</b></u>
<b>Cash flow from investing activities</b>			
Purchase of subsidiaries (net of cash acquired)		(12,051)	(42,004)
Purchase of tangible assets		(1,484)	(681)
Sale of tangible assets		3,576	46
Purchase of investments for pre-paid funeral plans	<b>12</b>	(4,274)	(559)
Proceeds from disposal of investments		-	92
<b>Net cash used in investing activities</b>		<u><b>(14,233)</b></u>	<u><b>(43,106)</b></u>
<b>Cash flow from financing activities</b>			
Issue of ordinary share capital		-	415
Receipts from new secured loans		9,785	65,315
Receipts from new shareholder loan notes		-	33,588
Repayment of acquired secured loans		-	(15,280)
Repayment of acquired shareholder loan notes		-	(34,230)
Repayment of acquired loan		(60)	-
Repayment of finance leases		(348)	(79)
Bank interest and similar fees paid		(6,015)	(10)
Arrangement and similar fees paid		(4,027)	(4,138)
Hire purchase interest paid		(49)	(6)
<b>Net cash generated from financing activities</b>		<u><b>(714)</b></u>	<u><b>45,575</b></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,218)</b>	<b>4,202</b>
Cash and cash equivalents at 1 October 2015		<u>4,202</u>	<u>-</u>
<b>Cash and cash equivalents at 30 September 2016</b>		<u><b>2,984</b></u>	<u><b>4,202</b></u>

## **FUNERAL PARTNERS TOPCO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **1. General Information**

Funeral Partners TopCo Limited ("the company") and its subsidiaries (together "the group") operate over 130 funeral homes in England and Scotland and a retail memorial mason and markets pre-paid funeral plans under the "Choice" brand.

The company is a private company limited by shares and is incorporated in England & Wales. The address of its registered office is 80 Mount Street, Nottingham NG1 6HH.

"2015" refers to the 17 week period from 3 June 2015 to 30 September 2015. "2016" refers to the year ended 30 September 2016.

#### **2. Statement of compliance**

The group and individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland." ("FRS 102") and the Companies Act 2006.

#### **3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied throughout the year presented and the previous period.

##### **3.1 Basis of preparation**

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual profit and loss account.

##### **3.2 Going concern**

The balance sheet at 30 September 2016 shows that group liabilities exceed assets by £12,021,000 (2015: £2,463,000). The directors have prepared cash flow projections and consider that the group will continue to operate within the facilities currently in place. The cash flow projections included a review and consideration of a number of factors including inter alia their evaluation of prevailing market conditions, competition, anticipated sales and operating margins, working capital requirements, financing facilities expected to be available and covenant compliance. Based on this review the directors continue to adopt the going concern basis in preparing the financial statements.

##### **3.3 Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of the use of exemptions to the company's shareholders, who have not objected to this.



**FUNERAL PARTNERS TOPCO LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**3.3 Exemptions for qualifying entities under FRS 102 (continued)**

The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows
- from the financial instrument disclosures
- from disclosing the company key management personnel compensation

on the basis that the company information is provided within the consolidated information.

**3.4 Basis of consolidation**

The group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings ('subsidiaries'). All companies in the group are wholly owned by the group, have the same accounting reference date, use the same accounting policies and all intra-group transactions, balances, income and expenses are eliminated on consolidation. All undertakings included in the consolidation have been treated as if they were a single entity.

The results of subsidiaries acquired in the year are included in the consolidated financial statements from the date of acquisition.

As part of a previous acquisition the group acquired an employee benefit trust for the benefit of employees, former employees and certain of their dependants. Monies held in the trust are held by independent trustees and managed at their discretion. Notwithstanding the legal duties of the trustees, the group considers that it has de facto control of this entity. Such assets are accounted for as assets and liabilities of the sponsoring company within the group and included in the consolidated financial statements as appropriate.

Any of the company's equity instruments held by the trust from time to time are accounted for as if they were the company's own equity and are treated as treasury shares. No gain or loss is recognised on the purchase, sale or cancellation of the company's own equity held by the trust.

**3.5 Revenue recognition**

Revenue is recognised at the fair value of the consideration received or receivable and represents the amount receivable in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

For funeral services revenue is recognised on the date of the funeral as this is the point where the company is considered to have discharged the bulk of its obligations in providing its services. For the same reason memorial-related revenue is recognised when the memorial is installed, or on practical completion of other works.

In respect of pre-need funeral plans, revenue is recognised when non-refundable management charges are received on the sale of the plans.

**3.6 Employee benefits**

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension schemes.

Short term benefits, including holiday pay and similar non-monetary benefits, are recognised as an expense in the year in which the service is received.

