

**The Fairways Partnership Limited
(formerly Fairways Funeral Partnership
Limited)**

Directors' report and financial
statements

Registered number 03461590

2 January 2010



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Directors' report

The Directors present their report and financial statements for the period ended 2 January 2010

Principal activities

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

Name change

The Fairways Partnership Limited changed its name from Fairways Funeral Partnership Limited on 27th April 2010 due to an internal restructuring within the Co-operative Group

Business review

The results for the period are set out on page 7 of the financial statements. During the period, the Company made a profit before taxation of £1,273,000 (period ended 10 January 2009 profit of £1,041,000)

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 24-25 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 26-29 of the group's annual report which does not form part of this report.

Directors' Report *(continued)*

Principal risks and uncertainties *(continued)*

Key Performance Indicators:

The key performance indicators monitored by Company management are

	2010	2009
Funerals completed	3,368	3,664
Revenue (£000)	7,557	7,597
Operating profit (£000)	1,462	1,633
Operating profit margin %	19.35%	21.50%

All KPIs relate to continuing operations

Dividend

The Directors do not recommend the payment of a dividend (2009 £nil)

Directors

The Directors who held office during the period were as follows

S Kershaw
D Hendry
G Tinning
N Walker
P Moynihan (appointed 18/05/09)

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 Co-operative Group's performance through annual, interim and social accountability reports, management bulletins and Newslines, the electronic weekly new service.

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

Creditor payment terms

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

Corporate responsibility and the environment

The Company closely follows the Group's corporate responsibility and environmental policies. The Co-operative Group provides a sustainable development section in its annual report. This can be found on pages 17-20. In addition, the Group's Sustainability Report, which will be published towards the latter half 2010, describes how the Group manages its social, ethical and environmental impact.

Political and charitable contributions

The Company made no political donations nor incurred any political expenditure in the period.

The Company made no charitable contributions during the period (2009 £23,764).

Directors' Report *(continued)*

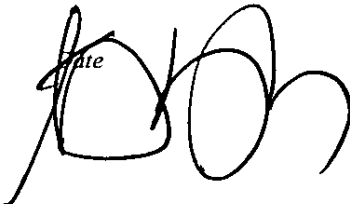
Disclosure of information to auditors

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

A handwritten signature in black ink, appearing to be 'C J Sellers', with a stylized, cursive script.

C J Sellers
Secretary

Registered Office
New Century House
Corporation Street
Manchester
M60 4ES

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

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

Company law requires the Directors to prepare financial statements for each financial period. 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 judgments 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 auditors' report to the members of The Fairways Partnership Limited

We have audited the financial statements of The Fairways Partnership Limited for the period ended 2 January 2010 set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2 January 2010 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.

Independent auditors' report to the members of The Fairways Partnership Limited *(continued)*

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

 15 July 2010

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

Income statement
for the period ended 2 January 2010

		<i>Note</i> For period ended 2 January 2010			For the period ended 10 January 2009		
		£000	£000	£000	£000	£000	£000
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Revenue		7,557	-	7,557	7,597	-	7,597
Cost of sales		(1,119)	-	(1,119)	(1,357)	-	(1,357)
Gross profit		6,438	-	6,438	6,240	-	6,240
Administrative expenses		(4,976)	-	(4,976)	(4,607)	-	(4,607)
Operating profit	2	1,462	-	1,462	1,633	-	1,633
Financial income	6	62	-	62	300	-	300
Financial expenses	7	(251)	-	(251)	(892)	-	(892)
Profit before taxation		1,273	-	1,273	1,041	-	1,041
Income tax expense	8	(519)	-	(519)	(328)	-	(328)
Profit after taxation		754	-	754	713	-	713
Profit on sale of discontinuing operations, net of tax	9	-	383	383	-	493	493
Profit for the period		754	383	1,137	713	493	1,206

The Company has no other items of comprehensive income in the current period or prior year other than those included in the income statement shown above

Balance sheet
at 2 January 2010

	Notes	As at 2 January 2010 £000	As at 2 January 2010 £000	As at 10 January 2009 £000	As at 10 January 2009 £000
Non-current assets					
Property, plant and equipment	10	2,484		2,307	
Intangible assets	11	4,800		4,800	
Total non-current assets			7,284		7,107
Current assets					
Inventories	12	147		78	
Trade and other receivables	13	1,297		3,615	
Cash and cash equivalents		11,144		11,706	
Total current assets			12,588		15,399
TOTAL ASSETS			19,872		22,506
Non-current liabilities					
Trade and other payables	14	-		(23)	
Deferred tax liabilities	15	(363)		(425)	
Total non-current liabilities			(363)		(448)
Current liabilities					
Trade and other payables	14	(13,713)		(17,524)	
Income tax payable	8	(498)		(373)	
Total current liabilities			(14,211)		(17,897)
TOTAL LIABILITIES			(14,574)		(18,345)
Net assets			5,298		4,161
Equity					
Called up share capital	16		54		54
Share premium account			5,346		5,346
Retained earnings			(102)		(1,239)
TOTAL EQUITY			5,298		4,161

These financial statements were approved by the board of Directors on 25/6/2010 and were signed on its behalf by



N Walker
Director

Statement of changes in equity
For the period ended 2 January 2010

	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
12 January 2008	54	5,346	(2,445)	2,955
Total recognised income and expense for the period ended 10 January 2009	-	-	1,206	1,206
10 January 2009	54	5,346	(1,239)	4,161
Total recognised income and expense for the period ended 2 January 2010	-	-	1,137	1,137
Total equity as at 2 January 2010	54	5,346	(102)	5,298

All items are shown net of tax

Cash flow statement

For the period ended 2 January 2010

	<i>Notes</i>	10 January 2009 £000	12 January 2008 £000
Cash flow from operating activities			
Profit/loss before tax	2	1,273	1,041
Adjustments for			
Financial income	6	(62)	(300)
Financial expense	7	251	892
Depreciation		543	461
Net loss on disposal of property plant and equipment		1	-
		<hr/>	<hr/>
Cash flows from operating activities before changes in working capital and provisions		2,006	2,094
		<hr/>	<hr/>
Increase in inventories		(69)	(27)
Decrease/(increase) in trade and other receivables		2,318	(1,785)
(Decrease)/Increase in trade and other payables		(3,712)	2,889
		<hr/>	<hr/>
Cash generated from the operations		543	3,171
		<hr/>	<hr/>
Interest income		62	300
Interest paid		(251)	(892)
Income taxes (paid)/received		(373)	-
		<hr/>	<hr/>
Net cash from operating activities		(19)	2,579
		<hr/>	<hr/>
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(445)	(541)
Receipts from disposal of operation		299	578
Proceeds from sale of property, plant and equipment		30	-
Intra group transfer of tangible assets		(306)	-
		<hr/>	<hr/>
Net cash from investing activities		(422)	37
		<hr/>	<hr/>
Cash flows from financing activities			
Capital element of finance lease rental payments		(121)	(295)
		<hr/>	<hr/>
Net cash from financing activities		(121)	(295)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		(562)	2,321
Opening cash and cash equivalents		11,706	9,385
		<hr/>	<hr/>
Closing cash and cash equivalents		<u>11,144</u>	<u>11,706</u>

Notes

(forming part of the financial statements)

1 Accounting policies

Reporting entity

The Fairways Partnership Limited is a Company domiciled in the UK. The address of the Company's registered office is New Century House, Corporation Street, Manchester, M60 4ES.

Basis of preparation

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 Fairways Funeral Partnership Limited, which itself is a wholly owned subsidiary of the 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.

Significant judgements and estimates

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

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

In relation to the Company's Property, Plant and Equipment (note 10), useful economic lives have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to potential impairment of the carrying value of such assets. No circumstances have been identified to suggest that this is the case.

Goodwill is reviewed annually to assess the requirement for impairment. Impairment testing on goodwill is carried out in accordance with the analyses described in note 11. Such calculations require judgement relating to the appropriate discount factors and long term growth prevalent in particular markets as well as short term business performance. The Directors draw upon experience as well as external resources in making these judgements.