An expense in relation to annual bonus plans is recognised when the group has a legal or constructive obligation to make payments as a result of past events and when a reliable estimate of the obligation can be made.

## **FUNERAL PARTNERS TOPCO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **3.6 Employee benefits (continued)**

The group operates a number of defined contribution pension schemes. The pension charge represents the amounts payable by the group to the funds in respect of the year. The assets of the schemes are held separately from those of the company in independently administered funds.

#### **3.7 Taxation**

Tax expense for the year covers current and deferred tax recognised in the reporting year. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Neither current nor deferred tax assets and liabilities are discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year, calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year-end.

Management periodically evaluates positions taken in tax returns and establishes provisions on the basis of amounts expected to be paid.

Deferred tax arises from timing differences, which arise from the inclusion of income and expenses in tax assessments in years different from those when they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and law that have been enacted or substantively enacted by the year-end and that are expected to apply to the reversal of the timing difference.

#### **3.8 Business combinations and goodwill**

Business combinations (acquisitions) are accounted for by using the purchase method.

Cost is the fair value of the consideration given, liabilities incurred or assumed and of any equity instruments issued plus the costs directly attributable to the acquisition. Contingent consideration is initially recognised at estimate amount where the consideration is probable and can be estimated reliably. Any changes in these estimates are adjusted by means of a change to the cost of the acquisition.

On acquisition, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Goodwill is allocated to cash-generating units that are expected to benefit from the acquisition.

On acquisition, goodwill is allocated to cash-generating units that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life of 20 years. Goodwill is assessed for impairment when there are indications of impairment, and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for impairment no longer apply.

## **FUNERAL PARTNERS TOPCO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **3.9 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight line method over a year of up to 20 years and charged to Administrative expenses in the statement of comprehensive income.

Where factors indicate that useful life have changed the amortisation rate is amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if these factors indicate that the carrying value may be impaired.

#### **3.10 Tangible assets**

Tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on other assets is provided at rates calculated to write off their cost, less estimated residual value, over their expected useful lives on the following bases:

Buildings	-	2% straight line (freehold), 10 - 25% straight line (leasehold)
Motor vehicles	-	12.5% - 25% straight line
Furniture, fittings and equipment	-	12.5% - 33.3% straight line

Residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting year. The effect of any change is applied prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

#### **3.11 Investments**

Investments held by the group represent insurance policy receivables to cover funeral costs which are recoverable from a third party on death of the insured party or cancellation of the policy. The valuation of the investment is remeasured at each balance sheet date with increases attributable to RPI movements recognised in the profit and loss account within interest receivable and similar income.

Investments held by the company represent shares in group undertakings and are valued at cost less any accumulated impairment losses.

#### **3.12 Borrowing costs**

All borrowing costs are recognised in the statement of comprehensive income in the year to which they relate.

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**3.13 Leased assets**

At inception the group assesses agreements that transfer the right to use assets, looking at the substance of the agreement.

Leases that transfer substantially all risks and rewards incidental to ownership are classified as finance leases. Assets obtained under finance leases are capitalised at fair value at commencement of the lease and are depreciated over their useful lives. The capital element of obligations under such agreements are included as a liability on inception of the lease. The finance element of the rental payment is charged to the statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each year.

Leases that do not transfer substantially all of the risks and rewards incidental to ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Incentives received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period of the lease.

**3.14 Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed for indications of impairment, looking at the relevant cash-generating unit. If there is such an indication the recoverable amount is compared to the carrying value. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Value in use is derived from future cash flows before interest and tax arising from the asset's continued use, discounted using a pre-tax discount rate representing the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount is lower than the carrying value the latter is reduced to the recoverable amount and an impairment loss is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed the carrying amount is increased to the extent that this is returned to the value it would have without the previous impairment.

**3.15 Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the year in which the related revenue is recognised.

Cost is determined on the first-in first-out method and includes purchase price, taxes and transport and handling attributable to bringing the inventory to its present location and condition.

At the end of each reporting year inventories are assessed for impairment.

**3.16 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

**3.17 Provisions and contingencies**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and its amount can be estimated reliably. In these cases the provision is measured at the present value using a pre-tax rate reflecting current market assessments of the time value of money.

## **FUNERAL PARTNERS TOPCO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **3.17 Provisions and contingencies (continued)**

Contingent liabilities are not recognised except those acquired in a business combination. They arise from past events when it is not probable that there will be an outflow of resources or the amount cannot be reliably ascertained or any liability will be determined by future events not wholly within the group's control. They are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised and are disclosed in the financial statements only where an inflow of economic benefits is probable.