Accounting date

The financial statements for the Company are made up for the 51 weeks to 2 January 2010. This financial period's figures below are headed 2010 and the corresponding figures for the previous period (52 weeks ended 10 January 2009) are headed 2009 below. The period end date was changed to create a more coherent reporting deadline structure for the Group. Therefore, the comparative amounts are not entirely comparable as they are based on a longer period.

Notes (continued)

1 Accounting policies (continued)

Standards, amendments and interpretations issued but not yet effective

The Company has not early adopted the following accounting standards

IFRS 3 Business Combinations (2008)

The most significant amendments relate to

- Acquiring a controlling interest, but a majority stake only,
- Accounting for changes in stake, and
- Accounting for the price paid

The scope of IFRS 3 has widened to bring certain transactions that were not within the scope of IFRS 3 (2004) into scope. The Company will apply the revised IFRS 3 from 3 January 2010. This will impact on the accounting for all future business combinations. The new standard is effective for accounting periods beginning on 1 July 2009.

Amended IAS 27 Consolidated and Separate Financial Statements (2008)

This standard requires accounting for changes in ownership interests in a subsidiary that occurs without loss of control, to be recognised as an equity transaction. When control of a subsidiary is lost, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement. The amendment is effective for accounting periods beginning on 1 July 2009.

Other standards and interpretations issued but not yet effective

In November 2008, the IASB issued IFRIC 17 *Distribution of non-cash Assets to Owners*, with an effective date for all periods beginning on or after 1 July 2009. This will not have an effect on the Company's financial statements.

In March 2009, the IASB amended IAS 39 *Financial Instruments: Recognition and Measurement* with effective date for all periods beginning on or after 1 July 2009. The Company will apply this amendment from 3 January 2010. The amendments are unlikely to have a material impact on the Company's financial statements.

In April 2009, the IASB issued *Improvements to IFRSs 2009*, which comprises 15 amendments to 12 standards. Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective from 1 January 2010. The amendments are unlikely to have a material impact on the Company's financial statements.

Cash and cash equivalents

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

Property, plant, and equipment and depreciation

(i) Owned assets

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:

Notes (continued)

1 Accounting policies (continued)

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 1 January 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date 1 January 2005, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous UK GAAP.

The classification and accounting treatment of business combinations that occurred prior to 1 January 2005 has not been reconsidered in preparing the Company's opening IFRS balance sheet at 1 January 2005.

Impairment

The carrying amount of the Company's assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Company's assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of these assets, an impairment loss is reversed if there has been a change in the estimates based on an event subsequent to the initial impairment used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Inventories

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

Notes (continued)

1 Accounting policies (continued)

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.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Derivative financial instruments and hedging

The Company holds no derivative financial instruments.

Intra-group financial instruments

Intra-group financial instruments have been stated at their nominal amount (discounted if material) less impairment losses.

Provisions

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

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Pension

The Company operates a Company personal pension plan. The pension cost charge represents contributions payable by the Company to the Company personal pension plan.

Notes (continued)

1 Accounting policies (continued)

Revenue

Revenue is measured at the fair value of consideration received or receivable, net of cancellations. The Company recognises revenue in the income statement at the completion of the funeral service.

Financing income and costs

Interest income is recognised in the income statement as it accrues using the effective interest method.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

(i) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

(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.

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.

Operating segments

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

Notes (continued)

2 Profit before taxation

	2 January 2010 £000	10 January 2009 £000
Depreciation of tangible fixed assets		
Owned	490	406
Assets held under finance leases	52	55
Rentals under operating leases – land and buildings	478	475
Staff costs (see note 3)	2,843	2,656
	<u>2,843</u>	<u>2,656</u>

The auditor's remuneration of £500 (2009 £500) is borne by the ultimate parent undertaking

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 2 January 2010	10 January 2009
Full time	64	69
Part time	132	134
	<u>196</u>	<u>203</u>

The aggregate payroll costs of these persons were as follows

	2 January 2010 £000	10 January 2009 £000
Wages and salaries	2,582	2,405
Social security costs	222	202
Other pension costs (see note 5)	39	49
	<u>2,843</u>	<u>2,656</u>

Notes (continued)

4 Staff numbers and costs (continued)

Directors remuneration

	2 January 2010 £000	10 January 2009 £000
Directors' emoluments	-	631
Company pension contributions to personal pension schemes	-	14
	<u>-</u>	<u>645</u>
Highest paid	2 January 2010 £000	10 January 2009 £000
Emoluments	<u>-</u>	<u>322</u>
	2 January 2010 Number	10 January 2009 Number
Number of directors for whom benefits are accruing	<u>-</u>	<u>2</u>

5 Pension scheme

The Company operates a Company personal pension plan. The pension cost charge represents contributions payable by the Company to the Company personal pension plan and amounted to £39,000 (2009 £49,000). At 2 January 2010 no contributions were outstanding (2009 £nil).

6 Financial income

	2 January 2010 £000	10 January 2009 £000
Bank interest received	<u>62</u>	<u>300</u>

7 Financial expenses

	2 January 2010 £000	10 January 2009 £000
On financial leases	5	24
On other loans	246	868
Financial expenses	<u>251</u>	<u>892</u>

Notes (continued)

7 Financial Expenses (continued)

Other loans in the period relate to a loan from the ultimate parent company. During the period the interest charged was variable with the twelve month blended rate equating to 1.6%.

8 Taxation

Analysis of charge in period

	2010 £000	2010 £000	2009 £000	2009 £000
<i>UK corporation tax</i>				
Current tax on income for the period	512		325	
Adjustments in respect of prior periods	(15)		(115)	
Total current tax		497		210
<i>Deferred tax (see note 15)</i>				
Origination/reversal of timing differences		(20)		20
Adjustments in respect of prior periods		42		98
Tax on profit before taxation		519		328

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2009 lower) than the standard rate of corporation tax in the UK (28%, 2009 28.44%). The differences are explained below.

	2 January 2010 £000	10 January 2009 £000
<i>Current tax reconciliation</i>		
Profit before tax	1,273	1,041
Current tax at 28% (2009 28.44%)	356	296
<i>Effects of</i>		
Tax on discontinued activities (see note 9)	84	-
Permanent timing differences	52	49
Expenses not deductible for tax purposes	-	-
Adjustments to tax charge in respect of previous periods	27	(17)
Total income tax charge (see above)	519	328

Notes (continued)

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

A number of branches were sold in the prior period following recommendation by the OFT. During the period ended 2 January 2010 the Company received £199,000 in respect of deferred consideration on disposals from prior periods which had been fully provided against at date of disposal. The company released £100,000 from a disposal fees provision.

An analysis of the assets and liabilities of businesses sold is as follows:

	2 January 2010 £000	10 January 2009 £000
Net assets at date of sale or termination		
Net consideration received, satisfied in cash	199	578
Release of Provision	100	-
Profit on sale of discontinuing operations before tax	299	578
Taxation - current (see note 8)	-	(164)
Taxation - deferred	84	79
Total profit on sale of discontinuing operations net of tax	383	493

10 Property, plant and equipment

For the period ended 2 January 2010

	Freehold land and buildings £000	Leasehold improvements £000	Fixtures and fittings £000	Motor equipment £000	Total £000
Cost					
At 10 January 2009	526	718	697	2,832	4,773
Additions	-	110	98	237	445
Disposals	-	-	-	(38)	(38)
Intra group statutory transfer	(41)	(261)	364	244	306
At 2 January 2010	485	567	1,159	3,275	5,486
Depreciation					
At 10 January 2009	(104)	(399)	(561)	(1,402)	(2,466)
Charge for the period	(14)	(5)	(119)	(405)	(543)
Disposals	-	-	-	7	7
At 2 January 2010	(118)	(404)	(680)	(1,800)	(3,002)
Net book value					
At 2 January 2010	367	163	479	1,475	2,484
At 10 January 2009	422	319	136	1,430	2,307

Notes (continued)