#### **3.18 Accruals and deferred income - Pre-need funeral plan liability**

This is held within Accruals and deferred income and represents future costs to the company to provide funerals or refund previously received policy amounts. The valuation of the liability is assessed annually by the directors. Movements in the valuation relating to increases attributable to RPI are reflected within interest payable and similar charges in the profit and loss account. Movements in the valuation relating to potential losses on provision of funerals are booked when identified and recorded as administrative expenses.

#### **3.19 Financial Instruments**

The group has chosen to adopt Sections 11 and 12 of FRS 102 in relation to financial instruments.

Basic financial assets, including trade and other receivables, cash and bank balances are recognised at transaction price. At the end of each reporting year financial assets are assessed for objective evidence of impairment.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction. In this instance the debt instrument is measured at the present value of the future receipts and payments, discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the loan will be drawn down. In this case the fee is deferred until draw-down occurs.

Trade payables are payable within one year and accounted for at transaction price and as current liabilities.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right of set-off and there is an intention to settle on a net basis.

#### **3.20 Related party transactions**

The group discloses transactions with related parties which are not wholly owned within the same group.

## **FUNERAL PARTNERS TOPCO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

#### **4. Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continuously evaluated and are based on historic experience and other factors, including expectations of future events. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results.

##### **Critical accounting estimates and assumptions**

##### **(I) Fair value of acquisitions made in the year**

The fair values used in accounting for the acquisitions made by the group are all provisional in nature, and required estimates of the trading performance of the relevant cash-generating units over a number of years, including assumptions relating to market size, revenue growth and cost bases. Valuations ascribed to brand names inevitably involve considerable exercise of judgement, albeit that the long-standing nature of brands in the funeral sector can serve to limit the uncertainty here.

##### **(II) Impairment assessments of intangible assets and goodwill**

As considered above, the assessment of impairment using recoverable value relies upon estimates for future trading performance of the cash-generating units. It also requires judgement in the setting of applicable discount rates on future cash flows from these units.

##### **(III) Recoverability of trade debtors**

The group has a large number of relatively small trade debtors, resulting from providing services to a broad cross-section of the general public. The policy adopted for estimating impairment of ageing trade debts requires judgement, made in the light of previous collection experience and consideration of the deceased's estate as well as the financial position of each client.

##### **(IV) Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates based on economic utilisation and physical condition of the assets.

##### **(V) Useful economic lives of intangible assets and goodwill**

The annual amortisation charge for intangible assets and goodwill is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives are re-assessed annually based on reviews of performance of cash generating units (CGUs). Where considered necessary the useful economic lives of the intangible assets and goodwill for specific CGUs are amended to reflect the current estimates for future value generation.

#### **5. Turnover**

Turnover is attributable to the provision of funeral services and related activities (£33,188,000, 2015: £5,962,000) and the sale of pre-need funeral plans (£449,000, 2015: £64,000). All turnover arose within the United Kingdom.

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**6. Operating profit/(loss)**

Operating profit/(loss) for the group is stated after charging:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	9,434	1,900
Social security costs	749	150
Other pension costs	59	21
Staff costs charged to profit and loss	<u>10,242</u>	<u>2,071</u>
Exceptional items	2,700	-
Operating lease charges	2,649	527
Depreciation	1,896	357
Amortisation	5,292	747
Inventory recognised as an expense	375	327
Impairment of trade debtors (included in Administrative expenses)	69	29
Fees payable to the company's auditor for the audit of the company's annual financial statements	40	40
Fees payable to the company's auditors and its associates for other services:		
- Audit of the company's subsidiaries' annual financial statements	59	68
- Tax compliance services	78	62
- Financial and Tax Due Diligence and Structuring	943	-
Total amount payable to the company's auditor and its associates	<u>1,120</u>	<u>170</u>

During the year exceptional items included legal and professional costs arising from detailed reviews of the group's business model and operations in light of the investment by Montagu Private Equity LLP. The tax impact of exceptional items was a credit of £200,000 (2015: £Nil).

**7. Employees and directors**

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Direct	447	464
Administration & Management	68	54
<b>Group</b>	<u><b>515</b></u>	<u><b>518</b></u>

The directors' emoluments were as follows:

<b>Group</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Aggregate emoluments	<u>552</u>	<u>108</u>

The directors are considered to represent the key management of the group.

Emoluments of the highest paid director were £212,000 (2015: not disclosed).

At the year-end three (2015: four) directors were accruing benefits under defined contribution schemes; in this regard contributions made by the group totalled £1,000 (2015: £1,000). No (2015: Four) directors received shares under a long term incentive scheme.