10 Property, plant and equipment (continued)

For the period ended 10 January 2009

	Freehold land and buildings £000	Leasehold improvements £000	Fixtures and fittings £000	Motor equipment £000	Total £000
Cost					
At 13 January 2008	519	688	696	2,329	4,232
Additions	7	30	1	503	541
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 10 January 2009	526	718	697	2,832	4,773
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 13 January 2008	98	302	542	1,063	2,005
Charge for the period	6	97	19	339	461
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 10 January 2009	104	399	561	1,402	2,466
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 10 January 2009	422	319	136	1,430	2,307
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 12 January 2008	421	386	154	1,266	2,227
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Leased assets

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

	2 January 2010 £000	10 January 2009 £000
Motor vehicles	191	316
	<hr/>	<hr/>

Notes (continued)

11 Intangible assets

For the period ended 2 January 2010

	Goodwill
	£000
<i>Cost</i>	
At 10 January 2009	4,800
	<hr/>
At 2 January 2010	4,800
	<hr/>
<i>Impairment</i>	
At 10 January 2009	-
	<hr/>
At 2 January 2010	-
	<hr/>
<i>Net book value</i>	
At 2 January 2010	4,800
	<hr/>
At 10 January 2009	4,800
	<hr/>

For the period ended 10 January 2009

	Goodwill
	£000
<i>Cost</i>	
At 12 January 2008	4,800
	<hr/>
At 10 January 2009	4,800
	<hr/>
<i>Impairment</i>	
At 12 January 2008	-
	<hr/>
At 10 January 2009	-
	<hr/>
<i>Net book value</i>	
At 10 January 2009	4,800
	<hr/>
At 12 January 2008	4,800
	<hr/>

Notes (continued)

11 Intangible assets (continued)

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. 2010-2012 forecasts are based on the board approved three year plan with cash flows beyond this period are extrapolated at the 2012 cash flows to reflect the risk of declining death rate in the United Kingdom offset by improved cost management in the business. These calculations are then discounted back to present value, using the pre-tax discount rate of 7.5%. The pre-tax discount rate has been adjusted for Company and market specific risks which the Directors consider to be appropriate.

The key assumptions for these forecasts are those regarding revenue growth and gross margin which management estimates based on past experience adjusted for current market trends and expectations of future changes in the market.

Based on the calculations on a value in use basis the calculated headroom on the net book value of goodwill is £6,897,000.

12 Inventories

	2 January 2010 £000	10 January 2009 £000
Raw materials and consumables	147	78

13 Trade and other receivables

	10 January 2009 £000	10 January 2009 £000
<i>Current assets</i>		
Trade receivables	853	1,056
Other receivables	354	2,459
Prepayments and accrued income	90	100
	<u>1,297</u>	<u>3,615</u>

All of the above financial assets are classified as loans and receivables. Trade receivables are stated net of impairment provision of £75,886 (10 January 2009 £180,000). 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.

Notes (continued)

13 Trade and other receivables (continued)

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

Trade receivables include amounts totalling £325,000 (2009 £476,000), which are overdue but not considered to be impaired. Ageing of receivables (net of impairment provision) at the end of the period was as follows

	2 January 2010 £000	10 January 2009 £000
Current	528	580
Less than 3 months	159	255
3 to 6 months	42	40
6 to 12 months	37	56
More than 12 months	87	125
	<u>853</u>	<u>1,056</u>

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

Notes (continued)**14 Trade and other payables**

	2 January 2010 £000	10 January 2009 £000
<i>Amounts falling due within one year</i>		
Obligations under finance leases and hire purchase contracts	23	121
Trade payables	384	2,218
Amounts owed to group undertakings	2,045	1,465
Amounts due to parent company	8,775	8,775
Other payables including taxation and social security	113	281
Accruals and deferred income	2,373	4,664
	<u>13,713</u>	<u>17,524</u>
<i>Amounts falling due after more than one year</i>		
Obligations under finance leases and hire purchase contracts	-	23
	<u>-</u>	<u>23</u>

All of the above liabilities are classified as loans and receivables in accordance with IFRS 7

	2 January 2010 £000	10 January 2009 £000
Amounts owed to group undertakings are repayable on demand		
<i>Obligations under finance leases fall due as follows</i>		
In less than one year	23	121
Between one and two years	-	23
Between two and five years	-	-
	<u>23</u>	<u>144</u>

15 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 28% (2009 28%)