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**8. Interest payable and similar charges**

<b>Group</b>	<b>2016 £000</b>	<b>2015 £000</b>
Interest expense on bank loans and overdrafts	6,219	1,369
Interest expense on other loans	4,946	1,009
Finance lease interest	49	6
Unwinding of discounts on other creditors	84	2
Other interest charges	1,007	63
Total interest expense on financial liabilities not measured at fair value through profit and loss	<u>12,305</u>	<u>2,449</u>

**9. Tax on loss on ordinary activities**

<b>Group</b>	<b>2016 £000</b>	<b>2015 £000</b>
<b>Tax income included in comprehensive statement of income</b>		
Current tax	-	-
Adjustments to tax charge in respect of prior periods	(22)	-
<b>Total current tax</b>	<u>(22)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(2,208)	(51)
<b>Total deferred tax (see note 18)</b>	<u>(2,208)</u>	<u>(51)</u>
<b>Tax on loss on ordinary activities</b>	<u>(2,230)</u>	<u>(51)</u>



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**9. Tax on loss on ordinary activities (continued)**

**Reconciliation of tax income**

Tax assessed for the year/period is higher than the standard rate of corporation tax in the UK of 20% (2015: 20%) as set out below:

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Loss on ordinary activities before taxation	<u>(11,788)</u>	<u>(2,929)</u>
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015: 20%)	(2,358)	(586)
<b>Effects of:</b>		
Permanent differences	2,141	172
Unrecognised deferred tax	106	363
Deferred taxation arising on intangible assets	(2,188)	-
Gains/Rollover Relief	45	-
Group relief claimed	86	-
Adjustments to tax charge in respect of prior periods	(22)	-
Other	(40)	-
<b>Tax credit for the year/period</b>	<u><b>(2,230)</b></u>	<u><b>(51)</b></u>

**Tax rate changes**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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**10. Intangible assets**

<b>Group</b>	<b>Goodwill £000</b>	<b>Trade names £000</b>	<b>Total £000</b>
<b>At 1 October 2015</b>			
Cost	89,665	-	89,665
Accumulated Amortisation	<u>(747)</u>	<u>-</u>	<u>(747)</u>
Opening net book amount	<u>88,918</u>	<u>-</u>	<u>88,918</u>
Acquisitions (see note 21)	5,382	6,209	11,591
Additional consideration and fees payable in respect of prior period acquisitions	33	51	84
Fair Value adjustments and accounting finalisation for prior period acquisitions	(42,658)	53,364	10,706
Amortisation	<u>(2,226)</u>	<u>(3,066)</u>	<u>(5,292)</u>
<b>Closing net book amount</b>	<b><u>49,449</u></b>	<b><u>56,558</u></b>	<b><u>106,007</u></b>
<b>At 30 September 2016</b>			
Cost	52,061	60,073	112,134
Accumulated Amortisation	<u>(2,612)</u>	<u>(3,515)</u>	<u>(6,127)</u>
Closing net book amount	<u>49,449</u>	<u>56,558</u>	<u>106,007</u>

The individual intangible assets consist of twenty cash-generating units, spread across England and Wales on a geographic basis, none of which is disproportionately larger than the others.

Additions have arisen as a result of the acquisitions made during the year, as set out in note 21.

During the year accounting was finalised in respect of prior period acquisitions. Significant adjustments resulted in trade names of £53,351,000 being recognised. In addition, deferred tax associated with the identified Trade names resulted in an additional £10,685,000 of goodwill being recognised in the year.

Goodwill and trade names are being amortised over their expected useful lives, which are deemed to be up to 20 years, based on the long and durable trading histories regularly experienced in the funeral sector.

The company had no intangible assets at 30 September 2016.

**FUNERAL PARTNERS TOPCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**11. Tangible assets**

<b>Group</b>	<b>Land and buildings £000</b>	<b>Motor vehicles £000</b>	<b>Furniture, fittings and equipment £000</b>	<b>Total £000</b>
<b>At 1 October 2015</b>				
Cost	3,816	2,085	1,480	7,381
Accumulated Depreciation	(32)	(116)	(250)	(398)
	<u>3,784</u>	<u>1,969</u>	<u>1,230</u>	<u>6,983</u>
Opening net book amount				
Acquisition (see note 21)	1,135	670	49	1,854
Additions	759	900	656	2,315
Disposals	(2,663)	(891)	-	(3,514)
Depreciation	(821)	(623)	(452)	(1,896)
	<u>2,194</u>	<u>2,025</u>	<u>1,483</u>	<u>5,702</u>
Closing net book amount				
<b>At 30 September 2016</b>				
Cost	3,000	2,270	2,185	7,455
Accumulated Depreciation	(806)	(245)	(702)	(1,753)
	<u>2,194</u>	<u>2,025</u>	<u>1,483</u>	<u>5,702</u>
Net book amount				

The net book value of assets held under finance leases, included above, is as follows:

<b>Group</b>	<b>2016 £000</b>	<b>2015 £000</b>
Motor vehicles	<u>1,149</u>	<u>697</u>

At 30 September 2016, included within the net book value of land and buildings is £379,000 (2015: £1,645,000) relating to freehold land and buildings and £1,816,000 (2015: £2,139,000) relating to short term leasehold land and buildings.