	2 January 2010 £000	10 January 2009 £000
Deferred tax liabilities at the beginning of the period	425	385
Charge in the period – income statement before tax	22	118
Credit – discontinued activities	(84)	(78)
	<u>363</u>	<u>425</u>
Deferred tax liabilities at the end of the period		
Deferred tax assets and liabilities are attributable to the following		
Difference between accumulated depreciation and capital allowance	46	25
Other timing difference	317	400
	<u>363</u>	<u>425</u>

Notes (continued)

16 Called up share capital

	2 January 2010 £000	10 January 2009 £000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
54,002 ordinary shares of £1 each	54	54
	<hr/>	<hr/>

17 Commitments and contingent liabilities

- (i) There are no capital commitments at the end of the current period and preceding financial period
- (ii) The future minimum lease payments under non-cancellable operating leases are as follows

	2 January 2010 Land and buildings £000	10 January 2009 Land and buildings £000
<i>Operating leases which expire</i>		
Within one year	25	32
In the second to fifth years inclusive	434	534
Over five years	2,740	3,065
	<hr/>	<hr/>
	3,199	3,631
	<hr/>	<hr/>

18 Group entities

Control of the group

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

The largest and smallest group in which the results of the Company are consolidated is that headed by Co-operative Group Limited, an Industrial and Provident Society registered in England and Wales. The consolidated financial statements of this Company may be obtained from the Secretary, Co-operative Group Limited, PO Box 53, New Century House, Corporation Street, Manchester, M60 4ES

19 Related parties

At 2 January 2010, The Company owed an amount of £8,775,000 to its immediate parent Fairways Funeral Partnership Limited

The Directors of the Company are deemed to be the Company's key management

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 Parent Society Co-operative Group Limited. Amounts owed to the Co-operative Group Limited at year end amount to £2,045,000 (10 January 2009 £1,465,000)

Notes (continued)

20 Financial instruments and financial risk management

(a) 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

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 2 January 2010 £000	Fair value 2 January 2010 £000	Carrying amount 10 January 2009 £000	Fair value 10 January 2009 £000
Trade and other receivables	1,207	1,207	3,515	3,515
Cash and cash equivalents	11,144	11,144	11,706	11,706
Total financial assets	<u>12,351</u>	<u>12,351</u>	<u>15,221</u>	<u>15,221</u>
Trade and other payables	(13,690)	(13,690)	(17,403)	(17,403)
Finance lease	(23)	(23)	(144)	(144)
Total financial liabilities	<u>(13,713)</u>	<u>(13,713)</u>	<u>(17,547)</u>	<u>(17,547)</u>

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

(b) Credit risk

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 has less of an influence on credit risk.

Individual customers with an average sales transactions of £2,912 (2009 £2,891) make up the trade receivables balance. There is no concentration of credit risk with an individual customer.

Notes (continued)

20 Financial instruments and financial risk management (continued)

(b) Credit risk (continued)

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,
- trigger points and escalation procedures are clearly defined and
- deposit of full payment is taken in advance of service

Trade receivables are stated net of impairment provision of £75,886 (10 January 2009 £180,000) 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

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

Trade receivables include amounts totalling £325,000 (2009 £476,000), which are overdue but not considered to be impaired Ageing of receivables (net of impairment provision) at the end of the period was as follows

	2 January 2010 £000	10 January 2009 £000
Current	528	580
Less than 3 months	159	255
3 to 6 months	42	40
6 to 12 months	37	56
More than 12 months	87	125
	<hr/> 853 <hr/>	<hr/> 1,056 <hr/>

Amounts overdue but not impaired typically comprise high volume/low value balances for which the individual trading business do not seek collateral but continue to work with counterparties to secure settlement

No other receivables are due

The carrying amount of financial assets represents the maximum credit exposure

Notes (continued)

20 Financial instruments and financial risk management (continued)

(c) 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 2 January 2010 amounted to £11,144,000 (2009 £11,706,000)

All financial liabilities are payable within 12 months

(d) 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.

The Company is not exposed to currency risk on sales, purchases or on any of its assets and liabilities as no transactions occur in currencies other than Sterling.

21 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. 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.