The company had no tangible assets at 30 September 2016.

**FUNERAL PARTNERS TOPCO LIMITED**  
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**12. Investments**

<b>Group</b>	<b>Insurance policy receivables £000</b>
At 1 October 2015	2,867
Additions	4,274
RPI uplift	84
Disposals	<u>(635)</u>
At 30 September 2016	<u>6,590</u>

These are not listed investments. The RPI uplift above has been included in Interest receivable and similar income.

<b>Company</b>	<b>Shares in group undertaking £000</b>
At 1 October 2015	-
Additions	<u>4,080</u>
At 30 September 2016	<u>4,080</u>

On 10 May 2016 the company increased its investment in Funeral Partners MidCo Limited when that company's share capital was increased by the amount shown above.

The directors believe that the carrying value of Investments is supported by their underlying net assets.

**Subsidiary undertakings during the year**

Subsidiary undertakings are listed below and on the following page. None are publicly traded.

All companies were registered in England & Wales except for M L Williams Limited, which was registered in Scotland. The registered address of all companies is 80 Mount Street, Nottingham, NG1 6HH. All companies are private limited companies.

All of the subsidiaries are included in the consolidation.

<b>Company name</b>	<b>Ordinary shares</b>	<b>Principal activity</b>
Funeral Partners MidCo Limited ^ (09622123)	100%	Intermediate holding company
Funeral Partners HoldCo Limited *	100%	Intermediate holding company
Funeral Partners BidCo Limited * ^ (09622240)	100%	Intermediate holding company
FSP Holdco Limited * ^ (06932060)	100%	Intermediate holding company
FSP Acquisition Limited * ^ (06934252)	100%	Intermediate holding company
Funeral Services Partnership Limited * ^ (06059124)	100%	Intermediate holding company
Lockerley Stone & Masonry Limited * ^ (02725887)	100%	Suppliers of stone and masonry products
Funeral Partners Limited *	100%	Funeral Directors
Alternative Planning Company Limited *	100%	Marketing of Pre-need funeral services

**FUNERAL PARTNERS TOPCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. Investments (continued)**

<b>Company name</b>	<b>Ordinary shares</b>	<b>Principal activity</b>
M L Williams Limited *	100%	Dormant
FSP Employee Benefit Trust Limited *	100%	Dormant
Torbay & District Funeral Service Limited *	100%	Dormant
C & T Radmall Funeral Services Limited *	100%	Dormant
James Hawes & Goodchild Limited *	100%	Dormant
Okehampton & District Funeral Service Limited (formerly Fieldhey Limited) *	100%	Dormant
Roy Quinton Funeral Directors Limited *	100%	Dormant
T. W. Boorman Funeral Services Limited *	100%	Dormant
Paul Capper Limited *	100%	Dormant
Funerals Made Simple Limited (formerly Roger A. J. Drury Limited) *	100%	Dormant
James & Thomas Limited *	100%	Dormant
Mears & Cotterill Limited *	100%	Dormant
E Sargeant & Son Limited *	100%	Dormant
Cutler Group Holdings Limited *	100%	Dormant
Cutler Funeral Directors Limited *	100%	Dormant
The Funeral People Limited *	100%	Dormant
L.M. Funerals (Holdings) Limited *	100%	Dormant
LM Funerals Limited *	100%	Dormant
Former LMF AJN Limited *	100%	Dormant
William H. Painter Limited *	100%	Dormant
Steven Mears Funeral Directors Limited *	100%	Dormant
Laurel Memorials Limited *	100%	Dormant
Stratford upon Avon Funeral Services Limited *	100%	Dormant
Henry Ison & Sons Limited *	100%	Dormant
Doves Limited *	100%	Dormant
Former LMF WHS Limited *	100%	Dormant
Chris White Funeral Directors Limited *	100%	Dormant
Bexley & Crayford Funeral Service Limited *	100%	Dormant
Earl & Co (Ashford) Limited *	100%	Dormant
Earl & Co (Funeral Services) Limited *	100%	Dormant
Former LMF FMJW Limited *	100%	Dormant
Former LMF FJ&S Limited *	100%	Dormant
Former LMF KYG Limited *	100%	Dormant
Payne & Sons Funeral Directors Limited *	100%	Dormant
Thomas Bragg & Sons Limited * ^ (01231003)	100%	Funeral Directors
Robert Nuttall Funeral Service Limited * ^ (05374044)	100%	Funeral Directors
Aaron Black Funeral Directors Limited * ^ (06449681)	100%	Funeral Directors
Exeter & District Funeral Service Limited * ^ (07121735)	100%	Funeral Directors
Hemming & Peace Limited * ^ (07816129)	100%	Funeral Directors

\* Indirect subsidiaries

^ Exempt from audit under section 479A of the Companies Act 2006 (Registered number shown)

**FUNERAL PARTNERS TOPCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Inventories**

	<u>Group</u>		<u>Company</u>	
	2016 £000	2015 £000	2016 £000	2015 £000
Finished goods and goods for resale	<u>301</u>	<u>288</u>	<u>-</u>	<u>-</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount.

**14. Debtors**

	<u>Group</u>		<u>Company</u>	
	2016 £000	2015 £000	2016 £000	2015 £000
<b>Amounts falling due within one year</b>				
Trade debtors	1,486	1,568	-	-
Amounts owed by group undertakings	-	-	929	929
Other Debtors	2,873	2,633	-	-
Prepayments and accrued income	1,299	773	-	-
	<u>5,658</u>	<u>4,974</u>	<u>929</u>	<u>929</u>

Trade debtors are stated after provisions for impairment, including provisions acquired, of £1,123,000 (2015: £1,046,000).

Amounts owed by group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

**15. Creditors: Amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade creditors	1,857	3,439	-	-
Amounts owed to group undertakings	4,780	-	4,080	-
Finance leases	353	192	-	-
Corporation tax	186	642	-	-
Other taxation and social security	245	-	-	-
Deferred consideration	141	475	-	-
Other creditors	5,212	5,718	-	-
	<u>12,774</u>	<u>10,466</u>	<u>4,080</u>	<u>-</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand. They relate to amounts owing to the company's ultimate and immediate holding companies, which are not included in this consolidation.

Finance leases are secured against the assets to which they relate, which are vehicles in all cases, and are analysed in note 16. The group has the option to purchase the assets at negligible cost at the end of each lease.

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**16. Creditors: Amounts falling due after more than one year**

	<u>Group</u>		<u>Company</u>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans – repayable by instalments	4,800	536	-	-
Accruals and deferred income	6,590	2,866	-	-
Finance leases	576	174	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due between one and five years	<u>11,966</u>	<u>3,576</u>	<u>-</u>	<u>-</u>
Shareholder loan notes – repayable other than by instalments	40,056	35,111	589	529
Bank loans – repayable other than by instalments	64,730	61,542	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due after more than five years	<u>104,786</u>	<u>96,653</u>	<u>589</u>	<u>529</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total amounts falling due after more than one year	<u>116,752</u>	<u>100,229</u>	<u>589</u>	<u>529</u>

Accruals and deferred income represent liabilities to perform funerals under pre-paid funeral contracts entered into by a subsidiary, Alternative Planning Company Limited. Because of the nature of these liabilities the directors are not able to determine when they are likely to fall due. They are shown here as falling due between one and five years.

The shareholder loan notes attract interest at 13.5% and are due for repayment in 2025. The company has the option of issuing Payment in Kind ("PIK") notes, which attract interest and are treated as having the same terms as the existing loan notes, rather than paying interest in cash.

Bank loans: Bank interest is chargeable on the Unitranche facility loan of £62,000,000 (2015: £31,000,000), the Acquisition facility loan of £3,100,000 (2015: £Nil) and the Hix Acquisition facility loan of £Nil (2015: £31,000,000) at 8.0% above LIBOR (with LIBOR to be at least 0.75%) and the Super Senior Acquisition facility loan of £10,000,000 (2015: £3,315,000) at 3.0% above LIBOR. These margins are adjustable both upwards and downwards based on the actual level of leverage.

On 10 May 2016 the Hix Acquisition facility loan was combined with the Unitranche facility loan.

During the year loans of £3,100,000 and £6,685,000 were advanced on the Acquisition facility and Super Senior Acquisition facility respectively for the purposes of funding the acquisitions made.

The bank loans are secured by way of debentures over the assets of the group.

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**16. Creditors: Amounts falling due after more than one year (continued)**

Finance leases are secured against the assets to which they relate, which are vehicles in all cases. The group has the option to purchase the assets at negligible cost at the end of each lease. Future minimum payments are as follows:

	<u>Group</u>		<u>Company</u>	
	2016 £000	2015 £000	2016 £000	2015 £000
Within one year	393	211	-	-
In more than one year but within five years	608	194	-	-
Gross payments	<u>1,001</u>	<u>405</u>		
Less Finance charges included above	(72)	(39)	-	-
Carrying amount of liability	<u>929</u>	<u>366</u>	-	-

**Finance costs**

Included within bank loans are finance costs which have been capitalised and allocated over the following years:

Group	Within 12 months £000	Between one and two years £000	Between two and five years £000	Over five years £000	Total 2016 £000
Bank loans	-	-	10,000	65,100	75,100
Finance costs	(1,408)	(1,408)	(3,792)	(370)	(6,978)
Total	<u>(1,408)</u>	<u>(1,408)</u>	<u>6,208</u>	<u>64,730</u>	<u>68,122</u>

The current amount of £1,408,000 (2015: £721,000) relating to Finance costs allocated to the next 12 months have been shown within Other Debtors.



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**17. Financial instruments**

	<u>Group</u>	
	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Financial assets: Debt instruments measured at amortised cost:		
Trade receivables	1,486	1,568
Investments	6,590	2,867
Amounts owed by group undertakings	-	-
Other receivables	<u>2,873</u>	<u>3,406</u>
	<u>10,949</u>	<u>7,841</u>
Financial liabilities measured at amortised cost:		
Senior loans	(69,530)	(62,078)
Shareholder loan notes	(40,056)	(35,111)
Finance leases	(929)	(366)
Trade creditors	(1,857)	(3,439)
Amounts owed to group undertakings	(4,780)	-
Deferred consideration	(141)	(475)
Other creditors	<u>(5,211)</u>	<u>(5,251)</u>
	<u>(122,504)</u>	<u>(106,720)</u>
	<u>(111,555)</u>	<u>(98,879)</u>

**18. Provision for other liabilities**

**Deferred tax**

	<u>Group</u>		<u>Company</u>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 October 2015	-	-	-	-
Recognised on current year fair value adjustment on acquisitions	1,242	51	-	-
Recognised on finalisation of prior year fair value adjustments on acquisitions	10,683	-	-	-
Movement in profit and loss	(572)	(51)	-	-
Impact of change in tax rates	(1,616)	-	-	-
	<u>9,737</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total provision as at 30 September 2016	<u>9,737</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax assets of £779,000 (2015: £923,000) relating to losses and accelerated capital allowances have not been recognised.

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**19. Called up share capital**

**Group and Company**

	Ordinary shares of 0.001p each Number 000	£000	A Ordinary shares of 0.001p each Number 000	£000
<b>Allotted and fully paid</b>				
At 1 October 2015	<u>15,500</u>	-	<u>82,500</u>	<u>1</u>
	Ordinary shares of 1p each Number	£000		
At 30 September 2016	<u>100,000</u>	<u>1</u>		

On 10 May 2016 the Ordinary shares and A Ordinary shares were reclassified and consolidated into Ordinary shares of 1p each, all carrying equal rights to distributions and any return of capital.

On a show of hands every shareholder has one vote. On a poll every shareholder has one vote for every share held.

**20. Share premium account**

**Group and Company**

	£000
At 1 October 2015 and 30 September 2016	<u>414</u>

**FUNERAL PARTNERS TOPCO LIMITED**  
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**21. Acquisitions**

During the year a subsidiary, Funeral Partners Limited, acquired the entire share capital of five companies and the trade and assets of another business, all engaged in the provision of funeral services and related activities.

The book values of the assets and liabilities have been taken from management accounts of each company as at acquisition. Their provisional fair value is summarised below and adjustments have been made where the directors deem appropriate. The group will account for any material issues in the coming year that affect fair values.

In all cases the carrying value of intangible assets on the acquired companies' balance sheets has been assessed as zero, leading to fair value adjustments as set out below.

	Cost	Fair value adjustment	Fair value to the group
	£000	£000	£000
<b>Assets acquired</b>			
Intangible assets	202	6,007	6,209
Tangible assets	1,145	709	1,854
Inventories	35	(11)	24
Debtors	323	27	350
Cash at bank	1,279	8	1,287
Creditors	<u>(718)</u>	<u>(1,155)</u>	<u>(1,873)</u>
Net assets acquired	<u>2,266</u>	<u>5,585</u>	<u>7,851</u>
Provisional goodwill arising on acquisition (note 10)			<u>5,382</u>
Cash paid to former owners			12,833
Directly attributable fees			<u>400</u>
Total consideration			<u>13,233</u>

The revenue included in the consolidated income statement for 2016 was £2,194,000 and the acquisitions contributed profit of £1,044,000 in the year.

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**22. Notes to the cash flow statement**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Loss for the financial year	(9,558)	(2,878)
Adjustments for:		
Tax income	(2,230)	(51)
Net interest expense	12,220	2,446
	<hr/>	<hr/>
<b>Operating profit/(loss)</b>	<b>432</b>	<b>(483)</b>
Amortisation of intangible fixed assets	5,292	747
Depreciation of tangible fixed assets	1,896	357
Loss on disposal of tangible fixed assets	(20)	-
Decrease/(Increase) in Inventories	11	(20)
Decrease/(increase) in debtors	353	(1,019)
Receipt of funds from customers for investment in pre-paid plans	4,274	559
Increase in creditors	2,066	1,510
	<hr/>	<hr/>
<b>Cash flow from operating activities</b>	<b>14,304</b>	<b>1,651</b>

**Non-cash transactions**

Amounts outstanding on shareholder loan notes increased by £4,946,000 (2015: £1,009,000) as a result of interest accruing during the year.

Amounts shown as outstanding on bank loans were affected by amortisation of finance costs during the year totalling £1,007,000 (2015: £180,000) and reclassification of finance costs of £1,408,000 (2015: £721,000). These are to be amortised in the next year and are shown within Other Debtors (see note 14).

**23. Contingent liabilities**

The company, in its role as the parent company of the group, has provided a statutory guarantee to certain subsidiaries for all outstanding liabilities of those subsidiaries at 30 September 2016. This enables them to take the audit exemption from obtaining a signed statutory audit opinion under 479A of the Companies Act 2006. The companies provided with a statutory guarantee are identified in note 12.

As a result of the acquisitions in the year, contingent liabilities were acquired. The directors have assessed the recognition criteria for these and have determined that they cannot be reliably measured as at acquisition date.

**24. Post-employment benefits**

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £59,000 (2015: £21,000). Contributions totalling £7,000 (2015: £2,000) were payable to the fund at the balance sheet date and are included in creditors.

# **FUNERAL PARTNERS TOPCO LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

### **25. Capital and other commitments**

At 30 September 2016 the group had commitments under non-cancellable operating leases as follows:

<b>Group</b>	<b>Land and buildings</b>	
	<b>2016 £000</b>	<b>2015 £000</b>
Within one year	2,723	2,259
In more than one but within five years	9,240	7,696
After more than five years	<u>13,105</u>	<u>10,088</u>
<b>Total commitments</b>	<b><u>25,068</u></b>	<b><u>20,043</u></b>

### **26. Related party transactions**

#### **Group and Company**

Two of the directors who served and resigned during the year, P M Rattle and A N Hassan, are partners in August Equity Partners III Executives Partnership, which itself is a partner in August Equity Partners III. August Equity Partners III is managed by August Equity LLP and until 10 May 2016 formed the ultimate controlling party. These directors are also partners in August Equity LLP.

A further director who served and resigned during the year, C Dube, is employed by August Equity LLP.

Funds managed by August Equity LLP held £33,588,000 of loan notes plus accrued interest of £3,846,000 until these were purchased by the company's immediate parent, FP Bidco Limited, on 10 May 2016.

Two directors held £514,000 of loan notes plus accrued interest of £59,000 until these were also purchased by the company's immediate parent, FP Bidco Limited, on 10 May 2016. The terms of these loan notes are described in note 16. During the year £Nil (2015: £Nil) of the loan notes including accrued interest was repaid.

On 10 May 2016 14,500,000 Ordinary shares held by directors and 82,500,000 A Ordinary shares held by funds managed by August Equity LLP were purchased by the company's current immediate parent, FP Bidco Limited.

August Equity LLP charged monitoring fees of £131,945 (2015: £166,667). Amounts outstanding to August Equity LLP totalled £Nil (2015: £180,822) at the year-end.

Montagu Private Equity Associates LLP, a connected party to Montagu Private Equity LLP, charged a group company consulting fees of £1,700,000 (2015: £Nil) during the year. Amounts outstanding to Montagu Private Equity Associates LLP totalled £Nil (2015: £Nil) at the year-end.

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**27. Controlling party**

**Group and company**

The ultimate controlling party is funds managed by Montagu Private Equity LLP, a limited liability partnership registered in England and Wales.

The immediate parent company is FP Bidco Limited, a company registered in England & Wales, and the ultimate parent company is FP Topco Limited, a company registered in Jersey. Neither company has produced financial statements as at 30 September 2016.

**28. Events after the reporting year**

After the year-end the group completed the acquisition of High Street Funeral Directors Limited for preliminary considerations (including fees) of £0.1m